



Communities Finance
Officers Association



Local Government and Public
Service Reform Initiative

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

Book 3

**Edited by
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This publication contains 2007 and 2008 reports on reforms in local self-government sector in Armenia

This book is intended for policy and decision makers in the sector of local self-government, local self-government bodies, representatives of international and non-government organizations, and generally those interested in the sector.

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PREFACE

This book provides an assessment of reforms in local self-government sector in Armenia in 2007 and 2008. The assessment has been produced on the basis of methodology developed by the experts of CFOA. The assessment of the reforms is based on implementation of programmatic provisions of the government of Armenia in the sector of local self-government, indicators describing current status of reforms in the local self-government, performance of local self-government bodies and performance of obligations assumed by Armenia in the framework of international organizations.

The CFOA has participated and followed the reforms of the local self-government system in Armenia since its establishment in 1996. In the past thirteen years CFOA published two books setting out assessment of the reforms and recommendations on further actions and measures. The first book, *Local self-government reforms in Armenia: Policy options and recommendations*, (edited by D. Tumanyan, PhD Economics) was published in 2004. This publication consists of reviews of local self-government reforms in 1996-2004.

The second book, *Local self-government reforms in Armenia (2004-2006), Book 2* (edited by D. Tumanyan, PhD Economics), was published in 2008. It reviews and assesses local self-government reforms in 2004-2006.

This report is the CFOA's third publication devoted to the local self-government reforms. It is shaped into a set of reports. Effective 2007, CFOA has produced and published assessments of local self-government reforms as reports. The reports provide assessments of reforms by individual sectors, such as administrative and territorial division and inter-community cooperation, community property, finance, local elections and operations, local democracy, administrative structures and provision of community services.

The reports set out problems in the area of local self-governance and recommendations to address those.

REPORT
Reforms in Local Self-Government
in Armenia in 2007

Report was developed by CFOA expert team with membership of David Tumanyan, Mkrtich Gimishyan, Nver Gevorgyan, Levon Tumanyan, Knarik Arabyan and Artur Ayyvazov.

1. Legal and Programmatic Assessment of Reforms in the Local Self-government

1.1 Assessment of legal reforms in local self-government

The legislative reflection of constitutional norms

Clause 1, Article 117 of the Constitution of Armenia, requires the National Assembly shall within a two-year period harmonize the current legislation with the amendments to the Constitution. This means that before December 6, 2007 the National Assembly should have adopted the following laws regulating local self-governance in the country:

1. Articles 106 and 107 of the Constitution "The law shall define the sources of community finances that will secure the discharge of their responsibilities" and "The law shall define the powers of the Head of Community and the procedure for the exercise thereof" suggest that relevant legislation is adopted and enacted to regulate management of mandatory powers of the local government. The legislation is called for legal harmonization of such powers and necessary financial resources apportioned to the municipal budgets.

2. In addition, Articles 106 and 107 of the Constitution "Responsibilities delegated to the communities shall be funded from the state budget" and "The law shall define the powers of the Head of Community and the procedure for the exercise thereof" suggest also that relevant legislation is adopted and enacted to regulate management of delegated powers of local self-government. The legislation is called for legal harmonization of such powers and safeguarding adequate transfers apportioned to municipal budgets.

3. Finally, Articles 106 and 107 of the Constitution "The communities shall establish local taxes..." and "The Council of Aldermen of the community shall in conformity with the procedure defined by the law...envisage local taxes" entail adoption of legislation on local taxes.

4. Article 108 of the Constitution "Yerevan is a community" requires the adoption of the Law on Yerevan, which was gone through the first reading only.

5. Article 110 of the Constitution "The law shall define the principles and procedure for consolidation or separation of the communities" implies the adoption of the correspondent law.

6. Article 110 of the Constitution "In conformity with the procedure defined by the law, the inter-community unions could be established" requires the adoption of legislation on inter-community unions.

In 2007 no progress in implementation of constitutional requirements was

recorded from 2006. (See: "Local self-government reforms in Armenia (2004-2006)" Book 2, Edited by PhD, D. Tumanyan, Yerevan 2008.)

In addition to the requirements of the Constitution set out above, the Law on Local Self-government envisages the adoption of legislation on municipal securities. However, this legislation was not adopted in 2007 either.

The amendments in the local self-government legislation

In 2007, the National Assembly adopted 4 laws as amendments to the "Law on Local Self-Government". The significant part of the amendments had cosmetic nature. Nevertheless, these introduced negative changes, particularly:

- The legislative amendments resulted in deprivation of certain powers of local governments or implementation of such powers was cast in the jurisdiction of the government. For example, permission for sales of tobacco and alcoholic beverages, operation of shops, catering and entertainment facilities, as well as lotteries, saunas and casinos after 24:00 is issued by the government. These amendments constrain the powers of local governments and infringe the exclusiveness and integrity of the rights of the authorities of local self-government bodies.
- The communities have been granted a new power, i.e. "installation of traffic signs", which is not accompanied with adequate financing.

1.2 Assessment of programmatic reforms in local self-government

Implementation of the government program designed for 2003-2007 has not resulted in positive changes in local self-governance (See: "Local self-government reforms in Armenia (2004-2006)" Book 2, Edited by PhD, D.S. Tumanyan, Yerevan 2008). Box 1 below sets out the objectives of the government in the area of local self-governance as stated in its program adopted in June 2007.

It is necessary to mention that the new program of the government (2007) is not much different from the previous one. Importance of a number of issues is doubtless insofar as they are consistently re-stated in any new government program, but remain unaddressed. Except the first reading of the Yerevan City Bill, no other provision of the program has been implemented throughout 2007. Moreover, the program contains provisions, which have been implemented either prior to its adoption, or the provisions are extremely vaguely worded, such as:

- There is no "constitutional amendment" which would imply that powers of regional and local self-government bodies shall be clearly divided. Moreover, the issue was solved in 1996, by adopting of the "Law on Local Self-Government".

- It is difficult to comprehend what "mechanisms of checks and balances to secure cooperation between the protected head of community and municipal council will be designed and applied". The concept of protected head of community is particularly a vague innovation.

Further to expiry of the deadlines set out in the Plan of Actions to address the overarching policy objectives of the PRSP (2003-2006), new schedule design was launched, but it was not approved or accepted in 2007. (See: "Local self-government reforms in Armenia (2004-2006)" book 2, Edited by PhD, D.S. Tumanyan, Yerevan 2008). Moreover, none of the measures set out in the previous program was implemented in 2007.

Box 1. An abstract from the 2007 Government program (4.2.2 Regional government and local self-government)

Pursuant to the amendments in the Constitution, the powers of regional and local self-government bodies will be clearly divided accompanied with full-fledged mechanisms of checks and balances to secure cooperation between the protected head of municipality and municipal council.

In the context of constitutional reforms, it is also important to clarify the specifics attributable to regional and local governance in the city of Yerevan.

Efficiency of allocation of public financial resources to local budgets will be improved. The financial equalization mechanisms will be improved based on differentiating the needs of municipalities. Measures will be implemented to secure consistent increase of the revenues of local budgets. Work will be undertaken to curtail regional disparities and enhance access to the relevant public services.

More specifically:

- Improve functions and capacities of regional administrations, introduce modern management technologies, and enhance transparency;
- Increase efficiency of local self-government, improve the quality of the services delivered by local self-government bodies, as well as capacities of local self-government bodies skills;
- Create unified information system for the communities.

The government plans to undertake activities to improve the municipal infrastructures (roads and water supply).

The assessment of state bodies responsible for the development of local self-government sphere

As mentioned earlier, there are two state bodies responsible for development of local self-government, namely the National Assembly and the Government. During 2007 they did nothing to improve legislation and remove legislative disparities. The Ministry of Territorial Administration which is the state responsible body for local self-government affairs was formed in 2005 and as of 2007 was still in process of formation and therefore unable to undertake serious activities.

During 2007, the local self-government commission under the President of Armenia actually didn't work.

1.3 The implementation of international obligations

In 2007 there was no progress in implementing international obligations compared to 2006. (See: "Local self-government reforms in Armenia (2004-2006)" Book 2, Edited by PhD, D. S. Tumanyan, Yerevan 2008).

2. Administrative and Territorial Division and Inter-Community Cooperation

During 2007, there weren't changes in the administrative-territorial division system of Armenia. Yerevan city that gained the status of community as a result of constitutional changes of 2005, in fact did not actually receive this status. Moreover, the law regulating the self-government in Yerevan has passed only first reading (November 29, 2007).

There weren't changes regarding the other constitutional amendment such as legal proceeding for consolidation or fragmentation of communities.

The lands located in administrative territory of communities were transferred to municipal ownership (before 2007) except in Maralik community. The Maralik case remained unaddressed in 2007.

As of the end of 2007, there are 926 communities in Armenia, including 48 urban, 866 rural and 12 Yerevan neighborhoods. The population of Armenia was 3230.1 thousand people (01.01.2008) which reflects 7.2 thousand increase from 2006. This means that population of communities was hardly changed (See: "Local

self-government reforms in Armenia (2004-2006)" Book 2, Edited by PhD, D.S. Tumanyan, Yerevan 2008).

The failure to develop legislation on inter-community unions (consortia) in 2007 prevented creation of such unions.

In contrast to inter-community unions, one new communities association was created in 2007. In Martuni region of Gegharkunik marz the "Armaghan" communities association was registered. It consists of only two communities, namely Getashen and Madina. Thus as of 01.01.2008, there are 23 regional communities association in Armenia, it should be mentioned though that the most important statutory requirement, i.e. to defend interests of the communities, has not been actually applied.

No progress has been recorded in the area of cooperation among communities through direct contract. The only example is creation of dedicated units by some communities to run the property tax bases of communities. As of the end of 2007, the number of these units was 92, unchanged from previous periods. Effective July 1, 2007, the process of handing over land tax bases to the above units also commenced.

3. Property of Communities and Financial Independence

Not many changes took place in the legislation concerning municipal finance in 2007, except limited amendments in the "Law on Budgetary System", "Law on Local Duties and Fees" and "Law on Property Tax".

3.1 Property of communities

During 2007 the property of communities was replenished with capital expenses of communities (18110.9 mln drams). In contrast to previous years, when capital renovation was prevailing in the structure of capital expenses (57%, 2006), capital investments became dominant in 2007 (10849.2 mln drams) which is certainly a commendable progress.

During 2007 the 59.9% of municipal capital expenses were capital investments, of which: capital construction expenses (66.8%) and acquisition of capital assets (22.7%).

Acquisition of capital assets (total 2461.7 mln drams) involves considerable share of tools and equipments (42%) and acquisition of transportation means (27%).

Legal forms of the community organizations

According to the article 72 of the Civil Code, state or municipal authorities may not act as participants of economic agencies or associations. The contradiction between this provision and the Article 52 of the Law on Local Self-government was not solved in 2007.

As of January 1 2008, there were 1429 municipal organizations¹ (as of 01.05.2006-1307) including 521, which are 100% municipally-owned (553 in 2006), 335 are commercial legal entities with participation of national and/or municipal authorities (385 in 2006). In the reported period, the total number of municipal organizations increased, and this increase was accompanied with move from joint stock companies to non-commercial organizations.

There is acute necessity of renovation of the predominant part of municipal property, and it is evident that the resources available to the communities are insufficient for their proper maintenance.

The condition of the abandoned and partly used buildings consistently deteriorates. In many communities maintenance and registration of property are not carried out at any adequate rate.

Box 2. Abstract from progress report of the Chamber of Control in Syunik marz Supervision of use of budget resources, securing revenues of the local budget, as well as management and use of municipal assets (Abstract from decision 18/2 of the Council of Chamber of Control, September 24 2008)

12. In regards to local self-government bodies. Given the breaches of the national legislation on management and use of municipal assets, the selection of the approach to evaluation and alienation of municipal property (lands, buildings, structures, pastures, machinery) by the heads of communities potentially gives rise to abuse and corruption risks in the area of management and use of municipal assets in general.

On October 4 2007, the Government issued decree (N 1161-N) "On the Government decree N1625-N "On Mandatory Norms for Maintenance of the Common Property Areas in Multi-apartment Residential Buildings".

¹ "Social-economic situation of Republic of Armenia on 2007(January to December)". National Statistical Service, www.armstat.am

In accordance with the 2007 land balance of Armenia, 1060.4 hectares are community-owned lands², which is 35.65% of total territory of Armenia stock (2974.3 hectares).

Communities generate some revenues into their fund budgets from sales of assets. Such incomes are almost entirely (99.6%) are generated from sales of municipal fixed assets. To this end, the situation is not much different from previous years, namely (99.2% in 2005, and 99.2% in 2006). As in preceding years, the other source of such revenues is the alienation of community lands:

2007 - 7863.5 mln drams or 89.3% of the sold fixed assets

2005 - 2535 mln drams (67.0%)

2006 - 6220 mln drams (87.4%)

Other revenues, such as sales of inventories or balance assets of liquidated municipal organizations are tiny not accounting for even one percent of total receipts.

3.2 Revenues of community budget

The communities possess financial sources for the implementation of a variety of legally prescribed authorities. In general, these amounts are not so big despite the significant growth comparing to previous years. Total revenues of communities including official transfers in 2007 were 49533.4 mln drams (See: Table 1). This amount was 32565.4 in 2005 and 40639.9 in 2006.

Share of own revenues in total revenues of the community budget is one of the indicators defining the degree of financial independence of the local self-government. As of 2007, this indicator was 52.9%. Therefore the communities of Armenia still remain significantly dependent upon official transfers. This indicator did not increase from previous years. To some extent, share of fund budgets increased by 26.9%. This indicator has consistently increased over the recent years (19.5% in 2005, 24.2% in 2006), which is certainly a positive trend, since capital budgets enable creation of fixed assets to help implement powers of the LSGs.

The property tax has the biggest share in own revenues of local budgets. The revenues generated from this source have increased, but this increase is accompanied with curtail of its share in total revenues at 15.1%. The share of land tax also decreased. Finally, the share of non-tax revenues has also considerably decreased (9.2% in 2007 and 13.1% in 2006).

² Concept of effective management of the municipal property, UNDP. 2008

Table 1: Revenues of communities and official transfers, as of 2007³
(mln drams)

Line	Description	Amount	Share in total revenues (%)
1	2	3	4
001	Revenues and official transfers	49533.4	100.0
002	Including: A. Revenues	26183.6	52.9
003	Including: A.1. Current revenues	17342.9	35.0
004	Including: Tax revenues, including	10744.4	21.7
005	1.1. Land Tax	3276.4	6.6
010	1.2. Property Tax	7467.9	15.1
030	2. Duties	2060.1	4.2
040	2.1. State duties	832.5	1.7
050	2.2. Local Duties	1227.7	2.5
090	3. Non-tax revenues	4538.3	9.2
170	Including: Financing of delegated powers	659.6	1.3
200	A.2 Revenues from capital transactions	8840.7	17.8
220	B. Official Transfers	23342.1	47.1
242	Including: Financial equalization subsidies	17592.1	35.5
250	Other subsidies	548.2	1.1
255	Subventions to administrative budgets	416.5	0.8
260	Official transfers from other sources to cover current expenses	2353.0	4.8
271	Capital subventions	2277.1	4.6
272	Financing from other sources to cover capital expenses	155.2	0.3

Changes (27.02.2007) in the "Law on Local Duties and Fees" have not produced significant increase in the revenues of municipal budgets. For example, the lowest rate applicable to local duties to permit sales of fuel and liquid gas was increased from 50.000 drams per annum to 150.000 drams accompanied with decrease of the upper rate from 350.000 drams to 200.000 drams. Open-air trade is charged with local duty of 350 drams per day; on the other hand, the daily duty for the permission of outside trade of agricultural produce was eliminated. Annual duties have been established for small commerce and lottery games to permit after 24:00 operation.

³ This and other budget data are taken from the official web site www.mfe.am of Ministry of Economy and Finance of RA

As in previous years, no other shared revenues were established in 2007 for either of the tax revenues assigned to the state budget (income tax, profit tax, etc) or mandatory payments (environmental fees).

Own revenues (including tax revenues) of communities in administrative and fund budgets by quarters

In the course of the year community budget inflows are disproportionate and dependant upon number of reasons (seasonal, schedules of payments, etc). Some smoothing of such disproportions may be reached through amendments in the Law on Local Self-government (Article 62) and The Law on Budgetary System, (Article 28.1), both enacted on December 4 2007. They define the procedures of the temporary transfer of the untied capital budget funds to administrative budget.

Despite the fact that the Law on Local Self-Government (Article 67) defines that any reduction of revenues and/or increase of expenditures of local budgets entailed by legislation adopted by National Assembly has to be reimbursed by the State (clearly setting out any exceptions), this approach is in antagonism with the Law on Procedures of Reimbursement of Municipal Budgets as a Result of Implementation of the Laws of Armenia (December 5, 2006) both in terms of its name and the objective set out in its Article 1. In contradiction with the inherent logic of this legislation, it defines the cases of incremental revenues of local budgets and repayment of such incremental funds to the state budget.

Similar is the case with the amendment (March 19 2007) to the Law on Property Tax granting property tax privileges to vehicles owned by disabled people. This amendment defines that this privilege will not be reimbursed from the state budget. Although these amounts are not so significant but the approach per se contradicts the requirements of the article 67 of the Law on Local Self-Government.

The existing procedure applicable to distribution of equalization transfers does not take into consideration real needs of the communities but existence of the formula secures clarity of allocation of the transfers. The quarterly distributions of equalization transfers to communities in 2007 were done in equal installments. However, it is not the case with official transfers from other sources, of which 70.2% (1651.8 mln Drams) was received in Q4 (21.2% in Q1, 0.5% in Q2, and 8.1% in Q3).

Table 2: Community budget revenues by quarters and individual types of revenues, 2007

(mln drams)

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Land tax	469.2	14.3	574.7	17.5	829.4	25.3	1403.1	42.8	3276.4	100
Property tax	1155.4	15.5	1405.3	18.8	2973.9	39.8	1933.3	25.9	7467.9	100
Stamp duties	86.1	10.3	87.7	10.5	96.9	11.6	561.8	67.5	832.5	100
Local duties	312.3	25.4	297.8	24.3	295.9	24.1	321.7	26.2	1227.7	100
Non-tax revenues	717.4	15.8	1157.9	25.5	1188.5	26.2	1474.5	32.5	4538.3	100
Total	2740.4	15.8	3523.4	20.3	5384.6	31.0	5694.4	32.8	17342.8	100.0

According to the Law on Budgetary System, the procedure to allocate subventions is defined by the government (article 20.4b). On November 16, 2006 the Government issued a decree On regulation the procedure of allocating subventions from the state budget to local budgets (N 1708-N). This procedure is weak and has number of shortcomings. In general, the procedure only defines that subventions are allocated based on the agreements between community and the state body authorized for the allocation of the subventions. Other articles are devoted to the control, penalties and possible cases of returning of subventions.

Table 3: Share of official transfers in revenues of community budgets in Armenia, 2007

(mln drams)

Revenues, total	Administrative budget								Fund (capital) budget				Official transfers, total	
	Subsidy				Subvention	Other official transfers for financing current expenditures	Subvention from state budget		Subventions from other sources					
	Financial equalization		Other				Amount	% of total revenues	Amount	% of total revenues	Amount	% of total revenues		
	Amount	% of total revenues	Amount	% of total revenues										
1	2	3	4	5	6	7	8	9	10	11	12	13	12	13
49533.4	17592.1	35.5	548.2	1.1	416.5	0.8	2353	4.8	2277.1	4.6	155.2	0.3	23342.1	47.1
12 neighborhood communities of Yerevan														
13943.2	5674.5	40.7	102.1	0.7	0	0	475.2	3.4	21.3	0.2	9.3	0.1	6282.4	45.1

Disbursement of 2007 subventions in Q1, Q2, Q3 and Q4 has been done along the following rates: 30.4%, 30.7%, 12.7%, and 26.2%, respectively.

Deficit financing

Below is the addition introduced (04.12.2007) in the Law of Local Self-Government and in the Law on Budgetary System. It is related with the borrowings targeting funding of the budget deficit.

c) In order to finance administrative budget deficit that may arise at any time during the budget calendar, relevant untied resources of the local budget may be transferred from the fund to administrative budget further to proposal of the municipal council and the decision of the government; The total amount of such transfer may not exceed the 1/2 of the difference between the annual planned and actual revenues (as the first day of the month when the transfer is planned) of the administrative item of the local budget.

This addition will allow higher degree of flexibility in managing financial flows and addressing temporary discrepancies between revenues and expenditures of administrative budget.

The above transfers within the temporarily untied resources from the fund to the administrative budget were included in the fund budget outflows to finance administrative budget deficit on December 4, 2007.

The law defines that the draft local budget submitted to the municipal council for approval for the subsequent year should take into account the following:

a) Financing of the administrative budget deficit may not be over and above the aggregate difference between the following two amounts: i) untied balance of funding available in the administrative budget for the subsequent year, which must be channeled to financing the planned but unfunded obligations of the previous year; and ii) expected repayments against the loans extended in the preceding years from the local budget and the repayment obligations chargeable to the local budget to repay its loan obligations from the administrative budget in the due in the reported year.

b) the net (positive difference between received and repaid borrowings) revenues generated on borrowings (including issue of municipal securities) to finance the deficit of the capital local budget, may not exceed 30% of the annual average actual revenues received by the local budget in the preceding second and third budget years (excluding official grants and the mandatory transfers the reserve fund).

This amendment imposes new limitations on the rates allowed as borrowings to finance the deficit thus downgrading creditworthiness communities. The wording of these articles is vague and artificially complicated.

Financing delegated powers

The Law on Budgetary System establishes that delegated powers and financing of related expenditures shall be implemented by law or in accordance with the procedure established by the government. It should be mentioned that this article is not in full conformity with the Constitution, particularly Part 2 of the article 107, which states that *the responsibilities of the head of community and their implementation procedures shall be defined by the law*. Nevertheless, such a law has been enacted yet. On January 25 2007, a government decree was issued (N60-N) setting out the normative expenditure benchmarks for heads of communities to implement delegated powers in the area of territorial offices of social services. On February 1 2007, the government adopted a decree (N-102N) setting out normative expenditures to implement civil registration services for delivery by LSG's as delegated powers. The above decrees establish rates of relevant expenditures estimated only for the heads and specialists in both social services and civil registration services (moreover, those rates have been established only for a selected group of urban communities). As such, the issue of implementation of delegated powers remains legally unsettled.

3.3 Community development plans and budgeting

No significant progress was recorded in 2007 in this area. The three-year development plans of communities remain fictional documents, which do not have any implication for the community budgeting process.

Budget process

There were no changes in the Law on Budgetary System of Armenia (Article 6), although the amendments made in the Article 21 have direct implication on budget process. It is well known that at the outset of the budget process the authorized national body circulates mandatory and consultative methodological guidelines among the LSGs. In addition to a number of mandatory norms and normative of calculation of expenses of financing delegated authorities and receiving subventions from the state budget; on preparation and presentation of the budgetary request of the receiving of subvention; on budget submissions and local budget pro-forma, incremental guidelines and instructions were developed and made available to the

communities. The latter reflect on financial equalization subsidies to individual communities with the objective to indemnify the reductions in revenues and/or increases in expenditures. These incremental guidelines and instructions are necessary for estimating the value of indemnification of the above deviations by the state and detail the requirements applicable to baseline data, estimation procedures, timing and presentation budgets, etc.

The amendments also regulate some functions linked with baseline data (timing of submissions, credibility checks, etc).

In particular, the authorized national body is entitled to check the accuracy of the data used in calculation of state transfers presented by LSGs to other state bodies. Such checks and balances can be implemented directly by the authorized national body or indirectly, via other state agencies.

Disputes between the Community Council and head of community

Interrelations between municipal councils and heads of communities did not display any positive development in 2007. There is a big gap between these two branches of local self-governance. Unfortunately this gap continues to expand. Despite the relatively large responsibilities assigned to municipal councils by legislation, they are not able to implement them. In the predominant part of communities the role of municipal council is constrained to formal adoption and introduction of amendments to the local budget. As such, the municipal council may not be considered a serious counter-weight for the head of community. Currently, the councils are unable to articulate any serious disagreement with the position of the heads of communities because they are in different weight categories.

3.4 Debt management

Provision of bank and budget credits and loans to communities

During 2007, the communities didn't receive credits either from state budget or commercial banks. They didn't receive budget loans. In 2007 the net amount of loans received from other communities was 3.5 mln drams (8.2 mln drams lending and 4.7 mln drams repayment). Bearing in mind that communities permanently need involvement of financial resources it could be stated that either the state doesn't encourage lending to communities or the terms and conditions of the credits are extremely unprofitable.

Article 59 of the Law on Local Self-government and Article 30 of the Law on Budgetary System of Armenia indicate that municipal bonds shall be issued in

accordance with specified legal procedure, but the Clause 6, Article 57 of the above mentioned first law defines that the procedure for issuing and allocation of municipal bonds by local self-government is set by the government. In any case, there is neither a government decree to define the above procedure nor there is a law.

3.5 Financial reporting

The Law on Budgetary System of Armenia (Article 15, Clause 5) establishes that the state authorized body implements - among other functions - methodological guidance of budget accounting and reporting. Hence the Ministerial Order N5 (Minister of Finance and Economy, N5-N, January 9 2007) established the accounting classifications for budget and public sector and procedures for their application. In terms of designing the community budgets this Order will enter into effect upon the launch of 2009 budget process, while in terms of execution of the community budget the enactment of the Order will be effective January 1 2009. Once this Order is put into legal effect, other Orders of the Minister of Finance covering budget issues of local communities issued earlier are null and void (namely, N292 July 30 1999; N873-N September 29 2004; and N877-N August 19 2005).

The above Order divides administrative expenditures into three main groups. The second group is called Local Self-government Bodies of the Republic of Armenia. This group is further divided into 11 sub-groups, which attribute communities to the relevant marzes. Moreover, sub-groups are divided into chapters covering agencies belonging to the relevant sub-groups.

The Order N5 of the Minister of Financer and Economy intends reconciliation of budget and public sector accounting classifications with the international standards.

Legislation defines considerably clear procedures for the presentation and scheduling of budget execution reports.

Nevertheless, it should be mentioned that in reality these requirements are hardly met. For various reasons, and mostly explained by lack of technical capacities, some urban communities and majority of rural ones fail to publish their reports or even the approved budgets. Some urban communities, where local television exists, use this media to communicate the above information verbally.

However, the web site of the Ministry of Finance and Economy is the most convenient resource, which avails access to necessary information in full and unrestrict-

ed manner. The web site, though, containing aggregate indicators for all communities in the country, which is useful and important, does not provide for data on individual communities during 2007. The only exception is the financial equalization subsidies allocated to the communities, the full list of which is regularly published.

Internal and external audit

Chief auditor implements internal audit in the communities. The auditor operates under the immediate oversight of chief financial officer. Audit functions of both national and local government agencies are coordinated and supervised by the Ministry of Finance and Economy of Armenia.

The number of rural municipalities, which implement internal audit, is incomparably lower. The municipalities, which do not implement internal audit, mention lack of relevant specialists. There are also other explanations, such as internal audit is a fictitious function, or there are cases when communities are not even aware that this function is mandatory. In rural communities people mention also scarcity of resources as the cause for not having an auditor in their staff.

Even less is the number of communities, which undertook external audit (See: Box 3). The major reason for not inviting external audit is reportedly lack of financial resources. The survey of external audit costs in 2005-2006 shows the following: for the urban communities around 150-2980 thousand drams, for the Yerevan neighborhood communities 200-4500 thousand drams while for the rural communities 150 thousand drams.

Box 3. Abstract from the progress report of the Chamber of Control in Syunik marz

During 2006-2007 in the rural communities of the marz the audit was not carried out, the council discussed annual reports of budget execution without audit findings, violating legal requirements and the order "On the procedure of implementation of audit in state and local self-government bodies and the organizations under their subordination" of the Minister of Economy and Finance, 30 December, 2002, N934A. The control disclosed that with the exception of communities of Kapan, Sisian and Goris, the order was not implemented, the communities do not envisage a position of auditor in the staff-list, and audit was not carried out. In Kapan community the order was partly violated because the audit was implemented in one organization under community subordination.

Progress report formed as a result of control implemented by the Chamber of Control on usage of budget resources, provision of community budget incomes, as well as management and usage of community property by the communities of Syunik marz (Appendix to the Decision 18/2 of the Council of Chamber of Control, September 24 2008)

4. Relevance of Authorities and Financial Resources of Local Self-government Bodies

4.1 General scope of powers of local self-government bodies

Harmony of financial resources and powers of communities can be relevant only when the financial capacity, the scope of responsibilities and the cost of their implementation are clear. For the last one it is necessary to develop some unified criteria reflecting their quality, size and other factors. It is very important because article 72 of the "Law on Local Self -Government" states that "The Regional Governor and Mayor (in Yerevan), shall be entitled to submit a proposal on dismissal of a Head of Community to the Government if the Head of municipality doesn't implement the mandatory responsibilities in the frameworks of actual revenues or inappropriate implementation of delegated responsibilities". In this regard there weren't any significant changes during 2007. More or less important changes could be considered the amendments in the Law on Local Self-Government, which added one and excluded also responsibility of the head of municipality in the sphere of trade (Clauses 7 and 5 of the Article 40). Nevertheless it is necessary to mention these minor changes too.

The mandatory responsibilities and the procedures of their implementation are defined by the law. Although there wasn't accepted this type of law neither in 2007 nor before. Quantitative data on powers attributed to local self-government bodies in Armenia as of January 1 2008 by various sectors are set out in Table 4. According to the data in the table, quite many powers are assigned to local self-government bodies. The pending problem is in the content or substance of the powers and their role in the range of delivered public services. It should also be mentioned that voluntary powers are not exhaustive, i.e. local self-government bodies can implement any activity, which serves benefits of the communities and does not contradict the legislation. In the meantime, powers attributed to local self-government bodies by other legal acts can be implemented only as voluntary ones.

Article 40, The Law on Local Self-Government 27.02.2007, was replenished with one responsibility of the head of community. It is Clause 7, according to which the head of community *permits to sell the liquid fuel, technical liquids and liquid gazes in the community. At the same time, the Clause 5 was removed, which gives the public catering and food sales permits in the communities and in Yerevan.*

Table 4: Quantitative data on powers of local self-government bodies by sectors (as of January 1 2007)

	Sector	Number of mandatory powers	Number of delegated powers	Number of voluntary powers
1.	Protection of civil and economic rights	7	6	0
2.	Finance	6	2	0
3.	Securing public ordinance	0	2	0
4.	Defense	0	0	4
5.	Urban development and communal utilities	17	0	5
6.	Use of land resources	4	3	2
7.	Transport	4	1	1
8.	Commerce and services	7	0	0
9.	Education, cultural and youth issues	1	1	5
10.	Health, physical culture and sports	1	0	3
11.	Labor and social security services	0	1	2
12.	Agriculture	2	2	2
13.	Nature and environment protection	1	2	0
	Total	50	20	24

The amendments were also done in Clauses 2, 3 and 4. Particularly, Clause 2 (*permit to sell alcoholic beverages and tobacco*) was added by *the authority to sell these items in public catering facilities*. The authority to permit lotteries, saunas and casinos after 23:00 (Clause 4) was replaced with the authority to permit these activities *after 24:00*. For both cases, the relevant procedures are approved by the Government. In its turn, the government adopted the appropriate decree (N 843N and N-962N) on July 19, 2007.

4.2 Indicators describing powers and financial resources of local self-government bodies

Actual expenses of communities' budget of Armenia in 2007 were 53647.0 mln drams. Their share in **consolidated budget** (746758.5 mln drams) was 7.2%. This index comparing to previous years (6.8%-6.9%) increased slightly. Although in comparison with Eastern European countries and some post Soviet countries this index is several times lower. Actual revenues of communities in 2007 were 49533.4 mln drams. Their share in revenues of consolidated budget (698279.7 mln drams) was 7.1%. It is a tangible decrease from the previous year (7.6%).

The share of municipal budget expenses in 2007 GDP was 1.7%, a slight increase from the previous years (1.5%). Although this index is very low comparing to the some post socialist countries. The expenses of communities could be provisionally divided into two groups. The first group includes expenses in priority

areas and reflects predominant share of total expenses (94% in 2007). Expenses in this group increased in absolute terms, but their share decreased (See: Table 5). Thus, overall expenses of communities decreased:

Table 5: 2007 Actual expenses of communities of Armenia, functional classification

N	Expenditures	Amount, mln drams	Share, %
	Expenditures, total ¹ Including	53647.0	100
	Administrative budget	37362.5	66.2 (69.6)
	Fund budget	18142.2	33.8
1	General community services	13574.8	25.3
2	Defense	43.6	0.1
3	Public ordinance, national security and judicial activities	5.3	0.0
4	Education and science	7984.0	14.9
5	Health	49.3	0.1
6	Social security and social insurance	1196.6	2.2
7	Culture, information, sports and religion	3220.7	6.0
8	Residential and communal utilities	12884.6	24.0
9	Fuel and energy complex	205.8	0.4
10	Agriculture, forests and water utilities, fish hatcheries	151.3	0.3
11	Industry, mining, construction and environment protection	230.1	0.4
12	Transport, road utilities and communications	6908.0	12.9
13	Other economic services	1450.5	2.7
14	Expenditures not classified elsewhere	5742.4	10.7

- General municipal expenses (25.3% in 2007, 31.6% in 2006)
- Education and Science (14.9% in 2007, 15.9% in 2006)
- Culture, information, sport (6% in 2007, 6.7% in 2006)
- Communal services (24% in 2007, 25% in 2006)
- Other expenditures not classified in other general (10.7% in 2007, 13.1% in 2006).

Transportation, network and road communication increased in absolute terms, i.e. 5 times, (12.9% in 2007 vs. of 3.5% in 2006). This is primarily a consequence of the increase in the fund budget and secondly by implementation of capital infrastructure activities (renovation of roads, renovation of night lightening, installation of road signs and street marking).

The second group embraces the spending with relatively small share: social expenditures 2.5% in 2006 vs. 2.2% in 2007), increase in economic services (2.7%

in 2007 vs. 0.2% in 2006), or, in absolute terms, 79.7 mln drams vs. 1450 mln drams.

Situation in other sectors (defense, public ordinance, health, fuel and energy, agriculture, industry) is unchanged from previous years, i.e. the share of expenditures here is about 1% of total.

In 2007, the share of capital expenses across communities was 33.8% (See: Table 6), which is significantly higher than in the previous years.

Table 6: Actual execution of community budgets in 2007, economic classification

N	Expenditures	All communities		Yerevan 12 neighborhood communities		Excluding Yerevan 12 neighborhood communities	
		Actual, mln drams	Share, %	Actual, mln drams	Share, %	Actual, mln drams	Share, %
	Expenditures, total	53647.0	100.0	13860.2	100.0	39786.8	100.0
A	Recurrent expenditures	35527.9	66.2	12180.6	87.9	23347.3	58.7
1	Wages of local self-government bodies and subordinate budgetary organizations	11500.0	21.4	2033.2	14.7	9466.8	23.8
2	Interest payments	0	0	0	0	0	0
3	Subsidies	3427.6	6.4	1177.2	8.5	2250.4	5.7
4	Current transfers	5277.8	9.8	1570.3	11.3	3707.5	9.3
5	Purchase of goods and services	15322.4	28.6	7399.9	53.4	7922.5	19.9
B	Capital expenditures	18110.9	33.8	1679.6	12.1	16431.3	41.3
1	Capital investment costs	10849.2	20.2	789.6	5.7	10079.6	25.3
1.1	Including:						
	-capital construction expenditures	7243.5	13.5	98.4	0.7	7145.1	18.0
1.2	- project explorative expenditures	313.9	0.6	12.4	0.1	301.5	0.8
1.3	- geological- reconnaissance expenditures	0.9	0	0	0	0.9	0
1.4	- expenditures on formation of material resources reserves	3.2	0	0	0	3.2	0
1.5	- expenditures on obtaining capital assets	2461.7	4.6	288.4	2.1	2173.3	5.5
1.5.1	including:						
	-non residential and domestic buildings obtaining expenditures	68.7	0.1	1.5	0	67.2	0.2
1.5.2	- equipment obtaining expenditures	1034.9	1.9	67.1	0.5	967.8	2.4
1.5.3	- acquisition of transportation	665.5	1.2	128.8	0.9	536.7	1.3
1.5.4	- acquisition of land	54.6	0.1	3.1	0	51.5	0.1
1.5.5	- land improvement expenditures	3.6	0	0	0	3.6	0
1.5.6	- acquisition of other assets	634.4	1.2	87.9	0.6	546.5	1.4
1.6	Acquisition of non-material assets	0.8	0	0	0	0.8	0
1.7	Geodesic - cartographical expenditures	69.5	0.1	0	0	69.5	0.2
1.8	expenditures on capital transfers	755.8	1.4	390.4	2.8	365.4	0.9
2	Capital renovation expenditures	7261.7	13.6	890.0	6.4	6371.7	16.0

The increase is even more tangible, when the Yerevan 12 district municipalities are excluded. In this case the increase is 41.3%. There are two reasons for this. First, some part of powers of neighborhoods is assigned to the Yerevan Community. The second is the temporary receipts generated on sales of community lands.

The total per capita revenues as of 01.01.2008 was 15335 drams. In urban communities (excluding Yerevan) this indicator was 20107 drams, while in rural communities 15018 drams. In Yerevan 12 district communities this index is 12586 drams. The average country index continued to increase (12610 drams in 2006). Consequently, the per capita expenses of communities during 2007 also increased around 35%, including 18% in the administrative budget (11567) and 96% in the capital (5617) drams.

Actual execution of revenues in 2007 was 47188.6 mln drams, or 105% of the annual plan. In comparison to annual adjusted plan this indicator was 54506.5 mln drams, or 90.9%. Expenditures were executed at 106% and 81.7% , respectively (50632.7 mln drams vs. 65652.4 mln drams).

The execution of revenue part, both plan and adjusted-wise, increased from the previous year. The execution of expenses part increased in comparison to the plan while for adjusted one it decreased. Comparison of the above three indicators shows, that adjustment of the annual plan further expanded the gap between the planned and actual indicators.

According to the Law on Local Self-Government, implementation of the delegated authorities is regulated in accordance with the law or procedure established by the government. The delegated authorities must be financed from the state budget in full. But it should be mentioned, that neither in 2007 nor before legislation or the government decree was adopted on delivery of such authorities. Payments of salaries and social contributions in 2007 accounted for 11500.0 and 2833.4 mln drams, respectively. Relevant shares are 21.4% and 5.3%, respectively; and 32.4% and 8% of the total administrative budget (40.4% in aggregate). This indicator slightly increased vs. the previous year. In general, the share of these expenses in total expenses remains high. The remuneration of the head of community is paid in accordance with Article 27 of the Law on Local Self-government. Remuneration of the staff and personnel of budget institutions is defined in the Article 31 of the same law. No legislative changes were made in this area in 2007. No changes were made in the procedures regulating reporting to supervisory agencies (save minor changes entailed by establishment of the new minimum salary rate).

5. Formation and Operations of Local Self-Government Bodies, Local Democracy

5.1. Formation and activities of local self-government bodies

The local self-government bodies (head of the community and council members) are elected through general, equal and direct elections by confidential ballot. After constitutional amendment in 2005 the local self-government bodies are elected for four-year term. The last elections for three-year term were held in 2005 before constitutional amendments and next elections should be held in 2008. But in cases provided by legislation of the Republic of Armenia there can be extraordinary elections of the above bodies. For this reason deviations occur from the usual electoral schedule. In 2007 elections of the heads of communities were held in 105 communities and community councils were elected in 37 (See: Table 7). Second try was given to elections in Ujanis community of Syunik marz in 2007, because during election of the community head in that municipality held on July 1, 2007 the only candidate was not elected (the number of ballots voted against exceeded the number of ballots voted for by 4)⁴. There were no elections of the community council in urban and Yerevan neighborhood municipalities in 2007.

Table 7: Number of LSG elections held in 2007, by marzes⁵

No	Marz	Elections of the head of community			Elections of the council of community		
		Total	Urban communities	Rural communities	Total	Urban communities	Rural communities
1	Aragatsotn	13	-	13	3	-	3
2	Ararat	9	2	7	2	-	2
3	Armavir	13	-	13	1	-	1
4	Gegharkunik	15	-	15	10	-	10
5	Lori	10	-	10	4	-	4
6	Kotayk	10	1	9	-	-	-
7	Shirak	13	1	12	7	-	7
8	Syunik	12	-	12	7	-	7
9	Vayots Dzor	4	-	4	-	-	-
10	Tavush	6	1	5	3	-	3
11	Yerevan	-	-	-	-	-	-
	<i>Total</i>	<i>106</i>	<i>5</i>	<i>100</i>	<i>37</i>	<i>-</i>	<i>37</i>

Competition during elections of the community head is quite weak. There was only 1 candidate in case of 41 elections (about 40%) of the community head out of 106 held in 2007. The maximum number of candidates was 5 in 3 communities. 4

⁴ Source: www.elections.am

⁵ Source: www.elections.am

candidates were in 6 and 3 candidates in 11 communities. Reviewing the elections of the community head by marzes one can notice, that the lowest indicator of competition was in Syunik marz, where was only 1 candidate in case of 9 elections out of 12. The highest indicator was in Tavush marz, where the number of candidates was more than 1 in case of all the 6 elections. The given data show that level of local democracy is low.

The official statistics about party affiliation of the heads of communities and municipal councilors is incomplete. Such information about candidates in official web site of Central Electoral Committee is incomplete and not summarized at national level. The above site provides information only about 87 candidates in 45 local election campaigns (See: Table 8).

Table 8: Party affiliation of candidates and elected heads of the communities in 2007⁶

Name of party	Candidates	Elected candidates
Non-party man	44	16
Republican Party of Armenia	28	23
Armenian Revolutionary Federation Party	8	2
Prosperous Armenia Party	6	3
Aryan Party of Armenia	1	1
Total	87	45

Review of the information of Table 8 allows a conclusion (with minor exceptions)⁷ that the trend of previous years when majority of elected heads of communities the representatives of some parties (in 2005-around 60%⁸, while in 2007-more than 50%) sustained in 2007. Predominant majority of those represented the ruling Republican Party of Armenia.

Information on political affiliations of the candidates to community councils in 2007 could be found only for 10 elections embracing 63 candidates. 52 candidates are not politically affiliated; others represent Armenian Revolutionary Federation Party, People Way Party, Republican Party of Armenia, Communist Party of Armenia, People Party and Prosperous Armenia Party.

In 2007 there were three amendments in the Electoral Code of Armenia (laws on introduction of amendments to the Electoral Code of Armenia, February 26,

⁶ Source: www.elections.am

⁷ The necessity of exceptions comes from the incompleteness of the data.

⁸ "LOCAL SELF-GOVERNMENT REFORMS IN ARMENIA (2004-2006)" Book 2, Page 88, edited by PhD, D.S. Tumanyan, Yerevan 2008.

November 16 and December 18 2007). These amendments mainly concern the organization of election and don't contain any important provisions.

The powers of heads of communities and municipal councilors could be terminated earlier in conformity with legal procedures. Analysis of government decrees shows that in 2007 there was 1 case of pre-terminated termination of responsibilities of the municipal council and 8 cases regarding the communities' heads.

The responsibilities of the municipal council were terminated in accordance with Article 22 of the Law on Local Self-Government of Armenia, which defines that *the responsibilities of the municipal councilor could be terminated early when as a result of such termination municipal council sessions may not be held*. The responsibilities of the community heads were terminated early for the following reasons: death of the head of community - 4 cases, the resignation - 3 cases and professional inadequacy -1 case.

It is interesting that in Ijevan city, the responsibilities of the community head were terminated as a result of his resignation while during extraordinary elections the same person was elected. In 2007, no cases of sacking heads of communities were recorded.

Decision making in communities

It is possible to get some idea about correspondence of legal acts issued by LSGs to legislation on the basis of state expertise data. The acts are checked by state legal expertise implemented by the Ministry of Justice. In accordance with the report on 2007 activities of the Ministry of Justice, the Ministry provided state legal expert conclusions about 1118 legal acts in 2007 adopted by the local self-government bodies. However, the report does not contain any information about the content of the conclusions.

According to expert assessment, the community council continues to remain inert in decision making processes. Council decisions are often adopted unanimously, without any serious discussion, and authors of draft decisions are heads of communities.

In analyzing decisions issued by LSGs, it is important also to reflect on their nature and contents. There is a large number of decisions of the LSGs issued in breach of legislation, and the existing scarce resources are wasted for individuals rather than to address common needs of the community population, etc.

An evidence of the above is the supervision progress report of the Chamber of Control on usage of budget resources, community budget revenues, as well as management and use of community assets in Syunik marz⁹. Numerous violations were recorded in that extensive report covering 23 communities (4 urban and 19 rural). For instance, in 5 rural communities, sale of 20400 liner meters of pipes was discovered at 200-300 drams per meter, whereby market price of those pipes is 3000-5000; in Sisian and Kapan, residential stock was sold at 6-10 times less than cadastre value¹⁰. In Shaqi, rates of local duties were changed by the council's decisions, violating the requirement of the law on Local Duties and Fees, according to which the *rates of local duties may not be changed for the current year*¹¹, etc.

Freedom of Information Center NGO also tried to find out the nature of decisions adopted in the communities. The Center studied decisions in 12 neighborhoods of Yerevan issued in the third quarter of 2007¹².

The survey concluded that general community priorities are secondary to the decisions of the LSGs. Thus Avan neighborhood community is considered exemplary; here the share of decisions addressing general community problems (repair of roofs, asphaltting of roads, job creation) is relatively large. On the other hand, Malatia-Sebastia neighborhood can be considered the least efficient; here only 2 decisions of 44 adopted in the third quarter aim at addressing common needs; moreover, 17 decisions were taken to allocate financial assistance (2 mln drams) to individuals. The second neighborhood with highest share of financial assistance allocated to individuals is Arabkir (over 1 mln drams). The purpose of these allocations remains unclear.

LSG decisions can also be taken through local referendum. No referendum was held either before or during 2007.

⁹ Decree No 18/2 (September 24, 2008) of council of the Chamber of Control of RA.

¹⁰ Source: <http://www.hra.am/arm/?page=issue&id=18709>

¹¹ Source: Regular report of the Chamber of Control of RA on results of controls implemented on usage of budget resources, provision of community budget incomes, as well as management and usage of community property by the communities of Syunik marz

¹² Source: <http://www.foi.am/am/rcontent/5/1053/>

Box 4: Attempt to hold local referendum in Vanadzor¹³

In 2007, Vanadzor office of Helsinki Civil Assembly tried to hold local referendum to declare distrust to the community head of Vanadzor. The formed initiative group applied to the N30 Electoral Committee for registration, which rejected the registration. The initiative group applied to the court of first instance of Lori marz with request to cancel the committee's decision and to force the committee to adopt decision on registration of the initiative group of local referendum. The court rejected to cancel the committee's mentioned decision and force the committee to adopt new decision based on "a" sub-Clause, Clause 2 Article 5 of the Law on Local Referendum. According to this provision, issues directly prescribed to the exceptional warrant of the local self-government bodies by the constitution or law can not be issues of local referendum. Then, the group applied to the constitutional court to find out whether "a" and all the remaining clauses (where it is mentioned which issues can not be issues of local referendum) of the Article 5 of the Law on Local Referendum of RA contradict the constitution or not. The constitutional court decided that the mentioned articles correspond to the Constitution.

Thus, the resolution of the Constitutional Court establishes that declaring distrust to the community head and several other issues prescribed by the law can not be issues of local referendum.

5.2. Local democracy

Participation of civil society organizations in local self-government

In 2007 State Registry Agency registered 1 party (2 in 2006), 248 non-governmental organization (332 in 2006), and 8 labor unions (8 in 2006) and accounted 85 mass media (in 72 in 2006) as civil society institutions¹⁴.

As of January 1, 2008, there were 2773 non-governmental organizations, and 541 mass media in the Republic of Armenia¹⁵. Partial information about regional distribution of the NGOs is available on the web site of Professionals for Civil Society NGO. Data base of NGOs on the site includes 942 NGOs, including 498 Yerevan-based (or about 53%). Mass media are also mainly located in Yerevan, and regional mass media in the marz and former regional centers.

Non-governmental organizations have special role in furthering development of the local self-government system. Nowadays, Communities Finance Officers Association (CFOA), Communities Association of Armenia (CAA) and Republican Association of Community Councilors of Armenia (RAMCA) continue to play

¹³ Source: Decree of the Constitutional Court of Armenia, December 18, 2007 (No 721)

¹⁴ Source: Report on 2007 activities of the Ministry of Justice of Armenia

¹⁵ Source: State Registry Agency of Armenia

prominent role in the area of local self-governance. These organizations have official permanently functioning web sites www.cfoa.am (CFOA), www.avagani.am (RAMCA), www.caa.am (CAA). Besides, the CFOA publishes "Hamaynk" monthly newsletter and ACCA issues "Avagani+" monthly newsletter, which are distributed to communities, as well as several state, scientific, educational and international organizations free of charge.

In accordance with regular report of Freedom House organization, democracy progress score of Armenia is 5.21¹⁶. General score of democracy in Armenia has shrunk from 4.79 to 5.21 since 1999. Score of *Local democratic government* section was unchanged from the previous year. It is 5.50¹⁷. Freedom House informs, that role of NGOs in civic life has become more active in Armenia. However, NGOs still remain dependent on external funding. It also informs that national authorities give more room to the civil society, but there is a threat that increased public funding of such organizations can limit their independence. Score of Civil society part of Armenia stays 3.50 (all the above mentioned scores are within a scale of 7, with the highest indicator 1, and the worst 7)¹⁸.

Perception of local self-government bodies' activities by population

It is quite difficult to provide a summary assessment of perception of the local self government activities by population given the limited number of available surveys. In 2007, some surveys of the public opinion about the local self-government bodies' activities were implemented by the Journalists *Asparez Club* NGO.

Thus in May-June 2007, the above NGO surveyed opinions of 200 experts in 12 northern cities of Armenia (Gyumri, Artik, Maralik, Vanadzor, Stepanavan, Tashir, Spitak, Alaverdi, Ijevan, Dilijan, Berd, and Noyemberyan)¹⁹. To the question, whether activities of the local authorities are transparent or not, 48% of respondents answered no, 22%-yes, and for 30% it was difficult to answer.

The *Asparez Club* tried to find out public opinion about activities of Gyumri LSGs with another survey implemented in August, 2007. The sample covered 1000 respondents²⁰. According to the survey results, 12.7% and 20.0% of respondent marked work of Gyumri mayor in that post appropriately *excellent* and *good*, respectively, the remaining 67.3% assessed it as *sufficient* and/or lower. By the way, 11.8% responded that there is no work at all.

¹⁶ Source: <http://cpanel.aic.net/~akumb/showthread.php?p=927033>

¹⁷ Source: <http://www.armtown.com/news/am/rfe/20080624/20080624/>

¹⁸ Source: <http://cpanel.aic.net/~akumb/showthread.php?p=927033>

¹⁹ Source: www.asparez.am

²⁰ Source: www.asparez.am

Assessments of the activities implemented by community councils are lower. 1.6% and 6.6% of respondents marked collective work of Gyumri council excellent and good, respectively, and 47.2% think that there is no work at all.

Awareness about activities of Gyumri Mayor, community and community council is scored within a 10 digit-scale, whereby the minimum score is 0 and the maximum is 10. The responses are divided into 4.776, 3.254 and 1.528, respectively.

Overall expert assessment (taking into account the results of above surveys) of the public perception of the LSG activities (especially the councils) is low. At the same time, residents also share responsibility because of their indifference and idleness. Number of population aware of local self-government and participating in the local self-government processes is insignificant; the residents are not satisfied with quantity and quality of provided services, and those interested in the local self-government issues encounter serious difficulties with access to needed information²¹, etc.

Gender representation in local self-government bodies and staff

Precluding gender discrimination in all the spheres of life is an important condition for establishment and furthering democratic values in any society.

In the Armenian realities, sometimes cases of gender inequality can be traced, and this is mainly preconditioned by the existing traditions and a set of objective and subjective reasons. It is commendable though that municipal service seems to have avoided usual complications. About half of the municipal servants, or 48 %²², are women.

The situation is different in the elected bodies. Data in the Table 9 show that the share of women in both local governments and community councils is too small. During the elections in 2007 the share of women running for the post of community head was 3.0%; 2.8% of elected heads are women; and 12.1% was their share in the runners for council member posts. A glance at marz distribution of women in power structures reveals that there was no woman candidate in Kotayk, Vayots Dzor marzes or in Yerevan. Especially Gegharkunik and Syunik marzes are distinguished by women's activity.

²¹ "Local Government Financial Capacity Building in Transition Countries: Selected Country Studies". Ed. by Zeljko Sevic, 2006, page 90

²² Source: Ministry of Territorial Administration of The Republic of Armenia

Table 9: Gender representation of candidates and elected candidates during elections of local self-government bodies held in 2007²³

No	Marz	Head of community						Council		
		Candidates			Elected candidates			Candidates		
		Total	Including		Total	Including		Total	Including	
			Man	Woman		Man	Woman		Man	Woman
1	Aragatsotn	20	20	0	13	13	0	17	16	1
2	Ararat	17	16	1	9	8	1	12	12	0
3	Armavir	27	26	1	13	12	1	5	5	0
4	Gegharkunik	31	30	1	15	14	1	53	43	10
5	Lori	20	20	0	10	10	0	21	18	3
6	Kotayk	18	18	0	10	10	0	0	0	0
7	Shirak	27	26	1	13	13	0	44	44	0
8	Syunik	15	14	1	12	12	0	31	20	11
9	Vayots Dzor	7	7	0	4	4	0	0	0	0
10	Tavush	14	13	1	6	6	0	23	23	0
11	Yerevan	2	2	0	1	1	0	0	0	0
	<i>Total</i>	<i>198</i>	<i>192</i>	<i>6</i>	<i>106</i>	<i>103</i>	<i>3</i>	<i>206</i>	<i>181</i>	<i>25</i>

It is also interesting to trace gender representation in LSG and staff by urban and rural communities. Data in the Tables 10 and 11 indicate that the share of women working in the urban communities is smaller than in the rural communities. In 2007, there was no woman head of the urban community, but 2.7% of the rural community heads are women. In urban and rural communities, the share of women holding the post of deputy head of community was 3.8% and 6.5 %, in council members 4.3% and 7.9% and in staff members 43.8% and 46.7%, respectively.

²³ Source: www.elections.am

**Table 10: Urban communities' heads, council members and staffs²⁴,
gender issues**

average annual

No	M ar z	Urban community heads		U rban community deputy heads		C hiefs of staff		Council m em bers		Staff m em bers	
		Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman
1	Aragatsotn	3	0	4	0	3	0	34	1	71	36
2	Ararat	4	0	7	0	4	0	50	3	109	62
3	Armavir	3	0	5	0	2	1	41	0	120	88
4	Gegharkunik	5	0	5	0	2	3	55	4	107	51
5	Lori	8	0	5	1	4	3	72	5	141	105
6	Kotayk	7	0	7	0	3	4	82	2	169	100
7	Shirak	3	0	3	0	2	1	34	2	178	75
8	Syunik	7	0	7	1	5	1	78	2	88	111
9	Vayots Dzor	3	0	3	0	1	2	32	1	82	202
10	Tavush	5	0	5	0	4	1	50	4	91	72
	<i>Total</i>	<i>48</i>	<i>0</i>	<i>51</i>	<i>2</i>	<i>30</i>	<i>16</i>	<i>528</i>	<i>24</i>	<i>1156</i>	<i>902</i>

**Table 11: Rural communities' heads, council members and staffs²⁵,
gender issues**

average annual

No	Mar z	Rural community heads		Rural community deputy heads		Council members		Staff members	
		Man	Woman	Man	Woman	Man	Woman	Man	Woman
1	Aragatsotn	111	0	87	0	531	62	312	179
2	Ararat	91	2	48	5	610	24	520	541
3	Armavir	90	4	85	2	559	21	357	290
4	Gegharkunik	84	3	84	0	515	37	440	179
5	Lori	101	4	74	5	472	76	317	358
6	Kotayk	59	1	60	0	414	18	174	148
7	Shirak	115	1	72	10	533	47	318	262
8	Syunik	98	4	55	17	418	83	193	309
9	Vayots Dzor	40	1	12	2	225	8	243	255
10	Tavush	54	3	23	1	337	22	241	213
	<i>Total</i>	<i>843</i>	<i>23</i>	<i>600</i>	<i>42</i>	<i>4614</i>	<i>398</i>	<i>3115</i>	<i>2734</i>

²⁴ "Women and men of Armenia", statistical book, National Statistical Service of the Republic of Armenia, Yerevan 2008, page 104

²⁵ "Women and men of Armenia", statistical book, National Statistical Service of the Republic of Armenia, Yerevan 2008, page 105

Accessibility of information about activities of local self-government bodies

Over the recent years local self-government bodies pay more attention to publicity and transparency of their activities, as well as participation on decision-making processes. Incentives include primarily requirements of legislation, and emphases imposed within the projects implemented by international organizations, as well as active and consistent work of several representatives of civil society, especially non-governmental organizations.

Several projects were implemented by the international organizations aiming at enhancing publicity and transparency of the local self-government bodies in 2007.

In particular, in 2007, 25 bulletin boards were placed in Charentsavan, Masis, Dilijan, Vedi and Nor Erznka communities (6 bulletin boards in each urban community and 1 in rural community) by Freedom of Information Center in the framework of *Right of being aware* project supported by UNDP²⁶. One of the bulletin boards was placed near the administrative office of the community (or inside the office). The other ones were placed in crowded places (near the markets, universities, parks). The boards can present necessary information for the population like the community budget, budget execution report, decisions of the community head and council, as well information about the council sessions (date, place and agenda).

In parallel with line item budgeting, performance budgeting was introduced in 13 urban communities in the framework of UNDP *Performance budgeting* project in 2007. As a result, the budgets have become more accessible and programs were prioritized with active participation of population.

The Law on Freedom of Information is an important instrument to secure access of information about LSG activities. However, according to a number of surveys, LSGs usually do not follow the requirements of that law properly (See: Box 5).

In November-December 2007, the Freedom of Information Center applied to the heads of all 12 Yerevan neighborhoods requesting to provide copies of the council decisions issued in the third quarter of 2007²⁷.

Only Nubarashen neighborhood responded within legally imposed 5-day deadline (on the 3rd day). Malatia-Sebastia and Nor-Nork neighborhoods responded in 6 days, Davtashen neighborhood in 8 days, Shengavit in 9 days, Kentron and Avan

²⁶ Source: Freedom of Information Center NGO

²⁷ Source: <http://www.foi.am/am/rcontent/5/1053/>

in 11 days, Ajapnyak in 13 days. Kanaker-Zeitun district municipality answered in 17 days. The last answer was from Arabkir in 18 days. Erebuni and Nork-Marash neighborhoods did not respond whatsoever.

Box 5: Journalists' "Asparez" Club tries to rehabilitate the right of freedom of information through the court

Based on requirements of the Constitution and the Law on Freedom of Information of Armenia the Journalists Asparez Club NGO applied to all heads of communities in Shirak marz on October 21-23, 2006, with a request to provide the following documents:

- Copies of 2006 local budgets;
- Copies of the council's decisions adopted from January 1, 2005 to September 30, 2006

During 5 months preceding and subsequent to the application day, the club organized 6 discussions on TV and 20 radio live programs on local media, organized and conducted 6 workshops, 5 round tables in order to inform about the Law on Freedom of Information, to which more than 200 officials managing the information, including respondents of the applications, were invited to participate²⁸.

As of January 25, 2007, 52 community heads (out of total 119) did not give official answers to the Club. 7 of them, including community of Gyumri, provided the requested documents only in part (in an instance budget was provided and the council's decisions not, in another only some the council decisions and budget were provided and remaining part of the council's decisions not). 60 communities provided all the requested documents. By the way, Artik and Maralik communities provided soft versions of the documents. Despite several phone calls and reminders, the majority of those documents were received with essential violation of the deadline (5 days) prescribed by the law (6-80 days). Harich, Getap, Panik and Nor Kyanq communities were the quickest to respond²⁹.

The mentioned organization applied to the court of first instance of Shirak marz on January 25, 2007 with request to rehabilitate his right of freedom of information. 9 civil suits were instituted against Azatan, Shirak, Lusaghbyur, Amasia, Voghji, Ardenis, Mets Sepasar, Pokr Sepasar, Horom communities of Shirak marz.

It is already several years that the Freedom of Information Center conducts freedom of information award to announce names of close and public agencies are published³⁰. Usually selection is carried out considering implementation of requirements of the Law on Freedom of Information, the way communities handle information requests, regularity of publishing activity reports, and, of course, collaboration with mass media in the framework of the *Law on Freedom of Information*.

²⁸ Source: www.asparez.am

²⁹ Source: <http://www.armtown.com/news/am/a1p/20070126/44777/>

³⁰ Source: <http://new.aravot.am/am/articles/society/29157/function.mysql-pconnect>

Based on the above criteria, Charentsavan community was granted by the most open municipality award of 2007 as a local self-government body fully complying with the Law on Freedom of Information. The community hall of Armavir was recognized the closest local self-government body of the Republic of Armenia.

The community hall of Charentsavan received "Gold Key" prize as a symbol of publicity, and the community hall of Armavir was handed the *Rusty Locks* to indicate how close their operations had been.

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

In reviewing the 2007 report of the Ombudsman, one can notice, that the number of letters of complaints about activities of LSGs has been reduced from 2006. In 2007 the number of letters of complaints against Yerevan district communities was 49, and against urban and rural communities 36 (See: Table 12). In 2006 these accounted for 77 and 68, respectively³¹.

Table 12: Number of written letters of complaints about activities of the local self-government bodies addressed to the Ombudsman of the RA by population in 2007³²

Letters of complaints	Yerevan district municipalities	Urban communities	Rural communities
Total number of letters of complaints, of which	49	23	13
Accepted for discussion	26	14	9
Possibilities of protection of applicant's rights were presented	8	0	1
Transferred to other authorities	0	0	0
Not accepted for discussion	14	5	1
Called back by the applicants	0	0	2
In progress	1	4	0

It should be mentioned, that the share of complaints about activities of LSGs in the total number of letters of complaints about activities of the public administration bodies (826) is not big. The number of letters of complaints against Yerevan district municipalities was 5.9%, against urban communities it was 2.8 % and against rural communities it was 1.6%.

³¹ "Local self-government reforms in Armenia (2004-2006)", Book 2, ed. by D. Tumanyan, Yerevan 2008, page 99

³² Annual report on activities of Ombudsman of the Republic of Armenia and violaton of human rights and basic freedoms in the country in 2007

Complaints against LSGs in 2007 were mainly about servicing common areas in residential units, captures of such areas, violation of residents' rights through unauthorized construction, allocation of flats etc. Some complaints were filed in cases when LSGs had not responded to the applications submitted by community residents.

As in previous years of activities of the Ombudsman's institution, in 2007 the small number of letters of complaints from the marzes compared with Yerevan reflects difficulty in accessing Ombudsman services at marz level, rather than proper protection of human rights in the marzes. In addition, this is an indication of indifference of public authorities towards human rights protection in the marzes³³.

6. Adequacy of Administrative Structures and Resources to the Goals of the Local Self-government Bodies

6.1 General capacities of local self-government bodies and municipal staff

One of the main objectives of the local self-governance is to solve municipal issues. Addressing issues of municipal importance priority is attached to a number of factors, including the presence of local self-government bodies and municipal staff with appropriate professional capabilities has its special place.

For those running the elections into the post of the head of community, the Law on Local-Self Government of Armenia sets educational requirement, according to which the head of community will have at least secondary vocational or university education³⁴. However, this requirement is not actually used and the Election Commission is guided by the Election Code³⁵ which lacks establishing educational eligibility criteria.

At the same time, the law does not specify any educational or professional background as mandatory for municipal councilors.

Assessing the professional capacities of LSG bodies, it could be stated that the situation has hardly changed from previous years, which means that the educational standing is considerably low level. This is particularly true for members of municipal councils, among other factor because this institution is still very passive. The situation with heads of communities is slightly better. The implementation of

³³ Annual report on activities of Ombudsman of the Republic of Armenia and violaton of human rights and basic freedoms in the country during 2007

³⁴ Article 24 of the Law on Local Self-government

³⁵ Article 123, The Election Code of RA

statutory activities and executive functions of the heads of communities per se creates some experience and consequently has developmental impact upon capabilities of the heads of communities. No changes in legislation regulating this area were recorded in 2007.

Nevertheless, within this quite sad environment, diligent and professional heads of communities and members of the council are to be mentioned as well. In analyzing professional capacities of municipal administrations, it is necessary to mention that even minimal preconditions for training of qualified professionals have not been yet created.

The existing methodological materials and literature encompasses only a small sector of local self-government, which is planning and budgeting. Because of the above the level of professional capabilities of municipal staff could not be rated satisfactory.

The functional structure of the municipal staff

There was no significant progress in functional structuring of the communities in 2007. Every community independently defines the structure of municipal staff, and in fact, there is a variety of structures. In most of communities roles of structural units have not been clearly defined in vast majority of communities, functions are not distributed, nor there are linkages or connectivity among various units.

Administration management and lack of adequate technical resources remain priority problem in many communities.

According to the *List of Positions in Groups of Municipal Service*³⁶, the leading position of the municipal service is the secretary of the administration, who has an important role in the said areas, but it persists to be underestimated and having hardly a role in majority of communities.

E-governance, registry and equipment

The UNDP project of *Support to informed society and democratic government* is the most important in the area of e-governance³⁷. In particular, this project supports implementation of several activities in the sphere of territorial administration. The project supported creation of the regional e-governance system of Armenia (www.region.am), which is a compendium of web sites covering all marzes in

³⁶ The order of the Minister of Territorial Administration of Armenia, 16/10/2006, 10-N

³⁷ The program was launched in 2001

Armenia. However, because of the currently weak Internet access³⁸ in communities, this system hardly covers communities. In 2007, there were 73 Internet providers in Armenia delivering licensed services of data transfer and Internet access . The predominant part of these service providers (44) operates in Yerevan. The number of Internet users per 1000 population was: 22.9 in 2005, 20.6 in 2006 and 19.4 in 2007³⁹. In other words, this already insignificant coverage of Internet users displays decreasing trends.

The other important administrative element is conducting the registry. It should be mentioned that legislation does not require that communities conducted any registry with exception of land and property tax databases. Conduct of these databases is a delegated authority of communities. Taking into account the difficulties encountered by the communities in transfer, reception and conduct of these databases, it could be concluded that implementation of these functions by communities is to a large extent determined by their capacities and availability of relevant equipment. At the time, communities almost don't conduct other registries. To this end, the city and Yerevan district municipalities are well equipped in contrast to rural ones.

6.2 Municipal service

Municipal service in Armenia was introduced in the second half of 2006 through adoption of the relevant legislation⁴⁰, which regulate principal relations in this area. The legislative framework was replenished with 14 acts later in 2007, including two government decrees and 12 orders of the Minister of Territorial Administration.

Based on these, the job descriptions of the municipal service positions were approved by the heads of communities accompanied with necessary revisions in the municipal staff-list. The persons, who occupied relevant positions in the administration, have been re-appointed to the municipal service positions according to applicable procedures. During 2007, there was one technical amendment in the *Law on Municipal Service*.

In 2006, the order of the Minister of Territorial Administration approved the lists of positions of municipal service of all the 926 communities. These include 6775 positions of municipal service (32 senior, 2697 leading and 4046 junior). These positions are occupied by 5522 servants, including 32 senior, 2003 leading

³⁸ Source: www.psrc.am

³⁹ Source: www.armstat.am, Marzes of Armenia in figures

⁴⁰ The Law on Municipal Service was adopted in 2004 (October 14), and ratified by the President on January 15 2005

and 3487 junior. It is necessary to mention that the Law defines that the list of positions of municipal service shall be approved by the state authorized body of the Government (Ministry of Territorial Administration). Further, every municipal council shall approve the list of municipal service positions of their respective communities. However, they were indeed approved through the order of the Minister, which is a breach of legal requirement. Overall the system of municipal service recorded some progress in 2007 despite shortcomings, some of which are presented in the report of Control Chamber (See the Box 6) and the 2007 activities report of the Ombudsman of Armenia (See the Box 7).

Box 6. Abstract from the progress report of the Chamber of Control in Syunik marz of the Republic of Armenia, 2007

The heads of rural communities violating the requirements of Clause 1, Article 10, *the Law on municipal service*, have not approved lists of positions in the municipal service thus violating the requirements of the sub-clause b), Clause 1 of this article. Moreover, job descriptions (passports) of municipal service positions were absent. The supervision discovered that some heads of communities neglected *the Law on municipal service*; and that selection of the staff, appointments, monthly rates of salaries were established in breach of legislation. Particularly, in 2006-2007, municipal staff-lists were not correspondent to the requirements of the both *the Law on Self-government* (Articles 29, 30, 21) and *the Law on municipal service*. In 2007, the head of Shaghat community did not submit the list of positions of administration to the approval of the council, violating the requirements of the Article 31 of *The Law on Self-government*.

Box 7. Abstract from the activities report of the Ombudsman of Armenia

A group of employees from Vanadzor social services regional office applied to the Ombudsman of the Republic of Armenia to raise the following: According to the decree of the Government (29.06.2006, 928-N), regional office for social services in Vanadzor was transferred under administrative jurisdiction of Vanadzor city hall and granted a status of special structural unit of the LSG. According to government decrees 18.01.2007, 30-N (Clause 3) and N-229, 22.02.2007, the staff of social service with special status within the communities is considered municipal servants. The complaint is that the head of Vanadzor community did not order these people into relevant municipal service posts instead having signed temporary job contracts with some of them (before 01.09.2007). Without any justification salaries of 9 employees were reduced to 20 000 drams and a new appointment was made into the office of the head of the unit.

Education and training

In accordance with the *Law on Municipal Service*, first training sessions for the municipal servants was launched in 2007. In order to make the training process more accessible, trainings for the municipal employees from urban and rural communities were delivered in former sub-regional centers. During the trainings the trainees examined the principles of local self-government and municipal service, legislative framework regulating their activities as well as gained some administrative skills. Given scarcity of municipal budgets, the first phase of municipal trainings was implemented by the Ministry of Territorial Administration. In order to support the process the Government allocated 19.5 mln drams to deliver trainings of municipal servants in 2007.

In 2007, training was delivered to total of 1559 municipal servants, including: 420 in Yerevan and 1139 in marzes (31 in Aragatsotn, 173 in Ararat, 143 in Armavir, 224 in Gegharkunik, 135 in Lori, 108 in Kotayk, 200 in Shirak, 40 in Syunik, 25 in Vayots Dzor, and 60 in Tavush). Training of municipal servants will continue in the subsequent years.

In addition, with a view to enhance efficiency of measures to introduce municipal service, workshops were held in Yerevan and marzes with participation of marzpetarans and LSG staff.

Regarding the ad hoc and additional trainings the situation remains unchanged from previous years. These training activities are implemented in the framework of various projects; rural LSGs are not willing to pay for them, while this seems less difficult for urban communities.

6.3 International assistance

Many of the international organizations operating in Armenia channeled part of their activities to support local self-governance reforms. In particular, the following organizations has financed the projects related to local self-government: USAID implements the project *LGP-3* (through subcontractor RTI), CHF, UNDP, GTZ, DFID, and Eurasia Partnership Foundation. Below is the list of projects implemented in 2007 with support of international organizations:

Performance Budgeting (UNDP)

During 2007 UNDP continued introduction of the new budget format (PB) in model communities. In 2006 the new format was introduced and used by 9 commu-

nities: Abovyan, Ijevan, Dilijan, Vedi, Masis, Ararat, Meghri, Artik, and Kajaran. Gavar, Alaverdi, Yeghegnadzor and Ashtarak communities replenished the list in 2007. In fact, the new format was used by 13 communities in 2007

Strengthening municipal service (UNDP)

This program was established and launched at the initiative of the Ministry of Territorial Administration. In 2007 165 participants, 15 from each marz, took part in the training exercises. Most of the trainees were the staff secretaries and some heads of communities. The objective of training was to explain proceedings of the municipal service competition and appraisal commissions. The contemporary challenges of introducing municipal service were also discussed. Every month a training session was delivered in a marz, each session of three days. The trainers were marz-based specialists having taken TOT and lecturers from Yerevan.

Other UNDP support

UNDP implemented a number of other projects in 2007 as well. These include supply of agricultural machinery to bordering communities (Bavra, Saragyugh, Sizavet and Tavshut) of Ashotsk sub-region (Shirak marz) and establishment of milk procurement facility in Varagavan, Tovuz and Nerkin Karmiraghbiour in Tavush marz.

USAID CHF International Public works Program

The goal of the program is to support poor communities in achieving relative financial stability through delivery of training around construction issues and job creation in the framework of public works targeted to renovation of priority infrastructures of communities.

USAID/RTI International Local Government Project-3

During 2007, with financial support of USAID/RTI, CFOA implemented *Local self-government financial management systems. Planning and budgeting of administrative and capital investments* project in LGP-3 pilot 38 communities. By the end of the project the beneficiary communities have developed their capital investment programs, with an exemplary investment project designed under the project technical assistance. Moreover, training and methodological materials were developed, which can be used in all the rest communities of Armenia.

In 2006-2007, LGP-3 supported also delivery of training called *Legislative field of local self-government bodies and financial management* in 38 communities for the members of municipal council and the staff. Training sessions were implemented by the Association of municipal councilors of Armenia.

USAID/Eurasia Foundation

In 2007 with financial support of Eurasia foundation the CFOA implemented a training project, which was devoted to the communities' financial and budgeting issues. The beneficiaries of the project were municipal servants and representatives of non-governmental organizations.

DFID Armenia regional development project (ARDEP)

In November of 2007, Armenia regional development project supported implementation of impact assessment Gegharkunik and Tavush in the framework of Marz Development Plans. This is an indivisible component of the overall M&E framework of the two marzes designed and implemented with ARDEP support. Other components include Participatory Monitoring and Evaluation, Interim and Annual M&E reports of the marzpetarans, as well as PPAs. This component included the programs in the sphere of educational infrastructures, financed in 2006-2007 both from state budget and DFID (the sphere of 2006 was road construction).

Municipal and environmental infrastructure credit

In April 2007 the Government of Armenia and EBRD signed credit agreement on Sevan Lake environmental project. The first installment, which targets municipal and environmental issues, will be channeled to improvement of services of liquid waste collection and removal in the five urban communities adjacent to the Sevan Lake.

International organizations activities and coordination

International organizations operating in Armenia and involved in local self-governance are oftentimes uncoordinated. Moreover, there is a great deal of duplication in terms of contents and beneficiaries of the implemented projects. This results in minimized impact. Nevertheless, the international organizations are important in terms of methodological and technical support. It is desirable that in the future their activities and programs would be more coordinated. To this end, their cooperation with the Government is of special importance.

7. Delivery of Community Services

7.1 Public services delivered by communities

In Armenia, the authorities to delivery some public services are prescribed to local self-government bodies. In order to better comprehend the issues related to public services delivery they can be grouped and reviewed by the changes recorded during 2007.

Green zoning and improvement

Implementation of these works could be handled equally by municipal organization and successful bidders in cases when works are tendered. Similar to previous years, in 2007, these services are mainly delivered in city and Yerevan neighborhood municipalities. In rural communities, these types of works were not delivered because of scarce or in some instances absence of financial resources.

Maintenance of cemeteries

This sphere is regulated by the *Law on Funerals and Operation of Crematories* (February 2006) and the government decree N1910-N (November 23, 2006).

One technical amendment was introduced in the above Law in 2007. The legislative framework was replenished by the Government decree *on procedures of cremation, disinfection and relocation of in cases of epidemic threat*. The legislative amendment to some extent sets procedures for burial of poor people. At the same time, the Government decree provides for the cremation and cemetery disinfection procedures in cases of hazardous sanitary and epidemic situations.

Waste collection

The legislative framework to regulate relevant issues includes: i) *Law on Local Self-Government*, which establishes waste collection as a mandatory responsibility of the head of community; ii) Presidential Decree N-728 (06.05. 1997) *On state governance in the marzes of Armenia*, according to which marzpets organize recycling of waste; iii) Government decree N1625-N (10.10.2002) *On mandatory norms for maintenance of the common property areas in multi-apartment residential buildings*, which defines that removal of hard household waste should be implement at least once in three days. In 2004 the National Assembly of Armenia adopted *Law on Refuses*, which streamlines the powers of national government, state agencies and local self-government bodies. In 2007 the Government adopted a decree *On Statement of Conducting of the State Cadastre of Refuses*. The fee for the waste removal is 100 dram per person in Yerevan, and 50-80 drams per person in other communities⁴¹.

Some communities have waste collection facilities and their maintenance is funded from municipal budget sources; others have to pay for use of such facilities

⁴¹ Source: www.mud.am

to the communities, which own them. Often, street cleaning and waste collection are implemented simultaneously.

Currently there are 60 waste collection facilities operational in Armenia. These are built in Soviet times and do not meet contemporary sanitary-hygienic and environmental norms. Predominant share of communities uses discharges waste in random locations and in sporadic and uncontrolled manner. Such locations accumulate more than 20% of total annual solid waste. Exhaust raw materials are also discharged into these locations, on top of industrial and construction wastes. There are no facilities for sorting, re-cycling or processing of secondary raw materials. Refuse sorting (paper, metal, glass, plastic,) for the re-cycling is done sporadically, without any regulation or oversight. Currently there are 64 organizations in Armenia involved in sanitary cleaning and waste collection. These organizations are of various statuses (limited liability, closed joint-stock, etc) with 14 operating in Yerevan.

Maintenance of residential buildings and other than residential areas

The Law on Condominiums (May 7, 2002) regulates this area, and one technical amendment was introduced in this law in 2007. The other normative act regulating the sphere is the *Law on management of multi-apartment buildings* (May, 2002), also once amended in 2007.

The non-residential areas and residential buildings of communities mainly consist of multi-apartment buildings and individual private houses. Maintenance of the privatized multi-apartment buildings is handled by condominiums. During 2007 condominiums cover all the marzes of Armenia. According to Table 13, predominant part of condominiums acts in Yerevan while in marzes their number is very low.

Table 13: Distribution of condominiums by marzes, 01.01.2008⁴²

Marz	The number of Condominiums	The number of Buildings	The number of apartments
Yerevan	579	4587	224632
Aragatsotn	16	94	1041
Ararat	1	2	110
Armavir	15	98	3599
Gegharkunik	5	77	2582
Lori	62	1036	26063
Kotayk	60	926	37399
Shirak	33	729	19712
Syunik	24	357	13111
Vayots Dzor	2	6	199
Tavush	5	52	1857
Total	802	7964	330305

⁴² Source: RA Marzes by numbers, 2008

In general, cooperation between communities and condominiums has potential to be developed, which is not deployed in most of the cases. Nevertheless, success stories do exist as well. For example, cooperation between community and the condominiums in Avan neighborhood of Yerevan resulted in renovation of the entrances and improvement of vicinities of all residential buildings.

Water supply, removal and irrigation

In 2007 many programs of municipal water supply were financed in the framework of various loan projects, including KFW, “Yerevan Jur” CJSC. The others (about 600 communities), mainly rural villages (with the exception of a couple of cities, such as Tchambarak and Nor Hajn), deliver water supply service on their own⁴³. The latter are considered cost-efficient since the supply is gravity based hence no pipe cleaning works is required. That is why in rural communities water supply tariffs are not established hence fees not collected. Irrigation system encompasses 55 Water users associations (WUA) in Armenia, as of 01.01.2008. *Water to Market* of the Millennium Challenge Corporation Armenia should be mentioned when describing this sector as at 2007. The tariffs of water system in Armenia were not changed in 2007 (See: Appendix 3 and 4).

Public transport

Public transport, which is bus commuting, is delivered only in big and medium-size urban communities by municipal or private companies. In both cases tariffs are defined by the municipal council. Commuting between various communities is entirely delivered by private companies. As of 2007, there are 211 inter-municipal routes, where buses and vans operate⁴⁴.

Education and culture

One of the mandatory responsibilities of the head of community in the sphere of education is the operation and maintenance of kindergartens. Operation and maintenance expenses are funded from municipal budget while the fees collected from parents mainly cover food expenses for the children. The rate of the parental fees is defined by the municipal council. At the same time, there are communities⁴⁵, which don't collect the parental fees and take care of all financial issues on their own. Structural and methodological specifics of such organizations are defined by the Government. In particular, in 2007, the Education ministerial order *On establishment of sample staff-list and number of children per groups in national and municipal pre-school institutions* (29-N) was adopted. This normative act has some-

⁴³ Delivery of Municipal services, Artur Drampyan. *Local self-government reforms in Armenia (2004-2006) Book 2*, Edited by D. Tumanyan, Yerevan 2008.

⁴⁴ Source: www.mtc.am

⁴⁵ For example, Noratus rural community

what regulated the sphere. However, not all the communities follow the normative established in the order. For example, the annual report of the Chamber of Control of Armenia sets out that the rates of remuneration of employees in educational institutions in Arabkir district community have not been guided by the requirements set out in the above order.

Another responsibility of the communities in the education sphere is the off-school education (i.e. musical, musical arts, and sports schools). Fees for the services in this sphere are also defined by the municipal council. In rural communities the number of institutions off-school education facilities is very low and people have to attend the neighboring urban communities.

In the cultural sphere communities have the authorities of operation and maintenance of libraries and museums. Despite the fact that culture facilities provide some payable services, the receipts are not sufficient to cover their expenses and the gap is covered from the municipal budget.

Health

Health sector is within the mandate of national authorities. Only some rural communities have primary health care institutions funded by municipal budget and fees. As of 2007, the number of primary health care institutions has the following picture (per 100000 population): 9.9 in Yerevan; 16.4 in Aragatsotn, 21.1 in Ararat, 21.1 in Armavir, 14.6 in Gegharkunik, 15.4 in Lori, 15.7% in Kotayk, 12.9 in Shirak, 18 in Syunik, 15 in Vayots Dzor, and 16.9 in Tavush⁴⁶.

The authority of local self-government bodies to define the fees

During 2007, the legislation regulating fee establishment authorities of LSGs was not amended or changed. The legislation doesn't specify the procedures applicable to cases of non-payment of fees. In extremely rare cases when service delivery is managed on a contractual basis, the issue of non-payments is handled on the basis of relevant contract provisions.

Commercial and non-commercial organizations handle their waste removal on a contractual basis. There is no single system of setting tariffs for this service in Armenia.

There is no unified system of oversight of service quality, involvement of parties producing refuses, contract signing or collection of fees in the area of waste collection. Therefore this sphere needs regulatory improvement. Existing contracts are

⁴⁶ Source: Marzes in figures, 2008

deficient and don't address all relations required by legislation. For example, contracts do not provide for any system of controls or penalties in cases of inappropriate delivery of services or non-payments.

7.2 Management of municipal services

No significant development was recorded in 2007 in terms of improvement in delivery of municipal services. Many communities don't provide any services whatsoever (i.e. waste removal, area maintenance or improvement). Some services persist to be only partially delivered, and even that at low quality. Expenditures of delivering municipal services grew tangibly in 2007 from previous years (See: Table 14). This is true for all sectors.

Table 14: Staff maintenance costs and delivery of public services, shares of expenditures

<i>Expenditures</i>	2006				2007			
	Adminis trative budget (mln drams)	%	Capital budget (mln drams)	%	Adminis trative budget (mln drams)	%	Capital budget (mln drams)	%
Expenditures of administrative and fund budgets, total (excluding allocations from reserve fund of the administrative budgets)	39552.8				53647			
Expenditures of administrative budget including	31517.7	100	9245.4	100	37362,5	100	18142,2	100
Staff maintenance costs	9674.8	31.5	2310.2		11460.8	30.7	1661,3	
1 Education	6105.9	19.4	200.8	2.1	7408.1	15	402.3	2.2
2 Health	29.2	0.1	7.3	0.04	39.8	0.10	9.4	0.05
3 Culture, sports, religion	2556.0	8.1	94.6	1.02	3024.7	8.1	196.0	1.08
4 Residential communal utilities	6568.2	20.8	3302.0	35.7	7708.5	20.6	5176.0	28.5
5 Transport and communication, road networks	227.4	0.7	1155.5	12.5	475.0	1.3	6433.0	35.4
Total 1+2+3+4+5	15486.7	49.1	4759.9	51.5	18656.1	45.2	12216.7	67.3
Staff maintenance costs vs. expenditures for public services	1.60		2.06		1.63		7.3	

Growth of expenditures for public services was recorded in comparison with previous budget years, and the growth is recorded across the sectors. This is reflected in the composition of expenditures in the municipal budgets as well. In particular, share of general public services in administrative budget expenses was 51.5% in 2007 (49.1% in 2006). The growth is more visible in the structure of capital budget, i.e. 67.3% vs. 45.2% in the previous year. The trend of growth of correlation of main public services' expenses to communities' administration maintenance expenses is also continuing. This growth is more visible in capital budget (the growth in 2007 was 3.5 times to 2006).

The above indicators reflect positive growth in expenditures for delivery of municipal services and their shares in budgetary structure. Nevertheless, in absolute terms these indexes are far too insufficient. Scarcity of financial resources is the major cause for failure to deliver municipal services.

There has been no progress in terms of private sector involvement in delivery of municipal services in 2007. In very few communities waste collection service is handled by private sector. Sourcing out municipal funds to non-governmental institutions for implementation of municipal programs is not practiced.

Management of municipal services is one of the most important functions of LSGs, and it is directly linked with beneficiaries hence any result is visible and tangible. Bearing this in mind, the LSGs have to undertake serious measures in order to solve variety of issues in this sphere.

Conclusions and recommendations

Reforms in the area of local self-government reforms in Republic of Armenia in 2007 can be described as insufficient and unfortunately no significant progress may be recorded.

2007 was a year of parliamentary elections, after which new government was formed in June. Before June the old government implemented its program of actions. The section of program of the newly formed government setting out priorities in the area of local self-government is not much different from the previous one. Nevertheless, hardly anything has been done to further its implementation.

The picture is even sadder with PRSP. Even the time-table of implementation of PRSP policies was not approved either in 2006 or 2007. The time-table for the previous program was end 2006 hence its implementation may not be an issue for discussion.

Hardly anything was implemented towards harmonization of legislation with the new Constitution despite the deadline of December 6 2007.

In this context the indicators describing the situation in of local self-governance have hardly changed. Growth of some indicators is reflects natural development of the system. More specifically, share of local budgets in GDP and in consolidated budget has somewhat increased, 1.7% and 7.2%, respectively. Growth was also recorded both in municipal budget revenues and expenses, the increase form previous years accounting for 121.9% and 135.6%, respectively. Nevertheless, absolute

values of these funds are small and insufficient to implement LSGs' responsibilities. In 2007 share of capital expenses in total expenditures further increased. However, such increase is temporary since it is generated through sale of municipal property, land in particular.

There weren't any significant legislative changes in 2007. The level of financial independence of communities remains very low and the assets are scarce and obsolete.

As in previous years, in 2007 there weren't transfers from the state to local budgets from other taxes or mandatory fees as shared revenues.

In 2007 communities did not have access to credit market. They didn't issue municipal bonds or receive credits resources either from state budget or commercial banks.

As for local democracy absence of any progress was combined with backlash. Local elections are characterized by weak or, in some instances, lack of competition absence and LSGs posts are distributed, as a rule, among representatives of ruling party. In particular, only one candidate was nominated in 41 LSG elections in total of 106 taken place in 2007 (about 40%). This indicator gives rise to serious concerns. The situation with other local democracy institutions is also sad, such as local referenda, public hearings, transparent work of LSGs, etc.

Unfortunately, hardly anything was done towards implementation of the obligations assumed by Armenia against the Council of Europe in 2007.

Some works were implemented in 2007 towards building capacities of municipal staff, municipal service and international assistance. Activities include strengthening municipal service, delivery of training for municipal servants, as well as international assistance.

Nevertheless, it is evident that capacities in majority of communities require further strengthening and this is particularly true for smaller communities.

Within the existing administrative and territorial division of the country the institute of municipal service doesn't fully act, and it performs only its mission in city communities. It is senseless to speak about effective use of such tools as e-governance and registry system.

In general it can be concluded that in 2007 the sphere of municipal services didn't record any significant developments. As before, significant part of services in rural communities is simply not delivered or delivered at minimum. The existing infrastructures and equipment needs consistent replenishment, while municipal resources are too insignificant to meet such needs.

Thus it is necessary first of all to develop a comprehensive strategic program of reforms in local self-governance and embark on its consistent implementation. The outline contents of such program are set out in *Local self-government reforms in Armenia (2004-2006)* Book 2, Edited by PhD, D.S. Tumanyan; Yerevan 2008.

Appendix 1: Organization of trash removal service by marzes

Marz	Trash removal organizations functioning in marz	Garbage collection sites functioning in marz	Distance of garbage collection site from community (km)	Occupied territory (ha)	Year in which garbage collection site has started functioning
Aragatsotn	Talin-"Talini communal tsarayutyun"	Talin	6	2	1980
	Ashtarak-"Communal tntesutyun" OJSC	Ashtarak	8	2	1960
	Aparan-"Apastan" CJSC	Aparan	7	5.7	1976
	Aragats community	Oshakan	0.5	0,15	1980
	Oshakan community	village	2.5	-	1975
	Tsaghkahovit community	Tsaghkahovit	3	0/3	2001
	Tsaghkahovit community	Aragats			
Ararat	Artashat-"Communal" Company	Artashat	2	3	1970
	Ararat-"Ararati BKT"	Ararat	1	1,7	1978
	Masis "Communal tntesutyun" CJSC	Masis	3	4,9	1985
	Vedi-Communal service of Vedi	Vedi	2	1,7	1990
		Nor Ughi Narek	0,5	2,5	1992
Armavir	Armavir-"Barekargum" organization	Armavir	6	8	1968
	Ejmiatsin-"BKV"	Ejmiatsin	9	8	1978
	Metsamor-"Metsamori barekargum"	Metsamor	5	5	1977
Gegharkunik	Gavar-"Spasarkum" CJSC	Gavar	10	3	1976
	Sevan-"Communal tntesutyun" OJSC	Sevan	11	8	1988
	Chambarak-"BKT" OJSC	Tchambarak	-	2	-
	Martuni-"Martunu Payl" CJSC	Martuni	3	1.6	2001
	Vardenis-"Vardenis shin 5" OJSC	Noratus	7	2	1960
		M. Masrik	2	2	-
		Dzoragiugh	3	1.6	-
		Vaghashen	3	1.6	-
		Astghadzor	1	1	-
	Tsakkarak	1	0.7	-	
Lori	Vanadzor-"Sanmakrum" OJSC, "Sanashkhatank" PC, "Vansan" LTD	Vanadzor	18	6.5	1971
	Stepanavan-"Comunal tntesutyun" OJSC	Stepanavan	4	0.7	1953
	Tashir-"Tashir communal" OJSC	Tashir	1	3	1969
	Alaverdi-"Alaverdu barekargum" LTD	Alaverdi	12	1.5	1982
	Spitak-"Spitaki BKT" OJSC	Spitak	7	6	1979
	Tumanyan-"Bnakaranayin communal tntesutyun"	Tumanyan	1	0.25	1950
		Akhtala	5	0.16	1990
Kotayk	Hrazdan-"Hrazdan service" LTD	Hrazdan	5	7	1974
	Abovyan-"Abovyani hamaynkayin communal tntesutyun" CJSC	Abovyan	12	8	1963
	Charentsavan-"Sambark" LTD	Charentsavan	3.5	20	1973
	Eghvard-Improvement and housing office of community	Yeghvard	4	3.5	1971
	Byureghavan-"Slesh" CJSC	Byureghavan	2.5	1.5	1991
	Nor Hachn-Hachn-1e., Hachn-2e. condominiums	Nor Hachn	7	7.2	1990
	Tsaghkadzor-"Tsaghkadzor service" CJSC	Tsaghkadzor	10	-	-

Appendix 1: Organization of trash removal service by marzes

(cont.)

Shirak	Gyumri-“Shoghak” LTD	Gyumri	12	7	1954
	Artik-“Artik communal tntesutyun”	Artik	5	4	1992
	OJSC	Ashotsk	1.5	2	1984
	Ashotsk-“Communal	Maralik	5	2	1993
	dzernarkutyun ev barekargman	Mayisyan	1.5	3	1950
	kombinat”	Marmarashen	2	2	1988
	Maralik-community				
Syunik	Kapan-“Kapani communal	Kapan	18	2.5	1987
	spasarkum” CJSC	Goris	5	11	1979
	Goris-“Goristnt” CJSC	Sisian	5.5	2	1984
	Sisian-“Sanmakrum” CJSC	Kajaran	13	4	1998
	Kajaran-“Kajarani communal	Meghri	8	3	1968
	tntesutyun” OJSC	Agarak	1.5	3	1960
	Meghri-“Meghrii BKTB”				
Agarak-“Gihon” CJSC					
Vayots Dzor	Yeghegnadzor-“Bnakaranayin	Yeghegnadzor	4	4.5	1968
	communal tntesutyun” SC	Vayk	4.2	2.1	1970
	Vayk-“Kanachapatum, sanmakrum	Jermuk	10	0.8	1979
	ev barekargum” CJSC				
Jermuk-“Sanmakrum ev					
barekargum” LTD					
Tavush	Ijevan-“Bardi” CJSC	Ijevan	7	3	1970
	Dilijan-“Dilimak” LTD	Berd	4	5	2003
	Berd-“Jramatakarum ev	Noyemberyan	3.5	1.5	2000
	barekargum” CJSC	Azatamut	2	0.04	2001
	Noyemberyan-“Baretis” CJSC	Ayrum	2	0.05	2001
	Azatamut-“Azatamuti BKT” OJSC	Dilijan	7	-	-
	Ayrum-“Ayrum” condominium				

Appendix 2: Permissions on provision of irrigation water supply service⁴⁷

Name	License No	Type of activity	Decree No	Date of issue of the license	Date of license termination
Lori-Jrmugh-Koyughi CJSC	0002	Water supply, removal and waste waters cleaning services	68A (Individual)	08/06/2005	08/06/2012
Shirak- Jrmugh-Koyughi CJSC	0003	Water supply and removal services	69A	08/06/2005	08/06/2012
Nor Akunk CSJC	0004	Water supply and removal services	128A	20/09/2005	20/09/2010
HayJrmugh-Koyughi CJSC	0005	Water supply and removal services	140A	04/10/2005	01/01/2011
Yerevan Jur CJSC	0008	Water supply, removal and waste waters cleaning services	88A	30/05/2006	30/05/2016
Armaviri Jramatakarar CJSC	0006	Irrigation water supply service	152A	31/10/2005	01/01/2011
Akhuryan-Araks-Jrar CJSC	0009	Irrigation water supply service	126A	30/06/2006	30/06/2009
Vorotan-Arpa-Jrar CJSC	0010	Irrigation water supply service	127A	30/06/2006	30/06/2009
Sevan-Hrazdanyan Jrar CJSC	0011	Irrigation water supply service	128A	30/06/2006	30/06/2009
Debed-Aghstev-Jrar CJSC	0012	Irrigation water supply service	129A	30/06/2006	30/06/2009

⁴⁷ Source: www.psrc.am

Appendix 3: Retail prices for provision of services to consumers by water supply companies⁴⁸

Name	Measure unit	Tariff	In force since
Yerevan Jur CJSC (decree N -89 N, 2006) of which	dram/ cubic meter	172,8	1 July, 2006
For provision of water supply service	dram/ cubic meter	146,88	
For provision of water removal service	dram/ cubic meter	12,096	
For provision of waste waters cleaning service	dram/ cubic meter	13,824	
Nor Akunk CJSC (decree N -89 N, 2004) of which	dram/ cubic meter	150,20	1 September, 2004
For provision of water supply service	dram/ cubic meter	120,61	
For provision of water removal service	dram/ cubic meter	29,59	
Shirak-Jrmugh Koyughi CJSC (decree N -15 N, 2005) of which	dram/ cubic meter	120,14	1 April, 2005
For provision of water supply service	dram/ cubic meter	76,98	
For provision of water removal service	dram/ cubic meter	43,16	
Lori-Jrmugh Koyughi CJSC (decree N -16 N, 2005) of which	dram/ cubic meter	121,16	1 April, 2005
For provision of water supply service	dram/ cubic meter	91,74	
For provision of water removal service	dram/ cubic meter	29,42	
Tariff for provision of subsoil waters removal service of Yerevani metropolitan CJSC after Karen Demirchyan (decree N -89 N, 2006)	dram/ cubic meter	6,1	1 July, 2006

⁴⁸ Source: www.psrc.am

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REPORT
Reforms in Local Self-Government
in Armenia in 2008

Report is developed by CFOA expert team. Team members are David Tumanyan, Nver Gevorgyan and Knarik Ayvazova (Arabyan)

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

1.1. Assessment of legal reforms in local self-government

Reflecting constitutional provisions in legislation

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

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

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

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

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

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

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

Amendments in laws regulating local self-government

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

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

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

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

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

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

1.2. Assessment of programmatic reforms in local self-government

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

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

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

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

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

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

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

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

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

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

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

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

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

Implementation rules and financing mechanisms for devolved powers will also be defined to streamline the exercise of delegated authority and the level of financing required for the exercise of such authority.

To facilitate the establishment and introduction of a comprehensive community service system, community service legislation will be improved, a first stage of training for community servants will be completed, and continuous further training will be ensured. There will be a transparent process of attestations of community servants and competitions for fulfilling vacancies in community service.

Other works done are also described below. In the framework of public sector modernization project, the Ministry of Territorial Administration has launched creation of community level management information system (CLMIS). 48 urban, 157 rural and 12 district communities (in Yerevan) were given computer equipment (servers, computers, printers, scanners, and UPS¹). Majority of these computers contain CLMIS, standard software packages and anti-virus programs. Ministry of Territorial Administration has also been involved in developing strategic IT program for regional administrations and local self-government bodies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.3. Performance under international obligations

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

2. Administrative and territorial division and Inter-community cooperation

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

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

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

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

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

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

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

Cooperation among communities through direct agreements was not furthered in 2008. The only example is the structures established in some communities to conduct property and land tax bases. By the end of 2008 there were 75 such structures vs. 92 in the previous year. During 2008 communities involved in 17 such structures preferred to conduct their land and property tax bases on their own hence the relevant agreements were abrogated. The process of handing over property and land tax bases to communities, which was launched on July 1 2007, continued in 2008. By the end of the year land tax bases were not handed over to only 4 structures, which cover 66 communities².

3. Own Assets and Financial Independence of Communities

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

² Source: State Revenues Committee of Armenia.

3.1 Own Assets of Communities

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

Table 1: Replenishment of community assets through capital expenditures in 2007-2008³

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

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

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

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

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

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

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

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

... in some communities of the marz the allocation of land for use has been in breach of legislation and fictitious, which precluded incremental revenues entering community budget. In addition, land users breached contractual obligations. The supervisors estimated, remedied book-keeping and protocoled 28855.5 thousand drams of arrears and fines, which must be repaid to the community budget.

The supervision revealed and protocoled the following: land auctions in the marz were fictitious, and the bids of winners were not even more than the starting price, while in some cases the starting prices were established at lower the values defined by legislation, which resulted in loss of revenues to the community budgets.

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

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

Legal and organizational types of community organizations

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

As at January 1 2009, there were 1427 community-owned organizations⁴ in Armenia (1429 as at January 1 2008), including 490 (521 in 2007) were 100% owned by commercial legal entities under community jurisdiction; 316 (335 in 2007) were commercial legal entities, among founders of which were the state and community; and 621 (573 in 2007) community-based non-commercial organizations. In 2008 total number of community-owned organizations hardly changed but shareholding companies continue to get restructured into non-commercial organizations.

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

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

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

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

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

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

3.2. Revenues of community budget

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

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

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

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

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

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

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

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

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

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

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

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

Table 3: Own revenues of local budgets in 2008, by quarters and types
(mln drams)

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

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

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

(*mln drams*)

Total revenues	Administrative budget						Fund budget												
	Subsidies			Subventions			Official transfers from other sources for current expenditures			Subventions from state budget			Official transfers from other sources			Total official transfers			
	Equalization subsidies		Other	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	16	17	18	19	
51720.8	20981.5	40.5	454.5	0.9	145.0	0.3	1943.6	3.8	692.8	1.3	1408.5	2.7	25625.9	49.5	7077.3	13.7	7077.3	46.6	
12 district communities of Yerevan																			
15185.1	6753.9	44.5	113.6	0.7	0	0	192.5	1.3	0	0	17.3	0.1	7077.3	46.6					

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

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

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

Deficit financing

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

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

Financing delegated powers

According to the Article 106 of the Constitution, delegated powers of communities are subject to mandatory financing from the state budget. Article 28³ of the law on Budgetary System of Armenia states that delegated powers and financing of their implementation are regulated by law or procedures established by the government. However, there is no relevant legislation to regulate this issue. On January 17 2008 a government decree was issued (N81-N), which established the normatives applicable to expenditures of heads of communities in implementing delegated powers of arranging activities of territorial offices of social services. On February 7 2008 a government decree (N95-N) was issued to establish the normatives applicable to expenditures of heads of communities in implementing delegated powers of arranging activities of territorial offices of civil status registration offices. The normatives set out in the above decrees establish values of the expenditures both for the social services (only for a limited number of urban communities) and civil status registration offices, heads and staff of territorial offices.

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

3.3. Community development plan and budgeting

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

Budget process

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

Addressing disagreements between community councils and heads of communities

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

3.4. Debt management

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

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

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

3.5. Financial accountability

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

External and internal audit

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

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

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

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

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

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

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

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

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

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

4.1. Powers of local self-government bodies

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

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

4.2. Indicators of financial adequacy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Wages of local self-government bodies and subordinate budget institutions

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

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

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

Table 8: Repayment of arrears on wages in the communities of Armenia (except 12 districts of Yerevan), as of January 1 2009⁵

(mln drams)

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

⁵ www.mta.gov.am

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

5.1. Formation and operations of local self-government bodies

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

Table 9: Local elections held in 2008, by marzes⁶

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

Majority of elections in local self-government bodies were held in autumn 2008. During two months 659 heads of communities were elected and 765 elections of community councils were held in 822 communities⁷: 48.7% of the voters participated in the elections. Average indicator of participation was 32% in Yerevan and

⁶ Source: www.elections.am

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

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

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

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

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

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

Table 10: Political affiliation of candidates running community council elections in 2008 in Aragatsotn marz¹⁰

Political party	Number of candidates
Independent	522
Republican party of Armenia	79
Prosperous Armenia	32
Dashnaksutyun	28
Orinats yerkir	15
Other parties	11
<i>Total</i>	<i>687</i>

⁸ In 2008 these political parties were in ruling coalition.

⁹ Source http://67.18.130.178/index.php?lang=arm&page=1&id=1262&y=2008&m=11&d=07&nc=&ns=&search_keyword=&pnum=&opt=, LSG elections were granted mark “5”

¹⁰ Source: www.elections.am.

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

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

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

Decision-making in the communities

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

Community councils continue to be passive in the process of decision-making. According to surveys implemented by “Investigative journalists of Armenia” NGO in 60 communities in Tavush, Lori, Gegharkunik, Ararat, and Kotayk marzes in 2008, the members of community councils in all surveyed communities have never voted either “against” or “abstained”. All decisions were taken unanimously¹¹. According to expert assessments, the same situation is observed in other communities across the country. All decisions of the community councils are taken unanimously without any serious discussion or objections, while all drafts are initiated and proposed by the heads of communities.

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

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

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

the area resulting in revenue loss of over 10 mln drams¹². Another example is the allocation of 500.000 drams from the community budget of Ashtarak for fencing the building of the prosecutor's office¹³.

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

5.2. Local democracy

Participation of civil society in local self-government

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

As of January 1 2009, the number of non-governmental organizations was 2997 and that of mass media 612¹⁵. Some information about territorial distribution is available on the web-site of the Professionals for Civil Society NGO¹⁶. This web-site database contains information about 968 NGOs including 499 (or some 52%) are located in Yerevan. Mass media are also predominantly Yerevan-based, while regional mass media are in the marz centers and former sub-regional centers.

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

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

¹² Source: 2008 Annual Report of the Chamber of Control

¹³ Source: www.foi.am/am/rcontent/16/1449/, Community council of Ashtarak has become a "philanthropist" at the expense of the community

¹⁴ Source: 2008 Annual Performance Report of the Ministry of Justice

¹⁵ Source: www.armstat.am, Socio-economic situation of Armenia, January-December 2008

¹⁶ Source: www.ngo.am

in democratization in Armenia continues to shrink since 1999, reaching 5.39 in 2008 from 4.79¹⁷. The assessment of the Local self-government administration section remained unchanged from the previous year, which is 5.50. The scoring in “civil society” section also fell to 3.75 (all the above scorings are within a scale of 7, whereby 1 in the best and 7 is the worst indicator).

Perception of LSGs by population

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

In July-August 2008 Asparez Club of Reporters NGO (Gyumri) has undertaken a public opinion poll. Among other issues, an attempt was made to find out the opinion of Gyumri population about the municipal LSG¹⁸. 1000 opinions recorded showed that the work of the mayor was assessed “excellent” and “good” by 10.9% and 30.3% of the respondents, respectively, and the remaining 58.8% assessed it as “satisfactory” and lower, including 6.5% stated that there was no work done whatsoever.

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

According to expert assessments (reviewing survey outcomes) it can be stated that both in 2007 and 2008 the assessment public gave to the operations implemented by LSGs (and, particularly, community councils) is generally very low. The low assessment stems from the dissatisfaction of the population with the quantity and quality of services delivered by LSGs, lack of access to necessary information¹⁹, lack of knowledge among population and also LSGs about their rights and obligations, as well as other reasons.

Gender situation in LSGs and staff

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

The situation hugely differs in elected authorities. Observations of election held in Aragatsotn marz in 2008 come to prove this statement²¹. Only 2 women were

¹⁷ Source: www.hra.am/am/hr-reviews/2009/07/01/freedom, Nations in Transit 2009, Armenia

¹⁸ Source: www.asparez.am, Assessments of performance of the Gyumri community council

¹⁹ Source: Local self-government reforms in Armenia (2007), Report

²⁰ Source: Ministry of Territorial Administration of Armenia

²¹ Source: www.elections.am

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

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

Accessibility of information about LSG operations

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

In 645 communities (total of 914) of Armenia there are information billboards²². The billboards are distributed extremely unevenly. For example, in Armavir, Shirak and Lori marzes all communities have such facilities (97, 119 and 113, respectively), but in Kotayk only 8 communities have them, and in Aragatsotn only 3; in Ararat 58; in Gegharkunik 73; in Vayots Dzor 24; in Tavush 53 and in Lori 97.

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

In particular, UNDP supported Freedom of Information Center of Armenia in implementing the Right to be Aware project²³, in the framework of which 46 information billboards were installed in 4 urban (Ararat, Ijevan, Kapan and Byureghavan) and 6 rural (Aghavnadzor, Ltchashen, Areni, Getap, Jrashen, Nor Gyugh) communities. Seven billboards were installed in urban communities and three in rural²⁴. One of the billboards was installed at of inside the building of the municipal hall, and others in most active public places in the communities (markets, universities, parks, etc). The billboards should contain information of interest to the public, such as community budget, budget execution reports, decisions of the head of LSG and community council, as well as information about sessions of the community council (e.g.: location and time). However, the billboards are not used as intended. For example, in Ashtarak community the billboards contained information about flats for sale, various types of rent opportunities and similar issues; moreover, during the elections of the head of community the posters with pictures of the candidate (the head of community currently in office) were hung²⁵.

In the framework of the UNDP Performance Budgeting Project in operation

²² Source: www.regions.am, Briefing note on public awareness in Armenian communities

²³ This biannual project was launched in 2007.

²⁴ Source: Freedom of Information Center of Armenia NGO

²⁵ Source: www.foi.am/am/rcontent/16/1449/

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

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

In August 2008 Aravot daily circulated queries for information among a number of heads of rural administrations requesting copies of decisions issued by relevant community councils between January 1 and the day of the query²⁶. In support of the request Aravot also gave telephone calls to each of the heads of communities. Lusakunk, Dalarik, Apaga and Byurakan communities did not provide any information. Norashen and Voskevaz communities provided the requested information with substantial delays.

Effective 2003 Freedom of Information Center of Armenia NGO grants information freedom prizes on annual basis. It should be mentioned that both “the most transparent agency” and “the closest and secret agency” categories were granted to communities (the selection was made from among agencies covered by the law on Freedom of Information²⁷. Thus the most transparent agency for 2008 was the Yeghegnadzor community, which had best performed under the requirements of the law on Freedom of Information, while the worst was Hrazdan community, which fails to perform under the above requirements. Ijevan community was recognized as the agency, which has provided the most ridiculous response to queries.

Yeghegnadzor community was granted “golden key” to recognize open and efficient performance, and Hrazdan and Ijevan communities were given “rotten locks” to symbolize secrecy of operations and poor performance²⁸.

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

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

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

²⁸ Source: www.foi.am

Complaints on LSGs addressed to the Ombudsman

The number of complaints on operations of local self-government bodies addressed to the Ombudsman has been reducing every subsequent year. In 2006 the total number of such complaints was 145, in 2007 it was 85²⁹, and in 2008 there were only 61 complaints (See: Table 11).

Table 11: Number of complaints on LSGs addressed to the Ombudsman in 2008³⁰

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

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

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

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

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

6. Correspondence of administrative structures and resources of LSGs

6.1. Capabilities of LSGs and staff

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

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

In autumn 2008 results of almost two-months long elections to LSGs show that 576 heads of communities have higher or secondary vocational education, 87 have secondary, and 1 has only incomplete secondary education³¹.

Approximately 10% of heads of communities in the republic have secondary education³².

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

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

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

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

³² Source: Ministry of Territorial Administration

Decision-making procedures in communities

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

Functional structure of the LSG staff

Functional structure of LSGs did not undergo any substantial change, development or improvement in 2008. Majority of communities lack clearly defined roles of structural units in administration processes, rights and obligations are not distinctly distributed, including procedural issues of their relations and linkages³³. The system is still characterized with voluntarism in decision-making, unsatisfactory level of professionalism and competencies of the staff, lack of infrastructures to promote professional advancement or training, absence of career growth for the personnel, and high rotation rate, etc. This problem is somewhat alleviated with introduction of municipal service, but the above issues still await effective solutions.

It is characteristic that some communities already launched introduction of elements of functional reforms in their administrations. For example, Abovyan urban community introduced internal disciplinary rules for municipal servants³⁴. It is very desirable that similar rules were applied in other communities as well, which might require normative requirements in place.

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

E-governance, registry and equipment

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

³³ Source: Reforms in local self-government in Armenia in 2007, Report

³⁴ Source: www.cfoa.am/HTML/65-6.htm

Table 12: Internet connectivity in communities and LSGs³⁵

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

As of the end 2008 there were 58 organizations operating in Armenia in the area of information transmission and delivery of licensed internet services³⁶. Predominant majority of these organizations, i.e. 70%, operates in Yerevan.

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

In the framework of LGP-3 project implemented by RTI developed and installed asset management software in 38 urban communities, which entails training of staff in the relevant LSGs³⁷.

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

6.2. Municipal service

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

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

³⁶ Source: www.prsp.am

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

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

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

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

Training and retraining systems

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

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

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

Table 13: Number of trained municipal officers in 2008³⁸

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

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

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

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

The state authorized agency follows the process of training holding three-day observations on the sites. In addition, in order to find out the perceptions and opinions of municipal officers in respect of the training courses, the state authorized agency would undertake telephone polls from time to time³⁹. According to the state authorized agency, the observations and queries did not reveal any serious shortcomings or complaints.

³⁸ Source: Ministry of Territorial Administration

³⁹ Outcomes of observations have not been recorded at all

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

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

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

6.3. International support

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

UN Development Program⁴¹

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

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

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

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

⁴¹ Source: www.undp.am

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

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

USAID CHF International: Public works project

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

Table 14: Public work projects in 2008⁴²

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

USAID RTI International: Local government project -3⁴³

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

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

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

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

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

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

Expert center of Council of Europe⁴⁴

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

European Commission: European Initiative for Democracy and Human Rights

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

Table 15: Projects financed by the EC Democracy and Human Rights Initiative in the area of local self-government⁴⁵

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

⁴⁴ Source: www.coe.int/t/dgap/localdemocracy/Centre_Expertise/Programmes/Armenia_en.asp

⁴⁵ Source: www.delarm.ec.europa.eu

*World Vision Armenia*⁴⁶

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

*Gesellschaft für Technische Zusammenarbeit (GTZ)*⁴⁷

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

*Eurasia cooperation fund*⁴⁸

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

*OSCE: Community police project*⁴⁹

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

*Armenia Tree Project*⁵⁰

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

⁴⁶ Source: www.wvarmenia.am/am/?nid=18&offset=1

⁴⁷ Source: www.region.am

⁴⁸ Source: www.epfound.am/index.php?article_id=27&clang=1

⁴⁹ Source: www.osce.org/yerevan

⁵⁰ Source: www.armeniatree.org/atpnews/newsletter/atp_newsletter_spring08.pdf

*Japan International Cooperation Agency*⁵¹

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

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

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

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

Assessment of operations implemented by international organizations

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

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

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

⁵² Source: www.cfoa.am

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

7. DELIVERING COMMUNITY SERVICES

7.1. Public services delivered by communities

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

Tree planting and improvements

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

Armenian Tree Project has implemented series of activities in this area. In particular, in the framework of community tree planting component some 5600 trees were planted in 17 urban and approximately 120 rural communities⁵³.

Maintenance of cemeteries

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

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

With the objective to enhance awareness of population and accessibility of relevant information, information billboards were installed in all 21 cemeteries in Yerevan with all relevant decisions, information about individual cemeteries being closed, partially closed and open, plans of the cemeteries, allocation of cemeteries, as well as service fees, applicable rules and placing other information as necessary⁵⁴.

⁵³ Source: www.armeniatree.org/atpnews/newsletter/atp_newsletter_spring08.pdf

⁵⁴ Source: www.foi.am, Freedom of information already in the cemeteries

Trash removal

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

In the recent years the volume of solid waste in Armenia has doubled hitting 1 mln tons per annum. Trash is predominantly collected in 60 communal sites, which are rather obsolete and do not meet contemporary sanitary-hygienic or environment protection requirements; some waste is pooled in sporadically formed and uncontrolled places. Trash sorting procedures are not established or controlled. There are no special trash collectors for heavy metals in Armenia. Safe wastes get mixed with hazardous one threatening environment. There are facilities for sorting, processing or extracting secondary raw materials. Trash removal is not existent in prevailing majority of the Armenian communities. Other communities face many problems, such as lack of vehicles, or existing vehicles are not envisaged for this services, etc. Multi-apartment and multi-storey residential buildings in Armenia also encounter serious challenges with trash removal. As a result of failure to maintain mandatory norms applicable to common areas in multi-apartment buildings, trash tubes are often clogged entailing anti-sanitary conditions and spread of rodents⁵⁵.

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

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

In 2008 UNDP, Izmirlyan Foundation and Meghri community jointly embarked on implementation of a project to improve trash removal services in Meghri. The project resulted in renovation of the municipal trash collector, and 35 trash containers and 35 bins were installed in various places all over the town. In addition, a trash transporting vehicle and an excavator were provided to secure delivery of daily trash removal services in the town. The trash removal company was replenished with 12 new positions occupied by local people⁵⁶.

RTI implements Local government project-3, in the framework of which trash removal vehicles were purchased in 2008 for a number of urban communities⁵⁷. The

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

⁵⁶ Source: www.undp.am

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

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

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

Maintenance of residential buildings and non-residential areas

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

Residential buildings and non-residential areas of communities consists of multi-apartment residential buildings and individual houses. 95% of residential stock of Armenia is private. 71.6% of total residential stock is within the authority of condominiums, 1.5% under that of authorized managers, and 26.9% under the local self-government bodies⁵⁸.

An important legal act worth special mention is the government decree N1161-N (October 4 2007) on Establishment of mandatory norms of maintenance of common areas in multi-apartment residential buildings. LSGs are not particularly bothered to maintain these norms in view of scarcity of budget resources. However, expert assessments indicate that an average of some 20-30 drams per square meter is needed to maintain the norms, which is not a particularly heavy burden for community budget⁵⁹.

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

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

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

Table 16: Distribution of condominiums by marzes⁶⁰
(As of 01.01.2009)

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

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

Water supply, removal and irrigation

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

Table 17: Irrigation networks in surveyed villages⁶¹

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

According to a survey implemented in 262 rural communities in 2008, irrigation networks are available in 66.4%. in Ararat marz all the surveyed communities have such networks, in Lori the share of communities equipped with irrigation networks is only 37% (See: Table 17). Only 66% of surveyed communities are members of WUAs. Review of the situation by marzes show that all villages are members of WUAs in Ararat and Armavir marzes, while the share of members of WUAs in Syunik, Lori and Shirak marzes is 50% and lower⁶².

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

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

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

Among the activities implemented in the water sector in 2008, a separate mention should be made of the US government funded Millennium Challenge Corporation in the framework of Irrigated Agriculture component. In particular, secondary networks were constructed in Lanjazat, Abovyan, Arevshat and Griboyedov communities. All these communities co-fund 15% of the respective project values⁶³.

In 2007 Japan International Cooperation Agency launched studies in a number of communities with the objective to implement construction, rehabilitation and improvement of community water supply infrastructures, which continued in 2008. The communities are located in Aragatsotn, Shirak, Tavush and Gegharkunik marzes. According to these studies, in four marzes 565km of pipelines will be constructed, 844km of internal network, 248 catchments rehabilitated, 51700 water meters installed, etc. Since the value of this loan project is quite high (equivalent of 100 mln USD), it is envisaged to implement the project in two phases, three and a half years each. Government co-financing is 33 mln USD⁶⁴. In Lchavan and Apnaguyugh rural communities of Gegharkunik marz a pilot project was implemented towards establishment of units for operation and maintenance of water supply and removal networks, which are managed by heads of respective local administrations.

UNDP, Children's Fund of Armenia and Yervandashat community jointly rehabilitated 7.5km of irrigation pipeline. A water reservoir of 150 cubic meters was constructed to maintain chlorine purification of water, in addition to rehabilitation of water pump-station. The implementation of this project yielded secured clean water supply to 204 households at one hour per day regime⁶⁵.

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

⁶³ MCA-Armenia, Quarterly bulletin, N6

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

⁶⁵ Source: www.undp.am

Table 18: Changes in service fee rates assessed by water supply companies, 2008⁶⁶

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

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

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

Public transport

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

Education and culture

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

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

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

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

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

The age of majority of the buildings, which house the above facilities is over 20 years, including 86% of pre-school institutions, 76% of musical schools, 87.5% of arts schools, 67% of painting schools, and 86% of sports schools⁶⁷.

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

For example, UNDP - with financial support of the Italian Government - has completely rehabilitated the culture house in Lusadzor community, which was in actually ruined state⁶⁸, CHF renovated off-school centre in Artik and children and youth center in Gavar in the framework of public works program⁶⁹, etc.

Health

Powers of communities in health sector are extremely limited. Only some rural communities have primary health care out-patient facilities, which are funded from community budgets and fees. These facilities in many communities are in dilapidated condition and without the least of possibilities to deliver primary health care services. According to the survey implemented in 262 rural communities, out-patient polyclinics exist in only 32% of the surveyed communities⁷⁰.

World Vision has been implementing a community health project since 2004 financed by USAID⁷¹. The project aims to improve delivery of health care services in remote communities of Armenia. It was implemented in Tavush, Lori, Syunik and Gegharkunik marzes delivering services to total of 88.000 population in 123 communities. Medical assistance groups with family doctors, pediatricians, laboratory

⁶⁷ Source: Main outcomes of rural community survey; NSS and MCA-Armenia, Yerevan 2009

⁶⁸ www.undp.am

⁶⁹ Source: www.bridgearmenia.am/index.php?cat_id=198

⁷⁰ Source: Main outcomes of rural community survey; NSS and MCA-Armenia, Yerevan 2009

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

LSG power to establish fees

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

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

7.2 Administration of community services

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

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

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

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

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

Mln drams

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

* Includes Yerevan budget

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

Conclusions and recommendations

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

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

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

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

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

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

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

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

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

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

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

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

Community services were not delivered at satisfactory quality or quantity in

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

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

Appendix 1: Approved and actual posts in community service, by marzes⁷²

N	Marz	Senior post		Leading post, Sub-group 1		Leading post, Sub-group 2		Leading post, Sub-group 3		Junior post, sub-group 1		Junior post, sub-group 2		Junior post, sub-group 3		Total	
		Post	Occupied	Post	Occupied	Post	Occupied	Post	Occupied	Post	Occupied	Post	Occupied	Post	Occupied	Post	Occupied
1	Yerevan	10	10	121	113	61	58	355	307	230	182	265	277	136	133	1178	1080
2	Aragatsoin	1	1	122	44	1	1	21	14	415	301	12	9	10	7	582	377
3	Ararat	3	3	106	84	2	1	107	95	155	152	114	111	70	65	557	511
4	Armavir	2	2	119	101	6	4	64	51	245	192	196	157	116	90	748	597
5	Gegharkunik	2	2	111	104	6	6	134	118	230	215	120	92	48	37	651	574
6	Lori	4	4	130	79	8	7	98	86	231	207	183	166	99	86	753	635
7	Kotayk	3	3	95	83	6	6	116	96	159	151	121	108	89	80	589	527
8	Shirak	2	2	138	86	10	7	207	143	150	68	87	71	33	27	627	404
9	Syunik	3	3	124	61	3	3	47	40	155	139	51	40	16	10	399	296
10	Vayots Dzor	0	0	45	38	0	0	88	53	79	56	0	0	0	2	214	149
11	Tavush	2	2	70	65	1	1	68	63	140	125	75	68	34	28	390	352
	<i>Total</i>	32	32	1181	858	104	94	1305	1066	2189	1788	1224	1099	653	565	6688	5922

⁷² Source: Ministry of Territorial Administration

Appendix 2: Approved and actual posts in community service, by Yerevan district communities⁷³

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

⁷³ Source: Ministry of Territorial Administration.

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**ՏԵՂԱԿԱՆ ԻՆՔՆԱԿԱՌԱՎԱՐՄԱՆ ԲԱՐԵՓՈԽՈՒՄՆԵՐԸ
ՀԱՅԱՍՏԱՆՈՒՄ
(2007-2008 թթ.)**

Գիրք 3

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

Book 3

Հայերեն տեքստի խմբագիր՝ Մեսրոպ Հարությունյան
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