

Chapter 6

Local Government  
in Armenia

*by*

*David Tumanyan*

Developing New Rules in the Old Environment



# Local Government in Armenia

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# Local Government in Armenia

*David Tumanyan*

## 1. Overview of Local Government Reform

From 1922 to 1991, Armenia formed part of the Soviet Union and Armenian local governments functioned as a component of Soviet administration. In the late 1980s, the Karabakh movement emerged, initially to call for the incorporation of Nagorni–Karabakh into Armenia, but gradually evolving into a struggle for independence led by the Armenian National Movement. Upon winning the 1990 parliamentary elections, they commenced the process of seceding from the Soviet Union. On 23 August 1990 the General Council, or Parliament, adopted the declaration of independence. A referendum was held on 21 September 1991, and two days later the General Council proclaimed the Republic of Armenia. Of the former Soviet republics, Armenia was the only one to secede in accordance with the laws of the Soviet Union.

The Soviet administrative-territorial division of Armenia into thirty-seven *raions* persisted until 1996. During that time, Armenia was involved in the Karabakh war and blockaded by Turkey and Azerbaijan. Only after the cease-fire in May 1994 could the government turn its attention to strategic development problems. In particular, democratization and the creation of a civil society required innovative approaches to issues of local self-governance.

The Constitution of the Republic of Armenia, adopted by referendum on 5 July 1995, directly addresses issues of regional and local self-government in chapter 8, articles 104–110. These articles became the legal foundation for administrative-territorial reforms. Further legislation rapidly followed, paving the way for the creation of new systems of territorial administration and local self-government in a short space of time. Public policy aimed to increase local autonomy in issues of local importance and strengthen the capacity of regional governments to solve broader regional issues by expanding their territories.

According to the Constitution and Law on the Administrative-territorial Division of the Republic of Armenia (4 December 1995), Armenia is divided into ten regions (*marzer*) and the capital city of Yerevan, which is accorded regional status. Marzer are further divided into rural and urban communities (*hamainkner*), and Yerevan into districts (see table 6.1 for data on marzer). Marzer vary greatly in territory, population, number of communities and level of economic development. The largest region is Gegharkunik Marz, whose 5,348 square kilometers also includes Lake Sevan (1,256 square kilometers). Shirak Marz has the most communities, with a total of 119. Marzer are governed

through the system of state administration. The Armenian government appoints and dismisses regional governors (*marzpetner*) to carry out the following duties with the assistance of regional administrations (*marzpetaran*):

- to implement the government's regional policy;
- to coordinate the activities of regional agencies of state administration;
- to mediate between the central and local governments;
- to regulate inter-community issues within their competence.

*Table 6.1*  
**General Characteristics of Armenian Marzer**

Name of Region (marzer)	Territory [sq. km]	Regional Capital	Distance from Yerevan [km]	Number of Municipalities or Districts		Population [in thousands]	
				Rural	Urban	1996	1999
Yerevan	227	Yerevan	—		12	1,249.4	1,248.7
Aragatsotn	2,753	Ashtarak	20	111	3	162.5 45.7	166.7 46.9
Ararat	2,086	Artashat	29	93	4	305.0 96.5	310.0 98.7
Armavir	1,242	Armavir	48	94	3	315.5 123.5	321.1 122.7
Gegharkunik	5,348	Gavar	98	87	5	272.4 101.1	277.6 102.0
Lory	3,789	Vanadzor	120	105	8	392.4 265.4	394.1 265.6
Kotayk	2,089	Hrazdan	50	60	7	325.9 201.0	328.9 201.3
Shirak	2,681	Gumry	116	116	3	358.3 242.5	361.8 243.6
Sunik	4,506	Kapan	316	106	7	161.9 114.4	163.6 115.1
Vayots Dzor	2,308	Yeghegnadzor	119	41	3	68.3 28.0	69.1 28.4
Tavush	2,704	Igevan	137	58	4	154.8 62.6	156.6 63.0
Armenia	29,743	Yerevan		871	59	3,766.4 2,530.1	3,798.2 2,536.0

The regional council is an advisory body, composed of the marzpet and all community heads from the region. Although its competencies are not defined by law, the regional council typically discusses issues of regional policy and regional development. The marzpet may take the results of these discussions under consideration when performing government duties.

Although Yerevan has regional status, local self-government and state administration in Yerevan possess special features. The mayor of Yerevan is appointed by the president of Armenia, upon nomination by the prime minister. The twelve city districts function as units of local government (see table 6.2). The districts themselves vary greatly with respect to territory, population, infrastructure, public parks and other characteristics. When district boundaries were being drawn up, several factors were taken into consideration, including former territorial divisions, geography, the current state of urban development and future strategies for urban planning.

The Yerevan Council is comprised of the district heads and chaired by the Mayor of Yerevan. In general, the council has limited scope of action. Its responsibilities include approval of estimated expenditures in the budget, which is prepared according to legal specifications and submitted by the mayor. Council responsibilities also include other city-related responsibilities that fall outside the jurisdiction of district governments. These include naming streets, squares, avenues, parks and educational, cultural and other city institutions; regulating the activity of trade and public service enterprises; and awarding honorary citizenship to Armenian or foreign citizens.

*Table 6.2*  
**Yerevan Districts**

District	Number of Inhabitants, 1 January 1999 [thousands]
Ajapniak	125.9
Avan	50.5
Arabkir	151.4
Davitashen	50.7
Erebuny	126.5
Kentron	180.5
Malatia-Sebastia	159.6
Nor Nork	131.5
Nork-Marash	14.6
Nubarashen	9.3
Shengavit	145.5
Kanaker-Zeitun	102.7
<b>Total</b>	<b>1,248.7</b>

In Armenia, local self-government is exercised only within the unit of the community. Each urban or rural community may consist of one or more settlements; there are one thousand settlements in Armenia, but only 930 communities. These consist of forty-seven urban communities, 871 rural communities and twelve Yerevan districts.

After establishing the register of communities nationwide, the National Assembly adopted the Law on Elections to Local Governments (14 May 1996) and the Law on Local Self-government (22 July 1996). The first local elections were held in November of that year. Based on the European Charter of Local Self-government (1985), the Law on Local Self-government established general principles of local self-government as well as the specific division of powers within local governments. Local government powers consist of own responsibilities, funded by the local budget, and responsibilities delegated and funded by the state. Local governments have some flexibility in implementing voluntary community-related activities within the framework of the law.

Communities vary widely in population, territorial size, property and social and economic structure. There is no legal distinction between a city and village; these names are derived from tradition and location. For instance, the term “city” refers to both Dastakert in Sunik Marz, with six hundred inhabitants, and Gumry in Shirak Marz, which is the second largest city in the republic, with 211,700 inhabitants. The largest rural community has 10,049 inhabitants (Akhurian, in Shirak Marz), and the smallest only thirty-seven (Kashuni, in Sunik Marz). Despite their different natures, all community governments are regulated by the same laws.

In implementing community-related policies, the government gives weight to population indicators. For example, population size is the main factor in determining community subsidies under the Financial Equalization Law. Communities with fewer than three hundred inhabitants are allotted extra definite quantity subsidies. Other geographic and demographic characteristics are defined by law. According to Government Act No. 713 on Classification of Armenian Border Communities (17 November 1998), 173 communities are ranked as border communities, including nine cities and 190 villages. According to Government Act No. 756 on Classification of Armenian Settlements According to Altitude (27 November 1998), settlements 1,700–2,000 meters above sea level are considered mountainous settlements, while those above 2,000 meters are classified as high mountainous settlements. Altogether there are 195 mountainous communities (eight urban and 187 rural) and 143 high mountainous communities (four urban and 139 rural).

The financial basis of local government was first addressed by the Law on the Budget System (21 July 1997), which stipulates procedures for the creation, implementation and supervision of community budgets; intergovernmental fiscal relations; and types of revenues and expenditures. The Law on Local Duties and Fees (9 January 1998), which defines the types and permitted rates of local duties and fees, further enhanced local initiative and economic and political autonomy. Transfers from the central to local budgets are regulated by the Financial Equalization Law (23 December 1998), which establishes the general concept of financial equalization, the form of subsidies and the main factors for their calculation. Each of the above-mentioned laws has been repeatedly amended since adoption.

According to Armenian law, the central government has the authority to decide on over twenty spheres of local government interest. These include allocating budgetary loans, credits and guarantees; establishing procedures for the collection and distribution of local taxes; and confirming community property.

Armenian legislation on local self-government is largely based on the European Charter of Local Self-government. In its Report on Local Democracy in Armenia, the Bureau of the Congress of Local and Regional Authorities of Europe (CLRAE) noted that “the chief requirements of the Charter are thus fulfilled by Armenian law, which does not contain any provision conflicting outright with a principle of the Charter.” However, the report goes on to mention that “the fact remains, as the Armenian authorities are themselves convinced, that the functioning of local government at present is not without defects and shortcomings that will have to be rectified.”

## 2. Local Politics, Decision Making

### 2.1 Public Participation in Decision Making

Armenian legislation does not address public participation in the decision making process in detail, although it may do so according to the Law on Local Self-government. In general, the community head and community elders have the right to initiate decisions, but residents may submit draft resolutions and attend council sessions with the permission of the local council. However, the level of public participation is very low. Most citizens are poorly informed about local authorities and their responsibilities as well as local government procedures. Although the Constitution provides for forms of direct democracy, such as referenda, public hearings and meetings, they have rarely been used at the local government level. Only a few cases of public hearings are known. The absence of direct forms of democracy is due to many factors, such as lack of financial resources, an ill-defined legal framework, minimal activity on the part of non-governmental organizations (NGOs) and overall organizational difficulties.

Even though over 2,200 NGOs are registered in Armenia, few of them are active and involved with local governments. According to the Law on Non-governmental Organizations (1 November 1996), an NGO is a voluntary union formed to satisfy people’s spiritual and other non-material requirements. An NGO may be initiated by an individual or another NGO, and founded by the decision of an assembly of no fewer than three individuals or two NGOs. All NGOs, both regional and local, must be officially registered with the Ministry of Justice in Yerevan.

### 2.2 Internal Structure of Local Government Decision Making

Together, the council of community elders and the community head comprise the local decision-making bodies. The community elders act as the representative body, providing guidance on community development, improvement of community life, public service delivery and other issues.

Council sessions are held at least once per quarter at the elders' discretion. These are presided over by the community head, who has a tie-breaking vote. Community elders have the authority to issue resolutions on any matters related to community interests. Community elders may also issue statements on matters which are outside their jurisdiction but related to the community. These may be addressed to the public, the head of the community, the marzpet or other state authorities.

The first session of the newly elected community elders must be convened no later than twenty days after the elections. The council of elders is considered formed if more than fifty percent of the members have been elected.

The institution of elders dates back to 2200–2100 BC, when seventeen small Armenian princedoms formed a confederation around the Kutuy princedom of southern Armenia. According to ancient Mesopotamian manuscripts, the Kutuy kings were elected rather than hereditary, and individual princedoms retained local autonomy. Local administrators were elected by councils of elders and public assemblies. The same system was in place in the federation of Nairian countries, founded in the second millennium BC during the struggle against the Assyrians. This is the earliest record of regional local self-governments. The earliest mention of urban self-governments dates back to the sixth century BC. Sovereign municipal assemblies operated in large cities, managed by the mayor. Members of municipal assemblies included community elders chosen from old and wise people, the head priest, the judge, city district mayors and ethnic leaders in cities with mixed ethnicities.

The following responsibilities are mandatory for community elders:

- to issue regulations on the council of elders;
- to determine the salary of the community head, according to legal specifications;
- to approve the structure of the local administration;
- to approve the general urban development plan;
- to approve the local budget;
- to establish local duties and fees;
- to approve the implementation of the land cadastre regulating use of communally owned land;
- to establish rules of operation for trade, catering and public service enterprises;
- to approve the annual inventory of community property;
- to publish a three-year development plan and the annual budget;
- to publish the annual statement of the community head on budget performance.

The council of elders may undertake the following responsibilities at their own discretion:

- to dismiss the head of the community;
- to request any non-classified information pertinent to community activities from state authorities;
- to make amendments to the budget;

- to name streets, avenues, squares and parks;
- other issues within the framework of voluntary powers.

Mandatory duties of the head of the community include the following:

- to approve regulations on the organization and functioning of the local administration;
- to establish a list of positions and official salaries of local administration staff;
- to prepare the general urban development plan, implement the land cadastre and approve detailed plans of certain sectors within the general urban development plan;
- to appoint and dismiss local administration staff;
- to open the founding session of the community elders;
- to approve the annual inventory of community property;
- to make decisions and issue orders within his or her jurisdiction.

Either the community head or a community elder may submit draft resolutions for the council's consideration (see figures 6.1 and 6.2) Local council resolutions are implemented by the respective executive bodies, in cooperation with other interested organizations and people. Local councils set up specialized committees to identify the main priorities of development for the respective communities. Council decisions are passed by a majority vote of elders present, provided that over half its members attend the meeting. A copy of the council decision must be delivered to the office of the regional governor within seven days.

*Figure 6.1*

**Submission of a Draft Decision by the Head of the Community**

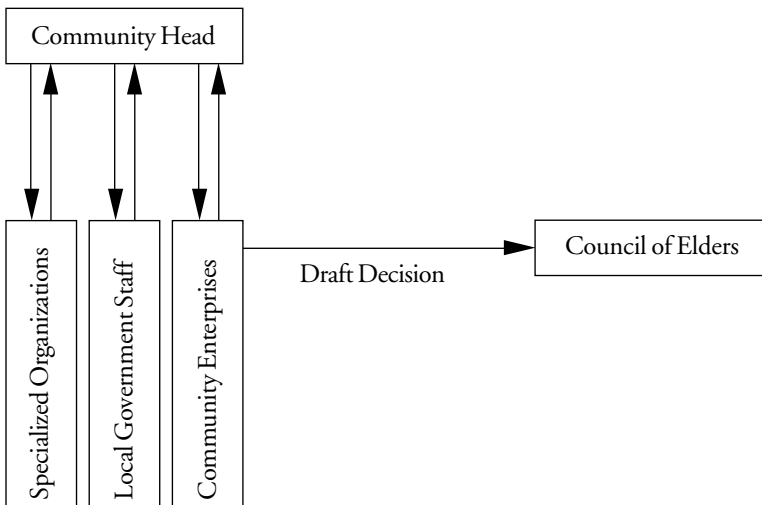
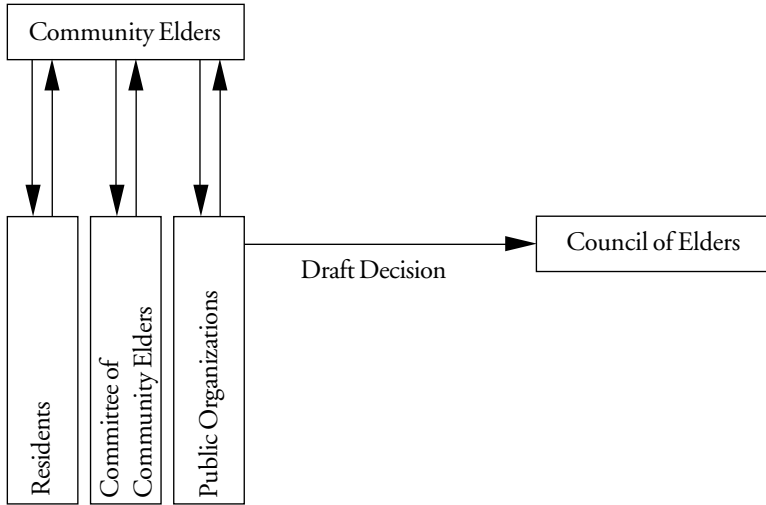


Figure 6. 2  
**Submission of a Draft Decision by a Community Elder**



### 2.3 System of Local Elections

The first local elections in the Republic of Armenia were held in November 1996 under the Law on Elections to Local Governments. The second round of elections took place on 24 October 1999 pursuant to the Electoral Code, which was adopted on 17 February 1999 to ensure guarantees of transparency, democracy and fairness. Community heads and elders are chosen through general, equal and direct elections by secret ballot. Extraordinary elections may occasionally be called.

The term of office for both elders and community heads is three years. Communities with up to three thousand inhabitants elect five elders to the local council, communities with up to twenty thousand inhabitants elect ten and communities with over twenty thousand inhabitants elect fifteen. A candidate for the position of elder must be an Armenian citizen over twenty-one years old, registered in the community for the past year and entitled to vote according to the special requirements of Armenian law. Candidates for community head must be at least twenty-five years old, but otherwise meet the same requirements. Members of the Constitutional Court and judges may not be nominated as candidates for either position.

Regional electoral committees organize local elections, compile and publish election results and certify the elected elders and community heads. Regional electoral committees consist of:

- three government appointed members;
- one member appointed from each party or coalition represented in the acting or dissolved National Assembly, if they have applied to participate in the National Assembly elections through a proportional voting system and have produced at least thirty thousand certified signatures defending their nomination in the list;
- one member appointed from each of the first five parties not represented in the acting or dissolved National Assembly, but which have applied to participate in the National Assembly elections through a proportional voting system and have produced at least thirty thousand certified signatures defending their nomination in the list.

Elections are organized in multi-mandate electoral districts as follows:

- one majority system electoral district with five mandates in communities with up to three thousand inhabitants;
- two majority system electoral districts with five mandates each in communities with up to twenty thousand inhabitants. The population of an electoral district shall not exceed fifty-five percent of the total population of the community;
- three majority system electoral districts with five mandates each in communities with over twenty thousand inhabitants. Electoral districts must be divided according to population, not deviating by more than five percent of the population.

Candidates for community elders and head may have legally authorized representatives to campaign on their behalf. In order to ensure fairness, elections may be covered by the mass media and observed by international organizations, representatives from foreign countries and NGOs. Candidates' legally authorized representatives, observers and representatives of the mass media have the right to be present at the electoral committee sessions, to examine documents, sample ballots, electoral committee decisions and records and to appeal against the actions of electoral committees. Observers from CLRAE were present in the last local elections and reported that "the CLRAE delegation found no serious irregularities such as to cast doubt on the fairness of the ballot held on 24 October 1999 to elect community leaders and community councilors. In its press release, it concluded that the elections had been free and fair."

Political parties play almost no role in local elections and do not have the right to nominate candidates. Political affiliation is mentioned only on the ballot itself, if in fact the candidate belongs to any particular party. This is rarely the case; in the 1999–2000 elections, 74.2 percent of the winning candidates ran as independents (see table 6.3).

*Table 6.3*  
**Results of the 1999–2000 Local Elections in Armenia**

Electoral Party	Community Heads				Council of Elders			
	Total Mandates	[%]	City Mayors and District Heads	Village Heads	Total Mandates	[%]	Urban and District Communities	Rural Communities
Independent Candidates	554	67.1	24	530	2,779	75.8	414	2,365
Armenian Republic Party	156	18.9	16	140	314	8.6	101	213
Armenian People's Party	53	6.4	2	51	146	4.0	38	108
Armenian Revolutionary Federation	9	1.1	0	9	112	3.0	28	84
Armenian Communist Party	16	1.9	0	16	115	3.1	21	94
Armenian National Movement	22	2.7	1	21	72	2.0	1	71
National Democratic Union	0	0.0	0	0	41	1.1	5	36
Powerful Homeland	5	0.6	0	5	32	0.9	3	29
Lawful Country	3	0.4	0	3	36	1.0	4	32
Other Parties	8	0.9	0	8	20	0.5	2	18
<b>Total</b>	826	100	43	783	3,667	100	617	3,050

## 2.4 Ethnic Issues, Multicultural Government

Though there are few ethnic minorities in Armenia, some communities do exist where the majority of inhabitants are of different nationalities. The Yezdies, for instance, inhabit eighteen rural communities in Aragatsotn region. There are also a few communities where Russians and Assyrians are the majority. Some national minorities may operate schools, publish newspapers or sponsor radio broadcasts. However, Armenian is the working language in all local self-government bodies.

## 2.5 Local Government Associations

There are currently three major local government associations operating in Armenia: the Community Union of Armenia (CUA), the Union of Yerevan Elders (UYE) and the Community Finance Officers Association (CFOA). In addition, there are also rural inter-community associations, none of which are particularly active. Local government associations are established by the agreement of community heads and ratified by the community elders. They act as legal entities to help local governments solve

problems of cross-community impact and thereby reduce costs. Armenian law also provides for the establishment of voluntary professional associations, which applies to associations formed by other local government officials. The above-mentioned associations all work towards the goal of improving existing legislation in the field of local government.

The Community Union of Armenia first convened on 12 December 1997. Today membership in the CUA includes six affiliated individuals and 530 communities, representing over three million citizens from forty-seven urban communities, twelve districts and 471 rural communities. The general assembly is held every three years and elects a council, which in turn elects a board. The board manages association affairs, while the executive director of the association is charged with managing operational and financial affairs. The main tasks of the CUA are as follows:

- to support forms of cooperation among communities;
- to sponsor legislative changes and state administrative decisions affecting communities;
- to promote communities as effective instruments of democracy and public service provision;
- to work together with similar foreign organizations and foster international relationships;
- to promote effective local self-government by providing information to local government officers.

The CUA is well known in Armenia. Among its other activities, it has drawn up a draft concept of public policy in the sphere of local self-government and submitted it to the government, which is expected to discuss the draft and adopt an appropriate decision. The CUA cooperates with various international organizations, such as the Urban Institute, the International Union of Local Authorities (IULA) and CLRAE.

The Union of Yerevan Elders, founded in 6 March 1998, currently has seventy-seven members. Its general assembly convenes annually, approves a general program and elects a twelve-member board responsible for its implementation. The assembly also elects a president to conduct daily association affairs. After confirming the president, the board elects a deputy president from its members. The main tasks of the UYE are as follows:

- to harmonize council activities among Yerevan districts;
- to exchange best practices and information on current council activities in other districts;
- to submit amendments to local government laws or suggestions on specific local council activities;
- to encourage professional development among its membership;
- to carry out research and educational activities.

Among its activities, the Union of Yerevan Elders has submitted amendments on local government laws to the National Assembly and organized training workshops for Yerevan community elders. The UYE may respond to local community developments by addressing letters to the government, granting interviews and press conferences and making television appearances. The UYE works together with international organizations such as the Urban Institute.

The Community Finance Officers Association, founded on 24 September 1988, is governed by its general assembly, held once a year. The assembly elects fifteen board members, at least two-thirds of

whom must be community representatives, a president to act as chairman of the board and a deputy president. The association has a total of eighty-four members: sixty-six members representing communities, fourteen representing state agencies and four unaffiliated members.

The main tasks of the CFOA are as follows:

- to participate in drafting legislation on local government finance;
- to exchange best practices in community financial management;
- to attend working groups, meetings and other central government venues in which they may express the interests of their communities;
- to provide assistance to communities currently engaged in the budget process;
- to cooperate with foreign and local self-governments as well as public organizations;
- to organize seminars, meetings and discussions;
- to draft plans for the joint financing of inter-community projects;
- to establish and operate community information centers.

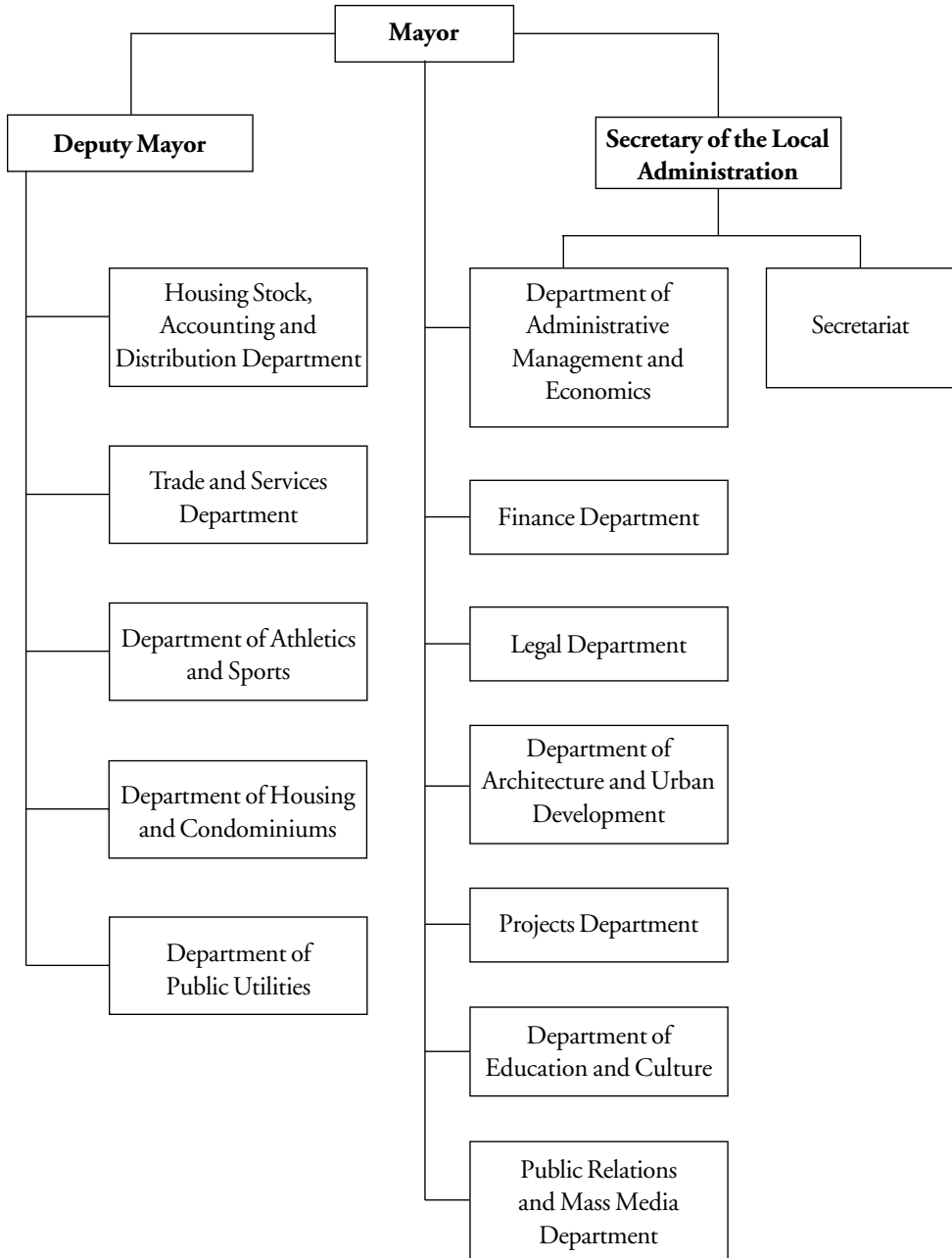
The CFOA provides consultancy services to community finance officers in formulating and implementing community budgets. With the assistance of Eurasia Foundation, the association has created a computer program for drawing up community budgets. This project is currently in the investment phase. The association is also participating in the creation of a new Law on Local Self-government together with the German Technical Cooperation. The CFOA works with international organizations such as ICMA and the Urban Institute.

### 3. Functional Structure of Local Administration

The local government level utilizes a vertical hierarchy of control. Local administration staff and community institutions are accountable to the head of the community, who is in turn accountable to the community elders.

The community head represents the executive branch of community government, acting on the principle of individual leadership. The head is required to submit a proposed organizational structure of local administration staff to the community elders for approval no later than one month after taking office. If the community elders reject the proposed plan, the head may consider their suggestions and present a revised plan. If agreement cannot be reached, the community elders may submit a motion to the marzpet to dismiss the head of the community. The local administration is a legal entity, with its own seal bearing its name and the state emblem of the Republic of Armenia. Local administration is composed of the deputy head of a community, the secretary of staff and their divisions. The size of local administration staff is defined according to population size by Government Decision No. 372 (adopted 6 December 1996).

*Figure 6.3*  
**Structure of Local Administration in the City of Vanadzor (172,700 inhabitants)**



The community head is prohibited from simultaneously occupying any other state position or performing other employment with the exception of creative, scientific and pedagogical activities.

The community head is charged with the following duties:

- to approve the local administration charter;
- to establish a list of staff positions and official salaries and hire local administration staff;
- to appoint and dismiss staff officers and directors of community enterprises or organizations;
- to submit drafts of the three-year development plan and the annual budget to the community elders for review;
- to make decisions and issue orders within his or her jurisdiction;
- to carry out the instructions of the regional governor on organizing civil defense and anti-epidemic measures and on minimizing the risk and consequences of technological and natural disasters;
- to exercise other powers specified by the Law on Local Self-government;
- to oversee implementation of council decisions.

The head of a community is charged with mandatory responsibilities in the following spheres: finance, protection of citizens' rights, public safety, defense, planning, development, construction and land use, public utilities and service provision, transportation, trade and services, education and culture, public health, athletics, agriculture and environmental protection. In Yerevan, these responsibilities are divided among the city administration, the council of Yerevan and individual district communities. The following duties are assigned to the heads of rural and urban communities and the head of Yerevan (excluding district heads):

- to grant permission to hold assemblies, demonstrations, marches and other mass gatherings as specified by the law;
- to prepare the general urban and local development plan and submit them to the regional governor upon council approval;
- to approve detailed plans of certain sectors and urban development complexes of the community within the general urban development plan and carry out development activities;
- to name streets, squares, parks, educational, cultural and other community institutions;
- to establish a numbering system for houses, buildings and other structures;
- to organize construction, maintenance and operation of sanitation facilities;
- to ensure proper maintenance of cemeteries;
- to regulate transportation and organize community transport enterprises;
- to provide for the operation of taxi services, with the exception of minibuses;
- to regulate trading, public catering and consumer service enterprises in accordance with legislation and with the consent of the community council.

The local administration performs the following management functions:

- to protect the rights of citizens and the interests of the local self-government;
- to provide local development planning;
- to manage financial matters and community property;
- to implement projects and achieve strategic goals;

- to define, calculate and forecast citizen needs, formulate appropriate methods for their satisfaction and prepare the relevant draft resolutions;
- to assign resources for public service delivery, supplement existing resources and search out new resources;
- to supervise implementation of the three-year development plan, making any necessary adjustments.

Various institutions in community ownership, under direct control of local governments, include kindergartens, specialized schools for art, music and athletics, cultural halls, libraries, parks, clubs and stadiums. Local authorities also have direct control over companies providing heating, sewerage, water supply, public utilities, sanitation and landscaping. Local authorities are also responsible for supervising streets, squares, parks, bridges and other structures of community importance; residential units and buildings; administrative, historical, cultural and athletic institutions; and any other structure owned by local governments. A register of property owned by each community is approved by the central government.

#### 4. Public Service Provision

Local self-government bodies are responsible for providing the following public services:

- water supply,\* sewerage, irrigation, gas and central heating systems;
- landscaping and community improvement;
- use and maintenance of community building stock, including residential and non-residential buildings, dormitories, administrative buildings and other community-owned structures;
- ensuring the proper maintenance of cemeteries\*;
- construction, maintenance and operation of roads, bridges and other engineering structures within the community's jurisdiction;
- construction, maintenance and operation of sanitation facilities\*;
- operation of community public transport\*;
- construction and operation of irrigation systems;
- waste collection and disposal.

\* refers to services not provided by district heads.

Responsibility for water supply systems has been transferred to local governments, including water treatment stations, supply networks, reservoirs and local water sources. Unfortunately, water supply facilities are typically thirty to forty years old, resulting in a large loss of water. Actual water consumed by residents is not directly measured, but is instead estimated by dividing the total volume of water supplied to a community by the number of its residents. The central government sets a wholesale price of thirty AMD/m<sup>3</sup> for water delivered from the source to the community treatment plant. The retail price is then set by the community elders, usually ranging from thirty to sixty AMD/m<sup>3</sup>.

However, collection of water service fees is low, and community debts to the central government for the supply of bulk water often exceed local budget revenues. To recover these fees, the central government issued Decree No. 49 (3 March 1999) to rent water supply systems for a fixed term of ten years through the central government's Armenian Water Supply and Sewerage Company. Another solution to problems arising from the decentralization of the water supply is to contract with foreign companies for the management of water supply systems, as has been done in Yerevan. The government is also making efforts to find resources from donor organizations for investment, repair and decentralization of the water supply system. The sewerage systems are old and badly maintained. Rates for sewage collection and treatment are set by community elders and vary depending on whether the consumers are individuals or firms.

Since villages represent 93.6 percent of Armenian communities, agriculture is an issue of great local importance. Many communities have their own internal irrigation network, managed and maintained by the local government. Alternatively, associations of water users organize the operation and maintenance of irrigation systems. The central government supplies irrigation water and sets the wholesale price based on the area to be irrigated. To encourage conservation, the government imposes a two-tier rate structure based on consumption for water supplied to the irrigation associations.

Community elders approve the allocation of resources and land for cemeteries. Some communities have transferred the preservation, maintenance and servicing of cemeteries to specialized agencies on a contractual basis. Street cleaning and maintenance of public areas such as gardens and parks are financed from the community budget and performed by local government enterprises or contracted to private companies through public tenders. Community elders determine the area to be cleaned and the rate per unit of area. Landscaping and community improvement are mainly carried out in cities, due to lack of funds in villages. Public transportation, usually buses, are provided only in large and medium-sized cities, either by a community-owned public transportation enterprise or by the private sector. In both cases, fares are set by community elders.

Local governments are also responsible for waste collection and disposal. Rates are set annually by the community elders, on average about one hundred AMD per capita per month. Some local governments negotiate contracts between private enterprises and community residents, in which case the company sets a fee, usually much lower than those charged by communities. Some communities own and operate landfills, which they maintain with funds from the community budget. Communities without landfills must pay a fee for use of the landfill in another community. These fees are another source of budget revenues. However, many communities mismanage fee collections and consequently appropriate street cleaning funds to ensure the performance of waste management services. Sometimes street cleaning and waste collection are performed simultaneously.

Although heating supply is another mandatory responsibility of the local governments, most systems are in extremely poor condition, occasionally not functioning at all. Other communities are unable to collect user charges, forcing them to end the service altogether.

Community housing stock generally consists of apartment blocks (in cities only) and privately owned houses. Most apartment blocks have been privatized. Maintenance of non-privatized apartment blocks is provided on a contractual basis either by local government enterprises or by the private sector. Community elders maintain and establish rent for community-owned non-residential space.

Privatized apartment blocks form condominium associations to carry out maintenance. Condominium associations were first authorized by Government Decision No. 295 (30 May 1995), which provided that they be established in privatized buildings or groups of buildings where more than fifty percent of the units had been transferred to private ownership. The process of forming and legally registering condominium associations began very slowly, with the first registered in early 1996, mainly in Yerevan. Multiple-building associations were typically composed of buildings with adjoining outdoor courtyards, common roofs or infrastructure, such as water mains, heating supply or electrical lines and other common facilities. On 1 June 1996, the National Assembly adopted a more comprehensive Law on Condominiums, under which a condominium association could not be comprised of more than one residential building. Most owners felt their buildings were too small to support improvements in services and facilities and could not afford to hire managers, accountants and cleaning staff. In May 1998, the Condominium Law was amended once again to allow groups of buildings to form condominium associations.

The most recent major change in condominium legislation occurred with the adoption of a new Civil Code for Armenia in 1999. Prior to this, communities retained control over the common areas of condominiums and contracted public property management enterprises (*zshaks*) to maintain them. Common areas are now jointly owned by apartment owners, with shares in proportion to the size of their apartment, and are consequently managed by the condominium association. Since the 1998 amendments to the Condominium Law and the adoption of the Civil Code, registration of associations has proceeded fairly quickly. By February 2000, there were 595 legally registered condominium associations in Armenia, including a total of four thousand buildings and 165,000 apartments. Roughly forty percent of total apartment buildings now have registered condominium associations.

The prevalence of condominium associations is not evenly distributed among the marz or among communities within a given marz. Within Yerevan, the percentage of apartment block households belonging to condominium associations ranges from 6.4 percent in Kentron District to one hundred percent in Nubarashen District. In Yerevan overall, 56.1 percent of households belong to condominium associations; in seven out of twelve districts, this number is over seventy-four percent. This ratio ranges from 79.4 percent in Sjunik Marz to zero percent in Ararat Marz.

Of registered condominium associations, approximately fifteen percent report that they do not collect fees or operate services either because residents are too poor or because they resent being controlled by association managers perceived as lacking adequate management skills. Many of these associations could be revitalized through a change in leadership or through training in association

management if it were available. Eighty-five percent of condominium associations are more active, with sixty percent reporting improvements in public utility services. The remaining forty percent do not perceive any change in the quality of services, but no condominiums report an actual decline.

According to condominium associations, between sixty and eighty percent of members regularly pay fees. Many condominiums have established methods of assisting their most economically vulnerable residents. On average, roughly ten percent of a building's inhabitants are unable to pay any condominium fees and have been exempted from their financial obligations by decision of the association meeting. In most cases, these residents contribute labor instead.

The relationship between local authorities and condominiums is complicated by a sense of competition, since associations prefer to seek service provision privately rather than through the local government or its enterprises. For example, about twenty-five percent of all condominiums contract privately for solid waste collection. Although the law states that local authorities must support the establishment of condominiums and provide further assistance, there remains a perceived conflict between the interests of local authorities and condominiums. However, there have also been cases of effective cooperation.

Every district in Yerevan provides condominium support service departments. However, residents view these departments as impeding those associations that wish to contract for services elsewhere. With the loss of business to district public utility or housing maintenance departments, staff salaries are frequently delayed for long periods and condominium associations are blamed.

With the support of USAID, the National Association of Condominium Owners (NACO) was founded in 1997 to provide support to condominium associations. Its activities include training programs, consulting, dissemination of public information and research on the number of registered associations, their activities and problems. Originally established by twenty condominium association representatives, NACO now has a membership of four hundred association heads.

Condominium associations struggle with many problems, largely because most citizens and public officials have little understanding of the rights and responsibilities of condominiums and procedures for establishing condominium associations. The legal framework is filled with contradictions and omissions, failing to adequately define the procedures for establishing and registering condominiums, the functions and duties of the participants and legal remedies for the breach of law. For example, under article 31 of the Law on Local Self-government, the preparation and organization of general meetings of condominiums is a mandatory function of the local government. In practice, many local officials instead try to hinder this process. There are no effective citizen participation procedures that would allow condominium residents to work with local government officials in developing legal regulations and rational procedures and policies relevant to condominiums.

The management and operation of kindergartens is another mandatory responsibility of local self-government bodies. The cost of operating and maintaining kindergartens is covered jointly by parents and by the community budget. Community elders establish the fee paid by parents and

determine social groups eligible for reductions or waivers. A number of kindergartens have closed due to an insufficient number of students. Specialized education is provided by the local government; these institutions include music and fine arts schools, athletic schools and centers for enhancing technical and creative potential in children. As with the kindergartens, the elders set fees and determine which students are eligible for exemptions and remaining costs are covered from the budget. In most small communities, such services are not offered and students must attend schools in neighboring communities. Fees vary for this, usually depending on the demand for a given service.

Primary and secondary education is the provenance of the state government, which funds and administers institutions, employs teachers and administrators and determines curricula and performance standards. As an experiment in decentralization, fifty-seven public schools have been transferred to community management. If this experiment succeeds, then decentralization of the educational system will continue.

Maintenance of libraries and museums is entirely covered from community budgets. Although cultural institutions charge fees, they are not sufficient to cover costs and the community budget makes up the deficit. Health care is provided primarily by the central government. However, a few communities have primary health care clinics, which are covered from user fees and the community budget. Ownership of electricity and gas supply systems was not transferred to communities, but local governments must facilitate the installation of such services for community residents and businesses. A special public committee defines the rates for these services, while the respective ministry establishes procedures for operation and maintenance. Local governments have no responsibility for telecommunications, which is provided by the Armentel stock company on a monopoly basis.

Other local government responsibilities include the development of commercial trade, restaurants, consumer services, public lighting and stray animal control, all of which are regulated by council decisions. Services provided by the central government are coordinated and controlled by the governor of the respective region. The local government may open public tenders for service provision, and the private sector is gradually increasing its participation in public service delivery. In some cases services are provided by stock companies, which are fully or partially owned by the local self-government. In general, local authorities play a minor economic role, due to lack of financial resources.

## 5. Local Finance, Local Property

### 5.1 Budget System

The Law on the Budget System in the Republic of Armenia regulates all budgetary relations between central and community budgets in a system based on unified state fiscal, monetary and taxation policies. The Armenian budget system follows the common procedures of developing draft budgets, classifying revenues and expenditures, accounting, reporting and implementation. Regulation of budgetary relations is based on the principles of unity, independence, balance and transparency of the

budgets, as defined by law. The aggregate of the revenues and expenditures of the state and community budgets forms the consolidated budget of the Republic of Armenia.

The economic decline that had begun in the final years of the Soviet Union intensified after Armenia declared independence, due to the cessation of economic relations. The GDP continued to fall until 1995. It has risen since then, but consolidated budget expenditures as a percentage of GDP have not (see table 6.4). In relation to consolidated budget expenditures, local budget expenditures are extremely small (see table 6.5).

*Table 6.4*

**National Government Expenditures as a Percentage of GDP in Armenia, 1994–1999**

Year	% of GDP
1994	21.9
1995	24.1
1996	19.2
1997	19.0
1998	22.3
1999	24.5

In its fiscal relations with local governments, the central government carries out the following purposes:

- to promote community development by reducing financial disparities between communities and enabling them to implement their mandates;
- to allocate subventions (special-purpose appropriations) to communities for capital expenditures;
- to allocate budgetary credits and loans to the community budgets for capital expenditures.

Communities are heavily dependent on state budget transfers, which typically comprise over fifty percent of local budget revenues. Of the two types of central government transfers, subventions and subsidies, the subsidy is more important by far. Individual communities have full discretion over use of equalization subsidies, which are considered budget revenue and distributed through the community budget. Subsidies are distributed from a fund, the precise size of which is determined each year by the Annual State Budget. In 1998 and 1999, the subsidy fund amounted to at least twenty-five percent of total previous-year collections from income, land and property tax, as stipulated in the Law on the Budget System.

Procedures for distributing equalization subsidies among communities are stipulated in the Law on Financial Equalization. Prior to 2000, subsidies were calculated according to the same procedure for all communities. In 2000, the law was amended so that subsidies are calculated separately for communities with populations over and under three hundred.

*Table 6.5*  
**Relative Size of Local Budget Expenditures and Central Government Expenditures,  
 1996–1999 [%]**

	1996	1997	1998	1999
Central budget expenditures, not including subsidies from the state budget to local governments	95.3	93.9	94.7	95.3
Local budget expenditures	4.7	6.1	5.3	4.7
<b>Total expenditures</b>	100.0	100.0	100.0	100.0

Subsidies for communities with more than three hundred inhabitants are determined by the following factors: (a) land and property tax revenue per capita and (b) the number of residents. For communities with fewer than three hundred inhabitants (a total of 172 communities), the subsidy based on (a) may not be less than twenty-five percent of total previous-year collections from income, land and property tax. The total subsidy to these communities based on (b) may not be less than ten percent of previous-year income tax collections. The subsidy based on (a) is destined for communities with over three hundred inhabitants where per capita land and property tax revenues are lower than the national average.

For communities with over three hundred inhabitants, the subsidy based on (b) is calculated by multiplying the number of residents by the subsidy amount per capita (the ratio of the total subsidy based on (b) to the entire population in Armenia living in communities of over three hundred inhabitants). The amount of subsidies for the communities with fewer than three hundred inhabitants is calculated evenly.

The central government may also allocate subventions to local governments for the implementation of concrete projects. Although credits and loans may be issued by procedures stipulated by the government, they are not yet common practice.

## 5.2 Revenues

Local governments in Armenia, as in most countries, bear responsibility for more expenditures than they can finance from allocated sources of revenue. The resulting vertical imbalance means that communities must generally depend on state transfers. Given that local governments vary enormously in capacity and need, providing local services fairly and efficiently in the absence of a well-designed revenue and transfer system can create horizontal imbalance among the different communities. Budgets are also not executed completely according to their original estimates. In 1999, for example,

only 49.7 percent of local budgets were implemented fully. In order to ensure that financing corresponds to the exercise of local self-government powers, community budgets should be divided into an administrative budget and a capital budget. Revenues and expenditures are to be balanced separately in each section of the budget. However, capital budgets are not actually created in many communities, and capital budget revenues are few.

The main sources of community budget revenue are as follows:

- centrally established taxes and duties;
- subsidies from the state budget;
- local duties and fees;
- land and property rent;
- revenue from the sale of community property.

*Table 6.6*

**The Proportion of State Subsidies in Local Budgets in Armenia, 1997–1999**

	1997		1998		1999	
	Amount [AMD thousand]	[%]	Amount [AMD thousand]	[%]	Amount [AMD thousand]	[%]
Local budgets including state subsidies	9,941,968.5	100.0	12,329,077.6	100.0	11,702,161.8	100.0
Local budgets not including state subsidies	6,188,920.2	62.25	8,498,763.5	68.9	9,509,740.8	81.3
<b>Total</b> state subsidies to local budgets	3,753,048.3	37.75	3,830,314.1	31.1	2,192,421.0	18.7

All taxes in Armenia are collected by State Tax Agency. The principle of locally shared taxes was designed to give incentive to the State Tax Agency in collection of all taxes. However, local governments have been assigned a larger role in tax collection. Initially, the centrally established taxes paid to community budgets were land tax and property tax, but later included fifteen percent of income tax collections. Since income tax collections are low or non-existent in rural communities, the government decided in 2000 to designate income tax entirely as state budget revenue. To replace the local share of income tax collections, the government intended to increase the subsidy, but failed to act accordingly. Subsidies and income tax debts of 1999 were not completely transferred to local budgets until December 2000. Land and property taxes are currently the only community budget tax revenues; one hundred percent of each tax is paid to local governments.

*Table 6.7*  
**Share of Central Tax Revenues Paid to Local Budgets in Armenia, 1997–2000 [%]**

Year	Income Tax	Land Tax	Property Tax
1997	—	100	100
1998	15	95	95
1999	15	95	95
2000	—	100	100

Local governments also receive revenues from the following state duties which are imposed on registration of certain official documents.

- duty for registering acts of civil status such as birth, marriage and death certificates, amending records and issuing copies of certificates or documents that were lost;
- duty for Notary Office services, such as issuing copies of documents certified by the notary, drafting contracts and applications and issuing copies or extracts of official documents.

State duties comprise more than ten percent of local budget revenues. The Law on Local Duties and Fees, adopted in 1998, stipulates requirements and procedures for implementing nine local duties and three local fees. Under this law, community elders have the right to fix rates within a defined range for duties on the following items:

- license to construct or renovate buildings, building facades or other civil engineering structures including temporary ones;
- license to demolish buildings or other civil engineering structures;
- license to sell alcohol or tobacco products, in accordance with standards set by the community or the city of Yerevan;
- license for open-air trade activities, except trade in markets, fairs and provisional buildings;
- license to operate entertainment facilities after midnight, including saunas, catering facilities and gambling establishments in accordance with standards set by the community or the city of Yerevan;
- license to keep a non-pet animal in Yerevan and other urban communities, in accordance with standards set by the community or the city of Yerevan;
- license to advertise in public areas, in accordance with standards set by the community or the city of Yerevan;
- copies of documents from the communal archive;
- license to operate a passenger taxi on community territory, except for minibuses (districts are not allowed to implement this duty).

Local governments may also charge the following fees:

- fee for local government services in preparing technical or financial documentation for the construction of new buildings or renovation of building facades;

- participation fee for auctions and tenders organized by the local self-government, for covering expenses;
- fee for government services in surveying land and other necessary activities in allocating, reclaiming or renting local government property.

*Table 6.8*  
**Local Budget Revenues in Armenia, 1997–1999 [%]**

Type of Revenue	1997	1998	1999
Taxes	43.3	49.1	57.2
Income tax		14.2	11.1
Land tax	21.2	9.4	12.3
Property tax	7.4	12.7	20.6
State duties	14.7	12.8	10.8
Local duties			2.4
Other tax revenues			0
Non-tax revenues	17.8	16.9	15.1
Land rent payment	7.5	6.4	5.9
Property rent payment			1.0
Local fees			1.0
Other non-tax revenues	2.8	10.5	7.2
Total income	61.1	66.0	72.3
Residual revenue to cover expenses	0.9	2.8	8.5
Transfers and subsidies	40.0	31.2	19.2
Subsidies from the state budget	37.8	29.9	18.7
Subventions		1.2	
Transfers from other community budgets			0.5
Short-term loans	0.2	0.1	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

By 1999, the share of local duties and fees in community budget revenue was 3.4 percent overall, although they were primarily implemented in urban communities.

State subsidies form a major share of local revenues, comprising 37.8 percent of community budget revenue in 1997 and 18.7 percent in 1999. The decrease is due to the failure of the state budget to perform its duties in 1999. Although AMD 4,388.7 million had been set aside in equalization subsidies and AMD 86.1 million in subventions, a total of only AMD 2,192.4 million was actually transferred. The remaining sum was considered debt and transferred in 2000.

*Table 6.9*  
**Local Budget Expenditures In Armenia, 1997–1999 [%]**

Area of Expenditure	1997	1998	1999
Administration	23.1	19.4	23.5
Housing stock and public utilities	28.6	28.6	19.8
Agriculture, fish-farming, forest and water			0.0
Transport and communication			0.6
Other branches of economy	4.6	6.6	8.4
Education	23.0	22.6	21.5
Transfers to the social fund and subsidies, excluding wages	7.8		8.4
Culture and sports	14.8	14.0	13.9
Transfers to the social fund and subsidies, excluding wages	1.7		2.6
Other expenditures	5.9	8.8	12.3
Payment of previous year debts	1.0	0.2	4.0
Payment of state budget loans		0.0	0.1
Total, of which:	100.0	100.0	100.0
Compensation of employees	34.1	28.6	33.8
Investments	0.8	0.5	0.8
Capital repairs	10.3	21.4	4.6

### 5.3 Expenditures

The community budget is mainly used for current expenditures from the administrative budget. Capital expenditures form a small part of the budget, and may be paid for from a reserve fund which is shown under the administrative budget. This fund is designed to cover contingency appropriations

not provided for in the community budget for the given year and serve as a guarantee for financing the cost of appropriations made for the capital budget, credits and other loans drawn. The proportion of the reserve fund to total estimated revenues in the administrative budget is stipulated by the community budget for the given fiscal year and may not exceed thirty percent. Total expenditures on debt servicing from the reserve fund for credits and other loans drawn may not exceed twenty percent of the reserve fund.

Community elders may decide on the allocation of expenditures; the main areas of expenditure are usually administration, housing stock and public utilities, pre-school education, culture and sports (see table 6.9). In many rural communities, administration expenditures make up the greatest part of budget expenditures. Execution of community budgets is supervised by the community elders, the National Assembly and the central government according to their legally stipulated powers.

#### 5.4 Local Budget Process

The official fiscal year begins on 1 January and ends on 31 December. The budget process for a given fiscal year lasts for about two years, beginning in June of the previous year and ending upon approval of the budget execution report in May of the following year. The head of the local community, with the assistance of local administration staff, drafts the local budget on the basis of the annual objectives stated in the community's three-year development plan. Unfortunately, the local budget process does not always follow the given schedule due to delays in the adoption of the state budget, which contains necessary information on community subsidies.

The community head must submit the following documentation to community elders prior to adoption of the budget:

- the draft of the community budget from a three-year perspective, broken down into separate components, and detailed revenues and expenditures in accordance with defined operational and economic classifications;
- a report from the community head on the major directions of community development for the fiscal year;
- a supporting statement for the required funds and proposed appropriations for implementing special-purpose programs financed from the community budget;
- the debt structure, accompanied by a comparative analysis of its indicators, actual previous year indicators and estimated current year indicators;
- a supporting statement for proposed appropriations from the reserve fund;
- information on transfers from the state budget, as stipulated by law;
- information on the total number of full-time local positions and total payments for wages; a comparative analysis with similar figures from the previous and current years and data on actual number of employees of budgetary institutions financed from the community budget.

The head of a community may submit the draft budget to community elders up to one month after approval of the state budget. It is then adopted by the community elders, with any necessary amendments or additions initiated by either the community head or community elders. The community head is responsible for the implementation of the local budget and local authorities exercise the full right to manage own financial resources.

## 5.5 Local Property

Community property rights are regulated by the Law on Property in the Republic of Armenia, the Civil Code and the Law on Local Self-government. Local authorities possess substantial authority to manage local property, including the right to sell property, which often provides a major source of community revenue. Community property consists of registered public assets (buildings and other facilities) and other resources including financial and other non-patrimonial properties (for instance, bonds). The inventory of community property was defined by Government Decisions No. 42 and No. 51, adopted in March 1997. According to these and subsequent decisions, the following items fall under the category of community property.

- heating, sewerage, water-supply and irrigation systems of community significance;
- kindergartens, specialized schools, clubs, culture halls, libraries, streets, squares, parks, stadiums, bridges and monuments; landscaping, sanitation facilities, housing maintenance and similar organizations; and administrative buildings;
- non-privatized housing stock.

Communities control few enterprises, and rural communities almost none. At the end of 1999 only 108 out of 43,184 registered legal entities belonged to communities. Data on community enterprises are given in table 6.10. Communities also have thirty-four percent of each fifty companies' stocks. They are mainly municipal enterprises.

*Table 6.10*  
**Characteristics of Local Government Enterprises in Armenia (1999)**

	Number	Registered Capital [AMD million]	Number of Employees
Yerevan district enterprises	52	222.26	4,463
Urban community enterprises	47	326.16	2,273
Rural community enterprises	9	22.83	362
<b>Total</b> local government enterprises	108	571.25	7,098

## 6. Relationship Between the State Administration and Local Governments

Armenia is a unitary and indivisible state, which is reflected in the administrative structure. The Armenian government has a two-tier structure, with most administrative powers exercised by the central government. Marzer, the regional units, are subdivisions of the state administration rather than a separate tier of the public administration system, as they lack elected officials or bodies.

The governor, or marzpet, implements central government policies in the following spheres:

- *Finance.* The marzpet prepares proposals for the section of the state budget relevant to the marz, and submits them to the central government for consideration; supervises the use of funds allocated to the marz from the state budget; provides support and methodological assistance to local government bodies during preparation of the community budget.
- *Construction and Utilities.* The marzpet draws up territorial boundaries within the marz as specified by law; proposes any changes to administrative borders of communities to the central government; forecasts demographic developments and allocation of the labor force; organizes communal services and civil construction; contracts for capital construction and repairs with private enterprises; monitors urban construction activities; and manages the regional water supply, sewerage, and water purification plants as well as other communal service enterprises.
- *Transportation.* The marzpet organizes inter-community public transportation and organizes construction, maintenance and operation of roads, bridges, tunnels and other civil engineering projects of regional and national importance.
- *Agriculture and land.* The marzpet manages and disposes of state owned lands not in community ownership; maintains regional border signs and geodesy points; preserves the ecological balance at the regional level; and coordinates measures to combat plant disease and weeds.
- *Education.* The marzpet implements national public education programs and constructs and operates buildings for primary and secondary education.
- *Health care.* The marzpet oversees any state health care institutions accountable to the regions.
- *Social security.* The marzpet implements national social security programs and oversees any social security institutions accountable to the regions.

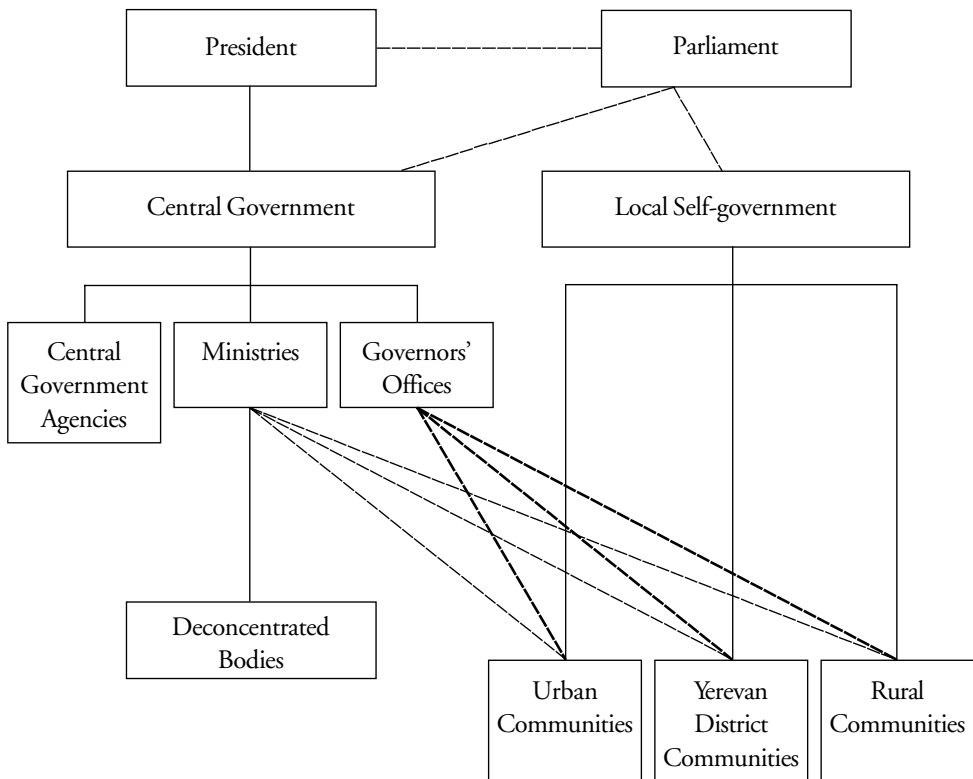
In Armenia, local self-government bodies are perceived as branches of the state government, created by the state and performing state responsibilities and duties. The head of a given community performs a dual function as a local government official and as a representative of state authority.

The apparently broad powers assigned to local governments are in fact quite limited. The Law on Local Self-government states that “local self-government is the right and capacity of local self-government bodies, acting at their own initiative, to dispose of community property and to resolve issues of community importance with a view to improving the well-being of the population.” This article is taken directly from European Charter on Local Self-government. However, contradictions in legislation and inadequate financial support prevent local self-government bodies from enjoying

full autonomy. Furthermore, the state retains sweeping powers in the sphere of local self-government, such as the ability to determine community property.

In Armenia, local self-government is regulated by laws, while central and regional government are regulated by presidential decrees. According to current legislation, the state government may remove a head of a community from office upon the request of the marzpet or the Mayor of Yerevan, in cases when the community has not met its budgetary responsibilities or fulfilled powers delegated by the state. The prime minister may then appoint a city or district head, or the marzpet an interim village head, until the next elections are held.

*Figure 6.4*  
**Structure of Central and Local Government in Armenia**



- subordination
- - - supervision
- - - - Ministry of Finance is the principal source of funding for local self-governments

The new judicial system is still under development. Local self-government bodies may appeal against decisions or actions of state authorities, officials or citizens that infringe upon community rights. In a few cases, mayors have successfully defended their rights in court. The marzpet may likewise appeal against decisions or actions of local self-government bodies in court, but this right is not generally exercised.

Because the regional governor, as regional secretary of the Communist Party, was such a powerful position under Soviet rule, citizens and local government officials continue to perceive the government system as being centralized and authoritarian rather than a decentralized democracy with powers to effect change and deliver public services. The marzpet often uses administrative methods of control in its relations with local self-government bodies. In other cases, relations between central and local governments may assume the nature of a partnership. Provided that local governments have the necessary financial resources, they may choose to offer services similar to those already offered by regional governments, such as health care, primary, secondary and higher education, social services, pensions and unemployment security. Despite their limited financial capacity, local governments do try to exercise their voluntary powers.

Relations between central and local authorities and private sector organizations are regulated by the law. Land, as well as trading, public catering service organizations and small- and medium-sized industries are mainly privatized. Many industrial enterprises do not operate due to the country's economic situation, but other enterprises continue to function.

## 7. Local Government Employees

Local government employment in Armenia is regulated by the Law on Local Self-government as well as specific government decisions. Unfortunately, the Law on Civil Service has not yet been adopted, and the framework for civil service remains undefined. As a result, Armenia lacks necessary conditions for the creation and maintenance of a stable, professional corps of civil servants. Currently civil servants are defenseless against arbitrary actions from above and high government offices are filled according to political connections. After the second local elections in 1999, for instance, many local government employees were dismissed by the newly elected community leaders. Recruitment, promotion, evaluation and training of staff are not regulated by any normative acts. In the absence of a cohesive national policy, each local government addresses these issues in its own manner.

The Armenian School of Public Administration (ASPA) organizes training of municipal employees. However, training is voluntary and few communities choose to participate. Trainings are also organized through international organizations such as International City/County Management Association (ICMA), United Nations Development Program (UNDP) and the Urban Institute. Despite these beginnings, a more comprehensive training system for local government employees is badly needed.

The only official statistic available on local civil service is the total number of local government employees, which equaled 6,425 in 1998, not including community heads or elders. Of these employees, 77.7 percent were from rural communities, 12.6 percent from urban communities and 9.7 percent from districts.

Remuneration of local government employees is regulated by the Law on Local Self-government. According to the law, community elders are not compensated for their work. The council of elders establishes the salary of the community head as a percentage of the marzpet's salary within the following limits:

- up to forty percent in communities with fewer than a thousand residents;
- up to fifty percent in communities with up to five thousand residents;
- up to sixty percent in communities with up to twenty thousand residents;
- up to seventy-five percent in communities with up to seventy-five thousand residents;
- up to eighty-five percent in communities with over seventy-five thousand residents.

The community head determines the salaries of local administration staff, which may not exceed eighty percent of the head's salary. Local administration salaries are paid from a fund defined in the community budget.

## 8. Legal Guarantees for Local Autonomy

Although guarantees of local self-government exist, there is a gap between legislation and practice typical of nearly all former socialist countries. The Constitution provides the following general guarantees of local self-government: local autonomy and equal legal protection of all types of property including community property; freedom of economic activity and competition; the right of citizens to express their will directly through free elections and referenda and indirectly through state and local self-governments; and division of powers between the legislative, executive and judicial branches of government.

The following guarantees of local self-government are defined by legislation and government decisions related to local government:

- Local governments shall be delegated any state powers that are more effectively exercised in communities;
- Local governments have the right to perform any activities of local interest not assigned to the state government, within the framework of the law;
- Community heads have a dual function as a local government official and as a representative of the state;
- Judicial protection of community rights, interests and property;
- Local governments shall receive adequate funding for performance of their responsibilities;
- Financially weak communities shall be assisted through financial equalization;

- Local government autonomy;
- Local authorities shall provide public services in the manner they deem necessary, including tenders;
- Community heads shall manage local government staff within their jurisdiction;
- Transparency of local government activities.

These principles are not always upheld. For example, financial assistance from the state is irregular and often inadequate for the exercise of local government responsibilities. And although the Constitution provides for judicial protection of local government rights, there are no administrative courts in Armenia. Litigation between different levels of public administration, though rare, must take place in general courts.

## 9. Next Steps in the Transition Process

Recent experience in Armenian local self-government has revealed many areas that urgently require clarification or strengthening. These include local government finance, administrative-territorial division, decentralization of responsibilities and procedures of public administration. Following is a list of recommendations for the future development of local self-governance in Armenia.

In order to provide local governments with the necessary finances to carry out their activities, the following steps may be taken:

- to increase the power of local authorities to collect taxes;
- to define a share of centrally established taxes as a new community budget revenue;
- to transfer state funds to community budgets in a timely manner.

In order to clarify the status and responsibilities of various administrative-territorial units, the following steps may be taken:

- to differentiate between the requirements of urban communities, rural communities and districts of Yerevan;
- to enlarge community territories;
- to modify the status of the capital city and allow the city mayor to be directly elected by the population;
- to ensure that the staff of the regional governor corresponds to its assigned functions.

In order to support decentralization and the development of local democracy, the following steps may be taken:

- to broaden the authority of local governments to resolve local matters such as the creation and operation of the social-economic infrastructure, primary and secondary education and community police;
- to create support offices for community councils;

- to increase the transparency of local government activities by publicizing them and soliciting feedback.

In order to develop the system of public administration, the following steps may be taken:

- to adopt the Law on Civil Service;
- to clarify the relationship between bodies of public administration and local authorities;
- to develop mechanisms for the supervision of local authorities;
- to establish administrative courts;
- to clarify the legal requirements for removing the community head from office.

All of these issues require changes to the Constitution and existing legislation as well as the adoption of new normative acts. In addition, the European Charter of Local Self-government must be re-examined in the Armenian political, social and economic context.

## Recent Publications on Local Government in Armenia

*Human Development Report Armenia 1998: The Role of the State.* Armenia: UNDP Office, 1998.

Ordyan, E. "The Problems of Public Administration in Armenia." Occasional Papers in Public Administration and Public Policy, vol.1, no. 3. Bratislava: NISPAcee, 2000.

Ordyan, E. and D. Tumanyan. "Reforms of the Public Administration of the Republic of Armenia." In *Public Administration and Social Policies in Central and Eastern Europe.* Bratislava, NISPAcee, 1999.

*Women and Men in Armenia.* Yerevan: 1999.

## Contacts for Further Information on Local Government in Armenia

National Statistical Service of the Republic of Armenia

*Address:* Republic Av., Government House 3, Yerevan 375010, Armenia  
*Phone:* (+374-1) 52-42-13  
*Fax:* (+374-1) 52-19-21  
*E-mail:* armstat@sci.am

Ministry of Finance and Economy

*Address:* 1, Melik-Adamyan St., Yerevan 375010, Armenia  
*Phone:* (+374-1) 59-52-55, 50-61-09  
*Fax:* (+374-1) 51-42-82

Ministry of Territorial Administration and Urban Development

*Address:* Republic Av., Government House 3, Yerevan 375010, Armenia  
*Phone:* (+374-1) 52-15-07, 56-51-31

Armenian School of Public Administration

*Address:* 8 Kievian St., Yerevan 375028, Armenia  
*Phone:* (+374-1) 27-75-15,  
*Fax:* (+374-1) 22-89-75

Community Finance Officers Association (CFOA)

*Address:* 4 Tigran Mets St., room 317, Yerevan 375010, Armenia  
*Phone:* (+374-1) 58-22-93  
*E-mail:* CFOA@dolphin.am

Community Union of Armenia (CUA)

*Address:* 1 Charents St., Yerevan 375025, Armenia  
*Phone:* (+374-1) 57-45-01  
*Fax:* (+374-1) 57-68-63  
*E-mail:* amsay@acc.am

Union of Yerevan Elders

*Address:* 4 Tigran Mets St., room 318, Yerevan 375010, Armenia  
*Phone:* (+374-1) 58-77-41  
*E-mail:* avagani@dolphin.am

## Glossary of Armenian Terms

<i>Avagani</i>	— Elders
<i>Hamaink</i> (plural: <i>hamainkner</i> )	— A rural or urban community
<i>Hamainky ghekavar</i>	— Community head
<i>Marz</i> (plural: <i>marzer</i> )	— A region, the largest administrative subdivision in Armenia
<i>Marzpet</i> (plural: <i>marzpetner</i> )	— Regional governor, appointed by the central government
<i>Marzpetaran</i>	— Regional branch of state administration

## Annex 6.1

### Major General Indicators

Religion	Armenian Apostolic Church
Official language	Armenian
Currency	Dram [AMD]
UN exchange rate (1999)	USD 1=AMD 535
Size of territory	29,743 square kilometers
Population (1 January 2000)	3,803,400
Urban	2,535,700
Rural	1,267,700
Pensioners	568,200
Old-age pensioners	334,400
School-age children	597,500
Population density	128 people per square kilometer
Major ethnic divisions	
Armenians	96 percent
Yezdies, Kurds, Russians, Ukrainians, etc.	4 percent
Per capita GDP (1999)	AMD 260,067 or USD 486
Total revenues (1999)	AMD 40,042.7 million (100 percent)
National budget	AMD 190,917.8 million (79.5 percent)
Local budget	AMD 11,702.2 million (4.9 percent)
Social security fund	AMD 37,422.7 million (15.6 percent)
Total expenditures (1999)	AMD 280,543.8 million (100 percent)
National budget	AMD 231,656.6 million (82.6 percent)
Local budget	AMD 11,565.7 million (4.1 percent)
Social security fund	AMD 37,321.5 million (13.3 percent)

Public debt (31 December 1999)	
Foreign debt	USD 869.874 million
Internal debt	AMD 31,178.59 million
Unemployment rate	
1997	10.8 percent
1998	9.4 percent
1999	11.1 percent
Inflation rate (1999)	2 percent
Average population per local government (1999)	4,084
Number of public employees (1999)	
Employed by the state government	24,500
Employed by local governments	7,355

## Annex 6.2

## Population, Settlements and Administrative Units

*Table 6A.1*  
**Settlements by Population Size Categories in Armenia (1 January 1999)**

Population Size Category	Number of Settlements	Percentage of Settlements	Number of Inhabitants	Percentage of Total Population
0–1,000	544	54.4	202,432	5.5
1,000–2,000	218	21.8	304,300	8.2
2,000–5,000	169	16.9	509,768	13.7
5,000–10,000	35	3.5	231,426	6.2
10,000–50,000	28	2.8	637,200	17.2
50,000–100,000	3	0.3	190,500	5.1
100,000–1,000,000	2	0.2	384,400	10.4
1,000,000+	1	0.1	1,248,700	33.7
<b>Total</b>	1 000	100.0	3,708,726	100.0

*Table 6A.2*  
**Communities by Population Size Categories in Armenia (1 January 1999)**

Population Size Category	Number of Communities	Percentage of Settlements	Number of Inhabitants	Percentage of Total Population
0–1,000	465	50	197,831	5.3
1,000–2,000	217	23.3	302,481	8.1
2,000–5,000	168	18.1	508,333	13.7
5,000–10,000	35	3.8	234,381	6.3
10,000–50,000	30	3.2	666,000	18.0
50,000–100,000	5	0.5	291,700	7.9
100,000–1,000,000	10	1.1	1,508,000	40.7
1,000,000+	—	—	—	—
<b>Total</b>	930	100.0	3,708,726	100.0

*Table 6A.3*  
**Types of Administrative-territorial Units in Armenia**

Type of Administrative-territorial Unit	Average Number of Inhabitants per Unit	Average Number of Settlements per Unit	Number of Units
Urban and rural communities	2,777	1.1	918
Yerevan district communities	104,058	—	12
Regions (not including Yerevan)	254,950	100.0	10

*Figure 6A.1*  
**Administrative Map of Armenia**



## Annex 6.3

### Major Laws on Public Administration and Local Government

- Electoral Code (adopted 17 February 1999, amended 23 March 1999)
- Law on Local Self-Government (adopted 22 July 1996, amended 18 July 1997, 9 January 1998 and 7 March 2000)
- Law on the Budget System in the Republic of Armenia (21 July 1997, amended 30 December 1997, 8 May 1998, 6 November 1999, 7 March 2000 and 3 November 2000)
- Law on Local Duties and Fees (adopted 9 January 1998)
- Law on Financial Equalization (adopted 23 December 1998, amended 7 March 2000)
- Law on the Administrative-Territorial Division of the Republic of Armenia (adopted 4 December 1995, amended 30 June 1996)
- Law on the Privatization of State, Public and Community Housing Resources (adopted 29 June 1993, amended 8 June 1998)
- Law on the Procedure for Transfer of Lands from the Reserve Fund Considered State Property in the Administrative Territories of Rural Communities (adopted 24 December 1998)
- Law on the Privatization of Public Property (13 January 1998)
- Law on Condominiums (adopted 1 June 1996, amended 6 May 1998)
- Law on Urban Development (adopted 26 May 1998)
- Law on Education (adopted 8 May 1999)
- Civil Code of the Republic of Armenia (adopted 28 July, 1998)
- Presidential Decree on Public Administration in the Marzer of the Republic of Armenia (6 May 1997, amended 20 January 1998, 7 July 1998, 6 November 1998, 28 September 2000)
- Presidential Decree on Public Administration in the City of Yerevan (6 May 1997, amended 20 January 1998, 7 July 1998, 6 November 1998, 17 November 1998, 28 September 2000)

## Annex 6.4

## Responsibilities of Administrative Tiers

*Table 6A.4*  
**Specific Functions of Government Tiers in Armenia**

Functions	Municipalities (Individually or in Partnership)	Central or State Territorial Administration
<b>I. EDUCATION</b>		
1. Pre-school	X	
2. Primary		X
3. Secondary		X
4. Technical		X
5. Higher		X
6. Specialized	X	
<b>II. SOCIAL WELFARE</b>		
1. Nurseries	X	
2. Kindergartens	X	
3. Welfare homes		X
4. Personal services for elderly and handicapped		X
5. Special services (for homeless, families in crisis, etc.)		X
6. Social housing	X	
<b>III. HEALTH SERVICES</b>		
1. Primary health care	X	X
2. Health protection		X
3. Hospitals		X
4. Public health	X	X

*Table 6A.4 (continued)*  
**Specific Functions of Government Tiers in Armenia**

Functions	Municipalities (Individually or in Partnership)	Central or State Territorial Administration
<b>IV. CULTURE, LEISURE, SPORTS</b>		
1. Theaters	X	X
2. Museums	X	X
3. Libraries	X	X
4. Parks	X	
5. Sports, leisure	X	
6. Maintaining buildings for cultural events	X	
<b>V. ECONOMIC SERVICES</b>		
1. Water supply	X	
2. Sewage	X	
3. Electricity		X
4. Gas		X
5. District heating	X	
<b>VI. ENVIRONMENT, PUBLIC SANITATION</b>		
1. Waste collection	X	
2. Waste disposal	X	
3. Street cleansing	X	
4. Cemeteries	X	X
5. Environmental protection	X	X
<b>VII. TRAFFIC, TRANSPORT</b>		
1. Roads	X	X
2. Public lighting	X	X
3. Public transport	X	X
<b>VIII. URBAN DEVELOPMENT</b>		
1. Town planning	X	
2. Regional/spatial planning		X
3. Local economic development	X	X
4. Tourism		X

*Table 6A.4 (continued)*  
**Specific Functions of Government Tiers in Armenia**

Functions	Municipalities (Individually or in Partnership)	Central or State Territorial Administration
<b>IX. GENERAL ADMINISTRATION</b>		
1. Authoritative functions (licenses, etc.)	X	X
2. Other state administrative matters (electoral register, etc.)	X	X
3. Local police		X
4. Fire brigades		X
5. Civil defense	X	X
6. Consumer protection		X

## Notes

- <sup>1</sup> Nagorni-Karabakh was a self-governing region in Azerbaijan at that time.
- <sup>2</sup> National Statistical Service of the Republic of Armenia.
- <sup>3</sup> National Statistical Service of the Republic of Armenia.
- <sup>4</sup> Strasbourg, 1 March 2000, GG/BUR (6) 139.
- <sup>5</sup> Strasbourg, 23 November 1999, CG/BUR(6)85.
- <sup>6</sup> Central Electoral Commission of the Republic of Armenia.
- <sup>7</sup> The Russians and Jews operate schools; the Yezdies, Russians, Ukrainians and Kurds publish newspapers; and the Yezdies and Kurds broadcast over the radio.
- <sup>8</sup> National Statistical Service of the Republic of Armenia.
- <sup>9</sup> Ministry of Finance and Economy.
- <sup>10</sup> Ministry of Finance and Economy.
- <sup>11</sup> Ministry of Finance and Economy.

