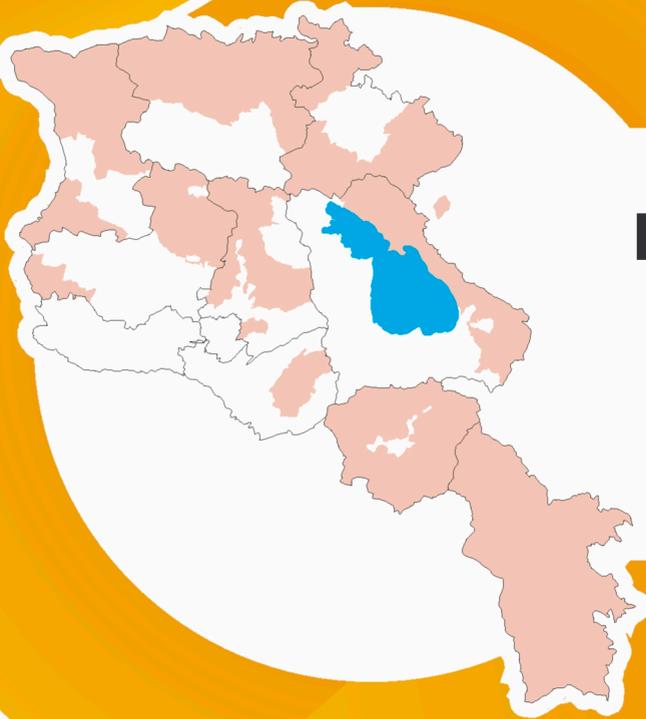




Communities Finance Officers Association  
Համայնքների ֆինանսիստների միավորում



“Civic Engagement in Local Governance” Program  
«Հանրային մասնակցություն տեղական  
ինքնակառավարմանը» ծրագիր



**ՏԵՂԱԿԱՆ  
ԻՆՔՆԱԿԱՌԱՎԱՐՈՒՄԸ  
ՀԱՅԱՍՏԱՆՈՒՄ**

**LOCAL  
SELF-GOVERNMENT IN  
ARMENIA**

**Գիրք  
12  
Book**

**2019**



**LOCAL  
SELF-GOVERNMENT  
IN ARMENIA  
(2019)**

**Book 12**

**Edited by Vahram Shahbazyan,  
Ph.D. Technical Sciences**

**Yerevan 2020**

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This book is intended for policy and decision makers in the area of decentralization and local self-governance, representatives of local government bodies, international and non-government organizations, experts, lecturers, students and larger audience interested in the field.

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## LIST OF ACRONYMS

<b>RA</b>	Republic of Armenia
<b>NA</b>	National Assembly
<b>MTAI</b>	Ministry of Territorial Administration and Infrastructure
<b>CoE</b>	Council of Europe
<b>EU</b>	European Union
<b>ENP</b>	European Neighbourhood Policy
<b>OGP</b>	Open Government Partnership
<b>ECLSG</b>	European Charter of Local Self-Government
<b>USAID</b>	United States Agency for International Development
<b>SDC</b>	Swiss Agency for Development and Cooperation
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ADB</b>	Asian Development Bank
<b>GIZ</b>	German Agency for International Cooperation
<b>ATDF</b>	Armenian Territorial Development Fund
<b>CFOA NGO</b>	Communities Finance Officers Association non-government organization
<b>EPF</b>	Eurasia Partnership Foundation
<b>ISDTC NGO</b>	Information Systems Development and Training Center non-government organization
<b>LG</b>	Local Governance
<b>LSGBs</b>	Local self-government bodies
<b>FYMDP</b>	Five-year municipal development plan
<b>AWP</b>	Annual work plan
<b>IMU</b>	Inter-municipal union
<b>MNCO</b>	Municipal non-commercial organization
<b>CJSC</b>	Closed joint stock company
<b>SME</b>	Small and medium enterprises
<b>MMIS</b>	Municipal management information systems
<b>GDP</b>	Gross domestic product
<b>CSPS</b>	Civil Society and the Private sector
<b>CSO</b>	Citizen Service Office
<b>PHS</b>	Primary healthcare service
<b>NOC</b>	Nursing-obstetrics center

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## PREFACE

Communities Finance Officers Association (CFOA) NGO has been monitoring the state of affairs in local self-governance sector in Armenia since the establishment of local self-government. During this period, CFOA issued a series of respective reports. Since 2004, CFOA has published 11 books, each including reports for one or more years with analyses and assessments on the local self-government sector, as well as conclusions, and a number of follow-up recommendations.

The monitoring and assessment of the local self-government system is conducted according to the original methodology developed by the CFOA expert team. The analysis and assessment of the reforms is based on the implementation of the provisions set out in the national legislation, Government of Armenia programs and international commitments regarding the local self-government system, performance of local governments (LGs), official, statistical and other available information.

The content of the previous 11 books on “Local Self-government in Armenia” was compiled through the study, analysis and assessment in 7 sub-areas of local governance, conducted separately by CFOA or independent experts in the form of separate chapters of annual report.

It was possible to maintain the highest academic level and clarity of the annual reports in recent years, ensuring wide public access to these reports. The audience comprises public officials and their staffs, local and international organizations engaged in local self-government sector, independent experts, university students and faculty. Over the past years, a cohort of dedicated readers has been formed, and every year the book is in high demand.

While drafting the current annual report volume 12 (Book 2019) on the status of the local self-government, we persevered to preserve the longstanding best traditions of many years and improve the quality of the report, enriching its content and incorporating the most up-to-date information on local self-government reforms.

This book is on the local self-government reforms and is drafted by CFOA. It covers the reforms carried out in 2019, identifies the key issues in local self-government sector, draws certain conclusions and offers recommendations for the solution of these problems and the continuation of the reforms.

Based on the expert analyses during the preparation of this annual report and the methodology<sup>1</sup> developed for annual quantitative assessment of local self-government system of Armenia in 2018, the local self-government index (LG index) for 2019 was calculated as well. The latter enables to track the dynamics of the local self-government reform processes in Armenia for the past 3 years and to compare progress throughout the years. According to the mentioned methodology, the calculation of the composite LG index is based on five selected areas (directions), 20 functions, and 52 indicators in local governance sector. This report provides a sum-

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<sup>1</sup> Local Government Annual Index (LG Index for 2015 and 2016), book 1, Yerevan 2017

mary on the results of assessment of the local self-government system in Armenia and a calculation of LG index for 2017-2019.

On behalf of the authors of this report, I would like to express my gratitude to the Ministry of Territorial Administration and Infrastructure for providing official and statistically reliable information on the activities carried out in the LSG system; to Arthur Drampyan, USAID Decentralization Program Specialist and Vahan Movsisyan, CFOA Chairman and Chief of Party of the Civic Engagement in Local Governance Program (CELoG) funded by USAID, for their extensive support and valuable comments on this report.

**Vahram Shahbazyan,**  
**Expert group leader**



# REPORT

## LOCAL SELF-GOVERNMENT IN ARMENIA (2019)

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# LEGAL AND PROGRAMMATIC ASSESSMENT OF LOCAL SELF-GOVERNMENT REFORMS

## 1.1 Legal Assessment of Local Self-government Reforms

### *Assessment of legislative amendments in the field of local self-government*

A number of legislative amendments in the field of local government were initiated and/or performed in 2019. Those amendments were made in the RA Law on Local Self-government, as well as in the related laws regulating local self-government issues, such as the RA Laws on Local Referendum, on Administrative and Territorial Division of the Republic of Armenia, etc.

The legal analysis of the abovementioned legislative amendments is presented below, highlighting the shortcomings and positive aspects in the current edition of those regulations. Nevertheless, there are still some shortcomings and problematic regulations in the Law on Local Self-government with the current edition, which can be classified in the following groups:

#### *1. Legal analysis in the context of the adopted sectorial laws*

*On December 19, 2019, the RA National Assembly adopted the RA Law<sup>2</sup> on making additions and amendments to the RA Law on Local Referendum.* According to this Law, in case of any legislative initiative expressed by the Government on amalgamation and division of municipalities, the residents of the respective municipalities may initiate holding a local referendum on the issue of municipality amalgamation or division. The outcome of local referendum on the issue of amalgamation or division of a municipality are of advisory character.

According to the justification enclosed to the legal act, the purpose of this legislative amendment is to provide the full implementation<sup>3</sup> of the municipalities' right to be heard which is defined in the Article 190 of the RA Constitution. It is in the public interest that the municipalities can be amalgamated or divided. When adopting a relevant law, the National Assembly is ought to listen to the opinion of those municipalities.

In this context we consider necessary to address three important statements:

#### *A. Which entity is responsible to address the opinion of municipalities while adopting a law on municipality amalgamation or division?*

During the change of the administrative borders of municipalities, the Republic of Armenia was delegated to listen to the opinion of the municipalities based on the ratification of the European Charter of Local Self-government (ECLSG), the Article 1

<sup>2</sup> <https://www.arlis.am/DocumentView.aspx?DocID=137889>

<sup>3</sup> The Article 190 of the RA Constitution defines: "For the sake of public interest, the municipalities may be amalgamated or divided by law. The National Assembly of the Republic Armenia is ought to listen to the opinion of those municipalities while adopting a respective law."

and 5 of which stipulate that member states are obliged to listen to the voice of municipalities prior to making any changes in administrative borders of municipalities. This means that with respect to the government entities the Republic of Armenia is delegated to fulfill this obligation.

Whereas, the legislation referring to the Article 190 of the RA Constitution commented as follows in the justification of the same law: “The acting Constitution delegated the compulsory obligation of listening to the opinion of municipalities not to the executive power, but to the legislative power.” This approach is not in line with international standards and principles<sup>4</sup> of local democracy, because that obligation must be borne by the state, in the person its bodies, and not only by the parliament. Consequently, Article 190 of the Constitution does not exclude the obligation of the executive bodies to listen to the opinion of municipalities, but regulates the constitutional legal relations related to the obligation of the legislature to listen to the opinion of the municipalities when adopting the law.

In this context, the obligations of the executive power must be regulated at the legislative level on the terms and pursuant to conditions set out in international obligations of the RA. At the same time, the government’s obligation is closely linked to the implementation of the legislative body’s obligation, such as to listening to the municipality opinion. Moreover, the government, among others, must apply legal mechanisms and tools to determine the opinion of the communities. It is impossible to listen to the municipality opinion without applying structural mechanisms of revealing the municipality opinion. At the same time, the National Assembly can only listen to the municipality opinion through parliamentary hearings. The municipality opinion must be revealed and disclosed in the earlier stages of the legislative initiative, as defined in the best international standards<sup>5</sup>.

*B. Can the proposed legislative amendment become a legislative regulation aimed at fulfilling the international obligation of the Republic of Armenia?*

This legislative amendment, in fact, regulates the procedure of revealing the municipality opinion through local referendum in the event of government’s legislative initiative on the municipality amalgamation or division, and follows from Article 5 of the ECLSG. However, according to the legislative amendment, the subject of initiating a local referendum on the municipality amalgamation or division is the residents of the municipality (at least 20% of signatures of the persons entitled to participate in the local referendum in the municipality is required). As a matter of fact, the government is not an initiating entity on this issue. This legislative initiative, in fact, directly “**transfers**” the government obligation of revealing and listening to the municipality opinion to the municipality residents defining their right to hold local referendum.

<sup>4</sup> Article 4 and 5, ECLSG. Check on the link for the ECLSG Explanatory report <https://rm.coe.int/16800ca437>, Recommendation Rec(2004)12 on the process of reform of boundaries and/or structure of local and regional bodies [https://search.coe.int/cm/Pages/result\\_details.aspx?ObjectID=09000016805dbeda](https://search.coe.int/cm/Pages/result_details.aspx?ObjectID=09000016805dbeda), Recommendation R(96)2 (1996) on referendums and popular initiatives at local level. [https://localgovernment.gov.mt/en/DLG/Legislation/Documents/Legislation/R\(96\)2.pdf](https://localgovernment.gov.mt/en/DLG/Legislation/Documents/Legislation/R(96)2.pdf)

<sup>5</sup> Ibid.

The exercise of the right of municipality residents to hold a local referendum on municipality amalgamation or division is not of obligatory character, as it is fixed as a “right.” Therefore, the implementation of the right depends on the will of the initiating entity. A local referendum on this issue will be held only in the municipalities where the residents will decide to exercise their right to set a local referendum. Therefore, the procedure of listening to the municipality opinion through local referendum in the context of legislative changes, does not contain necessary guarantees for its legalization as the implementation thereof depends on the municipality residents’ activeness. In this case, the Republic of Armenia, with respect to the official bodies, becomes a passive player when “paraphrasing” its obligation into a “right” of municipality residents. Thus, it does not bear a direct legislative obligation to fulfill its international obligation.

*C. Are there any legal guarantees for the realization of the municipality’s right to be heard?*

The procedure of listening to the municipality opinion through local referendum defined in the context of legislative change, does not provide necessary guarantees for its legal implementation in the law enforcement practice, which is caused by a large number of passive community residents. Moreover, since 2002, when the RA legislation established regulatory provisions on legal relations with regard to the local referendum no issue has been raised for a local referendum on the initiative of the RA municipality residents. Such an inactivity indicates that the proposed legislative regulation on revealing the municipality opinion through local referendum has the least chance of implementation in the law enforcement practice.

In addition to the passive municipality residents, another key factor is the financing process of the local referendum, which has not been clearly defined in the proposed change. More specifically, according to this legislative amendment, the local referendum initiative group is ought to appeal the municipality mayor about available funds in the municipality budget necessary for preparation and conducting a local referendum, or possibility of attracting other funds not prohibited by law. After receiving the appeal, the municipality mayor shall apply to the Central Electoral Commission within three working days, with a request on the necessary amount of funds to prepare and conduct a local referendum in the municipality. The Commission shall provide the municipality mayor with the necessary information within three working days. Upon the receipt of information, the municipality mayor within five working days shall provide the authorized representative of the initiative group with a letter on availability or non-availability of funds necessary for arrangement and conduct of the local referendum. In case of receiving a letter on availability of the necessary funds, the authorized representative of the initiative group shall start a petition.

These regulations do not address the issue of exercising the right of municipality to a local referendum, and therefore the right to be heard, if the municipality mayor issues a letter on the lack of appropriate funding. In the law enforcement practice, the lack of settlement of this issue may lead to impossibility of holding a local referendum.

The proposed legislative amendments are problematic also in terms of the legal requirement for setting a local referendum on municipality amalgamation or division, which is different from the established requirement for other issues.

According to the Article 30, part 2 of the RA Law on Local Referendum, the issue raised for a local referendum or the draft decision shall be deemed accepted if it received more than half the votes, but not less than **a quarter** of votes of the persons entitled to participate in the local referendum. However, the local referendum on the municipality amalgamation or division shall be considered valid if attended by no less than **50%** of the persons entitled to participate in the local referendum. The legislator did not justify anyhow such a differentiated approach. Furthermore, the high threshold for the number of people participating in the referendum can serve an additional obstacle to the holding of local referendums and, consequently, to the exercise of right to be heard. This assertion is based on the study of law enforcement practice which was established based on the study of result of local referendums held within the framework of administrative-territorial reforms in the Republic of Armenia in 2015<sup>6</sup>. Specifically, the study of results of local referendums in 22 municipalities reveal that local referendums only in 9 municipalities were attended by over 50 percent municipality residents. Therefore, these data once again prove the inactive participation of the community residents in local referendums. Besides, the 50% of participation (defined by the legislative arrangement) is not justified, and may negatively affect on local referendums as well as on the real opportunity of revealing the municipality opinion.

On 19.12.2019, the National Assembly adopted the ***RA Law on making additions to the RA Law on Local Self-government (HO-308-N)***, which, in fact, is the logical sequence of the abovementioned law, passed as part of a single legislative package. The law among others provided additions to clause 3 of the part 1 of the Article 37 of the RA Law on Local Self-Government, pursuant to which the municipality mayor initiates public hearings in the context of involving municipality residents in local government. The hearings and discussions cover recommendations on the RA government intended reforms in the field of administrative-territorial division.

The authorized procedure of conducting public hearings and discussions with the municipality mayor, may turn into a mechanism of revealing community residents' opinion on the change of municipality administrative borders. The regulations for organizing and conducting public discussions or hearings in the municipality may serve procedural basis for implementation of this mechanism. Those regulations are adopted by avagai (municipality council). As for the effectiveness of that mechanism as a tool for revealing public opinion, it can be assessed only in case of appropriate law enforcement practice.

***On November 14, 2019, the National Assembly adopted the RA Law on Territorial Administration and the RA Law on making amendments to the RA Law on Local Self-Government.*** The Law on Territorial Administration regulates the legal relations on territorial administration, defining the powers of marzpet. At the same time, in the context of those regulations, the legislature retained the marzpet's legal

<sup>6</sup> <https://www.elections.am/electionsview/type-8/>

power to exercise legal oversight. The case remains sensitive in terms of compliance with the RA Constitution, since the Article 188 of the RA Constitution defines the authorized body of the Government of the Republic of Armenia can conduct legal oversight<sup>7</sup>. This legislative change simply augmented the Article 96 of the RA Law on Local Self-government, as a result of which the marzpets must exercise this authority on the basis of previously approved questionnaires. Thereby, no systemic approach has been taken in this regard, and the same procedure (i.e. marzpet's power) is regulated by two different legislative acts. Besides, the legal provision contradicting the RA Constitutional norms is still effective, which makes it legally problematic for marzpets to exercise the given power.

The RA Law on Territorial Administration did not follow the legal logic of the legislature's principle of the state delegated powers to municipalities, which led to contradictory interpretation of legal regulations in both legal acts. For example, Article 15 of the RA Law on Territorial Administration, defines the liabilities of marzpet in the field of social security. At the same time, the Article 48, part 4 of the RA Law on Local Self-Government sets out the following state delegated liabilities to the municipality mayor in the field of social security referring to the Article 8 of the same law based on the principle of transferring the powers of state agencies to local self-government bodies intending to a more effective implementation. The part 4 reads: "The marzpet provides social assistance (of services) within the municipality territory and arranges activities of the LS territorial bodies providing social service."

Such legislative regulations not only infringe the popular underlying principles of local self-government, but can also create a conflicting law enforcement practice.

On 13.12.2019, the RA National Assembly adopted the ***RA law on making amendments to the RA Law on Administrative and Territorial Division of the Republic of Armenia***, according to which the state owned lands within the municipality administrative borders can be alienated, lent for gratuitous (permanent) use, lease and construction pursuant to the government defined order. Prior to this amendment, the local governments were provided with the abovementioned liability for 10 years, whereas under the adopted law the liability is fixed for an indefinite period of time. Overall, the amendment can have a positive impact on the law enforcement practice, because in fact it clarifies the LSG liabilities.

## ***2. Legal analysis of the LSG draft laws put forward in public discussions***

***Draft Laws of the Republic of Armenia on making amendments and additions to the RA Law on Administrative and Territorial Division, and on making additions in the RA Law on Local Self- Government were put forward to public discussion on 25.10.2019<sup>8</sup>***. The draft law envisages 3 projects on municipality amalgamation in Lermontovo (Lori marz), Kasakh (Kotayk marz) and in Ijevan (Tavush marz) municipality clusters.

<sup>7</sup> <http://concourt.am/armenian/constitutions/index2015.htm#188>

<sup>8</sup> <https://www.e-draft.am/projects/2033/about>

The goal of making changes in the RA Law on Local Self-Government is to define legal regulations on suspending LSG liabilities of amalgamating municipalities, and on terms assuming LSG liabilities of the amalgamated municipalities.

According to the justification enclosed to the draft, debates were conducted with the amalgamating municipalities and residents (except for Kasakh and Proshyan). As a result, the Draft Law on Making Changes and Amendments to the RA Law on Administrative and Territorial Division of the Republic of Armenia was developed. The latter was put up for public discussion in the period from 25.10.2019 to 09.11.2019, when the above discussed legislative amendments on local referendum and public discussions were not adopted yet. Therefore, given the fact that the draft law refers to the change of municipality administrative borders, in the event of which the government is obliged to listen to the municipality opinion, we can state that, in fact, the conducted debates can not be considered a public opinion outreach, as they have not been institutionalized and cannot reflect the residents opinion of the respective municipalities at large. Thus, the proposed draft law is controversial in terms of its development process, because of the conflicting background of the municipality participation and the effectiveness of the opinion outreach mechanisms.

***The Draft Law on Making Addition to the RA Law on Local Self-government*** was put forward to public discussion on 17.10.2019<sup>9</sup>. The draft will amend the Article 89 of the acting Law with part 4, as follows: “The municipality budget fund may finance the municipality co-financed capital projects and/ or the acquisition of capital asset, if this results in replenishment of the created, modified and acquired capital assets in the municipality budget under the right of ownership.” In fact, this amendment allows the local authorities to finance the co-financed capital projects and / or the acquisition of capital assets out of the proceeds of the community budget fund, provided that it is registered as community property. We believe that such a commitment on behalf of the local authorities can have a positive impact on the development and management of municipality economic and social infrastructure.

By the initiative of the RA members of parliament, ***Draft Laws<sup>10</sup> on Making Amendments to the RA Law about the Budget System of the Republic of Armenia and to the Law on Making Amendment and Addition to the RA Law on Local Self-Government*** were circulated. According to the justification enclosed to the draft law, there is a correlation among the legal regulations defined in the first paragraphs the Article 32, part 9 and Article 35, part 8 of the RA Law about the Budget System of the Republic of Armenia. Therefore, according to Article 35, part 8, if the annual report on the municipality budget execution is not approved, the municipality mayor raises an issue of early termination of liabilities through resignation. In this matter, the procedure for early termination of the mayor’s liabilities through resignation defined in the Article 35, part 8 of the same law, shall take effect. However, the procedure defined in the Article 32, part 9, contains a termi-

<sup>9</sup> <https://www.e-draft.am/projects/2009/about>

<sup>10</sup> [http://www.parliament.am/draft\\_history.php?id=10891](http://www.parliament.am/draft_history.php?id=10891)

nology “the municipality mayor **may raise** an issue of early termination of liabilities through resignation,” which may provoke various interpretations.

The draft proposes to apply the following terminology “the municipality mayor raises an issue of early termination of liabilities through resignation” in the first paragraphs of the Article 32, part 9 and Article 35, part 8 of the RA Law about the Budget System of the Republic of Armenia, as well as to reduce the threshold of the required number of avagani member votes from two-thirds of the total number of avagani members to a simple majority in order to accept the resignation. The draft also proposes that the issue of early termination of municipality mayor’s liabilities through resignation may be discussed, if he has been in office for one year since the beginning of the particular fiscal year in case of non-acceptance of the budget execution, and at least one year in case of non-acceptance of the draft budget.

Given the fact of accepting the municipality mayor’s resignation, avagani should initiate a process of early termination of municipality mayor’s liabilities, the draft law on making amendment and addition to the RA Law on Local Self-Government was also included in the draft package. The draft law defines the liabilities of the municipality mayor are also subject to early termination in the cases set out by the first paragraphs of Article 32, part 9 and Article 35, part 8 of the RA Law on the Budget System of the Republic of Armenia.

This draft law, in fact, seeks to integrate the contradictory legal regulations, while managing the issue of municipality mayor’s dismissal, they can be controversial with regard to the logic of the legal regulations of the RA Constitution. The RA constitutional norms do not envisage any procedure for the municipality mayor’s dismissal. Obviously, this does not theoretically exclude the legislative regulation of the municipality mayor’s political responsibility towards the municipal constituency in the case of direct electoral system, and towards the avagani- in case of indirect electoral system. The latter was revealed in the respective clauses of the RA Law on Local Self-government. Yet, the proposed amendment presented in the draft law is quite different in content. Therefore, it is not a legislative amendment to ensure compliance with the legal regulations, but the norms assuming the termination of liabilities of municipality mayor should be declared invalid.

On the initiative of the RA members of parliament, the ***RA draft law<sup>11</sup> on making addition to the RA Law on Local Self-government***, was circulated. This draft proposes to edit the RA Law on Local Self-government with Article 79.1 Donations or Contributions Made to Municipalities. The Article proposes a mandatory term on publishing information in the municipality website or mass media about the donations or the source of contributions the amount of which exceeds one hundred times the national minimum wage, not later that in a week after receiving.

According to the justification enclosed to this Article, the adoption of the draft is to improve the accountability of local authorities, promote greater transparency and public oversight over the LG action procedures.

<sup>11</sup> <http://www.parliament.am/drafts.php?sel=showdraft&DraftID=55841>

The proposed amendment put forward in the draft may create problems for the person making a donation or contribution in terms of privacy. Therefore, the confidentiality of donor's personal data may be considered a legal ground for not disclosing such information. Moreover, according to Article 8 of the RA Law on Freedom of Information, the freedom of information is limited, inter alia, by the person's privacy.

In this regard, in order to address the legal issue raised in the justification, a comprehensive approach is required along with an extensive institutional solution following the international experience. Otherwise, the adoption of the draft may cause contradictory provisions resulting in an inconsistent law enforcement practice.

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

On February 8, 2019, the RA Government Program for 2019<sup>12</sup> was approved by the RA Government No. 65-A. The Project envisages numerous events<sup>13</sup> in the field of local government.

The RA Government decision No. 199-A, adopted on February 27, 2020, approved the report<sup>14</sup> about the progress and outcomes of the RA Government program for 2019.

In 2019, the Government of the Republic of Armenia approved the procedure for developing, submitting, discussing and approving the subvention application geared towards the development of economic and social infrastructure of the RA municipalities, along with the procedure<sup>15</sup> for oversight, monitoring and completion of the subvention projects.

According to the above-mentioned report, as a result of discussions 483 municipality subvention projects out of 518 complete packages were approved geared towards capital investments in various fields of municipalities. The discussion was held during 8 sessions (established by the RA Prime Minister's decision No. 278-A March, dated on 19, 2019) of the interdepartmental commission for evaluating the subvention applications which are aimed at the developing economic and social infrastructure of the RA municipalities. According to the government decisions (related to 17 respective fields), 462 subvention projects were co-financed from the RA state budget in the amount of over 9,597 billion AMD. And the municipality co-financing amounted to a total 6,8 billion AMD.

In 2019, over 3,657 billion AMD was allocated from the reserve fund of the RA state budget for 192 projects aimed at urgent solution of the priority issues across the RA marzes. The allocated funds were mainly used for heating public schools,

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<sup>12</sup> <https://www.gov.am/files/docs/3133.pdf>

<sup>13</sup> Specifically, provision of subsidies financed out of the proceeds of the RA state budget for the development of municipality economic and social infrastructure, implementation of municipality garbage disposal by means of self-financing, ensuring the progression of the administrative-territorial reforms, etc.

<sup>14</sup> <https://www.gov.am/files/docs/3932.pdf>

<sup>15</sup> This procedure and regulation approved by the RA Government decision No. 62-N, dated on 31.01.2019 were amended by the RA Government Decision No.1935-N dated on 26.12.2019, with respective addition and amendment to the RA Government Decision No. 1708-N dated on 16.11.2006.

capital renovation, repair of roofs and water lines, as well as for other similar projects. In 2019, Armenian Territorial Development Fund accomplished construction of 145 projects, and the construction works of 28 projects are underway and will be completed in 2020. The ongoing support programs for amalgamated municipalities by international organizations provided the necessary equipment and other support to the development of socio-economic infrastructure (see Chapter 6 of this report).

Community Management Information System was developed in another 15 multi-settlement municipalities. Citizens service offices<sup>16</sup> were established further in 4 multi-settlement municipalities.

In 2019, the platform for balanced development of the RA regions ([www.regions4growth.am](http://www.regions4growth.am)) was developed and was imported to a pilot phase since September 2019. The platform comprises state-supported projects and those funded by international organizations that are aimed at socio-economic development of municipalities. Thus, EU cooperation projects were implemented aimed at mitigating the disparities in regional development. During the reporting period, 8 EU-funded and national co-financed pilot projects<sup>17</sup> are implemented aimed at regional development. The projects are expected to create over 500 employment opportunities, as well as to increase the competitiveness of more than 300 small and medium enterprises (SMEs).

The total budget of the EU Regional Development Program is € 9.9, 67% of which is financed by the European Union, 17% by the Armenian government, and 16% by beneficiaries. The projects implemented in 2019 have already provided over 180 new employment opportunities, and an increase in competitiveness of over 160 SMEs.

Over 928 million AMD was allocated from the RA state budget for 2019, within the framework of which, social assistance was provided to families in close-border municipality settlements for partial reimbursement of natural gas, electricity, irrigation water facilities. as well as for reimbursement of property tax and land tax. Social assistance was provided to a total of 38 communities in 16 communities.

Due to the measures taken to involve economic entities in the waste management system across the RA marzes, the number of signed contracts of waste management service increased by over 220%, compared to the beginning of 2017.

In Armenia, discontinued vehicles are actively disposed. In August-December 2019, the skeletons of over 21,000 discontinued cars were stored.

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<sup>16</sup> <https://www.gov.am/files/docs/3932.pdf>

<sup>17</sup> Integrated support to sustainable economic development of rural mountainous regions of Armenia (€ 1,340 thousand), promotion of technological development in Shirak region (€ 750 thousand), promotion of competitiveness of regional SMEs as a basic precondition for local / regional economic development (€ 1,604 thousand), environmental challenges- turning opportunities: construction materials from plastic waste (€ 750 thousand), initiative for developing Dilijan and surrounding communities (€ 1,194 thousand), increase in SME competitiveness through wider use and promotion of sustainable innovative technologies (€ 2,085 thousand), integrated and balanced economic development of Tavush region (€ 1,626 thousand, production of woolen threads and textile in Amasia (€ 550 thousand).

## **Assessment of Activities of Government Entities Responsible for the Development of Local Self-government**

The RA NA Standing Committee on Territorial Administration, Local Self-Government, Agriculture and Environment convened 17 sessions. The Committee endorsed a number of IT-related legislative drafts<sup>18</sup> to include into the parliament agenda.

At the same time, it should be noted that the committee did not hold any parliamentary hearing on the LG-regulating draft laws, which means that the mandate to convene parliamentary hearings is not effectively fulfilled. In 2019, the RA MTAI, the executive body responsible for the LG reforms and development, produced a number of draft sectoral laws, specifically RA Draft Laws on making amendments and additions to the RA Law on Territorial Administration, RA Law on Local Self-Government, on making amendment to the RA Law on Administrative and Territorial Division of the RA, as well as on making amendments to the RA Law on Local Referendum, etc.

### **1.3. Performance of Armenia's International Commitments in Local Self-government**

Armenia's international commitments in local self-government sector are linked with the implementation of provisions of the European Charter of Local Self-governance and the assignments of the Congress of Local and Regional Authorities of the Council of Europe and their respective legal application in the RA legislation. In this context, it's worth highlighting that the year of 2019 was monitoring year in the RA, and the visit of delegation of the Congress of Local and Regional Authorities of the Council of Europe to Armenia. The purpose of the visit was to assess the RA fulfillment of the obligations defined in the ECLSG. The visit resulted in draft report and recommendations, which will be discussed and approved by the Congress of Local and Regional Authorities of the Council of Europe in the course of 2020.

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<sup>18</sup> Check the link: [http://www.parliament.am/committees.php?lang=arm&do=show&ID=111208&cat\\_id=agendas&show\\_session=&month=00&year=2019](http://www.parliament.am/committees.php?lang=arm&do=show&ID=111208&cat_id=agendas&show_session=&month=00&year=2019)

## 2. ADMINISTRATIVE-TERRITORIAL DIVISION AND INTER-MUNICIPAL COOPERATION

The territory of Armenia is 29 743 km<sup>2</sup>, of which 68.74% occupy agricultural lands, 11.23% - forests and 11.28% - specially protected areas. Only 7.59% of agricultural lands are irrigated.

The distribution of RA land stock by land ownership types is shown in Table 1<sup>19</sup>. Surface of Lake Sevan is 1 276.5 km<sup>2</sup>.

*Table 1. Distribution of RA land stock by land ownership types as of July 1, 2019*

<i>Land ownership types</i>	<i>Surface of land stock /km<sup>2</sup>/ (as of 2019)</i>	<i>Share in total (%)</i>	<i>Surface of land stock /km<sup>2</sup>/ (as of 2018)</i>	<i>Changes, compared to 2018<sup>20</sup> /km<sup>2</sup>/</i>
Citizens	5377	18.08%	5392	-15
Legal entities	360	1.21%	323	37
Municipalities	10267	34.52%	10288	-21
State	13732	46.17%	13733	-1
Foreign countries, International organizations	7	0.02%	7	-
<b>Total</b>	<b>29743</b>	<b>100%</b>	<b>29743</b>	<b>-</b>

As of January 1, 2020, the permanent population of Armenia is 2 959.7 thousand people which is less by 5.6 thousand people (0.19%) compared to the previous year<sup>21</sup>. Meanwhile, the population of capital Yerevan increased by 2.2 thousand people in 2018, resulting in 1 084.0 thousand persons. Summary data on the permanent population of the RA from 2000 to 2020 by urban and rural population and their movement are presented in Appendix 1.

67.8% of the population comprises the Republic's labor force.

According to the RA Law on Administrative and Territorial Division of the Republic of Armenia, marzes and municipalities are administrative-territorial units. The territory of Armenia is distributed among 10 marzes and Yerevan municipality. The borders of the latter are defined by the RA Law on Local Self-government in Yerevan.

Except for Kotayk marz, the other marzes have borders with neighboring countries.

<sup>19</sup> Decision of RA Government N 1119, 12.10.2018, "Report 2018 on the status and distribution of land stock of RA (land balance (as of July 1, 2018), available at [https://www.cadastre.am/storage/files/pages/pg\\_4062557235\\_1119k.voroshum.pdf](https://www.cadastre.am/storage/files/pages/pg_4062557235_1119k.voroshum.pdf)

<sup>20</sup> Compared to 2018, in 2019, the land fund of legal entities increased by 37 km<sup>2</sup> due to the acquisition of citizens (15 km<sup>2</sup>), communities (21 km<sup>2</sup>) and the state (1 km<sup>2</sup>).

<sup>21</sup> Official website of the RA National Statistical Service, socio-economic situation in Armenia during January-December 2019, available at: [https://www.armstat.am/file/article/sv\\_12\\_19a\\_520.pdf](https://www.armstat.am/file/article/sv_12_19a_520.pdf)

Municipalities are self-governing administrative units. A municipality can consist of one or more settlements. A municipality consisting of more than one settlement is called a multi-settlement municipality. The center and name are defined by law.

As of January 1, 2020, taking into account the administrative-territorial changes, there are 502 municipalities in Armenia (including Yerevan) which include 1004 settlements (instead of the previous 1002).

68 out of 502 are multi-settlement municipalities, 54 out of which consist of 3 and more settlements.

Summary data on administrative-territorial division and population of the RA (as of January 1, 2020) are shown in Table 2.

## 2.1. Administrative-territorial division

In 2019, no changes were made in the system of the RA administrative-territorial division. The importance of ongoing administrative-territorial reforms was positively addressed in media publications and some assessments. The RA Government, however, has not approved any of the legislative amendments and has not submit a package of amendments and additions to the legislative, to the RA National Assembly.

It is noteworthy that on October 25, 2019, the RA draft laws<sup>22</sup> on making amendments and additions to the RA Law on Administrative and Territorial Division of the Republic of Armenia as well as on making amendments to the RA Law on Local Self-Government was put for public discussion by the RA MTAI, on the joint website for publishing draft legal acts (e-draft.am). According to the draft laws, 3 new multi-settlement (amalgamated) municipalities were planned out of the following municipality clusters:

- **Lermontovo, Lori marz** (Lermontovo, Antarashen, 2 municipalities, 2 settlements).
- **Kasakh, Kotayk marz** (Kasakh, Proshyan, 2 municipalities, 2 settlements).
- **Ijevan, Tavush marz** (Ijevan, Azatamut, Aknaghbyur, Acharkut, Aygehovit, Achajur, Berkaber, Gandzasar, Getahovit, Ditavan, Yenokavan, Lusahovit, Lusadzor, Khashtarak, Tsakhkavan /Ijevan reg./, Kirants, Sarigyugh, Sevkar, Vazashen, 19 municipalities, 21 settlements).

Thus, 23 municipalities were involved in the proposed draft, which would define the end of amalgamation process in Tavush marz, in addition to Syunik and Vayots Dzor marzes. It is noteworthy that the proposed package envisaged to settle the issue of relocating the multi-settlement Geghamasar (Gegharkunik marz, RA) municipality center outside Sotk settlement to Geghamasar settlement, which was defined in an official justification. Due to the fact that the issue of relocating the municipality center to Geghamasar settlement has been raised. Nevertheless, on April 17, 2020, the RA National Assembly adopted these legislative amendments, which included amalgamation of only two municipalities (Ijevan and Lermontovo), while the issue

<sup>22</sup> <https://www.e-draft.am/projects/2033>

of amalgamating Kasakh and Proshyan municipalities, as well as the relocation of Geghamasar municipality center were withdrawn from the draft<sup>23</sup>.

In 2019, one amendment<sup>24</sup> was made to the RA Law on Administrative and Territorial Division of the Republic of Armenia, related to clarification of the provisions on alienation, gratuitous (permanent) use, lease and construction of the state-owned land plots within the administrative boundaries of the municipalities.

Given the fact that no amalgamation process of municipalities took place in 2019, no elections of a mayor and avagani of an amalgamated municipality were held either.

Given the circumstances of post-revolution situation, snap elections of a mayor in amalgamated municipality took place in Urtsadzor, Ararat marz and Gorayk, Syunik marz respectively on February 17, 2019 and on June 30, 2019. The resigned mayor of Urtsadzor municipality was re-elected, while the resigned mayor of Gorayk municipality did not run in the elections.

Brief data on the state administrative-territorial reforms are provided in Table 3.

Thus, as of January 1, 2010, the RA administrative-territorial division comprise the 10 marzes and 502 municipalities (with 1004 settlements)<sup>25</sup>.

Following three stages of administrative-territorial reforms, 465 municipalities were included in the amalgamation process, 413 municipalities were deprived of the status of a separate municipality, and 450 municipalities were not included or are yet to be included in the amalgamation process.

As it was stated in our previous reports, following the 2015 Constitutional amendments, the provision<sup>26</sup> on holding local referendums in respective municipalities in case of administrative-territorial changes was withdrawn from the RA Constitution. However, the RA acting Constitution defines the NA obligation to listen to the municipalities' opinion<sup>27</sup> when adopting a corresponding law on changes in administrative-territorial borders of municipalities.

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<sup>23</sup> Source: <http://parliament.am/drafts.php?sel=showdraft&DraftID=11433&Reading=1>

<sup>24</sup> RA Law on making amendment to the Law on Administrative and Territorial Division of Armenia, HO-309-N, dated on 13.12.2019, available at: <https://www.arlis.am/DocumentView.aspx?docid=137892>

<sup>25</sup> RA Law on Administrative and Territorial Division of Armenia, HO-18, dated on 07.11.1995 (HO-309-N with amendments and additions, dated on 13.12.2019).

<sup>26</sup> RA Constitution (amended), Article 110, dated on 27.11.2005.

<sup>27</sup> Amendments to the RA Constitution, Article 190, dated on 06.12.2015.

**Table 2. Administrative-territorial division and population of Armenia (as of January 1, 2020)**

Marz	Center of Marz	Distance from the capital /km <sup>2</sup> /	Area (share in the territory of RA) / km <sup>2</sup> /		Number of municipalities (share in the total number of municipalities of RA)		Number of settlements (urban and rural)			Number of population (share in the total population of RA) / thousands/		Population density (people/sq.km)	Number of urban population (share in the population of marz and RA) /thousands/			
	Yerevan	-	-	223.3	0.8%	1	0.2%	1	1	-	1084.0	36.6%	4854.9	1084.0	-	36.6%
1	Aragatsotn	Ashtarak	23	2756.3	9.3%	72	14.3%	120	3	117	124.7	4.2%	45.2	26.8	21.5%	0.9%
2	Ararat	Artashat	30	2090.0	7.0%	95	18.9%	99	4	95	256.5	8.7%	122.7	72.1	28.1%	2.4%
3	Armavir	Armavir	45	1242.1	4.2%	97	19.3%	98	3	95	263.9	8.9%	212.5	82.5	31.3%	2.8%
4	Gegharkunik <sup>1</sup>	Gavar	92	5349.2	18.0%	57	11.4%	98	5	93	227.7	7.7%	42.6	66.6	29.2%	2.3%
5	Lori	Vanadzor	117	3798.6	12.8%	56	11.2%	130	8	122	213.2	7.2%	56.1	126.0	59.1%	4.3%
6	Kotayk	Hrazdan	50	2085.5	7.0%	42	8.4%	69	7	62	250.9	8.5%	120.3	136.8	54.5%	4.6%
7	Shirak	Gyumri	121	2680.3	9.0%	42	8.4%	130	3	127	231.7	7.8%	86.3	135.4	58.6%	4.6%
8	Syunik	Kapan	301	4505.4	15.1%	8	1.6%	138	7	131	137.3	4.6%	30.5	93.1	67.8%	3.1%
9	Vayots Dzor	Yeghegnadzor	124	2307.8	7.8%	8	1.6%	55	3	52	48.5	1.6%	21.0	17.1	35.3%	0.6%
10	Tavush	Ijevan	131	2704.0	9.1%	24	4.8%	66	5	61	121.3	4.1%	44.9	51.3	42.3%	1.7%
	<b>TOTAL</b>		<b>103.4<sup>3</sup></b>	<b>29742.6</b>	<b>100%</b>	<b>502</b>	<b>100%</b>	<b>1004</b>	<b>49</b>	<b>955</b>	<b>2959.7</b>	<b>100%</b>	<b>66.4<sup>4</sup></b>	<b>1891.7</b>	<b>42.8%<sup>5</sup></b>	<b>63.9%<sup>6</sup></b>

1 Including Lake Sevan

2 By Google Maps

3 Average distance between the capital and centers of marzes

4 Average density of population by marzes (covering the area of marzes, excluding the area of Lake Sevan)

5 Average level of marz urbanization

6 Total level of the RA urbanization

*Table 3. Administrative-territorial reforms by stages as of January 1, 2020*

Marz	1st stage, HO-148-N, dt. 24.11.2015*	2nd stage, HO-100-N, dt. 17.06.2016*	3rd stage, HO-93-N, dt. 09.06.2017*	Newly-formed amalgamated municipalities in marz (total number)	Previously- amalgamated municipalities	Settlements in the newly-formed municipalities	Municipalities in marzes (total number)
Aragatsotn	-	-	4	4	46	46	72
Ararat	-	1	-	1	3	3	95
Armavir	-	-	-	-	-	-	97
Gegharkunik	-	-	4	4	39	42	57
Lori	1	-	10	11	68	80	56
Kotayk	-	-	6	6	31	33	42
Shirak	-	4	3	7	84	94	42
Syunik	1	4	3	8	109	138	8
Vayots Dzor	-	3	3	6	42	53	8
Tavush	1	3	1	5	43	45	24
<b>Total</b>	<b>3</b>	<b>15</b>	<b>34</b>	<b>52</b>	<b>465</b>	<b>534</b>	<b>501**</b>

\* By the RA respective law on making amendments and additions in the RA Law on Administrative and Territorial Division of the Republic of Armenia.

\*\* Does not include Yerevan

In September 2019, the RA NA came up with a legislative initiative which had to establish the constitutional right of municipalities to be heard through a local referendum. The draft was widely discussed among the experts of the field. Final version of the draft was substantially amended and fully adopted by the RA NA on December 19, 2019. The amendments and additions are related to the RA Laws<sup>28</sup> on Local Self-government and Local Referendum.

It is noteworthy, that the results of referendums on administrative-territorial changes are not binding. Specifically, the law defines the results of local referendum on the issue of amalgamation or division of a municipality are of advisory character<sup>29</sup>. More 1 reveals more detailed information on this.

Legislative provision<sup>30</sup> on the administrative head of each settlement within multi-settlement municipality is still in force. The current situation proves this pro-

<sup>28</sup> RA Law on making additions to the Law on Local Self-government, HO-308-N, dated on 19.12.2019, RA Law on making additions and amendments to the Law on Local Referendum, 307-N, dated on 19.12.2019.

<sup>29</sup> RA Law on Local Referendum, HO-347-N, dated on 13.06.2018, Article 4, clause 1.1 (amendments and additions 307-N, dated on 19.12.2019).

<sup>30</sup> RA Law on Local Self-government, HO-337, dated on 07.05.2002, Article 31 (amendments and additions HO-191-N, dated on 25.03.2020).

vision is expedient. There are settlements without permanent population, so there the management efficiency of the permanently acting administrative head is highly controversial. In such case, it would be reasonable, if the avagani of the given settlement discussed the issue of an administrative head on its own.

Taking into consideration the administrative-territorial reforms as of January 1, 2020, the average size of administrative area of a municipality is 56.7 km<sup>2</sup>, while the average size of agricultural lands is 40.7 km<sup>2</sup>. The average population size of a municipality has slightly decreased compared to the previous year and is 5895 (including Yerevan) and 3743 (without Yerevan).

Detailed information on the administrative area in one municipality and on average number of municipal population in European countries is provided in Appendix 3<sup>31</sup>, Local Self-government in Armenia (2018) Book 11.

As of January 1, 2020, the number of urban population in Armenia comprised 1891.7 thousand, accordingly the level of urbanization is 63.9%.

## 2.2. Inter-municipal cooperation

In 2019, no significant changes took place in the field of inter-municipal cooperation. The RA Law on Inter-Municipal Unions was not amended or added. In this regard, our observations and controversial aspects on the legislation stated in the previous year's report, can still be considered relevant<sup>32</sup>.

In 2019, no IMU was established in any of two possible options of establishing an IMU.

The status of unions of previous legal entities *municipal associations* or *inter-municipality unions* is still uncertain. At the same time, it's worth noting that as a result of the amendments in the RA Civil Code in 2017, the term "union of legal entities" was eliminated, and these entities were required to be re-registered by changing their organizational-legal form. However, information on such structures is still available at the electronic platform (e-register.am) of the State Register of Legal Entities of the Ministry of Justice. There is no available information on how many "municipal associations" or "inter-municipal unions" were re-registered or re-organized in the past.

In the reported year, the cooperation between the municipalities, that is the joint coordination and collection of database relating to property tax and land tax continued. The data on their activities is shown in Table 4.

<sup>31</sup> Available at <https://cfoa.am/library>

<sup>32</sup> See Local Self-government in Armenia (2018), Book 11, pp. 26-28, Yerevan, 2019. Available at <https://cfoa.am/library>

Table 4. Brief information on the database of property tax and land tax as of February 10, 2020<sup>33</sup>

Marz	Municipal association (MA)		Inter-municipal structure (IMS)		Number of municipalities included in MAs or IMSs	Municipalities running only their own database	Municipalities with no own database	Number of municipalities per marz
	Number	Number of municipalities included in MA	Number	Number of municipalities included in IMS				
Aragatsotn	0	0	9	24	24	48	15	72
Ararat	2	26	2	10	36	59	34	95
Armavir	0	0	1	2	2	95	1	97
Ge-gharkunik	0	0	3	9	9	48	6	57
Lori	0	0	2	5	5	51	3	56
Kotayk	0	0	0	0	0	42	0	42
Shirak	0	0	4	12	12	30	8	42
Syunik	0	0	0	0	0	8	0	8
Vayots Dzor	0	0	0	0	0	8	0	8
Tavush	1	16	0	0	16	8	16	24
<b>Total</b>	<b>3</b>	<b>42</b>	<b>21</b>	<b>62</b>	<b>104</b>	<b>397</b>	<b>83</b>	<b>501</b>

<sup>33</sup> Official website of RA Ministry of Territorial Administration and Infrastructure, available at <http://www.mtad.am/files/docs/607.pdf>

### 3. FORMATION, LIABILITIES AND ACTIVITIES OF LSGBs, PARTICIPATION OF CIVIL SOCIETY IN LOCAL GOVERNANCE

#### 3.1. Formation, Liabilities and Activities of LSGBs

In 2019, the procedures of elections, nomination of candidates and tenure in office for the LSGBs remained unchanged.

In 2019, 61 direct elections of mayors and 26 elections of avaganis through majoritarian voting were held in the RA municipalities (Table 5). The RA Court of Appeal declared invalid the elections held in Gorayk municipality of Syunik marz, on June 6, 2019. As a result, a re-vote was held on June 30, 2019.

*Table 5. Number of elections of LSGBs in 2019, by marzes<sup>34</sup>*

N	Marz	Direct elections of mayors		Elections of avaganis through majoritarian voting	
		Number of elections	Average rate of voter turnout	Number of elections	Average rate of voter turnout
1	Aragatsotn	8	53.03%	3	33.60%
2	Ararat	6	66.48%	5	47.72%
3	Armavir	15	52.31%	4	44.45%
4	Gegharkunik	8	59.28%	1	30.54%
5	Lori	7	55.10%	5	45.49%
6	Kotayk	5	60.56%	0	-
7	Shirak	5	60.21%	3	39.36%
8	Syunik	2	75.99%	1	76.07%
9	Vayots Dzor	1	53.99%	0	-
10	Tavush	4	67.69%	4	49.12%
	<b>Total</b>	<b>61</b>	<b>60.46%</b>	<b>26</b>	<b>36.64%</b>

In 2019, compared to the previous year, the voter turnout of the municipality mayor elections (60.46% in 2019, 55.22% in 2018) was high. The turnout was low in the elections of avagani members (36.64% in 2019, 42.50% in 2018) (Table 5).

In 2019, maximum 8 candidates were nominated in 2 municipalities. 7 candidates competed in 1 municipality, 6 candidates in 1 municipality, 5 candidates in 5 municipalities, 4 candidates in 5 municipalities, 3 candidates in 17 municipalities,

<sup>34</sup> Source: [www.elections.am](http://www.elections.am)

and 2 candidates in 20 municipalities. In 2019, the competition was low in less number of municipalities. Only 1 candidate was registered in 10 municipalities, that is 16.4% of all municipalities where direct elections of municipality mayors were held (in the previous year this figure was 31.3%)<sup>35</sup>. The average number of nominated candidates in direct elections of municipality mayors increased by 2.9% in 2019, (last year it was 2.5).

In 2019, the results of monitoring of municipality mayors' party affiliation in the selected municipality, majority of the elected mayors, that is 86.9%, is non-partisan. Only 3 mayors of the monitored municipality are from Civil Contract political party, 1 mayor is from the RPA (Republican Party of Armenia), and 2 of them are from Prosperous Armenia party, and 2 mayors are representatives of the Armenian Revolutionary Federation (Table 6).

*Table 6. Political affiliation of directly elected mayors in 2019<sup>36</sup>*

N	Marz	Political Party				Non-partisan
		Civil Contract political party (CCP)	Republican Party of Armenia (RPA)	Prosperous Armenia (PAP)	Armenian Revolutionary Federation (ARF)	
1	Aragatsotn	-	1	-	-	7
2	Ararat	-	-	-	1	5
3	Armavir	-	-	-	-	15
4	Gegharkunik	-	-	-	-	8
5	Lori	1	-	-	-	6
6	Kotayk	1	-	2	-	2
7	Shirak	1	-	-	-	4
8	Syunik	-	-	-	-	2
9	Vayots Dzor	-	-	-	-	1
10	Tavush	-	-	-	1	3
	<b>Total</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>53</b>

In 2019, no elections of municipality avagani were held by proportional electoral system.

### **Liabilities of Local Administration**

In 2019, a few changes were made in the liabilities of local administration, including those of local administrations in Yerevan municipality.

In 2019, only one liability was assigned to the municipality mayor and avagani.

Those liabilities refer to their decision on holding a local referendum as well as on financing costs for arranging and conduct of the referendum. Thus, according

<sup>35</sup> Source available at [www.elections.am](http://www.elections.am):

<sup>36</sup> Ibid.

to the RA Law on making amendments to the RA Law on Local Self-government, adopted on December 19, 2019, the following new liability was included in the list of general liabilities of the municipality mayor: “the municipality mayor shall submit the draft decision on financing costs for preparation and conduct of the local referendum to the approval of avagani.” As for avagani, the following liability was fixed: “the avagani shall take a decision on financing costs for preparation and conduct of the local referendum upon the submission of municipality mayor.”

Following the RA Law on making amendments to the RA Law on Local Self-government in the city of Yerevan, adopted on September 10, 2019, the following was repealed from the list of general liabilities of Yerevan mayor: “the procedure of journalist accreditation in the Yerevan local self-government bodies, as well as the procedure for holding press conferences and briefings at the residence of the Yerevan local self-government bodies were approved in the manner prescribed by the Article 6 of the RA Law on Mass Media.”

In 2019, the liabilities of municipality mayor and avagani were somewhat changed as well.

Following the RA Law on making amendments to the RA Law on Local Self-government, adopted on June 28, 2019, the liability of the municipality mayor according to which the municipality mayor upon the proposal of the avagani, takes a decision to use or alienate the municipality-owned property, was edited as follows: “includes the cases stipulated in the PPP project, defined in the RA Law on Public-Private Partnership.”

The procedure for appointing a chairperson of municipal non-commercial organization (MNCO) was changed by the RA Law on making an amendment and addition to the RA on Local Self-government, adopted on September 10, 2019. According to this amendment, chairpersons are appointed as a result of a bidding procedure. In addition to this, the procedure for preparation, conduct and summary results of the bidding process for MNCO chairperson shall be approved by the authorized entity. As a result of those amendments, the formulation “and of non-commercial organizations” was withdrawn from the following liabilities of the municipality avagani: “upon their decision, avagani approves the candidates for chairpersons of municipality administrations and non-commercial organizations, submitted by the municipality mayor.” Accordingly, the liability of the municipality mayor based on which and upon the decision of avagani, the municipality mayor appoints and dismisses the chairpersons of municipality administrations and non-commercial organizations, was edited as follows: “except the chairpersons of municipal non-commercial organizations, who are appointed as a result of a bidding procedure.”

The RA Law on making amendments to the RA Law on Local Self-government, adopted on December 19, 2019, supplemented a liability of the municipality mayor in the framework of citizen participation in the local governance. According to this supplement, the municipality mayor shall arrange public hearings and discussions also on the government-scheduled changes in the administrative-territorial division. Liabilities of the Yerevan mayor in the context of relations with avagani were amended by the RA Law on making additions to the RA Law on Local Self-government in the city of Yerevan, adopted on June 28, 2019. Whereby, the mayor of Yerevan, in

addition to one-year, five-year, long-term and special programs of Yerevan Development, also submits the PPP projects to avagani, within the framework of the RA Law on Public-Private Partnership.

To sum up, as of the end of 2019, the number of own liabilities assigned to the municipality mayors by law increased by 1 compared to the previous year, comprising a total of 121, and the number of own liabilities of the Yerevan mayor decreased by 1, comprising 85. In 2019, the delegated liabilities to the municipality mayors and the mayor of Yerevan remained unchanged (Table 7).

*Table 7. Quantitative data of municipality mayor liabilities by individual types and sectors (as of December 31, 2019)*

N	Sector	Own liabilities		Delegated liabilities	
		RA other municipalities	Yerevan	RA other municipalities	Yerevan
1	General powers	28	19	3	1
2	Finances	8	7	0	0
3	Defense	3	3	2	0
4	Protection of population in emergency situations and civil defense	2	2	7	0
5	Urban development and communal utilities	22	13	0	1
6	Land use	7	2	3	3
7	Transport (and road construction)*	4	4	1	2
8	Commerce and services	11	3	0	0
9	Education, culture and youth issues	5	2	1	1
10	Health, physical education and sports	4	3	2	4
11	Social protection	5	1	1	1
12	Veterinary and phytosanitary	2	1	6	4
13	Environment protection	1	4	2	2
14	Rights of citizens and economic agents*	5	0	6	0
15	Participation of citizens in local governance*	4	0	0	0
16	Agriculture*	4	0	0	0
17	Tourism*	6	0	0	0
18	Relations with avagani*	0	10	0	0
19	Public order protection*	0	4	0	0
20	Electronic communication, electricity supply, water supply, gas supply*	0	2	0	0
21	Relations between republican authorities of executive power and their territorial services in Yerevan*	0	5	0	0
	<b>Total</b>	<b>121</b>	<b>85</b>	<b>34</b>	<b>19</b>

\*) The sectors and titles of liability sectors of municipal mayors in the RA Law on Local Self-government differ from those reflected in the RA Law on Local Self-government in Yerevan. In case the titles are different, but the sectors are the same, the differences are marked in parentheses, and in case the sectors are different, they are written in separate lines (lines 14-21).

## Decision-making in municipalities

In 2019, local referendums were not held in any of the municipalities.

In the RA marzes, offices for arranging avagani work were available as follows: in 455 municipalities - throughout the first, second and third quarters of 2019, and in 460 municipalities<sup>37</sup> - throughout the fourth quarter of the same year.

Beginning of 2018, and during 2019, various actions on implementation of the RA Law about Petitions and practical execution of petitions were performed. The RA government decision on approving the public petition form was adopted on November 1, 2018. The decision entered into force as of January 1, 2019.

In 2018-2019, petitions were initiated by the residents of RA municipalities, such as in Jermuk, Gladzor, Areni, Yeghegnadzor and Noyemberyan. The content of petitions was somewhat different in each municipality, yet the essential idea was about creating an eco-economic environment in the municipality and banning the metal mining in the municipalities. Avaganis of all 5 municipalities took a respective decision. The avaganis of Jermuk<sup>38</sup>, Gladzor<sup>39</sup> and Yeghegnadzor<sup>40</sup> municipalities approved the recommendation brought up by the petitions. The petitions propose to ban upon the municipal avagani decision, the geo-prospective exploration and mining activities in the municipality area. Specifically, in Areni<sup>41</sup> and Noyemberyan<sup>42</sup> municipalities, upon the decisions of avaganis above all the mining and geo-prospective exploration activities were banned rightaway. Even though the respective decisions are followed by the residents petition, the legitimacy of those decisions still remains problematic in the sense that the avagani is not entitled to take those decisions. Therefore, the Vayots Dzor marzpetaran filed a lawsuit<sup>43</sup> to annual the decisions of 4 municipality avaganis.

### 3.2. Civil society participation in the local governance

As of January 1, 2019, the State Register Agency of Legal Entities of Staff under the Ministry of Justice maintains records of 4222 NGOs, 1120 foundations, 645 trade unions and 81 political parties.

There is no official record on the number and territorial distribution of non-government organizations operating in the local self-government sector. No official record is available on territorial distribution of media outlets either.

<sup>37</sup> Source available at [www.mtad.am](http://www.mtad.am), Brief report on publicity and transparency of the activities of local authorities in the RA municipalities throughout the 1st, 2nd, 3rd and 4th quarters of 2019.

<sup>38</sup> Decision N88-A, taken by avagani Jermuk municipality, on approving the recommendation brought up by the petition of Jermuk municipality residents, adopted on December 18, 2018.

<sup>39</sup> Decision N44, taken by avagani of Gladzor municipality, on approving the recommendation brought up by the petition of Gladzor municipality residents, adopted on April 29, 2019.

<sup>40</sup> Decision N45, taken by avagani of Yeghegnadzor municipality, on approving the municipal residents recommendations to create an eco-economic environment and ban the metal mining in the municipality, adopted on May 23, 2019. upon the residents.

<sup>41</sup> Decision N51, taken by avagani of Areni municipality, on creating an eco-economic environment and banning metal mining municipality, adopted on May 6, 2019.

<sup>42</sup> Decision N34-N, taken by avagani Noyemberyan municipality, on banning geo-prospective exploration and mining activities in the municipality area, adopted on May 30, 2018.

<sup>43</sup> Sources available at <https://hetq.am/hy/article/106102>, <https://hetq.am/hy/article/108073>, <https://hetq.am/hy/article/110825>

According to the report of Freedom House international watchdog organization, the progress assessment in democratization in Armenia comprised 3.00 points, in 2019. The ratings in the section of Local Democratic Governance comprised 2.25 points, and that in the Civil Society section was 4.50 points (in the scale of 7, whereby the lowest indicator is 1, and the highest is 7).

In April 2019, in cooperation with the Civic Engagement in Local Governance Program (CELoG) funded by USAID and in joint partnership with 3 organizations, The Local Democracy School (LDS) kicked off. The objective of this school is to identify enthusiastic youth with a new mindset, to provide them with advanced knowledge and skills, help them become new local leaders and to play a key role in initiating and implementing local self-government (as well as public administration) reforms. The objective of this program is to help the youth actively engage in local self-government. In 2019, in accordance with the developed methodology, an LDS curriculum was developed, in the framework of which LDS workshop (3 days, 72 participants), and regional workshops (6 days, 149 participants from Vayots Dzor, Syunik, Shirak, Lori, Tavush, and Armavir marzes) were held in 6 marzes of Armenia for total 221 young people. The workshops were followed by over 30 small grant projects (some are underway) in the field of LG and local democracy, in a number of municipalities of 6 marzes, implemented by regional groups of trained participants. These efforts will continue in the coming years.

### **Information access to LG performance**

As of February 10, 2020, the number of municipalities conducting online broadcasting of avagani sessions in the RA marzes was 45, including multi-settlement municipalities of over 10000 population. Ani municipality in Shirak marz is not included in the list. Further, 3 municipalities with less than 10000 population are also included in the list of municipalities conducting online broadcasting of avagani sessions, such as Tumanyan, Vayk and Jermuk municipalities<sup>44</sup>. 26 out of 45 municipalities that conduct online broadcasting of avagani sessions are multi-settlement municipalities. Online broadcasting of avagani sessions in Yerevan is conducted as well.

As of February 10, 2020, the number of municipalities of over 3000 population that run an official website was 153<sup>45</sup>, covering all municipalities of over 3000 population. Yerevan also has an official website.

The study on publicity and transparency of municipal budgets in the RA marzes confirms that in all quarters of 2019, all municipalities of the marzes published the budget-related information required by the law on the billboards and visible loca-

<sup>44</sup> Source available at [www.mtad.am](http://www.mtad.am), List of municipalities (as of 10.02.2020) provided with online broadcasting opportunities for avagani session: Aragatsavan, Ashtarak, Aparan, Tsakhhahovit, Ararat, Artashat, Masis, Vedi, Metsamor, Armavir, Edjmiadzin (Vagharshapat), Gavar, Martuni, Sevan, Vardenis, Chambarak, Vanadzor, Alaverdi, Tashir, Tumanyan, Spitak, Stepanavan, Abovyan, Byureghavan, Eghvard, Hrazdan, Nor Hachn, Charentsavan, Jrvezh, Akhuryan, Gyumri, Artik, Marmashen, Goris, Meghri, Sisian, Kapan, Jermuk, Areni, Vark, Dilijan, Ijevan, Airum, Noyemberyan, and Berd.

<sup>45</sup> Source available at [www.mtad.am](http://www.mtad.am), list of municipalities of over 3000 population running websites, as of 10.02.2020.

tions. The number of TV-broadcasting was very low ranging between 36-62 municipalities in different quarters. The number of media publications was limited ranging between 100-102 municipalities in different quarters. Most regional municipalities published budget-related information on their official websites. The number of those municipalities was ranging between 436-470 in different quarters (Appendix 2).

### **Grievance on LSG performance**

In 2019, the quantitative analysis of the grievances filled to the Human Rights Defender reveals that 639 grievances were addressed to the Yerevan municipality, and 514 to regional municipalities<sup>46</sup>.

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<sup>46</sup> Source: Annual report of the Armenian Human Rights Defender on the ombudsmen office activity, state of human rights and freedoms protection in 2019, Yerevan 2020.

## 4. MUNICIPAL ASSETS, DEVELOPMENT PROGRAMS AND FINANCIAL AUTONOMY

In the course of 2019, the legislation on municipal finances, assets, development projects and budgeting did not undergo any amendments.

The RA Law on Local Self-government was edited, the wording in the Article 88 parts 4 and 5 of which was replaced as follows “by means of an integral part of extra-budgetary funds” into “municipal budget<sup>47</sup>.” Accordingly, since this law has taken a legal effect, the extra-budgetary funds in the municipal extra-budgetary accounts, except for the funds defined in part 4 of the Article 92 of the RA Law on Local Self-government, shall be registered into the respective municipal budget as a free balance. Amendments were also made to the RA Law on Financial Equalization. Its clauses on Transitional and Final Provisions in the Article 18, define the procedure and formula for calculating the amount of subsidies allocated to each municipality (including multi-settlement) in 2020 and 2021<sup>48</sup>.

For the purpose of exercising authorities delegated by the State to Yerevan municipality, municipality mayors of Gyumri, Vanadzor, Ararat and Jermuk municipalities by 2019 RA State Budget funds, the RA Government decision 133-N dated on 21.02.2019, set forth the annual normative for organizing activities of territorial units of social assistance of the municipal staff of Yerevan municipality, municipality mayors of Gyumri, Vanadzor, Ararat and Jermuk municipalities.

The RA decision 403-N dated on 11.04.2019, approved the 2019 cadastral price of the RA Land Fund as per the target lands.

The RA Government decision 1629-A dated on 21.11.2019, the recommendation to sign an additional financial agreement between the RA and the Credit Institute for Reconstruction, in the amount of € 2.0 million for the purpose of implementation the accompanying measures described in “Municipal Infrastructure Project 2, Phase 3.”

### 4.1. Municipal Assets

Compared to the previous year, 2019 municipal assets increased by 11867.9 million AMD or by 84.5%. As in previous years, the major source of replenishing municipal assets (including Yerevan) was the municipal expenditures incurred on capital or non-financial assets (see Table 8).

As in previous years, 99.8% of these expenditures reflect on fixed assets within which the share of buildings and structures is the highest reaching 75.5%. The expenditures related to the acquisition of buildings and constructions particularly increased by 95.9%, expenditures on capital renovation of buildings increased by 82.49%, other fixed assets 40.4%, expenditures on vehicles and other equipment increased by 2.2 times. Their share in expenditures (except for capital renovation of buildings and constructions) on non-financial assets also increased. Although, the investments in these spheres are still low.

<sup>47</sup> RA Law on making amendment to the RA Law on Local Self- Government, adopted on 14.11.2019.

<sup>48</sup> RA Law on making amendment to the RA Law on Financial Equalization, adopted on 05.12.2019.

Compared to the previous year, the expenditures and their shares on acquisition of buildings and constructions (5.6 times) dropped in expenditures on non-financial assets. Despite the 83.1% increase in the previous year, expenditures on non-produced assets are still negligible, at the same time no expenditures on high-value assets were incurred.

Based on a number of the RA government decrees, land plots, property and financial means were donated to the municipalities and in several cases, the means derived from the privatization of the state-owned property were fully or partially granted to the projects implemented in the municipalities. Public schools and municipal-owned infrastructures have been renovated through the state budget allocations to the regional administrations.

*Table 8. Municipal expenditures on non-financial assets (including Yerevan), 2017-2019*

Line	Contents	2017		2018		2019	
		Amount, mln AMD	Share, %	Amount, mln AMD	Share, %	Amount, mln AMD	Share, %
1	2	3	4	5	6	7	8
<b>5000</b>	<b>EXPENDITURES ON NON-FINANCIAL ASSETS, total</b>	<b>12289.6</b>	<b>100</b>	<b>14048.6</b>	<b>100</b>	<b>25916.5</b>	<b>100</b>
<b>5100</b>	Including <b>1. Fixed assets</b>	<b>12132.4</b>	<b>98.7</b>	<b>13906.2</b>	<b>99.0</b>	<b>25879.3</b>	<b>99.8</b>
5110	Including <b>Building and construction</b>	9382.1	76.3	10851.3	77.2	19570.4	75.5
5111	<b>of which:</b> acquisition of buildings and constructions	66.7	0.5	652.7	4.6	523.4	2.0
5112	construction of buildings and structures	2391.5	19.5	3297.5	23.5	6459.3	24.9
5113	capital renovation of buildings and constructions	6923.9	56.3	6901.1	49.1	12587.7	48.6
<b>5120</b>	<b>Vehicles and equipment</b>	<b>2223.3</b>	<b>18.1</b>	<b>2555.7</b>	<b>18.2</b>	<b>5607.9</b>	<b>21.6</b>
<b>5121</b>	<b>of which-</b> transport equipment	<b>505.2</b>	<b>4.1</b>	<b>822.8</b>	<b>5.9</b>	<b>2729.4</b>	<b>10.5</b>
5122	administrative equipment	559.8	4.6	622.3	4.4	736	2.8
5123	other vehicles and equipment	1158.3	9.4	1110.5	7.9	2142.1	8.3
5130	Other fixed assets	527.0	4.3	499.2	3.6	701.0	2.7
<b>5200</b>	<b>2. Inventories</b>	<b>155.1</b>	<b>1.3</b>	<b>135.3</b>	<b>1.0</b>	<b>24.2</b>	<b>0.1</b>
<b>5300</b>	<b>3. High value assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>5400</b>	<b>4. Non-produced assets</b>	<b>2.1</b>	<b>0.0</b>	<b>7.1</b>	<b>0.0</b>	<b>13.0</b>	<b>0.1</b>
5411	Including land	2.1	0.0	7.1	0.0	13.0	0.1
5421	Including subsoil assets	0.0	0.0	0.0	0.0	0.0	0.0

The inflows on sales of non-financial assets of municipalities (see Table 9) increased by 3361,5 million AMD or by 19.3% compared to the previous year. In 2019, as well the inflows on sales of non-financial assets were completely received from

the sale of fixed assets (8,6%) and sales of land (91.4%). There were no inflows from high-value assets and inventories.

*Table 9. Inflows on sales of non-financial assets of municipalities (including Yerevan), 2017 – 2019 (mln. AMD)*

<i>Line</i>	<i>Contents</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>6000</b>	<b>INFLOWS ON NON-FINANCIAL ASSETS, total</b>	<b>6966.3</b>	<b>8314.2</b>	<b>11675.7</b>
<b>6100</b>	<b>including: on sale of fixed assets</b>	<b>925.8</b>	<b>1046.2</b>	<b>1009.5</b>
<b>6110</b>	including: inflows on sales of immovable property	627.1	741.9	712.5
<b>6120</b>	inflows on sales of movable property	3.2	5.6	7.0
<b>6130</b>	inflows on sales of other fixed assets	295.5	298.7	290.0
<b>6200</b>	<b>Inflows on sales of inventories</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>6300</b>	<b>Inflows on sales of high value assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>6400</b>	<b>Inflows on sales of non-produced assets</b>	<b>6040.5</b>	<b>7268.0</b>	<b>10666.2</b>
<b>6410</b>	including: inflows on sales of land	6040.5	7268.0	10666.2

As of December 31, 2019, according to the data<sup>49</sup>, of the State Register Agency of Legal Entities of the RA Ministry of Justice, 1444 municipal non-commercial organizations (MNCO) were registered. The number of commercial legal entities fully (100%) owned by municipalities equaled to 421, while the number of commercial legal entities holding shares of both the state and municipality was 212.

In spite of the efforts, the most community-owned property did not significantly improve in 2019, and municipalities do not yet have adequate resources for such improvements.

## **4.2. Municipal development plans and budgeting processes**

As mentioned many times before, the long-term planning of municipal development in the local government system of Armenia is not defined by law and is not used widely either. There were no significant changes in this regard in 2019.

In contrast to long-term planning, five-year municipal development plans (FYMDP), as a form of interim planning are drafted in all the RA municipalities being required by the law. In 2019, no major legislative amendments were made in regard to municipal FYMDPs and budgeting process. However, the number of small municipalities with budget means sufficient only for maintenance of staff. These municipalities usually do not have qualified specialists, and the budgets are drafted as an outlay reflecting revenues and expenditures, without any serious analyses and development programs.

The situation somewhat improved in consolidated and newly formed multi-settlement municipalities, where the FYMDPs and budgets reflect some improvement of financial situation in these municipalities. However, this is not sufficient for further development prospects.

<sup>49</sup> [https://www.armstat.am/file/article/sv\\_12\\_19a\\_150.pdf](https://www.armstat.am/file/article/sv_12_19a_150.pdf)

According to the RA government decision, besides the subvention funds allocated from the RA State Budget Reserve Fund to municipalities through a number of marzpetarans, government reserve-funds were allocated to the municipalities for the purpose of developing municipal infrastructures. The funds were allocated based on a subvention agreement signed between the respective marzpetaran and municipality proceeding from the expenditure documents stipulated by the RA legislation and earlier submitted to the marzpetaran in the framework of sales agreement signed between the municipality and selected participant for the purpose of obtaining the goods, works and services. At the same time, the payment allocated from the RA state budget to the municipality is made on the basis of expenditure document and percentage amount specified by the subvention agreement.

During 2019, the RA municipalities submitted over 330 subvention allocation projects to the RA municipalities, the number of which exceeds by over 2.2 times, in contrast to the previous year (153 projects in 2018). For the purpose of implementing those subvention projects, over 8850,1 million AMD (1620,7 million AMD in 2018) was co-financed and allocated to the municipalities by the RA state budget. This amount exceeds by over 5.5 times in contrast to the previous year. The 54.2% of the total amount of those projects was allocated by the RA state budget, the remaining 43.8% by the municipal budgets, and only 2.0% by other investors (see Table 10).

*Table 10. The number of subvention projects co-financed from the RA state budget during 2019 and the allocated amounts to those projects as per marzes (mln. AMD)<sup>50</sup>*

<i>Marz</i>	<i>The number projects</i>	<i>Total amount of the projects</i>	<i>The co-financing amount by the municipal budget</i>	<i>The co-financing amount by the RA state budget</i>	<i>The co-financing amount by other investors</i>
Aragatsotn	32	859.9	438.6	421.3	0.0
Ararat	48	1465.0	772.2	689.8	3.0
Armavir	31	1165.1	603.9	561.2	0.0
Gegharkunik	62	3253.0	1197.9	2018.2	36.9
Lori	45	2094.7	968.1	1068.1	58.5
Kotayk	41	2294.6	1145.9	1073.7	75.0
Shirak	32	1293.1	614.3	678.8	0.0
Syunik	20	3042.9	1202.4	1840.4	0.0
Vayots Dzor	8	173.9	72.6	101.3	0.0
Tavush	11	672.8	132.1	397.3	143.4
<b>Total</b>	<b>330</b>	<b>16315.0</b>	<b>7148.0</b>	<b>8850.1</b>	<b>316.8</b>

In 2019, the Armenian Territorial Development Fund (ATDF) implemented 228 projects in the RA municipalities and in Yerevan with total amount of 16612,0 mln

<sup>50</sup> Date posted on the MTAI website <http://www.mtad.am/hy/mtad> 21.5, Report on official and unofficial grants provided to Armenian municipalities in 2017-2020, analysis on implemented investment programs, within the framework of the CFOA- implemented project in February-March 2020, based on advisory and financial support of “GIZ Good Local Governance Programme South Caucasus.”

AMD, including 1298,7 mln AMD (or 7.8% of the total amount) allocated to Yerevan municipality. The projects were implemented by the co-financing of a number of donor organizations (World Bank, USAID, SDC, ADB, IBRD, etc.) as well as by municipal budgets. The 63.5% of the total amount of those projects was allocated by donor organizations, the 33.1% by the RA state budget, 3.2% by the municipal budgets, and 0.2% by other investors (see Table 11).

In 2019, a number of projects<sup>51</sup> were implemented by the investments of the RA state budget and by grants provided to the RA by international organizations.

- USAID-supported LG development project of 432.0 mln. AMD.
- The below-listed projects supported by the EBRD:
  - 186.4 mln AMD for Kotayk and Gegharkunik Municipal Solid Waste Management
  - 22.0 mln AMD grant for street lighting in Yerevan
  - 444.3 mln AMD for reconstruction and repair of roads in Gyumri <sup>52</sup>.
- 1836.8 mln AMD for the EU-funded regional development Project.
- 232.1 mln AMD for parallel measures to municipal infrastructure grant program implemented with the support of the German Development Credit Bank, etc.

*Table 11. The number of ATDF-implemented projects during 2019, and the co-financing sources and amounts as per the RA marzes (mln AMD)<sup>53</sup>*

<i>Marz, Yerevan</i>	<i>The number projects</i>	<i>Total amount of the projects</i>	<i>The co-financing amount by donor organizations</i>	<i>The co-financing amount by the municipal budget</i>	<i>The co-financing amount by the RA state budget</i>	<i>The co-financing amount by other investors</i>
Aragatsotn	27	694.9	248.2	31.0	415.7	0.0
Ararat	25	878.6	389.3	30.1	447.4	11.8
Armavir	16	589.0	155.7	83.9	349.4	0.0
Gegharkunik	20	1968.1	1200.8	83.3	684.0	0.0
Lori	43	1818.4	1116.8	42.5	659.1	0.0
Kotayk	13	1050.6	531.2	96.2	423.2	0.0
Shirak	25	2341.9	1643.4	45.9	638.6	14.0
Syunik	16	3145.4	2389.2	38.3	717.9	0.0
Vayots Dzor	16	923.9	471.8	36.6	415.4	0.0
Tavshuh	26	1902.5	1322.2	51.1	525.1	4.0
Yerevan	1	1298.7	1077.9	0.0	220.8	0.0
<b>Total</b>	<b>228</b>	<b>16612.0</b>	<b>10546.5</b>	<b>539.0</b>	<b>5496.7</b>	<b>29.8</b>

<sup>51</sup> RA MTAI, Loan and Grant Programs, Performance Department. “Information on programs implemented at the expense of credit and grant funds provided by the Foreign States and international lending organizations to the MTA system (as of 31.12.2019)”, <http://www.mtd.am/hy/mtad28.11/>

<sup>52</sup> The RA government decision 1939-A dated on 26.12.2019, approved the grant agreement “Gyumri City Roads, Tranche B,” signed between Gyumri Municipality and the EBRD, on November 28, 2019.

<sup>53</sup> Data provided by the ATDF <http://www.atdf.am>, Report on official and unofficial grants provided to Armenian municipalities in 2017-2020, analysis on implemented investment programs, within the framework of the CFOA- implemented project in February-March 2020, based on advisory and financial support of “GIZ Good Local Governance Programme South Caucasus.” <http://www.mtd.am/hy/mtad28.11/>

During 2019, implementation of program budgeting continued thereafter in 5 more multi-settlement municipalities of Armenia, such as in Aparan, Aragatsavan, Berd, Kapan, Odzun with the support of GIZ and implementation by CFOA.

### 4.3. Municipal budget revenues

In 2019, the actual budget revenues of Armenian municipalities amounted to 144,463.4 million AMD (127,474.8 million AMD in 2018), which exceeds the previous year's amount by 16,988.6 million AMD or by 13.3%. Budget revenues increased in terms of almost all articles (see Table 12).

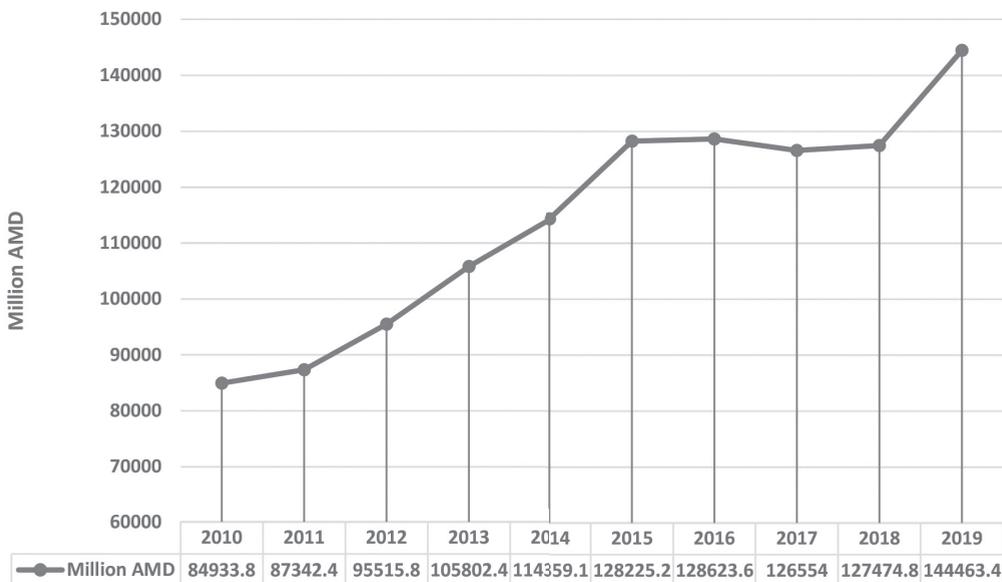
*Table 12. Types of the RA municipal budget revenues and their shares in total revenues, 2017-2019*

Article	Revenues	2017		2018		2019	
		Amount, mln AMD	Share in total (%)	Amount, mln AMD	Share in total (%)	Amount, mln AMD	Share in total (%)
1	2	3	4	5	6	7	8
1000	<b>Total revenues</b>	<b>126554.0</b>	<b>100</b>	<b>127474.8</b>	<b>100</b>	<b>144463.4</b>	<b>100</b>
1100	including <b>1. taxes and duties</b>	<b>26754.3</b>	<b>21.1</b>	<b>26285.6</b>	<b>20.6</b>	<b>31029.9</b>	<b>21.5</b>
1110	including 1.1 Property taxes on immovable property (including land tax)	10103.0	8.0	9478.7	7.4	10541.2	7.3
1121	1.2. Property taxes on transportation means	11653.0	9.2	12412.2	9.7	15264.5	10.6
1130	1.3. Local duties	4240.0	3.3	3560.9	2.8	4215.6	2.9
1140	1.4. State duties	758.3	0.6	833.6	0.7	1008.5	0.7
1200	<b>2. Official grants</b>	<b>57220.7</b>	<b>45.2</b>	<b>59744.6</b>	<b>46.9</b>	<b>66815.6</b>	<b>46.2</b>
1300	<b>3. Other revenues</b>	<b>42579.0</b>	<b>33.7</b>	<b>41444.6</b>	<b>32.5</b>	<b>46617.9</b>	<b>32.3</b>
1342	including: state budget allocations to municipalities for implementation of delegated powers	30389.8	24.0	25339.7	19.9	28248.8	19.6
1392	Transfers from reserve fund of the administrative budget to the fund budget of municipalities	1519.7	1.2	1875.1	1.5	2469.9	1.7

In 2019, own revenues of budgets amounted to 48,567.7 million AMD (versus 42,390.5 million AMD in 2018), or 33.6% of total revenues (versus 33.3% in 2018). Generally, own revenues of municipality budgets increased by 6,177.2 million AMD (14.6%), and their share in total by 0.3%. The above-mentioned data come to prove that municipalities in Armenia remain highly dependent upon official grants, irrespective of recorded increase in own revenues. The above-mentioned data show that the existing resources are not sufficient for future development of municipalities and new revenue sources are required.

The dynamics of total municipality revenues in 2010-2019 shows that in contrast to 2016, following to some decline in 2017-2018, significant revenue growth was recorded throughout 2019 (Figure 1).

*Figure 1. Dynamics of the RA municipal budget revenues, 2010- 2019 (million AMD)*



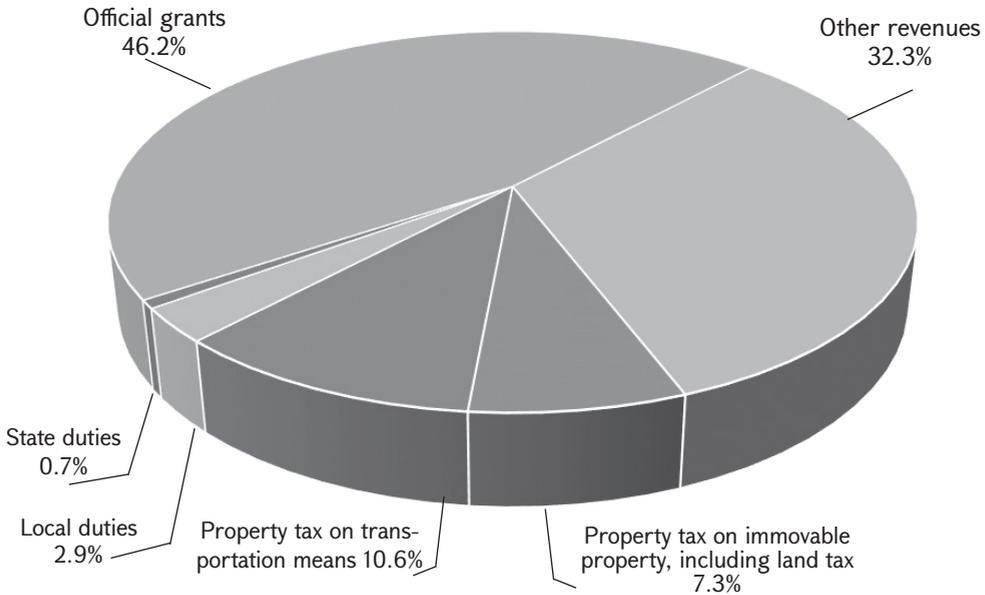
The state budget allocations to LSGs for implementation of the delegated liabilities are mostly allocated to Yerevan municipality (98.7% in 2019, 99.6% in 2018). Irrespective of significant decline in Yerevan municipal budget revenues in the last three years, its share in Yerevan municipality budget remains remarkable equaling 50% (53.9% in 2018, 57.3% in 2017, and 60.1% in 2016) (Table 13).

*Table 13. Share of Yerevan budget revenues in total revenues of the RA municipal budgets in 2019*

<i>Article</i>	<i>Revenues</i>	<i>Total municipal budget revenues, mln AMD</i>	<i>Including Yerevan budget revenues, mln AMD</i>	<i>Share of Yerevan budget revenues in total (%)</i>
1	2	3	4	5
1000	<b>Total revenues</b>	<b>144463.4</b>	<b>75030.7</b>	<b>51.9</b>
1100	Including <b>1. TAXES AND DUTIES</b>	<b>31029.9</b>	<b>17025.2</b>	<b>54.7</b>
1110	Including 1.1 property taxes on immovable property	10541.2	5277.3	50.1
1111	Including property tax on buildings and constructions	6331.5	4644.7	73.4
1112	Including land tax	4209.8	632.6	15.0
1120	1.2 Property taxes on other properties	15264.5	7904.4	51.8
1121	Including transportation means	15264.5	7904.4	51.8
1130	1.3 Local duties	3560.9	2736.2	76.8
1140	1.4 State duties	28.2	24.0	85.1
1200	<b>2. OFFICIAL GRANTS</b>	<b>66815.6</b>	<b>22146.0</b>	<b>33.1</b>
1300	<b>3. OTHER REVENUES</b>	<b>46617.9</b>	<b>35859.5</b>	<b>76.9</b>
1342	Including state budget allocations to municipalities for implementation of delegated liabilities	28248.9	27881.8	98.7
1390	<b>OTHER REVENUES</b>	1549.3	829.4	53.5
1392	Transfers from reserve fund of the administrative budget to the fund budget of municipalities	2469.9	0.0	0.0

In 2019, municipal budget revenue structure did not undergo any significant changes (Figure 2). As in previous years, in 2019 no deductions were made to the municipalities from income tax, profit tax and environmental payments paid to the state budget.

*Figure 2. Types of RA municipal budget revenues and their shares in total revenues in 2019*



Compared to the previous year, official grants (including financial equalization subsidies (5.9%) received from the state budget, increased by 7,071.0 million AMD or 11.8%, so did the earmarked allocations from the state budget to finance the capital expenditures (subventions by 2.6 times), other subsidies received from the state budget (by 19.2%), the earmarked allocations from the state budget to finance the current expenditures (subventions) by 6.9%. Capital official foreign grants received from international organizations (by 10.3 times)) as compared to the previous year, so did their share in official grants. Current and capital foreign official grants from international organizations of other states were not received (Table 14).

Table 14. Official grants as revenues of municipal budgets in 2017-2019

	Revenues	2017		2018		2019	
		Amount, mln AMD	Share in total (%)	Amount, mln AMD	Share in total (%)	Amount, mln AMD	Share in total (%)
1	2	3	4	5	6	7	8
1200	<b>2. OFFICIAL GRANTS</b>	<b>57220.7</b>	<b>100</b>	<b>59744.6</b>	<b>100</b>	<b>66815.6</b>	<b>100</b>
1210	<b>Including:</b> <b>2.1 Current official foreign grants received from other states</b>	0.8	0	1.8	0	0	0
1220	<b>2.2 Capital official foreign grants received from other states</b>	0	0	0	0	0	0
1230	<b>2.3 Current official foreign grants received from international organizations</b>	15.4	0	0	0	0	0
1240	<b>2.4 Capital official foreign grants received from international organizations</b>	43.6	0.1	380.5	0.6	36.8	0.1
1250	<b>2.5 Current official domestic grants received from other levels of government</b>	<b>56946.5</b>	<b>99.5</b>	<b>56816.5</b>	<b>95.1</b>	<b>60254</b>	<b>90.2</b>
1251	of which a) financial equalization subsidies from the state budget	48016.3	83.9	48164.1	80.6	50993.5	76.3
1252	b) other subsidies from the state budget	53.2	0.1	65.7	0.1	78.3	0.1
1255	c) earmarked allocations from the state budget (subventions)	8877.0	15.5	8586.7	14.4	9182.9	13.7
1260	<b>2.6. Capital official domestic grants, received from other levels of government</b>	<b>214.4</b>	<b>0.4</b>	<b>2545.8</b>	<b>4.3</b>	<b>6524.1</b>	<b>9.8</b>
1261	Including earmarked allocations from the state budget to finance the capital expenditures (subventions)	214.4	0.4	2545.8	4.3	6524.1	9.8
1262	b) official grants received from other municipalities of Armenia to finance the capital expenditures	0	0	0	0	0	0

The RA Government allowed a temporary transfer of free funds of the administrative budget in order to finance the deficit of a number of municipal administrative budget, on the condition of returning the transferred amount to the administrative budget within the determined period.

In 2019, fund budget revenues increased by 4,542.9 million AMD or by 88.1%, as compared to the previous year. Irrespective of the significant increase over the previous year, the share of fund budget revenues in total remains low (6.7%), which is much lower than in Yerevan municipality (0.3%). The official grants amount 67.7%

of the fund budget revenues, and the allocations from reserve fund of the administrative budget to the fund budget equals to 25.6% (Table 15).

*Table 15. Fund budget revenues of the RA municipalities and the share of Yerevan fund budget revenues in 2019*

Line	Revenues	Total Municipalities (mln. AMD)	Including Yerevan (mln. AMD)	Share of Yerevan in total (%)
1	2	3	4	5
1000	TOTAL REVENUES	9696.4	27.7	0.3
1200	2. OFFICIAL GRANTS	6560.9	5.3	0.1
1300	3. OTHER REVENUES	3135.5	22.4	0.7
1380	3.8 Capital non-official grants	649.4	5.7	0.9
1390	Other revenues, including allocations from reserve fund of the administrative budget to the fund budget	2486.1	0	0

In 2019, the retained earnings of municipal budgets since the beginning of the year amounted to 18,098.4 million AMD, including administrative budget 405.0 million AMD and fund budget 17,693.4 million AMD. It was mainly directed to the fulfillment of obligations, subject to financing still in the previous year as well as acquisition of bonds and other capital.

In 2019, the total municipal budget surplus was 11,567.5 million AMD, of which the administrative budget surplus was 16,114.2 million AMD, whereas the fund budget deficit was -4,546.7 million AMD. This deficit was financed mainly at the expense of retained earnings of municipal budgets of the beginning of the financial year, as well as administrative budget surplus.

#### **4.4. Debt Management**

In 2019, the municipalities did not receive any loans from the state budget and external sources, nor borrowings from the state budget and other municipalities.

In the framework of "Gyumri Urban Roads" Project, during 2019, modernization of road and street lighting of 808.940,5 thousand AMD, were extensively implemented in a number of streets in Gyumri through the loan funds provided by the European Bank for Reconstruction and Development (EBRD). The total loan amount is 14.6 million EUR which will be provided in 3 tranches.

In the framework of EBRD-supported "Modernization of the street lighting system in the city of Yerevan (selected 28 streets)" Project, 4.0 million USD was allocated as sub-grant. The project aims to provide energy efficient and safe outdoor lighting system in Yerevan. With a view to launching those activities, 288.703,3 thousand AMD advance payment was transferred to the Contractor, in 2019.

In the framework of Yerevan metro upgrade Project supported by the European Investment Bank, 5.0 million EUR was allocated as sub-grant. With a view to implementing those activities, 373,243.1 thousand AMD was allocated to Yerevan Subway CJSC.

The loan agreements for the 3 projects mentioned above are concluded between the RA Government (RA Ministry of Finance as the authorized entity) and the EBRD. According to the loan agreements, the repayment (principal and interests) of the loan proceeds is made from the RA state budget<sup>54</sup>.

In 2019, no rules of procedure regarding issuing and allocating municipal bonds were adopted, thus the municipalities did not issue any bonds during the period.

#### 4.5. Financial Accountability

In 2019, the reports produced by municipalities were submitted to competent authorities (avaganis, marzpets, etc.), as required by legislation and the established timeframes.

In 2019, in order to ensure publicity and transparency of the municipal budgets, all the documents (for all 502 municipalities) required by law (approved budgets and changes made therein, the quarterly and annual reports, etc.) were published on the billboards and visible locations, official web-pages. 471 (or 93.8%) municipalities posted those materials in their official websites, 39 municipalities broadcasted on TV, and 103 municipalities (20.5%) published in newspapers (Figure 16).

*Table 16. Brief table on publicity and transparency of the RA municipal budgets for the 2018 4th quarter<sup>55</sup>*

N	Marz, Yerevan	Municipalities	Publicity of municipal budgets			
			Published on billboards	Broadcasted on TV	Newspapers, magazines	Posted online
1.	Yerevan	1	1	1	1	1
2.	Aragatsotn	72	72	0	2	72
3.	Ararat	95	95	1	4	90
4.	Armavir	97	97	27	39	97
5.	Gegharkunik	57	57	4	45	49
6.	Kotayk	42	42	0	0	42
7.	Lori	56	56	5	5	38
8.	Shirak	42	42	1	1	42
9.	Syunik	8	8	0	0	8
10.	Vayots Dzor	8	8	0	0	8
11.	Tavush	24	24	0	6	24
	<b>Total</b>	502	502	39	103	471

<sup>54</sup> RA MTAI, Loan and Grant Programs, Performance Department. “Information on programs implemented at the expense of credit and grant funds provided by the Foreign States and international lending organizations to the MTA system (as of 01.01.2020)”, <http://www.mtad.am/hy/mtad28.11/> [http://www.minfin.am/hy/content/verakarucman\\_ev\\_zargacman\\_evropakan\\_bank\\_ebrd\\_/#sthash.xzXaOAYp.dpbs](http://www.minfin.am/hy/content/verakarucman_ev_zargacman_evropakan_bank_ebrd_/#sthash.xzXaOAYp.dpbs)

<sup>55</sup> Brief reference: <http://www.mtad.am/hy/budgetary-performance/>

In 2019, internal audit system operated in 46 municipalities. Later, internal audit for 122 municipalities<sup>56</sup> was delegated to private companies.

All 65 internal auditor positions on the staff lists of municipalities are occupied, 47 out of which are qualified specialists, and 18 are still undergoing trainings. The RA Ministry of Finance organized trainings for operating auditors, and testing of training participants was carried out.

The situation has not improved in small and medium municipalities. In 2019, they did not undergo internal audit system and still lack a position of an internal auditor on their staff lists. The reason is the same: there is a lack of respective specialists and necessary resources.

Irrespective of certain activities, the situation has not much improved even in those municipalities where internal audit system has been introduced and internal auditing is just a formality.

There are still very few municipalities that perform external audit.

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<sup>56</sup> Report on the internal audit system of 2019 in the RA public sector: [http://www.minfin.am/hy/page/hashvetvutyunner\\_nerqin\\_audit/](http://www.minfin.am/hy/page/hashvetvutyunner_nerqin_audit/)

## 5. COMPLIANCE OF LSG RESPONSIBILITIES AND MUNICIPAL FINANCES

In order to evaluate the compliance of LSG liabilities and municipal financial resources, evaluation results of the selected financial indicators for 2019, are listed below.

**Shares of local budgets in total public spending and gross domestic product (GDP)** characterize the level of decentralization<sup>57</sup> in the country under review.

In Member States of the European Union, the average share of only local budget expenditures (without regional level) in total public spending was 23.2% and 10.6% in GDP (see Table 17).

*Table 17. Shares of local budget expenditures in total public spending and GDP (2019 data) in Armenia and Member States of the European Union<sup>58</sup>*

Member States	Local budget expenditures in public spending (%)	Local budget expenditures in GDP (%)
Denmark	65,2	33,2
Sweden	50,8	25,3
Finland	40,8	21,7
Poland	34,3	14,3
Netherlands	30,8	13,0
Czech Republic	28,9	11,7
Italy	28,6	13,8
Latvia	27,3	10,5
Croatia	26,4	12,2
Estonia	24,2	9,5
Lithuania	23,8	8,1
Great Britain	23,3	8,2
Romania	23,0	9,4
<b>Average of EU MS</b>	<b>23,2</b>	<b>10,6</b>
Bulgaria	20,0	7,3
France	19,7	11,1
Slovenia	19,4	8,5
Germany	18,2	8,1
Slovakia	17,1	8,3
Austria	16,9	7,1
Spain	14,0	5,8

<sup>57</sup> Public spending in Armenia encompasses expenditures of consolidated budget, and GDP means nominal GDP.

<sup>58</sup> Source available at: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov\\_10a\\_main&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_10a_main&lang=en)

Belgium	13,5	7,0
Portugal	13,5	6,3
Hungary	13,4	5,8
Luxembourg	11,3	4,7
Ireland	8,9	2,3
<b>*Armenia</b>	<b>8,0</b>	<b>2,02</b>
Greece	7,6	3,5
Cyprus	3,4	1,5
Malta	0,9	0,3

**In 2018 share of aggregate municipal budgets in consolidated budget of Armenia was 8.9% in revenues and 8.0% in expenditures** (see Appendix 3). As compared to the previous year, in 2019, the indicator for revenues decreased by 0.3%, while the indicator for expenditures remained the same. Armenia lags significantly behind the EU Member States in respect of these indicators, approximately 2.9 times less than the European average, and is ahead of only Greece, Cyprus and Malta.

**The share of aggregate municipal budget expenditures in the country's GDP in 2004-2009** fluctuated within the range of 1.3-1.7%, 2.2-2.57% in 2010-2017, 1.97% in 2018, while in 2019, in comparison with 2018, it increased by 0.05%, making 2.02%<sup>59</sup>. This indicator is about 5.2 times less than European average and is only higher than that for Cyprus and Malta.

Thus, it can be stated that the level of decentralization in Armenia in 2019, in comparison with 2018, decreased and continues to be significantly lower than that in the EU countries.

**Actual execution of revenues of all 2019 municipal budgets of Armenia (including Yerevan) versus annual approved plans is 101.0%**, while versus **annual adjusted plans** is 92.2%. In case of expenditures, actual execution of all 2019 municipal budgets of Armenia (including Yerevan) versus annual approved plans is 88.0% while versus annual adjusted plans is 75.9% (see Table 18).

Comparing data on actual execution of budget revenues and expenditures of all municipalities in Armenia (including Yerevan) in 2019 with the same indicators of 2018, it is easy to note that both revenue and expenditure data of 2019 are lower than that of 2018. This means that as compared to the previous year, the overall budget execution of municipalities deteriorated in 2019 both in terms of revenues and expenditures.

This means that compared to the previous year, the overall execution discipline of the municipal budget revenues significantly increased in 2019. Whereas, the actual executions of budget expenditures of 2019, versus the same indicators of 2018, did not change much and keep the range of 75-88%.

<sup>59</sup> Annual nominal GDP of Armenia at current prices in 2019 was 6,569.0 billion AMD, source: [www.armstat.am](http://www.armstat.am)

*Table 18. Annual approved, adjusted plans of total revenues, expenditures, surplus/deficit and actual execution of municipal budgets of Armenia in 2019 (in thousand drams)<sup>60</sup>*

N	Article	2019				
		Annual approved plan	Annual adjusted plan	Actual	Percent of execution versus approved plan, %	Percent of execution versus adjusted plan, %
	<b>All municipal budgets of Armenia</b>					
1	Total revenues	143,102,061.5	156,649,660.7	144,463,370.9	101.0	92.2
2	Total expenditures	150,936,901.5	175,052,806.9	132,895,904.5	88.0	75.9
3	Surplus (+) or deficit (-)	-7,834,840.0	-18,403,146.2	+11,567,466.4	x	x
	<b>Including budget of Yerevan municipality</b>					
1	Total revenues	83,077,572.0	86,408,808.1	75,030,673.5	90.3	86.8
2	Total expenditures	84,346,812.0	94,690,726.5	66,760,785.0	79.2	70.5
3	Surplus (+) or deficit (-)	-1,269,240.0	-8,281,918.4	+8,269,888.6	x	x
	<b>Including budgets of all municipalities except Yerevan</b>					
1	Total revenues	60,024,489.5	70,240,852.6	69,432,697.4	115.7	98.8
2	Total expenditures	66,590,089.5	80,362,080.4	66,135,119.5	99.3	82.3
3	Surplus (+) or deficit (-)	-6,565,600.0	-10,121,227.8	+3,297,577.8	x	x

**Actual execution of revenues of 2019 municipal budget of Yerevan versus the annual approved plans** was 90.3%, while **versus annual adjusted plans** was 86.8%. In the case of expenditures, execution of 2019 Yerevan municipal budget versus the annual approved plan was 79.2% and 70.5% versus annual adjusted plan. These indicators are significantly lower than execution levels of approved and adjusted budgets of all municipalities of Armenia (including Yerevan) in 2019.

Comparing the actual execution of revenues and expenditures of approved and adjusted budgets of Yerevan in 2019 to the same indicators of 2018, it becomes obvious that indicators in 2019 remain respectively low as they were in 2018.

**Execution of budget revenues of all municipalities (excluding Yerevan)** versus 2019 approved and adjusted annual plans was 115.7% and 98.8% respective-

<sup>60</sup> Sources available at [www.minfin.am](http://www.minfin.am) and [www.yerevan.am](http://www.yerevan.am)

ly, and execution of budget expenditures of all municipalities (excluding Yerevan) versus 2019 approved and adjusted annual plans was 99.3% and 82.3% respectively. This means that the level of execution of expenditures of approved and adjusted plans of all municipalities (excluding Yerevan) is significantly lower than the same indicators of 2017.

In fact, in 2019, the execution level of budget expenditures of all the RA municipalities (excluding Yerevan) is noticeably higher than the same indicators of all the RA municipalities (excluding Yerevan) in 2018.

Important relative indicators of financial adequacy of municipalities include **per capita revenues and expenditures of municipal budgets**. Per capita actual revenues of municipal budgets (including Yerevan) in 2019 (see Table 19, and Diagram 3) increased in comparison with 2018, making 48,818 AMD (over 101.7 USD). Respectively, per capita actual expenditures of municipal budgets (including Yerevan) in 2019 (see Table 19, and Diagram 4) in comparison with 2018 increased, making 44,909 AMD (over 93.6 USD).

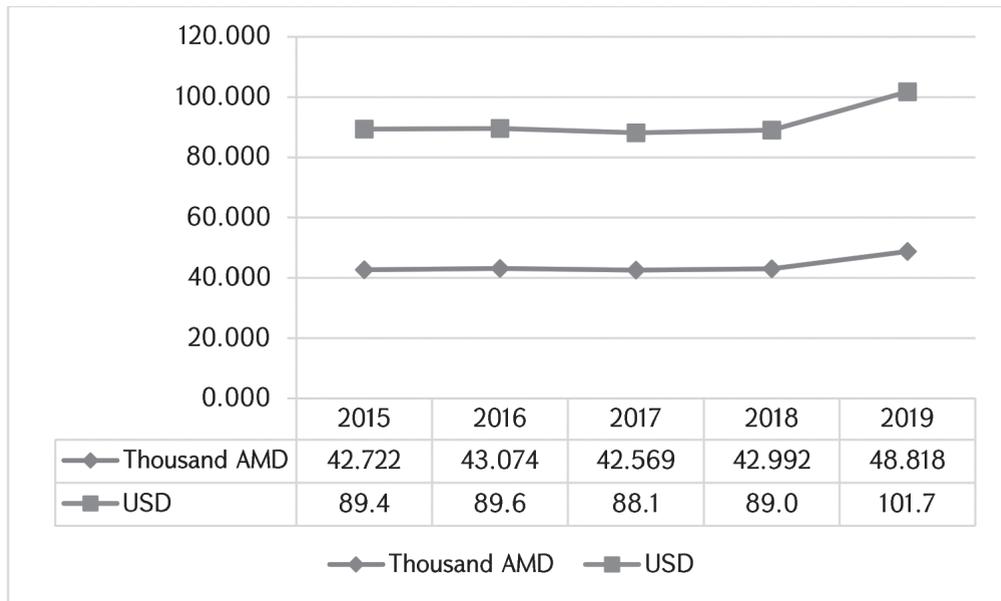
*Table 19. Per capita revenues and expenditures of municipal budgets of Armenia in 2015-2019 (in AMD and USD) \**

Indicators	2015	2016	2017	2018	2019
Total number of population in Armenia (including Yerevan) as of the end of the year (thousand people)	3,001.4	2,986.1	2,972.7	2,965.3	2,959.7
Total number of population of Yerevan as of the end of the year (thousand people)	1,072.4	1,075.8	1,076.4	1,081.8	1,084.0
Total number of population in Armenia (excluding Yerevan) as of the end of the year (thousand people)	1,929.0	1,910.3	1,896.3	1,883.5	1,875.7
Average exchange rate of US dollar (AMD)	478	481	483	483	480
Consumer price index (annual average, %)	103.7	98.6	101.0	102.5	100.3
Per capita actual revenues (AMD) of municipal budgets of Armenia (including Yerevan)	42,722	43,074	42,569	42,992	48,818
Per capita actual revenues of Yerevan municipal budget (AMD)	71,393	71,882	67,335	63,576	69,216
Per capita actual revenues (AMD) of municipal budgets of Armenia (excluding Yerevan)	26,783	26,851	28,513	31,197	37,027
Per capita actual revenues (USD) of municipal budgets of Armenia (including Yerevan)	89.4	89.6	88.1	89.0	101.7
Per capita actual revenues of Yerevan budget (USD)	149.4	149.4	139.4	131.6	144.2

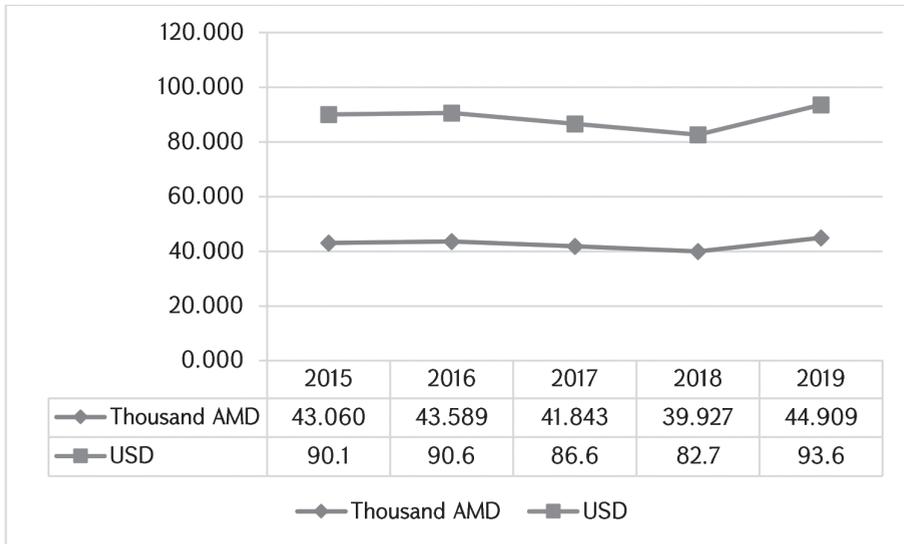
Per capita actual revenues of municipal budgets of Armenia (excluding Yerevan) (USD)	56.0	55.8	59.0	64.6	77.1
Per capita actual expenditures of municipal budgets of Armenia (including Yerevan) (AMD)	43,060	43,589	41,843	39,927	44,909
Per capita actual expenditures of Yerevan municipal budget (AMD)	71,875	72,951	65,951	58,151	61,587
Per capita actual expenditures of municipal budgets of Armenia (excluding Yerevan) (AMD)	27,041	26,851	28,159	29,484	35,268
Per capita actual expenditures of municipal budgets of Armenia (including Yerevan) (USD)	90.1	90.6	86.6	82.7	93.6
Per capita actual expenditures of Yerevan budget (USD)	150.4	151.7	136.5	120.4	128.3
Per capita actual expenditures of municipal budgets of Armenia (excluding Yerevan) (USD)	56.6	55.8	58.3	61.0	73.4

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

**Figure 3. Per capita actual revenues of the RA municipal budgets in 2015-2019 (in AMD and USD)**



*Figure 4. Per capita actual expenditures of the RA municipal budgets in 2015-2019 (in AMD and USD)*



Per capita actual revenues of 2014-2016 Yerevan municipal budget increased significantly in absolute terms over the years, but it decreased sharply in 2019, making 69,216 AMD (144.2 USD). Per capita actual expenditures of 2016-2018 Yerevan municipal budget decreased over the years. However, in 2019, it increased in absolute terms making 61,587 AMD (128.3 USD).

Per capita actual revenues of 2015-2018 municipal budgets of Armenia (excluding Yerevan) gradually increased over the years. It increased in absolute terms to 37,027 AMD (about 77.1 USD) in 2019. Accordingly, per capita actual expenditures of 2016-2018 municipal budgets of Armenia (excluding Yerevan) increased, and in 2019 it increased in absolute terms to 35,268 AMD (about 73.5 USD).

Taking into account the change of consumer price index year by year in Armenia (see Table 19), the total per capita expenditures for service delivery by municipalities did not significantly change over the last 5 years nor had any positive impact on the general living standards of the population.

A separate group of indicators is represented by the compliance of financial resources with the LSG liabilities by their activity sectors or, in other words, **the municipal budget expenditures according to functional classification** (see Table 20).

In 2019, the share of overall public service expenditures among general expenditures of the **RA municipal budgets (including Yerevan)** (see Diagram 5) was 22,8%, which was 0,3% lower from the same indicator of 2018.

The biggest share of 2019 total expenditures of municipal budget is represented by the expenditures of education sector that makes 34,7% (36,8% in 2018), including primary or pre-school education- 15,7%; elementary education- 4,7%; secondary

education- 7,5%; extracurricular training- 6,4%; and other non-classified education- 0,4%.

As compared to 2018, in 2019, the share of expenditures in recreation, culture and religion in total expenditures of municipal budgets of Armenia (including Yerevan) decreased to 6,7% (7.1% in 2018). Shares of 2019 municipal budget expenditures allocated to other social sectors do not hold any significant share in total spending, namely, 2.3 % in social protection (2,7% in 2018), and 0.3% in healthcare (2,0% in 2018).

In the reported period, the share of public economic services of RA municipalities (including Yerevan) in total municipal spending changed considerably, as compared to 2018. Thus, the above indicator increased in transport sector by 1,2% amounting to 12,3 % (11.1 % in 2018), in residential construction and communal utilities (street lighting) by 0,8% equaling 4.5% (3,7% in 2018), water supply by 0,6% equaling 1,7% (1,1% in 2018), etc.

As compared to 2018, in 2019 those indicators considerably increased in the area of environment protection making 12,1% (11,6% in 2018), as well as in waste disposal to 9,8% (9,1% in 2018).

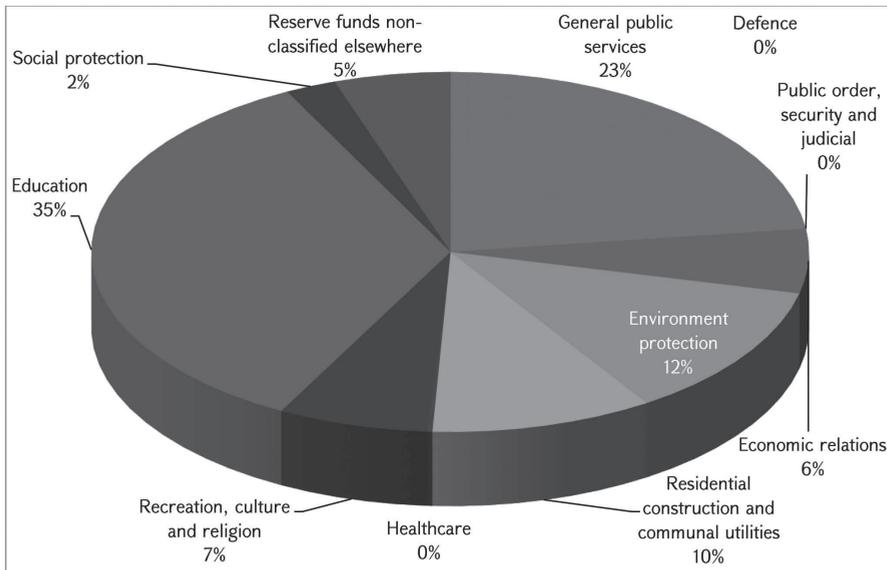
*Table 20. Actual budget expenditures in 2019 of the RA municipalities (including and excluding Yerevan) and Yerevan municipality, according to functional classification*

N	Expenditures	2019					
		Actual budget expenditures of the RA municipalities (including Yerevan), thousand AMD	Share, %	Actual expenditure of Yerevan, thousand AMD	Share, %	Actual budget expenditures of the RA municipalities (excluding Yerevan), thousand AMD	Share, %
	<b>Total expenditures*, including</b>	<b>132,895,904.5</b>	<b>100</b>	<b>66,760,785.0</b>	<b>100</b>	<b>66,135,119.5</b>	<b>100</b>
	<b>Administrative budget</b>	<b>121,122,707.1</b>	<b>91.1</b>	<b>65,575,082.0</b>	<b>98.2</b>	<b>55,547,625.1</b>	<b>84.0</b>
	<b>Fund budget</b>	<b>14,243,087.0</b>	<b>10.7</b>	<b>1,185,703.0</b>	<b>1.8</b>	<b>13,057,384.0</b>	<b>19.7</b>
1	<b>General public services</b>	<b>30,495,453.4</b>	<b>22.9</b>	<b>8,408,556.7</b>	<b>12.6</b>	<b>22,086,896.7</b>	<b>33.4</b>
2	<b>Defense</b>	<b>52,705.8</b>	<b>0.0</b>	<b>38,742.2</b>	<b>0.0</b>	<b>13,963.6</b>	<b>0.0</b>
3	<b>Public order, security and judicial</b>	<b>3,859.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3,859.0</b>	<b>0.0</b>
4	<b>Economic relations including</b>	<b>7,586,623.0</b>	<b>5.9</b>	<b>3,408,382.3</b>	<b>5.1</b>	<b>4,178,240.7</b>	<b>6.3</b>
4.1	<i>Agriculture, forestry, fishery and hunting</i>	<i>1,519,683.2</i>	<i>1.1</i>	<i>50,079.7</i>	<i>0.1</i>	<i>1,469,603.5</i>	<i>2.2</i>
4.2	<i>Fuel and energy</i>	<i>480,641.6</i>	<i>0.4</i>	<i>48,089.3</i>	<i>0.1</i>	<i>432,552.3</i>	<i>0.7</i>
4.3	<i>Transport</i>	<i>16,285,208.6</i>	<i>12.3</i>	<i>8,699,693.7</i>	<i>13.0</i>	<i>7,585,514.9</i>	<i>11.5</i>
4.4	<i>Tourism</i>	<i>52,033.1</i>	<i>0.0</i>	<i>20,625.3</i>	<i>0.0</i>	<i>31,407.8</i>	<i>0.0</i>
4.5	<i>Other sectors</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>

4.6	Survey and drafting in economic relations	4,740.0	0.0	0.0	0.0	4,740.0	0.0
4.7	Economic relations (not classified elsewhere)	-10,822,438.6	-8.1	-5,410,105.7	-8.1	-5,412,332.9	-8.2
<b>5</b>	<b>Environment protection, including</b>	<b>16,073,708.6</b>	<b>12.1</b>	<b>9,414,239.3</b>	<b>14.1</b>	<b>6,659,469.3</b>	<b>10.1</b>
5.1	Waste disposal	13,006,275.5	9.8	7,433,349.3	11.1	5,572,926.2	8.4
5.2	Wastewater removal	158,716.1	0.1	28,260.3	0.0	130,455.8	0.2
5.3	Fight against environment pollution	73,427.4	0.1	38,683.0	0.1	34,744.4	0.1
5.4	Biodiversity and nature protection	34,759.0	0.0	0.0	0.0	34,759.0	0.1
5.5	Survey and drafting in environment protection	7,390.3	0.0	0.0	0.0	7,390.3	0.0
5.6	Environment protection (not classified elsewhere)	2,793,140.3	2.1	1,913,946.8	2.9	879,193.5	1.3
<b>6</b>	<b>Residential construction and communal utilities, including</b>	<b>13,310,106.6</b>	<b>10.0</b>	<b>5,512,092.7</b>	<b>8.3</b>	<b>7,798,013.9</b>	<b>11.8</b>
6.1	Residential construction	1,179,202.2	0.9	500,056.5	0.7	679,145.7	1.0
6.2	Municipal development	253,887.6	0.2	0.0	0.0	253,887.6	0.4
6.3	Water supply	2,217,890.9	1.7	0.0	0.0	2,217,890.9	3.4
6.4	Street lighting	5,971,581.9	4.5	3,026,972.7	4.5	2,944,609.2	4.5
6.5	Survey and drafting in residential construction and communal utilities	16,368.0	0.0	6,830.0	0.0	9,538.0	0.0
6.6	Residential construction and communal utilities (not classified elsewhere)	3,671,176.2	2.8	1,978,233.5	3.0	1,692,942.7	2.6
<b>7</b>	<b>Healthcare</b>	<b>336,877.2</b>	<b>0.3</b>	<b>299,847.1</b>	<b>0.4</b>	<b>37,030.1</b>	<b>0.1</b>
<b>8</b>	<b>Recreation, culture and religion</b>	<b>8,953,576.1</b>	<b>6.7</b>	<b>3,302,101.0</b>	<b>4.9</b>	<b>5,651,475.1</b>	<b>8.5</b>
<b>9</b>	<b>Education</b>	<b>46,087,239.9</b>	<b>34.7</b>	<b>28,087,558.0</b>	<b>42.1</b>	<b>17,999,681.9</b>	<b>27.2</b>
9.1	Pre-school education	20,890,459.9	15.7	8,451,484.6	12.7	12,438,975.3	18.8
9.2	Elementary general education	6,260,407.9	4.7	6,133,195.0	9.2	127,212.9	0.2
9.3	Secondary general education	9,949,787.7	7.5	9,827,569.2	14.7	122,218.5	0.2
9.4	Extra-curricular training	8,492,527.9	6.4	3,488,679.5	5.2	5,003,848.4	7.6
9.5	Education (not classified elsewhere)	494,056.5	0.4	186,629.7	0.3	307,426.8	0.5
<b>10</b>	<b>Social protection</b>	<b>3,025,886.1</b>	<b>2.3</b>	<b>1,439,522.0</b>	<b>2.2</b>	<b>1,586,364.7</b>	<b>2.4</b>
<b>11</b>	<b>Reserve funds not classified elsewhere*</b>	<b>6,969,868.7</b>	<b>5.2</b>	<b>6,849,743.8</b>	<b>10.3</b>	<b>120,124.9</b>	<b>0.2</b>

\*) Excluding transfers from reserve fund of the administrative budget to the fund budget; in the budgets of the RA municipalities (including Yerevan) 2,469,889.5 thousand AMD; in Yerevan municipal budget 0.0 thousand AMD; in the budgets of the RA municipalities (excluding Yerevan) 2,469,889.5 thousand AMD.

*Figure 5. Shares of actual budget expenditures in 2019 of the RA municipalities (including Yerevan) in total municipal spending (by functional classification)*



Shares of expenditures in **2019 Yerevan municipal budget** differ from shares of expenditures in municipal budgets by functional classification significantly, and have an impact on the latter. More specifically, share of general public service expenditures in Yerevan municipal budget (12,6%) is about 1,8 times lower than the same indicator (22,9%) for 2019 municipal budgets of Armenia (including Yerevan), and 2,7 times lower than the same indicator (33,4%) for all municipal budgets of Armenia (excluding Yerevan).

Shares of expenditures of environment protection and education sectors in total expenditures are significantly higher in 2019 Yerevan budget, making 14,1% (12,5% in 2018) and 42,1% (43,9% in 2018) respectively compared to all the RA municipal (including Yerevan) budgets in 2019. This is mainly due to the costs incurred in 2019 for waste disposal by 11,1% (9,3% in 2018), and to exercising of state-delegated liabilities in the area of basic and secondary education, as well as the RA state budget funding allocated therefore.

**Shares of expenditures of the RA municipal budgets (excluding Yerevan)** by their functional classification (Diagram 6) significantly differ from both the shares of the RA municipal (including Yerevan) and Yerevan budget expenditures in total expenditures of 2019.

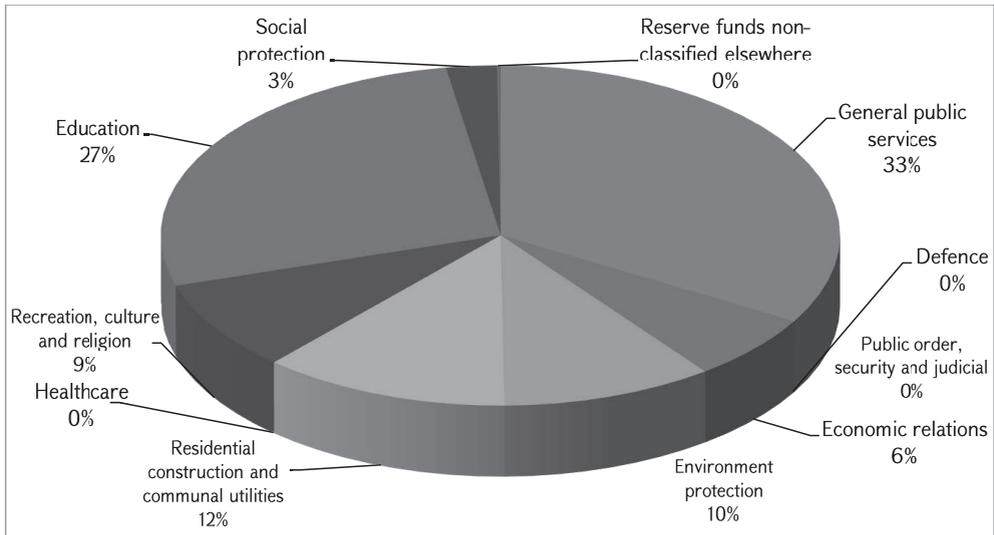
Specifically, share of general public service expenditures in 2019 municipal budgets of Armenia (excluding Yerevan), regardless of its decrease over the years, remains being the highest and represents 33,4% of total spending (36,2% in 2018).

The second highest share of total expenditures is the education sector, namely 27,2% (28,9%), including the pre-school education 18,8% (19,4% in 2018), extra-curricular training 7,6% (8,6% in 2018). In contrast to the previous year, shares

of expenditures in other social sectors incurred by municipal budgets of Armenia (excluding Yerevan) in 2019 did not undergo much change. Whereas, the share of expenditures in economic-oriented public services significantly increased and made 6,3% in economic relations (2,5% in 2018), 11,8% in residential construction and communal utilities (9,7% in 2018 respectively).

Share of public service expenditures in the field of environment protection in total expenditures decreased by 0,5%, representing 10,1% (10,6% in 2018).

*Figure 6. Shares of actual expenditures in the RA 2019 municipal budgets (excluding Yerevan) in total spending (by functional classification)*



Another indicator of commensurability of LSG liabilities and financial resources is the existence of **-unfunded** or **under-funded liabilities**. There are a number of LSG liabilities that are stipulated by the Law (including in delivery of public services), which are not executed at all or are executed only partially in many RA municipalities. The liabilities in this category include delivery of public services of vital importance, such as planting, water supply and wastewater removal, environment protection, communal utilities, etc.

Correlation among types of municipal budget expenditures may be drawn by observing **the economic classification of budget expenditures** (see Table 21).

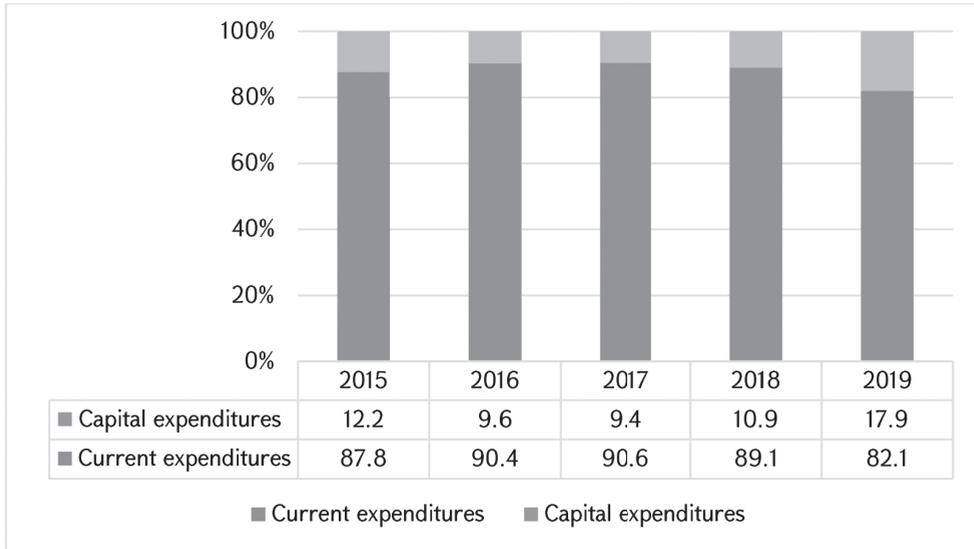
In total spending share of capital/non-financial assets in all municipalities of Armenia (including Yerevan) in 2019 was **17,9%**, while it was **82,1%**<sup>61</sup> in case of **current expenditures**.

Looking at the shares of current and capital expenditures of municipalities of Armenia (including Yerevan) in total spending for the last 5 years (see Figure 7) we

<sup>61</sup> In order to reach to the **actual sum of the total expenditures**, the following steps should be taken in Table 5, A) add to the current expenditures B) the expenses on non-financial assets; do not include C) the inflows on non-financial assets.

can see that the share of capital expenditure was 21.2% in 2014, since 2015 it was increasing, making 9.4% in 2017, while in 2018 it again decreased to 10.9%.

*Figure 7. Shares of current and capital expenditures of municipal budgets of Armenia (including Yerevan) in total spending for 2015-2019, %*



*Table 21. Actual budget expenditures of the RA municipalities (including and excluding Yerevan) and Yerevan municipality in 2019, according to economic classification of budget expenditures*

Z	Expenditures	2019					
		Actual budget expenditures of the RA municipalities (including Yerevan), thousand AMD	Share, %	Actual budget expenditures of Yerevan, thousand AMD	Share, %	Actual budget expenditure of the RA municipalities (excluding Yerevan), thousand AMD	Share, %
	<b>TOTAL EXPENDITURES* (A+B+C)</b>	132,895,904.5	100	66,760,785.0	100	66,135,119.5	100
A	<b>CURRENT EXPENDITURES*</b>	118,655,055.5	89.3	65,575,082.0	98.2	53,079,973.5	80.3
1	<b>Remuneration, including</b>	24,934,120.7	18.8	7,820,692.3	11.7	17,113,428.4	25.9
	<i>Salaries and bonus payments</i>	22,292,132.5	16.8	5,945,212.7	8.9	16,346,919.8	24.7
	<i>Rewards, bonus and special payments, other remunerations</i>	2,641,988.2	2.0	1,875,479.6	2.8	766,508.6	1.2

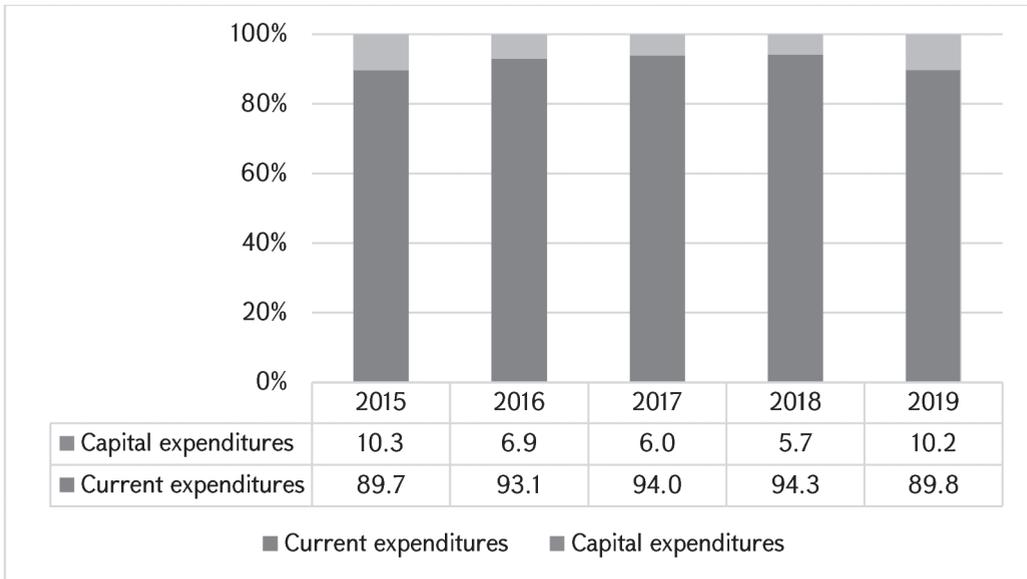
2	Acquisition of services and goods	21,508,165.5	16.2	11,139,568.1	16.7	10,368,597.4	15.7
3	Interest payments	740.5	0.0	0.0	0.0	740.5	0.0
4	Subsidies	53,875,514.4	40.5	36,257,565.8	54.3	17,617,948.6	26.6
5	Grants	6,223,693.5	4.7	291,157.1	0.4	5,932,536.4	9.0
6	Social benefits and pensions	2,181,797.3	1.6	694,368.0	1.0	1,487,429.3	2.2
7	Other expenditures*, including	9,931,023.6	7.5	9,371,730.7	14.0	559,292.9	0.8
	<i>Reserve funds*</i>	<i>6,969,868.7</i>	<i>5.2</i>	<i>6,849,743.8</i>	<i>10.3</i>	<i>120,124.9</i>	<i>0.2</i>
	<i>Transfers from reserve fund of administrative budgets to the fund budget of municipalities</i>	<i>2,469,889.5</i>	<i>1.9</i>	<i>0.0</i>	<i>0.0</i>	<i>2,469,889.5</i>	<i>3.7</i>
B	NON-FINANCIAL ASSET EXPENDITURES	25,916,517.0	19.5	7,448,689.3	11.2	18,467,827.7	27.9
1	Fixed assets	25,879,309.0	19.5	7,448,689.3	11.2	18,430,619.7	27.9
2	Inventories	24,168.0	0.0	0.0	0.0	24,168.0	0.0
3	High-value assets	0.0	0.0	0.0	0.0	0.0	0.0
4	Non-produced assets	13,040.0	0.0	0.0	0.0	13,040.0	0.0
C	INFLOWS ON SALES OF NON-FINANCIAL ASSETS	-11,675,668.0	-8.8	-6,262,986.3	-9.4	-5,412,681.7	-8.2
1	Inflows on sales of fixed assets	-1,009,478.3	-0.8	-669,862.8	-1.0	-339,615.5	-0.5
2	Inflows on sales of inventories	0.0	0.0	0.0	0.0	0.0	0.0
3	Inflows on sales of high-value assets	0.0	0.0	0.0	0.0	0.0	0.0
4	Inflows on sales of non-produced assets	-10,666,141.9	-8.0	-5,593,123.5	-8.4	-5,073,018.4	-7.7

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

In total spending, the share of non-financial assets in all municipalities of Armenia (including Yerevan) in 2019, was **10.2%**, while it was **89.8% in case of current expenditures**.

Correlation of current and capital spendings for 2015-2019 Yerevan budget is different (see Figure 8). However, in the period between 2015 and 2019, the indicators of the share of capital expenditure in total spendings are lower than those in all municipal budgets of Armenia (including Yerevan).

*Figure 8. Shares of current and capital expenditures of Yerevan municipal budget in total spending for 2015-2019, %*



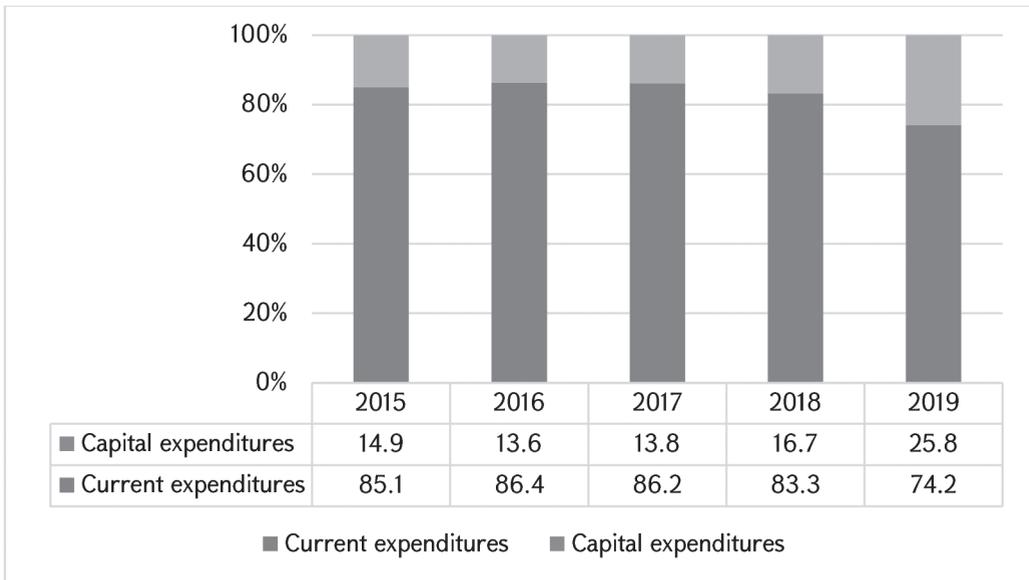
In total spending, the share of capital/non-financial assets in all municipalities of Armenia (excluding Yerevan) in 2019, was **25,8%**; **while it was 74,2% in case of current expenditures.**

Looking at the correlation of the shares of current and capital expenditures of Armenian municipalities (excluding Yerevan) in total spending for the last 5 years (see Figure 9), it becomes obvious that if the share of capital expenditures was 14,9% in 2015, than it decreased in 2016 reaching to 16,7%, while in 2019 it rapidly increased up to 25,8% in 2019.

In terms of effective disposition of LSG liabilities, one of the important financial indicators is the share of municipal servants' **remuneration, i.e. salaries and social benefits in total expenditures of municipalities.** In 2019, the share of actual expenditures on remuneration and bonuses of municipal servants in all municipal budget of Armenia (including Yerevan), and that of municipal budget institutions and municipal non-commercial organizations amounted to 18,8% of total spending (see Table 21). Comparing this indicator with that of 2018 (18,9%), its slight increase in 2019 should be noted.

In 2019, this indicator was 11,7% (see Table 21) in Yerevan municipal budget, indicating its negative tendency of growth in comparison with the same indicator in 2018 (9,5%).

*Figure 9. Shares of current and capital expenditures of municipal budgets of Armenia (excluding Yerevan) in total spending for 2015-2019, %*



In 2019, the share of actual expenditures on remuneration and bonuses of municipal servants in all LSGs of Armenia (excluding Yerevan), and that of municipal budget institutions and municipal non-commercial organizations amounted to 25,9 % of total spending (see Table 21). Comparing this indicator with that of 2018 (29.6%), its positive tendency of decrease in 2019 should be noted.

It is worth stating that this indicator calculated for all municipalities in Armenia (excluding Yerevan) is over 2,2 higher in 2019, than the same indicator for Yerevan. This is driven mainly by two factors: inflated staffs of the municipalities (excluding Yerevan) and municipal organizations, as well as scarcity of municipal budget revenues.

According to the provisions set out in Chapter 8 of the RA Law on Local Self-government, legal supervision over the implementation of LSG own liabilities is reserved to the Ministry of Territorial Administration and Development. Legal and professional supervision over the implementation of the state-delegated liabilities is reserved to the designated entities by the RA, within the scope of their jurisdiction, exercised in coordination with the MTAI.

Legal and professional supervision over LSG own and state-delegated liabilities can be exercised also by the Audit Chamber of the RA within the framework of regular inspections in municipalities.

## **6. COMPLIANCE OF ADMINISTRATIVE STRUCTURES, HUMAN AND INFORMATION RESOURCES WITH MUNICIPAL ISSUES, INTERNATIONAL ASSISTANCE**

### **6.1. General capacities of LSGBs and municipal staff**

Effective human resource management and institutional capacity development at local level are among the most important components for ensuring proper governance and democracy. The entire activity of local administration is geared towards solving a broad spectrum of municipal issues, the success of which is greatly linked to the formation of optimal composition of municipal staffs and personnel potential. Effective implementation of legislative provisions relating to local self-government is possible only in case of presence of employees with respective professional qualification and capacities in the LG and municipal staff.

In this context, importance is attached to both the open and transparent mechanisms for staff replenishment, clear formation of functions of the staff and presence of a necessary number of personnel for their implementation, as well as to the constant training of staff members, provision of effective systems for professional progress and promotion.

#### **Functional structure of municipal staff**

The municipal staff is a municipal managerial institution without a status of a legal entity, the management of which is carried out by the municipality mayor, while the current functions are managed by the staff secretary. The municipal staff ensures complete and effective execution of powers of the municipality mayor and avagani, as well as their participation in legal relations. The functional structures of the staff (with the exception of Yerevan, Gyumri and Vanadzor municipality staffs) can include structural or separated departments in the form of “units”<sup>62</sup>.

The municipal staffs act within the liabilities defined by law and other normative legal acts. Their main functions are defined by the staff charter. The right to approve is reserved to avagani through the submission of the municipality mayor.

The staffs of the RA municipalities have a long-established organizational structure, moreover, they differ from each other depending on the size of that particular municipality and the nature and quantity of the services provided. As a rule, the staffs of municipalities with a small number of population have a simple structure.

On March 23, 2018, the RA NA adopted the new Law on Public Service, and the RA Law on Public Service adopted on May 26, 2011 was declared partially invalid. As of the of 2019, the controversy between some of the provisions of simultaneously acting laws, such as the RA Laws on Public Service and on Local Self-government. Specifically, according to the RA Law on Public Service the positions of chief architects of Yerevan, Gyumri and Vanadzor, head of the administrative district of Yerevan and his deputy, administrative head of a settlement included in a multi-settlement

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<sup>62</sup> RA Law on Local Self-government, Article 33

municipality are municipal administrative. At the same time, according to the RA Law on Local Self-government, the position of the administrative head of a settlement included in a multi-settlement municipality is discretionary<sup>63</sup>.

In 2019, the share of municipal servants prevailed in the Armenian municipal staffs, involving 5453 people, which is over the half of the total number of actual employees (11545 people) (Table 22).

The current legislation does not define educational or professional restrictions for nomination as a candidate for local administration, moreover, the same person can be nominated and elected for unlimited times. Nevertheless, most of the municipality mayors have higher education. As of the end of 2019, 343 out of 502 municipality mayors or nearly 68% have higher education, 107 have secondary vocational education, 55 – secondary education and only 2 – general education (Table 23).

*Table 22. Number of positions and employees holding these positions in the staff lists of Yerevan municipality and municipalities of RA marzes as of July 1, 2019<sup>64</sup>*

N	Yerevan and RA marzes	Number of political and discretionary positions		Number of municipal servants		Number of people conducting technical service		Number of people employed by civil-legal contract		Total	
		Approved	Actual	Approved	Actual	Approved	Actual	Approved	Actual	Approved	Actual
1.	Aragatsotn	157.25	156	403	352	286	394	39.4	56	885.4	958
2.	Ararat	188	182	532	490	377	356	225	233	1321.5	1261
3.	Armavir	217	204	632	546	370	324	750	732	1970	1819
4.	Gegharkunik	170	164	450	405	329	330	68	66	1017	965
5.	Lori	195	183	590	522	255	260	7	6	1046.75	971
6.	Kotayk	144	138	490	449	225	225	61.5	63	906	873
7.	Shirak	173	168	515	456	279	249	54	54	967	927
8.	Syunik	138	123	305	283	164	153	6	6	613	565
9.	Vayots Dzor	64	63	142	134	90	81	66	66	362	344
10.	Tavush	137	127	282	248	140	142	25.7	25	549.65	517
	<b>Total</b>	<b>1583.25</b>	<b>1508</b>	<b>4341</b>	<b>3885</b>	<b>2514</b>	<b>2514</b>	<b>1302.6</b>	<b>1307</b>	<b>9638.3</b>	<b>9200</b>
11.	Yerevan	66	56	1661	1568	303	283	0	0	2030	1907
	<b>Total</b>	<b>1649.3</b>	<b>1564</b>	<b>6002</b>	<b>5453</b>	<b>2817</b>	<b>2797</b>	<b>1303</b>	<b>1307</b>	<b>11668</b>	<b>11545</b>

<sup>63</sup> The controversy between the two laws was settled only as a result of the RA Law on making amendments and additions to the RA Law on Local Self-government, adopted on 21.01.2020. According to this law, “the position of the administrative head of a settlement is discretionary.”

<sup>64</sup> Brief reference, <http://www.mtad.am/hy/statistics/>

Table 23. Indicators on education level of mayors in Yerevan and marzes as of December 31, 2019<sup>65</sup>

N	Yerevan and RA marzes	Municipalities	Education of municipality mayors			
			Higher education	Secondary vocational*	Secondary	Basic
1.	Yerevan	1	1	-	-	-
2.	Aragatsotn	72	46	16	10	0
3.	Ararat	95	69	17	9	0
4.	Armavir	97	54	27	16	0
5.	Gegharkunik	57	42	13	2	0
6.	Lori	56	37	13	6	0
7.	Kotayk	42	33	8	1	0
8.	Shirak	42	29	7	5	1
9.	Syunik	8	7	1	0	0
10.	Vayots Dzor	8	5	2	1	0
11.	Tavush	24	20	3	0	1
	<b>Total</b>	<b>502</b>	<b>343</b>	<b>107</b>	<b>50</b>	<b>2</b>

\*) The number of municipality mayors with secondary vocational educational also includes the number of mayors with incomplete higher education.

### Gender distribution in local administration and municipal staff

Tendency of gender inequality and low representation of women in LSGs persisted in 2019. As in earlier years, in the reported year only 8 out of 501 municipalities (excluding Yerevan) had female mayors. Only in 28 or 7.5% of 371 municipalities deputy mayors are women. Men make up the majority among avaganis - 90%. Instead, gender equality is observed among secretaries (235 female and 223 male) and the staff members of municipalities. As of the end of 2019, over the half of municipal staff members, nearly 51%, were women.

The data in Table 24 indicated that the position of deputy mayor was occupied in 371 out of 501 RA municipalities (excluding Yerevan), while the position of secretary was occupied in 458 municipalities. This has several reasons, specifically in a number of municipalities with a small number of population the position of the deputy mayor was not envisaged from the very beginning due to the scarcity of budgetary resources. As for replenishing the position of a secretary, in such municipalities a specialist qualified in consistence with the RA legislation was often impossible to get.

<sup>65</sup> According to brief reference provided by the RA Ministry of Territorial Administration and Infrastructure

*Table 24. Gender distribution among local self-government entities and municipal staffs as of December 31, 2019 (F-female, M-male)<sup>66</sup>*

N	Marz	Mayors		Deputy mayors		Members of avaganis		Secretaries of staffs		Members of administrations	
		F	M	F	M	F	M	F	M	F	M
1.	Aragatsotn	0	72	3	32	32	407	26	37	159	129
2.	Ararat	1	94	5	61	91	564	64	31	210	201
3.	Armavir	3	94	3	87	76	589	41	44	283	186
4.	Gegharkunik	1	56	2	39	12	419	9	42	118	231
5.	Lori	1	55	7	23	67	355	30	14	306	183
6.	Kotayk	1	41	5	35	31	304	23	19	226	186
7.	Shirak	1	41	2	33	16	304	20	18	245	183
8.	Syunik	0	8	1	9	7	85	4	4	182	91
9.	Vayots Dzor	0	8	0	8	5	75	4	4	70	60
10.	Tavush	0	24	0	16	13	174	14	10	129	87
	<b>Total</b>	<b>8</b>	<b>493</b>	<b>28</b>	<b>343</b>	<b>350</b>	<b>3276</b>	<b>235</b>	<b>223</b>	<b>1928</b>	<b>1537</b>

*Table 25. Gender distribution among local self-government entities and staffs of Yerevan municipality and administrative districts as of December 31, 2018 and 2019<sup>67</sup>*

Position	2018		2019	
	Female	Male	Female	Male
Mayor	-	1	-	1
Deputy mayor	-	4	-	4
Secretary of Yerevan municipal staff (including secretaries of administrative districts)	1	12	0	13
Staff members of Yerevan municipality	1049	820	1022	927
Heads of administrative districts	-	12	-	12
Deputy heads of administrative districts	1	20	1	23
<b>Total</b>	<b>1051</b>	<b>869</b>	<b>1023</b>	<b>980</b>
<b>Members of avagani</b>	<b>21</b>	<b>44</b>	<b>21</b>	<b>44</b>

With regard to gender distribution, certain changes took place in Yerevan municipality and administrative districts. Compared to the previous year, the number of female employees in the municipality's (including administrative districts) staff decreased by 27, while the number of male employees increased by 107 (Table 25).

<sup>66</sup> According to brief reference provided by the RA Ministry of Territorial Administration and Infrastructure. The data on municipality mayors, deputies and avagani members are provided as of June 1, 2019. Data on municipality staff secretaries and municipal servants are provided as of December 31, 2019.

<sup>67</sup> According to brief reference provided by the Yerevan Municipality.

Nevertheless, as of the end of 2019, over the half of the members of Yerevan municipality staff, nearly 52,4%, were women. The image of gender composition of the Yerevan avagani members remained the same: the number of male members still prevails for nearly two times.

### **Development of municipal management information systems (MMIS)**

In 2019, the introduction and operation of municipal management information systems (MMIS) continued in municipalities. The amended version of MMIS for amalgamated multi-settlement municipalities was introduced and put into operation in 15 municipalities (Alagyaz, Tsakhkahovit, Gerghamasar, Chambarak, Shighakat, Vardenis, Akhtala, Gyulagarak, Lori Berd, Metsavan, Shnogh, Sarchapet, Tashir, Meghradzor, Akhuryan). The MMIS ensures almost all the services online which are usually provided face to face at the municipalities, such as (accepting applications, providing reference letters, reception by municipality mayor and avagani members, collecting property taxes and lease payments, providing notifications and reference letters on them, etc.) to citizens by the administrative heads in municipality's settlements. Overall, as of the end of 2018, MMIS operate in 391 out of 502 municipalities, and its amended version for the amalgamated municipality in 37 out of 52 amalgamated municipalities. Overall, as of the end of 2019, MMIS operate in 399 out of 502 municipalities, and its amended version for the amalgamated municipality is available in all multi-settlement municipalities.

In 2019, citizens' offices were established in the administrations of 5 amalgamated multi-settlement municipalities (Aragatsavan, Kajaran, Gladzor, Yeghvard, Tashir). COs allow municipalities to provide information and services to citizens in a centralized way via "one stop, one window" principle, by raising the operational efficiency of their activity and facilitating the ongoing administrative processes. As of the end of 2019, there were 47 COs at the RA municipalities, among which 38 were established in newly formed multi-settlement municipalities<sup>68</sup>.

## **6.2. Municipal Service**

### **Legislative grounds of municipal service**

The legislative grounds of municipal service inaugurated in Armenia in early 2005 and were adopted by the RA Law on Municipal Service. That was one of the key steps towards improvement of personnel insurance in municipal staffs and constant development of capacities.

The new RA Law on Public Service adopted on March 23, 2018 defines the municipal service as a professional activity aimed at exercising the powers granted to the LSGs by the RA laws and decisions of respective avagani<sup>69</sup>. The RA Law on Municipal Service provides a detailed description about the classification of municipal service positions and class ranks, appointment of the municipal service position, attestation and training of municipal servants, as well as the concerned relations.

<sup>68</sup> According to the brief reference provided by the ISDTC.

<sup>69</sup> Article 3, RA Law on Public Service

In August 2019, the RA draft law on making amendments to the RA Law on Municipal Service, for the purpose of providing solution to the problems that are revealed as a result of monitoring processes envisaged by the legislation over the municipal service<sup>70</sup>. Specifically, the draft proposed to describe the content of a number of key concepts used in the law, to edit the descriptions of the municipal servant's profile. It should be noted that as of the end of 2019, the above-mentioned draft law was still in the status of discussion and revision.

According to the united data registry of municipal servants, as of July 1, 2019, the total number of approved municipal service positions was 6002, 5453 or nearly 91%<sup>71</sup> of which were actually occupied (see Table 26).

According to the current legislation, an appraisal procedure is held for municipal servants every three years. In 2019, 942 municipal servants were appraised (Table 27).

In 2019, LSGs announced 929 bids for the open positions for municipal service, among which 722 was held, or nearly 78% (Table 27). Open positions for municipal service are occupied as a result of a competition which is based on the idea of replenishing with more qualified and knowledgeable personnel. However, this mechanism is relatively efficient only in municipalities with large population, but as for the municipalities with a small population the organized competitions are more of a formal nature. The human resources in the municipal service system that exists for replenishing the temporary open positions do not yet fully serve to its purpose. The issue of replenishing the municipal staffs with persons with the required educational and professional skills still remains problematic.

*Table 26. Municipal service positions as of July 1, 2019*<sup>72</sup>

N	Yerevan and marzes	Number of approved positions (AP)	Number of occupied positions (OP)	OP/AP, %
1.	Yerevan	1661	1568	94.4
2.	Aragatsotn	403	352	87.3
3.	Ararat	532	490	92.1
4.	Armavir	632	546	86.4
5.	Gegharkunik	450	405	90.0
6.	Lori	590	522	88.5
7.	Kotayk	490	449	91.6
8.	Shirak	515	456	88.5
9.	Syunik	305	283	92.8
10.	Vayots Dzor	142	134	94.4
11.	Tavush	282	248	87.9
	<b>Total</b>	<b>6002</b>	<b>5453</b>	<b>90.9</b>

<sup>70</sup> <https://www.e-draft.am/projects/1902/about>

<sup>71</sup> Statistics on approved and actually occupied positions of municipal service is not summed up yet as of the end of 2019

<sup>72</sup> Brief reference, <http://www.mtad.am/hy/statistics/>

*Table 27. Appraised municipal servants, as well as announced and held bids for open positions, as of December 31, 2019*<sup>73</sup>

N	Yerevan and marzes	Appraisal	Bid	
			Announced	Held
1.	Yerevan	494	200	199
2.	Aragatsotn	82	78	50
3.	Ararat	85	36	34
4.	Armavir	179	120	99
5.	Gegharkunik	46	67	42
6.	Lori	0	125	62
7.	Kotayk	22	105	76
8.	Shirak	21	67	51
9.	Syunik	2	77	64
10.	Vayots Dzor	0	26	18
11.	Tavush	11	28	27
	<b>Total</b>	<b>942</b>	<b>929</b>	<b>722</b>

### **Ratio of municipal servants to population**

To have an insight into the number of municipal servants, besides its absolute value, it is necessary to consider its relative value according to the number of population. Table 28 and 29 reflect the ratio of the number of municipal staffs and approved and actually occupied municipal service positions to the number of the population for Yerevan and marzes. As it can be seen on Table 28, the indicator was the highest in Aragatsotn and Vayots Dzor marzes in 2019, 0.28% exceeding the same indicator of Yerevan over two times than twice (0.14%). Moreover, this indicator has not undergone a major change compared to the previous year.

<sup>73</sup> According to brief information of RA Ministry of Territorial Administration and Infrastructure

*Table 28. Ratio of municipal staffs and approved municipal service positions to the number of population in Yerevan and marzes, as of July 1, 2019*

N	Yerevan and marzes	Population (P), thousand people <sup>74</sup>	Municipal service		Municipal staff	
			Approved positions (AP)	AP/P%	Approved positions (AP)	AP/P%
1.	Yerevan	1084.0	1661	0.15	2030	0.19
2.	Aragatsotn	124.7	403	0.32	885.4	0.71
3.	Ararat	256.6	532	0.21	1321.5	0.52
4.	Armavir	263.8	632	0.24	1970	0.75
5.	Gegharkunik	227.7	450	0.20	1017	0.45
6.	Lori	213.3	590	0.28	1046.75	0.49
7.	Kotayk	250.9	490	0.20	906	0.36
8.	Shirak	231.4	515	0.22	967	0.42
9.	Syunik	137.3	305	0.22	613	0.45
10.	Vayots Dzor	48.5	142	0.29	362	0.75
11.	Tavush	121.5	282	0.23	549.65	0.45
	<b>Total</b>	<b>2959.7</b>	<b>6002</b>	<b>0.20</b>	<b>11668.3</b>	<b>0.39</b>

The relative indicator also provides a more precise picture about the distribution of the total number of people employed in the LG field in the RA respective marzes. Specifically, it becomes clear that the staff exaggeration and excessive positions still remain a problematic issue. In this context, one of the key tasks of human resource management is the organization of events aimed at optimization of staff at the local level.

*Table 29. Ratio of municipal staffs and actually occupied municipal service positions to the number of population in Yerevan and marzes as of July 1, 2019*

N	Yerevan and marzes	Population (P), thousand people	Municipal service		Municipal staff	
			Occupied positions (OP)	OP/ P%	Occupied positions (OP)	OP/ P%
1.	Yerevan	1084.0	1568	0.14	1907	0.18
2.	Aragatsotn	124.7	352	0.28	958	0.77
3.	Ararat	256.6	490	0.19	1261	0.49
4.	Armavir	263.8	546	0.21	1819	0.69
5.	Gegharkunik	227.7	405	0.18	965	0.42
6.	Lori	213.3	522	0.24	971	0.46
7.	Kotayk	250.9	449	0.18	873	0.35
8.	Shirak	231.4	456	0.20	927	0.40
9.	Syunik	137.3	283	0.21	565	0.41
10.	Vayots Dzor	48.5	134	0.28	344	0.71
11.	Tavush	121.5	248	0.20	517	0.43
	<b>Total</b>	<b>2959.7</b>	<b>5453</b>	<b>0.18</b>	<b>11107</b>	<b>0.38</b>

<sup>74</sup>RA National Statistics Service, number of the permanent population of the Republic of Armenia as of January 1, 2020, p.7.

### 6.3. Training for municipal servants

#### Assessment of training system for municipal servants

Training of municipal servants is the consistent improvement of their professional knowledge and working abilities. According to the RA Law on Municipal Service, each municipal servant is bound to take mandatory training at least once in three years. Training is carried out in case of improvement and modification of the requirements applicable to the rights and responsibilities, knowledge and skills set out in the job description for the position. Such improvement and modification is taken place on the initiative of either the municipal servant or the respective mayor<sup>75</sup>. The training costs for municipal servants are covered by the RA state budget, as well as by other means which are not banned by the RA legislation.

Trainings of municipal servants are carried out by the organizations selected on a competitive basis set out by law. In 2019, the training for municipal servants was held by “Master Style” training center. The training for mayors and avagani members, as well as for municipal servants was carried out by the RA Public Administration Academy SNCO<sup>76</sup>.

The procedures and programs of training for the municipal servants, that include issues relating to the municipal service, jurisdiction and management skills of local authorities, are approved by the state authorized entity, i.e. the MTAI.

In 2019, 648 LSG representatives and 1064 municipal servants were trained, among which 286 were from Yerevan. It’s worth noting that compared to the previous years, in the reported year the total number of municipal servants of the RA marzes exceeds for 5 times (Table 30).

*Table 30. Trained municipal servants, 2012-2019<sup>77</sup>*

N	Municipality	2012	2013	2014	2015	2016	2017	2018	2019
1.	Yerevan	260	51	155	160	39	0	9	100
2.	Aragatsotn	81	100	252	81	60	41	0	120
3.	Ararat	98	164	256	89	120	24	0	140
4.	Armavir	82	162	240	67	40	25	11	100
5.	Gegharkunik	153	113	282	118	80	60	24	99
6.	Lori	75	121	222	98	20	65	24	79
7.	Kotayk	117	124	218	60	60	63	16	80
8.	Shirak	215	41	137	98	19	0	25	3
9.	Syunik	40	27	103	21	20	0	14	17
10.	Vayots Dzor	131	64	136	71	37	0	25	40
	<b>Total</b>	<b>1252</b>	<b>967</b>	<b>2001</b>	<b>863</b>	<b>495</b>	<b>278</b>	<b>148</b>	<b>778</b>
11.	Yerevan	280	423	388	405	198	561	309	286
	<b>TOTAL</b>	<b>1532</b>	<b>1390</b>	<b>2389</b>	<b>1268</b>	<b>693</b>	<b>839</b>	<b>457</b>	<b>1064</b>

<sup>75</sup> Article 20, RA Law on Municipal Service

<sup>76</sup> <http://mtad.am/hy/news/item/2019/07/02/mtad02/>

<sup>77</sup> According to brief reference provided by the RA Ministry of Territorial Administration and Infrastructure

Despite the large-scale works implemented for the establishment and improvement of the training institute since the introduction of municipal service system, the current training system for municipal servants faces several drawbacks and shortcomings.

Content analysis of the training programs demonstrate that mainly theoretical knowledge is transferred through trainings, without sufficient attention to practice, discussions and case studies. Therefore, the significant proportion (44 hours) of the total hours (72 hours) planned for the ongoing training program for municipal servants is dedicated to the introduction of the RA legislation defining the power of LSGBs, to the discussion of the provisions of the RA Law on Normative Legal Acts (6 hours), to the municipal service (6 hours), to observation of the features of the RA legislation on municipal service (8 hours). Only 14 hours are dedicated to the improvement of the practical and managerial skills of municipal servants (MMIS operation, use of information technologies, organization of entrepreneurship and document circulation, etc.)<sup>78</sup>.

All these, of course, limit the opportunities of municipal servants to improve the practical skills and capacities via training.

Another drawback in the training system is the discrepancy in the content of training programs and the real needs required for raising the qualification of municipal staff members. It is preferable to have the municipal staff members carried out self-assessment before training in order to present the required scope of knowledge and skills, as well as their personal needs and expectations about the course. It is also necessary to define the outcome of the training, i.e. the knowledge, capacities and skills to be gained at the end of the course.

The issue of relevance in the content of teaching materials is also problematic. During recent years the latter underwent minor changes, and sometimes the same municipal servant might attend a course with the same educational program in different years. However, the process of development and reforms of the LG field is continuous and constant, as a result of which the scope of functions and type of the work of municipal servants undergo certain changes. This will have a direct impact on the knowledge and skills requested by the latters. Therefore, it is necessary to regularly upgrade the content of educational programs, in accordance with the existing situation.

Certain issues also emerge while delivering online trainings. Moreover, sometimes technical problems occur during the course arranged via a video conference which create additional obstacles to knowledge transfer and feedback process with the audience.

Nevertheless, no matter how perfect are the training programs and the selected teaching methods, the ways of delivering the training subject, the training system for municipal service will not be completely efficient as long as the trainees are not interested in improving their knowledge and skills for the benefit of the proper management and development of the municipality.

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<sup>78</sup> Order N10-L, dated on 13.03.2019, by the RA Minister of Territorial Administration and Development on “Approving the Training Program for Municipal Servants.”

Therefore, the flexible and effective training system for municipal servants and the correct selection of a strategy for its improvement are one of the most important prerequisites for further improvement of the LG system.

## 6.4 International Assistance

In 2019, projects implemented by international organizations in Armenia continued with a greater scale aimed at supporting the constant LG reforms. Some of the projects are listed below that are discussed separately.

**Good Local Governance in South Caucasus** program implemented by the **German Agency for International Cooperation-GIZ** continued in 2019. The program is implemented in partnership with the RA Ministry of Territorial Administration and Infrastructure, with the support of the German Federal Ministry for Economic Cooperation and Development and co-financed by the Swiss Agency for Development and Cooperation (DEZA) in Armenia. Operating across several main directions, such as administrative-territorial reforms, territorial administrative, municipal economic development, planning and program budgeting, capacity development of municipal servants and e-governance, the program creates bases for the regional cooperation and exchange of best practice among the South Caucasian countries – Armenia, Georgia and Azerbaijan. It aims at capacity development at the local level in the aforementioned countries, providing high-quality services, promoting the participation of residents in municipality management and, in general, taking measures to improve the LG system.

Within the framework of the program, in 2019, a number of events related to the opportunities of decentralization of powers and functions to the municipalities, development and management of Annual work plans (AWP) and program budgeting, ensuring the transparency and improving the efficiency of local budgets, the women's participation in the LG sector were held in 2018, in particular, the seminar on “Development of vision on economic development of a municipality” in Stepanavan, Lori Berd and Gyulagarak municipalities, as well as the international workshop on “Citizen participation in municipal activities,” round-table discussion on “Officials for economic development in municipalities.” The purpose of the discussion was to establish an institute of economic development officials in municipalities, to strengthen their capacities and skills, as well as to share relevant skills to effectively implement activities related to project applications (including subsidies) in the community. Another important goal was to reflect economic development measures in the AWP and municipal budgets<sup>79</sup>.

The program specifically focuses on raising the efficiency municipal performance through installation of computer equipment, internal network, as well as the ongoing capacity development of the staff. During 2019, new COs were opened in 5 amalgamated municipalities. In addition, the “Knowledge Management” series of events took place aimed at discussing the current status of the MMIS established in municipalities in Lori, Shirak and Tavush marzes, monitoring results. A number of

<sup>79</sup> <http://mtad.am/hy/news/item/2019/07/01/mtadforum/>

recommendations were provided geared towards the system approval. In the scope of three-days training program on “Experience exchange in municipal services and e-government,” the delegation members from Tunisia, Palestine and Libya, within the framework of their three-day visit had an opportunity to recognize the Armenian experience in delivering municipal service and applying e-government tools in local government<sup>80</sup>.

In 2019, **Integrated Support to Rural Development: Building Resilient Municipalities** and **Integrated Development of Rural Tourism** projects continued throughout the year. The projects are funded by the Government of the Russian Federation and are implemented by the United Nations Development Program (UNDP) in Armenia, in close partnership with the MTAI. The budget for the mentioned first project is nearly 5 million USD and aims at the development of economic capacities in 45 border municipalities of Tavush marz and improvement of the life quality of the local residents through creating equal development opportunities. The second project, the total budget of which comprises 3 million USD, aims at improving the tourism attractiveness of 60 rural municipalities in all the RA marzes. In the scope of Integrated Support to Rural Development Project, *gastro yards* were established in Pokr Vedi, Areni, Byurakan and Gyumri municipalities. The tourists had opportunities to become familiar with Armenian culture, taste national dishes and witness the whole process of wine making. Scientific and Adventure Tourism Center was established in Kalavan municipality, Gegharkunik marz.

Within the framework of the projects, works worth nearly 1.52 million USD were implemented in 2018. In the reported year nearly 1.35 million USD funds were provided for the works carried out by the program

In May of the reported year, Generate Global Environmental Benefits through Environmental Education and Raising Awareness of Stakeholders project launched. The purpose of the project is to strengthen the capacity to use environmental education and awareness raising as tools to address natural resource management issues.<sup>81</sup>

In May 2019, the second phase of the project funded by the Swiss Agency for Development and Cooperation (SDC) **Women and youth in innovative local development** launched, in cooperation with United Nations Development Program (UNDP) in Armenia and the RA MTAI. The project aims at developing and introducing new types of municipal public services, ensuring the active involvement of residents in all the activities. The “Women in Politics” project continued, in partnership with the United Nations Development Program, RA MTAI and OxYGen Foundation, and with the financial support of the UK Good Governance Foundation. The project is the logical successor of the Women in Local Democracy (2012–2018). Over 500,000 USD was allocated in 2019, to fund activities promoting gender equality, increasing women’s engagement in political processes, and promoting youth participation in the political, economic, social and cultural life of municipalities<sup>82</sup>.

<sup>80</sup> <http://mtad.am/hy/news/item/2019/05/14/mtad14undp/>

<sup>81</sup> <http://mtad.am/hy/news/item/2019/05/14/mtad14undp/>

<sup>82</sup> <https://www.am.undp.org/content/armenia/en/home/projects.html>

In 2019, in cooperation with the United Nations Children’s Fund (UNICEF) and with financial support of the EU, large rooms were reconstructed and equipped for the purpose of establishing the model of “**small kindergartens**” in Alaverdi and Amasia multi-settlement municipalities. This is the best alternative for small settlements where the number of children is less, and the budgetary resources of the municipality are not enough for the operation and maintenance of traditional kindergartens. The project will be ongoing and aims to establish such service in another 35 multi-settlement municipalities.

World Vision International Charitable Organization provides continuous support to various Armenian municipalities for the purpose of strengthening local capacities and developing social infrastructures. In particular, the **Community Level Access to Social Services** three-year project implemented by the Child Development Foundation and funded by the United States Agency for International Development (USAID) continues since 2017. The project aims at developing and strengthening the RA municipal social protection system. The project supports the establishment of the role of a municipality social worker in the LG system and contributes to revealing the social problems of the municipality and the capacity development aimed at solving these issues. Works are also carried out for training the municipal social workers, improving their professional skills with a view to provide more targeted support to the residents. In 2019, in the scope of special training program “Municipal social work,” 19 municipal municipalities servants of Kotayk, Lori, Tavush, Shirak, Ararat, Vayots Dzor and Syunik marzes, were trained. The trainees were social workers and/or carried out respective responsibilities assigned to them by the position profile.

**Local Self-Government Reforms** five-year project implemented by the Armenian Territorial Development Fund continued in 2019. Within the frames of the project, investment programs with the grants provided by the USAID and GIZ were implemented in newly-formed multi-settlement municipalities aimed at boosting the LSG decentralization process. The total cost is expected to comprise 10.9 million USD at the end of the project, including 8.5 million USD from USAID and 2.4 million USD from DEZA.

In 2019, the Armenian Territorial Development Fund continued the implementation of the “**Social Investment and Territorial Development Program**” with the support of the World Bank, of a total cost of 42.0 million USD. The three main components of the project are listed below:

- 1) Support the capacity and socio-economic development at local level
- 2) Support inter-community socio-economic development initiatives stemming from 2016-2012 objectives of the regional development strategy
- 3) Institutional strengthening and operational costs financing, including salaries, health insurance, office equipment, training, financial audit, monitoring and evaluation, etc.

**School Seismic Safety Improvement** project, being implemented based on the loan agreement signed between the ADB and the RA Government, is in process. The total budget of the project is 107 million, of which 88,5 million USD is the loan

proceeds, and the remaining amount is financed by the RA state budget. Within the framework of the project it is planned to strengthen and renovate 46 priority school buildings for providing safe study conditions. During the reported year, 6 Yerevan schools of high seismic hazard were refurbished and renovated. Reconstruction works were completed in Secondary Schools N7 and N153, after A. Bakunts, Vanadzor and R. Ishkhanyan, Yerevan respectively.

In 2019, the ATDF continued implementation of the following projects: Local Economy and Infrastructure Development, Solution for Municipal Issues Requiring Immediate Solution, Solution for the Issues in Jermuk Municipality Requiring Immediate Solution, and Improving Regional Development in Jermuk Municipality. Thus, throughout 2019, total 228 projects were implemented by the ATDF in the Armenian municipalities and in Yerevan with an actual total cost of 16,612.0 million AMD<sup>83</sup>.

The European Union (EU) continues the projects in various Armenian municipalities, which aim at strengthening local democracy, improving infrastructures and developing institutional and financial capacities. Eight of these projects, with a total budget of around 9.9 million EUR, are implemented in the context of the 2016-2025 RA territorial development strategy, which are expected to end in 2020. As of the end of 2019, 180 new workplaces were created, and the competitiveness of more than 160 companies increased<sup>84</sup>.

**Citizens' Voice and Actions in Consolidated Communities of Armenia** EU-funded project for 2.5-year term officially launched in the beginning of 2019. The project aims at expanding the capacities of 52 multi-settlement municipalities. It also envisages strengthening the cooperation between the border municipalities of Armenia and Georgia, promote local tourism development through over 50 small and 7 medium grants, as well as to contribute to raising the role and participation of citizens in local self-government<sup>85</sup>: In January, within the framework of the program, the European Union inaugurated the Ski Centre Ashotsk municipality. The Center was built in cooperation with the CFOA and the Armenian Ski federation, and financial support of the EU. A ski festival was organized.

In April of the reported year, the EU announced the conclusion of **Dilijan and Adjacent Communities Development Initiative** project. The two-year grant project was jointly implemented by the EU, RA Government and the Initiatives for Development of Armenia (IDeA), with a total budget of over 1.2 million EUR. Over 340 residents from Dilijan multi-settlement municipality were the immediate stakeholders of the project. 50 sustainable employment opportunities were created and over 100 enterprises were supported to develop tourism, hospitality, arts and crafts and other new businesses. The first and only Tourism Information Centre in Tavush opened last August and has already welcomed over 1,000 tourists. To make leisure and hiking more comfortable and enjoyable in Dilijan National Park, 4 new hiking trails and 1 biking trail were built, and 8 existing trails were refurbished and complemented with innovative information desks. To encourage small and medium-sized entrepreneur-

<sup>83</sup> Brief reference on implemented activities during 2017-2020, by the ATDF

<sup>84</sup> Summary of the report on the implementation of 2019 Government Action Plan, p. 2

<sup>85</sup> [https://eeas.europa.eu/delegations/armenia/57765/citizens-voice-and-actions-local-development-consolidated-communities-armenia\\_en](https://eeas.europa.eu/delegations/armenia/57765/citizens-voice-and-actions-local-development-consolidated-communities-armenia_en)

ship in the province, the project also issued a grant to eight small and medium-sized enterprises (SMEs) in settlements of Dilijan municipality, creating 31 workplaces. In addition, an agricultural pavilion and city market were established in Dilijan for agrotourism and ecotourism enthusiasts. Local farmers' products will be sold there<sup>86</sup>.

The EU-funded **EU4Shirak: Wool for Jobs** two-year project launched in 2018, and was implemented in cooperation with the RA government. In July of the reported year, a wool factory was established in Amasia municipality, Shirak region. As a result of the project, 60 new employment opportunities will be created, and the annual production volume of the factory will be over 25 tons high-quality wool<sup>87</sup>.

**AREVADZOR – Enhancing SME competitiveness through promotion and wider use of sustainable innovative technologies** project implemented by the Regional Center for Tourism Development NGO and with the financial support of the EU, continued in the reported year. The project is expected to increase the residents employment level in the RA Vayots the Dzor marz, and to promote the ecotourism. Within the framework of the program, a solar power plant was established in Gladzor community in 2019<sup>88</sup>.

**Democratic Development, Decentralization and Good Governance in Armenia** project kicked off in April 2019. The project is implemented by the Council of Europe, and by the financial support of the Austrian Development Agency. The project is included in the Council of Europe Action Plan for Armenia 2019-2022. With 1,5 million EUR total budget, the project is generally aimed at strengthening democracy in Armenia, promoting efficient, transparent and accountable local government system. At the same time, the project will support Armenia in developing legislative proposals in the context of decentralize of powers, while improving the capacity of amalgamated municipalities in developing institutional structures, improving the quality of local service delivery, and promoting citizen participation in decision-making processes<sup>89</sup>.

In 2019, the solid household waste management project implementation continued with the support of the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the German Development Bank (KfW). According to the agreement signed between the RA Ministry of Finance and the EBRD in 2016, **Kotayk and Gegharkunik Solid Waste Management Project** is at the implementation stage. In the framework of the project it is expected to construct a new landfill in compliance with the EU standards and introduce an effective waste disposal system. The total budget of the project is 11 million EUR, of which the 5,5 million EUR are the bank proceeds.

Large-scale road construction works were carried out in many streets of Gyumri in 2019 within the framework of the **Gyumri Urban Roads** project, funded by the EBRD loan and grant funds. On the sidelines of the project, it is also expected to modernize the street lighting in Gyumri. The total budget of the project is 23,8

<sup>86</sup> <http://mtad.am/hy/news/item/2019/04/30/mtad30.04.3/>

<sup>87</sup> <http://mtad.am/hy/news/item/2019/07/19/mtad19.07.5/>

<sup>88</sup> <http://mtad.am/hy/news/item/2019/06/20/mtad20.06/>

<sup>89</sup> <https://www.coe.int/en/web/yerevan/democratic-development-decentralisation-and-good-governance-in-armenia>

million EUR, of which the 14,6 EUR are the EBRD loan proceeds. The project aims to improve the overall implementation of the required infrastructure in Gyumri municipality.

In 2019, the **Civic Engagement in Local Governance-CELoG** five-year program funded by the USAID continued. The project aims to increase the public engagement in decentralization and LSG reforms process, provide reliable information to the citizens, strengthen the civil society in order to promote effective, accountable and participatory local governance<sup>90</sup>. In 2019, another important component was added to the project, such as the **Local Democracy School (LDS)**. The component is implemented by a consortium of three organizations: the CFOA, the EPF and the ISDTC NGO. The school includes series of courses and events, with the main purpose of training active and progressive young professionals in the Armenian municipalities, who will demonstrate the necessary knowledge and skills in the field of local government and related fields, as well as will play a pivotal role in implementing reforms within the RA public administration system<sup>91</sup>. As of the end of 2019, over 250 young people from 6 Armenian municipalities had an opportunity to participate in the courses and to carry out a number of grant programs aimed at strengthening local democracy in their municipalities. At the end of the year, the LDC online platform launched, ensuring the dissemination and publicity of the ideas and concept of the school, and gave everyone an opportunity to participate in the LDC training courses and to carry out team and individual grant projects.

### **Evaluation of performance coordination and consolidation of international organizations**

The role of international organizations in the establishment and development of the LG system in Armenia is, of course, invaluable. The success of reforms conducted in recent years is greatly conditioned by the grant programs implemented by the international sources. Moreover, it's worth noting that the projects are mainly implemented in cooperation with the RA Government, LSGBs, Civil Society and Private Sector organizations, in some cases also with the Armenian affiliates of international organizations.

Nevertheless, in some cases the projects implemented in Armenia duplicate each other and sometimes do not derive from the priorities of municipal activities and the adopted policy. As a result of some projects it is impossible to reach the targets set in advance due to the obstacles emerging during and after its implementation, such as the skepticism of LSGBs, lack of interest, fear and resistance to changes and innovations. Sometimes there are also shortcomings regarding the selection of targeted municipalities to include in a project. Sometimes large municipalities with a relatively stable economy are included in several large-scale projects, but the small, less developed municipalities do not have an opportunity to participate in a project due to lack of information, municipal capacities and insufficient level of professional abilities of LSGBs.

<sup>90</sup> <http://www.celog.am/hy/About/AboutProject>

<sup>91</sup> <http://celog.am/hy/2/reg>

## 7. DELIVERY OF PUBLIC SERVICES

### 7.1. Public services delivered by municipalities

In 2019, a number of changes were made in the field of municipal service delivery, which are detailed in the following paragraphs according to respective sectors (activities).

#### **Urban development (landscape planning, gardening and urban design)**

In 2019, the RA government circulated the Strategy program for urban development<sup>92</sup> geared to the regulation of urban development, balanced and decentralized improvements.

In 2019, there were no significant amendments in the legislation of urban development. There are a number of issues related to urban development in the Armenian municipalities and settlements. Most of those issues are due to the lack of documents of local projects (such as master plans and urban planning) for communities and settlements. In order to find solutions to those issues, the development of joint spatial planning documents kicked off in the micro-regional level in Dilijan municipality, Armavir, Vayots Dzor and Tavush marzes<sup>93</sup>.

The urban development issues in the RA marzes are mainly linked with the renovation of public schools, healthcare, cultural, pre-school and sports facilities, multi-apartment and administrative buildings, as well as with the refurbishment of settlements.

In order to address those issues, in 2019, broad range of projects were implemented aimed at developing the economic and social infrastructure in the municipalities.

Moreover, in 2019, 462 out of 518 subvention projects that were submitted to the interdepartmental project evaluation program on behalf of the municipalities, were co-financed by the RA state budget in the amount 9, 597 billion AMD. While the municipal co-financing amounted to 6,8 billion drams<sup>94</sup>. Most of the implemented programs were designed to improving community infrastructure, creating new infrastructure and refurbishing the public spaces.

In 2019, 3,657.9 million drams were allocated from the reserve fund of the RA state budget for the implementation of 192 programs geared towards the solution of the priority issues throughout the RA marzes. The allocated funds were mainly used for heating the public schools, renovation, repair of roofs and water lines, as well as for other projects of the same kind. In this context, the ATDF completed the implementation of 145 projects, and the construction of 28 projects is underway<sup>95</sup>.

Some of the large-scale projects implemented in the municipalities in 2019 are listed below.

<sup>92</sup> [https://www.e-draft.am/files/project\\_doc/1/1577187394988.doc](https://www.e-draft.am/files/project_doc/1/1577187394988.doc)

<sup>93</sup> Report on the general activities carried out by the RA Urban Development Committee, in 2019: <http://www.mud.am/reports/2019%20hashvetvutyun.rar>

<sup>94</sup> Report on the implementation and results of the RA Government's program for 2019, page 37 <https://www.gov.am/files/docs/3932.pdf>

<sup>95</sup> *ibid*

A new recreation area was put into operation in Tumanyan district of Avan administrative district of Yerevan. The area of over 5,000 square meters situated in the intermediate section among 15 apartment buildings was completely renovated. All the fundamental conditions were created for an absolute leisure of residents<sup>96</sup>.

Hayk Square was renovated in Vanadzor, Lori marz. Avant-garde fountains were installed. Renovation works were also carried out in 7 settlements of Odzun multi-settlement municipality. Over 3 hectares of municipal areas of Vanadzor parks and gardens are in the process of refurbishment<sup>97</sup>.

Within the framework of the renovation activities of the domestic irrigation systems in Ararat marz, renovation activities of the domestic irrigation systems of 660 million AMD were carried out in 19 municipalities of the marz, by means of 2019 priority projects, donor organizations and subvention projects<sup>98</sup>.

A new forest layer of 6,1 ha was established in Akhtamar precinct of Sevan National Park SNCO, Gegharkunik region, and new poplars were planted. Within the framework of “Armenia Tree Planting” project tree planting works were carried out in a number of municipalities in the marz.

### **Waste Disposal and Sanitary Cleaning**

In 2019, the RA Law on Waste Disposal and Sanitary Cleaning<sup>99</sup> was amended. Specifically, It is mandatory to calculate the garbage collection fee as per specific economic activities. Those activities were clarified and supplemented, along with the administrative mechanisms that must ensure a contractual obligation for garbage collection services. In partnership with Hagopian Foundation of the American University of Armenia (AUA), a software-mapping tool for household waste and landfills database was developed that screened the country area<sup>100</sup>.

Garbage collection and sanitation cleaning was carried out mostly in urban areas and rural areas in 502 Armenian municipalities. As of June 1, 2019, no garbage collection was done in 58 municipalities of Armenia. In 444 settlements, garbage collection and sanitation works were carried out by 274 organizations, including 208 by municipalities and MNCOs, 6 by open joint stock companies, 22 by limited liability companies, 21 by individual entrepreneurs and 17 by individuals.

Taking into account the low level of garbage collection and sanitation services in the Republic of Armenia, related issues of social, environmental and general sanitary context, the RA government developed and circulated the National Waste

<sup>96</sup> <https://www.yerevan.am/uploads/media/default/0001/94/a2533220cc50035fed78782a8108e-1c5d9636747.pdf> Report on implementation of the Program of Yerevan Development for 2019

<sup>97</sup> <http://lori.mtad.am/files/docs/45062.pdf> Report on the results of the general activities carried out in Lori region in 2019.

<sup>98</sup> <http://ararat.mtad.am/files/docs/45051.pdf> Report on the results of the general activities carried out in Ararat marz during 2019

<sup>99</sup> <https://www.arlis.am/DocumentView.aspx?docid=134755> RA Law on Waste Disposal and Sanitary Cleaning

<sup>100</sup> <http://www.mtad.am/files/docs/2593.pdf> Summary of the performance report by the RA government on the projects outcomes for 2019

Strategy of Armenia, which aims to install a permanent system for garbage collection transport throughout the country, safe removal, use and recycling<sup>101</sup>.

Total amount of the fees charged for garbage collection service in 2019, in the municipalities of the Armenian marzes was over 2.207 billion AMD, which exceeds the fee of the previous year for 250 million AMD. The fee in Yerevan 2,863 billion AMD, which exceeds the fee of the previous year for 13 million AMD<sup>102</sup>.

According to the decision N 90-A of Yerevan avagani, dated on April 23, 2019, Yerevan Garbage Collection and Sanitary Cleaning municipal department was established. Following the contract termination with “Sanitek” company, August 29, 2019 onward, the municipal department is in charge of the garbage collection in the capital city<sup>103</sup>.

Table 31 provides information on the actual expenditure of waste disposal services and charged fees in the Armenian municipalities.

*Table 31. Actual expenditure on waste disposal services and charged fees in RA municipalities, 2017-2019*

N	Marzes	Revenues	Expenditures			Increase in revenues for 100% self-financing of services		
			Total	Including				
				From administrative budget	From fund budget	2017	2018	2019
1.	Yerevan	2,862,607.5	7,433,349.3	4,920,387.1	2,512,962.2	1.8	1.9	1.7
2.	Aragatsotn	82,726.3	209,696.3	203,932.3	5,764.0	8.8	3.5	2.5
3.	Ararat	282,054.6	371,040.8	354,995.8	16,045.0	2.1	1.3	1.3
4.	Armavir	255,245.6	679,122.2	551,311.6	127,810.6	1.8	1.9	2.2
5.	Gegharkunik	144,796.0	337,421.0	329,920.8	7,500.2	19.2	2.4	2.3
6.	Lori	291,794.6	629,519.9	607,938.9	21,581.0	2.3	1.9	2.1
7.	Kotayk	515,454.8	1,306,031.1	1,215,844.4	90,186.8	2.5	2.3	2.4
8.	Shirak	224,993.4	538,411.3	480,156.1	58,255.2	1.8	2.3	2.1
9.	Syunik	263,939.9	722,247.2	719,247.2	3,000.0	513.9	3.8	2.7
10.	Vayots Dzor	58,657.5	186,316.9	186,046.9	270.0	7	3.4	3.2
11.	Tavush	87,506.0	593,119.5	593,119.5	0.0	5.5	6.4	6.8
<b>Total</b>			<b>13,006,275.6</b>	<b>10,162,900.6</b>	<b>2,843,375.0</b>	<b>2.2</b>	<b>2.1</b>	<b>2.0</b>

<sup>101</sup> [https://www.e-draft.am/files/project\\_doc/1/1571221836617.docx](https://www.e-draft.am/files/project_doc/1/1571221836617.docx) National Waste Strategy of Armenia (Appendix: RA Government Decision Draft)

<sup>102</sup> <http://www.mtad.am/files/docs/2599.zip> Budget revenues of (annual) Armenian municipalities for 2019

<sup>103</sup> <https://www.azatutyun.am/a/30197094.html>

A website was created <http://map.transproject.am/> where the garbage dumps classified under different colors indicate the classification of the garbage dumps registered in all the RA marzes (according to the closed, and those of requiring identification and service)<sup>104</sup>. Table 32 provides information on the closed and acting garbage dumps in the RA marzes (excluding Yerevan).

*Table 32. Brief information on closed and acting garbage dumps in the RA marzes (excluding Yerevan)<sup>105</sup>*

Marz	Registered garbage dumps in 2017	Closed garbage dumps	Acting garbage dumps
Yerevan	137	126	11
Aragatsotn	260	232	28
Ararat	171	118	53
Armavir	138	109	29
Gegharkunik	348	313	35
Lori	184	162	22
Kotayk	337	292	45
Shirak	137	74	63
Syunik	129	117	12
Vayots Dzor	190	149	41
<b>Tavush</b>	<b>2031</b>	<b>1692</b>	<b>339</b>

Within the framework of Kotayk and Gegharkunik Solid Waste Management project, a tender package for the construction of two sanitary landfills and terminal stations was developed. The international bid<sup>106</sup> for construction was announced.

As of January 1, 2019, the technical equipment of garbage collection and sanitation in the RA marzes and in Yerevan included around 825 garbage trucks and 17438 waste containers (Table 33).

<sup>104</sup> <http://www.mtad.am/hy/makurhayastansite> Clean Armenia website

<sup>105</sup> [https://www.e-draft.am/files/project\\_doc/1/1571221836617.docx](https://www.e-draft.am/files/project_doc/1/1571221836617.docx) Garbage collection system strategy (Appendix: RA Government Decision, Draft)

<sup>106</sup> <http://www.mtad.am/files/docs/2593.pdf> Summary of Government report on the results of the implemented project activities for 2019

*Table 33. Number of garbage trucks and waste containers in the RA marzes and in Yerevan<sup>107</sup>*

Marz and Yerevan	Number of the garbage trucks	Including compressor trucks	Number of containers
Aragatsotn	86	6	627
Ararat	200	50	873
Armavir	81	13	1714
Gegharkunik	50	10	1354
Lori	77	37	2274
Kotayk	99	32	1790
Shirak	73	26	1921
Syunik	34	15	739
Vayots Dzor	29	8	68
Aragatsotn	45	7	508
Yerevan	51	43	5570
<b>Total</b>	<b>825</b>	<b>247</b>	<b>17438</b>

According to the brief data of statistical reports provided by companies engaged in sanitary cleaning activities in 48 urban areas of the Republic, 528 vehicles of special significance were engaged in the sanitary cleaning activities of these urban areas in 2018, among which 252 or the 47.7% were garbage trucks.

Only Dastakert town was missing in the statistical report because of the absence of a respective service in 2018.

Table 34 provides brief information on sanitary cleaning activities in urban settlements of Armenia (including Yerevan) during 2014–2018.

*Table 34. Basic indicators of sanitary cleaning activities in urban areas, 2014–2018<sup>108</sup>*

Indicator	2014	2015	2016	2017	2018
Number of vehicles of special significance	656	524	516	535	656
from which garbage trucks	256	236	229	229	252
Total number of vehicle-days, thousand	260.5	194.3	195.7	195.2	183.2
from which those worked	216.6	155.3	167.5	166.5	155.3
Volume of transferred solid household waste, thousand m <sup>3</sup>	1917.3	1971.3	1974.5	1952.8	1797.4
Number of transferred snow and other cargo, tons	2241.0	2723.0	2768.0	2720.0	2778.0

<sup>107</sup> [https://www.e-draft.am/files/project\\_doc/1/1571221836617.docx](https://www.e-draft.am/files/project_doc/1/1571221836617.docx) Garbage collection system strategy (Appendix: RA Government Decision, Draft)

<sup>108</sup> [https://www.armstat.am/file/article/bn\\_fond\\_2019\\_6.pdf](https://www.armstat.am/file/article/bn_fond_2019_6.pdf), RA housing stock and communal utilities, 2018, section 6

## Maintenance of residence and non- residence areas

According to the brief data acquired from the reports provided by the RA Real Estate State Cadastre Committee, municipalities, condominiums, authorized and accredited managers and other legal entities, the total surface of the housing stock of the Republic was 94.9 million m<sup>2</sup> as of the end of 2018, including 53.8 million m<sup>2</sup> in urban areas (56.8%) and 41.0 million m<sup>2</sup> in rural areas (43.2%). As of the end of 2018, the total surface of multi-apartment housing stock was 28 487.8 thousand m<sup>2</sup> or 30.0% of the total surface of the housing stock of the Republic. The number of multi-apartment buildings was 19 174 unit, the number of apartments – 444095 unit.

The provision of housing stock per capita in 2018 was about 32 m<sup>2</sup>.

As of the end of 2018, the total surface of the housing stock of the multi-apartment buildings in Yerevan was 15.4 million m<sup>2</sup> or 54.0% of the total surface of the housing stock of the multi-apartment buildings, and 57.6% in urban areas<sup>109</sup>.

During 2019, multi-apartment buildings in Yerevan were repaired, specifically 57594 m<sup>2</sup> flat roofs and 46787 m<sup>2</sup> pitched roofs were renovated. Total 1015 building entrances were factually renovated. Front walls of 5 buildings, and 29 balconies of multi-apartment buildings in Erebuni and Kentron administrative districts were renovated<sup>110</sup>.

The total cost of repair and construction of roofs of the multi-apartment buildings in the Armenian marzes under the subvention programs for 2019, was 501, 3 million AMD. The total cost of the projects implemented for construction, repair and improvement of non-residential areas was 2,178 0 million AMD. The funds were mainly disbursed for the repair of buildings and constructions of municipal organizations, public buildings and improvement of their conditions<sup>111</sup>.

The RA draft law on making amendment to the RA Law on Multi-Apartment Building Management and on repealing the RA Law on Condominium, put forward for discussion in 2018, was amended. On 10.12.2019, the National Assembly of the Republic of Armenia on first reading, adopted the RA draft laws on making amendment and addition to the RA Law on Condominium, and on making amendment to the RA Law on Multi-Apartment Building Management.

With a focus on improving the multi-apartment buildings, the representatives of the United Nations Development Program and the Government of the Republic of Armenia discussed the project of increasing energy efficiency and thermal efficiency of multi-apartment buildings in the Armenian marzes. The project envisaged renovation of 150 buildings, including complete thermal insulation of the exterior walls of buildings, replacement of windows in the whole area, installation of lighting system and solar power panels<sup>112</sup>.

<sup>109</sup> [https://armstat.am/file/article/sv\\_06\\_19a\\_5250.pdf](https://armstat.am/file/article/sv_06_19a_5250.pdf) RA housing stock in 2018

<sup>110</sup> <https://www.yerevan.am/uploads/media/default/0001/94/a2533220cc50035fed78782a8108e-1c5d9636747.pdf> Implementation report on Yerevan Development Program for 2019

<sup>111</sup> <http://www.mtad.am/hy/mtad21.5> RA MTAI website, Subvention projects

<sup>112</sup> <http://www.mtad.am/hy/news/item/2019/11/29/mtad29.11.6/>

## Water supply and waste water removal

In 2019, the activities on making structural reforms in the system, increasing the water supply duration, improving the quality of water, expanding the institutional reforms, controlling the lease agreements, raising the level of collection of payments for supplied irrigation water, the efficiency of activities of companies of the system, effective use of budgetary, loan and grant resources, as well as in other directions continued.

In 2019, reforms continued in the field of drinking water, increasing efficiency of water supply and sewerage management. According to the report by Veolia Water CJSC, the compliance of water quality with the current standards and sanitary norms (percentage of samples corresponding to water quality requirements) was confirmed, making 98.3%. The average weighted duration of water supply in Veolia Jur CJSC's service territory was 23.6 hours per day in Yerevan, 19.1 hours per day in other urban settlements, and 18 hours per day in rural settlements. The registration system kept improving. At the same time, the water level in the service area of the organization supplying drinking water was improved; 890884 water metering gears were installed for the use of the subscribers. The number of water meters is higher by 7752 from that of in 2018, the water metering was by 99.5%. For the purpose of solving the issue of disproportionate distribution and availability of drinking water resources in the Armenian marzes, Veolia Water CJSC renovated 45.56 km water pipe lines and 4.71 km of sewers at its own budget. During the year, 63279 water-metering gears were installed or replaced for subscribers<sup>113</sup>.

In 2019, Veolia Jur CJSC provided 2 billion AMD input to the RA state budget. In order to prevent increasing the tariff, A agreement N13 was signed with Veolia Water CJSC on July 25, 2019, as a result of which the same tariff was set for 2020, that had been effective since 2017. In 2019, collection of payments for irrigation and drinking water supply services amounted to over 26.53 billion AMD, versus 23.85 billion AMD in 2018 (2.7 billion AMD more). In 2019, water system organizations transferred over 12,5 billion AMD to the RA state budget as taxes, duties and compulsory payments<sup>114</sup>.

Table 35 presents the total length of the main (magistral) water pipelines, street, inter-district and inter-yard networks registered under the centralized water supply system respectively 5604.9, 8589.2 and 1729.2 km, among which 3739.6, 5156.9 and 1068.2 km<sup>115</sup> (Table 35) in the towns.

<sup>113</sup> <http://www.scws.am/uploads/files/23/hash-2019.docx> Activity report for 2019, by RA State Committee for Water Economy, RA MTAI

<sup>114</sup> <http://www.mtad.am/files/docs/2593.pdf> Summary of the RA government report on the implementation results of the program activities in 2019

<sup>115</sup> [https://www.armstat.am/file/article/bn\\_fond\\_2019\\_3.pdf](https://www.armstat.am/file/article/bn_fond_2019_3.pdf) RA housing stock and communal utilities in 2018.

*Table 35. One-line length of water supply networks in the RA marzes and Yerevan, as of the end of 2018*

Marz/ municipality	Magistral or wa- ter pipe line (km)	Street network (km)	Among which need replacement (km)	Inter-district and inter-yard network (km)
Yerevan	814.1	897.7	749.8	400.2
Aragatsotn	344.0	483.0	210.2	15.0
Ararat	498.2	1294.0	403.1	73.0
Armavir	463.8	857.0	215.7	127.0
Gegharkunik	454.5	550.4	299.2	51.0
Lori	743.0	1077.7	409.3	83.5
Kotayk	543.0	954.1	190.4	75.0
Shirak	588.0	1553.0	609.2	715.0
Syunik	561.3	488.4	240.2	119.5
Vayots Dzor	115.0	176.2	63.9	40.0
Tavush	480.0	257.7	94.8	30.0
<b>Total</b>	<b>5604.9</b>	<b>589.2</b>	<b>3485.8</b>	<b>1729.2</b>

As a result of the activities of Jrar CJSC, which carries out water intake for irrigation purposes, as well as the activities of 15 water users' companies supplying irrigation water, the permanent water supply for the land area was ensured across 82.78 thousand hectares, compared to 79.06 thousand hectares last year. According to the Government's decision N1523-N, dated on October 29, 2019, 297.0 million AMD was allocated for conducting the works on drilling new deep holes in 5 municipalities and restoring the already existing holes in 4 municipalities of Armenia. This will ensure an increase of 199 ha new cultivated lands for 338 subscribers, and the level of the water supply will increase by 327 ha.

In 2019, in the frames of the subvention projects, large-scale activities on drinking and irrigation water supply, drainage, construction of daily regulating reservoirs were carried out in the Armenian municipalities, with total budget of over 2.2 billion AMD<sup>116</sup>.

On June 6, 2019, RA government adopted the decision N698-A on water intake from the lake Sevan for irrigation purposes, according to which the intake amount from the lake Sevan for irrigation purposes was defined up to 170 million m<sup>3</sup>. From June 8, 2019 to November 1, the water intake from the lake Sevan for irrigation purposes was 147 million m<sup>3</sup> (versus 200,623 million m<sup>3</sup> same period of the last year). Following the date of December 1, 2019, the level of the lake Sevan was 1900, 46 m (vs 1900,41 m on the same day in 2018), which is 5 cm more than last year.

<sup>116</sup> <http://www.mtad.am/hy/mtad21.5> RA MTAI website, Subvention projects

## Cemetery maintenance

In the Republic of Armenia, the legal relations related to the operation of cemeteries and crematoria as well as the main principles and conditions of the state regulation of arranging of funeral ceremonies are regulated by RA Law on the Organization of Funerals and Operation of Cemeteries and Crematoria. In order to ensure the fulfillment of the requirements defined by the law, the RA Government decision N 1910 was adopted on 23.11.2006, which sets forth the procedures and rules for arranging burials, operation of cemeteries and crematoria, and the format of cemetery certificate. In 2019, there were no changes in the laws and regulations of this field.

According to the RA Law on Local Self-government, the municipality mayor among others is responsible for arranging the activities of municipal cemeteries and their maintenance. A local fee is set for the operation of a private cemetery in the municipality. As of 2019, there are 21 cemeteries in Yerevan, which occupy over 540 hectare. These and other functions related to the land allocation are performed by the Special Service of Population MNCO.

## Public transport and road construction

According to the brief data by statistical reports provided by the companies operating in road repair, the total length of streets and crossings in urban areas of the Republic was 3929.9 km in 2018<sup>117</sup>.

In 2019, the RA MTAI launched the “Transportation Reform, Market Regulation Strategy and its Action Plan,” which revealed a number of issues in the field of everyday passenger transportation, that need systemic solution. Moreover, regional and interstate route networks are not sufficiently integrated, not all municipalities are provided with transport services, there is no unified ticketing system. Currently, there are about 153 regional and 263 interregional routes, which serve 682 settlements. Nearly 220 municipalities without transport service<sup>118</sup>.

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<sup>117</sup> [https://www.armstat.am/file/article/bn\\_fond\\_2019\\_7.pdf](https://www.armstat.am/file/article/bn_fond_2019_7.pdf) RA housing stock and communal utilities in 2018.

<sup>118</sup> <http://www.mtad.am/files/docs/2327.pdf> Transportation reform, market regulation strategy and action plan

*Table 36. Volume of passenger transportation of general use transport as per the RA marzes and Yerevan<sup>119</sup>*

<b>Marz/ Yerevan</b>	<b>2019 January- December, thousand person</b>	<b>Versus 2018 January- December, %</b>
Yerevan	125431.7	100.8
Aragatsotn	1090.3	108.0
Ararat	5005.9	119.2
Armavir	6113.1	141.0
Gegharkunik	1201.6	85.9
Lori	5449.9	113.2
Kotayk	6255.6	108.0
Shirak	5778.7	107.8
Syunik	6947.0	111.0
Vayots Dzor	290.5	102.1
Tavush	1242.5	105.7
<b>Total</b>	<b>164806.8</b>	<b>103.6</b>

The complete package of final draft of the new network of Yerevan public transport submitted by the “WYG International Limited” consulting company, was presented to the RA Government perusal<sup>120</sup>. According to the data of 2019, there are 561 buses in the Yerevan bus fleet, 39 routes are factually operated, about 400 units of carriages are drawn on average per day. The bus routes serve Yerevan Bus CJSC and 17 private organizations on the basis of contractual terms. In 2019, over 84.3 million passengers were transported by buses altogether, which is about 1.6% more than last year, and the share in Yerevan total passenger traffic was 43.2%.

In 2019, about 85.3 million passengers were transported by minibuses. This is a decrease of about 3.5 million or 3.9% compared to 2018. Nevertheless, the share of minibuses in the passenger transportation in Yerevan is still large, ranging about 43.8% of the total volume. In fact, there are 64 minibus routes in Yerevan, which are equipped with about 1120 units of carriages of different brands. The mentioned routes serve 36 private organizations on a contractual basis.

There are 51 trolleybuses on the balance sheet of “Yerevan Electric Transport” CJSC. The company serves 5 trolleybus routes, with an average of 40-42 units of carriages per day. In 2019 as well, the number of passengers transported by trolleybuses decreased to 5,216.1 thousand, which is less than last year by 6.8 thousand, or by 0.1%.

10 stations are operated in Yerevan metro, the length of the line is 12.1 km, there are 45 wagons. During the working days, 26 wagons (13 rolling stock) are drawn, and on weekends, 24 wagons (12 rolling stock) operate. In 2019, the number of passengers travelling by metro increased to 19,993.2 thousand, which is higher by 1,520.3 thousand or by 8,8% compared to the previous year. The share of passenger

<sup>119</sup> [https://www.armstat.am/file/article/sv\\_12\\_19a\\_124.pdf](https://www.armstat.am/file/article/sv_12_19a_124.pdf) Actual section, 1.2.4. Transport

<sup>120</sup> <https://www.yerevan.am/uploads/media/default/0001/94/a2533220cc50035fed78782a8108e-1c5d9636747.pdf> Implementation report on Yerevan Development Program for 2019

transportation by metro in the total volume of passenger transportation increased by 10.3%, in 2019. There are 856 public transport stops in Yerevan, 352 of which are equipped with parking lots and stop signs, and only 504 with stop signs. During 2019, 4 bus stops were furnished with modern, cast iron castings, and respective markings were made<sup>121</sup>.

During 2019, large-scale works were carried out in the field of road construction, both within the framework of subvention projects presented by the municipalities and by the government projects. Within the framework of subvention projects presented by the RA municipalities, 111 projects with 7, 3 billion AMD budget were implemented for asphaltting, paving and improvement of municipal roads and streets<sup>122</sup>.

In 2019, over 294.3 km highways and 2 transport facilities were repaired by the financial means of the RA state budget. Within the framework of the World Bank-funded project Additional funding for improving road networks of vital importance, over 70,5 km road sections were renovated during 2019. Within the framework of the North-South Road Corridor investment project, the works carried out on the Tranche-3, significantly increased, specifically on the road section Talin-Gyumri of total 46.17 km length. In 2019, about 83% of the total volume of earthworks were carried out on Talin-Lanjik road section (18.7 km), along with 59% of the total volume of concrete constructions. Over 53% of the total volume of earthworks was carried out on Lanik-Gyumri road section (27.47 km), along with 33% of the total volume of concrete constructions. An international tender was announced for the detailed design of Tranche 4 of the project, which is on Kajaran-Agarak section, and the winner was declared IRD Engineering (Italy) and GP Engineria (Italy) companies. Design works launched. In the course of 2019, reconstruction works are in progress on M6, Vanadzor-Alaverdi-Georgia border interstate highway, Tumanyan station - Bagratashen border checkpoint of 51.7 km section<sup>123</sup>.

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

Among the sectors of education, culture, sports and youth activities, the list of municipal services includes pre-school education and extra-curricular education in the municipality, activities of municipally-owned schools, kindergartens, clubs, cultural houses, sports schools, youth centers, libraries, educational, cultural, sports and other youth institutions and organizations, their maintenance, operation and repair activities.

In order to find solutions to regulating and developing the sphere of pre-school education, to provide legal grounds for ensuring efficient pre-school education services, the RA Government approved the decision No. 1242-A, on 19.09.2019, which identifies the RA draft law on making amendment to the law on Preschool Education, and proposed for discussion at the RA National Assembly.

<sup>121</sup> <http://www.yerevan.am/am/transport-department/> Yerevan inter-municipal public transport

<sup>122</sup> <http://www.mtad.am/hy/mtad21.5> RA MTAI website, Subvention projects

<sup>123</sup> <http://www.mtad.am/files/docs/2593.pdf> Summary of the report on implementation report of the RA Government Action Plan for 2019

In 2019, within the framework of “Improvement of Education” loan program by the World Bank, 18 pre-school education institutions were established in the RA marzes, involving a total of 400 children<sup>124</sup>: 4 in Shirak marz, 5 – Gegharkunik marz, 2 in Armavir, Kotayk, Syunik marzes, and 1 pre-school education institutions in Lori, Tavush and Vayots Dzor marzes.

In 2019, there were 906 municipal, public and private pre-school institutions (PSI) in the RA, among which 701 were kindergartens, 70- nursery-kindergartens, 135- school kindergartens. Specifically, 852 PSIs were municipally-owned, and 54 non municipally-owned. The average number of children in one group was 26, the actual employment was 89.7%. On average, 91 children attended a PSI, 13 children per PSI teacher. In 2019, overall 82,089 children used the pre-school education service. Table 37 reveals the breakups in the PSIs.

*Table 37. Breakups of children attending municipally-owned, public and non-municipally-owned PSIs, according to their type as per their distributing across RA marzes and Yerevan<sup>125</sup>*

Marz, Yerevan municipality	Nursery kindergarten		Kindergarten		School kindergarten	
	total	Among them	total	Among them	total	Among them
		girls		boys		girls
Yerevan	2 839	1 372	29 555	14 472	1195	597
Aragatsotn	624	348	2 030	1 001	-	-
Ararat	717	326	6 070	2 961	137	63
Armavir	-	-	5 647	2 750	1 300	570
Gegharkunik	790	366	3 325	1 579	18	10
Lori	294	135	4 726	2 258	536	250
Kotayk	-	-	6 991	3 259	-	-
Shirak	-	-	5 695	2 620	-	-
Syunik	1 752	862	2 823	1 381	46	24
Vayots Dzor	-	-	1 177	566	170	91
Tavush	568	272	2 906	1 358	158	79
<b>Total</b>	<b>7 584</b>	<b>3 681</b>	<b>70 945</b>	<b>34 205</b>	<b>3 560</b>	<b>1 684</b>

<sup>124</sup> <http://escs.am/files/files/2020-01-31/a7b7072fa3199fc079044e1b8ad0a4ce.docx> Report on the results of the general activities carried out by the RA Ministry of Education, Science, Culture and Sports in 2019

<sup>125</sup> [https://www.armstat.am/file/article/sv\\_03\\_20a\\_5120.pdf](https://www.armstat.am/file/article/sv_03_20a_5120.pdf) 5. Socio-demographic section, 5.12 Activities of the pre-school institutions in 2019

Large-scale subvention projects for the construction and renovation of municipally-owned PSI buildings and constructions were implemented in the municipalities during 2019, the total budget of about 2.1 billion AMD<sup>126</sup>.

In the academic year of 2019/2020, 246 music schools, arts centers, painting schools and children's creative schools operated in Armenia. Quantitative data of those schools and centers, by RA marzes and Yerevan (2019/2020 academic year) are revealed in Table 38<sup>127</sup>.

*Table 38. Number of music, arts and painting schools, children's creative centers, by RA marzes and Yerevan, in 2019/2020 academic year*

Marz, Yerevan municipality	Number of schools and centers	including			children's creative centers
		musical	arts	painting	
Yerevan	50	16	9	1	24
Aragatsotn	12	5	4	2	1
Ararat	23	10	7	3	3
Armavir	21	12	8	1	-
Gegharkunik	19	9	7	2	1
Lori	24	7	12	3	2
Kotayk	25	9	12	2	2
Shirak	30	12	15	2	1
Syunik	17	8	5	2	2
Vayots Dzor	8	1	4	1	2
Tavush	17	11	5	1	-
<b>Total</b>	<b>246</b>	<b>100</b>	<b>88</b>	<b>20</b>	<b>38</b>

In the academic year of 2019/2020, 54,599 students (64.8% are girls) attended the music, arts, painting schools and children's creative centers, including 18,020 students attended music schools, 16,208 students attended arts school, 2,386 students attended painting schools, and 17,985 students attended youth creative centers. 3,176 students (27% from Yerevan) took part in various festivals and competitions, among them 2,316 won various awards<sup>128</sup>.

As of January 1, 2019, the number of municipalities providing extra-curricular education service was 124.

In 2019, 670 public libraries operated in Armenia. 10 of the public libraries are in the center of marzes, 46 of them are located in the regional centers, 72 are urban, 519 are rural, and 23 are libraries for children<sup>129</sup>.

<sup>126</sup> <http://www.mtad.am/hy/mtad21.5> RA MTAI website, Subvention projects

<sup>127</sup> [https://www.armstat.am/file/article/sv\\_03\\_20a\\_5140.pdf](https://www.armstat.am/file/article/sv_03_20a_5140.pdf) 5. Socio-demographic section 5.14. Activities of music, art, painting schools, children's creative centers in 2019/2020 academic year

<sup>128</sup> Ibid.

<sup>129</sup> [https://www.armstat.am/file/article/sv\\_03\\_20a\\_5190.pdf](https://www.armstat.am/file/article/sv_03_20a_5190.pdf) 5. Socio-demographic section 5.19. Library performance in 2019

With a view to organize holidays and memorial days, as well as other cultural events, 8,953,631.2 thousand AMD current and capital expenditures (of which 3,302,101.1 thousand AMD in Yerevan) were disbursed from municipal budgets in 2019<sup>130</sup>.

As of January 1, 2019, 175 sports organizations operated in Armenia and 61 in Yerevan. 13 sports organizations out of 61 operating in the RA operate under the supervision of the RA Ministry of Education, Science, Culture and Sports, 37 under Yerevan municipality, 3 under administrative districts, 6 under Armenia Sports Union, and 2 under Labour Reserve School NGO<sup>131</sup>.

## Healthcare

In 2019, the stationary treatment of the population of the Republic was carried out in 125 hospitals. Primary healthcare service (PHS) was provided in 501 medical facilities and 625 nursing-obstetrics centers. Healthcare facilities and potential are mainly concentrated in the Republic's larger urban areas (mainly in Yerevan – 72.7% of doctors, 41.9% of hospitals and 64.9% of hospital beds). There are 31 healthcare companies under Yerevan municipality<sup>132</sup>.

Ambulatories are the main structures providing primary medical service in rural municipalities (sometimes also providing the whole medical service). The number of healthcare companies providing PH services remained unchanged in 2019.

In 2019, Armenian municipalities have spent 336,877.2 thousand AMD in healthcare sector, out of which 233,169.7 thousand AMD are the capital expenditures. It should be noted that compared to the previous year, the expenditures of the municipalities in the field increased by 59,1%<sup>133</sup>.

In 2019, within the framework of the subvention projects, 3 medical projects were implemented in the municipalities with total budget 39,039.8 thousand AMD. The funds were allocated to the renovation of PHS structures and constructions<sup>134</sup>.

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<sup>130</sup> <http://www.mtad.am/files/docs/2595.zip> Budget expenditures for 2019 of the Armenian municipalities

<sup>131</sup> [https://www.armstat.am/file/article/soc\\_vich\\_2018\\_26.pdf](https://www.armstat.am/file/article/soc_vich_2018_26.pdf), Socio-economic situation of the Republic of Armenia in 2018

<sup>132</sup> <https://www.yerevan.am/am/health/> Official website of the Yerevan municipality

<sup>133</sup> <http://www.mtad.am/files/docs/2595.zip> Budget expenditures of the Armenian municipalities for 2019

<sup>134</sup> <http://www.mtad.am/hy/mtad21.5> RA MTAI Website, Subvention projects

*Table 39. Medical institutions providing primary healthcare service (with the exception of nursing-obstetrics centers) operating under Ministry of Health, marz and municipally-owned, in 2014-2018<sup>135</sup>*

Medical institutions providing primary healthcare service	2014	2015	2016	2017	2018
Polyclinics within the hospitals	65	63	62	61	61
Independent centers, including:	288	289	285	284	284
- polyclinics	40	40	38	37	37
- healthcare centers	2	3	3	3	3
- rural ambulatories	242	242	240	240	240
- children polyclinics	2	2	2	2	2
- other	2	2	2	2	2
Dispensaries	10	10	10	10	10
Independent dental clinics (for adults)	1	1	1	-	-
<b>Total</b>	<b>364</b>	<b>363</b>	<b>358</b>	<b>355</b>	<b>355</b>

### Social protection

The main regulations of the local authorities the field of social protection are defined by the RA Law on Local Self-government and the Law on Social Assistance, while the implementation of social assistance programs in the border municipalities of the Republic of Armenia is regulated by the RA Law on Social Assistance to Border Municipalities. In order to address the needs of underprivileged sector in the municipality, the mayor develops and implements local social programs<sup>136</sup>. To provide more efficient implementation of the local social projects, the position of a social worker was created in the municipal staff in municipalities of more than 5,000 residents. With a view to improve the skills and professional abilities of the social workers, a special training course “Community Social Work” was organized in December 2019, with the joint efforts of RA MTAI, USAID, World Vision Armenia, Children’s Development Fund and the Armenian Association of Social Workers. 19 community servants from Kotayk, Lori, Tavush, Shirak, Ararat, Vayots Dzor, Syunik marzes, who hold the position of social worker or perform the respective functions participated in the training<sup>137</sup>. In 2019, the Armenian municipalities spent 3,026,256.1 thousand AMD in the field of social protection, which makes 95.6% of the expenses for the same period, in the previous year<sup>138</sup>.

<sup>135</sup> RA Ministry of Health, “National Institute of Health after Academician S. Avdalbekyan” CJSC, “Health and Healthcare” statistical yearbook, Armenia 2019, page 165

<sup>136</sup> RA Law on Local Self-government, ed. 16.12.16, HO-237-N, Article 48 8

<sup>137</sup> <http://mtad.am/hy/news/item/2019/12/16/mtad16.12.2/>

<sup>138</sup> <http://www.mtad.am/files/docs/2595.zip> Budget expenditures of the Armenian municipalities for 2019.

In order to define the main priorities of the state policy in the field of labor and social protection, to increase the efficiency of the sector management, the RA government launched the “Strategy for the Development of Labor and Social Protection”<sup>139</sup>. In 2019, the Armenian government initiated structural reforms in this field, specifically establishing a unified institutional mechanism for assessing social needs. Following this practice, it is planned to forward the function of need assessment from regional administrations and municipalities to the Ministry of Labor and Social Affairs of the Republic of Armenia. For this purpose, the RA government submitted to the RA National Assembly also the RA draft law on making Amendments to the RA Law on Local Self-government<sup>140</sup>.

### **The liability of the local self-governing bodies to set fees for municipal service provision**

According to the RA Law on Local Duties and Fees, the local fee is a compulsory payment defined by avagani within their liabilities, on the basis of provisions of the same law against the service provided by the municipality or by the order of municipality. The local fees and their rates are identified by the RA Law on Local Duties and Fees, as well as by the municipal avagani. They define a new category of local fees and their rates that are not included in the category of the local payments in the same law. For most categories of the local fees, the avagani sets compensation fees, the rates of which are set by the municipal avagani every year based on the mayor’s proposal that is equivalent to the cost amount required for the service<sup>141</sup>.

In 2019, only one amendment was made to the RA Law on Local Duties and Fees. According to the RA Law on making amendments to the RA Law on Local Duties and Fees, adopted on November 14, 2019, by the RA NA, the local fees for services ordered or implemented by the municipality can no longer be paid to the extra-budgetary funds opened by law. Those fees can only be paid to the municipal budget<sup>142</sup>.

The National Assembly of the Republic of Armenia adopted in the second reading the RA draft law on making amendments to the RA Law on Local Duties and Fees, in 2019. The draft law is anticipated to regulate the organization and provision of the services via mobile sales outlet by legal entities and sole proprietors in Yerevan administrative district, which is defined the RA Law on Trade and Services<sup>143</sup>.

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<sup>139</sup> <https://www.e-draft.am/projects/1928/justification> Development Strategy for Labor and Social Protection

<sup>140</sup> <http://www.parliament.am/drafts.php?sel=showdraft&DraftID=11189&Reading=0> RA draft law on making amendments to the RA Law on Local Self-government  
RA Law on Local Duties and Fees, ed. 16.12.16, HO-243-N

<sup>142</sup> <https://www.arlis.am/DocumentView.aspx?docid=136966> RA draft law on making amendments to the RA Law on Local Duties and Fees

<sup>143</sup> <http://www.parliament.am/drafts.php?sel=showdraft&DraftID=10913&Reading=3> RA draft law on making amendments to the RA Law on Local Duties and Fees

The RA government submitted another draft law to the RA NA, on making an amendment to the RA Law on Local Duties and Fees. The law will set a local duty also for the sell permission of cigarette substitutes or similar tobacco products<sup>144</sup>.

## 7.2. Municipal service management

The unified system of the municipal service evaluation, the definition of the public service attributes, qualitative and quantitative normative indicators are of great importance in the process of managing municipal services. The residents' expectations and their content with the services provided by the local authorities are important. However, a poor service as a substitute to a permanently inadequate service can also cause the resident's discontent. Therefore, in the course of studying the public services, the indicators of service delivery and consumer satisfaction should be assessed separately. Municipal services should be discussed based on the following criteria:

1. Provision of services to the required extent (whether all the services defined by law actually provided and to what extent municipality residents have access to those services?)
2. Service quality and resident's content
3. Effectiveness of the provided services<sup>145</sup>.

Table 40 shows indicators of actual expenditures from 2019 administrative budgets by economic classification of costs for municipal service provision for all municipalities in Armenia.

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<sup>144</sup> <http://www.parliament.am/drafts.php?sel=showdraft&DraftID=10775&Reading=3> RA draft law on making amendments to the RA Law on Local Duties and Fees

<sup>145</sup> Local self-government reforms in Armenia (2004-2006), Book 2, CFOA, Yerevan, 2008

*Table 40. Actual budget expenditures of the RA municipalities and Yerevan, by economic classification (including and excluding Yerevan) for 2019*

N	Expenditures	2019					
		Actual expenditures of administrative budgets of RA municipalities (including Yerevan), thousand AMD	Share, %	Actual expenditures of Yerevan administrative budget, thousand AMD	Share, %	Actual expenditures of administrative budgets of RA municipalities (excluding Yerevan), thousand AMD	Share, %
A	<b>CURRENT EXPENDITURES (1+2+3+4+5+6)</b>	<b>121120856.0</b>	<b>100.0</b>	<b>65575082.0</b>	<b>100.0</b>	<b>55545774.0</b>	<b>100.0</b>
1	<b>Remuneration, including</b>	<b>24934120.7</b>	<b>20.6</b>	<b>7820692.3</b>	<b>11.9</b>	<b>17113428.4</b>	<b>30.8</b>
2	<b>Purchase of services and goods</b>	<b>21508165.5</b>	<b>17.8</b>	<b>11139568</b>	<b>17.0</b>	<b>10368597.4</b>	<b>18.7</b>
3	<b>Subsidies</b>	<b>53875514.4</b>	<b>44.5</b>	<b>36257566</b>	<b>55.3</b>	<b>17617948.6</b>	<b>31.7</b>
4	<b>Grants</b>	<b>6220662.9</b>	<b>5.1</b>	<b>291157.1</b>	<b>0.4</b>	<b>5929505.8</b>	<b>10.7</b>
5	<b>Social allowances and pensions</b>	<b>2182167.3</b>	<b>1.8</b>	<b>694368</b>	<b>1.1</b>	<b>1487799.3</b>	<b>2.7</b>
6	<b>Other expenditures, including</b>	<b>12400225.1</b>	<b>10.2</b>	<b>9371730.7</b>	<b>14.3</b>	<b>3028494.4</b>	<b>5.5</b>
6.1	<i>Reserve funds, including</i>	<i>9439070.3</i>	<i>7.8</i>	<i>6849743.8</i>	<i>10.4</i>	<i>2589326.5</i>	<i>4.7</i>
6.1.1	<i>Transfers from reserve fund of the administrative budget to the fund budget of municipalities</i>	<i>2471439.5</i>	<i>2.0</i>	<i>0</i>	<i>0</i>	<i>2471439.5</i>	<i>4.4</i>
7	<b>Service provision costs, total (A - 5 - 6.1)</b>	<b>109499618.4</b>	<b>90.4</b>	<b>58030970.2</b>	<b>88.5</b>	<b>51468648.2</b>	<b>92.7</b>

The table shows that in 2019, the share of total spending on services in the administrative budgets of municipalities (including Yerevan) was 90.4%, and the same indicator without Yerevan was 92.7%. Also, the share of spending on services in the administrative budget of Yerevan was 88.5% in 2018.

The scarcity of financial and human resources, poor infrastructures, technical measures and normative regulations remain the main reason for inadequate level and quality of municipal services. In addition to this, the lacking unified system for evaluating services induces different qualitative features for the same service in municipalities and settlements.

## 8. RESULTS OF THE LOCAL GOVERNANCE ANNUAL ASSESSMENT (LG INDEX FOR 2017, 2018 AND 2019)

Monitoring and evaluation of local governance system is of great importance for its further development. In international practice, indexing method (through index calculation) of the LG monitoring and evaluation is widely used. The quantitative and qualitative information on the activities of all municipalities or local governments in each country is collected and summarized every year and, the annual local governance index is calculated in the given country.

For this purpose, in 2017 in the framework of the USAID-funded CELoG program, CFOA and CRRC-Armenia drafted “Annual Evaluation of Local Governance Reforms and Index Calculation Methodology,”<sup>146</sup> as a supplement to the methodology for developing the LG annual budget. The document is based on international experience in that field and localization of this experience in the RA local governance system as much as possible.

Based on the collected data and developed methodology, the CFOA expert team (consisting of 7 experts), drafts 7 chapters of the annual monitoring reports of the local governance system and conducts the annual numerical assessment of the local governance through calculation of LGAI.

According to the drafted methodology, since 2015, the LGAI calculation has been carried out by the CFOA expert group in the form of a result of the following successive steps:

- Definition of local governance sectors, functions and indicators, (the calculation of local self-government index is based on 5 selected fields (directions), as per 20 functions and 52 indicators, the list of which is presented in Appendix 4<sup>147</sup>),
- Verification of compliance of indicators with selected principles of local governance<sup>148</sup>,
- Definition and justification of assessment criteria of indicators<sup>149</sup>,
- Assessment of indicators<sup>150</sup>,

<sup>146</sup> Local Governance Annual Index, 2015 and 2016, Yerevan, 2017, [www.cfoa.am](http://www.cfoa.am)

<sup>147</sup> In 2019, like in 2015-2018 the LGAI was not calculated for 3 functions only (“Municipal Development Programs and Budget (planning and budgeting), “International Support,” “Other Municipal Services”), for which relevant indicators have not been defined yet. This may be explained by lack of information and complexity in collecting information. Thus, assessment of these functions has not been carried out. However, the mentioned functions have been included in the respective list of functions with a view to define relevant indicators in the future and include the assessment in the calculation of LGAI.

<sup>148</sup> In the methodology, such principles have been selected as “12 principles of innovation and good democratic governance at the local level,” see CoE, Committee of Ministers (2008), *The Strategy for Innovation and Good Governance at Local Level*.

<sup>149</sup> Assessment criteria have been chosen and applied according to the relevant indicator. Moreover, relevant justifications and comments are proposed every year.

<sup>150</sup> All the indicators were assessed on a scale of 0-10 points, using assessment criteria of indicators.

- An arithmetic averaging of values of assessed indicators, according to LC functions and sectors, calculation of the RA LGAI.

The results of the assessment of LGAI calculation for 2017-2019 are presented in Appendix 4, whereas LGAI calculation results based on sectors are revealed in Table 41.

*Table 41. Results of the local governance annual assessment (RA LGAI, 2017-2019) according to the LG sector*

N	Sector	Number of indicators	2017 average score (0-10 score)	2018 average score (0-10 score)	2019 average score (0-10 score)
1	Local governance reforms	10	5.0	4.5	4.8
2	Municipal assets, development programs, finances	18	3.4	3.5	4.2
3	Local democracy	8	4.4	4.4	4.9
4	Municipal management	4	5.3	5.0	5.5
5	Municipal (public) service delivery	12	3.9	4.1	4.6
	<b>Average score of local governance sectors (RA LGAI)</b>	<b>52</b>	<b>4.4</b>	<b>4.3</b>	<b>4.8</b>

Based on the data analysis in Appendix 4 and Table 41, the assessment results of local governance separate sectors for 2019 are presented below, in comparison with the results of 2017-2018.

Based on the assessments of 10 indicators defined in “**local self-government reform**” sector, the average score for 2019 was 4.8, which is lower by 0.2 than the average score for 2017 (5.0) and is higher by 0.3 for the average score (4.5) for 2018. This increase in score is conditioned by underperformance two phenomena.

- 1) The number of laws were adopted, such as the RA Law on making additions and amendments to the RA law on Local Referendum, RA la Law on making amendments to the RA law on Local Self-governance, RA Law on Territorial Administration, etc.
- 2) The Government of the Republic of Armenia envisaged and implemented a number of important projects and measures in the field of local government with medium-term and annual timeframes. One of the most significant measures is the large amount co-funding (over 9.6 billion AMD) from the RA state budget for the implementation of subvention projects with a basic purpose of developing the economic and social infrastructure in the municipalities.

Based on the assessment of 18 indicators defined in “**municipal assets, development programs and finances**” sector, the average score for 2019 is 4.2 which is by 0.8 higher than that for 2017 (3.4) and by 0.7 than that for 2018 (3.5). The increase of the average score for 2019 is conditioned by the following factors:

- 1) Increase of percentages of actual implementation of budget revenues and expenditures of the Armenian municipal (including Yerevan) consolidated budget in relation to the approved plans (revenues from 93.1% to 101.0%) and (expenditures from 83.2% to 88.0%);
- 2) Increase of percentages of actual implementation of budget expenditures of the Armenian municipal (excluding Yerevan) consolidated budget in relation to the approved plans (from 89.7% to 99.3%);
- 3) Increase of per capita actual revenue and expenditure of the Armenian municipalities (including Yerevan) consolidated budget (revenues from 89.0 USD to 101.7 USD), and (expenditures from 82.7 USD to 93.6 USD);
- 4) Increase of the share of expenditures on non-financial assets of the Armenian municipal budgets (including Yerevan) in total expenditures (from 11.9% to 19.5%);
- 5) Increase of the share of expenditures on non-financial assets of the Armenian municipal budgets (excluding Yerevan) among total expenditures (from 18.4% to 27.9%);
- 6) Decrease of the share of general public expenditures (excluding Yerevan) among total expenditures of the Armenian municipal budgets (from 36.2% to 33.4%).

The 2019 assessment results of remaining indicators of this sector were close to those for 2018.

3 functions and 8 indicators were defined in “**local democracy**” sector, based on the assessments of which the average score was 4.9 for 2019, which is by 0.5 higher than that for 2017 and 2018 (4 scores each). The increase of the score in 2019 versus 2018 is conditioned by the following factors:

- 1) In 2019, the share of municipalities nominating more than 2 candidates in direct elections for a municipality mayor increased in the total number (53.62% in 2017, 68.66% in 2018, and 83.61% in 2019);
- 2) The share of municipalities having official website increased (65.3% in 2017, 58.2% in 2018, and 79.5% in 2019);
- 3) The share of municipalities increased (in the total number of municipalities with at least 5000 residents) that established advisory councils adjacent to the municipal mayor and within the municipal structure (55.9% in 2017, 61.3% in 2018, and 75.0% in 2019).

2018 and 2019 assessment results of other indicators in this sector are almost the same.

3 functions and 4 indicators were defined in “**municipal management**” sector, based on the assessments of which the average score was 5.5 for 2019, which is higher by 0.2 from the average score for 2017 (5.3). The increase of the score in 2019 versus 2018 is conditioned by the following factor:

- 1) the share of trained municipal servants in their total number (including Yerevan) increased (13.0% in 2017, 8.3% in 2018, and 19.5% in 2019).

2018 and 2019 assessment results of other indicators in this sector were almost the same.

4 functions and 12 indicators were defined in “**municipal (public) service delivery**” sector, based on the assessments of which the average score was 4.6 for 2019, which is by 0.7 higher than that (3.9) in 2017, and by 0.5 for the average score for 2018 (4.1). The increase of the average score for 2019 in the given sector is conditioned by the following factors:

- 1) The share of municipalities providing with pre-school education increased (50.5% in 2017, 52.3% in 2018, and 60.9% in 2019);
- 2) The share of municipalities providing inter-municipal street lighting services sharply increased among the total number of municipalities (59.3% in 2018, 46.8% in 2018, 73.1% in 2019);
- 3) Overall expenditure on environmental protection sector in municipal budget (including Yerevan) increased per capita (8.5 USD in 2017, 9.5 USD in 2018, and 11.3 in 2019);
- 4) Overall expenditure on environmental protection sector in municipal budget (excluding Yerevan) increased per capita (5.0 USD in 2017, 6.4 USD in 2018, and 7.3 USD in 2019).

2018 and 2019 assessment results of other indicators in this sector are almost the same.

To sum up, 20 functions and 52 indicators were defined in 5 local governance sectors, based on the assessments of which **the LGAI scored 4.8 points for 2019**, which is by 0.4 higher than that in 2017 (4.4) and by 0.5 than that in 2018 (4.3).

Overall, the 2019 LGAI is the highest versus 2015–2019 assessments (4.4 in 2015, 4.3 in 2016, 4.4 in 2017, 4.3 in 2018, and 4.8 in 2019)<sup>151</sup>.

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<sup>151</sup> Methodology on the RA LGAI for 2015 and 2016, Book 1, edited by V. Shahbazyan, Yerevan, Van Aryan, 2017,

RA LGAI, 2017, Book 2, edited by V. Shahbazyan, Yerevan, Yerevan, Asoghik, 2018

RA LGAI, 2018, Book 3, edited by V. Shahbazyan, Yerevan, Yerevan, Asoghik, 2019.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

The regulations proposed by the municipalities through local referendum that refer to the RA government legislative initiative on amalgamating or separating the municipalities may not be considered a legal implementation on behalf of the RA of an international obligation undertaken by the Article 5 of the ECLSG. Therefore, they are of a formal character and do not provide realistic opportunities for the realization of the right of the municipal residents to be heard. Besides, there are no legislative guarantees for their realization. International obligations identified in the Article 5 of the ECLSG should be fulfilled by the state, represented by the state entities. While, the adopted legal regulations “impose the fulfillment of this obligation on the municipal residents.” The RA Law on Territorial Administration, the subject of which, inter alia, is the marzpet’s liabilities, did not envisage an exhaustive list of those liabilities. For this reason, it became possible to maintain the marzpet’s control over the LG liabilities in the RA Law on Local Self-government. This is, however, a controversial liability in terms of constitution.

Compared to the previous year, in 2019 a significant progress was made in the area of discussion and approval of applications, and well as co-financing by the RA state budget of the subvention programs submitted to the RA MTAI by the municipalities.

The population in the RA continues to decline. As of January 1, 2020, the population declined by 5.6 thousand people compared to the same period of the previous year, yet the rate of population decline slowed to around 70%.

In 2019, no territorial-administrative reforms were implemented. The RA Law on Territorial- Administrative Division did not undergo new amendments or additions.

As of January 1, 2020, the territorial-administrative division of the Republic of Armenia consists of 10 marzes and 502 communities (as well as 1004 settlements).

Following three rounds of the administrative-territorial reform, 465 municipalities joined the municipal amalgamation process; 413 municipalities were deprived of the status of an independent municipality; and another 450 municipalities are yet to join the municipal amalgamation process. The municipal amalgamation process is complete in Syunik and Vayots Dzor marzes of the Republic of Armenia. The process will be completed also in Tavush region with the set up a new multi-settlement municipality. Armavir remains the only marz where administrative-territorial reforms have not yet been implemented.

In 2019, significant changes did not take place in the field of inter-municipal cooperation. Two potential options (voluntary and legal) for establishing IMUs did not gain the objective.

The concept “legal entity under public law” of the IMUs is not yet legally defined.

The central authorities do not yet consider the IMUs as a potential tool of the state liabilities for municipal decentralization.

In 2019, the procedure of holding local elections, the practice of candidate nomination, and the terms of office of local self-governance bodies remained unchanged.

In 2019, local elections were held in fairly weak competition environments. Only 1 candidate of a municipality mayor was registered in 10 municipalities or in 16.4% percent of the municipalities who held direct elections of mayors. The average number of candidates a municipality mayor in direct elections was 2,9. According to the results of the direct election of mayors, most of those elected (89,9%) were non-partisan. Compared to the previous year, the voter turnout in local elections was higher (60,46%) in 2019, in contrast to avagani elections (36,64%) Almost half of the voters did not participate in local elections.

In the course of 2019, the number of own liabilities assigned to the municipality mayors by law increased by 1; and the number of own liabilities of the Yerevan mayor decreased by 1. The delegated liabilities to the municipality mayors and to the Yerevan mayor remained unchanged.

In 2019, no local referendum was held in any of the municipalities of the Republic of Armenia.

In 2019, petitions were initiated in some municipalities. As a result of those petitions, the municipal avaganis took respective decisions. However, the issue of lawfulness of those decisions is still worrisome.

Armenia's democracy score by the Freedom House recorded 3,00 in 2019.

In 2019, within the frames of the USAID CELoG project, The School of Local Democracy (SLD) kicked off delivering a training program to over 221 young people from various Armenian marzes. Over 30 small-grant projects were implemented.

In 2019, all the municipalities of over 10000 population, excluding Ani municipality, Shirak marz, had an opportunity to conduct online broadcasting of avagani sessions.

All municipalities of over 3000 population have an official website.

In the course of 2019, the residents continued to file complaints to the Human Rights Defender on various issues related to the activities of the LSGs.

The level of financial independence of the municipalities remains to be low and the municipal assets are outdated and worn-off.

As in the previous years, no deductions to municipalities from taxes and mandatory payments to the RA state budget were made in 2019.

In 2019 as well, the municipalities did not receive any loans from commercial banks because of legislative gaps, and they are still deprived of the access to the credit market.

In 2019, the municipalities did not issue bonds either due to the lack of a respective law.

Despite the fact that after incorporating the RA LG system, the municipal budget revenues significantly increased, and after the municipal amalgamation the financial status of multi-settlement municipalities slightly improved, yet the financial resources of most multi-settlement municipalities are still insufficient to absolutely exercise all the powers assigned to them by law. Obviously, the current financial system does not add to the development of the municipalities.

Despite the declining trend in recent years, the share in total revenues of Yerevan municipal budget continues to remain high among the sum of all Armenian municipal budget revenues (51.9%).

Comparing the indicators of Armenia and the EU Member States regarding the relevance of LSG responsibilities and municipal financial resources, it becomes obvious that Armenia still lags behind the EU member states, in particular, the share of aggregate municipal expenditures in public spending and GDP per capita in the amount of revenue and expenditures of municipal budgets. In 2019, the level of decentralization of power in Armenia continues to remain low.

In 2019, as compared with 2018, the overall performance of discipline in revenue of municipal budgets has remarkably increased, in contrast to the overall performance of discipline in expenditure particularly with respect to the adjusted plan notably decreased. The majority of the Armenian municipalities are still unable to fully and completely implement all the powers assigned to them by law, especially in terms of delivery of municipal services.

In 2019, the total revenues and expenditures of the Yerevan budget constitutes respectively 51.9% and 50.2% out of total revenues and expenditures of all Armenian municipal budgets. Moreover, the revenues and expenditures per capita of all municipalities (without Yerevan) are over 1,9 and 1,7 times lower than those of the Yerevan budget (over 2,0 times in 2018).

In contrast to 2018, the share of capital expenditures on non-financial assets of all the RA municipal budgets (including Yerevan) increased by 7, 0% in 2019 equaling to 17,9%; and on current expenditures it declined equaling to 82.1%. The share of capital expenditures on non-financial assets of Yerevan municipal budget in 2019 was 10.2%, and on current expenditures 89,8%. The share of capital expenditures on non-financial assets of all the RA municipalities' budget (without Yerevan) increased in 2019, equaling to 25,8%, and on current expenditures it declined equaling to 74,2%.

In 2019, the share of salaries and bonuses (25.9%) in total spending calculated for all the RA municipalities (without Yerevan) is about 2,21 times higher than the same indicator for Yerevan (11,7%). This is mostly driven by two factors: inflated staffs of the municipalities (excluding Yerevan) and municipal organizations, as well as scarcity of municipal budget revenues.

Although the RA legislation does not envisage educational census for the LG bodies, nevertheless 343 among 502 municipality mayors (or over 68%) have higher education. In 2019, the tendency of gender inequality and low representation of women in elected local self-government bodies still persists. In contrast to this, the gender distribution of the staff of the secretary of the municipality staff and the staff of the municipality was rather proportional.

Municipal management information systems (MMIS) continued to be incorporated and operated in the municipalities in the reported period. As of the end of 2019, the MMIS operated in around 399 out of 502 municipalities in Armenia, including its modified version for the amalgamated municipality was available in all amalgamated 52 multi-settlement municipalities.

Citizen offices opened up within the staff of 5 multi-settlement municipalities. As of the end of 2019, total number of Cos was 47. of those launched and operated in previous years were refurbished.

There are also other drawbacks in the area of municipal servants' training. Particularly, the content analysis of educational programs show that those trainings are mostly build on the logic of conveying theoretical knowledge, and the practical sessions, discussions and case studies are not properly incorporated in the training sessions. Another shortcoming of the training system is the inadequacy of the content of the educational programs and the actual needs to enhance the qualifications of the municipality staff. The lack of modern teaching methods is still worrisome. The experience shows that in recent years those teaching methods undergone slight modifications, and often the same municipality servant participates in the repetitive sessions of the same content. A number of technical issues pop-up also during the delivering the training sessions, related to qualifications of the trainers, their skills and lack of experience. Moreover, during the long-distance trainings (videoconference), failures and deficiencies of computers occur, creating additional retardation in conveying knowledge and maintaining connection with auditorium.

In 2019, international organizations continued their programs in Armenia more intensively. The success of the projects of the recent years is highly conditioned by grant programs funded from the foreign sources. However, the implemented projects are not identical and do not envisage their engagement and ownership in community development projects and in adopted policies. Some programs are not fully effective in achieving the goals set in advance because of various obstacles that emerge during and after implementation. There are also shortcomings in the selection of target municipalities within the project.

No substantial changes took place in terms of increasing the liabilities of local authorities and increasing the scope of public services in 2019.

There is no unified system of municipal service evaluation in Armenia, service description, qualitative and quantitative normative indicators are not available either.

In almost all municipalities of Armenia, services are not provided fully and with inadequate quality. The main reason of this is the lack of human, financial resources as well as the poor quality of the infrastructures. The lack of human, financial resources as well as of insufficient technical means remains to be the main reason for the municipal service underperformance in an adequate quality and quality.

The RA municipalities did not define new types of local fees and their rates to be included in the categories of the local fees of the RA Law on Local Duties and Fees. This would improve the financial situation in the municipalities.

To sum up, 20 functions and 52 indicators were defined in 5 local governance sectors, based on the assessments of which **the LGAI scored 4.8 points for 2019**, which is by 0.4 higher than that in 2017 (4.4) and by 0.5 than that in 2018 (4.3). The increase in 2019 is conditioned by a significant increase of 2019 average assessments of the defined indicators in all 5 sectors, versus those in 2017-2018.

Overall, the 2019 LGAI is the highest versus 2015-2019 assessments (4.4 in 2015, 4.3 in 2016, 4.4 in 2017, 4.3 in 2018, and 4.8 in 2019).

## Recommendations

In order to have the LG legislation in compliance with the RA Constitution and to ensure the implementation of the RA international commitments **at the legislative level**, it is recommended:

- Incorporate legislative amendment to the RA Law on Local Self-government on arranging and holding a local referendum as a mandatory process, in the event of a change in the municipalities administrative borders, and to ensure that is initiated and implemented by the government.
- Develop and adopt legislative amendments in order to bring the legislative regulations on the implementation of legal and professional supervision over the implementation of community issues in consistence with the Article 188 of the RA Constitution.

**In the area of territorial-administrative reforms, it is recommended:**

- Continue and complete the reforms in the area of municipal amalgamation, by fostering further development of the RA LG system.
- When designing new municipality clusters, to provide the public with comprehensive information and find out the public opinion on the logic of their selection and on some economic calculations.
- Provide high-level support to the capital investments by the state and donor organizations to the multi-settlement municipalities in order to promote the proper functioning thereof.
- Through implementation of the RA Law on Inter-Municipality Unions, launch the process of delegation of the state-vested authorities to the public administration entities through the established IMUs.
- Develop, publicly discuss and expand the new draft concept of the “The Road Map on Decentralization,” which will define the main approaches and directions of the decentralization of liabilities towards the public administration entities.

**In the area of LSG formation, liabilities and civic engagement in the local governance, it is recommended:**

- Switching to the proportional electoral system of elections of avaganis still remains imperative in multi-settlement municipalities of high population, and the transition to the indirect elections of the mayor of municipality is a step backward in the process of democratization.
- Practical steps should be taken towards the liability decentralization in the municipalities by providing the necessary funding sources for exercising those liabilities.
- Demonstrate consistency, towards increasing the civic engagement in the local governance and applying all the opportunities and tools envisaged by law. Provide municipalities with some counseling on how to apply the tools of engaging the residents in local governance properly by law.

**In order to increase the level of financial independence of municipalities and the effectiveness of the financial management, it is recommended:**

- Provide the municipalities with new financing sources and means with a view to enable them to fully and completely exercise their liabilities defined by law. In particular, this can be done through deductions from the state taxes (income tax, profit tax, etc.) and fees (environmental fee, fee for the use of nature resources) to municipal budgets, introduce municipalities to capital markets (borrowed funds, securities), etc.
- Fix the proportions of state budget taxes not in the law on the state budget on annual basis, but by the RA laws on Local Self-government, or on Budget System of the Republic of Armenia.
- Legislatively regulate the issues related to borrowings from the commercial banks and financial institutions, issuing bonds, as well as to develop and apply systems and tools to assess the creditworthiness of municipalities.
- Emphasizing the role of the economy in the municipal development, pay special attention to the support of small and medium-size businesses, agriculture and tourism sectors, by planning the five-year municipal development plan and the annual working plan and allocating funds from the annual budget accordingly, as well as to ensure finding from the RA state budget and/ or the private sector.
- Based on the stage-by-stage results of the territorial-administration reforms and the international experience, plan and gradually implement decentralization of liabilities from public (including territorial) bodies to municipalities by raising the level of decentralization of liabilities in Armenia.
- With a view to enhance the decentralization and create a permanent investment base in the municipalities, it is recommended to establish development funds in all the Armenian municipalities. It is also suggested to fully allocate the environmental fees collected in the state budget to these funds each year. The amount allocated to the municipal development fund can be calculated by multiplying the population of the given municipality by the average national amount per capita. It is suggested that the expenditure directions of the municipal development fund is verified exclusively by the residents of the settlements within the given municipality, and the funds of the development programs can be distributed among the settlements according to the population of those settlements. The municipal development fund can be replenished by individuals and legal entities, international and local organizations, other municipalities, the RA government, etc.
- Institutionalize the process of defining and assessing of financial indicators of municipalities taking into account the assessment results of financial indicators in previous and current reports regarding the relevance of LSG powers and financial resources of municipalities. To this end, it is necessary to elaborate and introduce a joint system of defining, analyzing and monitoring the municipal financial indicators ensuring access to required information

and regular update (for example yearly), as well as analysis, assessment and publication of financial indicators on annual basis.

- Work consistently to increasing the levels of performance and efficiency of revenue collection and expenditure of the municipal budgets.
- Take measures to optimize the number of municipal employees and thus increase their wages.

**With regard to the issues related to the compliance of administrative structures, human and information resources, with municipal issues and international assistance to municipalities, it is recommended:**

- Apply a more flexible strategy of human resource management by substantially enhancing the productivity and efficiency of the work of municipalities.
- Consider the optimization measures within the municipality staff as one of the priority issues of human resource management at local level. Take measures to optimize the number of municipal servants and based on this, increase their wages.
- Develop and incorporate flexible and transparent mechanisms for promoting and enhancing professional development of municipal servants.
- Regularly conduct updates in the content of training programs for local-government entities and municipal servants by adjusting that to the processes of LG reform. While developing training programs, pay greater attention to practice and case studies as well as to the most up-to-date and participatory teaching methods by engaging qualified trainers.
- Define academic outcomes for each training program i.e. prior to organizing a session, conduct a self-assessment among the municipality staff with a view to identify the participants' personal needs and expectations, the range of knowledge and skills they expect to expand.

**With regard to the sector of municipal service delivery, it is recommended:**

- Develop unified set of indicators for the municipal services, define qualitative and quantitative normative indicators of those services, and create a unified system for the municipal service evaluation
- Encourage local authorities to consider new types of local fees applicable in their municipalities yet not defined by the RA Law on Local Duties and Fees; set rates for local fees.
- Reconsider the RA laws on Condominium and Management of Multi-Apartment Residential Buildings, by envisaging the building management entities to be provided with authorities and liabilities on behalf of the state and local-self-government entities.

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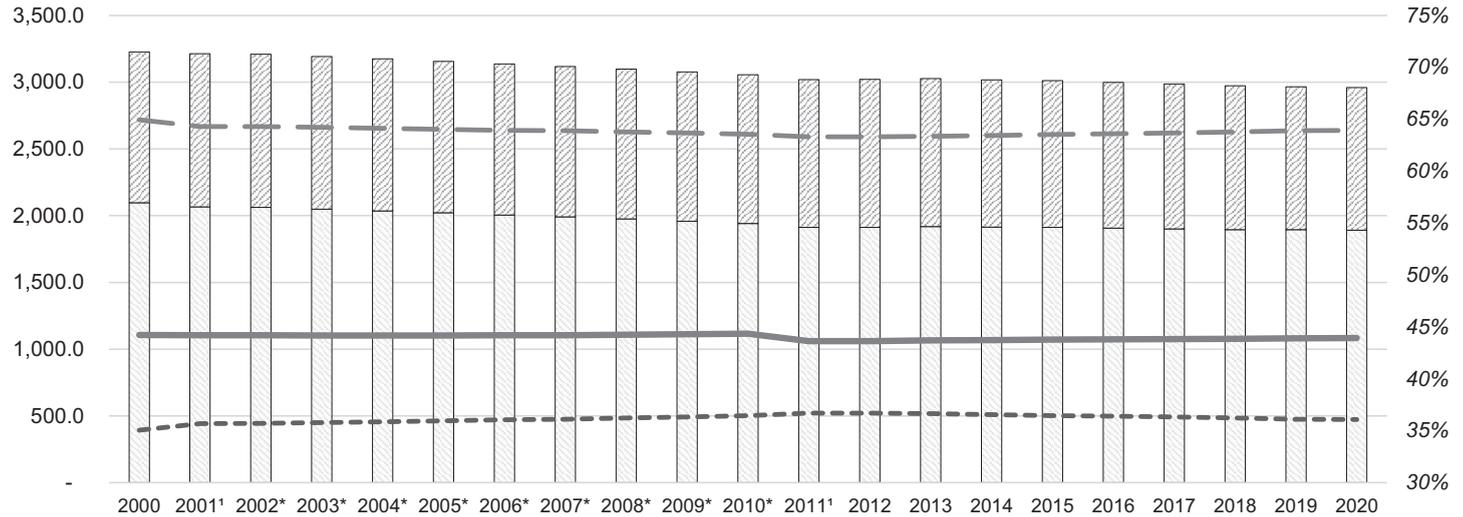
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# APPENDICES

## Appendix 1.

*Population of the Republic of Armenia during 2000-2020 (urban and rural population)  
(as of start of year) thousands\*\**



- Rural population as of beginning of the year (thousands people)
- Urban population as of beginning of the year (thousands people)
- Population of Yerevan as of beginning of the year (thousands people)
- Urban population (share in entire population)
- Rural population (share in entire population)

<sup>1</sup> Data by census

\* Figures are restated based on the census results in the Republic of Armenia

\*\* Data by the RA National Statistical Service

## Appendix 2.

### Transparency of the municipal budget in the RA marzes in 2019<sup>152</sup>

Sr No	Marz	Municipalities in the marz	Publishing on billboards or other visible locations				Television broadcast				Newspaper publication				Website postings			
			1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
1	Aragatsotn	72	72	72	72	72	0	0	0	0	2	2	2	2	38	40	39	72
2	Ararat	95	95	95	95	95	1	1	1	1	4	4	4	4	90	91	90	90
3	Armavir	97	97	97	97	97	27	27	27	27	39	39	39	39	97	97	97	97
4	Gegharkunik	57	57	57	57	57	4	4	4	4	44	44	44	45	57	57	48	49
5	Kotayk	42	42	42	42	42	0	0	0	0	0	0	0	0	42	42	42	42
6	Lori	56	56	56	56	56	5	3	5	5	5	4	4	5	38	35	38	38
7	Shirak	42	42	42	42	42	1	1	1	1	1	1	1	1	42	42	42	42
8	Syunik	8	8	8	8	8	0	0	0	0	0	0	0	0	8	8	8	8
9	Vayots Dzor	8	8	8	8	8	0	0	0	0	0	0	0	0	8	8	8	8
10	Tavush	24	24	24	24	24	24	0	0	0	6	6	6	6	24	24	24	24
<b>Total</b>		<b>501</b>	<b>501</b>	<b>501</b>	<b>501</b>	<b>501</b>	<b>62</b>	<b>36</b>	<b>38</b>	<b>38</b>	<b>101</b>	<b>100</b>	<b>100</b>	<b>102</b>	<b>444</b>	<b>444</b>	<b>436</b>	<b>470</b>

<sup>152</sup> Source available at [www.mtad.am](http://www.mtad.am), Brief reference on publicity and transparency of local government activities in the Armenian municipalities during the 1st-4th quarters of 2019.

### Appendix 3.

*Actual execution of the RA municipal budget components and their shares in consolidated budgets during 2017-2019\**

N	Budget type	2017 actual, bln AMD	Share in 2017 consolidated budget, %	2018 actual, bln AMD	Share in 2018 consolidated budget, %	2019 actual, bln AMD	Share in 2019 consolidated budget, %
	<b>Consolidated budget (1)</b>						
	Revenues	1,276.2	100.0	1,384.5	100.0	1,614.9	100.0
	Expenditures	1,540.7	100.0	1,480.8	100.0	1,667.3	100.0
	Surplus (+) Deficit (-) including	-264.6	100.0	-96.3	100.0	-52.4	100.0
1.	<b>State budget</b>						
	Revenues	1,237.2	96.9	1,341.7	96.9	1,565.5	96.9
	Expenditures	1,503.9	97.6	1,447.1	97.7	1,629.4	97.7
	Surplus (+) Deficit (-)	-266.7	100.8	-105.4	109.4	-63.9	122.2
2.	<b>Municipal budgets</b>						
	Revenues	126.6	9.9	127.5	9.2	144.5	8.9
	Expenditure	124.4	8.1	118.4	8.0	132.9	8.0
	Surplus (+) Deficit (-)	+2.2	-0.8	+9.1	-9.4	+11.6	-22.2

\*) Source: <http://www.minfin.am/index.php?cat=76&lang=1>

1) Consolidated budget revenues, expenditures, surplus/deficit do not include incomes and expenditures from inter-budgetary transfers

## Appendix 4.

### Results of the Local Governance Annual Assessment (LGAI, 2017, 2018 and 2019)

N	LG sector, function, indicator	2017 score	2018 score	2019 score
<b>1.</b>	<b>Local self-government reforms</b>			
<b>1.1</b>	<b>Legal and programmatic assessment of reforms</b>			
1	Compliance of local governance legislation with the RA Constitution (legal application of constitutional provisions in the RA legislation), %	6	6	7
2	Compliance of local governance legislation with European Charter of Local Self-Government (legal provision of relevant provision in the RA legislation), %	7	7	7
3	Degree of implementation of the commitments envisaged by the long and mid-term programs of the Government of the Republic of Armenia, %	8	6	7
4	Degree of implementation of programs and commitments envisaged in the annual activity plan of the Ministry of Territorial Administration and Infrastructure, as the state designated body in local governance sector, %	8	6	7
<b>1.2</b>	<b>Implementation of international commitments</b>			
5	Degree of implementation of commitments towards Council of Europe, Congress of Local and Regional Authorities of CoE, %	7	7	7
<b>1.3</b>	<b>Territorial-administrative reforms</b>			
6	Average number of population per municipality (excluding Yerevan), people	5	5	5
7	Average size of administrative territory per municipality, km <sup>2</sup>	5	5	5
<b>1.4</b>	<b>Inter-municipal cooperation</b>			
8	Share of municipalities among the total number of the RA municipalities involved in the inter-municipal cooperation structures, %	4	3	3
9	Average number of municipalities involved in inter-municipal unions formed on voluntary basis	0	0	0
10	Average number of municipalities involved in inter-municipal unions established by law	0	0	0
	<b>Average assessment of the 1<sup>st</sup> sector indicators</b>	<b>5.0</b>	<b>4.5</b>	<b>4.8</b>
<b>2.</b>	<b>Municipal assets, development programs and finances</b>			
<b>2.1</b>	<b>Municipal assets</b>			
11	Shares of expenditures of municipal budgets of Armenia (including Yerevan) in non-financial assets, %	2	3	4

12	Shares of expenditures of municipal budgets of Armenia (excluding Yerevan) in non-financial assets, %	3	4	6
<b>2.2</b>	<b>Municipal development programs and budget (planning and budgeting)</b>			
	-			
<b>2.3</b>	<b>Municipal budget revenues</b>			
13	Share of municipal budget revenues in total consolidated budget revenues, %	3	3	3
14	Actual execution of municipal budget revenues (including Yerevan) versus the annual approved plan, %	7	7	10
<b>Sr No</b>	<b>LG sector, function, indicator</b>	<b>2017 score</b>	<b>2018 score</b>	<b>2019 score</b>
15	Actual execution of total municipal budget revenues (excluding Yerevan) versus the annual approved plan, %	10	10	10
16	Municipal budget actual revenues (including Yerevan ) per capita, USD	2	2	3
17	Municipal budget actual revenues (excluding Yerevan ) per capita, USD	2	2	2
18	Share of municipal budget own revenues in total budget revenues (financial independence of municipalities), %	4	4	4
<b>2.4</b>	<b>Borrowed funds (debt management)</b>			
19	Share of municipal budget loans in total inflow, %	0	0	0
20	Share of municipal budget credits in total inflow, %	0	0	0
<b>2.5</b>	<b>Compliance of LSG powers and finances</b>			
21	Share of municipal budget expenditures in consolidated budget spending, %	3	3	3
22	Share of municipal budget expenditures in GDP, %	2	2	2
23	Actual execution of municipal budget expenditures (including Yerevan) versus the approved plan, %	5	4	5
24	Actual execution of municipal budget expenditures (excluding Yerevan) versus the approved plan, %	7	6	9
25	Actual municipal budget expenditures (including Yerevan) per capita, USD	2	2	3
26	Actual municipal budget expenditures (excluding Yerevan) per capita, USD	2	2	2
27	Share of general public service expenditures (including Yerevan) in total municipal budget spending, %	6	6	6
28	Share of general public service expenditures (excluding Yerevan) in total municipal budget spending, %	2	3	4
	<b>Average assessment of the 2<sup>nd</sup> sector indicators</b>	<b>3.4</b>	<b>3.5</b>	<b>4.2</b>

<b>3. Local democracy</b>				
<b>3.1 Democratization of electoral processes</b>				
Sr No	LG sector, function, indicator	2017 score	2018 score	2019 score
29	Share of municipalities where elections for avagani members are held through proportional system, %	1	1	1
30	Share of number of population in municipalities in the general number of population of the Republic of Armenia, where elections for avagani members are held through proportional electoral system, %	5	5	5
31	Share of municipalities nominating more than 2 candidates for direct elections of mayors in the given year, %	6	7	8
32	Average voter turnout at LSG elections in the given year, %	6	5	5
<b>3.2 Civic engagement</b>				
33	Share of municipalities which organized and held public discussions/hearings on municipal draft budget, %	4	4	4
34	Share of municipalities which have official web pages, %	6	5	7
35	Share of municipalities with at least 5000 residents, which have consultative boards under the mayor, %	5	6	7
<b>3.3 Financial accountability</b>				
36	Share of municipalities with at least 5000 residents, which organized and held public discussions/hearings on annual draft budget execution report, %	2	2	2
<b>Average assessment of the 3<sup>rd</sup> sector indicators</b>		<b>4.4</b>	<b>4.4</b>	<b>4.9</b>
<b>4. Municipal management</b>				
<b>4.1 Human resource management and capacity building</b>				
37	Share of mayors with higher education, %	6	6	6
38	Share of municipalities having MMIS, %	7	7	7
<b>4.2 Municipal service</b>				
39	Share of approved municipal positions (excluding Yerevan) of administrative staff in the total number of population, %	4	4	4
40	Share of trained municipal servants in their total number for the previous year, %	4	3	5
<b>4.3 International assistance</b>				
-				
<b>Average assessment of the 4<sup>th</sup> sector indicators</b>		<b>5.3</b>	<b>5.0</b>	<b>5.5</b>

<b>5.</b>	<b>Municipal (public) service delivery</b>			
<b>5.1</b>	<b>Social services (education, culture, healthcare, sport, social protection, etc.)</b>			
41	Share of municipalities delivering pre-school education service, %	6	6	7
42	Share of children attending pre-school education institutions in the total number of children of pre-school age, %	3	4	4
43	Share of municipalities delivering extra-curricular education services, %	4	3	3
44	Total expenditure per capita in recreation, culture and religion sectors, USD	3	3	3
<b>5.2</b>	<b>Urban development-communal services (urban development, waste disposal, cleaning, increasing the area of green zones, maintenance and exploitation of inter-municipal roads, water supply and drainage systems, maintenance of residential and non-residential areas, cemeteries, etc.)</b>			
<b>Sr No</b>	<b>LG sector, function, indicator</b>	<b>2017 score</b>	<b>2018 score</b>	<b>2019 score</b>
45	Share of municipalities having a general municipality plan, %	2	3	3
46	Share of municipalities delivering waste disposal services, %	7	9	9
47	Share of settlements receiving water supply services from municipalities in total number of settlements, %	6	6	6
48	Share of municipalities providing inter-municipal street lighting service, %	6	5	8
49	Municipal budget expenditures per capita (including Yerevan) in environmental protection sector, USD	4	5	6
50	Municipal budget expenditures per capita (excluding Yerevan) in environmental protection sector, USD	3	3	4
<b>5.3</b>	<b>Economic services (inter-municipal public transport, trade, irrigation, agriculture, including veterinary and medical-sanitary services, etc.)</b>			
51	Shares of municipalities providing inter-municipal public transport service, %	1	1	1
52	Municipal budget expenditures per capita on services of economic nature, USD	2	1	1
<b>5.4</b>	<b>Other municipal services (registration of civil acts, environmental services, etc.)</b>			
	-			
	<b>Average assessment of the 5<sup>th</sup> sector indicators</b>	<b>3.9</b>	<b>4.1</b>	<b>4.6</b>
	<b>Local governance annual index</b>	<b>4.4</b>	<b>4.3</b>	<b>4.8</b>



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