# REPORT

## Reforms in Local Self-Government

## *in Armenia in 2008*

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# 1. Legal and Programmatic Assessment of Reforms in Local Self-Government

## *1.1. Assessment of legal reforms in local self-government*

***Reflecting constitutional provisions in legislation***

Amendments in the Constitution promulgated through referendum of November 27 2005 include at least five major provisions applicable to local self-governance, with which a number of laws should be reconciled and which stem from requirements of the European Charter of Local Self-government. These include:

a) Yerevan is a community. Specifics of local governance and formation of local self-government bodies in Yerevan are established by law (Constitution of Armenia, Article 108).
b) Community councils shall establish local taxes in accordance with the legislation (Article 107).
c) The procedures for enforcement of powers of heads of communities shall be established by law (Article 107).
d) Principles of merger and/or separation of communities, as well as timing of elections in newly established communities shall be established by law (Article 110).
e) Inter-community unions (consortia) can be established in accordance with law (Article 110).

The required amendments in legislation were not implemented within the deadlines set out in the Constitution (existing laws should have been conformed with Constitutions within two years after its adoption, i.e. December 6 2007). Of these provisions only one, namely Law on Local Self-government in Yerevan, was adopted in the National Assembly (December 12 2008).

Some work was carried out in 2008 in a variety of other directions. The Government has approved the Concept paper for local taxes *(September 8 2008)*, issued preliminary approval of the new draft Law on financial equalization (September 18 2008) and the package of amendments in legislation stemming from the concept paper for local taxes, and, finally, taken note of conceptual approaches to formation of inter-community unions and community consolidation (December 18 2008). All these documents have been developed by the Community Finance Officers Association non-governmental organization. Drafts laws are submitted to the National Assembly in accordance with legal procedures.

Thus only one of the legislative amendments required by Constitution was implemented in 2008, i.e. adoption of one law in the end of the year, which means that it would be enforced in 2009.

In addition to the legislative amendments required by Constitution, and adop-

tion of new laws, the Law on Local Self-government provides for adoption of a law on municipal securities without specified date. In 2008 this law was not adopted.

***Amendments in laws regulating local self-government***

In 2008 the National Assembly adopted three amendments and additions in the Law on Local Self-government in 2008.

One of those (September 30 2008) has brought the Law on Local self-government in conformity with the amendments and additions in the Law on Municipal Service. It also streamlined powers of heads of communities and secretaries in managing operations of the local administration.

The next law (September 30 2008) removed controversy between the Law on Local Self-government and Election Code of Armenia.

The third law (December 26 2008) reconciled the Law on Local Self-government in Yerevan and the Law on Local Self-government.

One amendment (December 12 2008) was introduced in the Law on Local Referendum, to conform it to the Law on Local Self-government in Yerevan.

Two amendments and additions were adopted in the Law on Municipal Service. The first (September 30 2008) is quite extensive and contains both technical and wording changes, as well as procedural improvements in the system of municipal service. Nevertheless, the law holds a provision, which, we reckon, jeopardizes autonomy of local self-governance. It is Article 7, Clause 1, which states that *the staffing of heads of communities, as well as staff-lists in each of the groups and subgroups of municipal service shall be approved by the authorized government agency.* The power of community council has actually been given to the authorized government body. The second law (December 28 2008) contains an addition, according to which *head of community shall appoint and dismiss the heads of territorial offices of civil status registration. In Yerevan, the Mayor of Yerevan shall appoint and dismiss heads of district offices of civil status registration.* This addition bestows new power to heads of communities.

## *1.2. Assessment of programmatic reforms in local self-government*

In 2008 Presidential elections took place followed by introduction of new government into the office. The program of the previous government was adopted in June 2007, and the program of the newly formed government was approved by the National Assembly on April 30 2008 (See: Box 1).

The program of the new government has encompassed entire bulk of local self-government issues set out in the previous program, with a number of new provisions. This means that none of the program provisions of the previous government

had been implemented. However, in contrast to the previous years, substantial work has been done towards implementation of the program. This works is mainly around the provisions, which stem from constitutional amendments (See: Clause 1.1).

***Box 1: Abstract from the 2008 Government Program (4.2.2. Territorial administration and local self-government)***

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

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

Second: from the standpoint of the Amended Constitution, clarifying and defining specific aspects of local self-government in the City of Yerevan will be essential. The Government will support the establishment of community councils and increase of transparency and publicity of their work through legislative reforms.

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

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

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

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

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

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

Implementation rules and financing mechanisms for devolved powers will also be defined to streamline the exercise of delegated authority and the level of financing required for the exercise of such authority.
To facilitate the establishment and introduction of a comprehensive community service system, community service legislation will be improved, a first stage of training for community servants will be completed, and continuous further training will be ensured. There will be a transparent process of attestations of community servants and competitions for fulfilling vacancies in community service.

Other works done are also described below. In the framework of public sector modernization project, the Ministry of Territorial Administration has launched creation of community level management information system (CLMIS). 48 urban, 157 rural and 12 district communities (in Yerevan) were given computer equipment (servers, computers, printers, scanners, and UPS[1]). Majority of these computers contain CLMIS, standard software packages and anti-virus programs. Ministry of Territorial Administration has also been involved in developing strategic IT program for regional administrations and local self-government bodies.

An important long-term government program is the Poverty Reduction Strategy Paper (PRSP) adopted in 2003. Work on updating the PRSP continued in 2008 crowned by adoption of Sustainable Development Program on October 30 2008 (Government Decree N1207-N, See Box 2), which is a reviewed version of PRSP. The same decree tasked ministers and heads of government agencies to submit their recommendations on their plans of actions (2009-2012) in respective sectors to the Ministry of Economy by the end of the year. The minister of economy shall design SDP monitoring framework and indicators, as well as produce plan of actions to further develop SDP monitoring framework by the end of 2008.

Thus, both in 2007 and 2008 major policy directions in various sectors were not reflected in PRSP or SDP. Moreover, none of the tasks described above has been implemented in a timely manner.

### *Assessment of public authorities responsible for development of local self-government sector*

National Assembly and the government are two public authorities responsible for development of legislation in the local self-government sector, which implemented some works towards replenishing and improving of local self-government legislation in 2008.

In summer 2008 a permanent commission for territorial administration and local self-government was created in the National Assembly. Operation of this committee in 2008 was too short to assess. It should just be mentioned that the commit-

[1] 2008 Report of the Ministry of Territorial Administration of Armenia, www.mta.gov.am

tee has organized hearings of legislation, convened meetings and issued its approval for a number of bills, which were later adopted by the National Assembly.

As the authorized public agency, the Ministry of Territorial Administration implemented large-scale activities in 2008, including discussions of draft laws, issuing approvals and submitting to National Assembly according to existing procedures. Besides, the ministry is responsible for enforcement and application of the laws and their provisions. The ministry has implemented extensive works towards establishment of systems of municipal service and development of legal supervision over local self-government bodies. However, there is still a lot to do in these areas.

***Box 2: Abstract from Sustainable Development Program (10.1.1. Structural and Functional Reforms of Public Administration System***

439. An important task of the public administration system is to strengthen capacities of the local self-governance bodies. The new Law "On Local Self-Governance" has improved and added functions and powers of the local self-governance bodies. However, a poor level of administrative capacities and administrative fragmentation in communities reduce the operational efficiency of local self-governance bodies in applying new mandatory and delegated powers. In this respect, consolidation of communities and creation of intercommunity unions, strengthening of management capacities in large rural communities, provision of workstations with modern hardware and communication means is important.

440. The following reforms are also required in the area of local self-governance:

(i) Adoption of legislative acts on implementation of mandatory powers of communities, which:

- Will set forth procedures, norms and criteria for implementation of mandatory powers;
- Based on the procedure and norms for implementation of mandatory powers, will clarify and establish the least amount of financing required for exercising mandatory powers;
- Based on the criteria, will provide an opportunity to carry out the internal (community council, community members) and external supervision over implementation of mandatory powers.

(ii) Setting of procedure and financing mechanisms for implementation of powers delegated to the communities by the Government, which will clarify the implementation functions for delegated powers and the amount of financing required to carry out the delegated powers. Once the legislation defining the procedure for carrying out mandatory powers is in place, it will be possible to enforce the Article 67 of the Law "On the Local Self-Governance", which is a fundamental provision of the European Charter on Self-Governance.

441. The Government wants to improve the financial equalization system in place to take into account not only per capita income capability of the community, but also its expenditure needs. As a result, there will be a more targeted distribution of equalization amounts and financial flows will be mainly directed to the poorest communities.

442. As a result of the aforementioned reforms, the local self-governance bodies will start to carry out many of the powers that currently are not exercised, administrative expenses will significantly reduce, the efficiency of the local self-governance system and the availability and quality of provided services will increase, new preconditions will be created for the supervision carried out by the community council and public, the efficiency of implemented powers and use of financial resources will increase.

### *1.3. Performance under international obligations*

Armenia has international obligations in the area of local self-government towards Council of Europe. Monitoring of performance of Armenia under obligations towards Council of Europe is currently underway, and PACE regularly reviews status of performance. Obligations are prevailingly about granting broader powers and autonomy to local self-government bodies taking into consideration principles of the European Charter of Self-Government and directives of the congress for local and territorial authorities. In this context it is only the law on Local Self-government in Yerevan that was adopted in 2008. Other obligations of Armenia are linked with amendments in the Constitution, which are set out in Clause 1.1 of this report.

## 2. Administrative and territorial division and Inter-community cooperation

Like in 2007, there have been no changes in administrative and territorial division of Armenia in 2008. Yerevan received a status of a community as a consequence of constitutional changes and an important step was performed during the process of this transformation, namely, the National Assembly adopted the Law on Local Self-government in Yerevan on December 26 2008. According to this law, elections of Yerevan local self-government bodies must be held between April 1 and December 6 of 2009. This means that the timing set by Constitution was breached (before December 2007), but the process is well in line with the schedule established by Constitution for formation of local self-government bodies in Yerevan (before December 6 2009). The law on Local Self-government in Yerevan adopted, the capital received a status of a community and these changes gave rise to amendments in the Law on administrative and territorial division of Armenia (December 26 2008).

In 2008 the government gave preliminary approval to Conceptual approaches to establishment of inter-community unions and community consolidation (December 18 2008) and ordered the first deputy minister of territorial administration to develop and submit draft government decree containing plan of action sand schedule of measures stemming from the Conceptual approaches before April 10 2009.

Despite the fact that the Conceptual approaches contain principles, according to which communities can be united but the constitutional norm remains yet unaddressed. More specifically, this norm requires legislative establishment of principles and procedures for merger and/or separation of communities. The law on inter-community unions have not been adopted either.

State-owned stock of lands located in administrative boundaries of communities had been handed over to relevant communities by 2007, with single exception

in Maralik community. This pending issue of Maralik was not addressed either in 2007 or 2008.

In the end of 2008 there were 926 communities in Armenia, including 48 urban, 866 rural and 12 districts in Yerevan. Population of Armenia was 3238.0 thousand people as of January 1 2009, which is 15.1 thousand more than on January 1 2007 and 7.9 thousand more than in the previous year. This means that community indicators at community level have actually not changed (See: Local self-government reforms in Armenia in 2004-2006; edit. D. Tumanyan, Yerevan 2008). In other words, average population per community was 3497 thousand people as of January 1 2009 vs. 3480 as of January 1 2007. This means that the number of small and weak communities is still large, and these communities are not capable of delivering services to their population.

Cooperation among communities remains at very low level. As previously, no inter-community unions were created in 2008. No new communities associations were created in 2008. As of January 1 2009 there were 23 regional communities associations registered covering 411 communities, reflecting 44.4% of Armenian communities. Although this value is quite substantial, but the unions are very passive in terms of protecting the rights of communities.

Cooperation among communities through direct agreements was not furthered in 2008. The only example is the structures established in some communities to conduct property and land tax bases. By the end of 2008 there were 75 such structures vs. 92 in the previous year. During 2008 communities involved in 17 such structures preferred to conduct their land and property tax bases on their own hence the relevant agreements were abrogated. The process of handing over property and land tax bases to communities, which was launched on July 1 2007, continued in 2008. By the end of the year land tax bases were not handed over to only 4 structures, which cover 66 communities[2].

## 3. Own Assets and Financial Independence of Communities

In 2008 there were few legislative changes in the area of local finance. These few include Law on Local Self-government in Yerevan, a set of small and insignificant changes and additions in the Law on Local Self-government in Armenia, Law on Budgetary Structure of Armenia, Law on Local Taxes and Duties, Law on Property Tax, Law on Land Tax, and Procedures of compensating losses of local budgets incurred as a result of application of legislation.

[2] Source: State Revenues Committee of Armenia.

### *3.1 Own Assets of Communities*

In 2008 own assets of communities were mainly replenished by capital expenditures incurred by local self-government bodies. There were also rare cases when certain property (assets) was donated to communities in the framework of government decrees (Maisian and Shahumyan rural communities and Metsamore urban community in Armavir marz; Sevan urban community in Gegharkunik marz; Abovyan urban and Garni rural community in Kotayk marz; and Maralik urban community in Shirak marz). However, financial value of these donations is not large at all, while the donations are predominantly residential areas and were provided to tenants under ownership rights with a precondition of free alienation. Capital investments in 2008 were 15833.5 mln drams, (table 1) which is a tangible decrease from what was recorded in 2007 (18110.9 mln drams). As in previous years (except 2007) share of capital renovation in total capital expenditures is large (62.9%) (40.1% in 2007; and 57% in 2006).

**Table 1: Replenishment of community assets through capital expenditures in 2007-2008**[3]

| | | 2007 | | 2008 | |
|---|---|---|---|---|---|
| | | Mln drams | Share (%) | Mln drams | Share (%) |
| **Total capital expenditures,** including | | 18110.9 | 100.0 | 15833.5 | 100.0 |
| 1. | Capital renovation costs, including | 10849.2 | 59.9 | 5876.1 | 37.1 |
| 1.1 | Capital construction expenditures | 7243.5 | 40.0 | 2583.9 | 16.3 |
| 1.2<br>1.3<br>1.4 | Draft and design expenses<br>Geological surveying costs<br>Expenses for creation of material resource base | 318.0 | 1.8 | 212.8 | 1.3 |
| 1.5 | Acquisition of capital assets, including | 2461.7 | 13.6 | 1746.8 | 11.0 |
| 1.5.1 | Acquisition of fixed assets, buildings and flats | 68.7 | 0.4 | 43.3 | 0.3 |
| 1.5.2 | Acquisition of tools and equipment | 1034.9 | 5.7 | 329.7 | 2.1 |
| 1.5.3 | Acquisition of vehicles | 665.5 | 3.7 | 680.8 | 4.3 |
| 1.5.4 | Acquisition of lands | 54.6 | 0.3 | 0 | 0 |
| 1.5.6 | Acquisition of other assets | 634.4 | 3.5 | 691.8 | 4.4 |
| 2 | Capital renovation costs | 7261.7 | 40.1 | 9957.3 | 62.9 |

[3] Here and further in the text the community level data reflect Yerevan municipal budget, which is approved by the Yerevan Council with the brackets of relevant revenue sources.

The share of acquisition of fixed assets and flats in total capital acquisition expenditures for 2008 is close to that of 2007; the share of expenses for acquisition of tools and equipment has reduced from 42% to 18.9%; instead acquisition of vehicles increased (even in absolute terms), i.e. 39% vs. 27%; the same is the case of acquisition of other assets, i.e. 36.3% vs. 25.8%. There were no costs incurred for acquisition of land in 2008 (54.6 mln drams in 2007).

According to the 2008 Report (Land Balance) on land stock and its distribution (Government decree N1544-N, December 18 2008), 1047.55 thousand hectares, or 35.22% of land stock is owned by communities as at July 1 2008. In 2007, this indicator was 1060.4 thousand hectares (35.65%) and distribution of stock was as follows: 532.39 thousand hectares was property of physical persons, 19.8 thousand hectares that of legal entities, 1374.45 thousand hectares was state-owned, and 0.07 hectares belonged to foreign countries and international organizations.

On November 20 2008 a government decree was issued (N1371-N), according to which 219.85 hectares of specially protected land stock was handed over to Special Protection Areas Complex SNCO, including 74.03 hectares in Arazap, 21.52 hectares in Yeghegnut and 21.52 hectares in Jrarat rural communities in Armavir marz.

On April 8 2008 the law on Supervision over Use and Protection of Lands was adopted, which establishes provisions for efficient use and protection of lands, as well as other related issues. This law is applicable to use and protection of all types of land plots set out in the Land Code of Armenia, irrespective of their designation or ownership. Among supervisors the Law mentions also heads of communities. Supervision over heads of communities in the area of land relations is exercised by marzpets.

In 2008 supervision activities of the Chamber of Audit discovered a set of problems and infringements in management of community property, such as record-keeping, rent, and alienation. The summary of supervision analyses of management and use of community property states that budgets of some communities in Gegharkunik and Ararat marzes bear significant losses because heads of communities had issued decisions contradicting the legislation. Some cases are mentioned when provisions of the law on public auction were breached, and rentals were set at significantly lower than market rates, community councils had not established starting values of rentals, or no rental agreements were signed for the rented lands. There had been also cases when land plots were rented out without tendering, which is a breach of the Land Code of Armenia. In some cases rented plots were not used according to the set categories.

***Box 3: Abstract from progress report of the Chamber of Control: supervision in Gegharkunik marz***

... in some communities of the marz the allocation of land for use has been in breach of legislation and fictitious, which precluded incremental revenues entering community budget. In addition, land users breached contractual obligations. The supervisors estimated, remedied book-keeping and protocoled 28855.5 thousand drams of arrears and fines, which must be repaid to the community budget.
The supervision revealed and protocoled the following: land auctions in the marz were fictitious, and the bids of winners were not even more than the starting price, while in some cases the starting prices were established at lower the values defined by legislation, which resulted in loss of revenues to the community budgets.

**Progress report of the Chamber of Control: use of budget resources, securing budget revenues, as well as management and use of community assets by communities in Gegharkunik marz**

**Appendix to the decision of the Board of Chamber of Control N28/2, December 10 2008**

### *Legal and organizational types of community organizations*

According to the Article 72 of Civil Code, state or local authorities are not entitled to act as participants of economic associations or companies. There is a contradiction between the above Article and Article 52 of the law on Local Self-government, and this contradiction was not removed in 2008.

As at January 1 2009, there were 1427 community-owned organizations[4] in Armenia (1429 as at January 1 2008), including 490 (521 in 2007) were 100% owned by commercial legal entities under community jurisdiction; 316 (335 in 2007) were commercial legal entities, among founders of which were the state and community; and 621 (573 in 2007) community-based non-commercial organizations. In 2008 total number of community-owned organizations hardly changed but shareholding companies continue to get restructured into non-commercial organizations.

The most specific characteristic of community property is that its majority is in desperate need of renovation, and community resources are insufficient to secure their proper maintenance and rehabilitation or mitigate depreciation.

Communities generate some revenues from sales of their property, which is accounted in the community fund budget. These revenues are generated predominantly from sales of fixed assets (99.1%). In this respect the situation has remained unchanged from previous years (99.2% in 2006, 99.6% in 2007). As in previous years, majority of these revenues stem from alienation of land:

In 2008: 6461.8 mln drams or 85.6% of sold fixed assets;

[4] Source: Socio-Economic Situation of Armenia, January 2008; NSS electronic web-site: www.armstat.am

In 2007: 7863.5 mln drams, or 89.3%;
In 2006: 6220 mln drams, or 87.4%.

Other revenues, such as sales of material values in stock or leftover assets of liquidated community-owned organizations, are very insignificant failing to account even for 1% of total revenues from sales of community property.

### *3.2. Revenues of community budget*

Total revenues and official transfers of Armenian communities are 51720 mln drams in 2008 (40639.9 mln drams; and 49533.4 mln drams in 2007).

*One of the characteristic indicators reflecting degree of financial independence of communities is the share of own revenues in total community budget revenues. This indicator was 50.4% in 2008 (table 2).*

**Table 2: Revenues of community budgets in 2008 (mln drams)**

| Line | Content | Amount | Share in total revenues (%) |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 001 | **Revenues and official transfers** | 51720.8 | 100.0 |
| 002 | **Including:**<br>**A. Revenues** | 26087.8 | 50.4 |
| 003 | Including:<br>A.1. Current Revenues | 18537.2 | 35.8 |
| 004 | Including:<br>1. Tax revenues, | 11628.0 | 22.5 |
| 005 | Of which:<br>1.1. Land tax | 3702.0 | 7.2 |
| 010 | 1.2. Property tax | 7926.0 | 15.3 |
| 030 | 2. Duties | 2218.6 | 4.3 |
| 040 | 2.1. Stamp duties | 824.1 | 1.6 |
| 050 | 2.2. Local duties | 1394.5 | 2.7 |
| 090 | 3. Non-tax revenues | 4690.7 | 9.1 |
| 170 | Including: financing of delegated powers | 928.7 | 1.8 |
| 200 | A.2. Gains from capital transactions | 7550.6 | 14.6 |
| 210 | Including: alienation of community property | 7550.6 | 14.6 |
| 212 | Of which: alienation of land | 6461.8 | 12.5 |
| 220 | **B. Official transfers** | 25625.9 | 49.6 |
| 242 | Including: equalization subsidy | 20981.5 | 40.6 |
| 250 | Other subsidies | 454.5 | 0.9 |
| 255 | Subventions to administrative budgets | 144.9 | 0.3 |
| 260 | Official transfers from other sources to fund current expenditures | 1943.6 | 3.8 |
| 271 | Capital subvention | 692.8 | 1.3 |

*In other words communities in Armenia continue to be extremely dependent upon official transfers, despite the fact that it has not increased in the reported period; moreover, it slightly curtailed versus the previous years (52.9% in 2007; and 57.8% in 2006). Share of fund budget has significantly reduced from the last year, i.e. 21.4%, and this varies from previous years when this indicator steadily grew (24.2% in 2006; 26.9% in 2007). This is a negative phenomenon because it is the fund budget resources, which can be used to create sustainable values and increase capacities of communities to exercise their powers.*

Significant share in own revenues is attributed to property tax. Property tax revenues have increased and a slight increase of 0.2% was recorded also its share in total revenues (15.1% in 2007).

Similarly, land tax has increased both in absolute terms and as a share of total revenues, i.e. 7.2% (6.6% in 2007).

Slight decrease is recorded in the share of non-tax revenues (9.1% in 2008 vs. 9.2% in 2007).

Amendments (April 8 2008) in the law on Local Taxes and Duties have not entailed any significant change in revenues of community budgets. In establishing rates of duties for sales of alcoholic beverages and tobacco products, the differentiation between location of sales of these products – whether they are sold inside or outside buildings – has been removed, but the duty for sale of beverages is now separately set from the duty for sale of tobacco products.

In 2008, as in previous years, tax revenues of state budget (income and profit tax) or stamp duties (environmental fees) were not shared with community budgets. These shared allocations are made as defined in the annual state budget law, which should also specify the rates of shares.

***Quarterly shares of community revenues (including own revenues) in administrative and fund budgets***

Local budget revenues are disproportionate in the course of the year, and they depend upon a number of factors (seasonality, deadlines, economic and political situation in the country, volatile climate conditions, etc).

**Table 3: Own revenues of local budgets in 2008, by quarters and types**

*(mln drams)*

| | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| Land tax | 530.7 | 2.9 | 714.3 | 3.9 | 967.0 | 5.2 | 1490.0 | 8.0 | 3702.0 | 20.0 |
| Property tax | 1013.9 | 5.5 | 1477.6 | 7.9 | 2457.1 | 13.3 | 2977.4 | 16.1 | 7926.0 | 42.8 |
| Stamp duties | 178.4 | 1.0 | 207.0 | 1.1 | 230.7 | 1.2 | 208.0 | 1.1 | 824.1 | 4.4 |
| Local duties | 321.3 | 1.7 | 351.1 | 1.9 | 332.1 | 1.8 | 390.0 | 2.1 | 1394.5 | 7.5 |
| Non-tax revenues | 755.1 | 4.1 | 1193.8 | 6.4 | 1185.6 | 6.4 | 1556.2 | 8.4 | 4690.7 | 25.3 |
| **Total** | **2799.4** | **15.2** | **3943.8** | **21.2** | **5172.5** | **27.9** | **6621.6** | **35.7** | **18537.3** | **100.0** |

Despite, on the one hand, that the law on Local Self-government (Article 67) states that any decrease of revenues and/or increase of expenditures of local budgets, which is caused by laws adopted by the National Assembly, shall be indemnified by the state (setting also cases of exceptions), and, on the other, the law on Procedures of compensating losses of local budgets incurred as a result of application of legislation was promulgated in 2006, the unclear practices of granting privileges at the expense of communities without any compensation to communities still continue. For example, additions in laws on Land Tax and Property Tax (April 30 2008) exempted *national operator of postal communications* from the above taxes; moreover, amendment (December 26 2008) in the law on Property Tax exempted military officers from paying property tax for some types of their own assets, with an accompanied statement that relevant reduction of community revenues are not subject to compensation. On November 27 2008 amendments and additions were introduced in the law on Procedures of compensating losses of local budgets incurred as a result of application of legislation. These bear mere technical implications and mainly cover the cases of changing rates of local duties, as well as cases when the formulas for accounting losses or incremental revenues of local budgets cannot be applied. When formulas are not applicable, the government submits a proposal on amendments and/or additions to the law to the National Assembly in order to take account of losses and/or revenues.

## Table 4: Share of official transfers in revenues of local budgets 2008

*(mln drams)*

| Total revenues | Administrative budget | | | | | | | | Fund budget | | | | Total official transfers | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Subsidies | | | | Subventions | | Official transfers from other sources for current expenditures | | Subventions from state budget | | Official transfers from other sources | | | |
| | Equalization subsidies | | Other | | | | | | | | | | | |
| | Amount | % of total revenues | Amount | % of total revenues | Amount | % of total revenues | Amount | % of total revenues | Amount | % of total revenues | Amount | % of total revenues | Amount | % of total revenues |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 12 | 13 |
| 51720.8 | 20981.5 | 40.5 | 454.5 | 0.9 | 145.0 | 0.3 | 1943.6 | 3.8 | 692.8 | 1.3 | 1408.5 | 2.7 | 25625.9 | 49.5 |
| 12 district communities of Yerevan | | | | | | | | | | | | | | |
| 15185.1 | 6753.9 | 44.5 | 113.6 | 0.7 | 0 | 0 | 192.5 | 1.3 | 0 | 0 | 17.3 | 0.1 | 7077.3 | 46.6 |

Official transfers to communities increased to reach 25625.9 mln drams or 49.5% (from 23342.1 mln drams in 2007 or 47.1%, respectively in 2007). Particularly significant has been the increase in official transfers allocated to communities under the financial equalization procedure, i.e. 20981.5 mln drams (vs. 17592.1 mln drams in 2007).

It is understandable that the share of equalization subsidies increased in total official transfers from 75.3% in 2007 to 81.9% in 2008; drastic decrease was recorded in the share of state budget subventions to the fund budgets, namely, from 9.8% down to 2.7%. At the same time, transfers to fund budget from other sources recorded significant increase, i.e. from 0.7% to 5.5%.

In 2008 equalization subsidies were allocated in equal installments by quarters (5245.4 mln drams in each quarter). Official transfers to administrative budgets from other sources are as follows: 30.5% in the quarters 1 and 2 and 19.5% in the quarters 3 and 4. Official transfers from other sources to fund recurrent expenditures were allocated according to the following rates: 16.8%, 35.8%, 25.5%, and 21.9%. Less proportionately distributed were capital transfers, namely, state budget subventions were allocated at 0%, 9.6%, 66% and 24.4% in the quarters 1-4, respectively, and capital transfers from other sources at 1.5%, 6.1%, 82.6% and 9.8%.

***Deficit financing***

In 2008 deficit of community budgets was 3922.9 mln drams, which has entirely been funded from domestic resources through reallocation of retained balance carried over from 2007. On June 12 2008 a government decree was issued (N591-N) establishing the procedure of reallocating retained balance of fund budgets to administrative budgets of communities in order to fund local budget deficit. This decree was issued on the basis of amendments introduced in the law on Local Self-government and Budgetary System of Armenia on December 4 2007. According to the above procedure, apportions from the fund to administrative budgets may be exercised to finance relevant expenditures only when there is a deficit in the administrative budget caused by implementation of mandatory powers. Such apportion may not be over and above ½ of the difference between the total annual revenue plan of the administrative budget and the total actual revenues of the administrative budget as of the 1$^{st}$ day of the transaction month (when the fund budget is to be used). Apportions to administrative budget shall be implemented at proposal of the community council and within relevant government decree. Apportions shall be repaid to the fund budget within the same budget year.

Adoption of this procedure will promote efficient management of financial flows and alleviate time discrepancies between revenue generation and execution of expenditures, which are encountered in execution of administrative budget from time to time.

***Financing delegated powers***

According to the Article 106 of the Constitution, delegated powers of communities are subject to mandatory financing from the state budget. Article $28^3$ of the law on Budgetary System of Armenia states that delegated powers and financing of their implementation are regulated by law or procedures established by the government. However, there is no relevant legislation to regulate this issue. On January 17 2008 a government decree was issued (N81-N), which established the normatives applicable to expenditures of heads of communities in implementing delegated powers of arranging activities of territorial offices of social services. On February 7 2008 a government decree (N95-N) was issued to establish the normatives applicable to expenditures of heads of communities in implementing delegated powers of arranging activities of territorial offices of civil status registration offices. The normatives set out in the above decrees establish values of the expenditures both for the social services (only for a limited number of urban communities) and civil status registration offices, heads and staff of territorial offices.

The issue of legislative solution of delegated powers remained unaddressed as at the end of 2008.

## *3.3. Community development plan and budgeting*

According to the amendments and additions (September 30 2008) in the law on Local Self-government, three-year community development plans were superseded by four-year plans. No other substantial change has taken effect in the area of community development planning. These plans continue to be fictitious documents, and they do not play any role during the budgeting process as was the case before.

***Budget process***

In 2008 there was no change in budgeting or budget process. In many communities the established budget process is implemented in bits and pieces (compilation of budget calendar, budget discussions, etc) and often not according to the timing. However, defects in budget process are most often recorded in the area of its publicity. Majority of heads of communities prefer unilateral decision-making and are reluctant inform about their decisions even the members of community councils. In these circumstances it is difficult to imagine that the community population would be genuinely involved in the budget process.

***Addressing disagreements between community councils and heads of communities***

In 2008 there were no positive developments in relations between members of community councils and heads of communities. Local elections in 2008 have come to reiterate that the existing colossal discrepancies between these two wings of local government do not narrow; they rather deepen. In spite of extensive powers the legislation has provided the community councils, the heads of communities, state authorities and even members of community councils themselves very much underestimate their role, and treat their capabilities with distrust and superficially. In predominant majority of communities the councils are not serious counter-weight for the heads of communities and they usually keep councilors abreast of important community issues over-playing a spread opinion about lack of competency, not providing almost any important or comprehensive information, not securing proper working conditions and other means. Even approval of the community budget and amendments to the budget, which is largely perceived as the most important function of the community council is performed by the latter mechanically whereby whatever is presented by the heads of communities is virtually always approved. In these circumstances community councils are currently unable to voice disagreement with heads of communities. In majority, they are not even willing to do so since they are usually elected with a support of the head of community or, for variety of other reasons, they do not wish to "spoil relations" with the head of community.

## *3.4. Debt management*

***Bank credits, budget credits and loans to communities, municipal securities***

In 2008 communities of Armenia did not receive any credits either from state budget or commercial banks. They did not receive any budget loans or borrowings from other communities. 5 mln drams of previously incurred loan obligations were repaid. Borrowings of 1375 mln drams from other sources were received, of which 300.000 were repaid. The terms and conditions applicable to credit facilities are unfavorable for the communities.

The Article 59 of law on Local Self-government and Article 30 of the law on Budgetary System of Armenia state that municipal securities are issued in accordance with relevant law. Clause 6, Article 57 of the law on Local Self-government states also that the procedures of issue and allocation of municipal securities are established by the government, but there is no law or procedure adopted in 2008, and the communities did not issue municipal securities in 2008.

### *3.5. Financial accountability*

The law establishes clear procedure and timing for reports and statements on execution of community budgets. Submission of reports (to the community councils, marzpetarans, treasury etc.) can be assessed as satisfactory; the situation is different with publication of reports and securing awareness of population at large. For a variety of reasons – mostly because of technical weaknesses – some part of urban communities and predominant majority of rural communities do not publish either their reports or even their budgets. In some urban communities where local television operates, this media is used to inform population at least verbally about the reports of the community.

#### *External and internal audit*

Internal audit in communities is implemented by chief auditor, who acts under direct supervision of chief financial officer. All functions of audit in state and local government bodies are coordinated and supervised by the Ministry of Finance.

Not all communities implement internal audit yet. Even fewer are rural communities where internal audit is done. The communities, which do not carry out audit, often explain that with the lack of relevant specialists. Rural communities mention scarcity of adequate financial resources to maintain relevant specialists.

The number of communities implementing external audit is even less. The main reason is the scarcity of budget resources.

***Box 4: Abstract from progress report of the Chamber of Control: supervision in Gegharkunik marz***

Audit was not implemented in the rural community supervised in 2006 and 2007, and the community council discussed annual execution reports without audit findings, which is a breach of legislation and the requirements of the Order of the Minister of Finance and Economy N934-N (December 12 2002) On Audit procedures in state and local authorities and subordinate organizations. The supervision discovered that requirements of the above Order have not been respected by all communities, except urban, and the post of an auditor in LSGs has not been envisaged; nor audit examinations were held at all.

**Progress report of the Chamber of Control: use of budget resources, securing budget revenues, as well as management and use of community assets by communities in Gegharkunik marz**

**Appendix to the decision of the Board of Chamber of Control N28/2, December 10 2008**

In 2008 the Chamber of Control undertook reviews of budget revenue collection, use of budget resources, management and use of community assets at community level. The reviews were implemented in a number of communities, such as Kapan, Goris, Sisian and Dastakert urban and Kornidzor, Shinuhayr, Skner, Verishen, Tegh, Khndzoresk, Angeghakot, Aghitu, Akhlatyan, Balak, Brnakot, Vorotan (Sisian), Noravan, Shaghat, Shaki, Vaghatin, Khalaj, Agarak, and Syunik rural communities in Syunik marz (in March-May 2008); Davtashen and Kentron district communities of Yerevan (August-December 2008); Martuni, Sevan, Gavar and Vardenis rural and Sotk, Tsovak, Nerkin Getashen, Sarukhan, Tsakhkunk, Lchashen, Zolakar, Artanish, Noratus, Hayravank rural communities in Gegharkunik marz (in August-September 2008); Ararat and Masis urban and Argavand, Arevshat, Pokr Vedi, Goravan, Yeghegnadzor, Vosketap, Darakert, Nor Kharberd and Marmarashen rural communities in Ararat marz (in August-December 2008).

## 4. Correlation between powers and financial resources of local self-government bodies

In 2008 no unified criteria to monitor quality, volume and other features of implementing powers of local self-government bodies were developed hence adopted. In the absence of such criteria it is impossible to define value or cost of each of implemented powers. Subsequently, it is impossible to form a view about correlation of financial resources and powers of local self-government bodies. Whether the requirement set out in the Clause 2, Article 9 of the European Charter implemented, namely *financial resources of local self-government bodies must be proportionate to their powers established by Constitution or legislation*, and can only be assessed approximately. The same is applicable to the provision in the Article 72 of the law on Local Self-government about the proposal to dismiss the head of community.

### *4.1. Powers of local self-government bodies*

During 2008 there have been no changes in the scope of powers of local self-government bodies. The powers, classified by types and sectors, are described in the Table 4, Section 4 of the 2007 Report.

Mandatory powers of local self-government bodies and procedures of their implementation are defined by law. However, in 2008, like before, necessary laws were not promulgated.

### *4.2. Indicators of financial adequacy*

Total actual expenses of Armenian communities in 2008 were 55643.7 mln drams. Its share in the expenditures of consolidated budget (841.33 bln drams) is 6.6%. This value has significantly reduced from those recorded in the previous years (6.8-7.2%). In comparison with the Eastern European and former Soviet countries, this indicator persists to be several times less.

Share of community budget expenditures in GDP was 1.5% in 2008. This is also a decrease from the value of 2007 (1.7%). It continues to be very small, particularly when compared with respective indicators in the former socialist republics.

Community expenditures can provisionally be divided into two groups: the first covers expenditures executed in financially significant sectors; their share in total spending was 96.2% in 2008 (93.8% in 2007). Compared with the previous year expenditures in these sectors increased both in absolute terms and shares in total community expenditures. The only exception is Transport, Communication and Road Utilities (See: Table 5).

**Table 5: Expenditures with highest shares in community budgets, 2007-2008, %**

| | 2007 | 2008 |
|---|---|---|
| Community services of general nature | 25.3 | 26.3 |
| Education and science | 14.9 | 18.0 |
| Culture, information and sports | 6.0 | 6.7 |
| Residential and communal utilities | 24.0 | 26.4 |
| Transport, communications and road utilities | 12.9 | 6.9 |
| Expenditures not classified elsewhere | 10.7 | 11.9 |

The second group covers articles with small or insignificant expenditures. Social security spending increased to 2.5% from 2.2% in 2007; share of other economic expenditures drastically reduced form 2.7% in 2007 to reach 0.1%.

The situation in other spheres (defense, public ordinance, health, energy and fuel, agriculture, industry) is unchanged from previous years, i.e. expenditures here account only for 1% of total expenditures.

**Table 6: Actual execution of community budgets in 2008, functional classification**

| N | Expenditures | Total, mln drams | Share, % | Including | |
|---|---|---|---|---|---|
| | | | | Administrative budget, mln drams | Fund budget, mln drams |
| | Total expenditures (without allocations from the fund to administrative budgets), including | 55643.7 | 100 | 41224.6 | 15861.9 |
| | Administrative budget | 41224.6 | 71.5 | 41224.6 | 0 |
| | Fund budget | 15861.9 | 28.5 | 0 | 15861.9 |
| 1 | General community services | 14655.6 | 26.3 | 13061.2 | 1594.4 |
| 2 | Defense | 38.9 | 0.1 | 38.9 | 0 |
| 3 | Public ordinance, national security and judiciary | 5.9 | 0.0 | 5.9 | 0 |
| 4 | Education and science | 10034.0 | 18.0 | 9022.5 | 1011.5 |
| 5 | Health | 55.0 | 0.1 | 47.3 | 7.7 |
| 6 | Social security | 1399.6 | 2.5 | 1399.6 | 0 |
| 7 | Culture, sports and religion | 3694.5 | 6.7 | 3418.0 | 276.5 |
| 8 | Residential and communal utilities | 14690.4 | 26.4 | 7684.2 | 7006.2 |
| 9 | Energy and fuel | 242.9 | 0.4 | 0.6 | 242.3 |
| 10 | Agriculture, forestry, water utilities and fish breeding | 146.6 | 0.3 | 73.5 | 73.1 |
| 11 | Mining and minerals, processing industry, construction and environment protection | 181.4 | 0.3 | 51.1 | 130.2 |
| 12 | Transportation, communications, road utilities | 3831.8 | 6.9 | 728.3 | 3103.5 |
| 13 | Other economic services | 36.4 | 0.1 | 0 | 36.4 |
| 14 | Expenditures not classified elsewhere | 6630.7 | 11.9 | 5693.6 | 2379.9 |

In 2008 share of capital expenditures in total spend of communities was 28.5%, which is significantly less than the indicator of the previous year (33.8%). Reduction is also observed when comparing indicators for 12 districts of Yerevan. Here it makes 36.0% vs. 41.3% of the previous year. The reason is the reduction of receipts generated on alienation of lands to communities.

Per capita revenues of community budgets of Armenia accounts for 15973 drams as at January 1 2009 (average of 17180 drams in Yerevan and 13664 drams in the 12 Yerevan districts). Average per capita income of community population recorded some growth compared with 2007, which was 15335 drams.

Per capita expenditures of community budgets in 2008 slightly increased compared with 2007 (17185 dram vs. 16609 drams, including 12286 drams vs. 11569 drams in the administrative budget; and 5603 drams vs. 5617 drams in the fund budget, which is a slight decrease).

**Table 7: Actual execution of community budgets in 2007, economic classification of expenditures**

| N | Expenditures | Communities, total | | Yerevan district communities, total | | Communities, excluding 12 Yerevan districts | |
|---|---|---|---|---|---|---|---|
| | | Mln drams | Share % | Mln drams | Share % | Mln drams | Share % |
| | **Expenditures, total** | **55643.7** | **100.0** | **15300.7** | **100.0** | **40343.0** | **100.0** |
| **I** | **Recurrent expendit ures** | **39815.3** | **71.5** | **13979.9** | **91.4** | **25835.4** | **64.0** |
| 1 | Wages of LSGs and community budget institutions | 12670.4 | 22.8 | 2503.3 | 16.4 | 10167.1 | 25.2 |
| 2 | Interest payments | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | Subsidies | 4974.8 | 8.9 | 1464.1 | 9.6 | 3510.7 | 8.7 |
| 4 | Current transfers | 5828.1 | 10.5 | 1764.2 | 11.5 | 4063.9 | 10.1 |
| 4.1 | Including Mandatory social contributions | 3100.9 | 5.6 | 627.9 | 4.1 | 2473.0 | 6.1 |
| 5 | Purchase of goods and services | 16341.9 | 29.3 | 8248.4 | 53.9 | 8093.5 | 20.0 |
| r | Capital expenditures | 15833.5 | 28.5 | 1320.8 | 8.6 | 14512.7 | 36.0 |
| 1 | Capital investment costs | 5876.1 | 10.6 | 560.6 | 3.6 | 5315.5 | 13.2 |
| 1.1 | Including: - Capital construction costs | 2583.9 | 4.7 | 184.9 | 1.2 | 2399.0 | 6.0 |
| 1.2 | - Draft and design expenses | 202.0 | 0.4 | 12.0 | 0.1 | 190.0 | 0.5 |
| 1.3 | - Geological surveying expenses | 0.5 | 0 | 0 | 0 | 0.5 | 0 |
| 1.4 | - Expenses for creation of material resource base | 10.3 | 0 | 0 | 0 | 10.3 | 0 |
| 1.5 | - Acquisition of capital assets | 1746.8 | 3.1 | 305.3 | 2.0 | 1441.5 | 3.6 |
| 1.5.1 | Including - Acquisition of fixed assets, buildings and flats | 43.3 | 0.1 | 0 | 0 | 43.3 | 0.1 |
| 1.5.2 | - Acquisition of tools and equipment | 329.7 | 0.6 | 55.6 | 0.4 | 274.1 | 0.7 |
| 1.5.3 | - Acquisition of vehicles | 680.8 | 1.2 | 108.5 | 0.7 | 572.3 | 1.4 |
| 1.5.4 | - Acquisition of lands | 0 | 0 | 0 | 0 | 0 | 0 |
| 1.5.5 | - Land amelioration costs | 1.2 | 0 | 0 | 0 | 1.2 | 0 |
| 1.5.6 | - Acquisition of other assets | 691.8 | 1.2 | 141.2 | 0.9 | 550.6 | 1.4 |
| 1.6 | - Acquisition of intangible assets | 6.5 | 0 | 0 | 0 | 6.5 | 0 |
| 1.7 | - Geodesy and cartography | 31.3 | 0.1 | 0 | 0 | 31.3 | 0.1 |
| 1.8 | - Capital transfers | 1294.9 | 2.3 | 58.5 | 0.4 | 1236.4 | 3.0 |
| 2 | Capital renovation costs | 9957.3 | 17.9 | 760.2 | 5.0 | 9197.1 | 22.8 |

Actual execution of community budget revenues reflects 92.6% of the plan (55853.6 mln drams), and 89.0% of the adjusted annual plan (58133.4 mln drams). Actual execution of expenditures accounts for 91.9% and 85.6%, respectively (60538.3 mln drams and 64995.6 mln drams). The percent of execution of budget revenues has decreased against both approved and adjusted plans. The same is the case with execution of expenditures against the approved plan, but it increased against the adjusted. Comparison of these three indicators makes it clear that the actual values of expenditures are closer to the approved plan than to the “adjusted one”.

Wages of local self-government bodies and subordinate budget institutions

account for 12670.4 mln drams in 2008 with mandatory social contributions of 3100.9 mln drams. Shares of wages and social contributions in total expenditures account for 22.8% and 5.6% (28.4% together). This indicators recorded slight increased compared with the previous years. This phenomenon, whereby share of wages in total expenditures increases, may not be considered positive. Increasing wages every year is certainly important in terms of both well-being and mitigating corruption risks, but such an increase should go in parallel with increase in budget revenues.

Rate of remuneration of heads of communities is defined according to the Article 27 of the law on Local Self-government, and the Article 31 of the same law defines the rates of remuneration of local administration staff and employees of community budget institutions. No legislative changes were made in this area in 2008. Nor have been changes in respect of reports produced by supervisory authorities (except minor changes in rates of remuneration).

As of January 1 2009, arrears on wages and mandatory social contributions in the communities of Armenia (excluding 12 districts of Yerevan) totaled 1717.0 mln drams, of which 1323.6 mln drams wages and 393.4 mln drams social contributions (See Table 8). These figures give rise to concerns related with inefficient performance of local self-government bodies.

**Table 8: Repayment of arrears on wages in the communities of Armenia (except 12 districts of Yerevan), as of January 1 2009[5]**

*(mln drams)*

| | Wages | Mandatory social contributions | Total |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| Arrears accumulated in 1996 -2006 (as of January 01.2008) | 1364.7 | 416.5 | 1781.2 |
| Arrears accumulated in 2007 (as of Janua ry 01.2008) | 384.7 | 155.5 | 540.2 |
| Repayment of arrears in 2008 | 782.0 | 276.1 | 1058.0 |
| Arrears on 2008 wages and social contributions of local self-government bodies and community budget institutions | 356.2 | 97.6 | 453.8 |
| Arrears, total | 1323.6 | 393.4 | 1717.0 |

[5] www.mta.gov.am

# 5. Formation and operations of local self-government bodies, local democracy

## *5.1. Formation and operations of local self-government bodies*

Local self-government bodies, i.e. heads of community and members of community council, are elected through general, equal and direct vote by confidential ballot. After constitutional amendment in 2005 the local self-government bodies are elected for four-year term. The last elections for three-year term were held in 2005 before constitutional amendments. According to the election schedule, the next elections were held in 2008 (except the communities where extraordinary elections of heads of communities and/or members of community councils were held in cases envisaged by legislation) for a four-year term now. 715 elections of heads of communities and 773 elections of members of community councils (See Table 9) were held in 2008.

**Table 9: Local elections held in 2008, by marzes[6]**

| N | Marz | Elections of head of local administration | | | Elections of community councils | | |
|---|---|---|---|---|---|---|---|
| | | Total | Urban communities | Rural communities | Total | Urban communities | Rural communities |
| 1 | Aragatsotn | 94 | 3 | 91 | 94 | 3 | 91 |
| 2 | Ararat | 74 | 2 | 72 | 84 | 4 | 80 |
| 3 | Armavir | 74 | 1 | 73 | 92 | 2 | 90 |
| 4 | Gegharkunik | 58 | 5 | 53 | 53 | 5 | 48 |
| 5 | Lori | 95 | 8 | 87 | 97 | 6 | 91 |
| 6 | Kotayk | 51 | 5 | 46 | 62 | 7 | 55 |
| 7 | Shirak | 92 | 2 | 90 | 103 | 3 | 100 |
| 8 | Syunik | 86 | 6 | 80 | 92 | 7 | 85 |
| 9 | Vayots Dzor | 31 | 2 | 29 | 37 | 3 | 34 |
| 10 | Tavush | 50 | 4 | 46 | 47 | 4 | 43 |
| 11 | Yerevan | 10 | - | - | 12 | - | - |
| | *Total* | *715* | *38* | *667* | *773* | *44* | *717* |

Majority of elections in local self-government bodies were held in autumn 2008. During two months 659 heads of communities were elected and 765 elections of community councils were held in 822 communities[7]: 48.7% of the voters participated in the elections. Average indicator of participation was 32% in Yerevan and

[6] Source: www.elections.am

[7] Source: http://www.rib.nt.am/news.php?p=0&c=0&t=0&r=0&year=2008&month=11&day=07&showne, The president of the Central Electoral committee assesses these elections excellent from the perspective of logistics and organization

56.4% in the regions. 8656 candidates were registered for the elections, including 1331 candidates for the post of head of community (664 elected), and 7325 candidates for community councils (4984 elected). 496 of the elected heads of communities are re-elected into the new term in the office. 425 of the candidates were women, and 13 were elected into the office of head of community (30 candidates), and 288 were elected into community councils (395 candidates).

Competition during election of heads of communities is quite insignificant. For example, only 1 candidate ran in each of 36 (out of total 94, or some 38%) community elections in Aragatsotn marz. The maximum number of runners in one community was 4 and such cases were registered in only 6 communities. 3 runners were registered in 11 communities, and in other 41 communities 2 runners were registered.

Official statistics on political affiliation about heads of communities and members of community councils is incomplete. The information on the official web-site of the Central Electoral Commission is not summarized into republican data. Some sources contain such data only for two months of elections held in autumn. In particular, 5544 of 8656 runners did not belong to any political party. In terms of registered candidates the leaders are 4 coalition parties: the Republican Party (1774 candidates); Prosperous Armenia (685); Dashnaktsutyun party (313), Orinats yerkir (152)[8].

Coalition parties also lead in the number of elected heads of communities: the Republican Party (323); Prosperous Armenia (37); Dashnaktsutiun party (39), Orinats yerkir (9)[9].

In order to understand political party affiliation of community councils, the outcomes of 2008 elections held in Aragatsotn marz are set out below (See Table 10).

**Table 10: Political affiliation of candidates running community council elections in 2008 in Aragatsotn marz[10]**

| Political party | Number of candidates |
|---|---|
| Independent | 522 |
| Republican party of Armenia | 79 |
| Prosperous Armenia | 32 |
| Dashnaktsutyun | 28 |
| Orinats yerkir | 15 |
| Other parties | 11 |
| *Total* | *687* |

[8] In 2008 these political parties were in ruling coalition.
[9] Source http://67.18.130.178/index.php?lang=arm&page=1&id=1262&y=2008&m=11&d=07&nc=&ns=&search_keyword=&p num=&opt=, LSG elections were granted mark “5”
[10] Source: www.elections.am.

Review of data in Table 10 shows that during elections to community councils, the main competition was among the above four parties. This situation is common across marzes of Armenia with some specifics.

On December 26 2008 amendments and additions were introduced in the Election Code of Armenia, which mainly encompass elections to the community council of Yerevan.

Powers of the head of community and community councils may be terminated in accordance with legal procedure. Review of relevant government decrees shows that in 2008 there were 5 cases of terminating powers of community councils and 18 cases of heads of communities. The former were enforced on the basis of Article 22, law on Local Self-government, according to which powers of a community council member may be terminated if termination results in impossibility to hold further sessions of the community council. Causes for termination of powers of heads of communities include 4 cases of death and 14 cases of resignation. In 2008 no head of community was dismissed.

***Decision-making in the communities***

Compliance of normative legal acts issued by local self-government bodies with the legislation of Armenia may be assessed on the basis of state expertise data. LSG normative and legal acts undergo expertise of the Ministry of Justice. The 2008 performance report of the ministry does not contain any information about either the number of legal opinions about acts of the LSGs or on their contents.

Community councils continue to be passive in the process of decision-making. According to surveys implemented by "Investigative journalists of Armenia" NGO in 60 communities in Tavush, Lori, Gegharkunik, Ararat, and Kotayk marzes in 2008, the members of community councils in all surveyed communities have never voted either "against" or "abstained". All decisions were taken unanimously[11]. According to expert assessments, the same situation is observed in other communities across the country. All decisions of the community councils are taken unanimously without any serious discussion or objections, while all drafts are initiated and proposed by the heads of communities.

It should be mentioned that the contents of the decisions issued by LSGs do not always target general and priority needs of the population. Moreover, few are the cases when decisions are taken in breaching legislative requirements.

For examples, one of the decisions issued by Davtashen district in Yerevan in 2008 alienated 972.9 square meters of non-residential area. Alienation was performed in breach of applicable legal procedures and without any preliminary assessment. The sale was performed at half of the established cadastral value of

[11] Source: www.hetq.am, Transparent local governance

the area resulting in revenue loss of over 10 mln drams[12]. Another example is the allocation of 500.000 drams from the community budget of Ashtarak for fencing the building of the prosecutor's office[13].

LSG decisions may be taken via referenda as well. As before 2008, no referendum was carried out in 2008.

## 5.2. Local democracy

### *Participation of civil society in local self-government*

In 2008 the State Registry Agency for Legal Persons registered 1 political party as a civic organization (1 in 2007), 248 NGOs (248 in 2007), 23 trade unions (8 in 2007) and 82 mass media (85 in 2007)[14].

As of January 1 2009, the number of non-governmental organizations was 2997 and that of mass media 612[15]. Some information about territorial distribution is available on the web-site of the Professionals for Civil Society NGO[16]. This web-site database contains information about 968 NGOs including 499 (or some 52%) are located in Yerevan. Mass media are also predominantly Yerevan-based, while regional mass media are in the marz centers and former sub-regional centers.

Among NGOs operating in the local self-governance sector the most well-known are Community Finance Officers Association (CFOA), Republican Association of Municipal Councilors of Armenia (RAMCA), Communities Association of Armenia (CAA), and Center for Information Technologies Development and Training. It should be mentioned that the dialog between some NGOs operating in the area of local self-government and public authorities have attained new level of activity and quality. As a result, the sector NGOs acting as "representatives" of the communities acquired an important role in system reform process, as well as establishment and development of the local self-government as a whole. An evidence of this statement is the extensive input of the CFOA experts in drafting concept papers and legislative acts for the government. The permanently operational web-sites, i.e. www.cfoa.am (CFOA), www.avagani.am (RAMCA), and www.caa.am (CAA), as well as newspapers of CFOA and AMCA contain and promote useful information about the local self-government system.

According to the most recent report of Freedom House, the score of progress

[12] Source: 2008 Annual Report of the Chamber of Control
[13] Source: www.foi.am/am/rcontent/16/1449/, Community council of Ashtarak has become a "philanthropist" at the expense of the community
[14] Source: 2008 Annual Performance Report of the Ministry of Justice
[15] Source: www.armstat.am, Socio-economic situation of Armenia, January-December 2008
[16] Source: www.ngo.am

in democratization in Armenia continues to shrink since 1999, reaching 5.39 in 2008 from 4.79[17]. The assessment of the Local self-government administration section remained unchanged from the previous year, which is 5.50. The scoring in "civil society" section also fell to 3.75 (all the above scorings are within a scale of 7, whereby 1 in the best and 7 is the worst indicator).

***Perception of LSGs by population***

2008 is not different from previous years when surveys of population perceptions of LSGs were too few and extremely limited in geographic coverage. In such circumstances it is again very difficult to summarize the perceptions of population about operations of local self-government bodies.

In July-August 2008 Asparez Club of Reporters NGO (Gyumri) has undertaken a public opinion poll. Among other issues, an attempt was made to find out the opinion of Gyumri population about the municipal LSG[18]. 1000 opinions recorded showed that the work of the mayor was assessed "excellent" and "good" by 10.9% and 30.3% of the respondents, respectively, and the remaining 58.8% assessed it as "satisfactory" and lower, including 6.5% stated that there was no work done whatsoever.

Far poorer are assessments of operations implemented by the community council. 0.9% and 3.7% of the respondents assessed its activities as "excellent" or "good", respectively, while 52.4% stated that there was no work done at all.

According to expert assessments (reviewing survey outcomes) it can be stated that both in 2007 and 2008 the assessment public gave to the operations implemented by LSGs (and, particularly, community councils) is generally very low. The low assessment stems from the dissatisfaction of the population with the quantity and quality of services delivered by LSGs, lack of access to necessary information[19], lack of knowledge among population and also LSGs about their rights and obligations, as well as other reasons.

***Gender situation in LSGs and staff***

Like in the previous year, in 2008 municipal service circumvented gender inequality sometimes observed in the Armenian society. Almost half of municipal servants, 48%[20] are women.

*The situation hugely differs in elected authorities. Observations of election held in Aragatsotn marz in 2008 come to prove this statement[21]. Only 2 women were*

[17] Source: www.hra.am/am/hr-reviews/2009/07/01/freedom, Nations in Transit 2009, Armenia
[18] Source: www.asparez.am, Assessments of performance of the Gyumri community council
[19] Source: Local self-government reforms in Armenia (2007), Report
[20] Source: Ministry of Territorial Administration of Armenia
[21] Source: www.elections.am

*among 175 candidates running for posts of heads of communities (rural communities). None of the women candidates was elected. There were 27 women candidates for membership in community councils out of total number of 687. There is some probability that in other marzes women are represented in LSGs slightly more than in Aragatsotn, but the experience shows that "more" usually means "a little".*

According to the data of the Ministry of Territorial Administration, share of women in the post of head of community is not even 3%. In Yerevan or Aragatsotn there is no woman head of community whatsoever.

***Accessibility of information about LSG operations***

In the recent period LSGs have been paying more attention to publicity of their operations, participative decision-making and securing transparency.

In 645 communities (total of 914) of Armenia there are information billboards[22]. The billboards are distributed extremely unevenly. For example, in Armavir, Shirak and Lori marzes all communities have such facilities (97, 119 and 113, respectively), but in Kotayk only 8 communities have them, and in Aragatsotn only 3; in Ararat 58; in Gegharkunik 73; in Vayots Dzor 24; in Tavush 53 and in Lori 97.

In 2008 international organizations continued implementation of projects, which target enhanced publicity and transparency of LSG operations.

In particular, UNDP supported Freedom of Information Center of Armenia in implementing the Right to be Aware project[23], in the framework of which 46 information billboards were installed in 4 urban (Ararat, Ijevan, Kapan and Byureghavan) and 6 rural (Aghavnadzor, Ltchashen, Areni, Getap, Jrashen, Nor Gyugh) communities. Seven billboards were installed in urban communities and three in rural[24]. One of the billboards was installed at of inside the building of the municipal hall, and others in most active public places in the communities (markets, universities, parks, etc). The billboards should contain information of interest to the public, such as community budget, budget execution reports, decisions of the head of LSG and community council, as well as information about sessions of the community council (e.g.: location and time). However, the billboards are not used as intended. For example, in Ashtarak community the billboards contained information about flats for sale, various types of rent opportunities and similar issues; moreover, during the elections of the head of community the posters with pictures of the candidate (the head of community currently in office) were hung[25].

In the framework of the UNDP Performance Budgeting Project in operation

[22] Source: www.regions.am, Briefing note on public awareness in Armenian communities
[23] This biannual project was launched in 2007.
[24] Source: Freedom of Information Center of Armenia NGO
[25] Source: www.foi.am/am/rcontent/16/1449/

since 2006 13 communities produced their community budgets in performance budgeting format in parallel with their usual budget document (line item budgets) in 2008, which made the new budgets more understandable and where priorities were identified with active participation of population.

An important leverage to secure accessibility of information about LSG operations is the law on Freedom of Information although local administrations often fail to meet the requirements of this law.

In August 2008 Aravot daily circulated queries for information among a number of heads of rural administrations requesting copies of decisions issued by relevant community councils between January 1 and the day of the query[26]. In support of the request Aravot also gave telephone calls to each of the heads of communities. Lusakunk, Dalarik, Apaga and Byurakan communities did not provide any information. Norashen and Voskevaz communities provided the requested information with substantial delays.

Effective 2003 Freedom of Information Center of Armenia NGO grants information freedom prizes on annual basis. It should be mentioned that both "the most transparent agency" and "the closest and secret agency" categories were granted to communities (the selection was made from among agencies covered by the law on Freedom of Information[27]. Thus the most transparent agency for 2008 was the Yeghegnadzor community, which had best performed under the requirements of the law on Freedom of Information, while the worst was Hrazdan community, which fails to perform under the above requirements. Ijevan community was recognized as the agency, which has provided the most ridiculous response to queries.

Yeghegnadzor community was granted "golden key" to recognize open and efficient performance, and Hrazdan and Ijevan communities were given "rotten locks" to symbolize secrecy of operations and poor performance[28].

In addition, Freedom of Information Center publishes annual "blacklist" stating the names of people, who infringed the right of citizens to receive information (again the selection was made from among the agencies and people mentioned earlier). The 2008 list contains *Kentron* condominium and names of 15 officials, including 14 heads of communities, namely Hrazdan, Ijevan, Nor Nork, Arabkir, Davtashen, Norashen, Lusakunk, Apaga, Ashtarak, Arevshat, Berd, Karahunj, Isahakyan, and Dzoramut.

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[26] Source: www.foi.am, Philanthropist heads of rural administrations prior to the elections; Communities are out of oversight

[27] The law on Freedom of Information is applied to state and local government authorities, state-owned agencies, budget institutions, as well as public authorities and officials.

[28] Source: www.foi.am

***Complaints on LSGs addressed to the Ombudsman***

The number of complaints on operations of local self-government bodies addressed to the Ombudsman has been reducing every subsequent year. In 2006 the total number of such complaints was 145, in 2007 it was 85[29], and in 2008 there were only 61 complaints (See: Table 11).

**Table 11: Number of complaints on LSGs addressed to the Ombudsman in 2008[30]**

| Complaints | Yerevan districts | Urban communities | Rural communities |
|---|---|---|---|
| Complaints, total, of which | 31 | 18 | 12 |
| Accepted for scrutiny | 19 | 11 | 7 |
| Opportunities for protection of the rights of the applicant indicated | 4 | 1 | 2 |
| Handed over to other agencies | 0 | 0 | 0 |
| Not accepted for scrutiny | 6 | 3 | 3 |
| Not scrutinized further to the request of the applicant | 1 | 0 | 0 |
| In progress | 1 | 3 | 0 |

It should be mentioned that in 2008 the share of complaints about LSGs also reduced in total complaints against public authorities (969). 1.3% of complaints were against Yerevan district municipalities (5.9% in 2007), 1.9% against urban communities (2.8% in 2007), and 1.2% against rural communities (1.6% in 2007).

In 2008 complaints against district municipalities in Yerevan were mainly about poor administration, failure to prevent unauthorized construction, failure to establish tax privileges for socially vulnerable people, trash removal and so on. Complaints against urban and rural communities were mainly from residents of disaster areas and about allocation and use of land plots.

[29] Source: Local self-government reforms in Armenia, 2007, Report

[30] Source: Annual Report: Activities of Ombudsman and Breaches of Human Rights and Basic Freedoms in 2008 in Armenia.

# 6. Correspondence of administrative structures and resources of LSGs

## *6.1. Capabilities of LSGs and staff*

In assessing professional capabilities of LSGs and their staff it can be stated that the situation has hardly changed from what was observed in the previous years and remained. As before, the most vulnerable component is the community council. Slightly better is the situation with heads of communities, and the reason, as mentioned in previous CFOA reports is everyday work and performing executive functions. These realities naturally convey certain experience and, consequently, influence on their administrative qualities. In 2008 there was no any legislative change in this area.

No changes have taken place in educational eligibility criteria applicable to heads of communities either. As in the past, Article 24 of the law on Local Self-government requires secondary vocational or higher education, but in practice it is not applied; 2008 elections were not different in any way. The Central Electoral Commission is guided by the Article 123 of the Election Code, which does not contain educational eligibility criterion. At the same time, there is no legislative requirement posed to educational or professional eligibility criterion applicable to members of community councils.

In autumn 2008 results of almost two-months long elections to LSGs show that 576 heads of communities have higher or secondary vocational education, 87 have secondary, and 1 has only incomplete secondary education[31].

*Approximately 10% of heads of communities in the republic have secondary education*[32].

Professional competencies of the local administration staff does not differ from previous years since in 2008 there was no minimal conditions created for training or retraining to prepare high-quality professionals. The existing methodological guidelines and special literature encompass only a small portion of local self-government sector, for example, planning and budgeting.

It should be mentioned that some work has nevertheless been done. In 2008 in the framework of USAID LGP-3 project, RTI jointly with Association of Municipal Councilors of Armenia designed and published a set of methodological materials, such as Guidelines for Members and Candidates to the Community Councils and practical procedures, which is an addition to the Guidelines.

Overall professional competencies of LSGs and local administration staff may not be assessed as satisfactory.

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[31] Source: http://67.18.130.178/index.php?lang=arm&page=1&id=1262&y=2008&m=11&d=07&nc=&ns=&search_keyword=&p_ num=&opt=, LSG elections scored 5

[32] Source: Ministry of Territorial Administration

### *Decision-making procedures in communities*

There were no changes in internal procedures or structures of decision-making in local communities in 2008. This statement is true for both legislative and practical procedures.

### *Functional structure of the LSG staff*

Functional structure of LSGs did not undergo any substantial change, development or improvement in 2008. Majority of communities lack clearly defined roles of structural units in administration processes, rights and obligations are not distinctly distributed, including procedural issues of their relations and linakges[33]. The system is still characterized with voluntarism in decision-making, unsatisfactory level of professionalism and competencies of the staff, lack of infrastructures to promote professional advancement or training, absence of career growth for the personnel, and high rotation rate, etc. This problem is somewhat alleviated with introduction of municipal service, but the above issues still await effective solutions.

It is characteristic that come communities already launched introduction of elements of functional reforms in their administrations. For example, Abovyan urban community introduced internal disciplinary rules for municipal servants[34]. It is very desirable that similar rules were applied in other communtiies as well, which might require normative requirements in place.

Absence of documentation and implementation procedures and necessary equipment remains an important problem in many communities.

### *E-governance, registry and equipment*

In the framework of e-governance systems in Armenia special place belongs to the electronic systems of territorial administration (www.regions.am), which is a complex of web sties and covers all marzes of Armenia. However, given the low accessibility of internet network this system is not cascaded down to community level. Internet connectivity is available only in 131 local administrations (in total of 914). Overall internet connectivity is available in only 258 communities (28.2% of the communities). The situation is particularly poor in Armavir, Lori, Shirak and Syunik marzes of Armenia (See: Table 12).

[33] Source: Reforms in local self-government in Armenia in 2007, Report
[34] Source: www.cfoa.am/HTML/65-6.htm

**Table 12: Internet connectivity in communities and LSGs[35]**

| N | Marz | Number of communities | Number of communities with internet connectivity | Number of LSGs with internet connectivity | Share of communities with internet connectivity | Share of LSGs with internet connectivity |
|---|---|---|---|---|---|---|
| 1 | Aragatsotn | 114 | 34 | 5 | 29.8% | 4.4% |
| 2 | Ararat | 97 | 32 | 32 | 33.0% | 33.0% |
| 3 | Armavir | 97 | 4 | 4 | 4.1% | 4.1% |
| 4 | Gegharkunik | 92 | 92 | 5 | 100.0% | 5.4% |
| 5 | Lori | 113 | 6 | 4 | 5.3% | 3.5% |
| 6 | Kotayk | 67 | 32 | 32 | 47.8% | 47.8% |
| 7 | Shirak | 119 | 3 | 3 | 2.5% | 2.5% |
| 8 | Syunik | 109 | 6 | 6 | 5.5% | 5.5% |
| 9 | Vayots Dzor | 44 | 11 | 2 | 25.0% | 4.5% |
| 10 | Tavush | 62 | 38 | 38 | 61.3% | 61.3% |
| | *Total* | *914* | *258* | *131* | 28.2% | 14.3% |

As of the end 2008 there were 58 organizations operating in Armenia in the area of information transmission and delivery of licensed internet services[36]. Predominant majority of these organizations, i.e. 70%, operates in Yerevan.

An important administrative element is the conduct of registry. According to the legislation, communities conduct only registries of land and property tax-bases, which is a delegated power. Legislation does not prescribe any other registry to be led by communities.

In the framework of LGP-3 project implemented by RTI developed and installed asset management software in 38 urban communities, which entails training of staff in the relevant LSGs[37].

Conduct of registries by communities depends upon their capabilities and available equipment. Currently, communities do not conduct registries other than the ones indicated earlier. In terms of equipment it can be mentioned that urban and district municipalities are relatively well equipped, which is not the case with rural communities.

### *6.2. Municipal service*

Municipal service systems were enforced in Armenia in the second semester of 2006 upon promulgation of the law on Municipal Service. The law regulates relations in the sphere of municipal service. A set of normative legal acts accompanied with amendments and additions was adopted with a view to cover the entire legisla-

[35] Source: www.region.am, Summary data on public awareness resources in the communities of the republic

[36] Source: www.prsp.am

[37] Source: Armenia Local Government Program-Phase 3. Performance Report-Base Period, 2005-2008

tive framework. In particular, in 2008 amendments and additions were introduced in the law on Municipal Service on September 30 and December 26. In addition, a set of orders by the Deputy Prime Minister and Minister of Territorial Administration (N 02-N, 03-N and 04-N, December 4 2008) established several important procedures, such as reserving human resources for municipal service, the list of positions in each of the groups and sub-groups of the municipal service, and job descriptions for each position in the groups and sub-groups.

As of the end of 2008, municipal service encompassed 6688 positions. Actual occupation of those was 5502 (See: Appendix 1). Average number of municipal officers per 1000 people is 1.70. This indicator in Yerevan is 0.97, in Aragatsotn 2.67, in Ararat 1.84, in Armavir 2.11, in Gegharkunik 2.39, in Lori 2.25, in Kotayk 1.89, in Shirak 1.44, in Syunik 1.94, in Vayots Dzor 2.68, and in Tavush 2.62.

As mentioned in 2007 CFOA Report the lists of positions in municipal service were approved under the order of the Minister of Territorial Administration rather than community councils, which is an infringement of the law on Municipal Service. Amendments and additions introduced in the above law this approach has been enforced. According to the amendments, community councils are entitled to *address to the authorized state agency* in order to approve, change or make amendments in the list of positions in the municipal service.

***Training and retraining systems***

According to the law on Municipal Service, the first series of training activities for municipal officers was launched in 2007 and continued in 2008. Taking into consideration the scarcity of community budget resources, implementation of these training activities was funded from the state budget (table 13).

According to the law, training of municipal officers is delivered by organizations selected on a competitive basis. One of such organizations is the Armenian Association of Communities. According to the plan set for 2008, 2590 municipal officers should have been trained. However, actual number of trained officers was 2371, including 1883 in the marzes and 488 in Yerevan (See: Table 13). Deviations from planned targets are mainly caused by rotation of municipal human resources. Further to adoption of the law on Municipal Service, municipal officers are to some extent protected against voluntary dismissals by heads of communities. Nevertheless, case of dismissals in local administrations (often under resignation letters) are inevitable, particularly, if LSG elections resulted in changes in ruling parties.

The first series of training courses for municipal service will continue in 2009 as well.

**Table 13: Number of trained municipal officers in 2008**[38]

| N | Marz | Total | Senior post | Leading post | Junior posts |
|---|---|---|---|---|---|
| 1 | Aragatsotn | 30 | 1 | 9 | 20 |
| 2 | Ararat | 258 | 2 | - | 256 |
| 3 | Armavir | 334 | 2 | 16 | 316 |
| 4 | Gegharkunik | 288 | 2 | - | 286 |
| 5 | Lori | 302 | 4 | - | 298 |
| 6 | Kotayk | 278 | 2 | 40 | 236 |
| 7 | Shirak | 161 | 1 | 20 | 140 |
| 8 | Syunik | 31 | 3 | 28 | - |
| 9 | Vayots Dzor | 84 | - | 46 | 38 |
| 10 | Tavush | 117 | 2 | 35 | 80 |
| 11 | Yerevan | 488 | 9 | 65 | 414 |
| | *Total* | *2371* | *28* | *259* | *2084* |

In order to increase accessibility of training opportunities for municipal officers the training courses were delivered in the central towns of sub-regions. Each group consisted of 20 people in average.

Training materials and modules are instituted by the Ministry of Territorial Administration and the same principle was applied in designing the curricula for all three categories of municipal service. They allow acquiring knowledge about Constitution, local self-government and municipal service, as well as relevant other knowledge. It should be mentioned that the training entails acquisition of general knowledge about local self-governance systems. Nevertheless, no specialized knowledge is transferred to the trainees. Officers in any one category receive the same knowledge and there is no differentiation between the officers involved in different sectors, such as education, residential and communal utilities, etc.

This factor is somewhat justified to the extent that the process is implemented for the first time, it is unprecedented and, most importantly, the shortcomings are spotted and recognized by the representatives of authorized state agency as well. So the latter will hopefully undertake necessary actions to improve the existing curricula.

The state authorized agency follows the process of training holding three-day observations on the sites. In addition, in order to find out the perceptions and opinions of municipal officers in respect of the training courses, the state authorized agency would undertake telephone polls from time to time[39]. According to the state authorized agency, the observations and queries did not reveal any serious shortcomings or complaints.

[38] Source: Ministry of Territorial Administration

[39] Outcomes of observations have not been recorded at all

Voluntary training of LSGs and heads of communities continued in 2008 along in the framework of various projects. So far that LSGs do not wish to pay for the training despite the fact that for many urban and district communities it would not incur any substantial budget implications. Below is a brief description of some of these projects.

In 2008 Ministry of Territorial Administration procured and UNDP supported Support to decentralization processes project, in the framework of which 100 representatives of communities were trained covering 10 officers from 10 marzes (except Yerevan)[40]. The workshops focused on the range of functions attributed to officials representing heads of communities in competition and appraisal systems in municipal service.

The training initiative held by the Freedom of Information Center of Armenia focused on application of the law on Freedom of Information and encompassed 23 heads of communities representing Armavir marz.

### *6.3. International support*

As in the previous years, international organizations operating in Armenia continued their project involvement in local self-government sector of Armenia in 2008. More specifically, a variety of projects was funded by USAID through RTI sub-contractor implementing LGP-3, CHF, UNDP, GTZ, European Commission, World Vision, LGI/OSI, OSCE Armenian office, Eurasia Partnership Foundation, etc. In 2008 the following international projects can be mentioned.

*UN Development Program*[41]

*Establishment of milk procurement stations:* The project was implemented by UNDP, Agro-business and rural development center, and Ashtarak Kat ltd. As a result of this project a building was rehabilitated in each of the following three bordering communities of Tavush marz (Varagavan, Nerkin Karmir Aghbyur and Tovuz) for use as milk procurement center in future. Two milk transporting vehicles were provided to the communities in addition to equipment for testing milk. The milk produced in the villages is sold to Ashtarak Kat Company. Operations of milk procurement stations are supervised by milk marketing cooperatives established in each of the project communities.

*Project in Karakert community:* UNDP, Children's Fund of Armenia and USAID jointly implemented renovation of the community in Karakert village.

*Rural development conference:* On July 10 2008 the second annual conference

[40] Source: www.cfoa.am, Workshops in the marzes in the framework of Support to decentralization processes project

[41] Source: www.undp.am

on rural development was held in Armenia. This event was jointly organized by UNDP and Turpunjyan Rural Development Project of the American University of Armenia. Current challenges of rural development, ways to address the existing problems, as well as planned programs and projects were discussed and presented at the conference.

In 2008 UNDP implemented projects in budgeting (See more in the section of this Report: Accessibility of information about LSG operations), trash removal (See more in the section of this Report: Public services delivered by LSGs - trash removal), culture (See more in the section of this Report: Public services delivered by LSGs – education and culture), as well as water supply and irrigation (See more in the section of this Report: Public services delivered by LSGs – water supply and removal and irrigation).

*USAID CHF International: Public works project*

Activities under this project continued in 2008. They aim to support vulnerable communities in attaining financial stability by organizing specialized construction training courses and creating new jobs in the framework of public works initiatives, which will help communities rehabilitate priority infrastructures in the communities.

**Table 14: Public work projects in 2008**[42]

| Community | Projects | Start | End |
|---|---|---|---|
| Artik | Renovation of children's creative center | 07.09.07 | 26.06.08 |
| Dilijan | Renovation of community development center | 31.07.07 | 15.01.08 |
| Gavar | Renovation of youth center | 2.08.07 | 27.02.08 |
| Alaverdi | Renovation of employment cente r | 23.04.08 | 31.08.08 |
| Abovyan | Renovation of employment center | 25.04.08 | 14.08.08 |
| Berd | Renovation of employment center | 02.06.08 | 02.10.08 |
| Ijevan | Renovation of employment center | 02.06.08 | 02.10.08 |
| Dilijan | Renovation of employment center | 20.05.08 | 14.08.08 |
| Noyemberyan | Renovation of gym in the school N2 | 22.07.08 | 2008 |
| Noyemberyan | Rehabilitation of the retaining wall for the Zham district | 26.09.08 | 18.12.08 |

*USAID RTI International: Local government project -3*[43]

In the framework of this project methodology for estimating values of delegated powers and defining state budget allocations to local community budgets has been developed.

[42] Source: www.bridgearmenia.am/index.php?cat_id=198

[43] Source: Armenia Local Government Program-Phase 3. Performance Report-Base Period 2005-2008

In addition, in the framework of this project CFOA implemented assessment of creditworthiness of communities whereby training was delivered to 38 officers of model urban communities. As a result of this project Sevan community has submitted a credit proposal to VTB bank.

The component of service delivery entailed purchase of trash removal vehicles for a number of urban communities and in some others external illumination works were performed (e.g.: in Artashat) in parallel with heating projects in kindergartens and schools (e.g.: in Yeghegnadzor and Alaverdi).

Finally, in the framework of this project methodological materials (See: Capabilities of LSGs and staff section of this report) and computer software (See: E-governance, registry and equipment section of this report) were designed.

*Expert center of Council of Europe*[44]

In 2008 Republican association of communities of Armenia jointly with the Expert Center of the Council of Europe undertook implementation of Training Needs Assessment in the area of local self-governance. This project consists of two components, the first being qualitative survey, which envisages series of interviews with heads of communities and staff of the Ministry of Territorial Administration, and the second being representative study in 328 communities of Armenia.

*European Commission: European Initiative for Democracy and Human Rights*

All the grant activities implemented in the framework of this project are linked with a large spectrum of issues in the area of local self-government.

**Table 15: Projects financed by the EC Democracy and Human Rights Initiative in the area of local self-government**[45]

| Projects | Amount | Implementing agency | Schedule |
|---|---|---|---|
| Enhancing public participation in decision-making processes | € 80,000 | International Center for Human Development | 2006 -2009 |
| Active citizen as defender of their rights and community interests | € 80,000 | Information Educational Center Contributing to the Development of Local Government | 2006 -2009 |
| Strengthening the role of population in municipal decision-making process | € 79,914 | Centre for Socio-Economic Research and Analysis | 2006 -2008 |
| Strengthening of democracy in local self-governance system through promotion of collaboration between municipal councilor and community population | € 79,681 | Association of municipal councilors of Armenia | 2006 -2008 |

[44] Source: www.coe.int/t/dgap/localdemocracy/Centre_Expertise/Programmes/Armenia_en.asp
[45] Source: www.delarm.ec.europa.eu

*World Vision Armenia*[46]

World Vision has implemented a project in health sector (See: Public services delivered by communities, Health, section of this report).

*Gesellschaft fur Technische Zusammenarbeit (GTZ)*[47]

GTZ supported establishment of civil services office in Dilijan. Such offices are already established and operate in Charentsavan, Vedi and Aparan communities with support of GTZ. The core objective of these offices is to secure involvement of citizens in important decision-making processes at community level. These offices established on the basis of German experiences deliver various services to population, such as creating opportunities for public to interact with public authorities, support in documenting purchase and sale transactions, payment of fees for communal utilities, provision of information about services delivered by the community, cultural and sports events, placing such information on the web-site, etc.

*Eurasia cooperation fund*[48]

In the framework of anti-corruption component of its project, the Fund organized study tour to Czech Republic for heads of communities and staff, civil servants and representatives of civil society. In the course of the study tour the participants got acquainted with the experience of the host country in the area of mitigating corruption in the local self-government system.

*OSCE: Community police project*[49]

The community police project is a component of a larger OSCE initiative to support Armenian police service. The objective of the project is to enhance trust towards police among population and improve information flows between the police and public at large. The community selected as pilot for the project is Arabkir district of Yerevan, and in the framework of this pilot initiative foreign experts delivered training courses for the staff of Arabkir police unit. One of the components of this project is the signing of Memorandum of Understanding between the police service of Armenia and OSCE Yerevan office targeting development of community police model for Armenia.

*Armenia Tree Project*[50]

Armenian Tree Project implemented an initiative in the area of tree planting in the communities of Armenia (See: Public services delivered by communities: tree planting section of this report).

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[46] Source: www.wvarmenia.am/am/?nid=18&offset=1
[47] Source: www.region.am
[48] Source: www.epfound.am/index.php?article_id=27&clang=1
[49] Source: www.osce.org/yerevan
[50] Source: www.armeniatree.org/atpnews/newsletter/atp_newsletter_spring08.pdf

*Japan International Cooperation Agency*[51]

The agency has been implementing projects in water supply sector since 2007 (See: Public services delivered by communities: water supply and removal and irrigation section of this Report).

*Local government imitative and public reforms (LGI/OSI)*[52]

In 2008 Local government initiative and public reforms funded CFOA to support *Fiscal reforms in local self-government sector of Armenia*-2, in the framework of which the following papers were developed:

- Local taxation concept note;
- Concept paper for consolidation of communities;
- Draft of amendments in the law on Local Self-government in the area of inter-community unions; and
- Local self-government reforms (2007), Report.
- Local government and public reform initiative continued financing of LOGIN-Armenia project, which is also implemented by CFOA.

***Assessment of operations implemented by international organizations***

Activities of international organizations implemented in the local self-government sector secure tangible support to establishment and development of the sector in Armenia. However, at the same time their activities do not always target priority or most acute problems existing in the system. For example, in reviewing the projects described above a conclusion can be drawn that except a couple of projects implemented in one or several communities, there are too few of them that target institutional development of the system. It should be mentioned that local self-government system in Armenia has yet a long way to go in terms of institutional establishment and there is an evident need to implement systemic reforms. Without disparaging in any way the importance of projects implemented in the communities it should be mentioned though that they are implemented in as yet not established institutional environment, which substantially downsizes their efficiency. On the other hand it should be borne in mind that all international organizations pursue their own agendas and missions within strictly defined scopes and it is not always that systemic reforms make part of such agenda.

An important precondition for efficiency of operations implemented by international organizations in local self-government sector is the coordination of their activities, which would preclude duplications and secure continuity and sustainabil-

[51] Source: www.region.am, improvement of water supply and removal problems in rural communities
[52] Source: www.cfoa.am

ity of projects implemented in earlier periods. Serious progress in coordination of the activities was not recorded in 2008 similar to the situation in the previous years.

# 7. DELIVERING COMMUNITY SERVICES

## *7.1. Public services delivered by communities*

Part of powers to deliver public services in Armenia is attributed to local self-government bodies. The changes taken place in delivery of public services by communities in 2008 are set out below by individual sectors.

*Tree planting and improvements*

Tree planting and improvements can be arranged through either community based organizations or those selected on competitive basis. As in the previous years, these works were implemented mainly in urban, larger rural and Yerevan district communities. Scarcity and often absence of financial resources in medium-size and small communities hardly allowed such works done.

Armenian Tree Project has implemented series of activities in this area. In particular, in the framework of community tree planting component some 5600 trees were planted in 17 urban and approximately 120 rural communities[53].

*Maintenance of cemeteries*

This area is regulated under the law on Arrangement of funerals, operation of cemeteries and crematoriums, government decree N1910-N of November 23 on establishment of procedures and rules, as well as the sample of cemetery titles prescribed by the above law, and government decree N1301-N of November 8 2007 on Cremating, transportation and funeral of corps in cases of sanitary and hygienic risks and procedures of burying, as well as other legal acts.

On December 26 2008 technical amendments were introduced in the above law stemming from the change in the status of Yerevan. In particular, the phrase … Yerevan community (or Mayor) in Yerevan was removed from the text.

With the objective to enhance awareness of population and accessibility of relevant information, information billboards were installed in all 21 cemeteries in Yerevan with all relevant decisions, information about individual cemeteries being closed, partially closed and open, plans of the cemeteries, allocation of cemeteries, as well as service fees, applicable rules and placing other information as necessary[54].

[53] Source: www.armeniatree.org/atpnews/newsletter/atp_newsletter_spring08.pdf
[54] Source: www.foi.am, Freedom of information already in the cemeteries

*Trash removal*

Arranging trash removal is among mandatory powers of the head of community. Legal regulation of this sector is established by the law on Local Self-government and on Exhausts (no changes or additions were introduced in these laws in 2008), as well as Presidential Decree PD-728 (May 6 1997) on State administration in marzes of Armenia, Government decree N1625-N (October 10 2002) on Mandatory norms applicable to maintenance of common areas in multi-apartment residential buildings, and other legislative acts. The norm for removal of solid household waste, namely at least once in three days, has remained unchanged.

In the recent years the volume of solid waste in Armenia has doubled hitting 1 mln tons per annum. Trash is predominantly collected in 60 communal sites, which are rather obsolete and do not meet contemporary sanitary-hygienic or environment protection requirements; some waste is pooled in sporadically formed and uncontrolled places. Trash sorting procedures are not established or controlled. There are no special trash collectors for heavy metals in Armenia. Safe wastes get mixed with hazardous one threatening environment. There are facilities for sorting, processing or extracting secondary raw materials. Trash removal is not existent in prevailing majority of the Armenian communities. Other communities face many problems, such as lack of vehicles, or existing vehicles are not envisaged for this services, etc. Multi-apartment and multi-storey residential buildings in Armenia also encounter serious challenges with trash removal. As a result of failure to maintain mandatory norms applicable to common areas in multi-apartment buildings, trash tubes are often clogged entailing anti-sanitary conditions and spread of rodents[55].

Fees for trash removal service are established by the community council. The fees vary from community to community and can be between 50 and 150 drams per person.

Trash removal services to commercial and non-commercial organizations are delivered on contractual basis. In 2008 there were no steps taken towards establishment of unified methodology to estimate fees for trash removal services.

In 2008 UNDP, Izmirlyan Foundation and Meghri community jointly embarked on implementation of a project to improve trash removal services in Meghri. The project resulted in renovation of the municipal trash collector, and 35 trash containers and 35 bins were installed in various places all over the town. In addition, a trash transporting vehicle and an excavator were provided to secure delivery of daily trash removal services in the town. The trash removal company was replenished with 12 new positions occupied by local people[56].

RTI implements Local government project-3, in the framework of which trash removal vehicles were purchased in 2008 for a number of urban communities[57]. The

[55] Source: www.armenianow.com/?action=viewArticle&AID=2515&lng=arm&IID=1153&CID=2492, Dirty facts, Garbage Removal and Odorous problem in Armenia

[56] Source: www.undp.am

[57] Source: Armenia Local Government Program-Phase 3. Performance Report-Base Period 2005-2008

organization also pilot tested the approach of joint financing with the objective to improvement of public services. Five communities were involved in the pilot and three of them, namely, Aparan, Vedi and Noyemberyan, purchased trash removal vehicles under the joint financing scheme. Success of the pilot led USAID to a decision to continue the implementation of joint financing initiative expanding the number of beneficiary communities. In particular, such vehicles were acquired for 29 urban communities in 2008 (including two vehicles for Vanadzor community).

In addition, RTI delivered training courses on planning and management of trash removal power encompassing 246 participants resulting in development of individual strategic plans for 15 communities. RTI also provided computer equipment and software to 30 urban communities to enhance efficiency and management of the trash removal service power. 35 staff of urban communities were trained in use of computer software. Finally, consumer satisfaction surveys were undertaken in 24 communities (covering 9600 consumers), and a discussion was held for 26 participating urban communities to review legislation regulating trash removal power.

*Maintenance of residential buildings and non-residential areas*

Legal regulation of this area involves laws on Condominiums (May 7 2002) and on Management of multi-apartment residential buildings (May 2002), as well as a number of other legal acts. No amendments or additions were introduced in these legal acts in 2008.

Residential buildings and non-residential areas of communities consists of multi-apartment residential buildings and individual houses. 95% of residential stock of Armenia is private. 71.6% of total residential stock is within the authority of condominiums, 1.5% under that of authorized managers, and 26.9% under the local self-government bodies[58].

An important legal act worth special mention is the government decree N1161-N (October 4 2007) on Establishment of mandatory norms of maintenance of common areas in multi-apartment residential buildings. LSGs are not particularly bothered to maintain these norms in view of scarcity of budget resources. However, expert assessments indicate that an average of some 20-30 drams per square meter is needed to maintain the norms, which is not a particularly heavy burden for community budget[59].

As of the end of 2008, condominiums covered all marzes of Armenia, however, the Table 16 below shows that majority of condominiums (some 71%) operates in Yerevan, while in marzes they are yet a few.

[58] The indicated shares relate to residential space and not the number of multi-apartment buildings

[59] Source: “Действенность механизмов по контролю и отчетности в государственной политике по управлению жильем”, Р. Мхитарян, А. Карапетян, Армения, 2009

**Table 16: Distribution of condominiums by marzes**[60]

*(As of 01.01.2009)*

| Marz | Number of condominiums | Number of buildings | Number of flats |
|---|---|---|---|
| Yerevan | 586 | 4715 | 232640 |
| Aragatsotn | 16 | 94 | 1041 |
| Ararat | 1 | 2 | 110 |
| Armavir | 16 | 100 | 3671 |
| Gegharkunik | 6 | 87 | 2720 |
| Lori | 70 | 1064 | 27113 |
| Kotayk | 60 | 913 | 36884 |
| Shirak | 33 | 769 | 20595 |
| Syunik | 27 | 377 | 14016 |
| Vayots Dzor | 2 | 6 | 199 |
| Tavush | 6 | 62 | 2155 |
| *Total* | *823* | *8189* | *341144* |

Overall, cooperation between communities and condominiums is not operations in many places, and in some cases, it is fictitious and furthers reciprocal needs.

*Water supply, removal and irrigation*

In 2008 many community water supply projects were underway funded in the framework of various loan projects, including KFW and Yerevan-Jur ltd, an international leasing company. Majority of rural and several urban communities implement water supply services on their own.

**Table 17: Irrigation networks in surveyed villages**[61]

| N | Marz | Total (%) |
|---|---|---|
| 1 | Aragatsotn | 50 |
| 2 | Ararat | 100 |
| 3 | Armavir | 96 |
| 4 | Gegharkunik | 69 |
| 5 | Lori | 37 |
| 6 | Kotayk | 85 |
| 7 | Shirak | 56 |
| 8 | Syunik | 45 |
| 9 | Vayots Dzor | 86 |
| 10 | Tavush | 62 |
| | *Total* | *66* |

According to a survey implemented in 262 rural communities in 2008, irrigation networks are available in 66.4%. in Ararat marz all the surveyed communities have such networks, in Lori the share of communities equipped with irrigation networks is only 37% (See: Table 17). Only 66% of surveyed communities are members of WUAs. Review of the situation by marzes show that all villages are members of WUAs in Ararat and Armavir marzes, while the share of members of WUAs in Syunik, Lori and Shirak marzes is 50% and lower[62].

[60] Source: www.armstat.am, Socio-economic situation of Armenia, January-December 2008

[61] Source: Main outcomes of rural community survey; NSS and MCA-Armenia, Yerevan 2009

[62] Source: Main outcomes of rural community survey; NSS and MCA-Armenia, Yerevan 2009

Among the activities implemented in the water sector in 2008, a separate mention should be made of the US government funded Millennium Challenge Corporation in the framework of Irrigated Agriculture component. In particular, secondary networks were constructed in Lanjazat, Abovyan, Arevshat and Griboyedov communities. All these communities co-fund 15% of the respective project values[63].

In 2007 Japan International Cooperation Agency launched studies in a number of communities with the objective to implement construction, rehabilitation and improvement of community water supply infrastructures, which continued in 2008. The communities are located in Aragatsotn, Shirak, Tavush and Gegharkunik marzes. According to these studies, in four marzes 565km of pipelines will be constructed, 844km of internal network, 248 catchments rehabilitated, 51700 water meters installed, etc. Since the value of this loan project is quite high (equivalent of 100 mln USD), it is envisaged to implement the project in two phases, three and a half years each. Government co-financing is 33 mln USD[64]. In Lchavan and Apnagyugh rural communities of Gegharkunik marz a pilot project was implemented towards establishment of units for operation and maintenance of water supply and removal networks, which are managed by heads of respective local administrations.

UNDP, Children's Fund of Armenia and Yervandashat community jointly rehabilitated 7.5km of irrigation pipeline. A water reservoir of 150 cubic meters was constructed to maintain chlorine purification of water, in addition to rehabilitation of water pump-station. The implementation of this project yielded secured clean water supply to 204 households at one hour per day regime[65].

In terms of fee rates it should be mentioned that the decision N276-N of the Public Service Regulatory Commission (May 23 2008) on Establishment of fees for potable water supply and removal services delivered by Yerevan Jur ltd rescinded two decisions of the above commission (N225-N, May 16 2007, and N89-N May 30 2006) in order to establish new rates to go into effect since July 1 2008. Data in the Table 18 below show that the new rates are not actually much different from the formerly established ones.

[63] MCA-Armenia, Quarterly bulletin, N6

[64] Source: www.region.am, On Agenda: improvement of water supply and removal networks in rural communities high on agenda

[65] Source: www.undp.am

**Table 18: Changes in service fee rates assessed by water supply companies, 2008[66]**

| Services | Unit of measurement | Prior to 2008 changes | | After 2008 changes | |
|---|---|---|---|---|---|
| | | Excluding VTA | Including VAT | Excluding VTA | Including VAT |
| 1. Yerevan Jur ltd,<br>of which<br>1.1. *Fee for potable water supply to consumers*<br>1.2. *Fee for water removal service*<br>1.3. *Fee for removal of waste water*<br>1.4. *Other persons authorized to use water systems or communities*<br>- *Wholesale fees for provision of potable water*<br>- *Wholesale fees for water removal and removal of waste water* | Dram/c.m. | 122.400<br>10.080<br>11.520<br><br>7.20<br><br>15.80 | 146,880<br>12,096<br>13,824<br><br>8.64<br><br>18.96 | 122.400<br>10.080<br>11.520<br><br>7.60<br><br>16.40 | 146,880<br>12,096<br>13,824<br><br>9.12<br><br>19.68 |
| 2. Removal of underground waters for Yerevan Metro | Dram/c.m. | 5.10 | 6,12 | 5.10 | 6,12 |

Fee rates applied by other organizations were not reviewed by the Public Service Regulatory Commission in 2008.

The fee rates in the communities, which deliver water supply services on their own, are established by the respective community councils. Nevertheless, rural communities usually do not establish any fees for water supply hence fees are not collected since water supply systems are predominantly gravity, not cleaned and considered to be low-value.

*Public transport*

Community transport services are delivered by community-based or private companies. In both cases fares are established by the community councils. Inter-community transportation is entirely delivered by private companies. According to the 2008 annual activity report of the Ministry of Transport and Communications, there were 370 transport routes in 2008. The service is delivered through buses and vans. According to the survey implemented in 262 rural communities, 76% of the target communities have regular bus communication. Average cost (price of the bus tickets) of round trips from these communities to marz centers and Yerevan are 769 and 2015 drams, respectively.

*Education and culture*

In the sector of education and culture LSGs implement the following mandatory powers: arrange and manage operations of kindergartens, community schools,

[66] Source: Decisions of the Public Service Regulatory Commission (N276-N May 23 2008, and N89-N May 30 2006).

clubs, culture houses, libraries, and other educational and cultural organizations and facilities, in addition to their maintenance and renovation works. Operation and maintenance costs are funded from community budgets and applicable fees.

Rates of fees applicable for services delivered in education and culture sector are established by the community councils. In some communities fees are not established whatsoever, and service delivery costs are entirely financed from the community budgets. It should be mentioned that even in cases when fees are established, they are symbolic and hardly meet even cost recovery requirements. For example, fees paid by parents for kids in kindergartens are used to meet the costs of purchasing food. In many communities collected funds are not sufficient even to meet these costs wither.

According to the surveys held in 262 rural communities in 2008, pre-school institutions exist in 57% of communities, musical schools in 15%, arts schools in 6%, painting schools in 1% and sports schools in 5%. It can so be stated that in other villages, with insignificant exceptions, the situation is identical.

The age of majority of the buildings, which house the above facilities is over 20 years, including 86% of pre-school institutions, 76% of musical schools, 87.5% of arts schools, 67% of painting schools, and 86% of sports schools[67].

In some communities renovation of educational and cultural fixed assets has been implemented by various donor organizations.

For example, UNDP - with financial support of the Italian Government - has completely rehabilitated the culture house in Lusadzor community, which was in actually ruined state[68], CHF renovated off-school centre in Artik and children and youth center in Gavar in the framework of public works program[69], etc.

*Health*

Powers of communities in health sector are extremely limited. Only some rural communities have primary health care out-patient facilities, which are funded from community budgets and fees. These facilities in many communities are in dilapidated condition and without the least of possibilities to deliver primary health care services. According to the survey implemented in 262 rural communities, out-patient policlinics exist in only 32% of the surveyed communities[70].

World Vision has been implementing a community health project since 2004 financed by USAID[71]. The project aims to improve delivery of health care services in remote communities of Armenia. It was implemented in Tavush, Lori, Syunik and Gegharkunik marzes delivering services to total of 88.000 population in 123 communities. Medical assistance groups with family doctors, pediatricians, laboratory

[67] Source: Main outcomes of rural community survey; NSS and MCA-Armenia, Yerevan 2009
[68] www.undp.am
[69] Source: www.bridgearmenia.am/index.php?cat_id=198
[70] Source: Main outcomes of rural community survey; NSS and MCA-Armenia, Yerevan 2009

and ultra-sound specialists on board, delivered tens of thousands of consultation services. It should be mentioned that the project will wind up in 2009 and with the objective to secure its continuation beyond that year, the four marzpetarans and World Vision signed a memorandum, according to which Medical Assistance Group Project will be officially handed over to the Government of Armenia. The responsibility for delivery of primary health care services in remote communities of the four marzes will be assumed by the marzpetarans. According to the memorandum, World Vision will hand over to the marzpetarans all the equipment acquired throughout implementation of the project and KAMAZ vehicles with a view to secure continuity of the project.

***LSG power to establish fees***

In 2008 no legislative change took place in terms of the power of LSGs to establish fees.

As in the past, the legislation does not specify mechanisms to apply fines or penalties for non-payments of fees. When delivering services on contractual basis, the relevant contractual provisions defined for cases of non-payments will apply.

## *7.2 Administration of community services*

As in previous years, delivery of services in predominant majority of communities remains at very low level in 2008. The situation is particularly poor in the case of communal services. Urban communities manage somehow to deliver these services, but rural ones continue to struggle as was the case in the past. In general, it would be at least naïve to expect any substantial development in the area of service delivery within the existing fragmentation of territorial and administrative units. In the existing circumstances delivery of many services (for example, trash removal, pre-school education, etc) does not even become merely inefficient; it does become impossible if adequate scope of operations is not secured.

Compared with the last years, expenses of administrative budgets for service delivery in 2008 increased, while those of the fund budget decreased (See: Table 19). The situation varies with individual communal services, in other words, share of spending for services in the fund and administrative budgets either increases or decreases. Particularly drastic a decrease - almost two times – was recorded in the aggregate fund budget for the line item of *transport and communication, road facilities*. Expenditures for community services in the structure of community budgets increased. More specifically, share of basic public services in total administrative budget is 50.7% in 2008 (45.2% last year). In case of fund budget it can be mentioned that despite the decrease in spend for delivery of public services in absolute

terms their share in the aggregate fund budget nevertheless increased reaching 71.9% in 2008 (67.3% last year), because in 2008 expenditures from the fund budget has generally decreased. The tendency of growth in correlation between delivery of basic community services and staff maintenance costs continued in 2008.

The above indicators generally show positive dynamics in expenses for delivery of community services and the structure of community budgets. However, in absolute terms these expenses are too far from being adequate. In any case the most powerful prerequisite for delivery of comprehensive and quality services is the availability of financial resources.

**Table 19: Share of LSG staff maintenance costs and expenses for service delivery in community budgets**

**Mln drams**

| Expenditures | 2007 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | Administrative budget | % | Fund budget | % | Administrative budget | % | Fund budget | % |
| *Total expenditures, (excl. allocations from reserve fund of administrative budget) ** Including | *37362.5* | *100* | *18142.2* | *100* | *41224.6* | *100* | *15861.9* | *100* |
| Staff maintenance costs | 11460.8 | 30.7 | 1661.3 | 9.2 | 12720.1 | 30.9 | 1310.8 | 8.3 |
| 1. Education | 7408.1 | 19.8 | 402.3 | 2.2 | 9022.5 | 21.9 | 1011.5 | 6.4 |
| 2. Health | 39.8 | 0.10 | 9.4 | 0.05 | 47.3 | 0.1 | 7.7 | 0.1 |
| 3. Culture, sports, religion | 3024.7 | 8.1 | 196.0 | 1.08 | 3418.0 | 8.3 | 276.5 | 1.7 |
| 4. Communal utilities | 7708.5 | 20.6 | 5176.0 | 28.5 | 7684.2 | 18.6 | 7006.2 | 44.2 |
| 5. Transport, communication and road facilities | 475.0 | 1.3 | 6433.0 | 35.4 | 728.4 | 1.8 | 3103.5 | 19.5 |
| Total 1+2+3+4+5 | 18656.1 | 45.2 | 12216.7 | 67.3 | 20900.4 | 50.7 | 11405.4 | 71.9 |
| **Public services to staff maintenance ratio** | **1.63** | | **7.35** | | **1.64** | | **8.70** | |

* Includes Yerevan budget

In 2008 community budget did not finance either private sector companies to involve them in delivery of non-community services or non-governmental organizations to implement community projects, as was the case in previous years.

## Conclusions and recommendations

Despite some progress in reforms in local self-government sector from previous years, in 2008 however, the pace of reform may not be considered adequate or satisfactory.

2008 was a year when Presidential elections were held. It was marked with unprecedented events, which had substantial impact upon both domestic and foreign policies of Armenia, including on reforms in local self-government sector. The program of activities of the newly formed government was approved by the National Assembly on April 30 2008. In its local self-governance section it hardly differs from the program of the previous government. Nevertheless, in contrast to 2007, measures towards implementation of this program attained more activity in the second half of 2008.

The next important document linked with local self-governance is the Sustainable Development Program approved by the Government on October 20 2008. This document is the reviewed version of the PRSP. However, main activities to implement various sector policies, including local governance, have not been reflected even by the end of the year, which was planned initially.

The government has obligations to secure compliance of the existing legislation to new constitutional provisions as well as performance under obligations in the framework of the European Charter of Local Government.

Performance of the government in a range of legislative obligations and programs in the area of local self-government in 2008 is limited to adoption of the law on Local Self-government in Yerevan (many other laws were not adopted). The following activities were implemented: the government approved Concept Paper on Local Taxes, issues preliminary approval of the new draft law on Financial Equalization, approved the package of legislative amendments in amendments stemming from the Concept Paper on Local Taxes, as well as accepted for consideration Conceptual Approaches to Formation of Inter-community Unions and Consolidation of Communities. Draft laws have been submitted to the National Assembly in accordance with the existing procedures.

There are too many small and weak communities in Armenia, and they are not capable of delivering services to the population. Cooperation among communities is at very low level as yet. As in the previous years, in 2008 no inter-community unions and new community associations created in 2008.

In 2008 financial independence of communities continued to be weak. As previously, no shared revenues were allocated to community budgets from taxes attributed to the state budget. In this context there is a declining trend shown by indicators describing condition of local self-government sector in Armenia. Share of community budgets in consolidated budget expenditures is 6.6% vs. 7.2% in 2007, and expenditures of community budgets in GDP is 1.5% vs.1.7% in 2007. This took

place in parallel with continuous increase of revenues and expenditures in absolute terms. Share of aggregate community fund budget (particularly excluding Yerevan communities) in total community budgets decreased in 2008 vs. 2007 despite the increase observed up until 2008. This phenomenon is explained by the fact that the increase in gains from capital transactions in the community budgets was temporary and linked with receipts from alienation of community assets, particularly, land stocks.

In 2008 equalization subsidies from the state budget were allocated in equal installments by quarters. The practice of granting various privileges at the expense of community budgets and without any compensation continued. Communities did not issue municipal securities in 2008, did not receive loans resources either from the state budget or commercial banks.

Unfortunately, no progress was recorded in 2008 in terms of local democracy. The "scenario" of local elections has hardly been different from those held in previous periods. LSG posts were predominantly "distributed" among parties within the ruling coalition, elections were held in the absence or weak competition, and in majority of cases no change in political affiliation of LSGs has taken place. Representation of women in local government bodies is very insignificant. At the same time, representation of women in community councils can be considered adequate. Community councils continue to play passive role and needs establishment in the vast majority of communities. "Rotten locks" and "black lists" given by Freedom of Information Center of Armenia come to evidence that activities of LSGs are not transparent or public. Slightly promising is the activity and enhanced role of non-governmental organizations.

As in the previous periods, administrative structure and use of resources of LSGs to address local governance issues may not be considered efficient by any stretch of imagination. Observation show that despite some works have been implemented in this area, but there is still a huge number of challenges awaiting solution. Professional competencies of LSGs continue to be far from satisfactory or adequate, although some works has been done to enhance professional capabilities of the community councils. Important aspects of local governance, such as e-governance, conduct of registries, technical furnishing, are still poor particularly in rural communities, which is, again, hugely due to frequently mentioned incorrect type of administrative and territorial division.

The process of training municipal servants required by the law continued in 2008. The training desperately needs improvement in terms of organization, curricula and trainers. International organizations have continued their operations in many spheres and it should be mentioned that these are prevailingly smaller-scale projects and, to a lot lesser extent, projects containing elements of systemic reforms. There still a lot to do to coordinate operations of international organizations.

Community services were not delivered at satisfactory quality or quantity in

2008, as was the case in the previous years. In many communities the technical resources, buildings, facilities and infrastructures necessary for delivery of services are obsolete and physically worn and torn, and communities lack financial resources to renovate them or purchase new ones. In these realities delivery of services becomes cumbersome, expensive and inefficient and in many cases even impossible. International organizations have implemented projects in practically all areas of community service delivery, but given the multifarious nature of existing problems these initiatives have not had substantial impact and systemic reforms remain hot priority along the implemented activities.

All the above means that it is necessary to complete implementation of the government agenda in a very short notice, and the issues on the agenda includes consolidation of communities, creation of inter-community unions, as well as introduction of local taxes and new mechanisms of financial equalization. These are the challenges and issues, which have been raised by the CFOA for years designing relevant drafts. Other recommendations of CFOA are available in *Local self-government reforms, Book 2* (edited by D. Tumanyan, PhD Economics), Yerevan 2008.

# Appendix 1: Approved and actual posts in community service, by marzes[72]

| N | Marz | Senior post | | Leading post, Sub-group 1 | | Leading post, Sub-group 2 | | Leading post, Sub-group 3 | | Junior post, sub-group 1 | | Junior post, sub-group 2 | | Junior post, sub-group 3 | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Post | Occupied | Post | Occupied | Post | Occupied | Post | Occupied | Post | Occupied | Post | Occupied | Post | Occupied | Post | Occupied |
| 1 | Yerevan | 10 | 10 | 121 | 113 | 61 | 58 | 355 | 307 | 230 | 182 | 265 | 277 | 136 | 133 | 1178 | 1080 |
| 2 | Aragatsotn | 1 | 1 | 122 | 44 | 1 | 1 | 21 | 14 | 415 | 301 | 12 | 9 | 10 | 7 | 582 | 377 |
| 3 | Ararat | 3 | 3 | 106 | 84 | 2 | 1 | 107 | 95 | 155 | 152 | 114 | 111 | 70 | 65 | 557 | 511 |
| 4 | Armavir | 2 | 2 | 119 | 101 | 6 | 4 | 64 | 51 | 245 | 192 | 196 | 157 | 116 | 90 | 748 | 597 |
| 5 | Gegharkunik | 2 | 2 | 111 | 104 | 6 | 6 | 134 | 118 | 230 | 215 | 120 | 92 | 48 | 37 | 651 | 574 |
| 6 | Lori | 4 | 4 | 130 | 79 | 8 | 7 | 98 | 86 | 231 | 207 | 183 | 166 | 99 | 86 | 753 | 635 |
| 7 | Kotayk | 3 | 3 | 95 | 83 | 6 | 6 | 116 | 96 | 159 | 151 | 121 | 108 | 89 | 80 | 589 | 527 |
| 8 | Shirak | 2 | 2 | 138 | 86 | 10 | 7 | 207 | 143 | 150 | 68 | 87 | 71 | 33 | 27 | 627 | 404 |
| 9 | Syunik | 3 | 3 | 124 | 61 | 3 | 3 | 47 | 40 | 155 | 139 | 51 | 40 | 16 | 10 | 399 | 296 |
| 10 | Vayots Dzor | 0 | 0 | 45 | 38 | 0 | 0 | 88 | 53 | 79 | 56 | 0 | 0 | 2 | 2 | 214 | 149 |
| 11 | Tavush | 2 | 2 | 70 | 65 | 1 | 1 | 68 | 63 | 140 | 125 | 75 | 68 | 34 | 28 | 390 | 352 |
| | *Total* | *32* | *32* | *1181* | *858* | *104* | *94* | *1305* | *1066* | *2189* | *1788* | *1224* | *1099* | *653* | *565* | *6688* | *5502* |

[72] Source: Ministry of Territorial Administration

# Appendix 2: Approved and actual posts in community service, by Yerevan district communities[73]

| N | Marz | Senior post | | Leading post, Sub-group 1 | | Leading post, Sub-group 2 | | Leading post, Sub-group 3 | | Junior post, sub-group 1 | | Junior post, sub-group 2 | | Junior post, sub-group 3 | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Post | Occupied | Post | Occupied | Post | Occupied | Post | Occupied | Post | Occupied | Post | Occupied | Post | Occupied | Post | Occupied |
| 1 | Ajapnyak | 1 | 1 | 12 | 11 | 6 | 6 | 26 | 25 | 8 | 8 | 29 | 28 | 18 | 17 | 100 | 96 |
| 2 | Avan | 1 | 1 | 9 | 9 | 1 | 1 | 16 | 13 | 16 | 16 | 15 | 14 | 0 | 0 | 58 | 54 |
| 3 | Arabkir | 1 | 1 | 15 | 11 | 15 | 16 | 76 | 54 | 54 | 16 | 8 | 32 | 1 | 12 | 170 | 142 |
| 4 | Davtashen | 1 | 1 | 6 | 6 | 0 | 0 | 16 | 15 | 13 | 13 | 5 | 5 | 1 | 1 | 42 | 41 |
| 5 | Erebuni | 1 | 1 | 10 | 9 | 5 | 5 | 23 | 22 | 0 | 0 | 29 | 29 | 19 | 17 | 87 | 83 |
| 6 | Kentron | 1 | 1 | 16 | 15 | 9 | 9 | 78 | 71 | 56 | 47 | 42 | 42 | 38 | 32 | 240 | 217 |
| 7 | Malatia-Sebastia | 1 | 1 | 11 | 10 | 5 | 5 | 32 | 28 | 24 | 23 | 20 | 19 | 12 | 11 | 105 | 97 |
| 8 | Nor-Nork | 1 | 1 | 10 | 10 | 6 | 4 | 32 | 29 | 19 | 16 | 39 | 38 | 20 | 15 | 127 | 113 |
| 9 | Nork-Marash | 0 | 0 | 5 | 5 | 0 | 0 | 5 | 5 | 10 | 10 | 9 | 9 | 5 | 5 | 34 | 34 |
| 10 | Nubarashen | 0 | 0 | 5 | 5 | 0 | 0 | 7 | 7 | 3 | 3 | 6 | 4 | 0 | 0 | 21 | 19 |
| 11 | Shengavit | 1 | 1 | 10 | 11 | 6 | 7 | 16 | 15 | 19 | 22 | 27 | 30 | 7 | 13 | 86 | 99 |
| 12 | Kanaker-Zeitun | 1 | 1 | 12 | 11 | 8 | 5 | 28 | 23 | 8 | 8 | 36 | 27 | 15 | 10 | 108 | 85 |
| | *Total* | *10* | *10* | *121* | *113* | *61* | *58* | *355* | *307* | *230* | *182* | *265* | *277* | *136* | *133* | *1178* | *1080* |

[73] Source: Ministry of Territorial Administration.

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**Գիրք 3**

# LOCAL SELF-GOVERNMENT REFORMS IN ARMENIA (2007-2008)

**Book 3**

Հայերեն տեքստի խմբագիր՝ Մեսրոպ Հարությունյան
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