



*Community Finance Officers Association*



*Local Government and Public Service Reform  
Initiative*

**Report**  
**Local Self-Government Reforms in Armenia**  
**2009**

**Yerevan 2010**

This report has been developed by a group of experts of Communities Finance Officers Association in the framework of the Programme of Participatory Democracy in Action in the Local Self-government Systems of Armenia (July 2010 - June 2011), funded by the Initiative of Local Self-government and Civil Service Reform of the Open Society Institute (*OSI-AF/LGI*).

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

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

### ***Reflecting constitutional provisions in legislation***

Legislation regulating local self-government systems in Armenia - together with a set of other laws – should have been brought into compliance with the provisions of the new Constitution within two years after its promulgation through referendum of November 27 2005, i.e. before December 6 2007. Nevertheless, before the beginning of 2009 no legislative change has been made to secure compliance with the new Constitution. The changes included:

a) Community Council shall establish local taxes in accordance with the legal procedure (Constitution, Article 107);

b) Implementation of relevant powers by the head of community shall be established by law (Article 107);

c) Principles and procedures of consolidation and/or de-merger of communities, as well as election timing in newly established communities shall be established by the law (Article 110);

d) Inter-community unions may be established in accordance with the legal procedure (Article 110).

National Assembly has not adopted any law on the above Constitutional provisions in the course of 2009. However, works towards adoption of these are underway.

Already in the end 2008 a package of legislative changes stemming from the Concept of Local Taxes was submitted to the National Assembly, and this package set out types of local taxes and provisions regulating their application at community level. On September 25 2009 the Standing Commission of the National Assembly for Territorial Administration and Local Self-government convened parliamentary hearings with agenda covering, inter alia, the above package. However, the package had not reached any of the agendas of National Assembly panel sessions. In 2009 Communities Finance Officers Association designed the draft law on Hotel Tax, which was submitted to the Ministry of Territorial Administration as a legislation stemming from the Concept of Local Taxes. The Ministry has circulated the draft for review and comment, and designed new version of the draft together with the CFOA experts. The new version of this legislation was submitted to the Government on December 16 2009.

During 2009 Communities Finance Officers Association has developed two draft laws on implementation of a mandatory (Rules of Procedures for Heads of Municipalities on Garbage collection and disposal and Sanitary Cleaning) and a delegated (Rules of Procedures for Heads on Municipalities on Implementation of a Delegated Power of Social Assistance) power and submitted the drafts to the Ministry of Territorial Administration, which initiated this work. Another draft legislation drafted by Community Finance Officers Association was on a framework law on implementation of powers attributed to heads of municipalities. The first two pieces of legislation were under discussion by the end of 2009.

Back in 2008 Government of Armenia took note of the Conceptual Approaches to Establishment of Inter-community Unions and Consolidation of Communities (December 12 2008). The Approaches were further elaborated and the Government issued a protocol decree N17, dated April 23 2009, on taking a record of the Conceptual Approaches to Establishment of Inter-community Unions and Consolidation of Communities and tasked the Minister of Territorial Administration to design and submit a draft government decree on establishment of inter-sectoral commission with the objective to finalise the draft Approaches. According to the decree of May 26 2005 the Prime Minister approved the structure of the commission, which included Members of Parliament, ministers, regional governors, as well as representatives of research institutions and non-government organisations. The opening session of the commission held on June 6 2009 established three working groups, namely Community Consolidation, Establishment of Inter-community Unions, and Public Participation and Awareness. The working groups convened several sessions but the final draft of the Concept had not been adopted by the end of the year. Moreover, legislation was not adopted, nor amendments in

existing laws were introduced to regulate principles and rules of procedures for consolidation and de-merger of communities. Finally, no law was adopted on inter-community unions either.

Thus the work required to introduce relevant amendments and changes in legislation to conform to the new Constitution has been dragging in 2009 with no final result recorded.

In parallel with the above legislative changes and/or adoption of new legislation required by the Constitutions, the Law on Local Self-government envisages promulgation of legislation on municipal securities with no specific deadline established. In 2009 this law was not adopted either.

### ***Changes in legislation on local self-government***

In 2009 few changes were made in laws regulating local self-government in the country.

Only one amendment has been introduced in the Law on Local Self-government (November 18 2009). This amendment provides mandatory power to the heads of municipalities to make arrangements in defence. Similar amendment has been introduced in the Law on Local Self-government in Yerevan (November 18 2009) to provide this power to the Mayor of Yerevan.

Changes and additions were introduced in the Law on Municipal Service (May 19 2005). These are linked with the status of a self-government body to the city of Yerevan.

The National Assembly passed the first reading of the new Law on Financial Equalisation (April 29 2009), which substantially improves the mechanism of allocating equalisation subsidies among self-government bodies.

## **1.2. Assessment of Programmatic Reforms in Local Self-government**

In 2009 the Programme of Activities of the Government, which was approved by the National Assembly on April 30 2008, was put into legal force (Box 1). Implementation of the self-government sector related sections of this Programme are predominantly those stemming from the amendments in the Constitution (See Section 1.1.).

The Presidential Resolution NK-68-A, dated May 6 2009, established the list of actions designed for implementation of Plan of Actions under the European Neighbourhood Programme in 2009-2011. Actions in the area of local self-government set out in this document also stem from the Constitutional amendments.

Other works implemented in this area include installation of information governance system in 67 urban and rural communities in the framework of Public Sector Modernisation Project. Thus, by the end of the year e-governance systems are available and operational in 225 communities and all 54 territorial units for registration of civil status, which enable electronic implementation of functions and responsibilities by the above bodies. Relevant hardware and software were installed in the above communities, and professional training was delivered to the involved municipal staff involved<sup>1</sup>.

The overarching long-term programme of socio-economic development of the government is the Sustainable Development Programme (SDP) adopted on October 30 2008, and which is the reviewed and updated version of PRSP. It also contains provisions on local self-government (Box 2). Global financial and economic crisis has had significant impact on the economy of Armenia. Overwhelming economic decline was recorded in 2009 in Armenia, which gave rise to a situation whereby a number of provisions and programmed indicators in the Sustainable Development Programme became unrealistic hence the need for thorough review of the entire Programme.

Thus, like in the case of PRSP for 2007 and 2008, several areas, including main policy directions of local self-government, were not reflected in the SDP for 2009. Overall, programmatic reforms in local self-government sector may not be considered satisfactory for 2009.

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

There are two public authorities responsible for development of local self-government systems in Armenia, namely, the National Assembly and the Government of Armenia.

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<sup>1</sup> 2009 Performance Report of the Ministry of Territorial Administration of Armenia, [www.mta.gov.am](http://www.mta.gov.am).

**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 delegated powers will also be defined to streamline the exercise of delegated powers and the level of financing required for the exercise of such powers.

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.

The Standing Commission for territorial administration and local self-government established in the National Assembly in summer of 2008, organised a series of hearings of draft legislation, convened sessions and approved a number of draft legislative acts in the sphere of local self-government. However, the Commission has limited its operations solely to discussion of draft legislation submitted by the Government of Armenia and implementation of procedural actions, but it never initiated legislative processes or documents in relation to local self-government systems in the country.

As the state authorised body for local self-government, the Ministry of Territorial Administration implemented certain works in 2009 towards organising discussions of draft laws, initial approval and submission to the National Assembly for discussion and adoption.

In addition to legislation, the Ministry of Territorial Administration is also responsible for its enforcement and practical application of legislative provisions. To this end, the Ministry has implemented series of activities, in particular, institutional establishment of municipal service, development of systems of legal supervision over local self-government bodies, introduction and exemplary rules of procedures of the Community Councils, and provision of support to collection of own revenues at local level. Significant progress in publicity and transparent modus operandi of the ministry has been recorded. Materials, documents and data on local self-government are readily accessible on the web site of the ministry. The Ministry has held series of workshops for reporters and journalists to replenish their knowledge about local self-government system and communicate information about the sector policies. Nevertheless, in 2009 it was not possible to maintain the

momentum gained in autumn of the previous year, and a slowdown in the rate of implementation of activities and final results was observed particularly in the area of legislative work.

***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. Implementation of international obligations**

Being a member state in the Council of Europe, Armenia has assumed relevant obligations in the area of local self-government. These obligations target inclusion of principles of European Charter of Local Self-government and assignments of the Congress of Local and Regional Authorities in the legislation of Armenia and actual application of relevant mechanisms. Implementation of legislative obligations in this context is continuously deferred in spite of remaining on the agenda (See Section 1.1. of this report). Armenia is yet significantly lagging in practical application of the principles of the European Charter of Local Self-government.

Close cooperation has been established between Armenia and European Union in the recent years. Armenia is part of European Neighbourhood Programme (ENP) and Eastern Partnership. The ENP Action Plan and Indicative National Programme for 2007-2010 set out certain provisions on local self-government, which essentially reflect the obligations of Armenia in the framework of implementation of the above programmes. These provisions are built around implementation of Constitutional amendments and securing application of principles of the European Charter of Local Self-government, while the progress in their implementation lags.

## **2. Administrative-Territorial Division and Inter-community Cooperation**

Changes that took place in administrative-territorial division of Armenia in 2009 are preconditioned by the major fact of revision of the status of Yerevan, which became a community. In

accordance with the Law on Local Self-government in Yerevan (December 26 2008), the first elections into the Community Council of Yerevan were held on May 31 2009.

Yerevan Community Council stepped into full function on June 8 2009, and 12 district communities of Yerevan were restructured into a single Yerevan community. As a result of this restructuring the number of communities in Armenia was reduced from former 926 to 915, including 866 rural and 49 urban. According to the above law, Yerevan has acquired the status of single-tiered local self-government. 12 administrative districts were established across the former territorial and administrative units of neighbourhood districts. Head of administrative units are appointed and dismissed by the Mayor of Yerevan.

The issue of administrative-territorial reforms continue to remain high on the agenda of the republican government. As mentioned earlier, the Government of Armenia issued a protocol decree on April 23 2009, which take a record of the Concept of Establishment of Inter-community Unions and Consolidation of Communities; in addition, inter-sectoral commission was established in accordance with the relevant Resolution of the Prime Minister (May 26 2009). The inter-sectoral commission, in turn, has established the working group on consolidation of communities. However, as at the end of 2009 no particular results were recorded in the works of either of the above two units.

In contrast to administrative-territorial division, significant works have been implemented towards distribution of land plots outside the administrative boundaries of the communities and their integration within the community territories. In the course of 2009, amendments and additions were made in the Law on Administrative-Territorial Division of Armenia through three new legislative acts. The law promulgated on May 19 2009 provides description of the boundaries of the city of Yerevan; at the same time, the laws of May 19 2009 and November 6 2009 provides descriptions of the boundaries of communities in Kotayk and Shirak, and Ararat, Armavir and Vayots Dzor marzes, respectively. The government commission on regulating description and mapping of boundaries of marzes and ingredient local self-government bodies continued adjustment and correction of administrative boundaries of local self-government bodies in other marzes.

As at January 1 2010 population of Armenia was 3249.5 thousand<sup>2</sup>, an increase of 11.5 thousand compared to the number recorded in the previous year. This fact together with reduction of communities (11) preconditioned the number of population per local self-government unit, i.e. 3551 people as at January 1 2010 (3479 as of January 1 2009). However, average number of population per community, with largest three units of Yerevan, Gyumri and Vanadzor excluded, is only 2063 people. In terms of this indicator, Armenia occupies one of the bottom lines in the list of Council of Europe member countries, while the indicator per se demonstrates high degree of fragmentation of local self-government units in the Republic of Armenia.

In 2009 no significant developments were recorded in terms of inter-community cooperation. Because of shortcomings in the existing legislation, inter-community unions (consortia) were not established. In contrast, two new communities associations were created, more specifically, the Communities Association of Armenia with only 40 (out of total of 915) members as of its establishment on October 7 2009, and the Sevan Communities Association with 7 members as of its establishment on October 28 2009. As of January 1 2010, there are 25 communities Associations registered in Armenia, which covered less than half of total communities in the country. Nevertheless, communities associations are still very passive in defending the rights of local self-governments.

The only practice of cooperation among local self-governments, exercised through directly concluded contracts, is the implementation of the function to conduct databases of and collect the property and land taxes through institutional units established jointly by cooperating communities. By the end of 2009 there are 75 such units operating in the country. The process of handing over land tax databases to the local self-governments and the above units launched on July 1 2007 continued in 2009. By the end of 2009, the land and property tax databases were not handed over to only 41 local self-governments<sup>3</sup>, which had not applied to the State Committee for Revenues with the relevant request.

In 2009 a set of cooperation agreements were concluded between Armenian and foreign local self-government bodies, and arrangements were reached to launch expand cooperation initiatives.

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<sup>2</sup> Number of resident population in Armenia as of January 1 2010, [www.armstat.am](http://www.armstat.am).

<sup>3</sup> Source: State Committee for Revenues of Armenia.

These agreements include cooperation between Gavar and Novorossiysk (Russia), Ararat and Bussy-Saint-Georges (France), Sevan and Bussy-Saint-Georges (France), which are urban cooperation arrangements<sup>4</sup>.

### 3. Property and Financial Independence of Communities

In 2009 few changes were introduced in the legislation regulating local self-government finance, namely, insignificant technical changes and additions were made in the Law on Local Self-government, Law on Budgetary System, and Law on Property Tax. On April 7 2009 the National Assembly adopted the Law on Land Tax Privileges.

Several amendments in the Law on Budgetary System adopted on October 24 2007 were introduced effective January 1 2009. According to these amendments:

- “Revenues from recurrent and capital transactions” and “receipts from alienation of non-financial assets” were removed from the list setting out types of budgetary revenues;
- In the list of revenues ascribed to the current fund of the community budgets by law and other legislative acts, the sub-clauses “c” and “d”, Clause 1, Article 28<sup>1</sup> superseded the former “official transfers” with **grants**, and “non-tax revenues” with **other revenues**;
- Budget expenditures were replenished with “transactions with non-financial assets”, which, in turn, is divided into two components, i.e. “**expenditures for non-financial assets**” and “**receipts from alienation of non-financial assets**”.

#### 3.1. Property of Community

The Government decree N 604-N of May 29 2009 establishes the list of assets handed over to the city of Yerevan as own property. Other Government decrees established similar lists of assets and property to Bavra rural (N50-A, January 15 2009) and Gyumri urban communities (N325-A, April 2 2009) of Shirak marz. In the two latter cases the property mostly included residential space, which had been handed over to the local self-governments for allocation on a free of charge basis. In addition, grants in the shape of assets were allocated to the local self-governments under the government decree N309-N dated March 26 2009. According to this decree, part of the assets acquired in the framework of loan projects concluded between the government of Armenia International Fund for Agricultural Development on January 28 2005 and OPEC International Development Foundation on April 21 2007 will be handed over to the local self-government bodies listed in the Appendix to the decree. According to the government decree N411-N dated April 16 2009, assets have been acquired in the framework of the Rural Enterprise Small-scale Commercial Agricultural Development, which is implemented on the basis of the agreement between the Government of Armenia and International Development Association of July 20 2005. Part of these assets in the value of 423.5 mln drams has been provided to a number of communities; in addition, implementation of the same project enabled replenishment of equity of the relevant institutions under the local self-government bodies with expenditures for rehabilitation of potable water infrastructures in the amount of 126.7 mln drams. Finally, according to the government decree N805-A dated July 16 2009, part of the hardware and software equipment acquired in the framework of the agreement between the Government of Armenia and International Development Association has been donated to a number of communities involved in the above project (these are set out in the Appendix to the Government decree).

In 2009, the Chamber of Audit of Armenia implemented reviews in local self-governments of Armavir<sup>5</sup> and Lori<sup>6</sup> marzes, as well as Gyumri city<sup>7</sup> and administrative district of Shengavit in

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<sup>4</sup> Annual Information Progress Reports on implementation of priority activities of the Ministry of Territorial Administration of Armenia, 2009, [www.mta.gov.am](http://www.mta.gov.am).

<sup>5</sup> Progress report of the Chamber of Audit of Armenia: Supervision over use of budget resources, securing revenues of the local budgets, as well as management and use of municipal assets in local self-government bodies in Armavir marz, Appendix to the Decision of the Council of the Chamber of Audit of Armenia N17/4 dated June 30 2009.

Yerevan, which identified infringements and breaches in the area of property management by local self-government bodies, in particular, accounting, leasing and alienation of community assets. The summary analyses of community assets management and use indicate that a set of decisions of local self-government bodies, which contradicted legislation, resulted in substantial losses to the community budgets. There are cases indicated when provisions of Law on Public Procurements were breached, land plots are rented at prices substantially lower than the rates prevailing in the market, starting prices for public tenders were not established by community councils prior to taking decisions on rent of the community lands, formal contracts were not concluded for rent of lands, receipts from alienation and/or rent of land plots were not accredited to the community budgets, plots were rented out without any tenders or auctions, and, finally, infringements of certain provisions of the Land Code of Armenia.

In Shengavit administrative district of Yerevan (the transactions were implemented when this unit was a neighbourhood district) buildings of pre-school establishments, sports school, a library, and extra-curricular institutions were alienated to individual citizens and/or legal entities through sales or free of charge breaching Clause 4, Article 30 of the Law of Armenia on Pre-school Education. According this clause, "Buildings of pre-school educational establishments, which are property of state and/or local self-government may be alienated for public or state needs only in exceptional cases and by law". In the meantime, the alienated assets seized to be used for their statutory purposes. Moreover, in some cases the assets were alienated at rates, which were substantially lower than their market values<sup>8</sup>.

In the town of Vanadzor a tennis and billiard site was sold at 430.0 thousand drams when the cadastral value of this site was 17.481.0 thousand drams; moreover, according to the assessment of this asset made by Prothemeus Bank in the framework of collateral contract deal the asset was evaluated to be 28,161.0 thousand drams against which a loan of 100,000 USD was allocated to the company owning the asset.

Like in the previous years, in 2009 replenishment of community property was predominantly implemented through expenditures on capital and/or non-financial assets (See: Tables 1 and 2). Amount of capital expenditures in 2009 totalled 9447.2 mln drams, which is a significant, i.e. 40%, decrease compared with the indicator for 2008 (15833.5 mln drams). In contrast to previous years (except 2007), when the predominant share of capital expenditures was attributed to capital renovations (62.9% in 2008, 40.1% in 2007, and 57% in 2006), in 2009 the shares of capital investments and capital renovations in capital expenditures are almost equal (49.4% and 50.6%, respectively).

**Table 1: Expenditures for non-financial assets of communities in 2009 (mln drams)**

Line	Contents	Amount
1	2	3
5000	<b>Expenditures for non-financial assets</b>	9447.2
5100	<i>Including:</i> <b>1. Fixed assets</b>	9369.7
5110	<i>Of which: Buildings and structures</i>	7433.5
5111	<i>Of which: Acquisition of buildings and structures</i>	16.4
5112	- Construction of buildings and structures	2635.6
5113	- Capital renovation of buildings and structures	4781.5
5120	<b>Machinery and equipment</b>	1566.5
5121	<i>Of which: Transportation machinery</i>	670.8
5122	- Administrative equipment	612.1

<sup>6</sup> Progress report of the Chamber of Audit of Armenia: Supervision over use of budget resources, securing revenues of the local budgets, as well as management and use of municipal assets in local self-government bodies in Lori marz, Appendix to the Decision of the Council of the Chamber of Audit of Armenia N30/2 dated December 15 2009.

<sup>7</sup> Progress report of the Chamber of Audit of Armenia: Supervision over use of budget resources, securing revenues of the local budgets, as well as management and use of community assets in local self-government bodies in the city of Gyumri, Appendix to the Decision of the Council of the Chamber of Audit of Armenia N4/2 dated February 10 2010.

<sup>8</sup> Progress report on supervision over use of budget resources, securing revenues of the local budgets, as well as management and use of community assets in Yerevan Shengavit administrative district; Appendix to the Decision of the Council of the Chamber of Audit of Armenia N8/7 dated March 15 2010.

5123	- Other machinery and equipment	283.6
5130	<b>Other fixed assets</b>	369.8
5200	<b>2. Inventories</b>	75.5
5300	<b>3. High value assets</b>	1.0
5400	<b>4. Non-produced assets</b>	1.0
5411	<i>Including: land</i>	1.0

Share of acquisition of buildings, structures and residential flats in total capital assets acquired continues to remain insignificant and it further reduced reaching 0.8% in 2009 vs. 2.5% in 2008, share of acquisition of machinery and equipment has significantly increased not only in terms of shares (reaching 45.8% in 2009 from 18.9% in 2008), but also in absolute terms. Acquisition of transportation machinery has somewhat decreased to reach 34.3% from previous 39%, and acquisition of other assets has significantly decreased from 39.6% in 2008 to 19.0% in 2009. Expenditures for acquisition of land totalled only one million drams.

According to the government decree N166-A dated February 19 2009, the water pipeline (24000 metres, 12.3 mln drams) in Nor Kharberd, which was on the balance sheet of Shengavit neighbourhood district of Yerevan was donated to the Republic of Armenia.

According to the 2009 report on availability and allocation of the land stock of Armenia (Land Balance as approved by the government decree N1095-N dated September 23 2009), 1042.92 thousand hectares out of total 2974.26 thousand hectares of land stock in the republic (35.06%) is a municipal property (1074.55 hectares, or 35.22% in 2998), including 535.41 thousand hectares of private (individual) property, 21.22 thousand hectares of property of legal entities, 1374.63 thousand hectares of state-owned lands, 0.08 thousand hectares of foreign states and international organisations). According to the government decree N477-N dated April 30 2009, state-owned lands located within administrative boundaries of Yerevan community have been handed over to the municipal ownership (except some categories of areas established by the above decree).

**Table 2: Replenishment of community property through capital expenditures in 2008-2009**

		2008		2009	
		Mln drams	Share	Mln drams	Share
<b>Capital expenditures, total, including</b>		15833.5	100.0	9447.2	100.0
1.	Capital investments, <i>including</i>	5876.1	37.1	4665.7	49.4
1.1	Capital construction	2583.9	16.3	2635.6	27.9
1.2	Drafting and surveying	212.8	1.3	75.5	0.8
1.3	Geological works				
1.4	Formation of material inventory stocks				
1.5	Acquisition of capital assets, <i>including</i>	1746.8	11.0	1954.6	20.7
1.5.1	Expenditures for acquisition of buildings, structures and residential flats	43.3	0.3	16.4	0.2
1.5.2	Expenditures for acquisition of machinery and equipment	329.7	2.1	895.7	9.5
1.5.3	Expenditures for acquisition of transportation machinery	680.8	4.3	670.8	7.1
1.5.4	Expenditures for acquisition of land	0	0	1.0	0
1.5.6	Expenditures fro acquisition of other assets	691.8	4.4	370.7	3.9
2	Expenditures capital renovations	9957.3	62.9	4781.5	50.6

According to the government decree N84-N dated January 8 2009, with the objective to implement Iran-Armenia gas pipeline construction project a set of land plots in a number of local self-government bodies was given a status of priority state need and a demand for their alienation was tabled; part of these land plots, i.e. 97.9 hectares, represent community property. The local self-governments that fall under the above decree are located in Syunik, Vayots Dzor and Ararat marzes, where the pipeline should be installed (the list of the involved local self-government bodies is provided in the Appendices to the above decree).

Another government decree, namely N728-N dated June 26, was issued in 2009 to establish a list of areas where urban development projects of special regulation should be implemented in a

number of communities. Among those urban communities are Gyumri, Vanadzor, Dilijan, Jermuk, Vagharshapat, Ashtarak and Goris, and rural communities are Tatev and Halidzor.

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

According to the Article 72 of the Civil Code, state and local authorities are not entitled to act as participants of economic agents and organisations. The contradiction between this article and Article 52 of the Law on Local Self-government (“community organisations may be commercial, which are entirely or partially owned by local self-government bodies”) was lifted in 2009.

As of January 1 2010, there were 1417 organisations<sup>9</sup> (1427 as of January 1 2009), which are under the community ownership in Armenia, of which 461 are legal entities 100% owned by communities (490 in 2008), 236 are commercial legal entities with state and community shares (316 in 2009), and 720 community non-commercial organisations (621 in 2009). In 2009 total number of community owned organisations in the country reduced by 10; on the other hand, the process of restructuring these organisations into share-holding companies has continued.

There is a desperate need to renovate the assets under the community ownership. Maintaining them in proper conditions and secure renovation adequate to depreciation is not possible due to lack of community resources. To this end, the situation has significantly deteriorated in comparison with the previous year; in particular, resources channelled to capital renovation have drastically reduced and totalled 4781.5 mln drams in 2009 vs. 9957.3 mln drams in 2008 (See Table 2).

Sales of own assets of the communities generate certain resources to replenish the capital budgets of the local self-government bodies (See Table 3).

**Table 3: Receipts from sales of non-financial assets of communities in 2009 (mln drams)**

<b>Line</b>	<b>Content</b>	<b>Amount</b>
1	2	3
6000	<b>Receipts from sales of non-financial assets</b>	5562.9
6100	<i>Including:</i> <b>Receipts from sales of fixed assets</b>	1207.5
6110	<i>Including:</i> <b>Receipts from sales of real estate</b>	73.2
6130	<b>Receipts from sales of other fixed assets</b>	1134.3
6200	<b>Receipts from sales of inventories</b>	0.0
6300	<b>Receipts from sales of high value assets</b>	2.9
6400	<b>Receipts from sales of non-produced assets</b>	4352.6
6430	<i>Including:</i> <b>Receipts from sales of land</b>	4351.7

In contrast to the previous years, the receipts generated on sales of non-financial assets are reflected in the outlays of community budget with a negative sign rather than in the revenue part. Besides, non-produced assets are withdrawn from the fixed assets and are stated in an individual line. The latter include land. As in the previous years, in 2009 receipts from sales of non-financial assets are almost entirely (99.9%) are generated on sales of fixed assets (21.7%) and land stock (78.2%). To this end, in comparison with the previous years the scene has not much changed (99.6% in 2007, and 99.1% in 2008). Finally, like in previous years, predominant shares of these receipts are generated on sales of land stock.

Other resources (receipts from sales of inventories and/or high value assets) are very insignificant and in total do not reflect even 1% of receipts generated on sales of non-financial assets.

## **3.2. Revenues of Community Budgets**

Consolidated indicator of community budgets in Armenia in 2009 was 52 582.4 mln drams (See Table 4). This indicator was 49533.4 mln drams in 2007, and 52720.8 mln drams in 2008<sup>10</sup>. In contrast to

<sup>9</sup> Source: Social and economic situation in Armenia, January-December 2009, Website of the NSS: [www.armstat.am](http://www.armstat.am).

<sup>10</sup> In contrast to the previous years, the indicator for 2009 does not include receipts from sales of non-financial assets, which amount to 5562.9 mln drams. In order to enable comparability with the indicators of the previous years it is necessary to increase the total amount of 2009 revenues with the amount of receipts from sales of non-financial assets, or reduce the

the state budget, the consolidated indicator of community budgets increased in 2009 despite the global financial and economic crisis.

**Table 4: Revenues of community budgets of Armenia in 2009**(mln drams)

Line	Types of revenues	Total		Including:	
		Amount	Share in total revenues, (%)	Administrative part	Fund part
1	2	3	4	5	6
<b>1000</b>	<b>Total revenues</b>	<b>52582.4</b>	<b>100.0</b>	<b>51253.8</b>	<b>2798.6</b>
1100	<i>Including:</i> <b>1. Taxes and duties</b>	<b>17561.1</b>	<b>33.4</b>	<b>17561.1</b>	<b>x</b>
1110	<i>Including:</i> 1.1. Property taxes from real estate	8406.0	16.0	8406.0	x
1111	<i>Including:</i> Property tax from buildings and structures	3451.2	6.6	3451.2	x
1112	Land tax	4954.8	9.4	4954.8	x
1120	1.2. Property taxes from other assets	6810.5	13.0	6810.5	x
1121	<i>Including:</i> from means of transportation	6810.5	13.0	6810.5	x
1131	Local duties	1609.3	3.1	1609.3	x
1151	Stamp duties	734.3	1.4	734.3	x
1160	1.5. Other tax revenues	1.1	0	1.1	x
1200	<b>2. Official transfers</b>	<b>29893.5</b>	<b>56.8</b>	<b>28513.5</b>	<b>1380.0</b>
1300	<b>3. Other revenues</b>	<b>5127.7</b>	<b>9.8</b>	<b>5179.2</b>	<b>1418.5</b>
1392	<i>Including:</i> inflows from allocations from reserve fund of the current budget to the capital budget	1470.0	2.8	x	1470.0

One of the indicators demonstrating the real degree of independence of local self-government bodies is the share of own revenues in the total revenues. This indicator was 43.2% in 2009. In other words, local self-government bodies in Armenia continue to be heavily dependent upon official transfers. In comparison with previous years, this indicator has slightly increased (42.0% in 2008 and 42.5% in 2007)<sup>11</sup>. The share of capital component of community budgets has drastically shrunk reaching 5.4% (14.4% in comparative terms). In the recent years, this indicator has displayed increasing trends (i.e. 24.2% in 2006; 26.9% in 2007; and 28.5% in 2008). Share of capital component of community budgets is a negative trend per se since it is the resources of the capital component that creates long-term values. The causes for reduction of the share of capital component include reduction of capital budget in absolute terms (receipts from sales of non-financial assets are withdrawn from the structure of the community budget revenues) and significant increase of the current component of the budgets (mainly at the expense of equalisation grants), as well as, to a certain extent, financial and economic crisis.

Diagram 1 below depicts the degree of financial independence of local self-government bodies in a number of European countries where Armenia is quite high on the list.

In the budget revenues of communities' comparatively bear large share of property tax. Financial resources generated on this type of tax have somewhat increased; share of property tax has also increased, i.e. 19.6% (15.3% in 2008), including 6.6% of real estate property tax and 13.0% of vehicle property tax.

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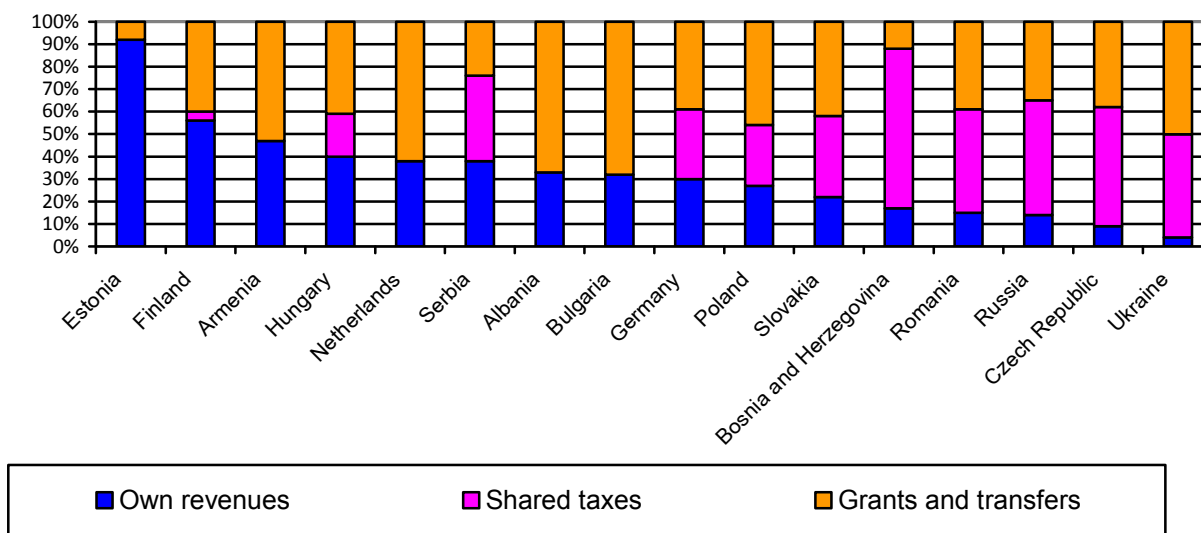
revenue indicators for the previous years by the amount of receipts from capital transactions. As a result, the following comparable indicators of community budget revenues will be generated:

a) excluding revenues from sales of non-financial assets: 52582.4 mln drams in 2009; 44170.2 mln drams in 2008; and 40692.7 mln drams in 2007.

b) including receipts from sales of non-financial assets (capital transactions): 58145.3 mln drams in 2009; 51720.8 mln drams in 2008; and 49533.4 mln drams in 2007.

<sup>11</sup> With the objective to secure comparability of the 2009 values, the indicators for 2007 and 2008 are reduced by the amount of receipts generated on capital transactions.

**Diagram 1: Financial independence at local level, pre-crisis situation: share of own revenues in total revenues (2008)<sup>12</sup>**



Land tax collections and their share in total revenues have also significantly increased to reach 9,4% versus 7.2% in 2008. This has to a certain extent been a consequence of the amendment in the Law on Granting Privileges on Land Tax promulgated in 2009. According to this amendment, delinquent landowners are exempt of the obligation to repay the arrears accumulated on fines and penalties provided they repay the principal tax arrears. From the purely legal perspective, this legislation may be viewed as a factor that decreases revenues of the community budgets, but given the current circumstances whereby tax arrears reached extremely unsustainable levels and predominant majority of land owners are insolvent rural residents, adoption of this legislation is beneficial for the local self-government bodies and land owners in the first instance.

Share of other revenues collectible to community budgets have slightly increased, i.e. 9.8% in 2009, while in 2008 non-tax revenues amounted to 9.1%.

Like in the previous years, in 2009 no shared revenues were envisaged for community budget from the state tax collection, such as income or profit taxes.

### ***Quarterly shares of community budget revenues, including own revenues, by current and capital components***

Revenues flows of community budgets in 2009 were proportionate (this was the case in the previous years as well), which is a consequence of a number of causes (such as seasonal, established deadlines for payments, economic and political situation in the country, natural and climatic conditions et cetera). These are reflected in the Table 5 below. The least inflows into community budgets were recorded in the first quarter, next was the second, third, with the largest share in the fourth. In respect of the fourth quarter it should be mentioned that among a number of other factors, the end of financial year usually has significant impact, when “winding up” the year in the context of reporting and accountability leads to strengthened administration practices.

Despite the fact that Article 67 of the Law on Local Self-government indicates that reduction of community budget revenues and increase expenditures should be indemnified by the state (setting out cases of exception) as required by the legislation promulgated by the National Assembly, as well as the adoption of the Law on Indemnification of Losses Incurred to the Community Budgets as a result of Application of Laws of Armenia in 2006, the unexplainable practice of granting various privileges continues at the expense of community budgets, against which no compensation is ever provided by the state. The Law on Granting Privileges on Land Tax was already mentioned; in the meantime, amendments introduced in the Law on Property Tax on April 7 2009 established that

<sup>12</sup> Source: The impact of the Economic Downturn on Local Government in Europe. Budapest, Hungary, 2010

persons in international contractual service who are citizens of ally countries, as well as servants in the military forces of Armenia and persons on mandatory military service are exempt from property tax.

**Table 5: Quarterly flows of own revenues of community budgets in 2009, by individual types of revenues**  
(mln drams)

Line	Types of revenues	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1112	Land tax	686.3	3.0	1063.0	4.7	1333.3	5.9	1872.2	8.3	4954.8	21.9
1111 +1120	Property tax	1585.4	7.0	1537.4	6.8	2617.4	11.5	4521.5	19.9	10261.7	45.2
1131	Local duties	414.0	1.8	368.3	1.6	388.2	1.7	438.8	1.9	1609.3	7.1
1151	Stamp duties	154.5	0.7	173.5	0.8	202.6	0.9	203.7	0.9	734.3	3.2
1160	Other tax revenues	0.1	-	0	-	0.6	-	0.4	-	1.1	-
1300	Non-tax revenues	920.0	4.1	1256.1	5.5	1300.5	5.7	1651.1	7.3	5127.7	22.6
	<b>Total</b>	<b>3760.3</b>	<b>16.6</b>	<b>4398.3</b>	<b>19.4</b>	<b>5842.6</b>	<b>25.7</b>	<b>8687.7</b>	<b>38.3</b>	<b>22688.9</b>	<b>100.0</b>

Resources allocated to community budgets in the shape of official transfers continued to increase and reached 29893.5 mln drams and representing 56.8% (25625.9 mln drams, 49.5%, in 2008; 23342.1 mln drams, or 47.1%, in 2007) (See Table 6). Ever more significant has been the increase in equalisation grants, i.e. 27491.0 mln drams (20981.5 mln drams in 2008; and 17592.1 mln drams in 2007).

**Table 6: Share of official transfers in total revenues of community budgets of Armenia in 2009 (mln drams)**

Total revenues	Current budget								Capital budget				Official transfers, total	
	Current external official transfers (from international organisations)		Current internal official transfers						Capital internal official transfers					
			Subsidies				Targeted subsidies from the state budget (subventions)		Targeted subsidies from the state budget to finance capital expenditures (subventions)		Official transfers received from other local self-governments to finance capital			
			Allocated from the state budget under the principle of financial equalisation		Other transfers allocated from the state budget									
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	14	15
52582.4	5.9	0.0	27491.0	52.3	940.4	1.8	76.1	0.1	1372.3	2.6	7.6	0.0	29893.5	56.8

The share of equalisation grants has naturally increased in the total amount of official transfers in comparison with the level of 2008, namely, reaching 92.0% from 81.9%; almost double increase has been recorded in the share of received subventions, which are accredited to the capital budget, namely, 4.6% in 2009 versus 2.7% in 2008; and, finally, the share of grants accredited to the capital budgets of local self-governments has almost reached zero level (5.5% in 2008).

In 2009 equalisation grants were allocated in equal quarterly instalments, i.e. 6872.75 mln drams per quarter. Other subsidies allocated to current budgets of communities from the state budget are described below: 33.2% in Quarter 1; 30.7% in Quarter 2; 19.5% in Quarter 3, and 17.5% in Quarter 4: as in the previous years, in 2009 very volatile is the situation with allocation of subventions apportioned from the state budget, more specifically, quarterly allocation of these is follows: 1.7%, 17.6%, 78.8%, and 1.8%:

### ***Financing of delegated powers***

According to the Article 106 of the Constitution, powers delegated to the local self-governments are subject to mandatory financing from the state budget. Nevertheless, in reality too few delegated powers are actually financed from the state budget. Other delegated powers are either not implemented or local self-government bodies finance their implementation from municipal budgets.

On February 5 2009, the government issued decree N106-N, which established the performance criteria and expenditure benchmarks for implementation of powers delegated to heads of communities in organising operations of Territorial Offices of Social Security in urban local self-government bodies of Yerevan (including administrative districts), Gyumri, Vanadzor, Ararat and Jermuk in 2009. Such performance criteria and expenditure benchmarks were established also in 2008. On March 5 2009 another government decree was issued (N227-N), which – like in 2008 – established the expenditure benchmarks for implementation of powers delegated to heads of communities in organising operations of the Civil Status Registration Services.

Benchmarks established through the above decrees set the values of relevant expenditures for the head and staff of both Territorial Offices of Social Security (limited only to several urban municipalities) and Civil Status Registration Services.

Among delegated powers, local self-government bodies envisage position of veterinary in the staff-list, which is done in accordance with the Article 44 of the Law on Local Self-government and Government Decree N 360-N dated March 13 2006. the rate of remuneration for this position is established through trilateral contracts concluded on annual basis (local self-government body, veterinary and Ministry of Agriculture of Armenia).

### **3.3. Community Development Programme and Budgeting**

2009 was not different from the previous years in terms of four-year community development programmes continuing to remain fictitious documents, and the programmes not playing virtually any role in compilation of municipal budgets, like before.

#### ***Budget process***

Budget process did not undergo any changes or modifications in 2009.

The budget process provides for a set of steps, not all of which are respected or implemented while many are not implemented in a timely manner. Nevertheless, shortcomings in budgeting more frequently take place in securing publicity of the overall process. Heads of municipalities are most of the time inclined to take decisions on their own hence are reluctant to inform even the members of community councils about their actions. In such circumstances it is difficult to imagine that population might be genuinely engaged in budget process.

#### ***Addressing problems arising between the community councils and head of municipality***

No positive developments were observed in the interrelations between heads of communities and members of community councils in 2009. Community councils in many communities continue to be weak and passive; at the same time, there were no actual disagreements recorded between the heads of communities and community councils. In some small rural communities the legal requirement of forming a community council is oftentimes a problem per se for a simple reason that there are no residents who would be willing to become members of community councils. In such circumstances the candidate for the post of head of community has to address the issue of establishing community council prior to the elections (such candidate identifies and tries to persuade relevant individuals, pays election collaterals for them, et cetera). It's needless to say, that any community council established the way described above, may hardly be a counterweight for a head of community. In quite large number of communities there is a competition taking place for the positions of the members of community council, but the impetus guiding future members of the community council does not enable any hope that they see themselves as counterweights to the head of community. It is widespread that community council members are local businessmen, who are governed by the willingness to protect their businesses or strive to secure "roofing" for them. Another impetus may be the transformation of personal relations with the head of community into material values and benefits, such as acquisition of land plots, various construction permissions, i.e. garages or other structures, et cetera. Thus, in the predominant majority of communities, councils are not counterweights for the head of community. The latter – in their vast majority – keep members of community councils far from solutions to the most important issues in the community, playing the card of widespread perception of their incompetence, avoiding to provide them with complete or correct information, impeding their work by not providing proper working conditions, and in other ways. In this context, the quite rightful comment set out in the survey of the Chamber of Audit sounds strange and alien, namely, "some community councils had not made use of the power provided by the Law on Local Self-government to check the estimated indicators of tax revenues of their communities with relevant tax inspections and territorial offices of the State Committee for Cadastre of Real Property"<sup>13</sup>.

### **3.4. Debt management**

#### ***Provision of bank loans, budget credits to local self-government bodies and issue of municipal bonds***

In 2009 local self-government bodies in Armenia did not receive loans either from the state budget or from the commercial banks. They have not received budget credits or lending from other municipalities, either. A state budget credit extended earlier was repaid in the amount of 3.5 mln drams (the credit was provided to the town of Alaverdi in 2003 with the objective to reinforce multi-apartment residential building. The total amount of credit was 70.0 mln drams, maturity if 25 years, annual interest rate is 0.26% with a grace period of first five years. Subsequent annual repayments are 3.5 mln drams for the principal and 184.2 thousand drams for interest<sup>14</sup>); another borrowing is from other municipalities in the amount of 3.2 mln drams (in 2007 Charentsavan community received 8.2 mln drams of borrowings from the community budget of Abovyan, of which 5.0 mln drams were repaid in 2008 and 3.2 mln drams in 2009). Government of Armenia has not yet taken any steps towards involvement of communities in the lending market.

In lack of law on legislation to regulate issue and allocation of community bonds no such bonds were issued in 2009.

### **3.5. Financial reporting**

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<sup>13</sup> Progress report of the Chamber of Audit of Armenia: Supervision over use of budget resources, securing revenues of the local budgets, as well as management and use of municipal assets in local self-government bodies in Lori marz, Appendix to the Decision of the Council of the Chamber of Audit of Armenia N30/2 dated December 15 2009.

<sup>14</sup> [www.cfoa.am](http://www.cfoa.am): LOGIN Library: A Financial Analysis of Local Community Budgets of 38 Armenian Cities for the years 2003-2009, p. 38, LGP 3, RTI International, 2010.

The legislation establishes clear regulations and timelines for presentation of statements and communications about execution of municipal budgets.

Implementation of requirements as to presentation of reports and statements (to the community councils, regional governor, treasury offices et cetera) may be assessed as satisfactory despite the exceptions taking place every now and then. A group of communities is mentioned in the surveys of Chamber of Audit (Shnogh and Teghut in Lori marz, Talvorik, Haytagh, Argina and Myasnikyan in Armavir marz), which had not produced annual balances and failed to provide for accounting records<sup>15</sup>. The situation is tangibly worse in terms of publishing reports and statements and informing public at large. For a variety of reasons with the most widespread being lack of technical capabilities to publish reports, some urban and rural self-government bodies fail to publish their regular reports and statements, and even their approved budgets. Some urban municipalities, where local television broadcasting is available use this tool to make verbal presentation of the reports and statements to the community population.

### ***Internal and external audit***

Supervision over community budget execution is implemented by the community council, which is entitled to perform checks and controls of any budget transaction, efficiency and quality of the works done, require reports and statements on incurred expenditures.

Internal audit in local self-government bodies is implemented by the chief auditor who operates under direct supervision of the chief financial officer of the municipality. Functions and operations involved in auditing in all state and local government agencies are coordinated and supervised by the Ministry of Finance of Armenia.

Not all the local self-government bodies conduct internal audit, but particularly few are rural municipalities that implement it. Surveys of the Chamber of Audit of Armenia identified in a number of rural communities (Shnogh, Teghut, Gyulakarak, Gargar, and Amrakitc in Lori marz, Talvorik, Haytagh, Argina, and Norakert in Armavir marz) there were no even a position of internal auditor in 2007-2008, no audit reviews were implemented, no annual plan of audit actions was designed and, subsequently, submitted to the Ministry of Finance thus breaching the requirements of the Order N934-N of the Minister of Finance and Economy dated December 30 2002. Community councils in a number of municipalities, such as Gyulakarak, Gargar and Amrakitc in Lori marz and Vanand in Armavir marz, did not implement any supervision over community budget execution in 2007-2008<sup>16</sup>. Vast majority of local self-governments, which do not practice internal audit at all, point to the absence of the relevant specialist as the cause. The main cause indicated in the rural communities is the lack of adequate financial resources to afford employment of the relevant specialist.

Even smaller is the number of communities, which implement external audit. The main cause of failure to implement audit functions is indicated to be lack of budget resources.

In 2009 Chamber of Audit implemented surveys of functions performed by local self-government bodies in the area of securing budget revenues, use of budget resources, management and use of municipal assets<sup>17</sup>. Summary description of the above surveys is set out in the Section 3.1, Municipal property, of this report.

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<sup>15</sup> Progress report of the Chamber of Audit of Armenia: Supervision over use of budget resources, securing revenues of the local budgets, as well as management and use of municipal assets in local self-government bodies in Armavir and Lori marzes. Appendices to the Decision of the Council of the Chamber of Audit of Armenia: N17/4 dated June 30 2009, and N30/2 dated December 15 2009.

<sup>16</sup> Progress report of the Chamber of Audit of Armenia: Supervision over use of budget resources, securing revenues of the local budgets, as well as management and use of municipal assets in local self-government bodies in Armavir and Lori marzes. Appendices to the Decision of the Council of the Chamber of Audit of Armenia: N17/4 dated June 30 2009, and N30/2 dated December 15 2009.

<sup>17</sup> These surveys were implemented in a number of local self-government bodies, namely, urban municipalities of Armavir and Vagharshapat, and rural municipalities of Talvorik, Nor Kesaria, Arevik, Karakert, Haytagh, Argavand, Vanand, Argina, Myasnikyan, Norakert, Musaler, Parakar, Merdzavan, Margara, Sardarapart and Nalbandyan in Armavir marz (February-March 2009); as well as urban municipalities of Vanadzor and Stepanavan, and rural municipalities of Shnogh, Teghut, Margahovit, Gargar, Amrakitc, and Gyulakar in Lori marz (May-June 2009); and Gyumri municipality (September-October 2009), and Shengavit neighbourhood district of Yerevan (November-December 2009).

**Box 3: Progress report of the Chamber of Audit of Armenia on the survey implemented in Lori Marz**

- In 2007 or 2008 no audit was implemented in the local self-government bodies of the marz, as a result of which the adequacy of financial transactions, reliability of the information, or inconsistencies in accounting records has not been evaluated;

- On the basis of the Decision N5 of Stepanavan Community Council dated January 29 2004 on introduction of amendments in the staff list and assigning audit function, the Mayor of Stepanavan issue a resolution to assign part-time function of internal audit to the head of the trade and transport division with a remuneration of 0.5 of the position in the amount of 18 thousand drams. In fact, in breach of the standing requirement, the head of trade and transport division of the municipality has been become a supervisee of the head of financial division, and assumed the responsibility of assessing performance, credibility and accuracy of the financial information, as well as identifying inconsistencies in accounting records of other structural units of the municipality, including his own division.

**Progress report of the Chamber of Audit of Armenia on** Supervision over use of budget resources, securing revenues of the local budgets, as well as management and use of municipal assets in local self-government bodies in Lori marz, Appendix to the Decision of the Council of the Chamber of Audit of Armenia N30/2 dated December 15 2009.

***Supervision over powers of local self-government bodies and procedures of assessing performance of regional governors***

Article 108.1 of the Constitution establishes that legal supervision shall be implemented with the objective to secure lawfulness of operations of local self-government bodies, while the rules of procedures for state supervision over the implementation of delegated authorities shall be enforced by law.

Chapter 7.1 of the Law on Local Self-government establishes rules of procedures to implement legal supervision and administrative supervision (technical or professional surveillance) of delegated authorities.

According to the Article 68 of this law<sup>1</sup>, the entitlement to implement supervision over use of municipal property and budget resources is legally provided to the Chamber of Audit as well.

Article 77<sup>1</sup> also makes an indication of financial supervision and sets out, that “Financial supervision over budget and/or financial and economic activities of community council and head of municipality shall be implemented in accordance with the cases and procedures established by the Law on Budgetary System”. Article 34 of the same law establishes that:

“- Supervision over municipal budget shall be implemented by the community council, National Assembly and Government of Armenia within the authorities envisaged by the legislation;

- The government shall implement supervision over community budget execution including use of targeted allocations of the state budget to the municipality (such as subventions, share of receipts from privatisation of state property, which are accredited to the community budget, resources allocated from the state budget for implementation of delegated authorities/powers), as well as use (including repayment timetable) of borrowings attracted by local self-government bodies from the state budget and other legitimate sources through the state agency authorised by the government”.

Taking into consideration the legislative basis described above, as well as the requirements of the Article 70 of the Law on Local Self-government, i.e. “local self-government bodies are not part of state authorities. Implementation of powers of local self-government bodies by the state agencies and/or officials is prohibited if not otherwise envisaged by the Constitution and this Law” it should be mentioned that certain powers assigned to the regional governors under the government decree N562-N dated May 21 2009 establishing the procedure of evaluation of performance by regional governors do not stem from the spirit of the Constitution of Armenia and European Charter of Local Self-government. The existing legislation enables illegitimate interventions into activities of the local self-government bodies, keep them “on hold”, and enforce “supervisor-supervisee interrelations” by the regional governors, which is extremely undesirable from the perspective of establishing local self-government systems in the country. More specifically, the first 8 out of 40 scores of additional performance criteria established for the regional governors are called “collection of own revenues by communities”. Other major and additional performance criteria applied to evaluate the work of

regional governors also contain elements of intervention. Even the authors of these rules of procedures indicated (Clause 4) that the “additional performance criteria encompass implementation of works and activities in the marz, which **are not attributed to the regional governors by law**, but proper performance of authorities attributed to the regional governors may have tangible impact on the final results, on the basis of which regional governors will be assessed”.

## **4. Relevance of powers of local self-government bodies and financial resources**

The issue of relevance of powers of local self-government bodies and financial resources directly stem from the requirements set out in the Constitution, European Charter of Local Self-government and Law of Armenia on Local Self-government. This issue is directly linked with legislative enactment of rules of procedures applicable to implementation of mandatory and delegated powers of local self-government bodies. In the absence of such legislation, as is the case now, relevance of powers and financial resources of the local self-government bodies may be assessed only to a limited extent, which is based on changes taken place in this area in the reported year in terms of legislation and systemic developments, as well as changes in a set of financial indicators set out and assessed in the reports of CFOA for the previous years.

### **4.1. Changes in the scope of powers of the local self-government bodies**

Only one amendment was introduced in the Law of Local Self-government in 2009, which is directly linked with powers of local self-government bodies. The Law on Introduction of Amendment into the Law on Local Self-government (LA-216-N) adopted on November 18 2009 provided an additional power to the head of municipality in the area of defence (Article 36), namely, the voluntary power of the head of municipality “to assists in recruiting military servants, organising military trainings and other types of military drillings” has been reformulated into three new mandatory powers, i.e. “the head of municipality shall”:

1) in accordance with legislative procedures, conduct the records of residents eligible for mandatory military service, relevant lists, as well as submit information about addresses, employment changes to the territorial offices of the Military Commissioner;

2) in cases and according to the procedures established by law, participate in organisation of recruiting military servants, organising military trainings and other types of military drillings;

3) in case of having information about community residents who breached military legislation immediately inform the territorial offices of the Military Commissioner in writing”.

The other three voluntary powers of the head of municipality in this area remained unchanged though slightly reformulated.

On the other hand, Article 71 of the Law on Local Self-government establishes that “the state may not add **mandatory** powers of the municipality or reduce its revenues without adequate financial compensation in accordance with the Article 67, if not otherwise envisaged by legislation”. However, the transitional provisions of the above law (Article 84) it is established that such compensations on the part of the state “**shall be enforced on the second year after the legal rules of procedures for implementation of mandatory powers are enforced**”. Absence of such legislation explains why local self-government bodies may not expect such financial compensation against implementation of the above mandatory powers of the head of municipality.

Quantitative data on individual types and sectors of the powers ascribed to the local self-government bodies by the Law on Local Self-government are set out in Table 7 below. It should be mentioned that the list of voluntary powers is not exhaustive in view of the fact that local self-government bodies are entitled to implement any legitimate activity to the benefit of the relevant community. Powers that are attributed to local self-government in the framework of other laws can be implemented only as voluntary.

The overall nature of powers established by the Law on Local Self-government in Yerevan for relevant bodies in Yerevan is coherent with the nature of powers of other local self-government bodies, but, at the same time, there are substantial differences and specificities.

Comparing the formulations, scopes and nature of powers attributed to Yerevan community and other self-government bodies (Table 7), it should be mentioned that they are tangibly different and in many instances are not compatible. First of all, stemming from specificities of Yerevan as a community, its powers in almost all spheres have been reformulated thus making direct comparisons with powers of other local self-government bodies complicated. Even the titles of certain spheres have been reformulated. Thus, title of the transportation sphere was revised into transportation and road construction, the sphere of trade and services into commerce and delivery of services, the sphere of labour and social services into social security, the sphere of protection of nature and environment into environment protection, and the sphere of defence into organisation of defence, et cetera.

Despite the fact that the power of both Yerevan and other communities in the sphere of defence, i.e. “provide support to activities of civil protection agencies” is formulated as a **voluntary**, one new area of powers is established for local self-government bodies of Yerevan, i.e. “civil protection and emergency situations” (See Table 7, Clause 16), whereby **two mandatory powers** have been assigned to the Mayor of Yerevan, namely:

“1) The Mayor is the leader of the civil protection function;

2) in the spheres of civil protection and emergency situations the Mayor shall implement the powers assigned by the Law on Local Self-government Bodies and other laws regulating these spheres”.

In addition to the above sphere, there are three more new powers assigned to local self-government bodies of Yerevan (See Table 7, Clauses 14, 15 and 17), which are not stipulated in the Law on Local Self-government. The first is that interrelations between the Mayor and the community council are somehow reflected in the powers of the Mayor (Article 32), while the two others are included in the self-government systems for the first time ever, although not yet in the Law on Local Self-government.

**Table 7: Powers of local self-government bodies by types and spheres (as of January 1 2010)**

N	Spheres	Number of mandatory powers		Number of delegated powers		Number of voluntary powers	
		Other LSGs	Yerevan LSGs	Other LSGs	Yerevan LSGs	Other LSGs	Yerevan LSGs
1.	Protection of the rights of citizens and economic agents *	7	0	6	0	0	0
2.	Finances	6	7	2	0	0	0
3.	Public ordinance	0	4	2	0	0	0
4.	Organisation of defence	3	3	0	0	3	3
5.	Urban development and communal utilities	17	13	0	1	5	0
6.	Land use	4	1	3	4	2	0
7.	Transport (and road construction)*	4	4	1	2	1	0
8.	Commerce and services*	7	2	0	0	0	0
9.	Education, culture and youth projects	1	2	1	1	5	3
10.	Health, physical culture and sports	1	3	0	4	3	3
11.	Labour and social services (social security)*	0	1	1	1	2	1
12.	Agriculture	2	4	2	0	2	0
13.	Protection of nature and environment (environment protection)*	1	4	2	2	0	1
14.	Interrelations with community councils *	0	10	0	0	0	0
15.	Interrelations with republican executive agencies and their territorial offices in Yerevan*	0	5	0	0	0	0
16.	Civil protection and emergency situations*	0	2	0	0	0	0
17.	Electronic communication, electricity supply, water supply and gas supply *	0	2	0	0	0	0
	<b>Total</b>	<b>53</b>	<b>67</b>	<b>20</b>	<b>15</b>	<b>23</b>	<b>11</b>

\*<sup>1)</sup> Formulations of powers of the local self-government bodies set out in the Local Self-government vary from those stipulated in the Law on Local Self-government Yerevan. In cases when the formulations are not much different, those are stipulated in brackets; otherwise they are formulated as separate spheres.

Another specificity of the Law on Local Self-government in Yerevan is that it contains no mention of protection of the rights of citizens and economic agents; in other words, Yerevan municipality does not have direct powers in this sphere. Instead, heads of administrative districts of the Yerevan community have only limited powers (only four powers) in contrast to other local self-government bodies (7 mandatory and 6 delegated powers).

According to the legislation, heads of administrative districts have powers in the following spheres: protection of the rights of citizens and economic agencies (4 powers); finances (5 powers); urban development and communal utilities (9); land use (4); commerce and services (3); education and culture (2); health, physical culture and sports (1); labour and social protection (3); and agriculture (1). These powers compared with those in other local self-government bodies are few, because majority of powers in the above spheres are assigned to the local self-government bodies of Yerevan. On the other hand, there are spheres where administrative districts of Yerevan do not have powers whatsoever. These include organisation of defence, public ordinance, transportation and road construction, environment protection, as well as other spheres set out in the law (See Table 4, 14-17), where all powers are assigned to the local self-government bodies of Yerevan.

Comparative analysis of powers assigned to local self-government bodies in Yerevan and other communities shows that formulations, scope and nature of the powers substantially vary from each other. On the other hand, this is natural because given the size of Yerevan, its role in republican life, scope of objectives and goals, as well as other criteria substantially differ from other towns of Armenia. In this context, the main challenge is to what extent the newly promulgated law and the new system of local self-government in Yerevan would contribute to solution of socio-economic problems of Yerevan, whether the newly created local self-government bodies of Yerevan would be more efficient than the former Yerevan Municipality and neighbourhood districts.

Allocation of powers among various levels of governance in Armenia, namely, state governance and local self-government, and its comparison with the situation in a number of countries in Eastern Europe and Baltic states is described in the Table on pages 79-80 of the “Local Self-government Reforms in Armenia (2004-2006), Book 2, edited by D. Tumanyan”. The table shows that the current degree of decentralisation may not be considered satisfactory because in the period of 2007-2009 authorities of local self-government bodies have not been expanded in any sphere.

Analysis of international experience shows that decentralised government agencies are most efficient in implementing powers in a number of areas, such as elementary and basic education, health, social services, and municipal police. It is in these areas that powers of local self-government bodies are not too large, and a conclusion can be made that the need for new efficient set-up of delivery of public services to population, centralisation and decentralisation structure has matured in Armenia. Indeed, provision of new powers should be viewed in the context of compliance of new powers with the potential, capabilities and preparedness of local self-government bodies. Otherwise, decentralisation reforms would not serve the set objectives.

## **4.2. Assessment of compatibility indicators of powers and financial resources of local self-government bodies**

In order to assess the relevance of powers and financial resources of local self-government bodies it is necessary to have the value and costs of implementation each of the powers. However, calculating the costs of the implementation of the powers is quite a complicated task and it depends upon a number of factors, such as geographical location, natural and climatic conditions, territory of the community, et cetera. In the absence of weighted average financial indicators of implementing community powers in Armenia, assessment of relevant of the powers and financial resources may be done only through relative indicators. Such assessments were made in the reports on local self-government reforms in Armenia produced by CFOA in the previous years<sup>18</sup>.

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<sup>18</sup> See: Local Self-government Reforms in Armenia (2004-2006), Book 2, edited by D. Tumanyan, Yerevan, Noyan Tapan, 2008, pages 62-85.

See: Local Self-government Reforms in Armenia (2007 and 2008), Book 3, edited by D. Tumanyan, Yerevan, Noyan Tapan, 2009, pages 95-99.

Results of assessment of the financial indicators for 2009 are set out below<sup>19</sup>.

It should be mentioned that the amendments (HO-224-N) made in the Law on Budgetary System (October 24 2007) radically modified and added the existing budgetary classification. In the part related to compilation of community budgets these amendments and additions were enforced effective the launch of the 2009 budget process, and in the part related to execution of municipal budgets – effective January 1 2009. These legislative changes are in concert with the internally recognised budgetary classification set out in the Government Finance Statistics 2001 (GFS-2001). In reality, communities in Armenia have been compiling and executing their budgets according to the new budgetary classification of the country effective 2009.

Among the indicators special importance is attached to the **share of expenditures of community budgets in public expenditures and gross domestic product (GDP) of the country**, because they show the degree of decentralisation in the given country. In order to assess these two indicators it is necessary to view them in the context of the same indicators recorded in other countries.

The values of these indicators for Armenia are too tiny and can be compared with only three countries of European Union (Greece, Cyprus, and Malta), indicators of which notably lag behind other countries (See Table 8). At the same time, average shares of municipal spending in European countries (this includes expenditures of all levels of local self-government) in total public expenditures<sup>20</sup> and GDP are quite high, i.e. 33.9% and 15.5% in 2007.

Thus Armenia is significantly behind other EU countries in terms of shares of local spending in total public expenditures (5.2%) and GDP (1.6%). Moreover, before 2007 the share of local spending had increasing trends, but starting 2007 it has been decreasing.

**Table 8: Share of community spending in total public expenditures and GDP in EU countries, (2007)<sup>21</sup>**

Countries	Municipal spending in total public expenditures, %	Municipal spending in GDP, %
Denmark	63,5	32,5
Spain	54,5	21,5
Sweden	47,0	24,5
Germany	44,5	19,5
Belgium	42,5	20,5
Finland	41,0	19,0
The Netherlands	33,5	15,0
Austria	33,0	16,0
Poland	32,5	13,5
Italy	31,5	15,0
Lithuania	30,0	12,0
Great Britain	29,0	13,0
Estonia	28,0	10,0
Czech Republic	26,5	12,0
Romania	26,5	10,0
Latvia	24,5	8,5
Hungary	24,0	12,5
France	22,0	12,0
Ireland	20,0	7,0
Slovenia	20,0	9,0
Slovakia	18,0	6,5
Bulgaria	17,5	7,5
Portugal	13,5	6,5
Luxembourg	13,5	5,0
<b>Armenia (2007)</b>	<b>7,2</b>	<b>1,7</b>

<sup>19</sup> Sources: [www.minfin.am](http://www.minfin.am), [www.mta.gov.am/region](http://www.mta.gov.am/region), [www.armstat.am](http://www.armstat.am), and Armenia Statistical Bulletin, 2009.

<sup>20</sup> Calculation of public expenditures varies by country. In some countries there exist various extra-budgetary public funds, expenditures of which are included in the public expenditures. In case of Armenia, public expenditures are viewed as expenditures of the consolidated budget.

<sup>21</sup> Source: Sub-national public finance in the European Union, Dexia, December 2008.

Greece	6,0	2,5
<b>Armenia (2009)</b>	<b>5,2</b>	<b>1,6</b>
Cyprus	4,5	2,0
Malta	1,5	1,0

The next indicator is the planning of financial resources (budget revenues) for implementation of assigned powers and execution. The **values of total revenues and approved, adjusted and actual execution in absolute terms as well as their relative values** in 2009 show that actual execution of total revenues and expenditures of community budgets in Armenia versus the approved annual plans are slightly higher than versus adjusted annual ones (See: Table 9). Thus 2009 budget execution in terms of revenues versus the approved annual plan has been 97.4%, and 96.7% versus the annual adjusted plan. The 2009 budget execution in terms of expenditures has been 86.7 and 85.8%, respectively. The explanation is that there are still problems at the local level linked with projections of both revenues and expenditures of community budgets. Local self-governments are relatively conservative towards their projections in the beginning of the year and fail to accurately estimate their revenues or expenditures. In some cases this is done deliberately so that higher rates of execution are artificially secured at a later stage, as an *a priori* safeguard against under-standard collection of municipal revenues.

**Table 9: Approved and adjusted annual plans and their execution, total revenues, expenditures and surplus/deficit of community budgets, Armenia, 2009 (in thousand drams)**

N	Articles	2009				
		Annual approved plan	Annual adjusted plan	Actual	Execution rate vs. approved plan, %	Execution rate vs. adjusted plan, %
	<b>All local self-government bodies of Armenia:</b>					
1	Revenues, total	53,988,598.7	54,387,622.8	52,582,379.4	97.4	96.7
2	Expenditures, total	56,951,669.4	57,529,184.1	49,357,996.4	86.7	85.8
3	Surplus (+) or deficit (-)	-2,963,070.8	-3,141,561.3	3,224,383.0	x	x
	<b>Budget of Yerevan community and former neighbourhood districts:</b>					
1	Revenues, total	19,618,433.4	-	19,742,039.8	100.6	-
2	Expenditures, total	19,995,120.4	-	17,752,005.9	88.8	-
3	Surplus (+) or deficit (-)	-376,687	-	1,990,033.9	x	x

Table 9 contains also total revenues and actual execution indicators in absolute and relative terms of the Yerevan community (planned revenues in the amount of 1,657,604.4 thousand drams and actual 1,380,405.6 thousand drams) and former neighbourhood districts (planned revenues in the amount of 1,657,604.4 thousand drams and actual 18,380,405.6 thousand drams) for 2009. Execution of total revenues planned for Yerevan in 2009 was 100.6%, while the execution of the annual plan of the expenditures was 88.8%. This indicates that overall the execution rates for both revenues and expenditures of Yerevan budget are slightly higher than the total values than the rates of execution of revenues and expenditures of all other local self-government bodies of Armenia.

Comparison of the 2009 indicators of actual revenues and expenditures executed by communities and those for 2008 shows that the revenue execution rates increased in 2009 (97.4% and 89.0%) vs. 2008 (92.6% and 89.0%), while the execution of expenditures has remained almost unchanged (86.7% and 85.8% in 2009; and 91.9% and 85.6% in 2008). For this reason, kicking off at the beginning of 2009 with deficit of budget execution of about 3 bln drams, the local self-government bodies close the year with execution of surplus budgets in the amount of nearly the same 3 bln.

It should also be mentioned that actual revenues of communities in 2007-2009 (49.5, 51.7 and 52.6 bln drams, respectively) have slowly increased, but the expenditures in the same period have shrunk (53.6, 55.6 and 49.4 bln drams, respectively).

Relatively important indicators of financial sufficiency of the communities are also **per capita revenues and expenditures** of the municipal residents. Per capita actual revenues of municipal budgets in Armenian drams has increased from year to year in absolute terms, but taking into account yearly fluctuations of the dram/USD exchange rate, this indicator denominated in US dollars has substantially decreased over 2009 (See: Table 10, Diagram 2). Per capita actual expenditures of municipal budgets in Armenia denominated in both drams and USD have increased prior to 2009, and this indicator has substantially declined since then. Annual inflation rate has had tangible negative impact on these indicators, as a result of which solvency of the Armenian dram has somewhat shrunk.

**Table 10: Per capita revenues and expenditures of community budgets of Armenia in 2004-2009 (in drams, with and without inflation, and in US dollars)**

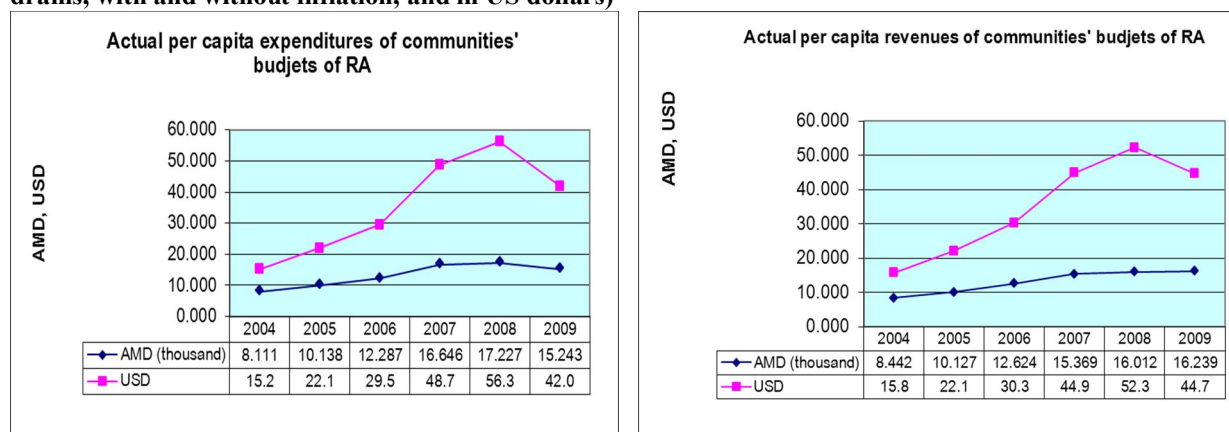
Indicators	2004	2005	2006	2007	2008	2009
Total number of population in Armenia as of January 1 (thousand people)*	3,210.3	3,215.8	3,219.2	3,222.9	3,230.1	3,238.0
Average annual exchange rate USD/dram*	534	458	416	342	306	363
Annual inflation (%)*	107.0	100.6	102.9	104.4	109.0	103.4
Actual per capita <b>revenues</b> of community budgets ( <b>in drams</b> )	8,442	10,127	12,624	15,369	16,012	16,239
Actual per capita <b>revenues</b> of community budgets ( <b>in drams, inflation taken into account</b> )	7,851	10,066	12,258	14,693	14,571	15,687
Actual per capita <b>revenues</b> of community budgets ( <b>in USD</b> )	15.8	22.1	30.3	44.9	52.3	44.7
Actual per capita <b>expenditures</b> of community budgets ( <b>in drams</b> )	8,111	10,138	12,287	16,646	17,227	15,243
Actual per capita <b>expenditures</b> of community budgets ( <b>in drams, inflation taken into account</b> )	7,543	10,077	11,931	15,914	15,677	14,725
Actual per capita <b>expenditures</b> of community budgets ( <b>in USD</b> )	15.2	22.1	29.5	48.7	56.3	42.0

\*) Sources: [www.armstat.am](http://www.armstat.am) and [www.minfin.am](http://www.minfin.am)

Thus, per capita revenues and expenditures of community budgets in absolute terms are tiny and no major change has taken place in these indicators throughout the recent years, which comes to evidence low living standards of population.

Another group of indicators covers monitoring of community budget expenditures in the framework of delivery of community services, or, in other words, financial sufficiency of sectoral powers (in various sectors) provided to the local self-government bodies by law, which are presented according to the **functional classification of community budget expenditures**. In comparison with the previous years, expenditures for general community services tangibly increased in 2009 reaching as high as 36.9% (25.3% in 2007, and 26.3% in 2008) of total expenditures (See: Table 11). This is mainly preconditioned by the drastic increase in maintenance expenses of the community staff, and inclusion of maintenance expenditures Civil Status Registration Offices (implementation of delegated powers) required by new budget classification in the expenditures incurred for general community services.

**Diagram 2: Per capita revenues and expenditures of community budgets of Armenia in 2004-2009 (in drams, with and without inflation, and in US dollars)**



Shares of social expenditures in total community budgets spending in 2009 increased from the previous years; these include, particularly, education (27.6%), recreation, culture and religion (7.8%), social protection (3.5%) and health (0.3%). In parallel, shares of expenditures for delivery of public services have also increased in economic spheres, such as transportation (8.4%), agriculture (1.7%, and fuel and energy (1.1%).

Under the former budget classification, the types of public services grouped in residential and communal utilities were approximately correspondent to the types set out in the groups of i) environment protection (garbage collection and disposal, waste water removal, fight against environment pollution, et cetera) and ii) residential construction and communal utilities (residential construction, water supply, street illumination, community development et cetera); shares of these types in total budget spending in 2009 were 13% and 8.8% (total for two is 21.8%). The latter is significantly lower than the shares of expenditures incurred by municipal budget in the sphere of residential and communal utilities in 2007-2008 (24% and 26.4%, respectively).

Another indicator of correlation between the powers and financial resources of local self-government bodies is the “unfunded or partially funded mandate”. Because of scarce financial or budgetary resources (in addition to other causes), predominant majority of communities (particularly rural and small urban communities) are not in a position to fully implement the powers established by legislation. There are also powers, which in many communities are not implemented whatsoever (e.g.: garbage collection and disposal, well-planning, green planting et cetera).

Table 11 sets out **actual per capita expenditures** of community budgets of Armenia in 2009, according to the **functional classification of budget expenditures in various sectors**. Detailed analysis of the indicators shows that values of changes are directly comparable with sector expenditures in absolute terms and their shares in total expenditures of community budgets.

**Table 11: Expenditures of community budgets of Armenia in 2009, according to the functional classification of budget expenditures**

N	Expenditures	2009			
		Actual expenditures, total, thousand drams	Share, %	Per capita expenditures, drams	Per capita expenditures, US Dollars
	<b>Expenditures, total*, including</b>	<b>49,357,996.4</b>	<b>100</b>	<b>15,243</b>	<b>42.0</b>
	<b>Current budget</b>	<b>46,942,128.9</b>	<b>95.1</b>	<b>14,497</b>	<b>39.9</b>
	<b>Capital budget</b>	<b>3,885,875.1</b>	<b>7.9</b>	<b>1,200</b>	<b>3.3</b>
1	General public services	18,201,507.7	36.9	5,621	15.5
2	Defence	33,473.2	0.1	10	0.03
3	Public ordinance, security and judiciary activities	18,565.5	0.0	6	0.02
4	Economic relations, including	240,721.2	0.5	74	0.2
4.1	<i>General economic, commercial and employment relations</i>	170.0	0.0	0.1	0.0
4.2	<i>Agriculture, forestry, fishery and hunting</i>	852,131.5	1.7	263	0.7
4.3	<i>Fuel and energy</i>	537,500.3	1.1	166	0.5
4.4	<i>Mining, industry and construction</i>	45,478.6	0.1	14	0.04
4.5	<i>Transport</i>	4,124,926.5	8.4	1,274	3.5
4.6	<i>Other spheres</i>	2,150.4	0.0	0.7	0.0
4.7	<i>Research and design for economic relations</i>	16,413.0	0.0	5	0.01
4.8	<i>Economic relations (not classified elsewhere)</i>	-5,338,049.2	-10.8	-1,649	4.5
5	Environment protection, including	6,407,209.9	13.0	1,979	5.5
5.1	<i>Garbage collection and disposal</i>	4,741,449.5	9.6	1,464	4.0
5.2	<i>Waste water removal</i>	165,563.4	0.3	51	0.14
5.3	<i>Fight against environmental pollution</i>	96,267.2	0.2	30	0.1
5.4	<i>Protection of biodiversity and nature</i>	95,826.6	0.2	30	0.1
5.5	<i>Research and design for environment protection</i>	3,930.0	0.0	1	0.0
5.6	<i>Environment protection (not classified elsewhere)</i>	1,304,173.2	2.6	403	1.1
6	Residential construction and communal utilities, including	4,345,186.0	8.8	1,342	3.7

6.1	Residential construction	702,291.5	1.4	217	0.6
6.2	Community development	191,094.4	0.4	59	0.2
6.3	Water supply	726,958.2	1.5	225	0.6
6.4	Street illumination	963,563.4	2.0	298	0.8
6.5	Research and design in residential construction and communal utilities	32,909.0	0.1	10	0.03
6.6	Residential construction and communal utilities (not classified elsewhere)	1,728,369.5	3.5	534	1.5
7	Health	143,729.3	0.3	44	0.1
8	Recreation, culture and religion	3,868,822.4	7.8	1,194	3.3
9	Education	13,641,427.8	27.6	4,213	11.6
10	Social protection	1,739,971.2	3.5	537	1.5
11	Resources not classified in main groups*	717,382.3	1.5	222	0.6

\*) Excluding allocations from the reserve fund of the administrative budget to the fund budget

Correlation between the types of community budget expenditures (current and capital/non-financial assets) can be observed in the context of **economic classification of budget expenditures**. In 2009 the share of current expenditures (80.8%) in the total expenditures of all communities of Armenia significantly increased (See: Table 12) in comparison with the relevant indicators of 2007-2008 (66.2% and 71.5%, respectively); at the same time, it significantly decreased (33.8% in 2007; and 28.5% in 2008) in expenditures incurred on non-financial assets (19.2%). Longer-term observation of these indicators shows that in 2004-2007 share of capital expenditures in total expenditures has increased from 17.6% to 33.8% (almost doubled); at the same time, in 2007-2009 this share has again shrunk reaching as low as 19.2% (See: Diagram 3). In the recent years, reduction of the share of capital expenditures in total community budgets expenditures is mainly preconditioned by drastic decline in receipts of the fund budgets from alienation of communities owned lands.

**Table 12: Budgets of Yerevan and other communities in 2009, according to economic classification of budget expenditures**

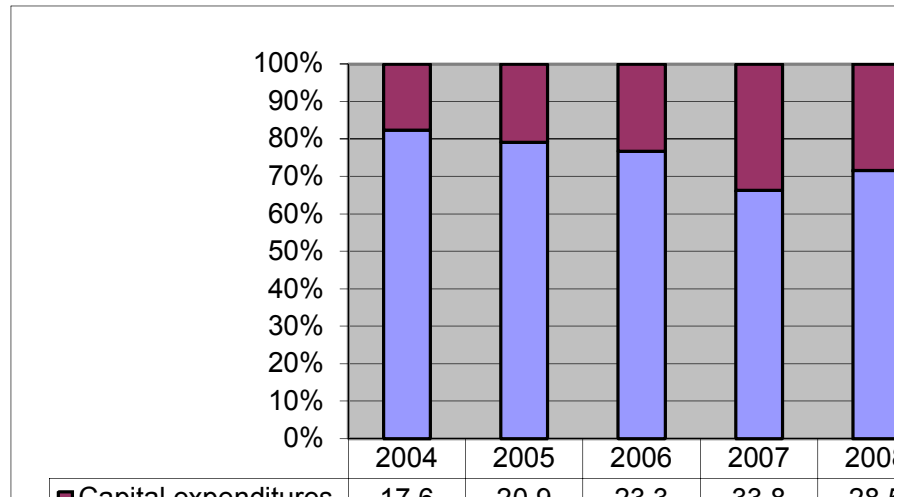
N	Expenditures	2009			
		Actual expenditures of community budgets of Armenia, in thousand drams	Share, %	Actual expenditures of Yerevan budget, ** in thousand drams	Share, %
	<b>Expenditures, total * (A+B+C)</b>	<b>49,357,996.4</b>	<b>100</b>	<b>17,752,005.9</b>	<b>100</b>
<b>A</b>	<b>Current expenditures *</b>	<b>45,473,738.1</b>	<b>92.1</b>	<b>17,524,905.2</b>	<b>98.7</b>
<b>1</b>	<b>Remuneration (salaries), including</b>	<b>18,410,772.0</b>	<b>37.3</b>	<b>3,733,134.7</b>	<b>21.0</b>
	<i>Salaries and wages</i>	<i>15,218,232.3</i>	<i>30.8</i>	<i>3,141,512.8</i>	<i>17.7</i>
	<i>Social contributions</i>	<i>3,192,539.6</i>	<i>6.5</i>	<i>591,621.9</i>	<i>3.3</i>
<b>2</b>	<b>Acquisition of services and goods</b>	<b>13,300,336.1</b>	<b>26.9</b>	<b>6,306,394.1</b>	<b>35.5</b>
<b>3</b>	<b>Interest payments</b>	<b>184.2</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>4</b>	<b>Subsidies</b>	<b>6,432,072.3</b>	<b>13.0</b>	<b>1,859,819.0</b>	<b>10.5</b>
<b>5</b>	<b>Grants</b>	<b>4,609,253.0</b>	<b>9.3</b>	<b>3,773,041.1</b>	<b>21.3</b>
<b>6</b>	<b>Social benefits and pensions</b>	<b>1,383,564.5</b>	<b>2.8</b>	<b>122,971.3</b>	<b>0.7</b>
<b>7</b>	<b>Other expenditures*, including</b>	<b>1,337,556.0</b>	<b>2.7</b>	<b>1,729,545.0</b>	<b>9.7</b>
	<i>Reserve resources*</i>	<i>717,382.3</i>	<i>1.5</i>	<i>1,011,003.4</i>	<i>5.7</i>
	<i>Allocations from the reserve fund of the administrative budget to the fund budget</i>	<i>1,470,007.4</i>	<i>3.0</i>	<i>718,541.6</i>	<i>4.0</i>
<b>B</b>	<b>Expenditures for non-financial assets</b>	<b>9,447,192.8</b>	<b>19.2</b>	<b>1,433,179.2</b>	<b>8.1</b>
<b>1</b>	<b>Fixed assets</b>	<b>9,369,749.6</b>	<b>19.0</b>	<b>1,382,800.0</b>	<b>7.8</b>
<b>2</b>	<b>Inventories</b>	<b>75,494.9</b>	<b>0.2</b>	<b>50,379.2</b>	<b>0.3</b>
<b>3</b>	<b>High value assets</b>	<b>950.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>4</b>	<b>Non-produced assets</b>	<b>998.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>C</b>	<b>Receipts from sales of non-financial assets</b>	<b>-5,562,934.5</b>	<b>-11.2</b>	<b>-487,536.9</b>	<b>-2.7</b>
<b>1</b>	<b>Receipts from sales of fixed assets</b>	<b>-1,207,501.7</b>	<b>-2.4</b>	<b>-322,765.3</b>	<b>-1.8</b>

2	Receipts from sales of inventories	0.0	0.0	0.0	0.0
3	Receipts from sales of high value assets	-2,860.0	0.0	0.0	0.0
4	Receipts from sales of non-produced assets	-4,352,572.8	-8.8	-164,771.6	-0.9

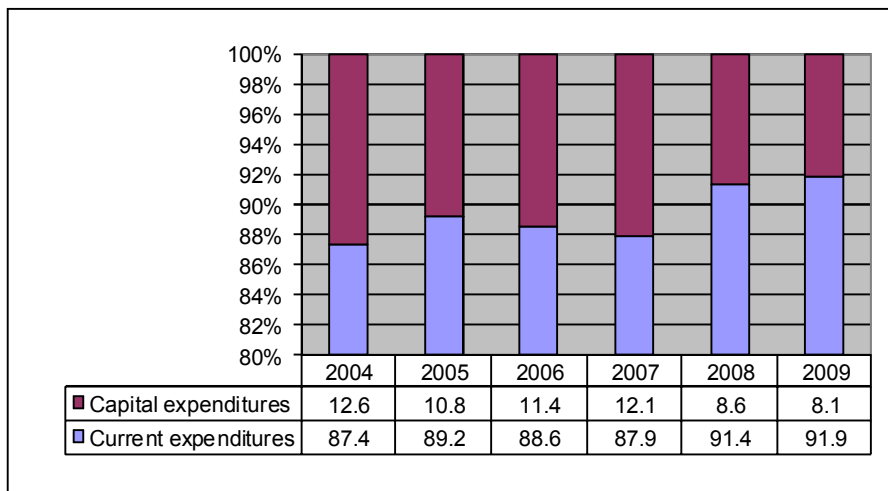
\*) Excluding allocations from the reserve fund of the administrative budget to the capital budget

\*\*\*) Yerevan budget expenditures include those of former 12 neighbourhood districts and Yerevan marz

**Diagram 3: Share of current and capital expenditures of community budgets in total expenditures, 2004-2009, %**



**Diagram 4: Share of current and capital expenditures of former neighbourhood districts of Yerevan and Yerevan community (2009) in total expenditures, 2004-2008, %**



The ratios of current and capital expenditures are different in the case of total Yerevan community budget, where predominant majority of expenditures are current (87.9% in 2007, 91.4% in 2008, and 91.9% in 2009), while capital spending indicators are incomparably more modest (12.1% in 2007, 8.6% in 2008, and 8.1% in 2009) than at republican level. In 2004-2007 the share of capital expenditures in total spending fluctuated between 11 and 12.5%, while in 2008-2009 they reduced to 8-8.5% (Diagram 4).

This rather huge discrepancy (about 2.5 times) between the current and capital expenditures between Yerevan and all other communities of Armenia is preconditioned by the limited powers of former neighbourhood districts of Yerevan with in comparison with other rural and urban communities in the country, particularly, in the spheres of urban development, land use, transportation and others, where main part of powers are attributed to the Yerevan community by law.

From the perspective of efficiency in organising operations of communities, an important indicator is the share of salaries and wages – as significant component of remuneration of the staff –

in total community budget expenditures according to the economic classification and their trends over years.

In 2009 the share of actual salaries and wages of the communities staff, and budget and non-commercial organisations in total expenditures of all communities is 30.8%; the share of mandatory social contributions is 6.5%; and the total of the above two lines is 37.3% (See: Table 12). Comparison of this indicator with their values for 2007-2008 (26.7% and 28.4%, respectively) shows increasing trends.

The change in this indicator in Yerevan community budgets for 2007-2009 (18.3%, 20.5% and 21.0%, respectively) has also recorded increasing trend despite the fact that share of remuneration of community staff in total expenditures is significantly smaller than that for all other communities of Armenia.

Nevertheless, the conclusion made on this area in the earlier reports remains standing, i.e. expenditures on salaries, wages and mandatory social contributions have significant share in total expenditures, which is preconditioned by the fact of inflated staffing, as well as low and sub-standard level of revenues of the communities. On the other hand, it should be mentioned that the rates of remuneration of the community servants and other staff of communities are very low.

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

### 5.1. Formation and activities of local self-government bodies

Head of community and members of community councils are elected through universal, equal, direct suffrage, by secret ballot for a period of four years and on the basis of majoritarian system. The only exception is Yerevan, where members of community council are elected by proportionate vote, and the Mayor of Yerevan is elected through indirect procedure by members of the Yerevan community council from among such members. If one of the political parties participating in the elections gets more than 50% of the seats in the community council, the person on the first line of the party lists will be considered legitimate Mayor of Yerevan.

In 2009 15 head of communities were elected in the marzes of Armenia (all these took place in rural communities) and 26 elections to community councils (See: Table 13). Elections to the community councils took place in four marzes, predominant majority of which in Aragatsotn and Tavush marzes.

As in the previous years, competition during the elections of heads of communities has been very weak. The maximum number of candidates for a post was four, and this maximum was recorded only in two communities. In five communities there were 3 candidates, in four communities 2 and in another four only one candidate. Observations of local elections at marz level show that the lowest indicator was recorded in Kotayk, where in both cases (there were two elections in this marz in 2009) only one candidate was registered, and the highest was in Lori and Ararat marzes, where there were four candidates.

**Table 13: Number of local self-government bodies elections in 2009, by marzes<sup>22</sup>**

N	Marz	Elections of head of community			Elections of community councils		
		Total	Urban	Rural	Total	Urban	rural
1	Aragatsotn	2	-	2	14	-	14
2	Ararat	1	-	1	-	-	-
3	Armavir	3	-	3	-	-	-
4	Gegharkunik	2	-	2	3	-	3
5	Lori	1	-	1	2	1	1
6	Kotayk	2	-	2	-	-	-
7	Shirak	3	-	3	-	-	-
8	Syunik	-	-	-	-	-	-
9	Vayots Dzor	-	-	-	-	-	-

<sup>22</sup> Source: [www.elections.am](http://www.elections.am).

10	Tavush	1	-	1	7	1	6
	<i>Total</i>	<i>15</i>	<i>-</i>	<i>15</i>	<i>26</i>	<i>2</i>	<i>24</i>

According to the information, published on the official web site of the Central Electoral Commission, the local self-government bodies elections in marzes held in 2009 resulted in victory of candidates who are not members of any political party and members of Republican Party of Armenia (See: Table 14).

**Table 14: Political affiliation of the runners and successful candidates in the elections of heads of municipalities, 2009<sup>23</sup>**

Political party	Runners	Successful candidates
No political affiliation	18	6
Republican party of Armenia	11	5
Prosperous Armenia party	4	3
Armenian revolutionary federation	1	1
Lawful country	1	-
<i>Total</i>	<i>35</i>	<i>15</i>

As for political affiliation of the runners for seats in the community councils in 2009, majority of the candidates (almost 70%) do not belong to any political party (See: Table 15).

**Table 15: Political affiliation of the runners for seats in the community councils in 2009<sup>24</sup>**

Political party	Number of candidates
No political affiliation	147
Republican party of Armenia	39
Prosperous Armenia party	14
Armenian revolutionary federation	10
Lawful country	8
Other parties	3
<i>Total</i>	<i>221</i>

In 2009 it was for the first time ever elections to community council of Yerevan as a local self-government body have been held. Six political parties and one union participated in elections to the community council, of which 7%<sup>25</sup> benchmark was overcome by only three, and, consequently, the seats were allocated among those three (See: Table 16). Because the number of seats gained by the Republican Party of Armenia is over 50%, the person on the first line in the party list is considered to be the legitimately elected Mayor. Representatives of Republican Party of Armenia occupy also 9 seats (of total 12) administrative districts of Yerevan<sup>26</sup>.

**Table 16: Results of elections to the community council of Yerevan, 2009<sup>27</sup>**

Political parties and unions	Number of pro votes		Seats
	Votes	%	
Republican party of Armenia	186 630	47.43	35
Prosperous Armenia party	89 131	22.65	17
Armenian National Congress	69 140	17.57	13
People's Party	8 479	2.15	0
Armenian revolutionary federation	18 094	4.60	0

<sup>23</sup> Source: [www.elections.am](http://www.elections.am)

<sup>24</sup> Source: [www.elections.am](http://www.elections.am)

<sup>25</sup> According to the Article 138.18 of the Election Code of Armenia, seats in the community council of Yerevan are allocated among the list of political parties and coalitions (unions), which received the maximum of valid votes and minimum of inaccurate votes, namely, 7% in the case of political parties, and 9% of pro votes.

<sup>26</sup> Source: [www.yerevan.am](http://www.yerevan.am), [www.hhk.am](http://www.hhk.am)

<sup>27</sup> Source: [www.elections.am](http://www.elections.am)

Lawful country	20 106	5.11	0
Armenian Workers Socialist Party	1 936	0.49	0
<i>Total</i>	<i>393 516</i>	<i>100</i>	<i>65</i>

There are varying opinions about organisation and holding of elections to the community council of Yerevan.

Thus, the European Congress of Regional and Local Authorities indicate that generally elections to the community council of Yerevan were organised in accordance with the fundamental principles of the Council of Europe, as well as European and international standards applicable to democratic elections<sup>28</sup>. Nevertheless, the Congress also mentions multiple shortcomings, such as lack of trust towards elections among population at large, absence of normal competitive atmosphere during the election campaign, lack of varying opinions in the television programmes, et cetera, and calls the authorities of Armenia to continue reforms towards fair and transparent elections.

According to the report of the Freedom House organisation, elections to the community council of Yerevan though held in the atmosphere of competition were accompanied with acts of violence<sup>29</sup>.

“The Choice is yours” NGO mentions that elections to the community council of Yerevan despite relative peaceful course of election campaigns and prevalingly legitimate elections in most of the election precincts and ballots, there has been no progress in rehabilitation of trust towards population towards elections, prevention of further polarisation of the society inherited from the previous elections, exclusion of vicious practice of counterfeiting voting, or bringing them into compliance with democratic criteria<sup>30</sup>.

According to the observations initiated by Transparency International anti-corruption centre, elections were accompanied with rude infringements and they were not compliant with the requirements of either the electoral legislation of Armenia or international criteria applicable to free, fair and transparent elections<sup>31</sup>.

In 2009 there were no amendments or changes introduced in the Electoral Code of Armenia.

*Box 4: Attempt to dismiss Mayor of Ijevan<sup>32</sup>*

In 2009 8 of 13 members of Ijevan community council co-signed a dismissal procedure against the Mayor of Ijevan. The documents compiled by those members of community council were submitted by Tavush Regional Governor to the government attaching his letter of opinion that the documents are not compliant with the requirements of the Article 17 of the Law on Local Self-government hence insufficient to launch a dismissal procedure against the Mayor. The package of documents was bounced back from the government because they did not contain any basis to launch dismissal procedure against the Mayor as required by the above Article 17, and, actually, the Mayor of Ijevan was not dismissed.

Review of government decrees shows that there were 4 cases of premature suspension of authorities of community council members and 11 cases of dismissal of heads of communities. Premature dismissal of community councils has been done in accordance with the requirements of the Article 22 of the Law on Local Self-government, according to which powers of community council can be stopped if because of dismissal of members of community council prevents convening of further sessions of the council impossible. Powers of heads of communities were stopped ex mortem (4 cases), submission of letter of resignation (5 cases), imprisonment by judicial resolution (1 case), and in compliance with the occupied position (1 case). There were no cases of dismissal of heads of communities in 2009.

### ***Decision-making at community level***

<sup>28</sup> Recommendation 227 (2009) of the Congress of Regional and Local Authorities of the Council of Europe: First Municipal Elections of Yerevan, Armenia (31 May 2009)

<sup>29</sup> Source: <http://freedomhouse.eu/images/Reports/NIT-2010-Armenia-final.pdf>

<sup>30</sup> “It’s your choice” NGO observed elections in all 439 electoral precincts.

<sup>31</sup> Transparency International Anti-corruption Centre initiated observations in 33 electoral precincts of the 8<sup>th</sup> voting area on May 31 2009 with participation of Vanadzor Office of the Helsinki Civil Assembly and Asparuz Journalists Club.

<sup>32</sup> Source: [www.hetq.am](http://www.hetq.am)

Normative and legal deeds undertaken by local self-government bodies are subject to legal expertise implemented by the Ministry of Justice of Armenia. The 2009 annual report of the Ministry of Justice does not contain any information on the number or content of legal opinions issued with regard to deeds of local self-government bodies. Consequently, it is difficult to make a conclusion on the extent, to which the normative legal deeds are compliant with or contradict to the legislation.

In 2009 local self-government bodies submitted 23416 decisions of community councils to the relevant regional administrations. Decisions of community councils were not submitted to the regional administration from 11 local self-government bodies. 385 self-government bodies submitted decisions to the relevant regional administrations in breach of the set deadlines. 9.3% of the submitted decisions were incompliant with legislation and other legal acts. Moreover, the highest degree of incompliance of the community council decisions with the legislation is recorded in Shirak (22.6%), Kotayk (19.6%) and Aragatsotn (14.6%), and the lowest in Ararat marz (2.1%). In 2009 regional governors submitted six cases to the judicial authorities (courts) to rescind decisions of community councils (See: Appendix 1).

Community councils do not yet actively participate in decision-making at local level and the process of municipal governance in general. According to the results of observations and rating of activities of municipalities implemented by “The Choice is yours” NGO, the ratings<sup>33</sup> of activity of community councils in participating in municipal governance processes vary over months from 2.95 to 3.91 (See: Table 17). The ratings are given within a scale of 5 scores, where 5 means “excellent”, and 1 means “very bad”, hence the activity of community councils and their participation in municipal governance is assessed slightly higher than medium, however not “good”, to say nothing about “excellent”. Nevertheless, it should be mentioned that there are municipalities where this rating reaches as high as 4.8 while in others it is not even 3. It is interesting to observe that in October-December the rating in all marzes is lower than the value recorded in July-September.

Decisions of local self-government bodies may be adopted through referenda as well. Both before and in the course of 2009, no local referenda had been held.

**Table 17: Rating of participation and activity of community councils in the process of municipal governance<sup>34</sup>**

N	Marz	Average rating	
		July-September	October-December
1	Aragatsotn	3,91 score	3,19 score
2	Ararat	3,79 score	3,04 score
3	Armavir	3,54 score	3,30 score
4	Gegharkunik	3,75 score	3,70 score
5	Lori	3,67 score	3,33 score
6	Kotayk	3,43 score	3,38 score
7	Shirak	3,46 score	2,99 score
8	Syunik	3,73 score	3,47 score
9	Vayots Dzor	3,79 score	3,32 score
10	Tavush	3,54 score	2,95 score

## 5.2. Local democracy

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

As of January 1 2010, the number of non-government organisations making significant part of civil society sector of Armenia was 3252 in addition to 74 political parties, 784 trade unions and 3252<sup>35</sup> mass media organisations.

<sup>33</sup> In order to make these assessments 10 communities from each marz were selected: a total of 100 communities.

<sup>34</sup> Source: [www.iyc.am](http://www.iyc.am); Information Bulletin of “It’s your choice” NGO on the results of observations and rating of activities of communities implemented in July-December 2009.

<sup>35</sup> Source: [www.armstate.am](http://www.armstate.am); Socio-economic situation in Armenia, January-December 2009.

There is no official information on territorial representation of the above organisations. Certain understanding of territorial location of non-governmental organisations can be obtained from the electronic site of “Professionals for Civil Society” NGO<sup>36</sup>, which informs that that 501 (out of total 948) NGOs, or 53% are based in Yerevan. Information available on mass media allows indicates that most of them are also based in the capital city, while regional mass media are in regional centres and former sub-regional towns.

Among the non-governmental organisations operating in the area of local self-government the well-known ones continue to be Communities Finance Officers Association (CFOA), Association of Community Councilors of Armenia (ACC), Centre for Development and Training of Information Systems, and Republican Association of Armenian Communities (AAC).

According to the report of Freedom House organisation, the rating of progress towards democracy in Armenia remained unchanged from the previous year, i.e. 5.39. Ratings of “local democratic governance” and “civil society” have also remained unchanged from the previous year, i.e. 5.50 and 3.75 scores, respectively (all the above ratings are within a 7-score scale, where the best rating is “1”, and the worst is “7”)<sup>37</sup>.

### ***Perception of local self-government bodies among population***

It is fairly difficult to produce a justified assessment of perceptions among population towards the activities of local self-government bodies because there are no surveys of perceptions of the population. Expert assessments suggest that the rating of local self-government bodies by population is not high.

### ***Gender distribution in local self-government bodies and staff***

Like in the previous years, in 2009 representation of women in elected self-government bodies continues to be insignificant. More specifically, according to official statistics, there was no single woman head of urban municipality in 2008; while in rural communities there were only 23 women heads of municipalities (2.7%). As for members of community councils, share of women in urban municipalities was 4.5%, and in rural municipalities 6.9% in 2008. Actually, according to average annual data for 2008, only 2.5% of heads of municipalities and 6.7% of members of community councils in the marzes were women (See: Tables 18 and 19). Observations of 2009 elections show that these indicators have hardly, if ever, changed, because only one of the newly elected head of municipality is a woman, while only 7 candidates registered for elections to community councils were women<sup>38</sup> (See: Table 20).

**Table 18: Gender distribution of heads, community councils and staff of urban communities, 2008<sup>39</sup>**

N	Marz	Mayors, (urban)		Deputy Mayors		Chiefs of staff		Members of community councils		Staff members	
		Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
1	Aragatsotn	-	3	-	6	-	3	2	25	43	67
2	Ararat	-	4	-	8	-	4	1	52	63	108
3	Armavir	-	3	-	5	1	2	-	41	60	101
4	Gegharkunik	-	5	-	5	3	2	3	56	46	85
5	Lori	-	8	-	7	4	4	8	69	149	208
6	Kotayk	-	7	-	6	4	3	4	81	141	169

<sup>36</sup> Source: [www.ngo.am](http://www.ngo.am)

<sup>37</sup> Source: <http://www.freedomhouse.eu/images/Reports/NIT2010Armeniafinal1.pdf>

<sup>38</sup> Share of women in 2009 was not calculated since the gender structure of heads of municipalities or community councils who left their posts is not known.

<sup>39</sup> “Women and Men in Armenia”, Statistical Bulletin, National Statistical Service of Armenia, Yerevan, 2009, page 108.

7	Shirak	-	3	-	3	1	2	1	36	177	291
8	Syunik	-	7	1	6	3	3	-	79	128	88
9	Vayots Dzor	-	3	-	3	2	1	1	32	201	83
10	Tavush	-	5	-	5	3	2	3	45	67	79
	<i>Total</i>	-	48	1	54	21	26	23	516	1075	1279

**Table 19 Gender distribution of heads, community councils and staff of rural municipalities, 2008<sup>40</sup>**

N	Marz	Average annual							
		Mayors (rural)		Deputy Mayors		Members of community councils		Staff members	
		Wome n	Men	Wome n	Men	Wome n	Men	Wome n	Men
1	Aragatsotn	-	111	-	74	17	574	175	256
2	Ararat	1	92	4	38	21	611	539	518
3	Armavir	4	90	2	89	16	671	282	346
4	Gegharkunik	3	84	-	75	41	515	131	322
5	Lori	6	99	12	56	74	503	358	300
6	Kotayk	1	59	1	46	23	428	341	288
7	Shirak	1	115	8	60	41	596	289	791
8	Syunik	4	98	27	61	82	413	343	206
9	Vayots Dzor	1	40	-	9	4	286	33	581
10	Tavush	2	55	-	42	17	255	331	365
	<i>Total</i>	23	843	54	550	336	4852	2822	3973

The case of Yerevan is not much different from other urban municipalities since the Mayor is a man, and men hold the predominant share of seats in the community council.

In contrast to elected posts, there is almost no gender inequality in the staff of local self-government bodies. According to average annual data for 2008, 45.7% of staff in urban and 41.5% of rural local self-government bodies is women. Subsequently, 42.6% of staff members with local self-government bodies in the marzes of country are women (See: Tables 18 and 19). The same indicator for 2007 was 46%<sup>41</sup>.

### ***Accessibility of information on activities of local self-government bodies***

In the context of contemporary scientific and technological progress, creation and maintenance of official web sites of local self-government bodies is a tool to secure access to information of their activities and operations.

This tool of securing publicity about operations of local self-government bodies is not yet widespread. Among 915 local self-government bodies only 19 have official web sites, including Yerevan where the account of the site is established by law. Nevertheless, of these only 12 sites of urban communities are actually operational (See: Table 21). Observations of the web sites of these 12 communities entail the sense of hopelessness. In many cases the sites are merely a source of superficial information, where one would find, for example, a snapshot of the town's history, photographs of the towns, et cetera. These sites may hardly be qualified as official sites of communities since it is impossible to find any information on the activities of the relevant local self-government body. As a best case, some pieces of news, names and contact information of the head of community and members of community council can be found there. More or less useful information

<sup>40</sup> "Women and Men in Armenia", Statistical Bulletin, National Statistical Service of Armenia, Yerevan, 2009, page 109.

<sup>41</sup> "Women and Men in Armenia", Statistical Bulletin, National Statistical Service of Armenia, Yerevan, 2008, pages 104 and 105.

about operations of local self-government bodies can be discovered in the web sites of Yerevan, Vedi, Vanadzor, and Artashat urban communities.

**Table 20: Gender data on the running and elected candidates to local self-government bodies in the marzes of Armenia in 2009<sup>42</sup>**

N	Marzes	Head of community						Community council		
		Running candidates			Elected candidates			Running candidates		
		Total	Including		Total	Including		Total	Including	
Men	Women		Men	Women		Men	Women			
1	Aragatsotn	4	4	-	2	2	-	79	78	1
2	Ararat	4	4	-	1	1	-	-	-	-
3	Armavir	7	7	-	3	3	-	-	-	-
4	Gegharkunik	3	3	-	2	2	-	37	37	-
5	Lori	4	4	-	1	1	-	32	31	1
6	Kotayk	2	2	-	2	2	-	-	-	-
7	Shirak	8	7	1	3	2	1	-	-	-
8	Syunik	-	-	-	-	-	-	-	-	-
9	Vayots Dzor	-	-	-	-	-	-	-	-	-
10	Tavush	3	3	-	1	1	-	73	68	5
	<i>Total</i>	<i>35</i>	<i>34</i>	<i>1</i>	<i>15</i>	<i>14</i>	<i>1</i>	<i>221</i>	<i>214</i>	<i>7</i>

With the objective to enhance publicity of activities implemented by local self-government bodies in 2009, some 852 billboards were installed in public places in the communities, about 31 television programmes were used to provide information on community budgets, press and internet pages were used to publish draft municipal budgets, their amendments and additions<sup>43</sup>.

As a result of the initiative by the Ministry of Territorial Administration, heads of communities commenced provision of informative reports on their activities to the population in a variety of formats. For example, according to the official web site of the above Ministry, all heads of communities in Tavush marz provided such reports to the community population in June-September 2009. In rural communities such reports were placed on information billboards and community meetings were held. Heads of urban communities made presentations of their reports through meetings, television programmes and papers. However, it should be mentioned that according to the opinion of a journalist, who followed these presentations in the marz, the meetings were extremely fictitious gathering too small a number of population. In some communities an impression was formed that the meetings were not held at all or when held the participants were representatives of the staff of the community and members of community councils<sup>44</sup>.

**Table 21: Web sites of the communities in Armenia**

N	Community	Web site account	Decision of the head of community	Decisions of the community council	Community budget	Other information

<sup>42</sup> Source: [www.elections.am](http://www.elections.am).

<sup>43</sup> 2009 Progress Report of the Ministry of Territorial Administration of Armenia.

<sup>44</sup> <http://hetq.am/am/marzes/tavush-marz/>

1	Yerevan	<a href="http://www.yerevan.am">www.yerevan.am</a>	+	+	+	+
2	Vedi	<a href="http://www.vedicity.am">www.vedicity.am</a>	+	-	+	+
3	Gavar	<a href="http://www.gavariqaghapetaran.am">www.gavariqaghapetaran.am</a>	-	-	+	+
4	Vanadzor	<a href="http://www.vanadzor.am">www.vanadzor.am</a>	+	+	+	+
5	Hrasdan	<a href="http://www.hrazdancity.am">www.hrazdancity.am</a>	-	-	-	+
6	Yeghvard	<a href="http://www.yeghvard.am">www.yeghvard.am</a>	-	-	-	+
7	Gyumri	<a href="http://www.gyumricity.am">www.gyumricity.am</a>	-	-	+	+
8	Artik	<a href="http://www.artik.am">www.artik.am</a>	-	-	-	+
9	Dilijan	<a href="http://www.dilijan.am">www.dilijan.am</a>	-	-	-	+
10	Artashat	<a href="http://www.artashat.am">www.artashat.am</a>	+	+	+	+
11	Tchambarak	<a href="http://www.chambarak.am">www.chambarak.am</a>	-	-	-	+
12	Kapan	<a href="http://www.kapan.am">www.kapan.am</a>	-	-	-	+

The Law on Freedom of Information guarantees the accessibility of information about activities of local self-government bodies. “Freedom of Information Centre of Armenia” NGO carries out a set of activities to secure the implementation of this law by the local self-government bodies.

The above NGO supported by the USAID in the framework of “Access to Information for Community Involvement” project<sup>45</sup> delivered training courses for staff of local self-government bodies in a number of marzes. The courses are built around the topic of “How to apply the Law of Armenia on Freedom of Information”. In 2009 14 such courses were organised, including two in Yerevan and 12 in marzes. In total, 609 representatives of local self-government bodies and regional administrations benefited from these courses, including 58 from 12 neighbourhood districts of Yerevan (administrative districts), and 551<sup>46</sup> are representatives of Tavush, Gegharkunik, Kotayk, Ararat, Shirak, Armavir, Vayots Dzor, Syunik and Aragatsotn marzes.

In addition to presentations on the Law on Freedom of Information, “Freedom of Information Centre of Armenia” NGO also takes measures to apply it. In particular, the NGO regularly circulates information requests to the communities and sues them in cases when the requests are not addressed. In 2009, this NGO sued Zartonk, Parakar, Elpin, Bjni, Lenughi and Talvorik communities.

According to the monitoring and rating of communities implemented by “The Choice is yours” NGO, the rating<sup>47</sup> of transparency of decisions issued by heads of municipalities and community councils as well as publicity of operations fluctuates between 2.78 and 3.78 over several months (See: Table 22). In reviewing individual communities this indicator changes from e.g. even 5 score in Vardenis to 1.6 in Baghanis.

**Table 22: Rating of transparency of decisions issued by heads of communities and community councils, and publicity of operations<sup>48</sup>**

N	Marz	Average rating	
		July-September	October-December
1	Aragatsotn	3,74 score	3,28 score
2	Ararat	3,48 score	2,78 score
3	Armavir	3,41 score	3,44 score
4	Gegharkunik	3,63 score	3,78 score
5	Lori	3,60 score	3,21 score
6	Kotayk	3,33 score	3,77 score
7	Shirak	3,36 score	3,29 score
8	Syunik	3,74 score	3,54 score
9	Vayots Dzor	3,31 score	3,02 score
10	Tavush	3,25 score	2,98 score

<sup>45</sup> Project lifetime is 5 years (2008-2013)

<sup>46</sup> This figure includes not only the representatives of communities but also regional administration.

<sup>47</sup> In order to make these assessments 10 communities from each marz were selected: a total of 100 communities.

<sup>48</sup> Source: Information Bulletin of “It’s your choice” NGO on the results of observations and rating of activities of municipalities implemented in July-December 2009.

According to the results of contest held by the “Freedom of Information Centre of Armenia” NGO, Azatan rural community has been awarded the “golden key” prize, which symbolises open and efficient operation of the community to recognise them as the most publicly and transparently operating local unit. “Lock”<sup>49</sup>, as the symbol of inefficiency and non-transparency of operations, was not given to any of the local self-government bodies<sup>50</sup> in 2009, unlike in all the previous years.

“Freedom of Information Centre of Armenia” NGO published its “black list” in 2009, which contains 19 officials, including 7 heads of communities, one of them being Mayor of Yerevan, and the other six are heads of Zartonk, Bjni, Elpin, Parakar, Talvorik, and Lenughi communities. It should also be mentioned that the number of heads of communities encompassed in the “black list” in 2009 has decreased from the previous years (in 2008, 14 out of 15 blacklisted officials were heads of communities)<sup>51</sup>.

### ***Complaints about activities of local self-government bodies addressed by population to the Ombudsman***

The number of complaints addressed by population to the Ombudsman in 2009 increased in comparison with the indicators recorded in the previous years. In particular, in 2007 total number of complaints against the local self-government bodies was 85<sup>52</sup>, 61 in 2008, and in 2009 this indicator for only Yerevan community was 84 in addition to 8 against urban communities, 17 against rural ones, and 23 against administrative districts of Yerevan<sup>53</sup>.

In 2009 the share of complaints against Yerevan community in total number (962) of complaints against public authorities and agencies was 8.7%, and the share of those against Yerevan administrative districts was 2.4%. The share of complaints against urban communities vs. the previous year decreased and made 0.8% (1.9% in 2008), and those against rural communities increased and reached 1.8% (vs. 1.2% in 2008).

Complaints filed against Yerevan community in 2009 were mainly around failure to prevent unauthorised constructions, to remove their consequences, seizure of lands, incorrect entitlements of real estate, or unjustified rejection to issue entitlements of real estate, et cetera; at the same time, the complaints against administrative districts of Yerevan were around activities of territorial offices of social security, assignment of benefits, et cetera. Complaints against urban municipalities were construed around unauthorised constructions, failures of heads of communities to remove their consequences, rehabilitation of previous shape and condition of the relevant areas, et cetera; and complaints against rural communities concentrated on land disputes around boundaries and other aspects of land management.

## **6. Relevance of Administrative Structures and Resources of Local Self-government Bodies**

### **6.1. Overall assessment of capabilities of local self-government bodies and staff**

An important criterion for assessment of overall capabilities available with the staff of local self-government bodies is the level of education. The Law on Local Self-government requires that the head of community had secondary vocational or university education (Article 24). Nevertheless, this legislative requirement has never been enforced because the Central Electoral Commission has always been governed by the Article 123 of the Electoral Code of Armenia, according to which no document

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<sup>49</sup> Source: “You have a right to know”, Freedom of Information Centre of Armenia, Bulletin N26, 2009

<sup>50</sup> The results of contest have been generated by a jury consisting of 9 NGOs operating in the area of freedom of information, on the basis of implementation, respect of procedures to provide information, regular publication of information required as mandatory by the legislation, and cooperation with mass media criteria stipulated in the Law on Freedom of Information.

<sup>51</sup> Source: “You have a right to know”, Freedom of Information Centre of Armenia, Bulletin N27, 2010.

<sup>52</sup> Source: Local Self-government Reforms in Armenia (2007)

<sup>53</sup> Source: Annual report on the Activities of Human Rights Defender and Violations of the Human Rights and Fundamental Freedoms in the Country during 2009

in proof of the educational standing of the candidate for the post of head of community has ever been required. No requirement was posed to the candidates running for community councils or to the people appointed to discretionary positions in the community administrations. Educational requirements have only been posed to the community servants.

In general, educational background of the heads of communities is not bad. As of the end of 2009, 546 of 915 heads of communities (59.7%) held university diplomas, 12 (1.3%) had pre-incomplete university education, 272 (29.7%) secondary vocational and only 1 had incomplete secondary education, i.e. 8 years in secondary school (See: Table 23).

With a view to secure smooth operation of communities, the local self-government bodies need legal, economic, administrative and other knowledge and skills, and particularly weak in this respect are community councils. Some work to address these weaknesses is done by international and non-governmental organisations through delivering workshops and training courses. Nevertheless, these measures are still too limited and do not yield desirable results. From this perspective, capabilities of community councils in general continue to remain very weak.

In the context of strengthening capabilities at local level priority is attached to reduction of rotation rate of the servants and establishment of a stable staff. The Law on Community Service is called to protect community servants against shocks caused by changes in political rulers or results of community elections, thus enabling them to maintain their jobs irrespective of the changing situation. However, in real life community servants are heavily dependent upon situational changes and in spite of various limitations imposed by the legislation, the heads of communities find no obstacles to dismiss any community servant and hire a new one at the same time respecting the often fictitious procedural aspect of the processes. This state-of-affairs impedes the process of establishing stable staff.

Analogous to the previous years, no effective or efficient works were undertaken to enhance professional qualifications of community servants in 2009 (new methodological guidelines were not published for individual professions or occupations, the institute of training in individual area specialisation was not established, et cetera).

In underscoring the role of educational background in the community service, the Law on Community Service defines university education as a requirement for senior and leading positions of the service and secondary education for junior positions (Article 10). In small communities a frequently encountered problem is the lack of personnel with required level of education.

The order of the Deputy Prime Minister and Minister of Territorial Administration N03-n dated January 19 2009 can be considered a regulatory act, which targets strengthening capabilities of the community staff. This Order establishes the exemplary In-house Disciplinary Code for community servants, including Yerevan community. It sets out internal disciplinary rules for the community staff, which specify disciplinary code of conduct, reflects on specificities of working conditions to be made available to the community servants, and official interrelations among the community servants. Infringement of these rules will entail disciplinary responsibility in accordance with the Law on Community Service and Labour Code of Armenia.

**Table 23: Educational background of heads of communities, as of the end 2009<sup>54</sup>**

N	Marzes	University	Pre-Graduate	Secondary vocational	Secondary	Incomplete secondary	Total
1	Yerevan	1	0	0	0	0	1
2	Aragatsotn	65	0	34	15	0	114
3	Ararat	75	3	15	4	0	97

<sup>54</sup> Source: Ministry of Territorial Administration of Armenia.

4	Armavir	62	1	24	10	0	97
5	Gegharkunik	60	5	25	2	0	92
6	Lori	62	2	43	6	0	113
7	Kotayk	44	0	21	2	0	67
8	Shirak	58	0	38	22	1	119
9	Syunik	50	1	40	18	0	109
10	Vayots Dzor	27	0	13	4	0	44
11	Tavush	42	0	19	1	0	62
Total		546	12	272	84	1	915

Employment tenders and appraisal systems play important role in strengthening capabilities of the community staff. Eligibility of a candidate for a vacancy within community service is defined on a competitive basis, and community servants will go through appraisal process on a once in three years basis. Both competitions and appraisals are held by competition and appraisal commissions. Both commissions consist of the relevant head of community, up to five members of the community council and three representatives of the regional administration. These commissions practically do not involve representatives of the profession competed for (the only exception is Yerevan) and situations may pop up, whereby a commission consisting of members with predominantly lower level of education should decide on employment or appraisal of a person with higher level of education.

### ***Internal structure of decision making in local self-government bodies***

Over years almost nothing changes in the hierarchy of decision-making at local level. It is the same now, i.e. practically all the initiatives to take decisions come from the head of community. Even in the cases when the legislation requires a decision to be taken by the community council, it is the head of community that easily overcomes all the procedural issues for the decision to be issued. Normally the head of municipality would instruct the secretary and head of the relevant structural unit to convene a community council session with the defined agenda and produce a draft of the relevant decision of the community council. Usually, community council sessions approve all decisions processed and prepared by the head of community.

Head of community is entitled to issue his/her own decisions. Deploying professional skills and capacities of the community staff he/she takes decisions on his own shaping them into decisions or orders of the head of community. Years of experience has binary effect upon the heads of communities, i.e. on the one hand, it is positive because they obtain command on the specificities of the sector, legislation, get involved in training and/or exchange programmes, but on the other hand, it is also negative they get overly self-confident and obtain the stance of “unmistakable” and are rarely inclined to consult even with the specialists of the staff, which results in dictatorial and unilateral type of management. As a consequence, shortcomings, deviation and even blunders in the work become unavoidable. In the course of supervisory surveys of the use of budget resources, securing revenues of the local budgets, as well as management and use of municipal assets in local self-government bodies, Chamber of Audit of Armenia also recorded many shortcomings and infringements in this area (See: Section 3.1. of this report).

### ***Functional structure of the community staff***

Article 30 of the Law on Local Self-government states that full and efficient implementation of the powers assigned to head of community, as well as his/her participation in civil and legal relations shall be guaranteed through the staff of the head of community, managed by the latter; in the meantime, current activities of the community are managed by the secretary within his/her scope of authorities. Structure of a community may have only a “division” as a structural unit with a minimum number of staff established by the relevant state authorised agency.

Number of community staff is also approved by the state authorised agency. The smallest number of staff positions is two (for the smallest communities). In the case of the largest communities of Armenia, i.e. Yerevan, Gyumri and Vanadzor the number of staff positions is set at 1581, 168 and

137 units, respectively. Positions in other communities are populated within the above range, for example, 61 in Echmiadzin, 38 in Artashat and 27 in Vedi, et cetera<sup>55</sup>.

A detached structural unit of the structure of community may be established only by law or when envisaged by a government decree. A detached structural unit shall have statutes, which is approved by the head of community.

It should be mentioned that in small communities with very limited number of staff (two and a bit more), even if these were occupied by high professionals (which by and large should not be expected in small rural communities), they would not be able to secure proper quality or efficiency in implementing all the powers assigned by legislation.

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

Summary information about local self-government bodies and their budgets is available on the web sites of the Ministry of Territorial Administration, namely [www.mta.gov.am](http://www.mta.gov.am) and [www.region.am](http://www.region.am), as well as the web site of the Ministry of Finance, i.e. [www.mfe.am](http://www.mfe.am). The situation has not much improved from what it was in the previous years in terms of capacities of the municipalities to make use of electronic means of communication. Many communities lack constant or proper Internet connectivity. Many communities lack even other means of public awareness, such as newspapers, local television, and sometimes even landline telephone communication. The situation has improved only in terms of mobile phone communication; almost all the communities are connected to cellular networks.

Establishment of e-governance systems at local level continued in 2009 (See: Section 1.2 of this report). Nevertheless, these have been installed in small number of communities though do not operate in all of them.

Local self-government bodies continued to maintain and conduct property and land tax bases, as well as registration of children of pre-school age. The former two of these registries are maintained through dedicated software, but the latter is made in a sporadic and discretionary way.

The situation with means of securing awareness among population in the municipalities is illustrated below (See: Table 24).

**Table 24: Number of communities (excluding Yerevan), which have means of public communication<sup>56</sup>**

	Aragatsotn	Ararat	Armavir	Gegharkunik	Lori	Kotayk	Shirak	Syunik	Vayots Dzor	Tavush	Total
Total number of communities, which have	114	97	97	92	113	67	119	109	44	62	914
Landline telephone	114	80	41	73	73	67	119	109	39	45	760
Mobile telephone	114	97	93	91	112	67	119	109	44	62	908
Internet in communities	5	32	4	5	4	32	3	6	2	38	131
Web sites	1	4	1	4	1	5	1	1	-	1	19
Internet connectivity at schools	29			92	2		3		9		135
Television company	1	1	2	3	5	4	1	3	-	2	22
Local radio network	-	-	3	1	1	-	1	-	-	-	6
Newspapers	3	1	2	2	3	3	1	3	1	3	22
Information billboards	3	58	97	73	113	8	119	97	24	53	645

154 communities do not have landline telephone communication, 6 lack mobile networks, 131 have Internet connectivity in the administrations, 22 have newspapers and television companies,

<sup>55</sup> Source: Ministry of Territorial Administration of Armenia.

<sup>56</sup> Ibid

and 6 have local radio networks. 645 (out of 914, excluding Yerevan) communities have billboards and, subsequently 269 do not<sup>57</sup>.

Despite the improvement recorded in replenishment supply of equipment to the communities over the years but the situation is yet far from being satisfactory particularly in rural communities.

## 6.2. Community service

On May 19 2009 amendments and additions were introduced in the Law on Community Service, which stem from the change of status of Yerevan to a local self-government body. In particular, chief of administrative district shall award community service classifiers to the major and leading groups of positions in the community servants (in other local self-government bodies and community of Yerevan this power is held by the relevant Mayor). According to the other amendment, members of competition and appraisal commissions of the Yerevan community are elected in three equal parts, i.e. one third are representatives of the government authorised agency, one third are the representatives of the Yerevan community and another one third are representatives of scientific and research institutions specialised in the field in question.

In the end of 2009 the number of positions in the community service was 6826, of which 6171 were actually occupied (See: Table 25). The number of approved positions increased by 138 vs. the previous year, and vacancies reduced by 531.

**Table 25: Number of existing and occupied positions in community service,<sup>58</sup>**

N	Yerevan, marzes	Positions	
		Planned	Actually replenished
1	Yerevan	1592	1541
2	Aragatsotn	502	459
3	Ararat	563	522
4	Armavir	682	610
5	Gegharkunik	634	541
6	Lori	717	659
7	Kotayk	579	534
8	Shirak	576	472
9	Syunik	399	347
10	Vayots Dzor	187	173
11	Tavush	395	313
<b>Total</b>			<b>6171</b>

### *Training system*

In 2009 the first round of training was delivered to community servants, which was funded by the state budget. Training was delivered to 4572 community servants, including 650 in 2009 (See: Table 26)<sup>59</sup>.

Training of community servants is delivered by organisations selected on a competitive basis. The organisation, which was selected to deliver training in 2009 is the Public Administration Academy, and it implemented training activities for community servants in the reported year.

The training courses were delivered in the sub-regional centres in the marzes. The number of trainees in a group did not exceed 20 community servants. The training materials and modules were approved by the Ministry of Territorial Administration. Duration of training course per group was 72 hours (delivered 10 days). As in the previous year, the training modules were not differentiated for various groups of community servants, and they were complied according to unified approaches and principles, and like in the previous years, in 2009 the community servants have formed general

<sup>57</sup> Source: [www.region.am](http://www.region.am)

<sup>58</sup> Source: Ministry of Territorial Administration of Armenia.

<sup>59</sup> 2009 Annual Report of the Ministry of Territorial Administration, [www.region.am](http://www.region.am)

perception about local self-governance, familiarised with the Constitution, legislation on local self-government and community service, but no area specific knowledge or skill was communicated to the trainees.

The process of training of community servants was re-launched by the Ministry of Territorial Administration in the shape of monitoring implemented through assignment of monitors to implement on-site follow-up of training<sup>60</sup>.

**Table 26: Number of community servants trained in 2009<sup>61</sup>**

N	Yerevan, marzes	Senior position	Leading positions	Junior positions	Total
1	Yerevan	8	0	28	36
2	Aragatsotn	6	4	198	208
3	Ararat	1	1	3	5
4	Armavir	0	1	61	62
5	Gegharkunik	1	0	9	10
6	Lori	7	5	72	84
7	Kotayk	0	1	6	7
8	Shirak	1	5	1	7
9	Syunik	9	7	124	140
10	Vayots Dzor	3	0	3	6
11	Tavush	0	4	73	77
<b>Total</b>		<b>36</b>	<b>28</b>	<b>578</b>	<b>642</b>

In addition to training courses funded from the state budget, various organisations and institutions also financed and deliver various types of training activities.

In the framework of USAID Research Triangle Institute “Local Government Project – Phase III”, Association of Community Councils of Armenia continued implementation of training programme for municipal servants in model towns in 2009.

It should be mentioned that certain shortcomings were observed in the training courses. Such programmes are usually uncoordinated and depend upon a number of exogenous factors. Every now and then there are periods when financing institutions implement various training programmes simultaneously, and there are periods when no training courses are delivered at all. Sometimes, the same community would regularly get re-involved in a training programme, while others may not be engaged for several consecutive years. This is partially a consequence of the fact that many donor organisations prefer working with already familiar communities, those with which such organisations had already worked at least once in the past. The communities, which are frequently involved in training programmes, sometimes display lack of seriousness towards such programmes. Oftentimes, the same servants are sent to participate in the courses, and, in some cases, these servants sometimes have nothing to do with the topic of the training.

### 6.3. International assistance

Activities of a number of international organisations implementing various missions in Armenia continued in 2009 from previous years, and substantial part of their activities was focused on local self-government sphere. It is clear that the programmes, which are not directly linked with this sphere, are still associated to it to a greater or lesser extent because the programmes and projects are implemented in a populated settlement, i.e. a municipality. Organisations financing various programmes and projects in the municipalities of Armenia include USAID, Millennium Challenge Account (MCA), United Nations Development Programme (UNDP), Local Government Initiative Open Society Institute, German Technical Cooperation (GTZ), Armenia Social Investment Fund

<sup>60</sup> Source: Ministry of Territorial Administration of Armenia.

<sup>61</sup> Source: Ministry of Territorial Administration of Armenia.

(ASIF), European Commission, Armenian office of OSCE (OSCE), Oxfam British organisation, et cetera.

### **UN development programme**

In the framework of its development projects implemented in 2009 UNDP published the Performance Budgeting in Local Self-Government System in the Republic of Armenia, Manual, which was designed in 2008. In April-December 2009 community development plans were designed for Geghamasar and Pambak rural municipalities for the periods 2009-2012. In addition, the methodology of programme budgeting was introduced in these two municipalities.

### **Local Government and Public Service Reform Initiative of the Open Society Institute Assistance Foundation (LGI/OSI-AF)<sup>62</sup>**

In 2009 implementation of Assistance to Fiscal Reforms in Local Self-government in Armenia by CFOA continued with financial support of LGI. The framework on this programme the following draft legislative acts were designed and submitted to the Government of Armenia:

- Draft law on Hotel Taxes;
- Draft law on Introduction of Amendments and Additions in the Law on Taxes (in parts associated with local taxes);
- Draft law on Implementation of Powers by Head of Community in the area of Garbage collection and disposal;
- Draft law on Implementation of Powers by Head of Community in the area of Social Services.

In the framework of this programme 500 copies of Local Self-government Reforms in Armenia (2007 and 2008) were published in Armenian and English in the reported year.

With financial assistance of LGI, CFOA implemented also the LOGIN-Armenia-IV year project in 2009, in the framework of which about 250 documents were uploaded onto the library of LOGIN programme, 1000 copies of Community monthly was published and distributed to a majority of communities and other interested parties free of charge; finally, the web based forum of CFOA was developed and launched on the official site of CFOA.

### **Eurasia cooperation foundation**

With financial assistance of Eurasia Foundation, CFOA implemented a project of Designing Comments to the Law on Local Self-government, in the framework of which comments to the above law were designed and published and booklets with explanatory materials on the same law were prepared and published.

### **USAID RTI International Local Government Programme – Phase III**

In the framework of 2009 programme technical assistance was delivered to 38 model communities in designing 2009-2012 four-year community development plans and holding public discussions of these. Brief Notes on 2009 and 2010 budgets were designed for public discussion in the model towns.

In the course of the year two study tours to Poland were undertaken, one in January for mainly a group of heads of financial divisions to explore issues of community lending, and in February for mainly a group of heads of communities to explore community service delivery systems. As a result of the first study tour and concept of community (municipal) lending was designed and submitted to the Ministry of Territorial Administration for discussion.

Design of garbage collection and disposal strategies, estimation of service costs and design of application procedures of service delivery continued in the 38 target urban municipalities.

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<sup>62</sup> Source: [www.cfoa.am](http://www.cfoa.am)

Technical assistance targeting development of community councils and strengthening civic ties within communities continued in the reported year in the framework of this programme. Association of Community Councilors of Armenia continued delivery of training courses to members of community councils in model urban communities.

### **Armenia Social Investment Fund**

In 2009 Armenia Social Investment Fund implemented projects in all marzes and Yerevan targeting direct support to rehabilitation of infrastructures and most vulnerable population. The list of activities implemented in the framework of the 2009 ASIF programme include construction, reconstruction and renovation activities, more specifically:

*1. Social infrastructure and goods:*

- Elementary and secondary schools (including provision of furniture, laboratory tools and equipment and didactic materials);
- Special schools;
- Arts, musical and sports schools (including playgrounds, heating systems and laboratories);
- Kindergartens;
- Health centres; and
- Community centres (including libraries, museums, exhibition halls, clubs et cetera).

*2. Economic infrastructures:*

- Potable water supply infrastructures; and
- Electricity supply infrastructures.

*3. Sanitary and environment protection infrastructures:*

- Sewage networks and
- Rehabilitation of recreation areas in the urban communities.

Part of the above projects implemented in 2009 was launched in previous years and continued or carried forward to 2009, and others were launched in 2009, and in total there are about 100 projects implemented by ASIF.

#### *Training of local authorities*

In the framework of training component of ASIF-III, training services were delivered to a group of local officials, including members of community councils, heads and/or deputy heads of communities, and financial officers, in a number of areas, such as financial management, budgeting, as well as tax and asset management. It was envisaged to involve about 105 communities in 2009-2010 represented by 515 officials. Training programmes targeted the local self-government bodies where infrastructure development projects of ASIF were implemented. In the course of 2009, 50 representatives of local self-governments received training. Financial Management in Local Self-Government Body - a didactic manual - was designed, published and distributed to relevant communities prior to holding training activities.

### **Oxfam International Charity Organisation (Great Britain)**<sup>63</sup>

In cooperation with local partner organisations, Oxfam implemented various projects in more than 165 remote and bordering municipalities in six marzes of Armenia in 2009.

***“Community primary health care in bordering regions of Armenia”***: This project targets increased accessibility and affordability of primary health care services in the most remote and vulnerable communities. Financial investment of Oxfam in this project is 40 mln drams for the 2009-2010 period.

***“Future generations in healthy communities”*** is implemented in 12 communities of Aragatsotn marz. The objective of this project is to raise awareness of schoolchildren about health

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<sup>63</sup> [www.cspn.am](http://www.cspn.am), [www.oxfam.org.uk](http://www.oxfam.org.uk)

issues and healthy lifestyle through creation of health information centres in the community schools. Financial contribution of Oxfam in this project in 2009-2010 is 20 mln drams.

***The role and voice of women in governance processes***, which is implemented in Syunik and Tavush marzes of Armenia targets increase of women's role in community life by boosting their participation in elections of local self-government bodies.

***Community voices in decision-making process: strengthening capacities and commitments*** project is implemented in 30 communities of Vayots Dzor, Syunik and Shirak marzes and its objective is to support vulnerable families of the communities to exercise their rights, promote democratic processes through public surveillance practices and support local self-government bodies in addressing the needs of vulnerable groups of community population. Financial contribution of Oxfam in this project for the period of 2009-2010 is about 150 mln drams.

## **Millennium Challenge Account-Armenia**

In 2006 Millennium Challenge Account signed a five-year agreement of 235.65 mln drams with the Government of Armenia with the objective to reduce rural poverty through improvement of the agricultural sector. The programme planned for strategic investments in rural roads, irrigation infrastructures, provide financial and technical assistance to farmers and agri-businesses. The programme was officially launched on September 29 2006.

In June 2009 because of political considerations (Presidential election events of 2008), the Council of Millennium Challenge Corporation issues a decision to stop one of the components of the programme, i.e. sub-programme of rehabilitation of rural roads, which envisaged investments of 67 mln USD to rehabilitate 350km of rural road network.

Currently, MCA-Armenia implements only one of its major sub-programmes, i.e. Irrigated Agriculture (120 mln USD), which, in turn, has a component rehabilitation of irrigation infrastructures and support to farmers, which is From Water to Market<sup>64</sup>.

## ***Assessment of activities of international organisations***

Since the introduction of local self-government system in Armenia, various organisations implementing programmes and projects have had tangible role in supporting its establishment through implementation of their missions in the local self-government, provided significant financial resources, consultancies, et cetera. Their activities promoted application of democratic and governance decentralisation principles and approaches.

International organisations operating in Armenia cooperate with the Government of Armenia. Some of these organisations cooperate with each other as well. Nevertheless, the level of coordination of their activities in 2009 was far from being satisfactory. They pick area of operation exclusively on the basis of their mandates and missions. In the cases when these coincide with the needs of the communities the efficiency of their operations increased. Otherwise, it is evaporation of resources that results from their operations and activities.

## **7. Delivery of Community Services**

### **7.1. Public services delivered by local self-government bodies**

Part of powers to deliver public services in Armenia is assigned to the local self-government bodies. Changes recorded in 2009 in the area of delivery of public services by these bodies are described below by individual sectors of public services.

#### ***Tree planting and well planning***

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<sup>64</sup> [www.mca.am](http://www.mca.am)

According to the data of State Committee of Cadastre of Real Property, total administrative area of urban communities in the republic was 191.9 thousand hectares as of January 1 2009. According to summary data provided by organisations implementing tree planting in urban communities, total area occupied by various construction in such communities in 2009 was 48.6 thousand hectares, or 25.3% of total administrative territory. At the same time, total area of green and tree-planted zones is 17405 hectares, of which public areas are 8603 hectares (See: Table 27). Consequently, green areas and zones with planted trees, which have public access, make only 4.5% of administrative area of the communities.

**Table 27: Total areas of green areas in urban communities in marzes and Yerevan (2009)**

N	Marz	Total area of green areas and tree planted zones	Of which green areas and tree planted zones with public access
1	Yerevan	6798 ha	832 ha
2	Aragatsotn	906 ha	135 ha
3	Ararat	272 ha	135 ha
4	Armavir	344 ha	49 ha
5	Gegharkunik	1147 ha	764 ha
6	Lori	4118 ha	3812 ha
7	Kotayk	985 ha	655 ha
8	Shirak	650 ha	612 ha
9	Syunik	817 ha	561 ha
10	Vayots Dzor	936 ha	890 ha
11	Tavush	432 ha	158 ha
	<b>Total</b>	<i>17405 ha</i>	<i>8603 ha</i>

As in previous years, green planting activities in 2009 were implemented mainly in urban and large rural communities, as well as in Yerevan by organisations selected on a competitive basis. Because of scarcity and, frequently absence, of financial resources, medium sized and small communities have hardly implemented any works in this sphere. Large-scale activities have been implemented by Armenia Tree project. WWF and BMU/KfW provided grant resources helped plant more than one million<sup>65</sup> trees, which is unprecedented in the history of Armenia after regaining independence. At the same time, in the framework the programme component of tree planting in communities about 62000 trees were planted in 184 sites across 17 urban and 10 rural communities in 2009.

Sanitary and well planning works are financed directly from the municipal budgets and, as in the case of tree planting, they are implemented by community based organisations and/or organisations selected through competitive tenders. However, local self-government bodies often re-conclude contracts with the same organisations delivering street cleaning services avoiding new tenders. Organisations have got to submit the cost estimates to the community council, which should approve the contracts. Thus, 14 organisations were involved in delivering services of street cleaning, collection and transportation of wastes in 2009.

The organisation, which had successfully passed tender process, shall implement the following sanitary cleaning activities in addition to collection and transportation of wastes:

- Sweeping streets and garbage collection and disposal from the streets;
- Irrigation and washing the streets;
- Cleaning snow and ice from the streets, application of slat and sand; and
- Collection of construction garbage and trash.

In Yerevan total space of public streets, parks, squares, bridges and other public areas is around 10.2 mln square metres. Taking into account the considerations of seasonality, sanitary cleaning of areas is divided into summer and winter cleaning.

### ***Maintenance of cemeteries***

<sup>65</sup> <http://www.armeniatree.org/whoware/who.htm>

There are challenges in this sphere that require urgent solution, and these exist both in Yerevan and other communities of Armenia. Thus, some 3.5% of Yerevan territory is under the 21 existing cemeteries<sup>66</sup>. In 11 of these no funerals are allowed hence they are considered closed. In case of rural communities, the problem of absence of financial resources is aggravated by existence of a number of other problems, which are publicly raised in the recent times. In particular, these are about construction of cemeteries along the edges of main roads.

In 2009 no changes or additions were made in the Law on Organising Funerals and Maintenance of Cemeteries and Crematoriums, or in the related government decrees. At the same time, the government submitted draft legislation on introduction of amendments in the above law to the National Assembly in 2009<sup>67</sup>. This legislative initiative suggests review of a number of provisions. Particularly attention is paid to the Article 7.2, which clarifies the powers of local self-government bodies in the area of organising funerals and maintenance of cemeteries and crematoriums.

The proposed revision of Article 18 is also worth special attention. It clearly establishes that organising funerals, i.e. allocation of plots, accounting, maintenance and operations of cemeteries, to be the power of heads of communities. The second section of this Article sets out that non-commercial organisations may be established with the objective to implement this power. Thus, should this draft legislation be adopted the implementation of this power would be greatly streamlined.

### ***Garbage collection and disposal***

Garbage collection and disposal being one of the mandatory powers of the head of community, is regulated according to the Laws on Local Self-government and on Trash, as well as the Presidential Decree on State Governance in the Marzes, Government decree N1161-N dated October 4 2007 on Establishing Norms of Mandatory Maintenance of Areas of Common Use in Multi-apartment Residential Buildings and other legislative acts. In 2009 no changes or amendments were introduced in the above legal acts.

At the same time, in 2009 several ministers issued directives regulating this sphere. More specifically, the directive of the Minister of Health was issued on December 22 2009, which establishes the sanitary rules, norms (N2.1.7.002-09), and hygienic requirements on sanitary maintenance of residential areas, collection, storage, transportation, processing, reprocessing, use, neutralisation and burying of consumption waste, and maintenance of safety norms of the staff involved in sanitary maintenance of community areas<sup>68</sup>. This directive has an appendix, which streamlines the details of garbage collection and disposal process. Thus, according to the Article 5, in the buildings equipped with garbage shafts the waste will be kept in the relevant containers designed for metal and plastic waste. The volume of these containers should be minimum 750 litres. The directive establishes many other specific guidelines, for example, the distance between groups of containers in parks, yards and passages, or the structure of trash transporting vehicles. It should also be mentioned that the Article 5, 7 and 14 of the directive are enforced effective March 1 2012 rather than the official publication of the directive.

Another directive<sup>69</sup> issued by the Minister of Health in 2009 regulates utilisation of hazardous chemical substances, as well as hygienic requirements applicable to their maintenance and transportation.

In the context of management of garbage collection sites important is the directive of the Minister of Urban Development establishing the Application of the Manual for designing and operation of garbage collection sites in Armenia, issued in 2009. According to this directive, the bases for designing garbage collection sites are the legal requirements posed to urban development, sanitary and environment protection spheres. Thus, garbage collection sites may be municipal, inter-municipal and regional. In terms of volume of garbage stored, these sites are provisionally grouped into small (50 tons per day), medium (51-100 tons per day) and large (over 200 tons per day).

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<sup>66</sup> [www.yerevan.am](http://www.yerevan.am)

<sup>67</sup> <http://parliament.am/drafts.php?sel=showdraft&DraftID=19226>

<sup>68</sup> <http://www.arlis.am/DocumentView.aspx?DocID=45940>

<sup>69</sup> <http://www.arlis.am/DocumentView.aspx?DocID=45054>

Garbage collection and disposal in the capital city is implemented through 12 specialised companies, which has 1430 staff and 360 units of equipment. Rate of depreciation of the existing tools and equipment in these companies is about 75-80 percent.

Around 450-500 tons of trash is produced in Yerevan per day. According to the data of Communal department of Yerevan community, only 70 percent of this is transported to garbage collection sites, the destiny of the remaining volume is unknown. According to the study<sup>70</sup> implemented by Fitcher Consulting firm, the existing system of utilisation of community solid waste provides for low quality services in collection and removal of hard waste. Because of under-financing all components of the system have extremely deteriorated. Almost 2/3 of vehicle stock is obsolete and its replacement is required. Irregular and illegal discharge of trash is widespread throughout the city, which results in extensive pollution of public areas. The situation is deteriorated to an extent that urgent actions are required for regulation, cleaning, improvement and modernisation of the services.

According to the study implemented by Fitcher Consulting, all garbage collection sites are in poor condition and, essentially, face the same problems. None of these sites is a relevantly equipped or sanitary structured place for absorption of waste, in other words, they are not furnished with intermediate or permanently working systems of collecting waste water or gas exhausts; and they operate according to top-down procedures, which gives rise to serious environmental problems.

The above picture indicates that all garbage collection sites must urgently be modernised to meet international sanitary standards. Otherwise, they have to be closed.

According to experts, garbage collection and disposal service does not exist in some 860 communities in Armenia<sup>71</sup>. In others many challenges and problems exist, such as lack of vehicles, and the existing ones are not specialised or accommodated to delivery of garbage collection and disposal services, et cetera. There are huge problems with garbage collection and disposal in multi-apartment and multi-storey residential buildings. Because of failure to implement the mandatory norms of maintenance in areas of common use in multi-apartment residential buildings the trash tubes are often clogged up causing anti-sanitary situations and proliferation of rodents.

Tariffs for garbage collection and disposal services are defined by the community councils. In many local self-government bodies the tariff is set at 50-100 drams per capita, in some cases it is 150 drams. Garbage collection and disposal by commercial and non-commercial companies is implemented on the basis of contractual tariffs. In 2009 no measures were taken to develop unified methodology to estimate tariffs for garbage collection and disposal in the republic.

Among the programmes supported by international organisations in the sphere of garbage collection and disposal in 2009, the Regular Garbage collection and disposal Initiative in Seven Communities of Lori Marz project it is worth mentioning, which was organised and implemented by Shen Foundation.

### ***Maintenance of residential buildings and non-residential areas***

This sphere is regulated by the Law on Condominiums (adopted on May 7 2002) and Law on Management of Multi-apartment Residential Buildings (adopted in May 2002), as well as a number of other legislative acts. There were no amendments or addition introduced in these laws in 2009.

Volumes of residential stock have been steadily increasing in the recent years. However, the growth rates in this sphere displayed negative trends recently (See: Appendix 3).

Total residential stock is 822000 units, two-third of which is located in urban communities. 430000 of the flats (52%) belong to the multi-apartment residential stock, although in terms of physical space (square metres) they reflect only one-third of total residential space. Thus, according to 2009 data, there are 267 flats per 1000 population, which is almost forty percent less than the average indicator for European Union countries. It should be mentioned that, in general, the residential stock is new according to international standards, since about 60% of total stock was built no more than 40 years ago. However, it should also be added that in contrast to the old European buildings, the useful

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<sup>70</sup> Advisory survey on development of solid waste utilisation in Yerevan with participation of private sector, 2009; Source: [http://www.logincee.org/remote\\_library?lang=ar&partner=38&language\\_code=country\\_id%](http://www.logincee.org/remote_library?lang=ar&partner=38&language_code=country_id%71)

<sup>71</sup> <http://ankakh.com/2009/06/2003>

life of the predominant share of the residential stock in Armenia was not envisaged for more than half a century.

Multi-apartment residential buildings are generally in quite poor physical conditions. Particularly unacceptable is the attitude of gas, electricity and water suppliers towards the entrances and facades of the residential buildings. Hopeless is the condition of roofs and water removal systems, 75% of which is in need of urgent renovation. Water leakage cause damage not only to the residents of higher stories, but also to the basements of the buildings, which can be weakened because of the over-pouring.

As of 2009 condominiums cover all marzes of Armenia but predominant share of these institutions (about 67%) operate in Yerevan, and in marzes the number of operational ones is very small (See: Table 28). It should be mentioned that total number of condominiums is a frequently changed indicator, which is a consequence of formation of new condominiums and liquidation of others.

Total number of condominiums reduced from the previous year, which is a consequence of reduction in the number of condominiums in Yerevan. In contrast to this, the number of these institutions in the marzes either remained unchanged or slightly increased. There are tangible issues in the system, in particular, interrelations among owners and use of yards are not yet regulated (many experts opine that the absence of regulation of common ownership and yards is a significant deficiency in the existing legislation), not all owners participated in the procedure of allocating responsibilities for management of common ownership, and it was not possible to convene legitimate sessions of the condominiums.

**Table 28: Condominiums by marzes<sup>72</sup>**

<b>Marz</b>	<b>Number of condominiums as of December 2008</b>	<b>Number of condominiums as of November 2009</b>
Yerevan	586	566
Aragatsotn	16	16
Ararat	1	1
Armavir	16	16
Gegharkunik	6	7
Lori	70	78
Kotayk	60	61
Shirak	33	35
Syunik	27	27
Vayots Dzor	2	2
Tavush	6	8
<b>Total</b>	<b>823</b>	<b>817</b>

### ***Water supply and removal, irrigation***

Like in the previous year, in 2009 predominant majority of population in the republic receive services from five water companies, i.e. Yerevan Jur ltd, HayJrmughKoyughi ltd, Nor Akunk ltd, (Armavir marz), LoriJrmughKoyughi ltd and ShirakJrmughKoyughi ltd. Water supply to the rest of population is implemented by the local self-governments. According to the government decree N1041-N dated September 10 2009 on Allocation of Powers to Yerevan Mayor and Introduction of Amendments in the government decree N765 dated December 22 1999, the powers of delivering water supply services in the territory of Yerevan Municipality assigned to the Republic of Armenia under a leasing agreement are now taken over by the Mayor of Yerevan. In this context, Yerevan community and Yerevan Jur ltd jointly implement works towards introduction of amendments and additions in the leasing agreement.

As of January 1 2009, the length of mainstream, streets, inter-community and in-yard pipe network within centralised water supply system are 5357.5, 6437.8 and 987.0 km, respectively, of

<sup>72</sup> Source: [www.armstate.am](http://www.armstate.am); Social and economic situation in Armenia, January-December 2008, and January-December 2009

which 3833.2, 3793.3 and 894.5km in the urban municipalities. Water wastage is 83.9% of total water pumped into the general system, and in Yerevan it is 84.0%.

According to a number of surveys, supply of potable water to rural communities is only 76%. At the same time, this service is round-the-clock only in 41% of communities<sup>73</sup>. According to the data of the Water Committee under the Ministry of Territorial Administration, almost 580 rural communities do not receive services of the above Committee. In 153 of these communities Japanese International Cooperation Agency implemented needs assessment and situational analysis. The total assessed need in resources to improve the infrastructures in these communities is 144 mln USD. It is expected that this amount would be made available by the Government of Japan in the shape of a concessional loan in two phases provided that the Government of Armenia acted as a co-financing party to the deal.

According to the Water Code of Armenia, pricing policies in water sector is implemented and permits for use of water infrastructures at non-competitive basis are issued by the Commission for Regulation of Public Services. In 2009 this Commission tabled recommendations on handover of water supply and removal networks installed in the areas of common use in multi-apartment residential buildings.

In December 2008 HayJrmughKoyughi ltd submitted a proposal, on the basis of which the above Commission reviewed the tariffs of services delivered by potable water supply and removal companies for enforcement in the beginning of 2009.

As of April 1 2009, HayJrmughKoyughi ltd established the new tariff for potable water supply services in the amount of 154.47 drams per cubic metre, and 25.31 drams for removal of wastewater. In February 2009, YerevanJur ltd. Applied to the Commission with a request to adjust the tariffs. The adjustment is preconditioned by the indicators set out in the methodology, i.e. retail volumes of supplied water, exchange rate of dram to Euro, and changes in electricity tariffs provided to YerevanJur ltd in the previous year. Taking into consideration the results of monitoring actual consumption volumes and impact of other factors established by the methodology, the new tariffs were established for delivery of water supply and removal and cleaning waste water services by YerevanJur ltd to be enforced effective July 2010.

In many communities, including Yerevan, water supply is implemented with interruptions. In particular, average duration of water supply is 88.95% in April 2009. It should be mentioned that this indicator has improved vs. the previous year (77.2%<sup>74</sup> in October 2008). In 2008, the frequency of accidents in the water networks increased 18-22 percent, which is a consequence of deteriorated engineering conditions of the infrastructures and increase of pressure based on zoning specifications, which identified new over-worn segments of the network and hidden deficiencies. About 80% of wastewater removed from Yerevan is poured into Aeration cleaning station. This station operates only part of its capacity hence only mechanical cleaning is made through 16mm cage and sand-catchers, which are cleaned four times a year.

Irrigation networks are property of communities and they are managed by local self-government bodies. Water Users Associations (WUA) are established to provide irrigation water to the land plots; WUAs are agricultural non-commercial organisations, and they regulate water allocation among land users. WUAs purchase irrigation water from four major state companies at wholesale prices (Armavir water supply ltd; Akhuryan-Araks-Jrar ltd; Sevan-Hrasdan ltd and Debed-Aghstev ltd), which had been licensed by the Commission for Regulation of Public Services. In 2009, there were 50<sup>75</sup> WUAs in Armenia. Wholesale prices for irrigation water were not modified in 2009.

## ***Heating***

The central heating system dilapidated in the first decade of the post-Soviet period had never been recovered. Like in the previous years, in 2009 heating of households was implemented through individual systems, by predominantly gas heaters. However, this is quite an expensive way of heating

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<sup>73</sup> Source: Report on main findings of survey of rural communities in Armenia, Yerevan, 2009.

<sup>74</sup> [http://www.yerevan.am/main.php?lang=1&page\\_id=169](http://www.yerevan.am/main.php?lang=1&page_id=169)

<sup>75</sup> Social and Economic conditions in the Armenia, January-November 2010, [www.armstate.am](http://www.armstate.am)

and, according to experts, per family expenditures in winter months reaches as high as dram equivalent of 150USD per month.

World Bank implement significant work in this area through its Community Heating Project<sup>76</sup>. This project is based on the government decree N509 of 2006 on Priority Programmes on Rehabilitation of Heating Systems with Use of Combined Electric and Thermal Energy, which allowed Avan and Davitashen neighbourhood districts of Yerevan to produce combined electric and thermal energy. In December 2009, in the framework of the first phase of the project autonomous thermal and electric station was commissioned to provide heating to 46 multi-storey buildings in Isahakyan, Tumanyan, Narekatci and Kuchak micro-regions of Avan district. Another stakeholder in this sphere is UNDP Millennium Development Goals GEF project, which designed heating supply schemes of administrative districts of Yerevan. In 2009, works were implemented in Avan administrative district and surveys were carried out in Davitashen.

### ***Public transport***

In the sphere of community transport services no changes in legislation took place in 2009. as in the past, these services are delivered by community or private companies. The fares are established by the community council. Community transport routes are arranged by private companies. According to the data of the Ministry of Transport and Communication, there are 539 licensed passenger and taxi companies and 1165 individual taxi services operating in Armenia. In 2009 the number of public transport routes operated in the country is 341 for bus and 391 for microbus services<sup>77</sup>. Of these 212 are interregional, 370 are regional and 150 in Yerevan. In 2009 the number of minibuses reduced by some 200 in Yerevan, buses began to be operated on the route N59, and 125 GAZel type new minibuses replaced RAF and Yeraz minibuses. 12 small buses of NEMAN brand were imported for operating route N4 in the city. In average in Yerevan some 240-250 buses, 50 trolley buses and 2100 minibuses operate in Yerevan during the working days of the week. Metro named after Karen Demirchyan operates as a means of public transportation under the Yerevan community. 4 wagons and 20 wheels were renovated in 2009, and self-regulatory card system of fare collection was introduced.

### ***Education, culture and youth issues***

In the sphere of education and culture several mandatory powers are assigned to the local self-government bodies, which are prevalingly linked with management and operation of kindergartens, community schools, clubs, culture houses, libraries, and other educational institutions. Expenditures for maintenance and operation of all these institutions are financed from the community budgets. Among legislative changes in this sphere, which are worth mentioning, include the directive of the Minister of Education and Science of 2009 on approval of the criterion of “pre-school education” within the group of secondary education. The Appendix<sup>78</sup> attached to the above directive establishes the roles and responsibilities of the professional in the sphere of pre-school education (which include teachers in all groups of kindergartens). Another directive of the Minister of Education and Science is also to be mentioned, i.e. On Approval of the Complex Curriculum for the Senior Group (5-6 years-old) of Kindergartens<sup>79</sup>.

Through its decree of March 13 2008, the Government approved to the pilot phase of strategic programme of pre-school education reform in Shirak and Lori marzes for the period 2008-2015. The objective of this programme to pilot the programme in general and design and introduce new approaches to child development and pre-school education in particular.

Government decree N29 dated July 16 2009 on Further Measures to Implement Strategic Programme of Pre-school Education Reforms for the period 2008-2015 recorded progress in implementation of the pilot phase of above programme, approved the results and identified further

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<sup>76</sup> [http://www.r2e2.am/am/armversion/urban\\_heating.php](http://www.r2e2.am/am/armversion/urban_heating.php)

<sup>77</sup> <http://www.mtc.am/index.php?id=2299&menu1=16&menu2=20>

<sup>78</sup> [http://www.arlis.am/Annexes/3/GT8.1\\_10-vor1049.pdf](http://www.arlis.am/Annexes/3/GT8.1_10-vor1049.pdf)

<sup>79</sup> <http://www.edu.am/index.php?id=3579&topMenu=-1&menu1=85&menu2=117&arch=0>

steps and measures in implementation of the strategic programme. The pilot phase of this programme was implemented in Akhuryan sub-region of Shirak marz and Spitak sub-region of Lori marz for one year. Education Quality and Relevance project allocated 198.0 thousand USD in support of implementation of the above programme.

The community councils establish tariffs for services delivered in the area of education and culture. In some communities fees for these services are not established at all as they are financed entirely from the community budgets. It should be mentioned that even in the cases when fees are established they are of symbolic nature since they are not cost-efficient. For example, the fees paid by parents for children in kindergartens are channelled to acquisition of food. In many municipalities the collected fees are not sufficient to fully cover even the kind of expenses. In average, fees for kindergarten services are between 2 and 8 thousand drams per month. At the same time, fees for services delivered by private kindergartens are ten and - often - more times of the service fees collected by kindergartens. In some communities, a system of discounts is established for service fees paid by parents. In particular, community council of Jermuk community issued a decision to apply 50% discount to the fees for the second child in the kindergarten in case of the parents who are beneficiaries of poverty benefits<sup>80</sup>.

In some other communities, as was the case in the previous years, various donor organisations implemented renovation works of the buildings belonging to education and culture institutions.

For example, in the framework of Public Works Programme of CHF the kindergarten of Margahovit, N2 kindergarten of Talin, N1 kindergarten of Vardenis, heating system of Avetik Isahakyan Museum in Gyumri, and vocational school in Maralik have been renovated<sup>81</sup>. Another organisation, which implemented works in this sphere, is the Shen Foundation<sup>82</sup>, which renovated one of the kindergartens in Vanadzor in 2009.

## ***Health***

In health sector local self-government bodies hold a number of powers in the area of primary health care, i.e. outpatient facilities, which are financed from municipal budgets and service fees. However, a significant part of other health care institutions located in municipalities is organisations of regional (marz) subordination and only a small part of those are directly managed by the local self-government bodies (about 21%).

The outpatient facilities in many municipalities are in very poor conditions, and they lack elementary equipment to deliver primary health care services. In 2009 this sphere was extensively discussed in the press. It was mostly about snakebites, which became widespread in rural communities and the lack of preparedness of rural outpatient facilities and necessary medicaments. It should be mentioned that outpatient facilities exist not in all rural municipalities. For example, the medical centre in Norashenik community in Syunik marz provides services to 19 nearby communities, but it does not have means of transportation. This kind of a situation is characteristic of other marzes as well.

International organisations continue to be actively involved in the sector. Effective June 2009 World Vision initiated a three-year project called Safe Motherhood, Health Childhood and Happy Family<sup>83</sup>. In the framework of this project educational training courses are delivered on the issues of nutrition, as well as capacities of community groups to address and control morbidity, mortality and under-nutrition are strengthened. The project is implemented in Alaverdi and Gavar sub-regions, as well as in Yerevan.

USAID funds Primary Health Care Reform project, which implement extensive activities in the sector. In 2009 PHCR project implemented renovation and refurbishment of outpatient facilities in a number of communities of Vayots Dzor marz.

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<sup>80</sup> <http://83.139.22.242/CMIS/Pages/DocFlow/Default.aspx>

<sup>81</sup> [http://www.bridgearmenia.am/index.php?cat\\_id=197&out\\_lang=arm&PHPSESSID=](http://www.bridgearmenia.am/index.php?cat_id=197&out_lang=arm&PHPSESSID=)

<sup>82</sup> [http://www.shen.am/index\\_am.php?pageid=projects&order=project](http://www.shen.am/index_am.php?pageid=projects&order=project)

<sup>83</sup> <http://wvarmenia.am/main/am/id/61/wwd.more.html>

Seda Ghazaryan Memorial Foundation (SGMF<sup>84</sup>) and Association of Children Psychiatrists and Psychologists (ACPP) jointly implement Psychological Health Project launched in October 2009 with the objective to improve psychiatric health situation, as well as quality and accessibility of care.

**Table 29: Proportion of expenditures for general community services and services delivered by communities in the community budgets, mln drams**

Expenditures	2009	
	Amount	%
<b>Total expenditures</b>	<b>54920.9</b>	<b>100.0</b>
Community services of general nature	18201.5	33.1
1. Transport	4124.9	7.5
2. Communication	0.0	0.0
3. Environment protection	6407.2	11.7
4. Residential construction and communal utilities	4345.2	7.9
5. Health	143.7	0.3
6. Recreation, culture and religion	3868.8	7.0
7. Education	13641.4	24.8
8. Social protection	1740.0	3.2
Total 1+2+3+4+5+6+7+8	34271.2	62.4
Other expenditures	2448.2	4.5
<b>Expenditures for community services vs. expenditures for services of general nature, proportion</b>	<b>1.88</b>	

**Note:** Total amount of municipal budget expenditures is 49358.0 mln drams. However, this amount reflects the difference between the total expenditures and receipts from sales of non-financial assets. This means that the amount of real expenditures of municipal budgets is not 49358.9 mln, but it is 54920.9 mln drams, which is the sum of total expenditures and receipts from sales of non-financial assets in the amount of 5562.9 mln drams.

Shen Foundation established a dental clinic in Aghber municipality of Gegharkunik marz, in addition to implementation of Elementary Medical Education project for population in five municipalities of Tchambarak sub-region.

### *The power of local self-government bodies to establish fees*

In 2009 there were no legislative changes in relation to the power of local self-government bodies to establish fees. Like in the past, in 2009 the legislation does not specify mechanisms of applying fines or penalties in case of failure to perform the planned fees.

### **7.2. Management of municipal services**

No substantial steps were undertaken in 2009 towards expansion of the scope of municipal services or enhancing their quality. In the predominant majority of communities the quality and accessibility of services continue to remain weak. Expenditures on delivery of major public services in 2009 totalled 62.4% of total expenditures. This is in the case when expenditures on municipal services of general nature make 1/3<sup>rd</sup> of total expenditures (See: Table 29).

In observing the management of community services it is interesting to approach the issue from the perspective of their accessibility for the population. For population in rural communities important factor is the distance to the village administration, pre-school institutions and health care facilities.

**Table 30: Accessibility of services in rural communities<sup>85</sup>**

Services	Average distance (km)	Time spent to reach the service (hours)
Health care facility	0.6	0.1
Village administration	0.1	0.1

<sup>84</sup> <http://www.sgmf.am/details.asp?ID=20&Lng=2>

<sup>85</sup> Source: Report on main findings of survey of rural communities in Armenia, National Statistical Service, Millennium Challenge Account-Armenia, Yerevan, 2009.

Pre-school institution	6	0.5
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Data in Table 30 shows that it is only the pre-school institution that is relatively remotely located, while the health care facility and village administration are within reasonable reach in terms of distance and time.

## Conclusions and recommendations

In the second half of 2008 certain progress in implementing reforms in local self-government system of Armenia was recorded, but in 2009 not only the pace of reforms was not maintained, but it significantly slowed down.

All programmatic state documents in circulation in 2009 (Programme of Activities of the government, Sustainable Development Programme) contain essentially the identical provisions and mainly reflect concepts of implementing the Constitutional amendments. Nevertheless, legislative changes implied as a consequence of amendments in the Constitution were very slow in 2009 with no final results yielded.

In 2009 the most important event observed in the local self-government sphere of the country was the elections to the local self-government bodies of Yerevan, as a result of which such bodies were established and local self-government started its operation in the capital city effective June 2009.

Local self-government units in Armenia, i.e. the municipalities, continue to remain extremely fragmented. There are very many small and weak municipalities, which are not in a position to implement the part of the powers assigned to them by the law. In terms of development of inter-municipal cooperation no significant changes have been registered. Like in the previous years, in 2009 no community consortia were created. Nevertheless, two new community unions were established in the reported year; finally, Union of Armenian Communities was created, although the current number of member communities is very small (total number of member communities is 40 - out of total 915 – registered as of September 7 2009).

As in the previous years, the degree of financial independence of the local self-government bodies in 2009 continued to be very low. There were no shared revenues allocated from the state budget (income tax and corporate profit tax).

Total sum of community budget revenues in absolute terms continued to increase (even in the circumstances of global financial and economic crisis), but its share in the consolidated budget remains at the same low level (7.4%). The share of fund budget in community budgets had been growing up until 2008, but starting that year it gradually decreased, which was particularly tangible in 2009.

In 2009 self-government bodies did not issue community bonds nor did they receive loans either from the state budget or commercial banks.

Absence of legal rules of procedures for implementation of mandatory and delegated powers of local self-government bodies causes serious problems indeed both for communities in terms of defining the minimum volumes of financial resources for implementation of their powers and for the state authorised agencies in terms of arranging proper supervision over implementation of the powers.

The nature of powers and authorities of Yerevan self-government bodies is generally correspondent to those of other communities, but there are significant differences and specificities, which are set out in the promulgated legislation.

In 2009 no serious legislative or practical reforms took place in the area of expanding the scope of powers of local self-government bodies; the powers of rural and urban communities are not yet streamlined. Comparison of the powers of local self-government bodies in Armenia with those in European and Baltic countries shows that the level of decentralisation in Armenia may not be considered satisfactory. The issue of establishing new more efficient disposition between centralisation and decentralisation of powers continue to remain high on the agenda of the authorities.

Starting from 2009, reforms in budget legislation at community level were launched and the local self-government bodies started compiling and executing budgets according to the new budgetary classification. Despite the complications with budget compilation and execution in the early stages,

the communities have handled well and accommodated to the requirements of the new budget classification.

Comparison of indicators of adequacy of powers and financial resources available to local self-government bodies in Armenia and European countries shows that Armenia is significantly behind, in particular, in terms of the shares of municipal budgets in public expenditures and GDP, and per capita revenues and expenditures of these budgets.

Despite the tangible increase in both revenues and expenditures of community budgets in absolute terms as well as shares of actual execution of community budgets over the recent six years, predominant part of local self-government bodies are not capable of full implementation of their powers assigned by legislation because of, inter alia, scarcity of financial resources; reforms implemented in 2004-2009 failed to have any tangible impact on quality of public services delivered by local self-government bodies or, equally, on general living standards of population.

Serious progress in local democracy was unfortunately not recorded in 2009.

Since the formation of local self-government system, local self-government bodies elections were for the first time held in Yerevan city in accordance with the legal procedures. This was the first step towards enhancing civil responsibility factor during the elections of self-government bodies. These elections continue to be held in the context of weak competition and multiple deficiencies, while positions are prevalingly distributed among representatives of coalition parties, as was the case in the past. Members of community councils continue to be passive and dependent. Local self-government bodies still adopt decisions, which contradict laws and other legal acts. There is an articulated gender inequality in elected positions of the system. Women's representation in elected position is purely symbolic. Overall, there is no gender inequality in the administrations, as was the case in the previous years. Local self-government bodies undertake certain measures towards publicity and transparency of their activities. A small reduction in the number of representatives of local self-government bodies in the black lists of Freedom of Information Centre of Armenia is observed. Nevertheless, there still a long way to go in this direction.

Among the factors preconditioning the implementation of legitimate powers in proper and quality manner by the local self-government body the most important ones are the educational and professional capacities, as well as the number of the municipal administrations. The law on Community Service is called for protection of community staff from shocks caused by results of community elections. However, in real life community servants continue to be extremely dependent upon situational changes.

The Law on Community Service defines university education as a requirement for senior and leading positions of the service and secondary education for junior positions. The Law on Local self-government requires that heads of communities had secondary vocational or university education. However, as in the previous years, in 2009 this requirement of the law has never worked properly because the Central Electoral Commission has always been governed by the Article 123 of the Electoral Code of Armenia. There is no requirement of educational background established for members of community councils.

Over years almost nothing changes in the hierarchy of decision-making at local level. It is the same now, i.e. practically all the initiatives to take decisions come from the head of municipality. Usually, community council sessions approve all decisions processed and prepared by the head of community.

The situation has not much changed in the communities in terms of capabilities to use electronic means of communication. Many communities lack constant or proper Internet connectivity. Many communities lack even other means of public awareness, such as newspapers, local television, and sometimes even landline telephone communication. The situation has improved only in terms of mobile phone communication; almost all the communities are connected to cellular networks.

The first round of training delivered to community servants was launched and completed in 2009, which was funded by the state budget. As in the previous year, in 2009 the training programmes had not been differentiated for various groups of community servants, compiled according to the same approach and principles, as a result of which they did not conveyed any professional knowledge to the trainees in 2009.

In addition to training courses funded from the state budget, various organisations and institutions also financed and deliver various types of training activities, which are overly uncoordinated and depend upon many exogenous factors.

International organisations operating in Armenia cooperate with the Government of Armenia. Some of these organisations cooperate with each other as well. Nevertheless, the level of coordination of their activities in 2009 was far from being satisfactory.

Overall, 2009 was not a turning point in terms of delivery of community services. A number of existing systemic issues were further aggravated by the impact of global financial and economic crisis, which imposed incremental pressure on the community budgets already experiencing hardships; in the meantime, the community budget is the main source for delivery of community services. Nevertheless, the sphere of community services delivery did not remain static in the reported period and some developments have taken place.

Green planting activities have been implemented mainly in urban and large rural communities, as well as in Yerevan. Special importance is attached to the fact that green zones in urban communities of Armenia occupy only 4.5 percent of their administrative territories.

There are urgent challenges in the sphere of cemetery maintenance. These are mainly related to planning construction of new ones and illegal burials along the edges of the main roads.

In the sphere of garbage collection and disposal several ministers' issues directives and orders called for its regulation. In general, the existing system of garbage collection and disposal is characterised by low-quality services of trash collection and removal.

Volumes of residential stock have been steadily increasing in the recent years. However, the growth rates in this sphere displayed negative trends recently. Majority of condominiums are concentrated in Yerevan, which used to be the same in the previous years. There are still many problems arising in their operations, mostly around interrelations among owners, financing and securing representation of residents in these institutions.

Tariffs applicable to water supply and removal services were reviewed in 2009. In many communities, including Yerevan, water supply is implemented with interruptions. As in the past, the pipe infrastructures to supply potable water to rural communities are poor, i.e. about 76%. At the same time, this service is round-the-clock only in 41% of rural communities.

The central heating system dilapidated in the first decade of the post-Soviet period had never been recovered. It should however be mentioned that in 2009 several pilot projects were implemented in this sphere.

A visible change in transportation is the reduction of the number of minibuses and their replacement with buses. For example, the number of minibuses in Yerevan reduced by some 200 in 2009.

Majority of rural outpatient facilities are in poor state because of the lack of financial resources. In the meantime, these facilities do not exist in all rural communities.

### **The above conclusions enable the following recommendations**

An integral requirement for further development of local self-governance in Armenia is the acceleration of the pace of reforms along all directions. It is necessary to expedite adoption of the legal acts stemming from 2005 Constitutional amendments, which address establishment of local taxes and their types, rules of procedures for implementation of the powers assigned to the heads of communities, as well as principles of consolidation and separation of communities. It is also necessary to finalise the adoption of the new Law on Financial Equalisation, which has passed the first hearing in the National Assembly.

The government should closely follow and address the challenges faced by the sphere of self-government and avoid from reshuffling those from one project to another, as well as proper implementation of the legislative provisions thus minimising the gap between the laws and their enforcement. In this respect, particularly important is to design and adopt Local Self-government Development or Strategic Programme of Decentralisation with participation of public, communities, communities associations and state authorities. Such strategic programmes should encompass the entire scope of issues and challenges existing in local self-government and timed plan of actions.

It is necessary to review the pattern of shared tax revenues assessed to the state budget, i.e. this should be regulated by the Law on Budgetary System, which is a change from the existing approach of envisaging such appropriations in the Annual Budget Laws.

The need to strengthen community councils continues to be high on agenda, and this can be implemented through consolidation of communities, establishment of the institutional position of the head of community council and other means.

It is important to design, adopt and enforce the methodology for estimating costs of implementation of mandatory and delegated powers of local self-government bodies with the objective to identify minimum financial benchmarks.

On the basis of the rules of procedures for implementation of powers by heads of communities and estimation of financial resources necessary to fully implement such powers, it is necessary to secure legal establishment of adequate financing of the local self-government bodies.

With the objective to secure large-scale and long-term investments in community infrastructures, as well as expand sources and volumes of financing implementation of powers assigned to local self-government bodies, it is necessary to improve the existing legislation towards involvement of communities in monetary relations, design and adopt regulation of borrowings by communities from commercial banks and other financial institutions, and allocation of community bonds. An important component of this work is to design and enforce the institutional framework and tools of assessing creditworthiness of communities.

Taking into consideration the experience gained from 2004-2009 surveys of adequacy between the powers and financial resources of local self-government bodies, it is necessary to institutionalise assessment of selected financial indicators for consistent and regular implementation by relevant state authorised agencies in the future. For this purpose it is important to design and introduce a unified information system for analysis and assessment of financial indicators, securing mechanisms of annual update of the indicator values, analysis and assessment of new indicators, and annual publication of the results.

Strengthening local democracy requires significant improvement of election processes and procedures. Participation of community population in local elections requires legislative basis establishing types and mechanisms of such participation, as well as implementation of targeted community awareness campaigns with involvement of local self-government bodies, non-government organisations, mass media and relevant state agencies.

It is also necessary to continue works towards strengthening capacities of community servants. A shift from general training programmes towards area and professional training modules is needed with involvement of professional trainers.

Practically all community services are in desperate need of improvement and further development. In this context allocation of subventions to community budgets from the state budget is prioritised in parallel with implementation of relevant targeted programmes.

**Appendix 1: Actual execution of individual components of the state budget and their shares in consolidated budgets in 2007-2009**

N	Types of budget	2007 actual, bln drams	Share in consolidated budget, %	2008 actual, bln drams	Share in consolidated budget, %	2009 actual, bln drams	Share in consolidated budget, %
	Consolidated budget (1)						
	Revenues	695.0	100.0	800.8	100.0	712.7	100.0
	Expenditures	740.4	100.0	841.3	100.0	948.6	100.0
	Deficit	-45.4	100.0	-40.5	100.0	-235.9	100.0
	<i>Including:</i>						
1.	State budget						
	Revenues	588.0	84.6	785.4	98.0	690.0	96.8
	Expenditures	634.7	85.7	810.6	96.4	929.1	97.9
	Deficit	-46.7	102.9	-25.2	62.2	-239.1	101.4
2.	Mandatory social contribution budget (2)						
	Revenues	81.4	11.7	-		-	
	Expenditures	106.9	14.4				
	Deficit	-25.5	56.2				
3.	Municipal budget (3)						
	Revenues	49.5	7.1	51.7	6.5	52.6	7.4
	Expenditures	53.6	7.2	55.6	6.7	49.4	5.2
	Surplus/Deficit	-4.1	9.0	-3.9	14.7	3.2	-

1) Neither revenues nor expenditures of consolidated budget include the inflows from inter-budgetary transfers.

2) Revenues of mandatory social contribution budget include direct transfers from the state budget, as well as inflows generated on contributions from budget-funded organisations (both state and municipal).

According to the Law on Introduction of Amendments in the Law on Budgetary Structure (October 24 2007, HO-224-N), effective 2008 the Mandatory Social Contribution Budget has been included in the state budget of Armenia according to the new budget classification.

3) Municipal budget revenues include official transfers from the state budget.

Appendix 2: Submission of community council decisions to the regional administration<sup>86</sup>

(As of December 31 2009)

N	Marz	Number of decisions submitted by local self-government bodies to regional administrations	Number of decisions of community councils returned by the regional administration for correction of mistakes	Share of decisions contradicting legislation and other legal acts	Number of decisions of community councils, which were returned by the regional administrations for correction, compliance with legislation and re-submitted to the regional administration within the established deadlines	Number of cases when heads of municipalities failed to convene community council sessions within established deadlines in order to discuss the decisions returned by the regional administrations	Number of decisions of community councils submitted to the regional administrations in breach of the established deadlines	Number of cases when municipalities disagreed with the position of the regional administrations	Number of disciplinary measures against the secretaries of municipalities because of failure to submit decisions of community councils within the established deadlines	Number of judicial proceedings raised by regional governors with the objective to rescind decisions of community councils	Number of municipalities, which did not submit decisions of the community council
1	Lori	2634	146	5.5 %	116	30	46	0	0	0	0
2	Ararat	2894	61	2.1 %	61	0	10	0	10	0	0
3	Armavir	2530	131	5.2 %	131	0	90	0	0	1	0
4	Aragatsotn	1968	288	14.6 %	288	0	18	0	18	0	0
5	Kotayk	3419	672	19.6 %	637	0	17	0	4	0	0
6	Tavush	1882	57	3.0 %	55	2	17	1	0	1	0
7	Gegharkunik	1832	147	8.0 %	73	15	73	2	8	2	11
8	Shirak	2628	594	22.6 %	568	26	85	0	16	0	0
9	Vayots Dzor	1007	22	2.2 %	20	2	4	2	4	2	0
10	Syunik	2622	66	2.5 %	66	0	25	0	21	0	0
<i>Total</i>		<i>23416.0</i>	<i>2184</i>	<i>9.3 %</i>	<i>2015</i>	<i>75</i>	<i>385</i>	<i>5</i>	<i>81</i>	<i>6</i>	<i>11</i>

<sup>86</sup> Source: [www.region.am](http://www.region.am)

**Appendix 3: Residential stock, as of January 1 2009 (in thousand square metres)**

	Total space of residential stock				Urban municipalities				Rural municipalities			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
<i>Armenia</i>	74359.5	76173.3	84463.0	84985.2	42687.1	43395.5	44395.8	44709.1	31672.4	32777.8	40067.2	40276.1
Yerevan	20463.0	20806.1	21263.4	21446.5	20463.0	20806.1	21263.4	21446.5	-	-	-	-
Aragatsotn	4267.6	4334.1	4543.0	4551.2	1122.6	1126.2	1128.6	1132.9	3145.0	3207.9	3414.4	3418.3
Ararat	7284.9	8033.3	8221.8	8287.6	1404.6	1540.6	1597.6	1611.5	5880.3	6492.7	6624.2	6676.1
Armavir	6739.9	6867.8	10716.7	10724.9	2666.4	2667.0	2687.4	2689.8	4073.5	4200.8	8029.3	8035.1
Gegharkunik	6332.5	6339.4	7230.8	7088.8	2474.2	2486.6	2673.8	2674.1	3858.3	3852.8	4557.0	4414.7
Lori	6941.1	7532.0	8576.7	8649.3	4366.7	4768.3	4885.9	4933.2	2574.4	2763.7	3690.8	3716.1
Kotayk	6294.4	6149.5	6268.2	6409.2	3315.9	3131.0	3239.4	3267.5	2978.5	3018.5	3028.8	3141.7
Shirak	7655.0	7275.5	7596.9	7765.1	3213.0	3154.2	3160.4	3179.8	4442.0	4121.3	4436.5	4585.3
Syunik	3411.3	3381.7	3587.2	3588.1	1874.7	1872.4	1907.2	1907.2	1536.6	1509.3	1680.0	1680.9
Vayots Dzor	1623.4	1637.2	2162.0	2170.7	513.5	526.4	530.2	538.8	1109.9	1110.8	1631.8	1631.9
Tavush	3346.4	3816.7	4296.3	4303.8	1272.5	1316.7	1321.9	1327.8	2073.9	2500.0	2974.4	2976.0

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