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LOCAL SELF-GOVERNMENT IN ARMENIA

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13
Book

2020



**LOCAL
SELF-GOVERNMENT
IN ARMENIA
(2020)**

Book 13

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

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This book is dedicated to the memory of the victims and persons who went missing during the 44-day Artsakh war of 2020

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This book contains 2020 annual monitoring report on the state of affairs in local self-government of the Republic of Armenia.

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

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TABLE OF CONTENTS

LIST OF ACRONYMS	152
LIST OF TABLES	153
LIST OF FIGURES	155
PREFACE	156
1. LEGAL AND PROGRAMMATIC ASSESSMENT OF LOCAL SELF-GOVERNMENT REFORMS	160
1.1. Legal Assessment of Local Self-government Reforms.....	160
1.2. Programmatic Assessment of Local Self-government Reforms	166
1.3. Fulfilment of international obligations	169
2. ADMINISTRATIVE-TERRITORIAL DIVISION AND INTER-MUNICIPAL COOPERATION	170
2.1. Administrative-territorial division	171
2.2. Inter-municipal Cooperation	177
3. FORMATION, POWERS AND ACTIVITIES OF LSGBS, PARTICIPATION OF CIVIL SOCIETY IN LOCAL GOVERNANCE	180
3.1. Formation, Powers and Activities of LSGBs	180
3.2. Civic Engagement in Local Governance	187
4. MUNICIPAL ASSETS, DEVELOPMENT PROGRAMS AND FINANCIAL AUTONOMY	190
4.1. Municipal Assets	190
4.2. Municipal development plans and budgeting processes	192
4.3. Municipal budget revenues	195
4.4. Debt Management	200
4.5. Financial Accountability	200
5. COMPLIANCE OF LSG POWERS AND MUNICIPAL FINANCES	202
6. COMPLIANCE OF ADMINISTRATIVE STRUCTURES, HUMAN AND INFORMATION RESOURCES WITH MUNICIPAL ISSUES, INTERNATIONAL ASSISTANCE	217
6.1. General capacities of LSG bodies and municipal staff	217
6.2. Municipal Service	222
6.3. Training of municipal servants	224
6.4. International Assistance	226
7. DELIVERY OF PUBLIC SERVICES	233
7.1. Public services delivered by municipalities	233
7.2. Municipal service management	249
8. LOCAL GOVERNANCE ANNUAL ASSESSMENT RESULTS (LG INDEX FOR 2018, 2019 AND 2020)	252
CONCLUSIONS AND RECOMMENDATIONS	256
Conclusions	256
Recommendations	261
Bibliography	264
APPENDICES	270
Appendix 1	270
Appendix 2	271
Appendix 3	272
Appendix 4	273

LIST OF ACRONYMS

RA	Republic of Armenia
ADB	Asian Development Bank
ATDF	Armenian Territorial Development Fund
AWP	Annual work plan
CFOA NGO	Communities Finance Officers Association non-government organization
CJSC	Closed joint stock company
CoE	Council of Europe
CSO	Citizen Service Office
EBRD	European Bank for Reconstruction and Development
ENP	European Neighborhood Policy
EPF	Eurasia Partnership Foundation
EU	European Union
FYMDP	Five-year municipal development plan
GDP	Gross domestic product
GIZ	German Agency for International Cooperation
IBRD	International Bank for Reconstruction and Development
IMU	Inter-municipal union
ISDTC NGO	Information Systems Development and Training Center non-government organization
LG	Local governance
LSGBs	Local self-government bodies
MMIS	Municipal management information systems
MNCO	Municipal non-commercial organization
MTAI	Ministry of Territorial Administration and Infrastructure
NA	National Assembly
OGP	Open Government Partnership
PHS	Primary healthcare service
PSI	Pre-school institution
SDC	Swiss Agency for Development and Cooperation
USAID	United States Agency for International Development

LIST OF TABLES

Table 1. Distribution of RA land stock by land ownership types as of July 1, 2020	170
Table 2. Administrative-territorial division and population of Armenia (as of January 1, 2021)	173
Table 3. Administrative-territorial reforms by stages (as of January 1, 2021)	174
Table 4. Brief information on the database of property tax and land tax as of January 1, 2021	178
Table 5. Number of elections of LSGBs in 2020, by marzes	181
Table 6. Political affiliation of directly elected mayors in 2020	182
Table 7. Quantitative data of the powers of the head of municipality by individual types and sectors (as of December 31, 2020)	185
Table 8. Municipal expenditures on non-financial assets (including Yerevan), 2018-2020	191
Table 9. Inflows from sales of non-financial assets of municipalities (including Yerevan), 2018 – 2020 (mln. AMD)	192
Table 10. The number of implemented subvention projects and co-financed amount from the RA state budget during 2020, by marzes (mln. AMD)	193
Table 11. Types of the RA municipal budget revenues and their shares in total revenues, 2018-2020	195
Table 12. Share of Yerevan budget revenues in total revenues of the RA municipal budgets in 2020	197
Table 13. Official grants as revenues of municipal budgets in 2018-2020	199
Table 14. Fund budget revenues of the RA municipalities and the share of Yerevan fund budget revenues in 2020	200
Table 15. Brief information on publicity and transparency of the RA municipal budgets in the 2 nd quarter of 2020.....	201
Table 16. Shares of local budget expenditures in total public spending and GDP in Armenia and Member States of the European Union (2020 data)	203
Table 17. Annual approved, adjusted plans of total revenues, expenditures, surplus/deficit and actual execution of municipal budgets of Armenia in 2020 (in thousand drams)	204
Table 18. Per capita revenues and expenditures of municipal budgets of Armenia in 2016-2020 (in AMD and USD) *	205
Table 19. Actual budget expenditures in 2020 of the RA municipalities (including and excluding Yerevan) and Yerevan municipality, by functional classification	208
Table 20. Actual budget expenditures of the RA municipalities (including and excluding Yerevan) and Yerevan municipality in 2020, by economic classification	212
Table 21. Number of posts included in the staff lists of Yerevan municipality and all RA municipalities as of December 31, 2020	218
Table 22. Indicators on education level of mayors in Yerevan and marzes as of December 31, 2020	219
Table 23. Gender distribution among local self-government bodies and municipal staffs as of December 31, 2020 (F-female, M-male)	220

Table 24. Gender distribution among local self-government bodies and staffs of Yerevan municipality and administrative districts as of December 31, 2019 and 2020 ...	221
Table 25. Number of municipal service posts as of December 31, 2020	222
Table 26. Number of attested municipal servants, as well as announced and held competitions for vacant posts, as of December 31, 2020	223
Table 27. Share of approved and occupied posts of municipal staff and municipal service in the number of population of Yerevan and marzes, as of December 31, 2020	224
Table 28. Number of trained municipal servants, 2013-2020	225
Table 29. 2020 Indicators of access to garbage collection service in settlements by regions and municipalities	235
Table 30. Information on the actual costs of the garbage collection services provided by the municipalities of the Republic of Armenia and the fees charged	236
Table 31. Number of special purpose vehicles by urban settlements of the RA marzes and Yerevan city, 2019	236
Table 32. Basic indicators of sanitary works in urban areas, 2015-2019	237
Table 33. One-line length of water supply networks in the RA marzes and Yerevan, as of the beginning of 2019	239
Table 34. Volume of passenger transportation by general-purpose transport as per the RA marzes and Yerevan	241
Table 35. 2020 indicators of access to pre-school education service in municipalities and settlements across RA marzes	244
Table 36. Numbers of children attending municipal, departmental and non-state pre-school institutions, by pre-school institution types, marzes and city of Yerevan, 2020	245
Table 37. Number of music, art and painting schools, children and youth creative centers, by marzes and Yerevan, in 2020/2021 academic year	245
Table 38. Accessibility indicators of extra-curricular education service in municipalities and settlements by the RA marzes	246
Table 39. Indicators of access to library service in municipalities and settlements by marzes of the Republic of Armenia	247
Table 40. Number of medical institutions providing primary healthcare service (with the exception of nursing-obstetrics centers) operating under the Ministry of Health, marz and municipality, in 2015-2019	248
Table 41. 2020 Indicators of access to services provided by municipalities in settlements (excluding the city of Yerevan)	250
Table 42. Actual budget expenditures of the RA municipalities and Yerevan, by economic classification (including and excluding Yerevan) for 2020	251
Table 43. LGAI assessment results according to LG sectors (RA LGAI, 2018-2020)	253

LIST OF FIGURES

Figure 1. Dynamics of municipal budget revenues, 2010-2020 (mln. AMD)	196
Figure 2. Types of RA municipal budget revenues and their shares in total revenues in 2020	198
Figure 3. Per capita actual revenues of the RA municipal budgets in 2016-2020 (in AMD and USD)	206
Figure 4. Per capita actual expenditures of the RA municipal budgets in 2016-2020 (in AMD and USD)	206
Figure 5. Shares of 2020 actual budget expenditures of RA municipalities (including Yerevan) in total spending (by functional classification)	210
Figure 6. Shares of actual expenditures in the RA 2020 municipal budgets (excluding Yerevan) in total spending (by functional classification)	211
Figure 7. Shares of current and capital expenditures of municipal budgets of Armenia (including Yerevan) in total spending for 2016-2020, %	214
Figure 8. Shares of current and capital expenditures of Yerevan municipal budget in total spending for 2016-2020, %	214
Figure 9. Shares of current and capital expenditures of municipal budgets of Armenia (excluding Yerevan) in total spending for 2016-2019, %	215

PREFACE

Communities Finance Officers Association (CFOA) NGO has been monitoring the state of local self-governance since its establishment in independent Armenia. During this period, CFOA issued a series of respective reports. Since 2004, CFOA has published 12 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, RA Government 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 12 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.

Over the years, it has been possible to maintain the highest academic level and clarity of the annual reports, 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 time, a cohort of dedicated readers has been formed and the book is in high demand every year.

While drafting the current annual report (Book 13, for the year of 2020) on the status of the local self-government, we persevered to preserve the best traditions of many years and improve the quality of the report, enriching its content, and incorporating the most up-to-date information and analysis on local self-government reforms.

Undoubtedly, COVID-19 pandemic, which started in March 2020, the 44-day war unleashed by Azerbaijan on September 27 in Artsakh, the post-war crisis and further political developments had a severe negative impact on all sectors of the country's economy and public administration (including local governance). Nevertheless, this book is dedicated to analysis and coverage of the reforms implemented in 2020 in the system of local self-government of the Republic of Armenia, identifying the main problems and trends in LG sector.

Based on the expert analyses and the methodology¹ developed in 2017 for annual quantitative assessment of local self-government system of Armenia, the local self-government index (LG index) for 2020 was calculated as well. The latter enables

¹ Local Government Annual Index, book 1, Yerevan 2017

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 5 selected areas (directions), 20 functions, and 52 indicators in local governance sector. This report provides a summary on the results of assessment of the local self-government system in Armenia and a calculation of LG index for 2018-2020.

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 local governance 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,
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REPORT

LOCAL SELF-GOVERNMENT IN ARMENIA (2020)

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1. 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

In 2020 legislative amendments and addenda in the field of local self-government were not large-scale, conditioned by the severely negative impact of the COVID-19 pandemic and the Second Artsakh War on the entire system of government of Armenia. In 2020 legislative amendments and addenda were made to the RA Law on Local Self-Government, as well as related laws regulating local self-government issues, such as the RA Electoral Code, the RA Land Code, the RA Law on Administrative-Territorial Division of the Republic of Armenia, the RA Law on the Budgetary System, the RA Law on Financial Equalization, etc.

The legal analysis of the mentioned legislative amendments is presented below, highlighting their negative and positive aspects, as well as their overall impact.

A. Legal analysis of laws adopted in the field of local self-government

On June 18 2020, the National Assembly of the Republic of Armenia adopted the RA Constitutional Law on Making Amendments and Addenda to the Constitutional Law - the RA Electoral Code², which enshrined new legal regulations in the electoral system of local self-government bodies.

In particular, the RA Electoral Code defines two types of electoral systems (see Enclosure 1) with the following delimitations:

- ✓ Majoritarian voting system for avagani (local council) in municipalities with up to 4000 voters and direct majoritarian voting of the head of municipality.
- ✓ Proportional representation of avagani in municipalities with 4000 and more voters, and indirect elections of the head of municipality (by avagani, from avagani members).

It should be noted that the completed proportional representation of local self-government bodies has remained problematic in terms of lack of opportunity to participate in elections through a civil initiative. International standards on the right to be elected, as well as the international obligations undertaken by the Republic of Armenia, enshrine everyone's right to participate in public administration through exercising their right to hold a public or a political office. With regard to the exercise of the right to vote, states must ensure equal, non-discriminatory conditions for everyone. Meanwhile, in the case of the proportional representation, the non-discriminatory exercise of the right to vote cannot be realized if the opportunity to run through a civil initiative is not enshrined in the law.

² <https://www.arlis.am/DocumentView.aspx?docid=143929>

Enclosure 1.

“The RA Electoral Code” Constitutional law Section 4.1. Elections of Local Self-Government Bodies Chapter 18.1. General Provisions

Article 104.1. Electoral System

1. Elections of local self-government bodies are held by majoritarian or proportional voting system.
2. In case of majoritarian voting system;
 - 1) During the election of the head of municipality, a single-mandate majoritarian constituency is formed in the territory of the municipality.
 - 2) During the election of the avagani, a multi-mandate majoritarian constituency is formed in the territory of the municipality.
3. In the case of proportional voting system;
 - 1) The elections of the avagani are held through proportional voting system.
 - 2) During the elections of avaganis a single multi-mandate constituency is formed in the territory of each municipality.
4. In municipalities with less than 4,000 voters (with an exception of multi-settlement municipalities), elections for head of municipality and members of avagani are held through majoritarian voting system.
5. In municipalities with more than 4,000 voters, as well as in multi-settlement municipalities, elections for members of avagani are held through proportional voting system.
6. Avagani consists of
 - 1) five members in a municipality with up to 1000 voters
 - 2) seven members in a municipality with 1 001 to 2 000 voters
 - 3) nine members in municipality with 2 001 to 4 000 voters
 - 4) fifteen members in a municipality with 4001 to 10 000 voters
 - 5) twenty-one members in a municipality with 10 001 to 25 000 voters
 - 6) twenty-seven members in a municipality with 25 001 to 70 000 voters
 - 7) thirty-three members in a municipality with 70001 to 300 000 voters
 - 8) sixty-five members in a municipality with more than 300 000 voters.
7. The number of voters for each community shall be calculated on the basis of the number of voters indicated in the reference provided in accordance with Part 2 of Article 12 of this Code.

UN Committee on Human Rights, General Comment 25 states that³ “political opinion may not be used as a ground to deprive any person of the right to stand for election”, “The right of persons to stand for election should not be limited unreasonably by requiring candidates to be members of parties or of specific parties.”

Paragraph 7.5⁴ of the 1990 CSCE/OSCE Copenhagen Document stipulates that with a view to ensure that the will of the people serves as the basis of the authority of government, the participating States will respect the right of citizens to seek political or public office, individually or as representatives of political parties or organizations, without discrimination.

The Venice Commission of the Council of Europe also considered the regulations of the Electoral Code problematic from the point of view of the lack of the right to stand for election through a civic initiative. Opinion CDL-AD(2016)019 of the Venice Commission⁵ states “...the draft code does not provide a possibility for candidates to stand individually in the parliamentary elections and in elections for the councils of elders of Yerevan, Gyumri and Vanadzor. This limitation is not remedied by allowing nonparty members to be included on political party lists (Article 83.4), as that decision is ultimately in the hands of the political party.”

Thus, the proportional voting system at the local level without non-discriminatory voting rights, which excludes from electoral process nonparty members who are willing to stand for elections does not meet international standards for non-discriminatory voting rights as well as the content of international obligations undertaken by the Republic of Armenia.

The RA Law on Making Amendments and Addenda to the Constitutional Law “Electoral Code of the Republic of Armenia” supplements the Electoral Code of the Republic of Armenia with a new Section 7, which defines the procedure for holding elections of the head of municipality (including the mayor of Yerevan). The mentioned amendment is conditioned by the fact that, according to Article 181 of the RA Constitution, the procedure of direct and indirect election of the head of municipality is defined by the Electoral Code, while the indirect voting system of the head of municipality (for Yerevan, Gyumri and Vanadzor municipalities) is defined by the RA law on Local Self-Government in the City of Yerevan and the RA law on Local Self-Government respectively. In fact, the mentioned amendment ensures the compliance of the legislation with the content of the constitutional norm.

Part 5 of Article 141 of the Electoral Code, which stipulated: «5. If as a result of the distribution of mandates in accordance with Paragraph 4 of this Article, one of the parties (party alliances) receives more than 40% of the seats, but not an absolute majority, the absolute majority of seats shall be granted to that party (party alliances). If two parties (alliance of parties) receive more than 40% of the seats, but not an absolute majority, the absolute majority of seats is granted to the party (party alliance) that has received the most mandates. The remaining mandates are distrib-

³ <https://www.refworld.org/docid/453883fc22.html>, Paragraphs 15 and 17

⁴ <https://www.osce.org/files/f/documents/0/e/78641.pdf>

⁵ [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2016\)019-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2016)019-e)

uted among the electoral lists of other parties (party alliances) that have received the right to participate in the distribution of mandates.” has been repealed by the RA Law on Making Amendments and Addenda to the Constitutional Law “Electoral Code of the Republic of Armenia.”

The problematic nature of the so-called electoral bonus to the party that received at least 40% of the mandates was addressed by the Venice Commission (Opinion CDL-AD(2016)019-e)⁶, which recommends to introduce the possibility of forming coalitions at the local level instead of establishing a majority bonus to a single party: “ It is unclear why the party or alliance which gets over 40 per cent (but not an overall majority) should be given an artificial ‘absolute majority’. It is constitutionally mandated at the national level to give a stable parliamentary majority, but the same logic does not apply at the local level. A better correlation between the voters’ will and the actual results of the elections could reinforce the voters’ trust at the local level, improving accountability.

According to the amendments to the RA Electoral Code, the threshold for participating in the distribution of mandates for members of avagani has been set at 4% for parties instead of the previous 6%, and 6% for party alliances instead of the previous 8%. If at least 4 (6) % of the sum of the total number of ballots cast for a particular party and the number of inaccuracies received less than 3 parties (party alliance), then the 3 parties and the party alliances with the highest number of votes participate in the distribution of mandates, if 3 or more parties and party alliances have participated in the elections. The reduction of the electoral threshold is generally a positive change, as it allows more parties/party alliances to receive mandates and be represented in avagani in accordance with the distribution of votes.

On March 25, 2020, the National Assembly of the Republic of Armenia adopted the RA Law on Making Amendments and Addenda to the RA Law on Local Self-Government⁷, according to which the deputy mayor elected by the proportional voting system is authorized to appear in court as a municipality representative. This amendment is conditioned by the need to harmonize civil procedure and local self-government laws, as the RA Civil Procedure Code adopted on February 9, 2018 provides for the deputy mayor to act as a municipality representative in court⁸. Similar amendments and addenda were made to the RA Law on Local Self-Government in the City of Yerevan⁹.

On March 25, 2020, the National Assembly adopted the RA Law on Making an Addendum to the RA Law on Local Self-Government¹⁰ and the RA Law on Making an Addendum to the RA Law on the Budgetary System¹¹ of the Republic of Armenia.

⁶ [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2016\)019-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2016)019-e), Paragraph 106

⁷ <https://www.arlis.am/DocumentView.aspx?docid=141123>

⁸ See RA Civil Procedure Code, Article 49, Part 4 <https://www.arlis.am/DocumentView.aspx?DocID=146495>

⁹ <https://www.arlis.am/DocumentView.aspx?docid=141119>

¹⁰ <https://www.arlis.am/DocumentView.aspx?docid=140909>

¹¹ <https://www.arlis.am/DocumentView.aspx?docid=140907>

As a result of these addenda, an opportunity was created to finance capital projects co-funded by the municipality and (or) the acquisition of capital assets, provided that the emerging, changing and acquired capital assets will be recorded in the balance sheet of the municipality. We believe that such an obligation of local self-government bodies may have a positive impact on the management and development of economic and social infrastructures of municipalities.

On June 18, 2020, the National Assembly of the Republic of Armenia adopted the RA Law on Making Amendments and Addenda to the RA Law on Local Self-Government¹², adding to the content of Article 27 “2.1. In case of expiration of the term of office of the head of municipality, the Prime Minister of the Republic of Armenia shall appoint an acting head of a municipality consisting of an urban settlement, and the regional governor shall appoint an acting head of a municipality consisting exclusively of rural settlements until the newly elected mayor takes office.” In fact, with this regulation, the legislator considered the authority of the Prime Minister and regional governor to appoint a head of municipality, which previously had been valid in case of early termination of the powers of the head of municipality, as applicable in case of expiration of the term of office of the head of municipality. It should be noted that according to the justification for the above-mentioned addendum, which was posted on www.e-draft.am website¹³, the purpose of the proposed regulation is to settle the issue of non-vacancy in the position of the head of municipality in cases when the term of office of the head of municipality has expired and the day of the upcoming election is set after the end of that term. However, the author of the legislative initiative did not substantiate why (what international standards have been taken into account, what is the best international experience in this regard) the institution of the “acting head of municipality” was chosen to achieve this goal, and not, for example, the continuation of exercising the powers of the incumbent head of the given municipality until the regular elections. It should be noted that the practice of appointing an acting mayor by the executive (prime minister and governor) is problematic from the point of view of the principles of local democracy, as the person not elected by the residents of the given municipality and therefore not having a mandate exercises the powers of the head of municipality. In addition, the appointment of a discretionary person as an acting mayor by the executive may presumably be used to exert political pressure, thus making the local self-government bodies of the given municipality controllable.

*On April 17, 2020, the RA National Assembly adopted the RA Law on Making Amendments to the Land Code of the Republic of Armenia.*¹⁴ According to the amendment, by virtue of Article 64 in case of alienation of the land plots mentioned in the same article by the natural and legal persons who acquired the right of ownership over them, the third parties who will acquire the right of ownership over these land plots are obliged to pay their cadastral value to the municipal budget. This amendment may provide additional financial inflows to the municipal budget.

¹² <https://www.arlis.am/DocumentView.aspx?docid=143931>

¹³ <https://www.e-draft.am/projects/2288/justification>

¹⁴ <https://www.arlis.am/DocumentView.aspx?docid=141927>

*On April 17, 2020, the National Assembly of the Republic of Armenia adopted the Law of the Republic of Armenia on Making Amendments and Addenda to the RA Law on Administrative-Territorial Division of the Republic of Armenia*¹⁵. With this amendment, two municipality amalgamation projects have been implemented, forming the amalgamated municipalities of Lermontovo in Lori marz and Ijevan in Tavush marz of the Republic of Armenia. Lermontovo municipality was formed as a result of amalgamation of 2 municipalities and Ijevan municipality as a result of amalgamation of 19 communities. According to the substantiation attached to the draft law submitted for public discussion, town hall meetings were organized with the local self-government bodies and residents of the amalgamated municipalities, as a result of which the RA draft law on Making Amendments and Addenda to the RA Law on Administrative-Territorial Division was developed. The latter was put up for public discussion during the period between October 25, 2019 and November 9, 2019, when the legislative changes related to the local referendum and public discussions had not been adopted yet. Therefore, due to the fact that the proposed draft law refers to the change of administrative boundaries of municipalities, in which case the state is obliged to listen to the opinion of municipalities, we can state that, in fact, organized town hall meetings cannot be considered as expression of opinion of municipality, as they were not institutionalized and cannot reflect the opinion of the entire population of the respective municipalities.

Thus, the presented draft law is problematic from the point of view of its elaboration process, in terms of ensuring the participation of municipalities and the mechanisms of expressing their opinion.

*On October 20, 2016, the National Assembly of the Republic of Armenia adopted the new RA Law on Financial Equalization*¹⁶, in which on December 5, 2019 amendments were made to the transitional and final provisions of the law (Article 18), which stipulates the entry into force and application of Article 6. Thus, Article 6 of the law defines the procedure for calculating Part “a” of the subsidies provided to municipalities, which should have entered into force and been applied from the moment of calculating the amounts of subsidies for 2020. Meanwhile, as a result of the changes made, the procedure for calculating Part “a” of the subsidies shall enter into force and be applied from the moment of calculating the amounts of subsidies for 2022. Moreover, when calculating the amounts of equalizing subsidies allocated to municipalities by Part “b” for the years of 2020 and 2021, the amount of the subsidy provided by Part “a” is not included in the calculation of the municipality income ratio.

In fact, we are dealing with a situation when after the adoption of the RA Law on Financial Equalization in 2016, for five years (from 2017 to 2021), the state was constantly postponing the full implementation of the new procedure for calculation of the amount of subsidies provided to the RA municipalities based on the principle of financial equalization, which would allow distributing the total amount of subsi-

¹⁵ <https://www.arlis.am/DocumentView.aspx?docid=141928>

¹⁶ <https://www.arlis.am/DocumentView.aspx?docid=137365>

dies envisaged in the RA state budget and provided to the municipalities based on the principle of financial equalization relatively more fairly among separate municipalities of the RA, taking into account their budget capacity (income capacity and expenditure needs).

B. Draft laws placed into circulation in the field of local self-government

In 2020, the Government of the Republic of Armenia initiated the next stage of municipality amalgamation, launching the process of making amendments and addenda to *the RA Law on Administrative-Territorial Division of the Republic of Armenia and the RA Law on Local Self-Government*.

The above-mentioned draft law on administrative-territorial reforms envisages the formation of 10 new municipality clusters: Talin, Ddmasar in Aragatsotn marz of the RA; Masis, Araks in Ararat marz; Tumanyan, Spitak in Lori marz; Abovyan, Nairi, Tsaghkadzor in Kotayk marz and Artik in Shirak marz. A total of 159 municipalities are involved in the process of amalgamation.

The above-mentioned draft laws were put up for public discussion via www.e-draft.am platform. During the period between December 7, 2020 and December 12, 2020, a number of suggestions were received.

The draft law also proposes to change the center of Geghamasar municipality of Gegharkunik marz, which is conditioned by the fact that the avagani of Geghamasar municipality based on its decision N 45 taken on October 17, 2020 addressed to the RA Prime Minister and the National Assembly with a proposal to move the municipality center from Sotk settlement to Geghamasar settlement.

The draft law envisages to add one more settlement (Irkenants settlement) to the list of settlements of Kapan municipality of Syunik marz of the Republic of Armenia.

In 2020 the RA Law on Making Addenda to the RA law on Local Self-Government in the city of Yerevan, the RA Law on Making Addenda to the RA Law on Local Self-Government and the RA Law on Making an Addendum to the RA Code on Administrative Offenses¹⁷ were developed by the RA Ministry of Territorial Administration and Infrastructure and submitted for public discussion. This package of draft laws proposes to regulate the activity of conducting trade in the territories of municipalities and to define relevant powers for local self-government bodies to exercise control on the mentioned activity and to prevent illegal trade.

1.2. Programmatic Assessment of Local Self-government Reforms

According to the report¹⁸ on the results of implementation of the program of the Government of the Republic of Armenia, in the framework of providing a subsidy for the development of infrastructures of the municipalities of the Republic of Armenia, about 14.3 billion AMD was allocated from the 2020 state budget of

¹⁷ <https://www.e-draft.am/projects/2624>

¹⁸ <https://www.gov.am/files/docs/4520.pdf>

the Republic of Armenia for co-financing of 576 subvention programs. Moreover, the total cost of 576 programs is about 26 billion AMD, including co-financing of municipalities, which is about 11 billion. The investment of other organizations and private sector is about 700 mln AMD. These programs are aimed at improvement of municipality roads, construction, and renovation of kindergartens, cultural houses, municipality centers, as well as water supply, drainage, irrigation, gas supply, energy-saving street lighting systems, and purchase of necessary agricultural machinery and equipment.

In 2020, capacity building activities for municipalities continued, within the framework of which 28 amalgamated municipalities were provided with machine-equipment and tools aimed at improving the quantitative and qualitative composition of public services in municipalities, with a total cost of 1.85 billion AMD, as well as with 37 agricultural machinery and equipment worth over 500 million AMD. Five solar stations with a capacity of 100 kW were installed, the total cost of which is 30 million AMD. Improvement of water supply systems and construction of kindergartens were carried out in 6 municipalities of Armenia with a total cost of about 280 million AMD. In total about 2.66 billion AMD investment was made.

Some information on the activities of the Government of the Republic of Armenia was included in the report on the execution of the 2020 state budget¹⁹. In particular, according to this document, e-government systems were introduced in the field of local self-government last year²⁰. In particular, citizen service offices were established in Sarchapet, Shoghakat, Alagyaz u Metsavan multi-settlement municipalities. The total number of such offices in the country is 54, 45 of which are located in the centers of amalgamated municipalities. Citizen service offices give an opportunity to provide high quality services to citizens in accordance with “one window” principle, increase the efficiency and transparency of the work of the municipality, and facilitate administrative processes in municipalities.

In 2020, a unified electronic system of registration of real estate tax and vehicle property tax was launched, which will allow local governments to carry out their tasks related to local taxes more effectively, and will enable citizens to use the relevant services more easily.

In 2020, the distance learning management system of the MTAI was launched, the aim of which is the continuous improvement of professional knowledge and skills of employees of the municipalities through the use of modern information technologies.

According to 2020 report on the execution of the RA state budget, there was an increased participation in projects implemented by international organizations. In particular, within the framework of “Open Government Partnership” initiative, measures envisaged by “Modernization of Municipality Websites: Strengthening Publicity, Transparency and Participation at the Local Level” obligation undertaken by MTAI under the fourth action plan of the Republic of Armenia were implemented, due to

¹⁹ https://minfin.am/hy/page/petakan_byujei_hashvetvutyun_2020_t_tarekan_nakhagits_

²⁰ Ibid, page 18

which the volume of information to be published by local governments has expanded and the operational capabilities of municipality websites have improved.

“Elaboration of Economic Development Plans in 18 Amalgamated Municipalities” program was organized and implemented. The aim of trainings and seminars organized for the municipality employees responsible for economic development, planning and budgeting is to strengthen the capacity of municipalities to draft economic development programs, create an enabling environment for entrepreneurship in municipalities, and develop proposals on the necessary legislative and regulatory framework.

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

In 2020, the RA NA Standing Committee on Territorial Administration, Local Self-government, Agriculture, and Environment convened 17 sessions and approved a number of draft laws related to local self-government sector to be included in the agenda of the National Assembly²¹.

At the same time it should be noted that the above-mentioned committee has organized only one parliamentary hearing on the draft laws regulating local self-government sector to discuss the RA draft law on Making Amendments and Addenda to the RA Law on Administrative-Territorial Division of the Republic of Armenia.²² This shows that the committee has not effectively exercised its authority to convene parliamentary hearings.

In 2020 the Ministry of Territorial Administration and Infrastructure of the RA, which is the central body of executive authority responsible for reforms and development of the local self-government sector, developed a number of draft laws, in particular, the draft law on Making Amendments and Addenda to the RA Law on Local Self-Government, the draft law on Making an Amendment to the RA Law on Administrative-Territorial Division and the draft law on Making Amendments to the RA Land Code, etc.

The RA MTAI developed and provided a number of methodologies, methodological guidelines and manuals on certain issues in the field of local self-government, in particular:

- Manual on Participatory Budgeting developed within the framework of “Citizens’ Engagement in Local Budgeting Process” project,
- Guideline for Distance Learning Management System Users.
- Guideline for Improvement of Degraded Natural Fodder Areas (Pastures & Grasslands)”.

²¹ See http://www.parliament.am/committees.php?lang=arm&do=show&ID=111208&cat_id=agen_das&show_session=&month=00&year=2020

²² See http://www.parliament.am/committees.php?lang=arm&do=show&ID=111208&cat_id=501&show_session=&month=00&year=2020

1.3. Fulfilment of international obligations

The international obligations of the Republic of Armenia in the field of local self-government are related to the incorporation of the provisions of the European Charter of Local Self-Government and the recommendations of the Congress of Local and Regional Authorities of the Council of Europe in the legislation of the Republic of Armenia and their corresponding enforcement.

On February 11, 2020, the Monitoring Committee of the Congress of Local and Regional Authorities of the Council of Europe approved the document “Draft Recommendations and Monitoring Report of the European Charter of Local Self-Government in Armenia²³”. It was submitted for approval to the 38th session of the CoE Congress held in Strasbourg on March 17-19. The report presents the results of the visit of the Monitoring Committee of the CoE Congress to Armenia in 2019, Armenia’s obligations and commitments, the right of amalgamation of local governments and other issues.

The Monitoring Committee assessed the state of fulfillment of requirements of European Charter of Local Self-Government in Armenia and noted that very little progress had been made in five years. The rapporteurs recorded a number of issues related to the lack of a legally guaranteed, regular, clear, transparent process of consultations with municipalities in the process of amalgamation of municipalities, the narrow scope of powers of local self-government bodies, lack of financial resources, etc.

In connection with the identified issues, the Committee noted that most of the recommendations presented in the previous reports about Armenia remain in force. Armenia has to make efforts to fulfill them.

²³ <https://rm.coe.int/09000016809cb97d>

2. ADMINISTRATIVE-TERRITORIAL DIVISION AND INTER-MUNICIPAL COOPERATION

The territory of Armenia is 29743 km², of which 68.74% occupy agricultural lands, 11.23% - forestlands and 11.28% - specially protected areas. Only 7.60% of agricultural lands are irrigated.

The distribution of RA land stock by land ownership types is shown in Table 1²⁴. Surface of Lake Sevan is 1276.5 km².

Table 1. Distribution of RA land stock by land ownership types as of July 1, 2020

Land ownership types	Surface of land stock /km²/ (as of 2020)	Share in total (%)	Surface of land stock /km²/ (as of 2019)	Changes, compared to 2019 / km²/
Citizens	5389	18.12%	5377	+12
Legal Entities	373	1.25%	360	+13
Municipalities	10242	34.44%	10267	- 25
State	13732	46.17%	13732	-
Foreign countries, International organizations	7	0.02%	7	-
Total	29743	100%	29743	-

As of January 1, 2021, the permanent population of Armenia is 2963.3 thousand people which is more by 4.1 thousand people (0.14%) compared to the previous year²⁵. It is noteworthy that last time an almost equal increase in the population of Armenia was registered in 2013 compared to 2012. This is most likely conditioned by COVID-19 pandemic, given that a large number of RA residents did not have an opportunity to go abroad for work due to the restriction of air and land communication.

The population of capital Yerevan increased by 7.7 thousand people in 2020 (1091.7 thousand people in total). Summary data on the permanent population of the RA from 2000 to 2021 by urban and rural population and their movement are presented in Appendix 1.

²⁴ Decision of RA Government № 1927, 03.12.2020, “2019 Report on the status and distribution of land stock of RA (land balance (as of July 1, 2020)), available at <https://cadastre.am/storage/files/2020-karavarvor-merged.pdf>

²⁵ The number of permanent population of the Republic of Armenia as of January 1, 2021, Official Website of Statistical Committee RA, available at https://www.armstat.am/file/article/nasel_01.01.2021.pdf

74.3 % of the population comprises the Republic's labor force²⁶.

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 composed of 10 marzes and Yerevan municipality. The borders of the latter are defined by the RA Law on Local Self-government in the City of Yerevan.

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

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 of which are defined by law.

As of January 1, 2020, taking into account the administrative-territorial changes, there are 483 municipalities in Armenia (including Yerevan) which include 1003 settlements (instead of the previous 1002). 67 out of 483 are multi-settlement municipalities, 55 out of which consist of 3 and more settlements. An additional explanation on the number of municipalities is given in sub-chapter 2.1.

Summary data on administrative-territorial division and population of the RA (as of January 1, 2021) are shown in Table 2.

2.1. Administrative-territorial division

In 2020, changes were made to the system of the RA administrative-territorial division. As it was mentioned in the previous year's report, on October 25, 2019, draft laws on amalgamation of municipalities were put up for public discussion on the joint website for publishing draft legal acts (e-draft.am). These draft laws stipulated formation of 3 new multi-settlement (amalgamated) municipalities, the centers of which would be Lermontovo, Qasakh, and Ijevan. However, during the final adoption of the legislative package by the National Assembly, for some reason Kasakh municipality was left out.

As a result, in 2020, according to the RA Law on Making Amendments to the RA Law on Administrative Territorial Division (17.04.2020 AL-227-N), 2 new multi-settlement municipalities were formed:

- **Lermontovo** in Lori marz (Lermontovo, Antarashen, 2 municipalities, 2 settlements).
- **Ijevan** in Tavush marz (Ijevan, Azatamut, Aknaghbyur, Acharkut, Aygehovit, Achajur, Berkaber, Gandzasar, Getahovit, Ditavan, Yenokavan, Lusahovit, Lusadzor, Khashtarak, Tsakhkavan /Ijevan reg./, Kayan, Kirants, Sarigyugh, Sevkar, Vazashen, 19 municipalities, 20 settlements).

Thus, instead of 21 municipalities involved in the project, only two were formed. As a result, the process of amalgamation of municipalities in Tavush region, including Syunik and Vayots Dzor marzes, was completed.

²⁶ Labor Market in Armenia, 2020, Official Website of Statistical Committee RA, available at https://www.armstat.am/file/article/trud_2020_1_.pdf

It should be noted that the village of Barkhudarlu, included in the administrative territory of the former Azatamut municipality of Tavush marz, has been deprived of the status of a separate settlement by the above-mentioned legislative changes and is now included in Ijevan multi-settlement amalgamated municipality. That is why, compared to the previous year, the total number of RA settlements decreased by one, from 1004 to 1003.

The legislative package regarding amalgamation of municipalities also included the issue of election of local self-government bodies of newly formed municipalities, which was regulated by making relevant amendments to the RA Law on Local Self-Government. Accordingly, the elections of the head of municipality were to be held within six months after the changes take effect. However, taking into account the COVID-19 pandemic, as well as the situation created by the aggression unleashed by Azerbaijan against the Artsakh Republic on September 27, 2020 no local elections were held as of the end of 2020. Therefore, in 2020, the “former” municipalities continued to operate independently.

Thus, as a result of legislative changes, two new multi-settlement municipalities were formed. However, in fact the former municipalities within these two amalgamated clusters continued to operate as separate municipalities.

Due to COVID-19 pandemic and martial law, no local government elections were held in Armenia in 2020.

The process of administrative-territorial reforms in the country is briefly presented in Table 3.

Table 2. Administrative-territorial division and population of Armenia (as of January 1, 2021)

Marz	Center of Marz	Distance from the capital /km ²	Area (share in the territory of RA) /km ²		Number of municipalities (share in the total number of municipalities of RA)		Number of settlements (urban and rural)			Number of population 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/		
			223.3	0.8%	1	0.2%	1	1	-	1091.7	36.8%		1091.7	-	36.8%
1	Aragatsothn	23	2756.3	9.3%	72	14.9%	120	3	117	124.5	4.2%	45.2	26.6	21.4%	0.9%
2	Ararat	30	2090.0	7.0%	95	19.7%	99	4	95	256.6	8.7%	122.8	72.0	28.1%	2.4%
3	Armavir	45	1242.1	4.2%	97	20.1%	98	3	95	264.0	8.9%	212.5	82.5	31.3%	2.8%
4	Gegharkunik ¹	92	5349.2	18.0%	57	11.8%	98	5	93	227.3	7.7%	42.5	66.2	29.1%	2.2%
5	Lori	117	3798.6	12.8%	55	11.4%	130	8	122	212.6	7.2%	56.0	125.4	59.0%	4.2%
6	Kotayk	50	2085.5	7.0%	42	8.7%	69	7	62	251.2	8.5%	120.4	136.8	54.5%	4.6%
7	Shirak	121	2680.3	9.0%	42	8.7%	130	3	127	231	7.8%	86.2	135.2	58.5%	4.6%
8	Syunik	301	4505.4	15.1%	8	1.7%	138	7	131	135.8	4.6%	30.1	91.8	67.6%	3.1%
9	Vayots Dzor	124	2307.8	7.8%	8	1.7%	55	3	52	48.1	1.6%	20.8	16.8	34.9%	0.6%
10	Tavush	131	2704.0	9.1%	6	1.2%	65	5	60	120.5	4.1%	44.6	50.6	42.0%	1.7%
	TOTAL		103.4³	29742.6	100%	483	100%	1003	49	954	2963.3	66.3⁴	1895.6	42.6%⁵	64.0%⁶

¹ Including Lake Sevan

² According to Google Maps

³ Average distance between capital and marz centers

⁴ Average density of population by marzes (covering the area of marzes without the area of Lake Sevan)

⁵ Average level of urbanization in marzes

⁶ Average level of urbanization in the RA

Table 3. Administrative-territorial reforms by stages (as of January 1, 2021)

Marz	1 st stage, AL-148-N, 24.11.2015*	2 nd stage, AL-100-N, 17.06.2016*	3 rd stage, AL-93-N, 09.06.2017*	4 th stage AL-227-N, 17.04.2020*	Newly amalgamated municipalities in marz (total number)	Formerly amalgamated municipalities (total number)	“Dissolved” municipalities**	Settlements in newly amalgamated municipalities (total number)	Municipalities (total in marzes (total number)
Aragatsotn	-	-	4	-	4	46	42	46	72
Ararat	-	1	-	-	1	3	2	3	95
Armavir	-	-	-	-	-	-	-	-	97
Gegharkunik	-	-	4	-	4	39	35	42	57
Lori	1	-	10	1	12	70	58	82	55
Kotayk	-	-	6	-	6	31	25	33	42
Shirak	-	4	3	-	7	84	77	94	42
Syunik	1	4	3	-	8	109	101	138	8
Vayots Dzor	-	3	3	-	6	42	36	53	8
Tavush	1	3	1	1	6	62	56	65	6
Total	3	15	34	2	54	486	432	556	482***

Number of municipalities not included in the amalgamation process of municipalities **429**

* By the RA Law on Making Amendments and Addenda to the RA Law on Administrative and Territorial Division of the Republic of Armenia.

** The number of municipalities derived of their status of separate municipality

*** Does not include Yerevan

Thus, as of January 1, 2021 the administrative-territorial division of the Republic of Armenia, according to the legislation, is 10 marzes և 483 municipalities (with 1003 settlements)²⁷

After the four stages of the implemented administrative-territorial reforms, 486 municipalities were included in the process of amalgamation of municipalities, 432 municipalities were deprived of their status of a separate municipality, and 429 municipalities were not included or will still be included in the process of amalgamation.

Thus, as a result of amalgamation process of municipalities, on average, one amalgamated cluster included 9 municipalities. However, in order to get a more objective picture, it is necessary to consider the average number (median)²⁸ of municipalities included in a single amalgamated cluster. This number is 8.

²⁷ The RA Law on Administrative-Territorial Division, 07.11.1995, AL-18 (17.04.2020, AL-227-N with amendments and addenda):

²⁸ To put it more simply, the median is the middle number of arbitrary or specially observed numbers in ascending order if the number of elements in the sequence is odd, and is the sum of the two middle numbers if the number of elements in the sequence is even.

On December 7, 2020 on the joint website (e-draft.am) of the Ministry of Justice of the Republic of Armenia for publishing draft legal acts, the RA draft law on Making Amendments and Addenda to the RA Law on Administrative-Territorial Division of the Republic of Armenia²⁹ was put up for public discussion, which stipulates formation of 11 new municipal clusters. According to the legislative package, 11 multi-settlement municipalities will be created instead of the former 186 municipalities. These are:

- **Talin** in Aragatsotn marz of the RA, (29 municipalities, 30 settlements)
Talin, Agarakavan, Akunk, Ashnak, Garnahovit, Dashtadem, Davtashen, Dian, Yeghnik, Zarinja, Zovasar, Tatul, Irind, Tsaghkasar, Katnaghbyur, Karmrashen, Kakavadzor, Hatsashen, Dzoragyugh, Narasgharkin, Narasgharkin, Narasharkin, Nora, Vosketas, Partizak, Suser, Verin Bazmaber, Verin Sasnashen, Tsamakasar
- **Ddmasar** in Aragatsotn marz (6 municipalities, 6 settlements)
Ddmasar, Arut, Tlik, Kanch, Hako, Sorik
- **Masis** in Ararat marz (27 municipalities, 27 settlement) *Masis, Azatashen, Ayntap, Arbat, Argavand, ArevAbuyr, Geghanist, Getapnya, Dashtavan, Darakert, Darbnik, Zorak, Khachpar, Hayanist, Hovtashat, Ghukasavan, Marmarashen, Nizami, Nor Kharberd, Nor Khurbar, Nor Kyurin Sayat-Nova, Sis, Sipanik*
- **Araks** in Ararat marz (23 municipalities, 24 settlements) *Mkhchyan, Abovyan, Azatavan, Araksavan, Arshat, Baghramyanyan, Bardzrashen, Berkanush, Byuravan, Burastan, Getazat, Deghdzut, Dimitrov, Ditak, Lanjazat, Kanachut, Kavaber, Hovtashen, Masis, Mrganush, Mrganash, Mrgavet*
- **Metsamor** in Armavir marz (26 municipalities, 26 settlements) *Metsamor, Aknalich, Aghavnatun, Amberd, Aygeshat (Echmiadzin reg.), Aragats, Arshaluys, Artashar, Arevik, Geghakert, Dasht, Doghs, Yeghegnut, Zartonk, Lernamerdz, Tsaghkalanj, Tsaghkunk, Tsiatsam, Haytagh, Hovtamej, Mayisyan, Mrgashat, Mrgastan, Shahumyan, Shahumyan poultry factory, Taronik*
- **Tumanyan** in Lori marz (4 municipalities, 11 settlements) *Tumanyan, Atan, Ahnidzor, Dsegh, Lorut, Dzoraget, Marts, Shamut, Chkalov, Karinj, Kober*
- **Spitak** in Lori marz (21 municipalities, 21 settlements) *Spitak, Arevashogh, Geghasar, Gogaran, Lernantsk, Lernavan, Lusaghbyur, Khnkoyan, Tsaghkaber, Katnajur, Hartagyugh, Arjhovit, Mets Parni, Nor Khachakap, She-navan, Shirakamut, Jrashen, Saralanj, Sarahart, Saramej, Qaradzor*
- **Abovyan** in Kotayk marz (12 municipalities, 19 settlements)
Abovyan, Akunk, Arinj, Aramus, Balahovit, Geghashen, Getargel, Zar, Zovashen, Katnaghbyur, Kamaris, Kaputan, Kotayk, Hatis, Mayakovsky, Nor, Ptghni, Sevaber, Verin Ptghni

²⁹ Available at <https://www.e-draft.am/projects/2902>

- **Nairi** in Kotayk marz (12 municipalities, 17 settlements)
Yeghvard, Aragyugh, Argel, Buzhakan, Getamej, Zovuni, Zoravan, Teghenik, Mrgashen, Nor Artamet, Nor Geghi, Nor Hachn, Proshyan, Saralanj, Kanakeravan, Kasakh, Karashamb
- **Tsakhkadzor** in Kotayk marz (2 municipalities, 8 settlements)
Tsakhkadzor, Aghavnadzor, Artavaz, Gorgoch, Hankavan, Marmarik, Meghradzor, Pyunik
- **Artik** in Shirak marz (24 municipalities, 24 settlements)
Artik, Anushavan, Arshat, Geghanist, Getap, Lernakert, Lusakert, Haykasar, Hayrenyats, Harich, Horom, Hovtashen, Mets Mantash, Meghrashen, Nahapetavan, Nor Kyanq, Pemzashen, Saralanj, Saratak, Spandaryan, Vardakar, Vardakar, Tufashen, Panik, Pokr Mantash

In addition to the above-mentioned amalgamated clusters, the legislative package also included the renaming of a number of settlements, the relocation of the center of Geghamasar amalgamated municipality from Sotk to Geghamasar, and so on. The draft law envisages giving a status of a separate settlement to the village of Irkeniants, located in the administrative territory of Kapan multi-settlement municipality, thus increasing the number of settlements in Kapan municipality by one.

It should be noted that the draft law under consideration was open for public discussion from December 7 to 22. During this period, 36 opinions-suggestions were received. Moreover, 521 users voted “against” the draft law and only 37 users voted “for” it.

As it can be seen from the list of amalgamated municipalities, in some cases it is proposed to amalgamate already amalgamated municipalities with neighboring municipalities (in Tumanyan, Tsakhkadzor, Abovyan, Nairi clusters).

It should be noted that this draft law has not been approved by the RA Government yet and has not been submitted to the National Assembly.

As it was mentioned in the previous reports, in 2020 as well, the implementation of the constitutional requirement for the National Assembly to listen to the opinion of the municipalities when passing a law on administrative-territorial changes was not resolved by distinct regulations³⁰. The amendments made to the RA Law on Local Referendum do not solve the issue of revealing the opinion of the municipality residents when implementing administrative-territorial reforms. There are many problematic provisions in the law, in connection with which a part of the RA municipalities applied to the RA Constitutional Court in 2021³¹.

The legislative provision on the presence of one administrative head in each settlement included in a multi-settlement municipality continues to exist³², which is not expedient in the case of those settlements, where there is no permanent population.

³⁰ RA Constitution changed on 06.12.2015, Article 190

³¹ Article 4, Part 1.1; Article 6, Part 2; Article 8, Part 1 of the RA Law on Local Referendum on determining the issue of compliance with the RA Constitution

³² RA Law on Local Self-government, Article 31 (25.03.2020, LA-191-N with amendments and addenda).

In this regard, it is proposed to give the avagani the authority to decide on the issue of having an administrative head in a given settlement.

Based on the administrative-territorial reforms implemented as of January 1, 2021 the average administrative area per municipality in the Republic of Armenia is 58.9 km², of which 42.3 km² are agricultural lands. The average number of population per municipality has increased compared to the previous year constituting 6135 people (including Yerevan) and 3883 people (excluding Yerevan)³³.

As of January 1, 2021 the number of urban population in the Republic of Armenia was 1895.6 thousand. The level of urbanization in Armenia is 64.0%.

2.2. Inter-municipal Cooperation

Due to the COVID-19 pandemic in Armenia as well as the aggression unleashed by Azerbaijan against the Artsakh Republic on September 27, 2020, no changes took place in the field of inter-municipal cooperation. No amendments or addenda were made to the RA Law on Inter-Municipal Associations (IMU), and in that sense, our observations regarding the legislation in this field and the problematic points mentioned in our 2018 report are still relevant³⁴. In particular, this regards the model charter of IMUs, regulation of legal relations among the municipalities included IMUs, the president's office, and other issues.

In 2020, no IMU was established in any of two possible options of establishing an IMU.

As in previous year, the status of the former “municipal associations” or “inter-municipal unions” legal entities still remains unclear. As it was mentioned before as a result of the amendments to the RA Civil Code, the term “union of legal entities” was eliminated, and these entities were required to change their organizational-legal form³⁵. However, the website of the State Register of Legal Entities of the Ministry of Justice of the Republic of Armenia (e-register.am) still has information on such structures as inter-municipal unions, and there is no official information on their re-registration or reorganization.

In 2020, the only format of inter-municipal cooperation continued to be the joint management of property and land tax bases and their collection. The respective data are shown in Table 4.

All the municipalities of the Republic of Armenia will be granted access to the unified electronic system of property taxes through the Internet. Each municipality will have access only to the tax data related to the given municipality.

It will also be easier and more convenient for the taxpayers to use the newly introduced system, as a number of RA banks and financial organizations already

³³ For comparison, detailed information on average indicators on administrative territory per municipality and the number of people living in one municipality in the European countries can be found in Appendix 3 of the book “Local Self-government in Armenia, 2018, Book 11.” Available at <https://cfoa.am/library>

³⁴ See “Local Self-government in Armenia, 2018, Book 11”, Yerevan 2019, pages 26-28, available at <https://cfoa.am/library>

³⁵ RA Law on Making Amendments and Addenda to the RA Civil Code, dated 16.12.2016, LA-32-N

plan to add relevant components of software packages to their computer and mobile applications.

*Table 4. Brief information on the database of property tax and land tax as of January 1, 2021*³⁶

N	MARZ	Municipal association (MA)		Inter-municipal structure (IMS)		Number of municipalities included in MAs or IMSs	Municipalities managed only their own database	Municipalities with no own database
		Number	Number of municipalities included in MA	Number	Number of municipalities included in IMS			
1.	Aragatsotn	0	0	0	0	0	56	16
2.	Ararat	1	19	3	17	36	59	32
3.	Armavir	0	0	1	2	2	95	1
4.	Gegharkunik	15	15	7	7	7	51	0
5.	Lori	0	0	2	5	5	51	3
6.	Kotayk	14	14	0	0	14	42	0
7.	Shirak	0	0	4	12	12	30	8
8.	Syunik	0	0	0	0	0	8	0
9.	Vayots Dzor	0	0	0	0	0	8	0
10.	Tavush	1	16	0	0	16	8	16
TOTAL		31	64	17	43	92	408	76

According to the RA Government decree N 1227-N of July 23, 2020 on making an addendum to the RA Government decree N 713 of May 7, 2020 “E-government Infrastructure Implementation Office” CJSC, which carries out the functions of managing interoperability platforms in public systems, has been recognized as the operator of the joint e-government platform of www.e-community.am website.

Due to the large-scale work done by “E-government Infrastructure Implementation Office” CJSC in 2020, starting January 1, 2021 a unified electronic system for registration and collection of local taxes of the municipal budget (real estate tax and vehicle property tax) was introduced and operated³⁷.

The new system will be fully interoperable with The State Committee of the Real Property Cadastre of the Republic of Armenia, the Traffic Police of the Republic of Armenia, the Treasury of the Ministry of Finance of the Republic of Armenia, electronic databases of banks and payment systems, which will significantly increase the transparency of the local tax registration and collection system, will decrease corruption risks, and will enable LSGs at any time to get acquainted with online information regarding movable and real estate belonging to the legal and physical

³⁶ Based on the information provided by RA MTAI

³⁷ <https://www.arlis.am/DocumentView.aspx?docid=144698>, <https://www.arlis.am/DocumentView.aspx?docid=142329>, <https://www.arlis.am/DocumentView.aspx?docid=145309>:

entities of their municipality and to organize and implement local tax registration and collection process more effectively.

The unified electronic system will be put into operation in 2021, its operational capabilities, tools and interoperability with other systems will be gradually expanded.

It should also be noted that the collection of local tax arrears of physical and legal entities will continue to implement through the previously used electronic system until December 31, 2020, that is the distribution of electronic databases of local taxes (Table 4), which existed before the introduction of the new unified electronic system will still be used.

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

3.1. Formation, Powers and Activities of LSGBs

In 2020, certain legislative changes were made in terms of formation of local self-government bodies. The legal basis for regulating local elections were changed. Local elections are regulated by the RA Electoral Code Constitutional Law, whereas the RA Law on Local Self-Government and the RA Law on Local Self-Government in the City of Yerevan only contain a reference to the Code.

In 2020, the list of municipalities holding elections of avagani by proportional system was expanded. Therefore, the legislation does not regulate the elections of avagani in Yerevan, Gyumri, or Vanadzor cities, but only elections in municipalities with proportional representation.

According to the RA Law on Making Amendments and Addenda to the RA Electoral Code Constitutional Law adopted on June 18, 2020, local elections are held by majoritarian or proportional system. In the case of a majoritarian system, a single-mandate majoritarian constituency is formed in the municipality during the election of the mayor, and one multi-mandate majoritarian constituency during the election of avagani. In the case of the proportional electoral system, one multi-mandate constituency is formed in the municipality during the election of avagani.

The same law defines the threshold according to which the elections of avagani are considered majoritarian or proportional. Thus, in municipalities with up to 4,000 voters (excluding multi-settlement municipalities), the elections of the mayor and avagani are held by the majoritarian system. In municipalities with more than 4,000 voters, as well as in multi-settlement municipalities, elections of avagani are held by proportional representation.

The mentioned law also changed the number of members of avagani, in particular, avagani consists of

- 1) five members in a municipality with up to 1000 voters
- 2) seven members in a municipality with 1 001 to 2 000 voters
- 3) nine members in municipality with 2 001 to 4 000 voters
- 4) fifteen members in a municipality with 4001 to 10 000 voters
- 5) twenty-one members in a municipality with 10 001 to 25 000 voters
- 6) twenty-seven members in a municipality with 25 001 to 70 000 voters
- 7) thirty-three members in a municipality with 70001 to 300 000 voters
- 8) sixty-five members in a municipality with more than 300 000 voters.

The threshold for distributing the mandates of the members of avagani was also changed. The mandates are distributed among the electoral lists of those parties (party alliances) which received 4% (formerly 6%) of the sum of the total number of

ballots cast for and the number of inaccuracies in case of a party and 6% (formerly 8%) in case of a party alliance.

The provision regarding the elections of avaganis of Yerevan, Gyumri and Vanadzor cities was repealed, according to which if as a result of distribution of mandates in the manner prescribed by law one of the parties (party alliances) receives more than 40% of the seats but not an absolute majority, the absolute majority of seats is given to that party (party alliance). If more than 40% of the seats are won by two parties (party alliances) but not an absolute majority, the absolute majority of seats is given to the party (party alliance) that won the most seats. The remaining mandates are distributed among the electoral lists of other parties (party alliances) eligible to participate in the distribution of mandates. This provision is no longer applicable in proportional elections of avagani.

In 2020, the term of office of local self-government bodies remained unchanged. In the municipalities where the mayor is elected indirectly by avagani, the mayor, regardless of the term of his/her election, holds the office until the end of term of the office of avagani members electing him/her.

According to the RA Law on Making Amendments and Addenda to the RA Electoral Code Constitutional Code adopted on June 18, 2020, starting from January 1, 2023 the state authorized body in the field of local self-government shall maintain a database on the terms of powers of local authorities on its official website.

In 2020, only 6 direct elections of mayors were held in 3 marzes of the Republic of Armenia. Elections of avagani through majoritarian voting were not held (Table 5).

*Table 5. Number of elections of LSGBs in 2020, by marzes*³⁸

Sr. No	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	2	50.09%	-	-
2	Ararat	-	-	-	-
3	Armavir	-	-	-	-
4	Gegharkunik	-	-	-	-
5	Lori	1	63.64%	-	-
6	Kotayk	-	-	-	-
7	Shirak	3	57.84%	-	-
8	Syunik	-	-	-	-
9	Vayots Dzor	-	-	-	-
10	Tavush	-	-	-	-
	Total	6	56.22%	-	-

³⁸ Source: www.elections.am:

In 2020, compared to the previous year, the voter turnout during the election of mayor (56.22% in 2020, 60.46% in 2019) was lower (Table 5).

The maximum number of candidates nominated during 2020 elections was 5 in 1 municipality. Two candidates competed in 2 municipalities, and in 3 municipalities only 1 candidate was registered. In 2020, the average number of candidates at direct elections of mayors was 2.0.

The mayors elected as a result of 6 mayoral elections are non-partisan (Table 6). In 2020, elections of avagani through proportional voting were not held.

Table 6. Political affiliation of directly elected mayors in 2020³⁹

Sr. No	Marz	Political Party				Non-partisan
		Civil Contract political party (CCP)	Republican Party of Armenia (RPA)	Prosperous Armenia (PAP)	Armenian Revolutionary Federation (ARF)	
1	Aragatsotn	-	-	-	-	2
2	Ararat	-	-	-	-	-
3	Armavir	-	-	-	-	-
4	Gegharkunik	-	-	-	-	-
5	Lori	-	-	-	-	1
6	Kotayk	-	-	-	-	-
7	Shirak	-	-	-	-	3
8	Syunik	-	-	-	-	-
9	Vayots Dzor	-	-	-	-	-
10	Tavush	-	-	-	-	-
	Total	-	-	-	-	6

Powers of local authorities

In 2020 certain quantitative changes were made in the composition of the municipality mayor's own (2 new powers were assigned) and delegated powers (2 new powers were assigned and 1 was repealed).

Thus, The RA Law on Making Amendments and Addenda to the Law on Local Self-Government adopted on March 25, 2020 enshrines one new own power in the general powers of the head of municipality. "In cases provided by law, he/she acts as a representative of the municipality in court, as well as issues power of attorney within his/her competence to appear in court." Also, the words "as in court" were removed from the general power of the head of the municipality "represents the interests of the municipality in relations with other persons, as in court".

³⁹ Source: www.elections.am

The RA Law on Making an Amendment and an Addendum to the Law on Local Self-Government, adopted on September 16, 2020 enshrines a new own power for the head of municipality in the field of education, culture and youth activities. “Supports the implementation of ecological non-formal education and parenting programs in the municipality.”

The RA Law on Making an Amendment and an Addendum to the RA Law on Local Self-Government adopted on February 13, 2020 enshrines a new delegated power for the head of municipality in the field of healthcare, physical education and sports: “supports awareness-raising campaigns on healthy lifestyle, physical activity and the damages of usage of tobacco products and substitutes and the negative effects of secondary smoke.”

The RA Law on Making Addenda to the RA Law on Local Self-Government, adopted on October 28, 2020, assigns a new delegated power to the head of the municipality in the field of defense organization: “ensures the recruitment of municipality’s conventional brigade and (or) battalion of home guardsmen from citizens registered in the respective municipality.”

The only delegated power of the head of the municipality in the field of social protection was repealed by the RA Law on Making an Amendment to the RA Law on Local Self-Government adopted on March 4, 2020: “organizes the provision of social assistance (services) in the municipality and the activities of local self-government bodies - territorial bodies providing social services.”

In 2020 one change and one addition was made in the powers of the head of municipality.

In particular, according to the RA Law on Making an Amendment and an Addendum to the RA Law on Local Self-Government, adopted on February 13, 2020 the own power of the head of municipality “gives permission for the sale of alcoholic beverages or tobacco products, as well as the sale of alcoholic beverages or tobacco products in public catering establishments” was edited the follow way: “in cases provided by law, gives permission for the sale of alcoholic beverages or tobacco products or substitutes for tobacco products (except for substitutes of tobacco products of medical significance), as well as the sale of alcoholic beverages and tobacco products in public catering establishments.”

The RA Law on Making Amendments and Addenda to the RA Law on Local Self-Government, adopted on March 25, 2020, assigns one more general power to the head of municipality, according to which the latter appoints and dismisses the heads of municipal institutions and organization by the decision of avagani, except for the heads of municipal non-commercial organizations (MNCO) who are appointed based on competition results. According to the addendum, before the competition for the vacant position of the head of MNCO takes place, the head of municipality may appoint an acting head of MNCO for a term not exceeding six months. If the competition does not take place, the term of office of the acting head of MNCO may be extended once for a period of three months.

The powers of the avagani have not changed in terms of quantity or content.

In 2020 quantitative changes were made to the own powers (4 new powers were assigned) and delegated powers (1 new power were assigned, 1 power were repealed) of the mayor of Yerevan. 3 new powers were assigned to the avagani of Yerevan.

Thus, according to the RA Law on Making an Addendum to the RA Law on Local Self-Government in the City of Yerevan adopted on September 4, 2020, the mayor of Yerevan was assigned the following new power in the field of healthcare, physical education and sports: “takes a decision to establish quarantine in accordance with Article 20.2 of the RA Law on Ensuring the Sanitary and Epidemiological Safety of the Population of the Republic of Armenia.”

According to the RA Law on Making Amendments to the RA Law on Local Self-Government in the City of Yerevan, adopted on January 24, 2020, 3 new own powers were assigned to the general powers of the mayor of Yerevan.

- Permits to organize sales or provide services through a mobile shopping point in Yerevan in accordance with the established procedure;
- Defines the procedure for marking the permissible places intended for the implementation of mobile trading and equipping it with a sign;
- Gives permission to implement mobile trading in Yerevan in accordance with the established procedure.

The same law assigns 3 new powers to the avagani of Yerevan.

- Defines the requirements, conditions and terms presented to mobile shopping points, permissible places for mobile trading, the procedure of allocation of these places, conditions and hours of trading activity, as well as the unauthorized types of traded goods or services.
- Establishes the procedure for transporting mobile shopping points or vehicles to special areas, registering them there, as well as defines the payment amount for transporting mobile shopping points or vehicles to special areas and maintaining them.
- Defines the requirements and conditions for implementation of mobile trading in state or municipality-owned public areas located in the administrative territory of Yerevan (streets, squares, parks and other areas), types of goods sold through mobile trading and permissible places for implementation of mobile trading.

According to the RA Law on Making Addenda to the RA Law on Local Self-Government in the City of Yerevan, adopted on October 28, 2020, the following new delegated power was assigned to the mayor of Yerevan in the field of defense. “ensures the recruitment of conventional brigade and (or) battalion of home guardsmen of the administrative districts of Yerevan from citizens registered in Yerevan by administrative districts.”

According to the RA Law on Making Amendments to the Law on Local Self-Government in the City of Yerevan, adopted on March 4, 2020, the only delegated pow-

er of the mayor of Yerevan in the field of social protection was repealed: “supports the implementation of state social security programs.”

In 2020 an addition was made to the powers of the mayor of Yerevan. In particular, according to the RA Law on Making an Addendum to the Law on Local Self-Government in the City of Yerevan, adopted on March 6, 2020, the power of Yerevan avagani “takes decisions on the names of Yerevan streets, avenues, squares, parks, educational, cultural and other organizations under the jurisdiction of Yerevan” was edited as follows : “moreover, the decision on the names of state non-commercial organizations, which are the secondary schools, is made in accordance with the procedure for naming educational institutions established by the authorized state body for education.”

Thus, as of the end of 2020, the number of own powers assigned to heads of municipalities by law increased by 2 compared to the previous year, comprising a total of 123, and the number of own powers of the mayor of Yerevan increased by 4, comprising a total of 89. In 2020, the total number of delegated powers assigned to heads of municipalities by law increased one by, comprising a total of 35. The number of delegated powers assigned to the mayor of Yerevan increased by 1 and decreased by 1, as a result of which the total number of these powers remained unchanged at 19 (Table 7).

Table 7. Quantitative data of the powers of the head of municipality by individual types and sectors (as of December 31, 2020)

Sr. No.	Sector	Own powers		Delegated powers	
		RA other municipalities	Yerevan	RA other municipalities	Yerevan
1	General powers	29	22	3	1
2	Finances	8	7	0	0
3	Defense	3	3	3	1
4	Protection of population in emergencies and organization of 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 activities	6	2	1	1
10	Health, physical education and sports	4	4	3	4
11	Social protection	5	1	0	0

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	Civic participation 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	Protection of public order *	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
	Total	123	89	35	19

*) The power sectors (and their names) of heads of municipalities 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 names 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 2020, local referendums were not held in any of the municipalities.

In 2020, separate offices for organizing the work of avagani in the RA marzes were available in 456 municipalities in the first and second quarters of 2020.⁴⁰

The legality of the decisions made by avaganis as a result of the petitions initiated by the residents of Jermuk, Gladzor, Areni, Yeghegnadzor and Noyemberyan municipalities continued to be problematic. The petitions were related to turning the municipality into an eco-economic area and banning metal mining in the municipality. In this regard, Vayots Dzor regional administration filed a lawsuit in the Administrative Court in 2019, demanding the annulment of decisions of avaganis of 4 municipalities in the marz. The Administrative Court dismissed the proceedings and later the Court of Cassation annulled the relevant decisions of avaganis of Jermuk and Yeghegnadzor municipalities.⁴¹ It should be noted that, there are different interpretations and positions regarding the legality of avaganis' decisions.

In some municipalities, they say that that the decision of avagani was approved and there is no contradiction with the legislation. Some of the residents of Noyem-

⁴⁰ Source www.mtad.am, brief reports on publicity and transparency of the activities of local authorities in the RA municipalities throughout the 1st and 2nd quarters of 2020

⁴¹ Sources <https://www.ecolur.org/hy/news/mining/12188/>

beryan municipality are in favor of organizing a local referendum on the issue. Yeghegnadzor municipality filed an appeal against the decision by the Administrative Court.

The avagani of Malishka municipality has chosen another way to respond to the petition initiated by the residents, sending a message to the RA government and the governor⁴².

Thus, it should be noted that Part 2 of Article 8 of the RA Law on Petitions stipulates that if the petition does not refer to the competencies of the state authorities, local self-government bodies and officials to whom it is addressed, then within five working days after receiving the petition, the petition is returned to the person submitting it, explaining which body is competent in the matter.

In 2020 the joint platform of petitions was launched: www.e-petition.am⁴³

3.2. Civic Engagement in Local Governance

As of December 31, 2020, 5136 non-governmental organizations (NGOs), 1335 foundations, 671 trade unions, and 87 political parties were registered as civil society entities in the State Register Agency of Legal Entities of the RA Ministry of Justice.⁴⁴

There is no official information on the number and territorial distribution of NGOs operating in the local government sector. According to the information posted on the website of the Yerevan Press Club⁴⁵, most of the Armenia's media outlets, 73.7%, are in Yerevan. 82.4% of journalists' associations, 83.3% of the press and 68.4% of radio companies are located in the capital. Foreign media correspondents and their offices, as well as news agencies and online publications are in Yerevan. Only TV companies are relatively present in the marzes (42.1% of TV companies are located in Yerevan).

According to Freedom House international watchdog organization, the rating of democracy in Armenia in 2020 decreased to 2.96 points compared to the previous year's 3.00 points. The rating of the section "Local Democratic Governance" remained unchanged at 2.25 points. The score for the section "Civil Society" also remained unchanged at 4.50 points⁴⁶ (in the scale of 7, whereby the lowest indicator is 1 and the highest is 7).

The activities of the "School of Local Democracy" (SLD) launched in 2019 continued throughout 2020. Seminars were organized in 4 marzes, namely in Kotayk (30 participants), Gegharkunik (25 participants), Aragatsotn (26 participants) and

⁴² Decision N 72 of avagani of Malishka municipality, adopted on September 9, 2019 "On the petition submitted by the residents of Malishka municipality of Vayots Dzor marz of the Republic of Armenia on turning Malishka municipality into an eco-economic area and banning the metal mining industry in the municipality."

⁴³ Source: RA Government Report on the implementation process and results of 2020 RA Government program approved by the decree N 65-A of February 8, 2019.

⁴⁴ Source <https://www.moj.am/legal/view/article/1371/>, Report on the activities of the State Register Agency of Legal Entities of the RA Ministry of Justice during the period between 01.01.2020 and 31.12.2020.

⁴⁵ The information posted on the official website of the Yerevan Press Club was analyzed as of 28.05.2021.

⁴⁶ Sources www.freedomhouse.org , Nations in Transit 2021

Ararat (28 participants). Trainings organized by the regional partner organizations started in December 2020 in 3 marzes, namely in Tavush (34 participants), Lori (32 participants) and Shirak (28 participants). In 2020, about 40 small grant projects were funded and implemented through SLD.⁴⁷

Information access to performance of LSGBs

According to the RA Law on Making Amendments and Addenda to the RA Law on Local Self-Government adopted on January 24, 2020, a municipality, regardless of the number of population⁴⁸ (formerly a municipality with a population of more than 3,000), should have an official website, which is created and maintained under the supervision of the head municipality in accordance with the procedure established by avagani.

In addition to other information, the following should be available on the official website of the municipality.

- General information on the structures (educational, cultural, etc.) in the municipality (budget, type of activity, address, contact details) and (or) the address of their official website (if available),
- Information on services provided by the municipality and its subordinate structures,
- Information on construction works in the municipality carried out by state or municipal funding,
- Information on municipal property.

According to the above-mentioned law, the drafts of normative legal acts developed by local self-government bodies in municipalities with 20,000 or more residents⁴⁹ are published on the official website of the municipality, which must be interoperable with the joint website for publishing draft legal acts.

According to the same law, in municipalities with 3,000 and more residents⁵⁰ (formerly 10,000), public sessions of avagani are broadcast online on the official website of the municipality.

Number of municipalities with 3,000 or more residents running a website was 156 as of September 15, 2020⁵¹. Yerevan also has an official website defined by law.

The study of the information on the publicity of the municipal budgets in the 1st and 2nd quarters of 2020 shows that the information on the budgets was posted on the billboards and other visible locations by all municipalities of RA marzes. The number of TV broadcasting was very limited, namely 38 in the 1st quarter and 30 in the 2nd quarter. The number of newspaper-publishing municipalities was also limited to 102 in both quarters. The vast majority of municipalities posted informa-

⁴⁷ Source www.celog.am/sld

⁴⁸ Enters into force from January 1, 2022

⁴⁹ Starting from January 1, 2022 refers to all municipalities irrespective of number of population

⁵⁰ Starting from January 1, 2022 refers to all municipalities irrespective of number of population

⁵¹ Sources www.mtad.am, list of municipalities with 3000 or more residents running a website as of 15.09.2020

tion on municipal budgets on the official website of the municipality. The number of such municipalities in 2020 in the 1st quarter was 480, and in the 2nd quarter - 483 (Appendix 2).

Grievance on LSG performance

According to the quantitative study of grievances addressed to the RA Human Rights Defender, 1065 of them were directed against Yerevan municipality, and 417 - against the municipalities in marzes.⁵²

⁵² Source: Annual report of the Armenian Human Rights Defender on the ombudsmen office activity, state of human rights and freedoms protection in 2020

4. MUNICIPAL ASSETS, DEVELOPMENT PROGRAMS AND FINANCIAL AUTONOMY

In 2020, no significant changes were made in the legislative field related to municipal finances, assets, development programs, budgeting. However, a number of normative changes and additions were made, of which the following are noteworthy.

The RA Law on Making an Addendum to the RA Law on Local Self-Government and the RA Law on Making and Addendum to the RA Law on the Budgetary System of the Republic of Armenia were adopted, which provide a legislative opportunity to finance capital projects co-funded by the municipality and (or) the acquisition of capital assets, provided that the emerging, changing and acquired capital assets will be recorded in the balance sheet of the municipality.⁵³

The RA National Assembly adopted the RA Law on Making Amendments to the Land Code of the Republic of Armenia. According to the amendment, by virtue of Article 64 in case of alienation of the land plots mentioned in the same article by the natural and legal persons who acquired the right of ownership over them, the third parties who will acquire the right of ownership over these land plots are obliged to pay their cadastral value to the municipal budget⁵⁴.

Amendments were made to the RA Law on Local Duties and Payments, which stipulates that legal entities and individual entrepreneurs in order to organize sales or deliver services through mobile trading points in the administrative territory of Yerevan (as defined by the RA Law on Trade and Services) shall pay 50.000 AMD per month and individuals 500 AMD per day for a permit to carry out mobile trading⁵⁵.

In order to implement the powers delegated by the state to the mayors of Yerevan, Gyumri, Vanadzor, Ararat and Jermuk municipalities at the expense of financial means envisaged by the 2020 state budget, the annual norms of expenses for the organization of activities of the territorial departments of social assistance of the staffs of Yerevan, Gyumri, Vanadzor, Ararat and Jermuk municipalities were defined by RA Government decree 272-N dated 12.03.2020.

4.1. Municipal Assets

In 2020 municipal assets increased by 11262.4 mln. AMD or 43.5% compared to the previous year, which, as before, was mainly supplemented by expenditures on capital or non-financial assets from the budgets of municipalities (including Yerevan) (Table 8). 99.9% of these expenditures were expenditures on fixed assets, of which, as in previous years, the share of constructions and buildings is still high (77.5%). In particular, the expenditures on construction of buildings increased by 50.7%, on capital renovation of buildings by 51.0%, on other fixed assets by 54.2%,

⁵³ RA Law on Making an Addendum to the RA Law on Local Self-Government adopted on 25.03.2020, the RA Law on Making and an Addendum to the RA Law on the Budgetary System of the Republic of Armenia adopted 25.03.2020

⁵⁴ RA Law on Making Amendments to the Land Code of the Republic of Armenia adopted on 17.04.2020

⁵⁵ RA Law on Making Addenda to the RA Law on Local Duties and Payments adopted 24.01.2020

on machinery and equipment by 28.8%, and on non-produced assets by 2.4 times. Their share in total expenditures on non-financial assets (except for expenditures on machinery and equipment) also increased. Despite that, the need for investments in those directions is still large.

Compared to the previous year, expenditures on the acquisition of constructions and buildings (about 5.8 times) and inventories (about 2 times) and their share in total expenditures on non-financial assets decreased. Despite an increase of about 2.4 times over the previous year, expenditures on non-produced assets are still small, and at the same time, no expenditures on high-value assets were incurred.

Table 8. Municipal expenditures on non-financial assets (including Yerevan), 2018-2020

Line	Contents	2018		2019		2020	
		Amount, mln AMD	Share, %	Amount, mln AMD	Share, %	Amount, mln AMD	Share, %
1	2	3	4	5	6	7	8
5000	EXPENDITURES ON NON-FINANCIAL ASSETS, total	14048.6	100	25916.5	100	37178.9	100
5100	Including 1.Fixed assets	13906.2	99.0	25879.3	99.8	37135.8	99.9
5110	Including Buildings and constructions	10851.3	77.2	19570.4	75.5	28833.1	77.5
5111	of which: acquisition of buildings and constructions	652.7	4.6	523.4	2.0	89.7	0.2
5112	- construction of buildings and structures	3297.5	23.5	6459.3	24.9	9736.9	26.2
5113	- capital renovation of buildings and constructions	6901.1	49.1	12587.7	48.6	19006.5	51.1
5120	Vehicles and equipment	2555.7	18.2	5607.9	21.6	7221.4	19.4
5121	of which: transport equipment	822.8	5.9	2729.4	10.5	2078.8	5.6
5122	- administrative equipment	622.3	4.4	736	2.8	758.5	2.0
5123	- other vehicles and equipment	1110.5	7.9	2142.1	8.3	4384.1	11.8
5130	Other fixed assets	499.2	3.6	701.0	2.7	1081.3	2.9
5200	2. Inventories	135.3	1.0	24.2	0.1	12.5	0.03
5300	3. High value assets	0.0	0.0	0.0	0.0	0.0	0.0
5400	4. Non-produced assets	7.1	0.0	13.0	0.1	30.6	0.1
5411	Including land	7.1	0.0	13.0	0.1	30.6	0.1
5421	- Including subsoil assets	0.0	0.0	0.0	0.0	0.0	0.0

By a number of RA Government decrees, land, property and funds were donated to municipalities, and in some cases, the funds received from the privatization of

state-owned property were fully or partially directed to the programs implemented in municipalities. With the funds allocated from the RA state budget to the regional administrations, schools and municipality-owned infrastructures were renovated.

In 2020 inflows from the sales of non-financial assets of municipalities (Table 9) increased by 8389.4 mln. AMD or by 71.8%. In 2020, also inflows from the sales of non-financial assets were almost entirely derived from the sales of fixed assets (4.3%) and municipal lands (95.7%). There were no inflows from the sales of inventories, and the inflows from the sales of high value assets were insignificant.

Table 9. Inflows from sales of non-financial assets of municipalities (including Yerevan), 2018 – 2020 (mln. AMD)

<i>Line</i>	<i>Contents</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
1	2	3	4	5
6000	INFLOWS FROM SALES OF NON-FINANCIAL ASSETS, total	8314.2	11675.7	20065.1
6100	Including inflows from sales of fixed assets	1046.2	1009.5	866.0
6110	including: inflows from sales of immovable property	741.9	712.5	369.4
6120	inflows from sales of movable property	5.6	7.0	4.5
6130	inflows from sales of other fixed assets	298.7	290.0	492.1
6200	Inflows from sales of inventories	0.0	0.0	0.0
6300	Inflows from sales of high value assets	0.0	0.0	0.3
6400	Inflows from sales of non-produced assets	7268.0	10666.2	19198.8
6410	including: inflows from sales of land	7268.0	10666.2	19198.8

According to the data of the State Register Agency of Legal Entities of the RA Ministry of Justice⁵⁶, as of December 31, 2020, the total number of registered MN-COs was 1313, while the number of commercial organizations with 100% municipality-owned shares was 55.

Despite the work done, the condition of a significant part of the municipal property over the course of 2020 did not improve much and needs to be renovated, while the municipalities do not have the necessary financial means for that yet.

4.2. Municipal development plans and budgeting processes

As mentioned many times before, the long-term (strategic) 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 2020.

Five-year municipal development plans (FYMDP), are drafted in all the RA municipalities being required by the law. In 2020, no major legislative amendments were made in regard to municipal FYMDPs and budgeting process.

⁵⁶ https://www.armstat.am/file/article/sv_12_19a_150.pdf

However, there are 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.

Although the situation has somewhat changed in the newly formed multi-settlement municipalities, where the implementation of the adopted FYMDPs and budgets shows that the overall financial situation has relatively improved, the number of implemented programs has increased, the quality of their implementation has improved. However all this is not only insufficient for the further development of multi-settlement municipalities, but can also create new problems separate (especially small, border, those located far from the center, etc.) settlements included in them.

In addition to the subsidies provided to the municipalities by RA Government decrees, financial means have been allocated to the regional administrations from the government reserve fund in order to provide capital subsidies for the development of the infrastructure of municipalities. They were provided to the municipalities on the basis of a subsidy agreement signed between the relevant regional administration and the municipality, based on the documents substantiating the expenses envisaged by the RA legislation submitted to the regional administration within the framework of the procurement contract concluded with the municipality and selected participant for the purchase of the given goods, works, services. Moreover, the payment to the municipality from the RA state budget is made in the percentage ratio of the amount defined by the contract, which is mentioned in the subsidy contract.

Table 10. The number of implemented subvention projects and co-financed amount from the RA state budget during 2020, by marzes (mln. AMD) ⁵⁷

Marz	Number of projects	Total amount of projects, mln. AMD	The co-financed amount from the RA state budget, mln. AMD
Aragatsotn	91	2956.3	1572.7
Ararat	73	2428.9	1230.6
Armavir	63	2026.4	948.5
Gegharkunik	105	4291.3	2884.9
Lori	91	2881.6	1514.1
Kotayk	60	2203.8	1079.2
Shirak	51	2481.7	1519.7
Syunik	17	3592.8	2291.4
Vayots Dzor	17	1176.5	669.2
Tavush	11	1082.3	619.4
Total	579	25121.6	14329.7

⁵⁷ Source www.mtd.am , List of subvention projects implemented in 2018, 2019 and 2020.

In 2020, 579 subvention projects were implemented in the municipalities of the Republic of Armenia (Table 10), the number of which is 115 or 24.8% more than last year (464 programs in 2019). 14329.7 mln AMD was allocated from the RA state budget for the implementation of those programs (in 2019 - 9597.7 mln AMD), which is 49.3% more than last year and makes up 57.0% of the total amount allocated for the program implementation.

In 2020 about 64 programs with the total amount of 47374.0 mln. AMD were implemented in the RA marzes and Yerevan municipality at the expense of the credit and grant funds provided to MTAI by foreign countries and international organizations (World Bank, USAID, EU, European Investment Bank, EBRD, IBRD, ADB, German Development Bank (KFW), Global Fund, International Fund for Agricultural Development, etc.). 80.8% of the total amount of implemented programs (38267.3 mln AMD) was provided by credit and donor organizations, 19.2% (9106.7 mln AMD) by the RA state budget. 4.3% (1644.3 mln AMD) of the funds provided by foreign countries and international organizations are grants, and 95.7% (36623.0mln AMD) are loans. For various reasons (mainly due to the pandemic and Artsakh war), 25 programs were not implemented, and some programs were implemented partially. Only 59.5% of the total amount envisaged by the revised plan was financed, 28.6% of grants and 62.9% of loans.

The loan agreements of the above-mentioned programs were signed between the Government of the Republic of Armenia (authorized body: the Ministry of Finance of the Republic of Armenia) and the mentioned banks, according to which the received credit means (principal amount and interests) are paid from the state budget⁵⁸.

In 2020, the implementation and development of the program budgeting format continued in 52 amalgamated multi-settlement municipalities, in 35 of which the program budget monitoring and evaluation activities were carried out. In the framework of “Good Local Governance in South Caucasus” program implemented by the German Agency for International Cooperation-GIZ, “Support to 52 amalgamated municipalities to draft their 2021 Program Budgets (PB), Brief Budgets and 2020 PB monitoring u evaluation reports” project was implemented by CFOA, within the framework of which seminars, workshops were organized, technical advice was provided to the amalgamated municipalities to draft 2021 program budgets, brief budgets as well as monitoring and evaluation reports.

⁵⁸ Source www.mtad.am , section “Credit and grant programs”, “Reference on the programs implemented at the expense of credit and grant funds provided to the MTAI system by foreign and international organizations” (as of 01.01.2021).

4.3. Municipal budget revenues

In 2020, the actual budget revenues of Armenian municipalities amounted to 156136.6 mln. AMD (in 2019 - 144463.4 mln AMD), which is 11673.2 mln. AMD or 8.1% more compared to the previous year. There was an increase in budget revenues under the lines of official grants (22.1%) and property taxes from vehicles (9.0%), as well as transfers from reserve fund of the administrative budget to the fund budget of municipalities (54.3%), while revenues under all other lines decreased (Table 11).

Table 11. Types of the RA municipal budget revenues and their shares in total revenues, 2018-2020

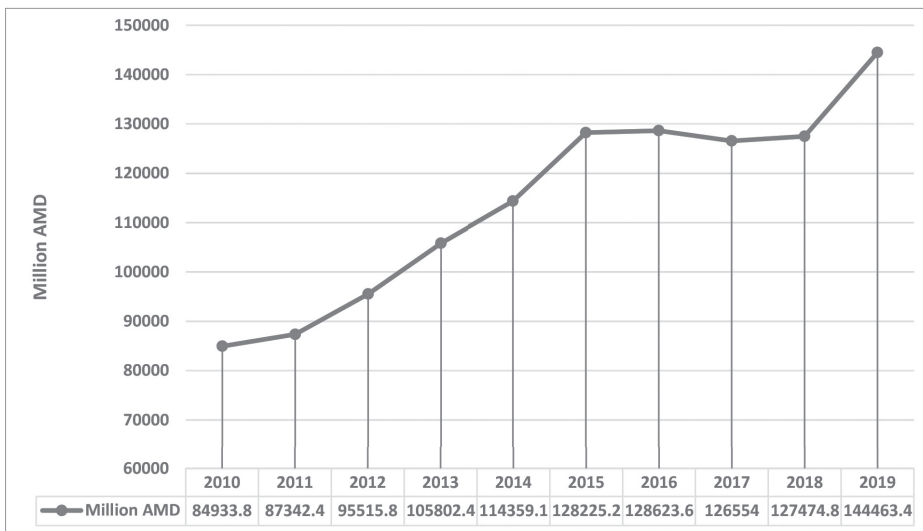
Line	Types of revenues	2018		2019		2020	
		Amount, mln AMD	Share in total (%)	Amount, mln AMD	Share in total (%)	Amount, mln AMD	Share in total (%)
1	2	3	4	5	6	7	8
1000	Total revenues	127474.8	100	144463.4	100	156136.6	100
1100	including 1. taxes and duties	26285.6	20.6	31029.9	21.5	30800.0	19.7
1110	including 1.1 Property taxes on im- movable property (including land tax)	9478.7	7.4	10541.2	7.3	9509.7	6.1
1121	1.2. Property taxes on trans- portation means	12412.2	9.7	15264.5	10.6	16639.7	10.7
1130	1.3. Local duties	3560.9	2.8	4215.6	2.9	3942.4	2.5
1140	1.4. State duties	833.6	0.7	1008.5	0.7	708.2	0.5
1200	2. Official grants	59744.6	46.9	66815.6	46.2	81572.2	52.2
1300	3. Other revenues	41444.6	32.5	46617.9	32.3	43764.4	28.0
1342	including state budget allo- cations to municipalities for implementation of delegated powers	25339.7	19.9	28248.8	19.6	26573.8	17.0
1392	Transfers from reserve fund of the administrative budget to the fund budget of munic- ipalities	1875.1	1.5	2469.9	1.7	3812.0	2.4

In 20120, own revenues of budgets amounted to 46256.3 mln. AMD (versus 48567.7 mln AMD in 2019), or 29.6%-of total revenues (versus 33.6% in 2019). Generally, own revenues of municipality budgets decreased by 2311.4 mln AMD (4.8%), and their share in total by 4.0%. The above-mentioned data come to prove that municipalities in Armenia remain highly dependent upon official grants, the existing resources are not sufficient for future development of municipalities and new revenue sources are required

The dynamics of total municipality revenues in 2010-2020 shows that following some decline in 2017 and 2018, significant revenue growth was recorded throughout 2019 and 2020 (Figure 1).

In 2020 almost all the funds from the state budget for financing the implementation of delegated powers of the local self-government bodies were allocated to Yerevan municipality 98.6% (98.7% in 2019).

Figure 1. Dynamics of municipal budget revenues, 2010-2020 (mln. AMD)



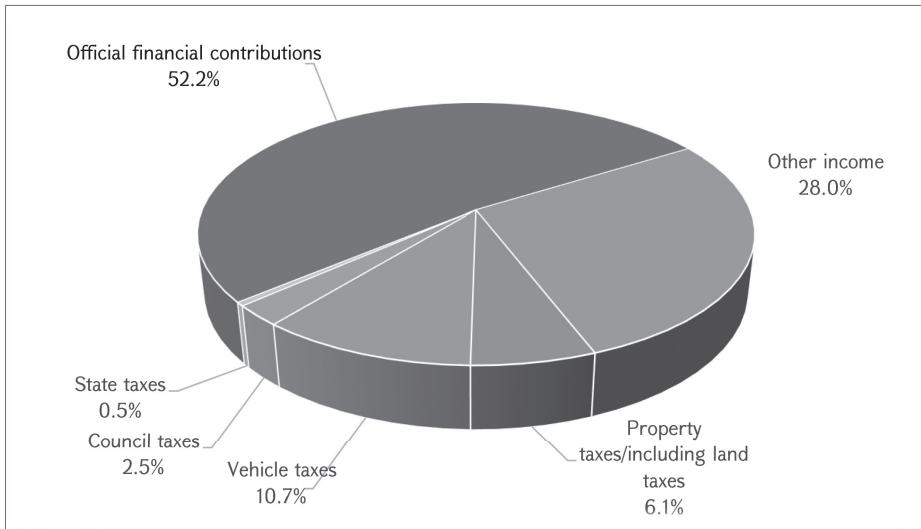
Irrespective of the significant decline in the share of budget revenues of Yerevan municipality in the total budget revenues of RA municipalities during the last 5 years, in 2020 the share of budget revenues of Yerevan municipality remained significant, equaling 47.0% (51.9% in 2019, 53.9% in 2018, 57.3% in 2017, 60.1% in 2016) (Table 12)

Table 12. Share of Yerevan budget revenues in total revenues of the RA municipal budgets in 2020

Line	Types of revenues	Total municipal budget revenues, mln AMD	Including Yerevan budget revenues, mln AMD	Share of Yerevan budget revenues in total (%)
1	2	3	4	5
1000	TOTAL REVENUES	156136.6	73364.3	47.0
1100	Including 1. TAXES AND DUTIES	30800.0	16934.1	55.0
1110	Including 1.1. property taxes on immovable property	9509.7	4819.7	50.7
1111	Including property tax on buildings and constructions	5892.9	4258.3	73.0
1112	Including land tax	3616.7	561.5	15.5
1120	1.2. Property taxes on other properties	16639.7	8650.3	52.0
1121	Including transportation means	16639.7	8650.3	52.0
1130	1.3. Local duties	3942.8	3090.5	78.4
1140	1.4. State duties	708.2	373.6	52.8
1200	2. OFFICIAL GRANTS	81572.2	22624.1	27.7
1300	3. OTHER REVENUES	43764.4	33806.1	77.2
1342	Including state budget allocations to municipalities for implementation of delegated powers	26573.8	26211.3	98.6
1390	OTHER REVENUES	1421.7	536.3	37.7
1392	Transfers from reserve fund of the administrative budget to the fund budget of municipalities	3812.0	0.0	0.0

In 2020, municipal budget revenue structure did not undergo any significant changes (Figure 2). As in previous years, in 2020 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 2020



Compared to the previous year, official grants received from the state budget, increased by 14756.6 mln AMD or 22.1% (including financial equalization subsidies by (8.5%)), so did the earmarked allocations from the state budget to finance the capital expenditures (subventions) by 2.2 times, other subsidies received from the state budget (by 43.9 time), the earmarked allocations from the state budget to finance the current expenditures decreased by 5.8%. Capital official foreign grants received from international organizations increased by 43.3 mln AMD or by 2.2 times as compared to the previous year. Current foreign official grants from other states and international organizations are very limited, whereas capital foreign official grants from other states were not received (Table 13).

Table 13. Official grants as revenues of municipal budgets in 2018-2020

	Types of revenues	2018		2019		2020	
		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	2. OFFICIAL GRANTS	59744.6	100	66815.6	100	81572.3	100
1210	Including : 2.1 Current official foreign grants received from other states	1.8	0	0	0	0.8	0
1220	2.2 Capital official foreign grants received from other states	0	0	0	0	0	0
1230	2.3 Current official foreign grants received from international organizations	0	0	0	0	1.3	0
1240	2.4 Capital official foreign grants received from international organizations	380.5	0.6	36.8	0.1	80.1	0.1
1250	2.5 Current official domestic grants received from other levels of government	56816.5	95.1	60254.7	90.2	67401.0	82.6
1251	of which a) financial equalization subsidies from the state budget	48164.1	80.6	50993.5	76.3	55312.3	67.8
1252	b) other subsidies from the state budget	65.7	0.1	78.3	0.1	3434.5	4.2
1255	c) earmarked allocations from the state budget (subventions)	8586.7	14.4	9182.9	13.7	8654.2	10.6
1260	2.6. Capital official domestic grants, received from other levels of government	2545.8	4.3	6524.1	9.8	14089.1	17.3
1261	Including earmarked allocations from the state budget to finance the capital expenditures (subventions)	2545.8	4.3	6524.1	9.8	14089.1	17.3
1262	b) official grants received from other municipalities of Armenia to finance the capital expenditures	0	0	0	0	0	0

In 2020, fund budget revenues increased by 9856.3 mln AMD or twice, 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 (12.5%), which is even lower than in total revenues of YeWrean municipality (0.1%).

The official grants amount to 72.5% of the fund budget revenues, capital non-official grants are 8.0% and the allocations from reserve fund of the administrative budget to the fund budget equal 19.5% (Table 14).

Table 14. Fund budget revenues of the RA municipalities and the share of Yerevan fund budget revenues in 2020

Line	Types of revenues	Total Municipalities (mln. AMD)	Including Yerevan (mln. AMD)	Share of Yerevan in total (%)
1	2	3	4	5
1000	TOTAL REVENUES	19552.7	66.7	0.3
1200	2. OFFICIAL GRANTS	14169.2	60.0	0.4
1300	3. OTHER REVENUES	5383.5	6.7	0.1
1380	3.8 Capital non-official grants	1570.4	2.5	0.2
1390	Other revenues, including allocations from reserve fund of the administrative budget to the fund budget	3813.1	4.2	0.1

In 2020, the retained earnings of municipal budgets since the beginning of the year amounted to 28960.1 mln AMD, including administrative budget 529.9 mln AMD and fund budget 28430.2 mln AMD. It was mainly directed to the fulfillment of existing budget obligations from the previous year.

In 2020, the total municipal budget surplus was 17784.0 mln AMD, of which the administrative budget surplus was 15370.7 mln AMD, and the fund budget surplus was -2413.3 mln AMD.

4.4. Debt Management

In 2020, the municipalities did not receive any loans from the state budget and external sources, nor borrowings from the state budget and other municipalities.

In 2020, no rules of procedure regarding issuing and allocating municipal bonds were adopted, because of which municipalities did not issue any bonds during the reported period.

4.5. Financial Accountability

In 2020, the financial reports produced by municipalities were submitted to competent authorities (avaganis, marzpets, etc.), within the timeframe prescribed by law.

In order to ensure the transparency and publicity of municipality budgets in 2020, all the municipalities posted the required documents (approved municipality budget and amendments, quarterly and annual budget execution reports, etc.) on

billboards and visible location. 474 municipalities or 94.4% posted the mentioned documents on their official websites, 31 municipalities or 6.2% broadcasted on television, 103 municipalities or 20.5% published in newspapers (Table 15).

Table 15. Brief information on publicity and transparency of the RA municipal budgets in the 2nd quarter of 2020⁵⁹

Sr. N	Marz, Yerevan	Number of municipalities	Publicity of municipal budgets			
			Published on billboards	Broadcasted on TV	Published in newspapers	Posted on websites
1	Yerevan	1	1	1	1	1
2	Aragatsotn	72	72	0	2	72
3	Ararat	95	95	1	4	93
4	Armavir	97	97	0	39	97
5	Gegharkunik	57	57	4	45	49
6	Lori	56	56	5	5	38
7	Kotayk	42	42	0	0	42
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	19	6	24
	Total	502	502	31	103	474

In 2020, the internal audit system operated in 21 municipalities, and 45 municipalities delegated the internal audit to private companies.⁶⁰

Of the 67 posts of internal auditors in the staffs of municipalities, 35 are occupied, of which 28 are qualified auditors, and 7 are still being trained. In 2020, the number of qualified auditors decreased by 28 or 46% compared to the previous year, and the number of auditors being trained by decreased by 8 or 53.3%. 39 auditors participated in professional trainings and took tests⁶¹.

The situation has not improved in small and medium municipalities. In 2020, they did not undergo internal audit and still do not have an internal auditor post on their staff lists. The reason is the same: there is a lack of respective specialists and necessary resources.

The situation deteriorated even in municipalities which had introduced an internal audit system. In most municipalities internal audit was not carried out mainly due to COVID-19 pandemic, the Artsakh war, and the poor operation of the system as a whole.

External audit was carried out by a limited number of large municipalities.

⁵⁹ <http://www.mtad.am/hy/budgetary-performance/>

⁶⁰ http://www.minfin.am/hy/page/hashvetvutyunner_nerqin_audit/ , Report on the internal audit system of 2020 in the RA public sector

⁶¹ Ibid.

5. COMPLIANCE OF LSG POWERS AND MUNICIPAL FINANCES

In order to evaluate the compliance of LSG powers and municipal financial resources, evaluation results of the selected financial indicators for 2020 are listed below.

Shares of local budget expenditures in total public spending and gross domestic product (GDP) characterize the level of decentralization in the country under review.⁶²

In Member States of the European Union, the average share of local budget expenditures (without regional level) in total public spending was 23.25% and 10.6% in GDP (see Table 16)

In 2020 share of aggregate municipal budgets in consolidated budget of Armenia was 9.7% in revenues and 7.2% in expenditures (see Appendix 3). As compared to the previous year, in 2020, the indicator for revenues increased by 0.8%, while the indicator for expenditures decreased by 0.8%. Armenia lags significantly behind the EU Member States in respect of these indicators, approximately 3.2 times less than the European average, and is close to the respective indicator for Greece and is ahead of only 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, 2.03% in 2019, while in 2020 it increased by 0.21%, making 2.24%.⁶³ This indicator is about 4.7 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 2020 continues to be significantly lower than that in the EU Member States.

Actual execution of revenues of all 2020 municipal budgets of Armenia (including Yerevan) versus annual approved plans is 89.7%, while versus **annual adjusted plans** is 91.2%. In case of expenditures, actual execution of all 2020 municipal budgets of Armenia (including Yerevan) versus annual approved plans is 72.6% while versus annual adjusted plans is 68.9% (see Table 17).

Comparing data on actual execution of budget revenues and expenditures of all municipalities in Armenia (including Yerevan) in 2020 with the same indicators of 2019, it is easy to note that both revenue and expenditure data of 2020 are lower than that of 2019. This means that the overall budget execution of municipalities deteriorated in 2020 both in terms of revenues and expenditures.

⁶² Public spending in Armenia encompasses expenditures of consolidated budget, and GDP means nominal GDP.

⁶³ Annual nominal GDP of Armenia at market prices was 6,183,742.1 mln AMD in 2020, source: www.armstat.am

Table 16. Shares of local budget expenditures in total public spending and GDP in Armenia and Member States of the European Union (2020 data)⁶⁴

Member States	Local budget expenditures in public spending (%)	Local budget expenditures in GDP (%)
Denmark	66.2	32.6
Sweden	50.9	25.1
Finland	41.2	21.9
Poland	34.3	14.3
Netherlands	30.7	12.9
Czech Republic	28.6	11.8
Italy	28.5	13.9
Croatia	27.5	12.9
Latvia	27.2	10.8
Estonia	25.4	9.9
Lithuania	24.4	8.5
Romania	23.5	8.4
Average of EU MS	23.25	10.6
Great Britain	22.9	9.4
Bulgaria	20.6	7.5
France	20.1	11.2
Slovenia	19.4	8.4
Germany	18.2	8.2
Austria	17.5	8.4
Slovakia	17.5	7.5
Hungary	14.8	6.8
Spain	14.2	6.0
Portugal	13.5	5.7
Belgium	13.3	6.9
Luxemburg	11.3	4.8
Ireland	10.2	2.5
*Armenia	7.2	2.24
Greece	7.1	3.4
Cyprus	3.9	1.6
Malta	1.3	0.5

Actual execution of budget revenues of 2020 municipal budget of Yerevan versus the annual approved plans was 68.5%, while **versus annual adjusted plans** it was 86.3%. In the case of expenditures, execution of 2020 Yerevan municipal budget versus the annual approved plan was 55.3% and 63.5% 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 2020.

⁶⁴ Source: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_10a_main&lang=en

Table 17. Annual approved, adjusted plans of total revenues, expenditures, surplus/deficit and actual execution of municipal budgets of Armenia in 2020 (in thousand drams) ⁶⁵

Sr. No	Line	2020				
		Annual approved plan	Annual adjusted plan	Actual	Percent of execution versus approved plan, %	Percent of execution versus adjusted plan, %
	All municipal budgets of Armenia					
1	Total revenues	174,003,922.2	171,112,651.1	156,136,645.9	89.7	91.2
2	Total expenditures	190,683,215.5	200,815,887.2	138,352,658.8	72.6	68.9
3	Surplus (+) or deficit (-)	-16,679,293.3	-29,703,236.1	+17,783,987.1	x	x
	Including budget of Yerevan municipality					
1	Total revenues	107,146,776.0	84,941,605.9	73,364,346.2	68.5	86.3
2	Total expenditures	116,259,587.5	101,308,463.0	64,300,825.6	55.3	63.5
3	Surplus (+) or deficit (-)	-9,112,811.5	-16,366,857.1	+9,063,520.6	x	x
	Including budgets of all municipalities except Yerevan					
1	Total revenues	66,857,146.2	86,171,045.2	82,772,299.7	123.8	96.1
2	Total expenditures	74,423,628.0	99,507,424.2	74,051,833.2	99.5	74.4
3	Surplus (+) or deficit (-)	-7,566,481.8	-13,336,379.0	+8,720,466.5	x	x

Comparing the actual execution of revenues and expenditures of approved and adjusted budgets of Yerevan in 2020 with the same indicators of 2019, it becomes obvious that indicators in 2020 remain respectively low as they were in 2019.

Execution of budget revenues of all municipalities (excluding Yerevan) versus approved and adjusted annual plans was 123.8% and 96.1% respectively, and execution of budget expenditures of all municipalities (excluding Yerevan) versus approved and adjusted annual plans was 99.5% and 74.4% respectively.

In fact, in 2020, the execution level of budget revenues and expenditures of all the RA municipalities (excluding Yerevan) is noticeably lower than the same indicators of all the RA municipalities (excluding Yerevan) in 2019.

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 2020 (see Table 18 and Diagram 3) increased in comparison with 2019, equaling 52,690 AMD (about 107.8 USD). Re-

⁶⁵ Source: www.minfin.am and www.yerevan.am

spectively, per capita actual expenditures of municipal budgets (including Yerevan) in 2020 (see Table 18 and Diagram 4) in comparison with 2019 increased, equaling 46,689 AMD (about 95.5 USD).

*Table 18. Per capita revenues and expenditures of municipal budgets of Armenia in 2016-2020 (in AMD and USD)**

Indicators	2016	2017	2018	2019	2020
Total number of population in Armenia (including Yerevan) as of the end of the year (thousand people)	2,986.1	2,972.7	2,965.3	2,959.7	2,963.3
Total number of population of Yerevan as of the end of the year (thousand people)	1,075.8	1,076.4	1,081.8	1,084.0	1,091.7
Total number of population in Armenia (excluding Yerevan) as of the end of the year (thousand people)	1,910.3	1,896.3	1,883.5	1,875.7	1,871.6
Average exchange rate of US dollar (AMD)	481	483	483	480	489
Consumer price index (annual average, %)	98.6	101.0	102.5	100.3	105.3
Per capita actual revenues (AMD) of municipal budgets of Armenia (including Yerevan)	43,074	42,569	42,992	48,818	52,690
Per capita actual revenues of Yerevan municipal budget (AMD)	71,882	67,335	63,576	69,216	67,202
Per capita actual revenues (AMD) of municipal budgets of Armenia (excluding Yerevan)	26,851	28,513	31,197	37,027	44,225
Per capita actual revenues (USD) of municipal budgets of Armenia (including Yerevan)	89.6	88.1	89.0	101.7	107.8
Per capita actual revenues of Yerevan budget (USD)	149.4	139.4	131.6	144.2	137.4
Per capita actual revenues of municipal budgets of Armenia (excluding Yerevan) (USD)	55.8	59.0	64.6	77.1	90.4
Per capita actual expenditures of municipal budgets of Armenia (including Yerevan) (AMD)	43,589	41,843	39,927	44,909	46,689
Per capita actual expenditures of Yerevan municipal budget (AMD)	72,951	65,951	58,151	61,587	58,900
Per capita actual expenditures of municipal budgets of Armenia (excluding Yerevan) (AMD)	26,851	28,159	29,484	35,268	39,566
Per capita actual expenditures of municipal budgets of Armenia (including Yerevan) (USD)	90.6	86.6	82.7	93.6	95.5
Per capita actual expenditures of Yerevan budget (USD)	151.7	136.5	120.4	128.3	120.4
Per capita actual expenditures of municipal budgets of Armenia (excluding Yerevan) (USD)	55.8	58.3	61.0	73.5	80.9

**) Source www.armstat.am u www.minfin.am*

Figure 3. Per capita actual revenues of the RA municipal budgets in 2016-2020 (in AMD and USD)

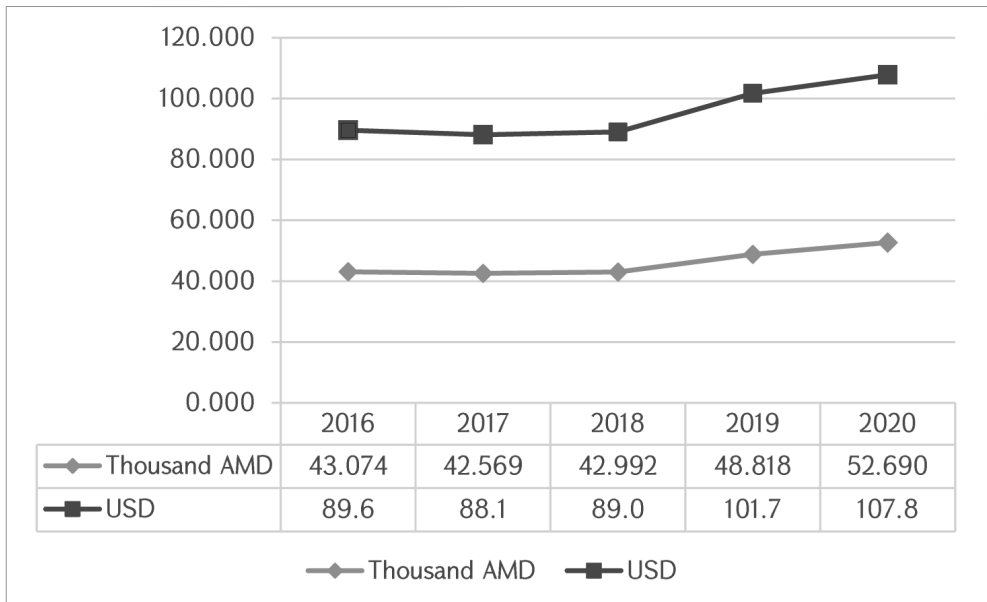
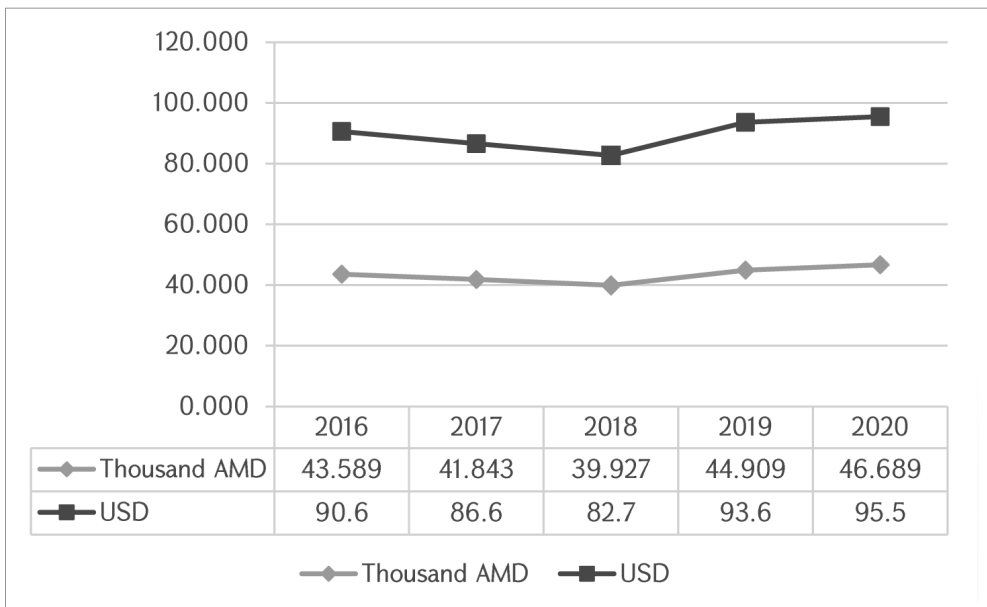


Figure 4. Per capita actual expenditures of the RA municipal budgets in 2016-2020 (in AMD and USD)



Per capita actual revenues of 2016-2018 Yerevan municipal budget decreased in absolute terms over the years, but it increased sharply in 2019, equaling 69,216 AMD (144.2 USD) and in 2020 it decreased again, equaling 67,202 AMD (about

137.4 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 (about 128.3 USD) and in 2020 it decreased again, equaling 58,900 AMD (about 120.4 USD)

Per capita actual revenues of 2016-2019 municipal budgets of Armenia (excluding Yerevan) gradually increased over the years. In 2020 it increased drastically reaching 44,225 AMD (about 90.4 USD). Accordingly, per capita actual expenditures of 2016-2019 municipal budgets of Armenia (excluding Yerevan) increased, and in 2020 it increased drastically reaching 39,566 AMD (about 80.9 USD).

Taking into account the annual change of consumer price index in Armenia (see Table 18), 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.

A separate group of indicators is represented by the compliance of financial resources with the LSG powers by their activity sectors or, in other words, **the municipal budget expenditures according to functional classification** (see Table 19).

In 2020, the share of overall public service expenditures among general expenditures of the **RA municipal budgets (including Yerevan)** was 23.1%, which was 0,2% lower than the same indicator of 2019 (see Diagram 5).

Expenditures on education have the largest share in the total expenditures of municipal budgets- 35.4% (34.7% in 2019), including primary or pre-school education- 14.1%; elementary education- 5.3%; secondary education- 7,6%; extracurricular training- 6,9%; and other non-classified education- 1,4%.

In 2020 the share of expenditures in recreation, culture and religion in total expenditures of municipal budgets of Armenia (including Yerevan) decreased by 0.2% amounting to 6.5% (6.7% in 2019). Shares of 2020 municipal budget expenditures allocated to other social sectors do not hold any significant share in total spending, namely, 2.2 % in social protection (2,3% in 2019), and 0.3% in healthcare (0.3% in 2019).

In the reported period, the share of public economic services of RA municipalities (including Yerevan) in total municipal spending changed considerably, as compared to 2019. Thus, the above indicator increased in transport sector by 6.7% amounting to 19.0 % (12.3% in 2019), in agricultural sector by 0.4% amounting to 1.5% (1.1% in 2019), in fuel and energy sector by 0.3 % equaling 0.7% (0.4% in 2019), in economic relations sector (not classified elsewhere) by 5.3% equaling 13.4% (8.1% in 2019), in residential construction and communal utilities (not classified elsewhere) by 0,5% equaling 3.3% (2.8% in 2019), etc.

As compared to 2019, in 2020 this indicator decreased by 0.2% in the area of environment protection equaling 11,9% (12.1% in 2019), as well as by 1.0% in waste disposal equaling 8,8% (9,8% in 2019).

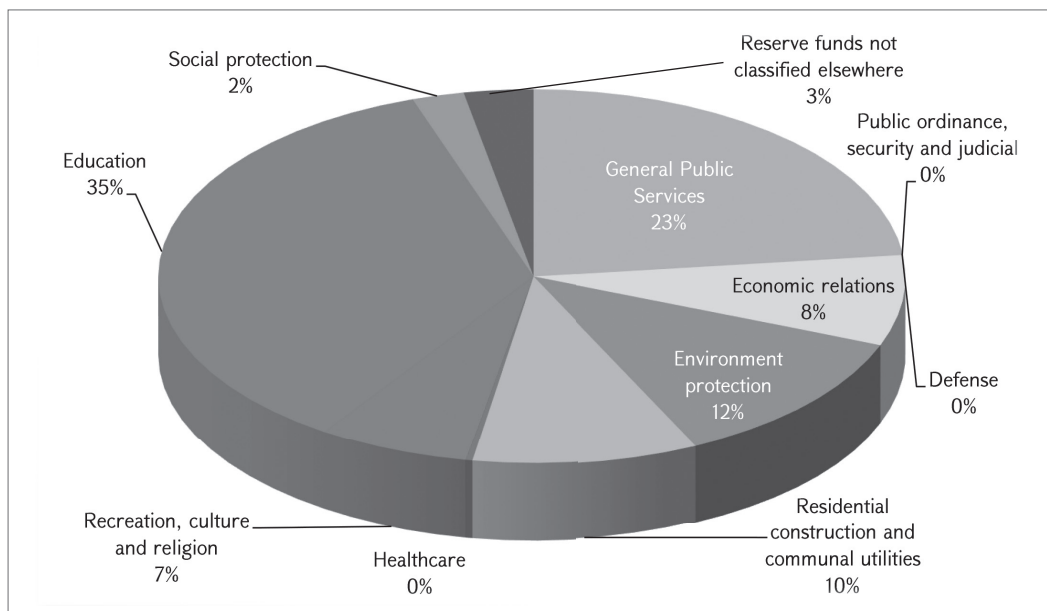
Table 19. Actual budget expenditures in 2020 of the RA municipalities (including and excluding Yerevan) and Yerevan municipality, by functional classification

Sr.N	Expenditures	2020					
		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, %
	Total expenditures*, including	138,352,658.8	100	64,300,825.6	100	74,051,833.2	100
	Administrative budget	125,025,281.3	90.4	66,461,441.8	103.4	58,563,839.5	79.1
	Fund budget	17,139,421.5	12.4	-2,160,616.2	-3.4	19,300,037.7	26.1
1	General public services	31,919,646.6	23.1	7,798,954.5	12.1	24,120,692.1	32.6
2	Defense	112,822.5	0.1	36,938.1	0.1	75,884.4	0.1
3	Public order, security and judicial	4,679.6	0.0	0.0	0.0	4,679.6	0.0
4	Economic relations, including	10,784,428.7	7.8	2,533,829.3	3.9	8,250,599.4	11.1
4.1	<i>Agriculture, forestry, fishery and hunting</i>	<i>2,026,616.1</i>	<i>1.5</i>	<i>130,542.8</i>	<i>0.2</i>	<i>1,896,073.3</i>	<i>2.6</i>
4.2	<i>Fuel and energy</i>	<i>961,584.6</i>	<i>0.7</i>	<i>143,551.4</i>	<i>0.2</i>	<i>818,033.2</i>	<i>1.1</i>
4.3	<i>Transport</i>	<i>26,289,568.7</i>	<i>19.0</i>	<i>12,062,674.0</i>	<i>18.8</i>	<i>14,226,894.7</i>	<i>19.2</i>
4.4	<i>Tourism</i>	<i>5,215.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>5,215.0</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	<i>Research and design works in economic relations</i>	<i>6,250.5</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>6,250.5</i>	<i>0.0</i>
4.7	<i>Economic relations (not classified elsewhere)</i>	<i>-18,564,226.0</i>	<i>-13.4</i>	<i>-9,802,938.9</i>	<i>-15.2</i>	<i>-8,761,287.1</i>	<i>-11.8</i>
5	Environment protection, including	16,470,981.0	11.9	9,642,556.8	15.0	6,828,424.2	9.2
5.1	<i>Waste disposal</i>	<i>12,190,582.1</i>	<i>8.8</i>	<i>6,055,897.2</i>	<i>9.4</i>	<i>6,134,684.9</i>	<i>8.3</i>
5.2	<i>Wastewater removal</i>	<i>303,556.1</i>	<i>0.2</i>	<i>130,491.2</i>	<i>0.2</i>	<i>173,064.9</i>	<i>0.2</i>
5.3	<i>Fight against environment pollution</i>	<i>97,138.4</i>	<i>0.1</i>	<i>38,683.0</i>	<i>0.1</i>	<i>58,455.4</i>	<i>0.1</i>
5.4	<i>Biodiversity and nature protection</i>	<i>38,082.7</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>38,082.7</i>	<i>0.0</i>

5.5	Research and design works in environment protection	3,094.5	0.0	0.0	0.0	3,094.5	0.0
5.6	Environment protection (not classified elsewhere)	3,838,527.2	2.8	3,417,485.4	5.3	421,041.8	0.6
6	Residential construction and communal utilities, including	13,484,294.9	9.7	4,894,701.0	7.6	8,589,593.9	11.6
6.1	Residential construction	900,086.9	0.7	30,074.0	0.0	870,012.9	1.2
6.2	Municipal development	261,755.9	0.2	0.0	0.0	261,755.9	0.4
6.3	Water supply	2,430,262.9	1.8	0.0	0.0	2,430,262.9	3.3
6.4	Street lighting	5,366,186.1	3.9	2,282,779.2	3.6	3,083,406.9	4.2
6.5	Research and design works in residential construction and communal utilities	14,410.1	0.0	3,900.0	0.0	10,510.1	0.0
6.6	Residential construction and communal utilities (not classified elsewhere)	4,511,593.0	3.3	2,577,947.8	4.0	1,933,645.2	2.6
7	Healthcare	390,772.6	0.3	300,070.5	0.5	90,702.1	0.1
8	Recreation, culture and religion	9,008,486.0	6.5	3,130,298.3	4.9	5,878,187.7	7.9
9	Education	48,939,241.7	35.4	30,577,808.8	47.6	18,361,432.9	24.8
9.1	Pre-school education	19,539,150.8	14.1	7,351,034.4	11.4	12,188,116.4	16.5
9.2	Elementary general education	7,355,128.3	5.3	7,209,870.0	11.2	145,258.3	0.2
9.3	Secondary general education	10,558,243.4	7.6	10,472,451.5	16.3	85,791.9	0.1
9.4	Extra-curricular training	9,579,127.8	6.9	3,932,772.7	6.1	5,646,355.1	7.6
9.5	Education (not classified elsewhere)	1,907,591.4	1.4	1,611,680.2	2.5	295,911.2	0.4
10	Social protection	3,101,535.4	2.2	1,344,439.4	2.1	1,757,096.0	2.4
11	Reserve funds not classified elsewhere *	4,135,769.9	3.0	4,041,228.8	6.3	94,541.1	0.1

**) Excluding transfers from reserve fund of the administrative budget to the fund budget; in the budgets of the RA municipalities (including Yerevan) 3,812,043.9 thousand AMD; in Yerevan municipal budget 0.0 thousand AMD; in the budgets of the RA municipalities (excluding Yerevan) 3,812,043.9 thousand AMD.*

Figure 5. Shares of 2020 actual budget expenditures of RA municipalities (including Yerevan) in total spending (by functional classification)



Shares of expenditures in **2020 Yerevan municipal budget** differ significantly from shares of expenditures in the budgets of RA municipalities by functional classification, though they have an impact on the latter.

More specifically, share of general public service expenditures in Yerevan municipal budget (12.1%) is about 1.9 times lower than the same indicator (23,1%) for all 2020 municipal budgets of Armenia (including Yerevan), and 2.7 times lower than the same indicator (32.6%) for all municipal budgets of Armenia (excluding Yerevan).

Shares of expenditures in environment protection and education sectors in total spending are significantly higher in 2020 Yerevan budget, equaling 15.0% (14.1% in 2019) and 47.6% (42,1% in 2019) respectively compared to all the RA municipal budgets (including Yerevan). This is mainly conditioned by expenditures in the field of waste disposal - 9.4% (11.1% in 2019), and by implementation of powers delegated by the state in the field of primary and secondary general education, with appropriate funding from the state budget of the Republic of Armenia.

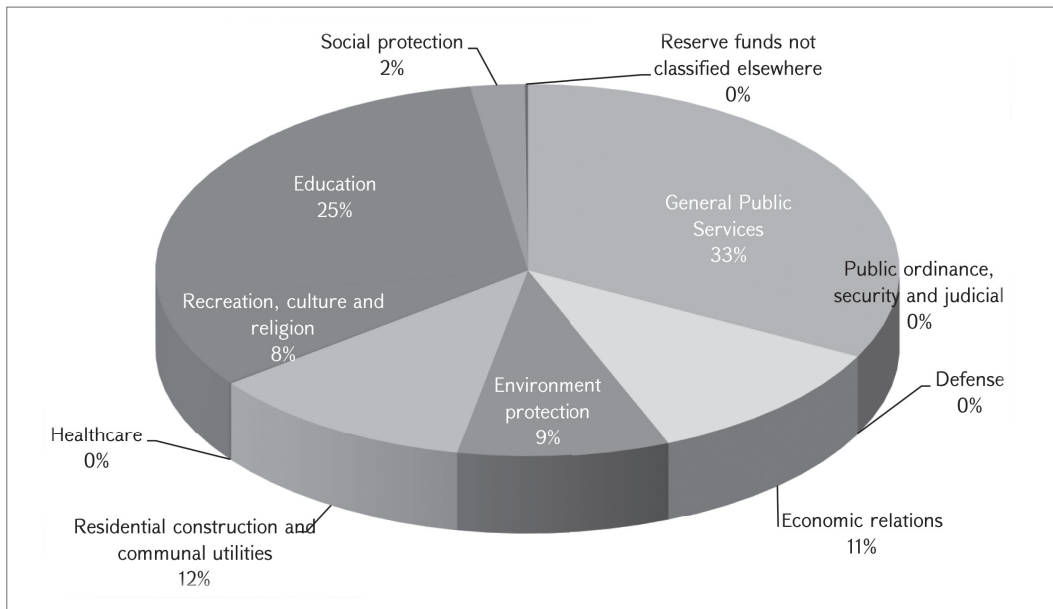
Shares of expenditures of the RA municipal budgets (excluding Yerevan) by functional classification (Figure 6) significantly differ from both the shares of the RA municipal (including Yerevan) and Yerevan budget expenditures in total spending 2020.

More specifically, share of general public service expenditures in 2020 municipal budgets of Armenia (excluding Yerevan), regardless of its decrease over the years, remains the highest -about 32,6% of total spending (33.4% in 2019).

The second highest share in total spending belongs to the education sector-24.8% (27.2% in 2019), including the pre-school education 16.5% (18.8% in 2019), extra-curricular training 7.6% (7.6% in 2019). Shares of expenditures in other social sectors incurred by municipal budgets of Armenia (excluding Yerevan) in 2020 did not undergo any change.

Whereas, the share of expenditures in economic-oriented public services increased significantly, equaling 11.1% (6.3% in 2019). This indicator decreased by 0.2% in the field of residential construction and communal utilities, equaling 11.6% (11.8% in 2019) and by 0.9% in the field public services in environmental protection, equaling 9.2 % (10.1% in 2019).

Figure 6. Shares of actual expenditures in the RA 2020 municipal budgets (excluding Yerevan) in total spending (by functional classification)



Another indicator of compliance of LSG powers and financial resources is the existence of “**non-funded or under-funded powers**”. There are a number of LSG powers prescribed by law (including in delivery of public services), which are not exercised at all or are exercised only partially in many RA municipalities. The powers in this category include delivery of public services of vital importance, such as tree 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 20).

Table 20. Actual budget expenditures of the RA municipalities (including and excluding Yerevan) and Yerevan municipality in 2020, by economic classification

Sr. N	Expenditures	2020					
		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, %
	TOTAL EXPENDITURES* (A+B+C)	138,352,658.8	100	64,300,825.6	100	74,051,833.2	100
A	CURRENT EXPENDITURES*	121,238,878.8	87.6	66,486,583.3	103.4	54,752,295.5	73.9
1	Remuneration, including	27,576,001.5	19.9	8,717,956.0	13.6	18,858,045.5	25.5
	<i>Salaries and bonus payments</i>	<i>25,875,441.0</i>	<i>18.7</i>	<i>7,886,298.8</i>	<i>12.3</i>	<i>17,989,142.2</i>	<i>24.3</i>
	<i>Rewards, bonus and special payments, other remunerations</i>	<i>1,700,560.6</i>	<i>1.2</i>	<i>831,657.1</i>	<i>1.3</i>	<i>868,903.5</i>	<i>1.2</i>
2	Acquisition of services and goods	19,426,438.0	14.0	9,649,905.3	15.0	9,776,532.7	13.2
3	Interest payments	64,050.3	0.0	0.0	0.0	64,050.3	0.1
4	Subsidies	58,235,234.9	42.1	40,108,710.6	62.4	18,126,524.3	24.5
5	Grants	6,484,893.9	4.7	564,515.9	0.9	5,920,378.0	8.0
6	Social benefits and pensions	2,341,676.2	1.7	721,932.0	1.1	1,619,744.2	2.2
7	Other expenditures*, including	7,110,584.0	5.1	6,723,563.5	10.5	387,020.5	0.5
	<i>Reserve funds*</i>	<i>4,135,769.9</i>	<i>3.0</i>	<i>4,041,228.8</i>	<i>6.3</i>	<i>94,541.1</i>	<i>0.1</i>
	<i>Transfers from reserve fund of administrative budgets to the fund budget of municipalities</i>	<i>3,812,043.9</i>	<i>2.8</i>	<i>0.0</i>	<i>0.0</i>	<i>3,812,043.9</i>	<i>5.1</i>
B	NON-FINANCIAL ASSET EXPENDITURES	37,178,887.6	26.9	9,117,810.3	14.2	28,061,077.3	37.9
1	Fixed assets	37,135,825.7	26.9	9,116,110.3	14.2	28,019,715.4	37.8
2	Inventories	12,437.9	0.0	1,700.0	0.0	10,737.9	0.0
3	High-value assets	0.0	0.0	0.0	0.0	0.0	0.0

4	Non-produced assets	30,624.0	0.0	0.0	0.0	30,624.0	0.1
C	INFLOWS FROM SALES OF NON-FINANCIAL ASSETS	-20,065,107.6	-14.5	-11,303,568.0	-17.6	-8,761,539.6	-11.8
1	Inflows from sales of fixed assets	-865,957.8	-0.6	-281,134.2	-0.4	-584,823.6	-0.8
2	Inflows from sales of inventories	0.0	0.0	0.0	0.0	0.0	0.0
3	Inflows from sales of high-value assets	-325.0	0.0	0.0	0.0	-325.0	0.0
4	Inflows from sales of non-produced assets	-19,198,824.8	-13.9	-11,022,433.8	-17.2	-8,176,391.0	-11.0

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

In total spending, the share of capital/non-financial assets in all municipalities of Armenia (including Yerevan) in 2020 was 23.5%, while it was 76.5 % for current expenditures.⁶⁶

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 can see that the share of capital expenditures was 9.6% in 2016, 9.4% in 2017. It started increasing since 2018 reaching 10.9 %, 17.9% in 2019 and in 2020, it increased even more drastically reaching 23.5 %.

In 2020 share of expenditures on capital/non-financial assets in Yerevan municipal budget in total spending was 12.1% and 87.9% for current expenditures.

Correlation of current and capital expenditures for 2016-220 Yerevan budget is different (see Figure 8). However, in the period between 2016 and 2020, the indicators of the share of capital expenditures in total spending are much lower than those in all municipal budgets of Armenia (including Yerevan).

In 2020, the share of capital/non-financial assets of all RA municipalities (excluding Yerevan) in total spending was 33.9%, while it was 66.1% for current expenditures.

⁶⁶ In order to have the actual sum of the total spending, the following steps should be taken in Table 20, A) add to the current expenditures B) to the expenditures on non-financial assets and do not add C) the inflows from the sales of non-financial assets.

Figure 7. Shares of current and capital expenditures of municipal budgets of Armenia (including Yerevan) in total spending for 2016-2020, %

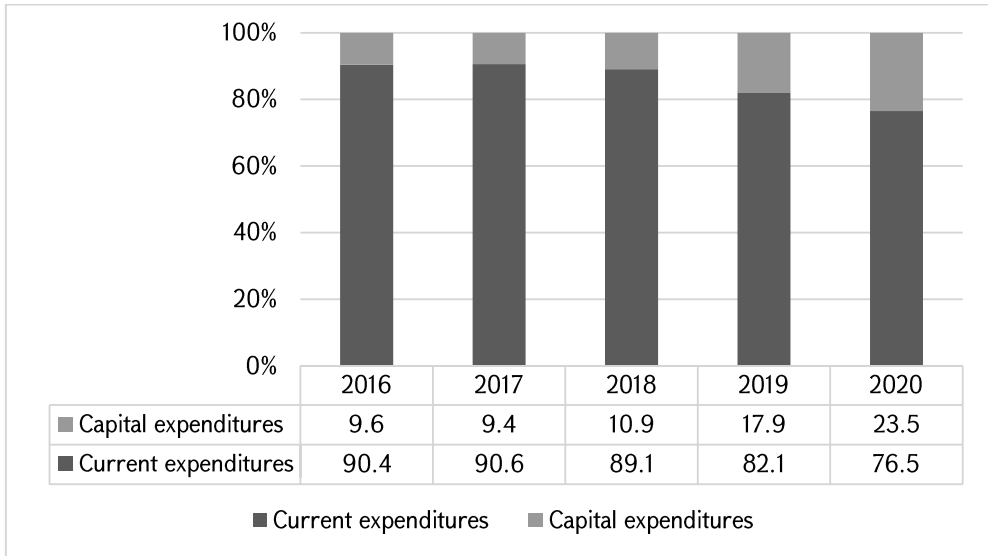
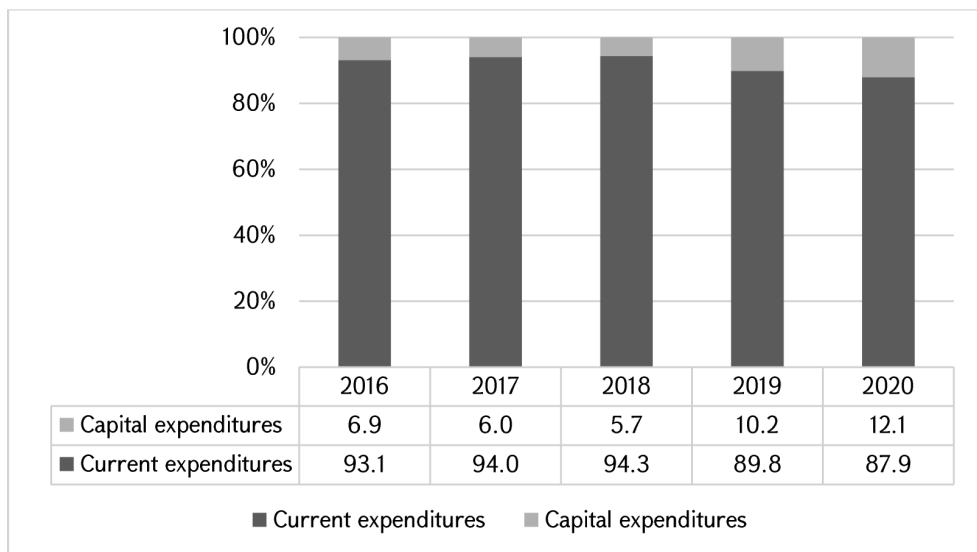


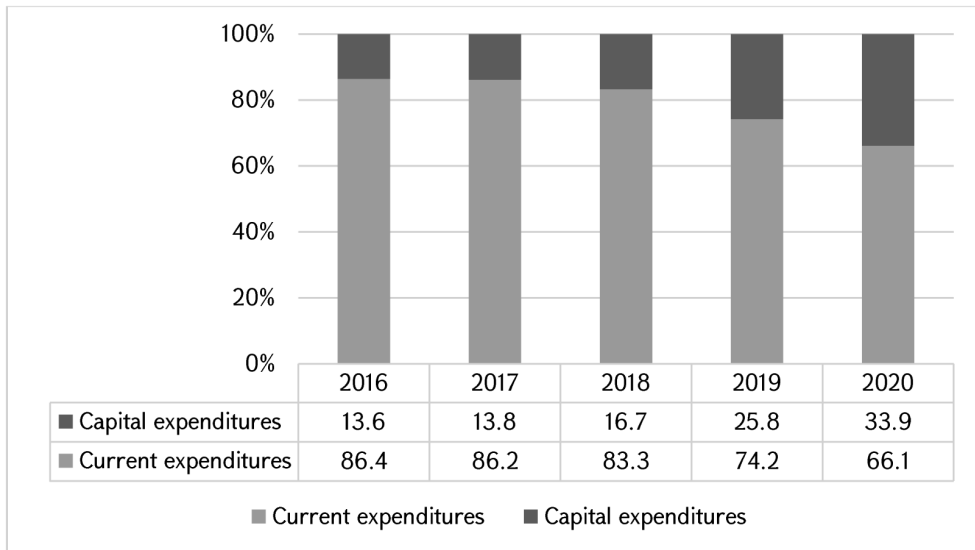
Figure 8. Shares of current and capital expenditures of Yerevan municipal budget in total spending for 2016-2020, %



Looking at the correlation of the shares of current and capital expenditures of Armenian municipalities (excluding Yerevan) in total spending over the last 5 years (see Figure 9), it becomes obvious that if the share of capital expenditures was 13.6

% in 2016, 13.8% in 2017, 16.7% in 2018, it made a leap in 2019 reaching 25.8% and it increased significantly in 2020 reaching 33.9%.

Figure 9. Shares of current and capital expenditures of municipal budgets of Armenia (excluding Yerevan) in total spending for 2016-2019, %



From the point of view of effective organization of LSG activities, one of the important financial indicators is the share of remuneration of municipal workers (salaries, bonuses, monetary incentives, special payments, other remunerations) in the total municipal budget spending. In 2020, the share of actual expenditures of remuneration of employees of all RA municipalities (including Yerevan), their subordinate budgetary and non-commercial organizations in total spending was 19.9% (Table 20). Compared to the previous year (18.8% in 2019) this indicator increased significantly in 2020.

In 2020 Yerevan municipal budget this indicator was 13.6% (Table 20), which as compared to 2019 (11.7%) and to the previous 2 years, again showed a negative growth trend.

In 2020, the share of actual expenditures of remuneration of employees of all RA municipalities (excluding Yerevan) and their subordinate budgetary and non-commercial organizations in total spending was 25.5% (Table 20). Comparing the 2020 indicator with the same indicator of 2019 (25.9%), a positive downward trend can be recorded.

It should be noted that the latest indicator for all municipalities in Armenia (excluding Yerevan) is about 1.9 times higher in 2020 (about 2.2 times higher in 2019) than the same indicator in 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 powers is reserved to the Ministry of Territorial Administration and Infrastructures. Legal and professional supervision over the implementation of the state-delegated powers 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 powers 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 LSG bodies and municipal staff

The activities of local self-government bodies are aimed at solving a wide range of municipal problems, the success of which is largely conditioned by the formation of an optimal structure of municipal staffs and the potential of human resources. Effective implementation of legislative provisions relating to local self-government is possible only in case of presence of employees with appropriate professional qualification and capacities of municipal staff. In this context, importance is attached to both 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 head of the municipality, 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 involvement in civic relations.⁶⁷

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

In 2020 the share of municipal service posts in the staffs of the municipalities of the Republic of Armenia continued to be predominant, making about half of the total number of posts of the municipal administrations (11111.5) - 5451 (Table 21).

According to the current legislation, there are no educational or professional restrictions for nominating candidates for local self-government bodies, and the same person can be nominated and elected an unlimited number of times.

⁶⁷ Article 33, the RA Law on Local Self-Government

*Table 21. Number of posts included in the staff lists of Yerevan municipality and all RA municipalities as of December 31, 2020*⁶⁸

Sr. N	Yerevan and RA marzes	Number of political and discretionary posts		Number of municipal servants		Number of people conducting technical services		Number of people employed by civil-legal contract		Total	
		Approved	Actual	Approved	Actual	Approved	Actual	Approved	Actual	Approved	Actual
1.	Aragatsotn	203	170	398	342	341	319	81	81	1023	913
2.	Ararat	188	182	548	514	377	356	225	233	1338	1285
3.	Armavir	217	214	632	541	370	324	750	732	1969	1811
4.	Gegharkunik	236	220	420	349	295	286	43	46	863	802
5.	Lori	193	184	583	521	262	250	42	41	1080	995
6.	Kotayk	165	142	488	443	257	236	57	57	967	878
7.	Shirak	182	175	505	438	259	232	56	56	1002	901
8.	Syunik	142	122	307	292	165	158	2	2	616	574
9.	Vayots Dzor	65	62	143	138	125.5	122	10	10	343.5	332
10.	Tavush	122	113	281	246	171	162	45	44	619	565
	Total	1713	1584	4305	3824	2622.5	2445	1311	1302	9820.5	9056
11.	Yerevan	61	52	1687	1627	386.5	375.5	0	0	2135.5	2055.5
	TOTAL	1774	1636	5992	5451	3009	2820.5	1311	1302	11956	11111.5

Nevertheless, most mayors of municipalities in Armenia have a higher education. Thus, as of the end of 2020, 354 or about 71% of the heads of 502 municipalities of the Republic of Armenia had higher education, 96 had secondary vocational education, 50 had secondary education, and only 2 had primary education (Table 22).

⁶⁸ Brief reference on the number of posts included in the staff lists of Yerevan municipality and all RA municipalities, provided by the RA MTAI and Yerevan municipality

Table 22. Indicators on education level of mayors in Yerevan and marzes as of December 31, 2020⁶⁹

Sr.N	Yerevan and RA marzes	Number of municipalities	Education of municipality mayors			
			Higher education	Secondary vocational*	Secondary	Basic
1.	Yerevan	1	1	-	-	-
2.	Aragatsotn	72	44	17	11	0
3.	Ararat	95	71	14	10	0
4.	Armavir	97	59	22	16	0
5.	Gegharkunik	57	42	14	1	0
6.	Lori	56	37	14	5	0
7.	Kotayk	42	34	6	2	0
8.	Shirak	42	29	7	5	1
9.	Syunik	8	8	0	0	0
10.	Vayots Dzor	8	7	1	0	0
11.	Tavush	24	22	1	0	1
	Total	502	354	96	50	2

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

At the beginning of the year, the contradiction between the provisions of the two existing laws, the Law on Public Service and the Law on Local Self-Government, was eliminated which was connected with the definition of the nature of the post of the administrative head of a multi-settlement municipality.⁷⁰ On January 21, 2020, with the adoption of the RA Law on Making Amendments and Addenda to the RA Law on Local Self-Government, it was established that “the post of the administrative head of the settlement is an administrative post of the municipality.”

According to the RA Law on Making Amendments and Addenda to the RA Law on Public Service adopted on January 21, 2020 the required work experience and age of persons holding the position of advisor was lowered (at least three years and 25 years old).

⁶⁹ According to brief reference provided by the RA Ministry of Territorial Administration and Infrastructure

⁷⁰ Before the adoption of the RA Law on Making Amendments to the RA Law on Local Self-Government on January 21, 2021, according to the RA Law on Local Self-Government, the post of the administrative head of a multi-settlement municipality was considered a discretionary post and at the same time, the latter was included in the list of administrative posts of the municipality by the RA Law on Public Service.

Gender Distribution among LSG Bodies and Municipal Staff

Tendency of gender inequality and low representation of women in LSGs persisted in 2020. In the reported year only 9 out of 501 municipalities (excluding Yerevan) had female mayors. Out of 390 deputy heads of municipalities, only 30 or about 8% of were women. As in the previous year, the vast majority of avagani members, about 90%, were male. In contrast, the gender distribution of municipality secretaries (233 women and 208 men) and municipal servants remains relatively proportional from year to year. As of the end of 2020, more than half of municipal servants, about 59%, were women, which is about 8% more than the previous year (at the end of 2019, the same indicator was about 51%).

Table 23. Gender distribution among local self-government bodies and municipal staffs as of December 31, 2020 (F-female, M-male)⁷¹

Sr.N	Marz	Mayors		Deputy mayors		Members of avaganis		Secretaries of staffs		Municipal servants	
		F	M	F	M	F	M	F	M	F	M
1.	Aragatsotn	0	72	6	43	32	379	27	33	177	165
2.	Ararat	1	94	1	65	95	592	63	26	332	216
3.	Armavir	3	94	5	71	88	613	40	41	330	211
4.	Gegharkunik	1	56	2	40	11	392	7	43	114	234
5.	Lori	2	54	8	27	58	293	30	12	310	169
6.	Kotayk	1	41	4	30	27	279	23	17	302	141
7.	Shirak	1	41	2	38	16	290	20	20	223	175
8.	Syunik	0	8	1	11	6	82	4	4	201	91
9.	Vayots Dzor	0	8	0	12	5	70	4	4	75	63
10.	Tavush	0	24	1	23	26	166	15	8	153	93
	Total	9	492	30	360	364	3156	233	208	2217	1558

The data in Table 23 shows that as of the end of 2020, the post of mayor was occupied in 390 out of 501 municipalities of the Republic of Armenia (excluding Yerevan municipality), and the post of secretary of staff was occupied in 441 municipalities. The situation was almost the same in previous years for various reasons. In particular, in many municipalities with a small population, due to scarce budgetary sources, the post of deputy mayor was not initially envisaged, and it was sometimes impossible to find a qualified specialist in compliance with the RA legislation in order to fill the post of secretary of staff.

In terms of gender distribution, changes occurred in the municipality of Yerevan and in the administrative districts. On December 22, 2020, one female deputy head of the administrative district was appointed. Compared to the previous year, the number of female employees in the staff of the municipality (including the staff

⁷¹ According to brief reference provided by the RA Ministry of Territorial Administration and Infrastructure

of the administrative districts) increased by 69, and the number of male employees decreased by 17 (Table 24). Thus, as of the end of 2020, more than half of the staff of Yerevan municipality, about 54.5% were women. The gender structure of avagani members of Yerevan municipality remained the same, with the number of men exceeding the number of women almost twice.

Table 24. Gender distribution among local self-government bodies and staffs of Yerevan municipality and administrative districts as of December 31, 2019 and 2020⁷²

Post	2019		2020	
	F	M	F	M
Mayor	-	1	-	1
Deputy mayor	0	4	1	3
Secretary of Yerevan municipal staff (including secretaries of administrative districts)	0	13	0	13
Staff members of Yerevan municipality	1022	927	1091	910
Heads of administrative districts	0	12	0	12
Deputy heads of administrative districts	1	23	1	19
Total	1023	980	1093	958
Members of avagani	21	44	21	44

Development of municipal management information systems (MMIS)

MMIS gives an opportunity to provide citizens with almost all the services electronically through the administrative heads of settlements (receipt of applications, provision of references, registration for reception by the mayor and avagani, collection of property taxes and rent payments, sending notifications, references, etc.). In 2020 MMIS was not introduced in any new municipality. As of the end of the year MMIS was available in 399 out of 502 municipalities, and its revised version was operating in all 52 amalgamated multi-settlement municipalities.

In 2020 citizen service offices (CSO) were opened in 6 amalgamated multi-settlement municipalities (Alagyaz, Shoghakat, Shnogh, Sarchapet, Byureghavan, Mar-mashen). Through CSOs, municipalities have the opportunity to provide information and services to citizens in a centralized manner based on “one stop, one window” principle, increasing the efficiency of their activities and facilitating administrative processes. As of the end of 2020, the total number of CSOs in the municipalities of the Republic of Armenia was 53, 44 of them located in amalgamated multi-settlement municipalities.⁷³

⁷² According to brief reference provided by the Yerevan municipality.

⁷³ According to the brief reference provided by the ISDTC

6.2. Municipal Service

Legislative bases for RA municipal service

The legislative bases of municipal service in the Republic of Armenia were introduced in 2005. At the beginning of the year, with the adoption of the RA Law on Municipal Service, which was one of the most important steps aimed at improving the staffing capacity of the municipal staff and the continuous development of their capacities.

The Law of the Republic of Armenia on Public Service adopted on March 23, 2018 defines municipal service as a professional activity, which is aimed at exercising the powers vested in local self-government bodies by the laws of the Republic of Armenia and by the relevant decisions of avagani⁷⁴. The RA Law on Municipal Service provides a detailed description about the classification of municipal service posts and class ranks, filling of the municipal service posts, attestation and training of municipal servants, as well as the concerned relations.

The RA Law on Making Amendments to the RA Law on Municipal Service adopted on January 21, 2021, defines that persons holding political, discretionary and administrative posts in the municipality are not considered municipal servants.

According to the unified register of data on municipal servants, as of December 31, 2020, the total number of approved municipal service posts was 5992, of which 5451 or 91% were actually occupied (Table 25).

Table 25. Number of municipal service posts as of December 31, 2020⁷⁵

Sr. N	Yerevan and marzes	Number of approved posts (AP)	Number of occupied posts (OP)	OP/AP, %
1.	Yerevan	1687	1627	96.4
2.	Aragatsotn	398	342	85.9
3.	Ararat	548	514	93.8
4.	Armavir	632	541	85.6
5.	Gegharkunik	420	349	83.1
6.	Lori	583	521	89.4
7.	Kotayk	488	443	90.8
8.	Shirak	505	438	86.7
9.	Syunik	307	292	95.1
10.	Vayots Dzor	143	138	96.5
11.	Tavush	281	246	87.5
	Total	5992	5451	91.0

According to the current legislation, attestation is held for municipal servants once every three years. In 2020, only 467 municipal servants were attested (Table 26).

⁷⁴ The RA Law on Public Service

⁷⁵ Brief reference on the number of posts and employees included in the staff lists of Yerevan municipalities and RA municipalities provide by MTAI and Yerevan municipality.

In 2020, 438 competitions were announced by local government bodies for filling the respective vacant positions, of which 248 or about 57% took place (Table 26).

Vacancies in the municipal service are filled on a competitive basis, which is based on the idea of hiring more qualified and skilled staff. However, the selected mechanism works more or less effectively only in municipalities with large population, and the competitions organized in municipalities with small population are of a formal nature. The existing staff reserve in the municipal service system, which is aimed at filling temporary vacancies do not yet fully serve its purpose. The issue of filling the municipal staffs with persons with the required educational and professional skills still remains problematic.

Table 26. Number of attested municipal servants, as well as announced and held competitions for vacant posts, as of December 31, 2020⁷⁶

Sr. N	Yerevan and RA marzes	Number of attested municipal servants	Number of competitions	
			Announced	Held
1.	Yerevan	200	14	14
2.	Aragatsotn	65	30	13
3.	Ararat	8	18	9
4.	Armavir	74	59	34
5.	Gegharkunik	87	37	24
6.	Lori	0	139	46
7.	Kotayk	26	48	33
8.	Shirak	0	27	26
9.	Syunik	3	44	30
10.	Vayots Dzor	3	12	10
11.	Tavush	1	10	9
	Total	467	438	248

Ratio of Municipal Servants to Population

In order to get a clearer picture of the number of municipal servants, in addition to its absolute size, it is necessary to find out its relative size in terms of comparison with the population. Table 27 shows the share of approved and occupied municipal service posts in the total number of population by the capital and individual marzes. According to the information provided, in 2020 the “absolute leaders” by the relative size of the actual number of municipal servants were Vayots Dzor and Aragatsotn marzes by 0.29% and 0.27% indicators respectively, exceeding the same indicator of Yerevan (0.15%) almost twice. Moreover, this indicator has not changed significantly compared to the previous year.

The relative index gives a clearer picture of the distribution of the total number of people employed in the field of local self-government in the respective marzes of

⁷⁶ According to brief reference of RA Ministry of Territorial Administration and Infrastructure

the Republic of Armenia. In particular, it becomes clear that the fact that the staff is exaggerated and there are redundancies in positions still a problem. In this context, the organization of staff optimization measures at the local level is one of the priority tasks of human resource management.

Table 27. Share of approved and occupied posts of municipal staff and municipal service in the number of population of Yerevan and marzes, as of December 31, 2020

Sr. N	Yerevan and RA marzes	Number of population thousand people ⁷⁷ (NP)	Municipal service				Municipal staff			
			Approved posts (AP)	AP/NP %	Occupied posts (OP)	OP/NP%	Approved posts (AP)	AP/NP %	Occupied posts (OP)	OP/NP %
1.	Yerevan	1091.7	1687	0.15	1627	0.15	2135.5	0.20	2055.5	0.19
2.	Aragatsotn	124.5	398	0.32	342	0.27	1023	0.82	913	0.73
3.	Ararat	256.6	548	0.21	514	0.20	1338	0.52	1285	0.50
4.	Armavir	264.0	632	0.24	541	0.20	1969	0.75	1811	0.69
5.	Gegharkunik	227.3	420	0.18	349	0.15	863	0.38	802	0.35
6.	Lori	212.6	583	0.27	521	0.25	1080	0.51	995	0.47
7.	Kotayk	251.2	488	0.19	443	0.18	967	0.38	878	0.35
8.	Shirak	231.0	505	0.22	438	0.19	1002	0.43	901	0.39
9.	Syunik	135.8	307	0.23	292	0.22	616	0.45	574	0.42
10.	Vayots Dzor	48.1	143	0.30	138	0.29	343.5	0.71	332	0.69
11.	Tavush	120.5	281	0.23	246	0.20	619	0.51	565	0.47
	Total	2963.3	5992	0.20	5451	0.18	11956	0.40	11111.5	0.37

6.3. Training of municipal servants

Assessment of training system for municipal servants

The training of municipal servants is the consistent improvement of their professional knowledge and skills. According to the RA Law on Municipal Service, every municipal servant is subject to mandatory training at least once every three years. Training may also be provided on the initiative of a municipal servant or head of the municipality 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.⁷⁸

The procedure and programs of training of municipal servants that include issues related to municipal service, LSG powers, and management skills are approved by the state authorized body in the field of local government, represented by the RA MTAI.

⁷⁷ RA National Statistics Service, number of the permanent population of the Republic of Armenia as of January 1, 2021, p.7.

⁷⁸ Article 20, the RA Law on Municipal Service

Trainings of municipal servants are carried out by the organizations selected on a competitive basis in the manner prescribed by law. In 2020, the training for municipal servants was held by “Master Style” training center. Due to the restrictions caused by the COVID-19 pandemic, the training courses were organized online.

In the reporting year, a total of 620 municipal servants were trained, including 454 or about 73% from the staff of Yerevan municipality and administrative districts. It should be noted that compared to the previous year, the number of municipal servants trained in the RA marzes decreased by about 5 times in the reporting year (Table 28). The main reasons for the decline were the coronavirus disease that spread in the country at the beginning of the year, the resulting restrictions, the war unleashed by Azerbaijan against the Republic of Artsakh on September 27, 2020 and the introduced martial law in the country.

In spite of the fact that a lot has been done for the establishment and improvement of the training institute since the introduction of municipal service system, the current training system for municipal servants faces a number of 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. 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 carry out self-assessment before training in order to be able to present the required scope of knowledge and skills, as well as understand 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.

Table 28. Number of trained municipal servants, 2013-2020 ⁷⁹

Sr. N	Marz	2013	2014	2015	2016	2017	2018	2019	2020
1.	Aragatsotn	51	155	160	39	0	9	100	154
2.	Ararat	100	252	81	60	41	0	120	9
3.	Armavir	164	256	89	120	24	0	140	0
4.	Gegharkunik	162	240	67	40	25	11	100	0
5.	Lori	113	282	118	80	60	24	99	3
6.	Kotayk	121	222	98	20	65	24	79	0
7.	Shirak	124	218	60	60	63	16	80	0
8.	Syunik	41	137	98	19	0	25	3	0
9.	Vayots Dzor	27	103	21	20	0	14	17	0
10.	Tavush	64	136	71	37	0	25	40	0
	Total	967	2001	863	495	278	148	778	166
11.	Yerevan	423	388	405	198	561	309	286	454
	TOTAL	1390	2389	1268	693	839	457	1064	620

⁷⁹ According to brief reference provided by the RA Ministry of Territorial Administration and Infrastructure

The issue of relevance of the content of teaching materials continues to be problematic. During recent years, these materials underwent minor changes. Sometimes the same municipal servant attends a course with the same educational program in different years. However, the process of development and reforms of the field of local-governance 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 required knowledge and skills.

Nevertheless, no matter how perfect the training programs and the selected teaching methods are, 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.

6.4. International Assistance

In 2020 programs implemented by international organizations operating in Armenia, which are aimed at supporting the ongoing reforms of the RA local government system, continued. Because of the COVID-19 pandemic, some of the programs were transferred online, and a number of programs incorporated new activities to prevent the spread of epidemic at local level and neutralize its negative consequences. Let's take a look at some of the programs launched with international support during the reporting year.

In April 2020 the four-year program **“Good Governance for Local Development in the South Caucasus”** implemented by the **German Agency for International Cooperation-GIZ** was launched. It is implemented in cooperation 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 (SDC) in Armenia. Being a logical continuation of the “Good Local Governance in the South Caucasus” program, the new program is aimed at capacity building at the local level in the countries of the South Caucasus - Armenia, Georgia and Azerbaijan.

The project envisages implementation of a number of measures aimed at improving the local government system, in particular, improving the legislative framework regulating the system, increasing the institutional capacity of municipalities to provide citizen-oriented municipal services at the local level, promoting citizen participation, implementing activities aimed at economic development of municipalities, strengthening the capacity of municipalities, as well as promoting women's engagement in the local government system.⁸⁰ In June, an online workshop entitled “Response of Armenian Municipalities to Coronavirus Pandemic” was organized within the framework of the program, during which representatives of more than 50 municipalities of Armenia discussed the problems and challenges caused by the pandemic, ways and opportunities to overcome them. The online workshop touched

⁸⁰ <https://www.giz.de/en/worldwide/20315.html>

upon the package of legislative changes on the procedure of local government elections, as well as the amendments made in the RA Land Code, various comments were presented, clarifications were given to the issues raised.⁸¹ Consultations were organized with the representatives of a number of amalgamated municipalities. A number of issues related to administrative-territorial reform, local economic development, training system, budgeting, municipal service delivery, e-government, five-year development and annual work plans were discussed during the consultations:⁸²

The project **“Future Skills and Jobs for Armenian Rural Youth”** continued during the reporting year, which is funded by the Government of the Russian Federation and is implemented by the UN Development Program jointly with the RA MTAI. The project covers 4 marzes of the Republic of Armenia: Lori, Shirak, Tavush, Gegharkunik. The overarching goal of the project is to build aspiration towards positive future and expanded economic opportunities for Armenian youth. In 2020, the financial means invested by the donor within the framework of the program were about 247 thousand USD.⁸³

The **“Enhancing Human Security in Communities of Armenia”** project (launched in 2018) funded by **the UN Trust fund for Human Security** aims to support the implementation of the UN Sustainable Development Goals in target municipalities of Alaverdi, Amasia, Berd and Tumanyan. The project is aimed at reducing poverty, achieving economic growth and community resilience, as well as promoting understanding of human security in terms of the risks and insecurities faced by individuals and groups at grass roots level. The cost of the three-year program is 2 million USD.

In 2020 the second phase of the **“Women and Youth for Innovative Local Development”** project continued. The latter is implemented by UNDP in cooperation with the RA MTAI and funded by Swiss Agency for Development and Cooperation. The project is aimed at piloting three innovative municipal services, which will be co-designed and monitored by citizens, including vulnerable/marginalized groups.

In 2020 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”** program (2012-2018). It funds 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. Within the framework of the mentioned project, a series of forums titled **“Women’s participation in local governance - a guarantee for local development”** were held in the marzes of Armenia, where issues related to women’s representation at the local level were discussed.⁸⁴

During the reporting year, the project **“Together”** was launched within the framework of **“Sustainable Communities”** program implemented by the UN De-

⁸¹ <http://www.mtad.am/hy/news/item/2020/06/12/mtad12.06/>

⁸² <http://www.mtad.am/hy/news/item/2020/03/12/mtad12.03/>

⁸³ <https://www.am.undp.org/>

⁸⁴ <http://mtad.am/hy/news/item/2020/02/18/mtad18.02/>

velopment Program and funded by the Russian Federation. The project provides a measure of support to 34 small border municipalities of Gegharkunik and Vayots Dzor marzes, where “State support for the construction, reconstruction and technological support for small and medium “smart” livestock buildings” project is implemented.⁸⁵

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 project “Support to Alternative Preschool Inclusive Services in Alaverdi and Amasia Consolidated Communities” (launched in 2018), funded by the United Nations Children’s Fund (UNICEF) is currently being implemented. It aims to improve the level of pre-school education by creating alternative pre-school inclusive services in the above municipalities.⁸⁶ The project is based on the model of “small kindergartens”, which is the best alternative for small settlements, where the number of children is small, and the municipal budget is not enough for operation and maintenance of traditional kindergartens in such settlements.

World Vision International Charitable Organization provides continuous support to various Armenian municipalities for the purpose of strengthening local capacities and developing social infrastructures. From the very first days of the Artsakh war unleashed by Azerbaijan, the organization reorganized its programs in a way to provide assistance to the families displaced from Artsakh. 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) continued during 2020. The project supports the establishment of the role of a municipality social worker in the LG system and contributes to identification of social issues of the municipality and the development of capacity to address them. As of the end of the year, there were social workers in 86 municipalities of the Republic of Armenia, more than 29,000 members of 6581 most vulnerable families received advice and support from a municipal worker, a package of documents regulating the field was developed, which includes description of municipal worker’s obligations, methodology, professional dictionary, a handbook for trainers, a guide on role of social workers in a pandemic.⁸⁷

The five-year program “Local Government Reforms” implemented by MTAI continued, which was extended until 2022. Within the framework of the project, investment programs aimed at technical re-equipment were implemented in multi-settle-

⁸⁵ <http://www.mtad.am/hy/news/item/2020/08/20/mtad20.08.1/>

⁸⁶ <https://www.unicef.org/armenia/>

⁸⁷ <https://www.wvi.org/armenia/access-social-services-class>

ment municipalities of the Republic of Armenia with the grant funds of USAID and **SDC**. Within the framework of the program, in order to improve, expand, design, select and implement public services in multi-settlement municipalities of the Republic of Armenia in total of 222.8 million AMD was invested. The money was used to purchase 5 solar photovoltaic power plants, 22 units of equipment and 200 garbage bins for the municipalities.⁸⁸

In 2020 the Armenian Territorial Development Fund continued the implementation of the “**Social Investment and Territorial Development Program**” with the support of the World Bank. The total cost of the project is 42.0 million USD. The three main components of the project are aimed at supporting the capacity and socio-economic development at local level, supporting inter-municipal socio-economic development initiatives stemming from 2016-2025 objectives of the regional development strategy, institutional strengthening and operational costs financing, including salaries, health insurance, office equipment, training, financial audit, monitoring and evaluation, etc. During the reporting period, 114 units of agricultural equipment of communal significance were provided to 21 multi-settlement municipalities, 1120 garbage bins were provided for the proper organization of garbage collection service in 8 municipalities, with a total cost of 2.05 billion AMD.

The **Seismic Safety Improvement** program has been underway implemented by the ATDF in coordination with the RA MTAI, on the basis of a loan agreement signed between the ADB and the Government of the Republic of Armenia. The total budget of the program is 107 million USD, of which 88.5 million USD is loan proceeds and the rest is co-financed from the RA state budget. The program envisages strengthening and repairing 46 most dangerous secondary schools in Armenia in order to ensure safe educational conditions. As of the end of 2020 the construction works were fully completed in 6 schools (schools N 153 and N 135 in Yerevan, school N 7 in Vanadzor, school N 2 in Nor Kharberd, school N 2 in Gavar, school N 7 in Kapan).⁸⁹

During 2020 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.

The European Union (EU) continues to implement 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 were expected to end in 2020.

Within the framework of the EU-funded **Covenant of Mayors East** program, a workshop titled “Promoting the Covenant of Mayors in the EaP countries” was held in February 2020, during which the representatives of the participating countries, emphasizing the need for effective public awareness of the program, exchanged

⁸⁸ 2020 Report on RA budget execution, p. 358, www.minfin.am

⁸⁹ 2020 Report on the activities of ATDF, p. 5

their experience in the field.⁹⁰ The project aims to build the capacity of the Covenant member municipalities, raise public awareness, develop, implement and monitor municipal development programs, and increase donor engagement. As of the end of the year, 24 municipalities of the Republic of Armenia joined the mentioned covenant. The national coordinator of the program is the RA MTAI.

Citizens' Voice and Actions in Consolidated Communities of Armenia

EU-funded program, which was officially launched at the beginning of 2019 continued through 2020. 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.⁹¹ Within the framework of the program, “Debed Canyon” project with a total cost of 120 thousand EUR was implemented at the regional level, aimed at the development of adventure tourism in Lori marz. The top seven projects received funding of 9-12 thousand EUR at inter-municipal level and 37 projects were financed at the local level, each up to 3 thousand EUR.

The aim of the two-year program “EU for Shirak Region. New Jobs Thanks to Wool Production” implemented by “People in Need” NGO in cooperation with the Government of the Republic of Armenia and co-financed by the EU is to promote employment and economic competitiveness in Shirak marz, both for individuals and small and medium enterprises (SMEs). In 2020, two new companies were established through the grants provided within the framework of the program. The latter, using pure natural wool processed at a wool factory based in Amasia municipality, will produce bedding, providing 9 new jobs.⁹²

In 2020 in order to mitigate the socio-economic consequences of the pandemic, the EU announced about its intention to provide an aid package of 98.5 million EUR to Armenia, of which 68.5 million EUR in the form of budget support (about 60 million was transferred to the RA state budget in 2020), 27 million EUR through European institutions for development of small and medium businesses. In addition, the EU provided 3 million EUR to the World Health Organization to purchase medical equipment for Armenia. 30 million euro budget support agreement was signed with the EU for the implementation of judicial reforms in Armenia, of which 9 million EUR was transferred to the RA state budget.⁹³

Democratic Development, Decentralization and Good Governance in Armenia project funded by the Austrian Development Agency continued to be implemented by the Council of Europe. The project is included in the CoE –Armenia action plan for 2019-2020. With a total budget of around 1.5 million EUR, the project is aimed at strengthening democracy in Armenia by promoting an effective, account-

⁹⁰ <http://www.mtad.am/hy/news/item/2020/03/02/mtad02.03.2/>

⁹¹ https://eeas.europa.eu/delegations/armenia/57765/citizens-voice-and-actions-local-development-consolidated-communities-armenia_en

⁹² <https://armenia.peopleinneed.global/hy/eu-supported-companies-in-shirak-6867gp>

⁹³ Report on RA Government program implementation process and results, p. 21 www.gov.am

able, and transparent local government system. It assists in drafting legislative proposals to decentralize powers, at the same time improving the capacity of amalgamated municipalities to develop institutional structures, improve the quality of service provided at the local level, and promote citizen participation in decision-making.⁹⁴ During the reporting year, small grants were provided to 20 multi-settlement municipalities of the Republic of Armenia, aimed at developing their capacity and ensuring transparency of decision-making at the local level. Within the framework of the grant projects, municipal infrastructures will be renovated and improved in the above municipalities, inter-municipal cooperation projects will be implemented, and online broadcasts of avagani sessions will be provided.⁹⁵

With the support of the Asian Development Bank (ADB), the EBRD and the German Development Bank, the implementation of programs in the field of improving the management of solid household waste in Armenia continued in 2020. Based on the agreement signed between RA Ministry of Finance and “EBRD” in 2016 “Solid household waste management program in Kotayk-Gegharkunik marzes” was implemented, within the framework of which it is planned to build a sanitary landfill in Hrazdan municipality in compliance with the EU standards, to introduce effective garbage collection systems in the whole territory of Armenia. It is also planned to build 2 landfill sites in Akunk municipality of Kotayk marz and Martuni municipality of Gegharkunik marz, purchase garbage trucks, containers (boxes), specialized equipment for landfill operation, etc. The total cost of the program is 11 million EUR, of which 5.5 million EUR are the bank’s loan proceeds. During the RA Government session of September 17, 2020 a decision was made to allow “Tunnel Sad Ariana” CJSC registered in Iran to carry out the construction works envisaged within the framework of the mentioned program.⁹⁶

The second phase of the **Gyumri Urban Roads** project, funded by the EBRD loan and grant funds was launched in 2020. The project is aimed at improving and introducing the necessary infrastructure in Gyumri municipality. The capital repair works of a number of streets and sidewalks in Gyumri continued during the year. The total budget of the project is 23,8 million EUR, of which 14,6 EUR are the EBRD loan proceeds.

In 2020, the **School of Local Democracy (SLD)** implemented within the **Civic Engagement in Local Governance-CELoG** five-year program funded by the USAID continued. 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 have the necessary knowledge and skills in the field of local government and related fields, and will play a pivotal role in implementing reforms in the RA public administration system.⁹⁷ SLD also has an online platform that helps disseminate and publicize the ideas and materials the school,

⁹⁴ <https://www.coe.int/en/web/yerevan/democratic-development-decentralisation-and-good-governance-in-armenia>

⁹⁵ <http://www.mtad.am/hy/news/item/2020/02/20/mtad20.02/>

⁹⁶ <http://kotayk.mtad.am/news/item/2020/09/17/axbavayr/>

⁹⁷ <http://celog.am/hy/2/reg>

giving anyone interested the opportunity to participate in education processes on local governance and local democracy, and implement collective and individual grant projects. Because of COVID-19 pandemic in the country and worldwide SLD operated online all year round. As of the end of the year, a total of 530 young people from all marzes of the Republic of Armenia had the opportunity to participate in trainings and implement 120 grant project aimed at strengthening local democracy in their municipalities. Given the situation in the country, during the year a special attention was paid to grant projects aimed at increasing the efficiency of local governance in the time of pandemic, projects aimed at integrating those who have temporarily or permanently settled in the municipality as well ensuring social solidarity and cultural diversity in the municipality.

Evaluation of coherence of activities 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 through international funding. 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. Some projects do not reach the targets set in advance due to the obstacles emerging during and after their implementation, such as the skepticism of local authorities, lack of interest, fear, and resistance to changes and innovations. Sometimes there are shortcomings regarding the selection of target municipalities to be included in a project. Sometimes large municipalities with a relatively stable economy are included in several large-scale projects, whereas small, less developed municipalities do not have the opportunity to participate in a project due to lack of information, poor capacities and insufficient level of professional abilities of local authorities.

7. DELIVERY OF PUBLIC SERVICES

7.1. Public services delivered by municipalities

In 2020, a number of changes were made in the field of municipal service delivery, which are detailed in the following paragraphs according to respective sectors.

Urban development (landscape planning, gardening and urban design)

In 2020 for the purpose of development, implementation and coordination of state policy in the field of urban development amendments were made to the RA Law on Urban Development, which regulates the field of urban development. In particular, the RA Committee on Urban Development was given the authority to approve the normative-technical documents of urban development, to control the quality of urban development activities carried out within the framework of state subsidy programs by economic entities carrying out road construction activities. Another amendment to the same law, which will enter into force on July 1, 2024 prohibits provision of urban development program documents, land plots and (or) architectural planning tasks for construction purposes without a duly approved procedure.⁹⁸

A number of legal acts were adopted by the state governing body in the field of urban development in order to reform and modernize the system of urban planning normative-technical documents, as well as to ensure the quality of design and construction works.⁹⁹ Most of the above-mentioned initiatives of the Committee were aimed at the possible simplification of urban planning legal regulations, however, mandatory requirements were set for the construction of basements, masonry floors in residential, public and industrial buildings, as well as the design, construction and repair of underground parking lots, which should also be accessible for people with disabilities, including people with musculoskeletal disorders.

Due to pandemic-related restrictions and the martial law, the project “Development of drafts of combined spatial planning documents at the micro-regional level” aimed at providing the municipalities with local level urban planning program documents (master plans, zoning projects) were not completed in 2020. In particular, the companies responsible for designing the combined micro-regional spatial planning documents for the municipalities of Aragatsotn, Gegharkunik (partial), Shirak (partial) marzes (including Ashotsk amalgamated municipality) did not carry out the mentioned works within the time frames stipulated by the contracts.¹⁰⁰ It should be noted that, according to the information provided by the RA only 167 out of 502 municipalities in Armenia have a master plan.¹⁰¹

In 2020 with a view to improve the economic and social infrastructure of the municipalities, a number of urban development programs were implemented, most of which at the expense of subsidies provided from the state budget. Thus, during the year a complete package of 705 subsidy programs were submitted to the Inter-

⁹⁸ <https://www.arlis.am/DocumentView.aspx?DocID=148972> RA Law on Urban Development

⁹⁹ <http://www.mud.am/am/news/1306> Official website of RA Urban Development Committee

¹⁰⁰ https://minfin.am/website/images/files/1._2020.docx Report on the implementation of the RA State Budget, p. 67

¹⁰¹ According to the brief reference provided by the staff of the RA MTAI

agency Commission for Program Evaluation by the municipalities of the Republic of Armenia, 701 of which were approved by the Commission.¹⁰² In 2020, the co-financing of 579 subsidy programs from the RA state budget was around 14.3 billion AMD and the amount of co-financing of the municipalities was 10.8 billion AMD.¹⁰³ Thus, out of 373 municipalities 343 received subsidies¹⁰⁴, which, however, due to the pandemic, martial law, and weather conditions were not able to complete all projects, as a result of which the contracts for unfinished subsidy programs were extended until August 1, 2021.

Below are some of the large-scale municipal projects launched in this area in 2020.

Within the framework of subvention programs, the renovation of the Charles Aznavour Park has started in Vanadzor. The 2.6-hectare area of the park will be completely renovated. The existing alleys will be renovated, new ones will be built, the lighting system will be reconstructed, the area of the monument will be improved, the swimming pool will be renovated, and a fountain with sound and light effects will be installed.¹⁰⁵

797 new streetlights were installed in 8 settlements of Sisian multi-settlement municipality at the cost of 168430.2 thousand AMD, of which the financing from the municipal budget was 72329.1 thousand AMD, and 96101.1 thousand AMD from the state budget.¹⁰⁶

Waste Disposal and Sanitary Cleaning

According to the amendment to the RA Law on Local Self-Government, one of the mandatory tasks of the municipality is the protection of the environment, including the promotion of ecological education in the municipality.¹⁰⁷

According to the information provided by the RA MTAI, in 2020, 348 out of 502 municipalities in Armenia provided garbage collection services (including the city of Yerevan). Table 29 presents the number of settlements in the municipalities of the Republic of Armenia where the garbage collection service was provided.

The closing of Ajapnyak landfills adjacent to Nubarashen highway and the construction of new urban landfill envisaged by solid waste management grant project are at the stage of evaluation of the tender announced for construction works.¹⁰⁸

¹⁰² http://www.mtad.am/u_files/file/subvencia_2020.pdf List of subvention programs approved by the committee established by decision N 278-A dated 19.03.2019 of the RA Prime Minister.

¹⁰³ http://www.mtad.am/u_files/file/2021-Ayl/23subvencia.xls List of subvention programs implemented in 2018, 2019 and 2020

¹⁰⁴ https://minfin.am/website/images/files/1._2020.docx Report on implementation of the RA state budget

¹⁰⁵ <https://armtimes.com/hy/article/190760>

¹⁰⁶ http://sisian.am/upload/DocFlow/4CDPReports/Mo2131510563641810_2020HASHVETV.docx 2020 Report on budget implementation of Sisian municipality of Syunik marz

¹⁰⁷ <https://www.arlis.am/DocumentView.aspx?docid=146262> the RA law on Making Amendments to the RA Law on Local Self-Government

¹⁰⁸ <https://www.yerevan.am/uploads/media/default/0001/98/d5ebb355af14eab4467a3047aa06d-abf5ff02102.pdf> Report on implementation of 2020 Yerevan development plan

Table 29. 2020 Indicators of access to garbage collection service in settlements by regions and municipalities

N	Marz	Number of municipalities	Number of settlements	Number of settlements using garbage collection service and its share in total number of settlements	
1	Aragatsotn	72	120	66	55%
2	Ararat	95	99	93	94%
3	Armavir	97	98	97	99%
4	Gegharkunik	57	98	31	32%
5	Lori	56	130	109	84%
6	Kotayk	42	69	67	97%
7	Shirak	42	130	99	76%
8	Syunik	8	138	77	56%
9	Vayots Dzor	8	55	44	80%
10	Tavush	24	66	48	73%
	Total	501	1003	731	73%

In 2020, the total amount of payments for garbage collection services in the municipalities of the RA marzes amounted to 2.109 billion AMD (which is 98.2 million AMD less than the same indicator of the previous year) and 3.005 billion AMD in the city of Yerevan (which is 142.3 million AMD more than the same indicator of the previous year).¹⁰⁹

Table 30 presents the information on the actual costs incurred in providing garbage collection services in the municipalities of the Republic of Armenia.¹¹⁰

Within the solid household waste management program of Kotayk and Gegharkunik marzes, according to the results of the international tender announced for the construction of a sanitary landfill and 2 transfer stations, a contract, a certificate of warranty and security were signed with the winning company on July 15, 2020. Construction works were launched on December 22, 2020.¹¹¹

According to the summary data on the statistical reports received from the organizations engaged in sanitary cleaning in 48 cities of the Republic, in 2019 460 special purpose vehicles were involved in the sanitation works of those cities, of which 290 or 63.0% were garbage trucks (Table 31). The city of Dastakert in 2019 was not included in the statistical accounts due to lack of relevant service.

¹⁰⁹ http://www.mtad.am/u_files/file/2021Byuje/EKAMUT30_12_2020.rar 2020 annual budget revenues of the RA municipalities

¹¹⁰ http://mtad.am/u_files/file/2021Byuje/caxs%202020tarekan.zip 2020 annual budget expenditures of the RA municipalities

¹¹¹ https://minfin.am/website/images/files/1._2020.docx Report on the implementation of RA state budget, p. 304

Table 30. Information on the actual costs of the garbage collection services provided by the municipalities of the Republic of Armenia and the fees charged

Sr. N	Marz	Revenues	Expenditures			Increase in revenue for 100% self-financing of services		
			Total	Including				
				From administrative budget	From fund budget	2018	2019	2020
1	Yerevan	3,004,909.4	6,055,897.2	4,878,828.3	1,177,068.9	1.9	1.7	2.0
2	Aragatsotn	93,811.1	299,824.9	228,925.1	70,899.8	3.5	2.5	3.2
3	Ararat	272,145.3	415,703.2	387,233.2	28,470.0	1.3	1.3	1.5
4	Armavir	232,983.9	143,186.5	143,046.5	140.0	1.9	2.2	0.6
5	Gegharkunik	149,613.7	369,007.5	365,673.6	3,333.9	2.4	2.3	2.5
6	Lori	267,288.6	608,924.1	592,143.5	16,780.5	1.9	2.1	2.3
7	Kotayk	475,953.9	1,541,427.4	1,441,735.0	99,692.4	2.3	2.4	3.2
8	Shirak	222,910.6	560,489.0	540,678.1	19,810.9	2.3	2.1	2.5
9	Syunik	259,689.9	863,646.0	751,911.7	111,734.3	3.8	2.7	3.3
10	Vayots Dzor	50,852.7	191,909.9	191,909.9	0.0	3.4	3.2	3.8
11	Tavush	83,700.2	648,480.6	643,378.5	5,102.1	6.4	6.8	7.7
Total		5,113,859.4	11,698,496.2	10,165,463.3	1,533,032.9	2.1	2.0	2.3

Table 31. Number of special purpose vehicles by urban settlements of the RA marzes and Yerevan city, 2019¹¹²

Marz	Number of special purpose vehicles	Of which garbage trucks
Yerevan	79	50
Aragatsotn	18	12
Ararat	36	17
Armavir	35	26
Gegharkunik	36	23
Lori	49	31
Kotayk	73	45

¹¹² https://www.armstat.am/file/article/bn_fond_2020_6.pdf RA housing stock and utility, 2019, section 6

Shirak	55	33
Syunik	36	25
Vayots Dzor	7	6
Tavush	36	22
Total	460	290

Compared to 2018, in 2019 the volume of transportation of both solid household waste, as well as snow and other cargo in urban areas increased. Table 32 provides summary information on sanitation works in urban areas of the Republic of Armenia (including Yerevan) from 2015 to 2019.

*Table 32. Basic indicators of sanitary works in urban areas, 2015-2019*¹¹³

Indicator	2015	2016	2017	2018	2019
Number of special purpose vehicles	524	516	535	528	460
if which garbage trucks	236	229	229	252	290
Total number of vehicle-days, thousand	194.3	195.7	195.2	183.2	179.7
from which those worked	155.3	167.5	166.5	155.3	149.8
Volume of transferred solid household waste, thousand m ³	1971.3	1974.5	1952.8	1797.4	1859.7
Number of transferred snow and other cargo, tons	2723	2768	2720	2778	3234

Maintenance of residential and non- residential areas

According to the summary data of the reports received from the RA Cadaster Committee, municipalities, condominiums, trust managers and other legal entities, the total area of the RA housing fund in 2019 was 96.5 million m², including in cities - 54.2 million m² (56.1%), in villages - 42.3 million m² (43.9%).

The total area of the housing stock of apartment buildings in 2019 was 28.6 million m² or about 30.0% of the total area of the RA housing stock. The total number of apartment buildings in Armenia was 19175 units, the total number of apartments was 444026 units. The housing stock per capita in 2019 was about 31.7 m².

As of the end of 2019, the total surface of the housing stock of the multi-apartment buildings in Yerevan was 15.6 million m² or 54.4% of the total surface of the housing stock of the multi-apartment buildings¹¹⁴.

For maintenance and operation purposes, 697 entrances of apartment buildings, 82339 m² of flat and 59312 m² of pitched roofs were repaired in 2020.¹¹⁵ With

¹¹³ https://www.armstat.am/file/article/bn_fond_2020_6.pdf RA housing stock and utility, 2019, section 6

¹¹⁴ https://armstat.am/file/article/bn_fond_2020_1.pdf RA housing stock in 2019

¹¹⁵ <https://www.yerevan.am/uploads/media/default/0001/98/d5ebb355af14eab4467a3047aa06d-abf5ff02102.pdf>

a view to improve non-residential areas, renovation works were carried out at Ed. Isabekyan exhibition hall of “Hay-Art” Museum, the windows of the **Yerevan Theatre** of the **Young Spectator** and the roof of the Children and Youth Creative Center were repaired, renovation works are underway in 11 kindergartens, as well as in the Arabkir, Davitashen and Erebuni substations of “Ambulance” CJSC.¹¹⁶

The total cost of repair and construction works of the roofs of apartment buildings in the marzes of Armenia under subvention programs was 892.5 million AMD. The total cost of the programs implemented for the construction, repair, and improvement of non-residential areas was 3374.7 million AMD, which were mainly directed to the renovation of buildings and structures of municipal organizations, as well as renovation of public buildings and improvement of conditions.¹¹⁷

With a view to increase the efficiency of the management of apartment buildings, amendments were made to the RA laws on Management of an Apartment Building and on Condominiums. As a result of these amendments, condominiums are now required to open bank accounts in accordance with the established procedure, and building owners shall pay the mandatory fees provided by the Law on Management of an Apartment Building in non-cash form.

Water supply and waste water removal

According to Annex 1 to Decision No. 397A of the RA Public Services Regulatory Commission on the issuance of a license for drinking water supply and drainage services to “Veolia Jur” CJSC, the service area of the licensee includes the city of Yerevan and 354 municipalities and settlements.¹¹⁸ Currently, the organization provides water supply and drainage services in 363 settlements, and wholesale water supply services in 52 more settlements.¹¹⁹

According to 2020 report of “Veolia Jur” CJSC, the compliance of water quality with the current standards and sanitary norms (percentage of samples that meet the requirements of water quality analysis) was ensured, amounting to 98.3%. In 2020, the average weighted duration of water supply in the service area of “Veolia Jur” CJSC was 23.7 hours / day in Yerevan, 19.6 hours / day in other urban municipalities and 19.5 hours / day in rural areas.

In order to prevent the increase of the tariff in 2020, agreement N13 was signed with “Veolia Jur” CJSC on July 25, 2019, as a result of which a change was made in Clause 1.4 “Rental payment schedule” of the lease agreement. Based on this, the amount to be paid in 2020 was 6100.0 thousand AMD, which was paid by “Veolia Jur” CJSC to the RA state budget.

In 2020, collection for irrigation and drinking water supply services amounted to 26.4 billion AMD versus 26.5 billion AMD in 2019.

¹¹⁶ <https://www.yerevan.am/am/construction-and-improvement/>

¹¹⁷ http://www.mtad.am/u_files/file/2021-Ayl/23subvencia.xls List of subvention programs implemented in 2018, 2019, 2020

¹¹⁸ https://psrc.am/contents/fields/water/water_licensed_companies

¹¹⁹ <https://www.veolia.am/hy/carayowtyown/xmelow-jowr>

The percentage of collection in the field of drinking water supply in 2020 was 96.44%, which is 2.31% more than in the previous year, and the percentage of collection in the field of irrigation water supply was 59.06%, which is 8.16% less than in the previous year.

Around 22.76 billion AMD was collected for provision of drinking water services versus 22.46 billion AMD in 2019 (or 0.3 billion AMD more). Around 3.64 billion AMD was collected for provision of irrigation water services, versus 4.04 billion AMD in 2019 (or 0.4 billion AMD less).¹²⁰

As of January 1, 2020, the total length of the main (magistral) water pipelines, street, inter-district and inter-yard networks registered under the centralized water supply system was 5605.0, 8588.6 and 1729.7 km respectively, of which 3739.6, 5156.9 and 1068.2 km in cities.¹²¹ (Table 33).

Table 33. One-line length of water supply networks in the RA marzes and Yerevan, as of the beginning of 2019

Marz/ municipality	Magistral water pipe line (km)	Street network (km)	Among which need replacement (km)	Inter-district and inter-yard network (km)
Yerevan	814.1	897.7	740.0	400.2
Aragatsotn	344.0	483.0	207.4	15.0
Ararat	498.2	1294.0	397.8	73.0
Armavir	463.8	857.0	212.9	127.0
Gegharkunik	454.5	550.4	295.3	51.0
Lori	743.0	1077.7	404.0	83.5
Kotayk	543.0	954.1	188.0	75.0
Shirak	588.0	1553.0	601.3	715.0
Syunik	561.4	487.8	185.5	120.0
Vayots Dzor	115.0	176.2	63.0	40.0
Tavush	480.0	257.7	93.6	30.0
Total	5605.0	8588.6	3388.8	1729.7

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 user companies supplying irrigation water the permanent water supply for the land area was ensured across 85.4 thousand hectares versus 82.78 hectares in the previous year.

In the frames of subvention programs, large-scale activities on drinking water supply, drainage, construction of daily regulating reservoirs were carried out in the municipalities of the Republic of Armenia, with total budget of over 3.34 billion AMD.¹²²

¹²⁰ <https://www.scws.am/uploads/files/23/hash-2020.pdf>

¹²¹ https://armstat.am/file/article/bn_fond_2020_3.pdf

¹²² http://www.mtad.am/u_files/file/2021-Ayl/23subvencia.xls List of subvention programs implemented in 2018, 2019, 2020

On June 4, 2020, RA government adopted decision N894-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 m³. From June 5, 2020 to October 27, the water intake from the lake Sevan for irrigation purposes was 162.4 million m³ (versus 143.9 million m³ same period of the last year) and 209.0 million m³ of water was transferred to the Lake Sevan by Arpa-Sevan tunnel, as a result of which as of December 28, 2020 the level of the lake was 1900.52 m (versus 1900.43 m in 2019).

Maintenance of Cemeteries

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, contract forms of grave provision and service, as well as permit forms for reburial were approved by order N09 of the Minister of Territorial Administration and Infrastructure dated October 13, 2020.¹²³ It should be noted that the standard forms of contract for grave provision and service apply only to the provision of land and services in private cemeteries.

In 2020, the draft law of the Republic of Armenia on Making Amendments to the Law of the Republic of Armenia on the Organization of Funerals, Operation of Cemeteries and Crematoria was put into circulation, the purpose of which is to register the graves actually existing in the cemeteries, but not properly registered (there is no grave certificate, no information on the provision of the grave in the archives) and the issuance of certificates in accordance with the actual size of the grave. The draft envisages that in case of existence of a family grave, the site of the grave will be allocated on the basis of a previously issued certificate, in which appropriate registrations will be made. In case of absence of the mentioned grave certificate or graves registered with a smaller size than the actual size, the person responsible for the organization of the funeral will be given a new grave certificate. Moreover, the grave certificate will be issued in accordance with the actual size of the grave at that time, and in case the actual size of the grave is more than 12.5 m², it will be necessary to pay the fee defined in Article 10, Part 4 of the law.¹²⁴

Public transport and road construction

In 2020, no significant changes were made to the legislation regulating the transport sector. According to the amendments made to the RA Law on Motor Vehicles, the area will be controlled by the inspection body. According to another amendment

¹²³ <https://www.arlis.am/DocumentView.aspx?docID=147014> Order N09 of the Minister of Territorial Administration and Infrastructure dated October 13, 2020

¹²⁴ <https://www.e-draft.am/projects/2876>

to the law, trucks, buses, and minibuses carrying out interstate transportation must be equipped with a digital tachograph.

In 2020, during the state of emergency caused by the pandemic, the activities of some types of public transport were restricted, as a result of which the volume of passenger transportation by general-purpose road transport decreased sharply during the mentioned period (Table 34).

“WYG International Limited” consulting company has developed a new public transport route network in Yerevan, which also envisages the introduction of a single tariff and ticketing system. Within the framework of the process of introducing a new route network, it is planned to purchase and import new small to medium-class city buses to the capital with the financial means of the Yerevan municipality. The first batch (28 pieces) was imported to the capital by the end of 2020 and is already operated in Yerevan city.

*Table 34. Volume of passenger transportation by general-purpose transport as per the RA marzes and Yerevan*¹²⁵

Marz	2020 January- December, thousand person	Versus 2019 January- December, %
Yerevan	42271.7	33.7
Aragatsotn	252.1	23.1
Ararat	2583.4	51.6
Armavir	1784.4	29.2
Gegharkunik	414.1	34.5
Lori	1862.8	34.2
Kotayk	1924.7	30.8
Shirak	1830.6	31.7
Syunik	1422.4	20.5
Vayots Dzor	84.4	29.1
Tavush	391.7	31.5
Total	54822.3	33.3

The existing route network envisages 62 minibus routes (1157 rolling stock units), 44 bus routes (582 rolling stock units), and 10 trolleybus routes (108 rolling stock units). In 2020 a total of about 37.7 million passengers were transported by buses, which is about 55.3% less than the previous year, and its share in total passenger traffic was about 44.1%. Nevertheless, the share of bus traffic in the total volume of regular intra-municipal passenger transportation is still low. In recent years, due to

¹²⁵ https://armstat.am/file/article/sv_12_20a_124.pdf

the reduction in the number of minibuses, as well as due to the above-mentioned circumstances, the volume of minibus passenger traffic has significantly decreased. In 2020, about 34.1 million passengers were transported by minibuses, which is 51.2 million passengers or 60.0% less compared to 2019. Despite that, the share of minibuses in the capital's transportation is still large, amounting to about 40.0% of the total volume. In 2020, the number of trolleybus passengers decreased. In 2020 2813.4 thousand passengers were transported by trolleybuses which is 2402.7 thousand passengers or 46.1% less than previous year. The share of trolleybus passengers in total intra-city passenger transportation is small, amounting to about 3.3%.

The volume of passenger transportation by metro also decreased due to the pandemic and state of emergency. 10747.6 thousand people were transported by metro, which is 9245.6 thousand or 46.3% less than the previous year. The share of passenger transportation by metro in the total volume of passenger transportation is about 12.6%. Significant increase in the volume of passenger transportation by metro can take place only as a result of the expansion of the existing metro line, construction and operation of new stations. Efforts are being made to organize the procurement of consulting services for the development of relevant design and estimate documents for the construction of a new metro station in Ajapnyak district of Yerevan.

There are 863 public transport stops in Yerevan, of which 352 are equipped with bus stop shelters and stop signs, and 511 only have stop signs. The introduction of the new route network in the capital presupposes restoring of some former stops, as well as designing new ones according to the road sections included in the new route network.¹²⁶

According to the summary data of the statistical reports received from the organizations engaged in road improvement, as of the end of 2019, the total length of streets and crossings in the cities of Armenia was 4000.5 km, which is 70.6 km more than last year.

In 2020, 72 subvention projects with 5.4 billion AMD budget were implemented for construction and improvement of municipal roads, asphaltting, paving, etc.¹²⁷

In 2020, with the means of the RA state budget, maintenance, operation, repair works of the state roads were carried out (the total length of the repaired road sections is 87.73 km), maintenance and restoration of general-use highways current summer (2889.2 km) and current winter (3336.9 km) activities, as well as repair and restoration of tunnels (3 pieces), bridges (5 pieces) and metal blocks (715,364 km).¹²⁸ In 2020 192.4 km of road sections were repaired and put into operation (including transmission (18 km) and unfinished (4 km) and reconstruction of 6 road sections (about 27 km in total length) will be put into operation in the spring of

¹²⁶ <http://www.yerevan.am/am/transport-department/>

¹²⁷ http://www.mtad.am/u_files/file/2021-Ayl/23subvencia.xls List of subvention programs implemented in 2018, 2019, 2020

¹²⁸ https://minfin.am/website/images/files/1._2020.docx Report on the implementation of RA state budget, p. 305

2021). Of the transmission roads in 2020-2021 (with a total length of 57.5 km), 23.1 km were asphalted in 2020, and the remaining (34.4 km in total) road repairs are planned for 2021.

Within the framework of the programs implemented through loans and grants provided by foreign countries and international credit organizations, in 2020, 6 road sections with a total length of 23.4 km were repaired, construction of 12 roads with a total length of 67.8 km started, An agreement was signed for the construction of a new bridge over the Debed river in the area of Sadakhlo-Bagratashen checkpoint.¹²⁹

Education, culture, sports and youth issues

In the field of education, culture, sports and youth issues, local authorities organize the services provided by the municipalities through the activities of schools, kindergartens, clubs, houses of culture, libraries, educational and cultural institutions and organizations, ensuring their maintenance, operation and repair.

With a view to solve the problems aimed at the regulation and development of the pre-school education sector, on May 6, 2020 the RA National Assembly adopted the RA Law on Making Amendments to the Law on Pre-School Education. The law was drafted in a new edition, where numerous amendments and additions were made. It is noteworthy that the provision of pre-school education services is now considered an activity subject to licensing. Another important feature is the introduction of the principle of inclusion, which will allow to provide pre-school education for children with physical and mental disabilities. The law clarifies the state educational standards of pre-school education, the components of educational program, and the pedagogical-psychological principles of their definition.

In 2020, 21 new primary schools were established in Ararat, Armavir, Aragatsotn, Gegharkunik and Syunik marzes of the Republic of Armenia, ensuring the inclusion of 462 children from 5 to 6 years old in pre-school educational services, which is a 24% increase compared to the same indicator of the previous year.¹³⁰

¹²⁹ <https://www.gov.am/files/docs/4520.pdf> Report on implementation and results of 2020 RA government plan

¹³⁰ Ibid

Table 35. 2020 indicators of access to pre-school education service in municipalities and settlements across RA marzes

Sr. N.	Marz	Number of municipalities	Number of settlements	Number of municipalities providing pre-school education services (share in total number of municipalities)		Number of settlements using pre-school education services (share in total number of settlements)	
1	Aragatsotn	72	120	24	33%	30	25%
2	Ararat	95	99	82	86%	82	83%
3	Armavir	97	98	66	68%	70	71%
4	Gegharkunik	57	98	34	60%	30	31%
5	Lori	56	130	27	48%	54	42%
6	Kotayk	42	69	24	57%	37	54%
7	Shirak	42	130	20	48%	31	24%
8	Syunik	8	138	8	100%	54	39%
9	Vayots Dzor	8	55	7	88%	12	22%
10	Tavush	24	66	15	63%	44	67%
	Total	501	1003	307	61%	444	44%

According to the information provided by the RA MTAI, 308 out of 502 municipalities provided pre-school education services (including the city of Yerevan). Table 35 shows the number of settlements in municipalities where the pre-school education service was available.

In 2020 910 municipal, departmental, non-state pre-school institutions operated in the Republic of Armenia, of which 697 were kindergartens, 48 were nursery kindergartens, and 165 were school kindergartens. The average number of children in one group was 19. On average, 61 children attended one pre-school institution, and 10 children per teacher. In 2020 only 56133 children used pre-school education service in the Republic of Armenia, the numbers of which by pre-school institution types are presented in Table 36.

Table 36. Numbers of children attending municipal, departmental and non-state pre-school institutions, by pre-school institution types, marzes and city of Yerevan, 2020¹³¹

Marz	Nursery kindergarten		Kindergarten		School kindergarten	
	total	of which	total	of which	total	of which
		girls		girls		girls
Yerevan	306	138	22035	10561	1011	494
Aragatsotn	44	21	1341	684	-	-
Ararat	510	257	3952	1 970	285	142
Armavir	-	-	2743	1 319	1326	638
Gegharkunik	438	197	1914	949	320	130
Lori	90	45	3372	1623	489	228
Kotayk	-	-	4917	2403	-	-
Shirak	-	-	3450	1636	102	46
Syunik	1492	736	2303	1113	108	54
Vayots Dzor	-	-	839	395	196	96
Tavush	245	130	2162	993	143	72
Total	3125	1524	49028	23646	3980	1900

39 large-scale subvention programs for construction and renovation of municipally-owned pre-school institution buildings and constructions were implemented during 2020, with a total budget of about 1.3 billion AMD¹³².

Table 37. Number of music, art and painting schools, children and youth creative centers, by marzes and Yerevan, in 2020/2021 academic year

Marz	Number of schools and centers	including			
		music	arts	painting	children and youth creative centers
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	25	8	12	3	2
Kotayk	25	9	12	2	2

¹³¹ https://www.armstat.am/file/article/sv_03_20a_5120.pdf 5. Socio-demographic section, 5.12 Activities of the pre-school institutions in 2020.

¹³² http://www.mtad.am/u_files/file/2021-Ayl/23subvencia.xls List of subventions programs implemented in 2018, 2019, 2020

Shirak	29	11	15	2	1
Syunik	16	8	4	2	2
Vayots Dzor	8	1	4	1	2
Tavush	15	10	4	1	-
Total	243	99	86	20	38

In 2020-2021 academic year, 243 music, art and painting schools, as well as children and youth creative centers operated in Armenia. Quantitative data on such schools and centers by marzes and Yerevan (2020-2021 academic year) are presented in Table 37.¹³³

In the 2020/2021 academic year, 48062 students (of which 64.3% girls) studied in music, art and painting schools, as well as children and youth creative centers, including 17598 in music schools, 13578 in art schools, 2109 in painting schools, and 14777 in children and youth creative centers.¹³⁴

According to the information provided by the RA MTAI, in 2020, 128 out of 502 municipalities in Armenia provided extra-curricular education services (including the city of Yerevan). Table 38 presents the accessibility indicators of extra-curricular education service by marzes of the Republic of Armenia.

Table 38. Accessibility indicators of extra-curricular education service in municipalities and settlements by the RA marzes

N	Marz	Number of municipalities	Number of settlements	Number of municipalities providing extra-curricular education services (share in total number of municipalities)		Number of settlements using extra-curricular education services (share in total number of settlements)	
1	Aragatsotn	72	120	12	17%	34	28%
2	Ararat	95	99	1	1%	1	1%
3	Armavir	97	98	40	41%	60	61%
4	Gegharkunik	57	98	13	23%	0	0%
5	Lori	56	130	15	27%	36	28%
6	Kotayk	42	69	15	36%	18	26%
7	Shirak	42	130	12	29%	17	13%
8	Syunik	8	138	6	75%	12	9%
9	Vayots Dzor	8	55	5	63%	5	9%
10	Tavush	24	66	8	33%	13	20%
	Total	501	1003	127	25%	196	20%

¹³³ https://www.armstat.am/file/article/sv_03_21a_5140.pdf 5. Socio-demographic section, 5.14, Activities of music, art, painting schools, children's and youth centers in 2020/2021 academic year.

¹³⁴ *ibid.*

In 2020, 661 public libraries operated in Armenia, 10 of which are marz central, 46 are regional central, 69 are urban, 514 are rural, and 22 are children's (Table 39).¹³⁵

In 2020, 8,483,694.7 thousand AMD (of which 3,130,298.4 thousand AMD in Yerevan) were allocated from the municipal budgets for the organization of holiday, remembrance day, as well as other cultural events.¹³⁶

Table 39. Indicators of access to library service in municipalities and settlements by marzes of the Republic of Armenia

N	Marz	Number of municipalities providing library service (share in total number of municipalities)		Number of settlements using library service (share in total number of settlements)	
1	Aragatsotn	31	43%	78	65%
2	Ararat	71	75%	72	73%
3	Armavir	85	88%	85	87%
4	Gegharkunik	32	56%	2	2%
5	Lori	21	38%	44	34%
6	Kotayk	31	74%	43	62%
7	Shirak	33	79%	38	29%
8	Syunik	8	100%	59	43%
9	Vayots Dzor	4	50%	4	7%
10	Tavush	14	58%	45	68%
	Total	330	66%	470	47%

Healthcare

In 2020, the stationary treatment of the population of the Republic was carried out in 125 hospitals. Primary healthcare service (PHS) was provided in 494 medical facilities and 625 nursing-obstetrics centers. Healthcare facilities and potential are mainly concentrated in the Republic's larger urban areas (mainly in Yerevan – 72.9% of doctors, 42.4% of hospitals, and 64.2% of hospital beds). There are 31 healthcare companies operating under the auspices of Yerevan Municipality.¹³⁷

Ambulatories are the main establishments providing primary medical service in rural municipalities (sometimes also providing the whole medical service¹³⁸).

¹³⁵ https://www.armstat.am/file/article/sv_03_21a_5190.pdf 5. Socio-demographic section, 5.19, Activities of libraries in 2020

¹³⁶ http://mtad.am/u_files/file/2021Byuje/caxs%202020tarekan.zip 2020 Municipal annual budget expenditures

¹³⁷ <https://www.yerevan.am/am/health/> Official web-site of Yerevan municipality

¹³⁸ There is no statistical or official information on the distribution of primary healthcare service providers and their inclusion in the municipality balance sheets according to municipalities.

*Table 40. Number of medical institutions providing primary healthcare service (with the exception of nursing-obstetrics centers) operating under the Ministry of Health, marz and municipality, in 2015-2019*¹³⁹

Medical institutions providing primary healthcare service	2015	2016	2017	2018	2019
Polyclinics that are part of hospitals	63	62	61	61	60
Including	289	285	284	284	285
- polyclinics	40	38	37	37	37
- health centers	3	3	3	3	3
- rural ambulatories	242	240	240	240	241
- children's 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	-	-	-
Total	363	358	355	355	355

In 2020 RA municipalities spent around 388,595.4 thousand AMD in the field of healthcare, of which 338,285.7 thousand AMD were capital expenditures. Expenditures in this area increased by 15.4% compared to the previous year¹⁴⁰.

In 2020, within the framework of subvention programs, 3 projects in the field of healthcare were implemented in the municipalities with total budget of 48,628.3 thousand AMD. The funds were allocated to the renovation of PHS buildings and constructions¹⁴¹.

Social protection

The main regulations of the local authorities in 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 2020, as a result of the amendment to the RA Law on Local Self-Government, local authorities will no longer organize the activities of territorial bodies providing social services, delegated by the state.¹⁴²

The amendments to the RA Law on Social Assistance to Border Municipalities are aimed at regulating the procedures for compensation for material damage re-

¹³⁹ https://www.armstat.am/file/article/soc_vich_2019_9.pdf Socio-economic situation of the Republic of Armenia in 2019.

¹⁴⁰ http://mtad.am/u_files/file/2021Byuje/caxs%202020tarekan.zip 2020 annual budget expenditures of the RA municipalities

¹⁴¹ http://www.mtad.am/u_files/file/2021-Ayl/23subvencia.xls List of subvention programs implemented in 2018, 2019, 2020

¹⁴² <https://www.arlis.am/DocumentView.aspx?docid=140331> RA Law on Making an Amendment to the RA Law on Local Self-Government

sulting from military or terrorist acts carried out from the territory of Azerbaijan, as well as provision of financial assistance to persons with disabilities and the families of deceased residents.¹⁴³

Expenditures of RA municipalities in the sphere of social protection were equal to 2,917,824.3 thousand AMD which is 96.4% of the expenses of the same period of the previous year.¹⁴⁴

The liability of the local self-government 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 avagani. The latter may define a new category of local fees and rates that are not included in the category of the local payments of 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 amount required for service provision.

In 2020, a number of amendments were made to the RA Law on Local Duties and Fees. Local duties were set in Yerevan for organizing sales or services through a mobile trading point, as defined by the RA Law on Trade and Services, as well as for retail trade. According to another amendment to the law, businesses will pay a local tax not only for the sale of alcoholic beverages or tobacco products in the administrative territory of the municipality, but also for the sale of tobacco substitutes (except for tobacco substitutes used for medical purposes). The legislator also clarified the requirements for a permit for outdoor advertising, stating that a local fee will be charged only in accordance with the procedure and conditions established by the avagani for permission to place outdoor advertising in the administrative territory of the municipality, except for permits for advertisements placed in the alienation layers of state roads outside the settlements and in protection zones.¹⁴⁵

7.2. Municipal service management

Providing high quality, affordable services by the municipalities and ensuring their accessibility in the settlements is essential for the continuous development of municipalities. From the point of view of administrative-territorial reforms, the introduction of new services in the settlements of amalgamated municipalities and the improvement of the quality of provided services is key. In this regard, there are some improvements in amalgamated municipalities, which is also the result of efficient use of resources of amalgamated municipalities.

¹⁴³ <https://www.arlis.am/documentView.aspx?docID=146623> RA Law on Making Amendments and Addenda to the RA Law on Social Assistance to Border Municipalities

¹⁴⁴ http://mtad.am/u_files/file/2021Byuje/caxs%202020tarekan.zip 2020 annual budget expenditures of the RA municipalities

¹⁴⁵ <https://www.arlis.am/DocumentView.aspx?DocID=139808>

Table 41 presents information provided by the RA MTAI on several public services delivered by municipalities and their availability in the settlements.

Table 41. 2020 Indicators of access to services provided by municipalities in settlements (excluding the city of Yerevan)

N	Service provided by the municipality	Number of municipalities providing the service (share in total number of municipalities)		Number of settlements using the service (share in total number of settlements)	
1	Garbage collection	347	69%	731	73%
2	Pre-school education	307	61%	444	44%
3	Extra-curricular education	127	25%	196	20%
4	Library service	330	66%	470	47%
5	Water supply and water removal	256	51%	390	39%

One of the important factors influencing the improvement of the quality of municipal services, their accessibility, and the level of efficiency are the human and financial resources, the condition of infrastructures, the availability of technical means and defined normative regulations.

Table 42 presents the actual expenditures from 2020 administrative budgets of all municipalities for the provision of municipal services, by economic classification of expenditures.

The data in Table 42 show that the share of total expenditures for services provided by municipalities (including Yerevan) in 2020 was 91.8% in the administrative budgets, and the same indicator without Yerevan was 90.4%. The same indicator in administrative budget expenditures of Yerevan for 2020 was 92.9%.

Table 42. Actual budget expenditures of the RA municipalities and Yerevan, by economic classification (including and excluding Yerevan) for 2020

Sr.N	Expenditures	2020					
		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	CURRENT EXPENDITURES (1+2+3+4+5+6)	119694953.6	100.0	66461441.8	100	53233511.8	100
1	Remuneration, including	25326495.3	21.2	8717956.0	13.1	16608539.3	31.2
2	Purchase of services and goods	18192305.8	15.2	9649905.3	14.5	8542400.5	16.0
3	Subsidies	56893100.8	47.5	40108710.6	60.3	16784390.2	31.5
4	Grants	6271317.4	5.2	564515.9	0.8	5706801.5	10.7
5	Social allowances and pensions	2153041.5	1.8	721932.0	1.1	1431109.5	2.7
6	Other expenditures, including	10858692.8	9.1	6698422.0	10.1	4160270.8	7.8
6.1	<i>Reserve funds, including</i>	7686139.1	6.4	4016087.3	6.0	3670051.8	6.9
6.1.1	<i>Transfers from reserve fund of the administrative budget to the fund budget of municipalities</i>	3576010.7	3.0	0.0	0.0	3576010.7	6.7
7	Service provision costs, total (A - 5 - 6.1)	109855773.1	91.8	61723422.5	92.9	48132350.6	90.4

8. LOCAL GOVERNANCE ANNUAL ASSESSMENT RESULTS (LG INDEX FOR 2018, 2019 AND 2020)

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,”¹⁴⁶ 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.

Since 2015, the calculation of LGAI for each year has been the result of the following steps carried out by CFOA expert group.

- 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 4,¹⁴⁷
- Verification of compliance of indicators with selected principles of local governance,¹⁴⁸
- Definition and justification of assessment criteria of indicators¹⁴⁹,
- Assessment of indicators,¹⁵⁰
- An arithmetic averaging of values of assessed indicators, according to LG functions and sectors, calculation of the RA LGAI.

¹⁴⁶ Local Governance Annual Index, 2015 and 2016, Yerevan, 2017, www.cfoa.am

¹⁴⁷ In 2020, like in 2015-2019 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.

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

¹⁴⁹ Assessment criteria have been chosen and applied according to the relevant indicator. Moreover, relevant justifications and comments are provided every year.

¹⁵⁰ All indicators are assessed on a scale of 0-10 points, applying appropriate criteria for assessment of indicators.

LGAI assessment results for 2018-2020 are presented in Appendix 4, and LGAI assessment results based on sectors are presented in Table 43.

Table 43. LGAI assessment results according to LG sectors (RA LGAI, 2018-2020)

N	Sector	Number of indicators	2018 average score (0-10 score)	2019 average score (0-10 score)	2020 average score (0-10 score)
1	Local governance reforms	10	4.5	4.8	4.7
2	Municipal assets, development programs, finances	18	3.5	4.2	3.9
3	Local democracy	8	4.4	4.9	5.4
4	Municipal management	4	5.0	5.5	5.3
5	Municipal (public) service delivery	12	4.1	4.6	4.4
	Average score of local governance sectors (RA LGAI)	52	4.3	4.8	4.7

Based on the data analysis in Appendix 4 and Table 43, the assessment results LG separate sectors for 2020 are presented below, in comparison with the results of 2018-2019.

Based on the assessments of 10 indicators defined in the sector “**local self-government reform**” sector, the average score for 2020 was 4.7, which is higher by 0.2 than the average score for 2018 (4.5) and is lower by 0.1 than the average score (4.8) for 2019. This decrease in score is mainly conditioned by the following:

1. The share of municipalities involved in inter-municipal cooperation structures in the total number of RA municipalities has decreased (20.7% in 2019, 19.0% in 2020).

Assessments results of other indicator for 2020 in this sector are not much different from those for 2019.

As a result of assessments of 18 indicators defined in the sector of “**Municipal assets, development programs, finances**”, the 2020 average score was 3.9 points, which is 0.4 points higher than in 2018 (3.5) and 0.3 points behind the average score for 2019 (4.2 points). The following circumstances had a positive impact on the average score in the sector:

1. Share of expenditures on non-financial assets of RA municipalities (including Yerevan) in total expenditures increased (rising from 19.5% to 26.9%).

2. Share of expenditures on non-financial assets of RA municipalities (excluding Yerevan) in total expenditures increased (rising from 27.9% to 37.9%)

At the same time, compared to 2019, the average score of the sector in 2020 was negatively affected by the following factors:

1. The percentage of actual execution of the total budget revenues of the RA municipalities (including Yerevan) decreased compared to the approved plan (falling from 101.0% to 89.7%),
2. The percentage of actual execution of the total budget expenditures of the RA municipalities (including Yerevan) decreased compared to the approved plan (falling from 88.0% to 72.6%)
3. The share of own revenues of the budgets of the RA municipalities (including Yerevan) in the total revenues decreased (financial independence or autonomy of municipalities) (falling from 33.6% to 29.6%),
4. The share of the total budget expenditures of the RA municipalities in the total expenditures of the RA consolidated budget decreased (falling from 8.0% to 7.2%).

Assessments results of other indicator for 2020 in this sector are not much different from those for 2019.

3 functions and 8 indicators were defined in the sector of “**Local democracy**”. As a result the average score for 2020 was 5.4 points, which is 1.0 points higher than in 2018 (4.4) and 0.5 points higher than in 2019 (4.9 points). This increase is mainly conditioned by the following circumstances:

1. The share of municipalities where the elections of avagani are held by proportional electoral system increased in the total number of RA municipalities (rising from 0.6% to 21.7%),
2. The share of the total number of residents of municipalities where the elections of avagani are held by proportional system, increased in total number of RA population (rising from 43.0% to 91.3%),
3. The average voter turnout in the local elections held during the given year increased (rising from 48.6% to 56.2%),
4. The share of municipalities having an official website increased in the total number of municipalities (rising from 79.5% to 81.8%).

At the same time, compared to 2019, the average score of the sector in 2020 was negatively affected by the following factors.

1) The share of municipalities that nominated more than 2 candidates at the direct mayoral elections during the given year decreased in the total number of those municipalities (falling from 83.6% to 50.0%).

2) The share of municipalities with at least 5,000 residents that have organized public discussions / hearings on the draft municipal budget decreased in the total number of those municipalities (falling from 45.5% to 38.6%).

Assessments results of other indicator for 2020 in this sector are not much different from those for 2019.

3 functions and 4 indicators were defined in “**Municipal management**” sector. As a result the average score for 2020 was 5.3 points, which is 0.3 points higher than in 2018 (5.0 points) and is 0.2 points behind the average score for 2019 (5.5 points). This decrease in score is mainly conditioned by the following:

1. The share of trained municipal servants (including Yerevan) in total number of municipal servants decreased during the given year (falling from 19.5% to 11.4%).

At the same time, compared to 2019, the average score of the sector in 2020 was negatively affected by the following factor:

1. The share of municipal mayors with higher education increased in the total number of municipal mayors (rising from 68.3% to 70.5%).

Assessments results of other indicator for 2020 in this sector are not much different from those for 2019.

4 functions and 12 indicators were defined in the sector of “**Municipal (public) service delivery**”. As a result the average score was 4.4 points for 2020, which is 0.3 points higher than in 2018 (4.1 points) and 0.2 points behind the average score for 2019 (4.6 points). This decrease in score is mainly conditioned by the following factors:

1. The share of municipalities providing garbage collection services in the total number of municipalities decreased sharply (falling from 88.4% to 69.0%),
2. The share of settlements receiving water supply services by local governments sharply decreased in the total number of RA settlements (falling from 56.7% to 38.8%).

At the same time, compared to 2019, the average score of the sector in 2020 was negatively affected by the following factors.

1. The share of municipalities having master plan increased in the total number of municipalities (from 24.1% to 33.7%),
2. The total expenditures per capita of the “economic relations” section in municipal budgets (including Yerevan) increased (from 5.3 USD to 7.1 USD)

Assessments results of other indicator for 2020 in this sector are not much different from those for 2019.

Summing up, in all 5 generalized LG sectors 20 functions and 52 indicators were defined, as a result of the assessment of which RA LGAI for 2020 was 4.7 points, which is 0.4 points higher than in 2018 (4.3 points) and 0.1 points lower than in 2019 (4.8 points).

And in general, the LGAI for 2020 is the second highest among the LGAI for the 6 last years, i.e. from 2015 to 2020 (4.4 points in 2015, 4.3 points in 2016, 4.4 points in 2017, 4.3 points in 2018, 4.8 points in 2019, and 4.7 points in 2020).¹⁵¹

¹⁵¹ 2017, 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;
RA LGAI, 2019, Book 3, edited by V. Shahbazyan, Yerevan, Yerevan, Asoghik, 2020.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

In 2020, the legal basis for regulating local elections was changed, defining the constitutional law “Electoral Code of the Republic of Armenia” as such. The list of municipalities holding elections of avagani by proportional representation has been expanded. In municipalities with more than 4,000 voters, as well as in multi-settlement municipalities, elections of avagani are held by proportional representation. The number of members of avagani defined by law has also been changed. The threshold for distributing the mandates of the members of avagani has been reduced. The tenure of local self-government bodies has remained unchanged.

Legislative regulations on holding elections through proportional representation do not ensure the non-discriminatory exercise of the right to vote for everyone, as they do not provide for the right to run through a civil initiative, thus the exercise of the right to be elected depends on joining or not joining the party.

In case of a legislative initiative by the Government of the Republic of Armenia on the amalgamation or division of municipalities, the proposed legal regulations for “Listening to the opinion of municipalities” through a local referendum cannot be assessed as a legislative implementation of the fulfillment of the international obligation undertaken by the Republic of Armenia under Article 5 of the European Charter of Local Self-Government, as they are of a formal nature, they do not create real opportunities for the exercise of the right of the residents of the municipality to be heard; there are no legal guarantees for their realization. The international obligation assumed by the Republic of Armenia under Article 5 of the European Charter of Local Self-Government is borne by the state, while the adopted legal regulations “impose the implementation of that obligation on the residents of the municipalities.”

Insufficient consultative mechanisms between LSG bodies and the Government continue to be problematic within the European Charter of Local Self-Government, as well as incomplete implementation of the principle of subsidy of distribution of powers, extensive administrative control, regarding which the implementation of the submitted recommendations should be in the center of the RA Government’s attention.

Compared to previous years, in 2020, significant progress was registered in terms of discussion and approval of applications for subvention programs submitted by the municipalities to the RA MTAI, and their co-financing from the RA state budget.

The population of the Republic of Armenia, in contrast to the indicators of the previous 7 years, has increased. As of January 1, 2021 the population increased by 4.1 thousand in comparison with the same period of the previous year, equaling 2963.3 thousand people.

In 2020, according to the RA Law on Making Amendments to the RA Law on Administrative Territorial Division of the Republic of Armenia (17.04.2020 AL-227-N), 2 new multi-settlement municipalities were formed, including Lermontovo municipi-

pality in Lori marz(2 municipality, 2 settlements) and Ijevan municipality in Tavush marz (19 municipalities, 20 settlements). As a result, the process of municipal amalgamation in Tavush marz as well as Syunik and Vayots Dzor marzes was completed.

Taking into account the COVID-19 pandemic, as well as the situation created by the military aggression unleashed by Azerbaijan against the Artsakh Republic on September 27, no local elections were held by the end of 2020. Therefore, the “former” municipalities continued to function as independent municipalities. In other words, two new multi-settlement municipalities were formed by law, the former municipalities of which in fact continued to function as separate municipalities.

As of January 1, 2021, the administrative-territorial division of the Republic of Armenia consists of 10 marzes and 483 municipalities (with 1003 settlements).

After the four phases of administrative-territorial reforms, 486 municipalities were included in the process of amalgamation, 432 municipalities were deprived of the status of an independent municipality, and 429 municipalities were not included or will be included in the amalgamation process. The process of amalgamation of municipalities in Syunik, Vayots Dzor and Tavush marzes has been completed. Ar-mavir remains the only marz where administrative-territorial reforms have not been implemented yet.

In 2020, there was no noticeable change in the field of inter-municipal cooperation. Neither of the two possible options for the creation of inter-municipal unions provided by law (voluntary or by law) were used.

As in previous years, the term “legal entity of public law” remains uninterpreted and not defined by law. According to the Constitution of the Republic of Armenia, inter-municipal unions are also considered as such. Inter-municipal unions are not yet considered by the central government as a potential tool for decentralizing state powers towards municipalities.

In 2020, 6 mayoral elections were held. Elections of avagani were not held by either majoritarian or proportional representation. The 6 elected mayors are non-partisan.

In 2020, 2 new own and 2 new delegated powers were assigned to the head of municipality, 1 delegated power was repealed.

Four new own powers and one new delegated power was assigned to the mayor of Yerevan and 1 delegated power was repealed. Three new powers were assigned to the avagani of Yerevan.

No local referenda were held in the Armenian municipalities in 2020.

The processes, which started in 2019 aimed at finding out the legality of the decisions made by avaganis on the basis of petitions, continued.

Most of Armenian media is based in Yerevan.

Armenia’s democracy score by the Freedom House was 2.96 in 2020.

In 2020 the activities of the “School of Local Democracy” continued

The legal requirement to have an official website has changed, according to which the municipality, regardless of the number of population, must have a website. As of September 15, 2020, 156 municipalities were running a website.

According to a new legislative requirement in municipalities with more than 3000 residents public sessions of avagani shall be broadcasted online through the official website of the municipality.

In the course of 2020, 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 2020.

In 2020 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 2020, 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 (47.0%).

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 2020, the level of decentralization of power in Armenia continues to remain low.

In 2020, compared to 2019, the overall performance discipline in revenues and expenditures of municipal budgets (including Yerevan) has significantly decreased. The majority of local self-government bodies in the Republic of Armenia are not yet able to fully implement all the powers assigned to them by law, especially with regard to the provision of municipal services.

In 2020, the total revenues and expenditures of the Yerevan budget constitute respectively 47.0% and 46.5% in total revenues and expenditures of all Armenian municipal budgets. And the total revenues and expenditures of the RA municipal budgets (excluding Yerevan) per capita are respectively about 1.52 and 1.49 times lower than the same indicators of the budget of Yerevan.

In 2020, the share of capital expenditures on non-financial assets of all the RA municipal budgets (including Yerevan) increased by 5.6% equaling 23.5% and on current expenditures it declined equaling to 76.5%. The share of capital expenditures on non-financial assets of Yerevan municipal budget in was 12.1%, and on cur-

rent expenditures 87.9%. The share of capital expenditures on non-financial assets of the entire RA municipality budget (excluding Yerevan) increased by 8.1% equaling 33.9%, and on current expenditures it declined to 66.1%.

In 2019, the share of salaries and bonuses (25.5%) in total spending calculated for all the RA municipalities (without Yerevan) is about 1.9 times higher than the same indicator for Yerevan (13.6%). 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.

In 2020, the share of municipal service posts in the staffs of the municipalities of the Republic of Armenia continued to be predominant, making about half of the total number of posts (11111.5) of the municipality, i.e. 5451. By the end of the year, 354 or about 71% of the heads of 502 municipalities had higher education. The gender disproportion in local self-governance and the relatively low level of women's involvement continued.

During the reporting year, new citizen service offices were established in 6 amalgamated multi-settlement municipalities. The total number of CSOs in municipalities has become 53. As of the end of 2020, the Municipal management information system was available in 399 out of 502 RA municipalities, and its revised version was available in all 52 amalgamated multi-settlement municipalities.

In the reporting year, a total of 620 municipal servants were trained, of which 454 or about 73% were from the staff of the Yerevan municipality and its administrative districts. Compared to the previous year, the number of municipal servants trained in the RA marzes decreased by about 5 times in the reporting year. One of the main reasons for the decline was the spread of coronavirus in the country at the beginning of the year, the resulting restrictions, as well as the Artsakh-Azerbaijani war unleashed by Azerbaijan in early autumn, and the resulting martial law in the country.

In recent years, the success of the reforms of the RA local government system continues to be largely conditioned by the grant programs implemented through international funding. Because of the pandemic, some of the activities carried out by the international organizations operating during the reporting year were transferred to the online domain, and in a number of programs new actions were added to prevent the spread pandemic at the local level and neutralize the negative consequences.

In 2020 there were no changes in terms of increasing the scope of public services provided by the local authorities. The lack of municipal service standards, unified evaluation system, service characteristics, qualitative-quantitative normative indicators remains problematic. In 2020, some progress was made in this area in the sector of pre-school education services, where the state authorized body approved pre-school education standards, which are mandatory for all organizations providing pre-school education service, regardless of their organizational or legal status.

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.

Summing up, in all 5 generalized LG sectors 20 functions and 52 indicators were defined, as a result of the assessment of which RA LGAI for 2020 was 4.7 points, which is 0.4 points higher than in 2018 (4.3 points) and 0.1 points lower than in 2019 (4.8 points).

And in general, the LGAI for 2020 is the second highest among the LGAs for the 6 last years, i.e. from 2015 to 2020 (4.4 points in 2015, 4.3 points in 2016, 4.4 points in 2017, 4.3 points in 2018, 4.8 points in 2019, and 4.7 points in 2020).

Recommendations

In order to bring the LG legislation in line with the RA Constitution, European Charter of Local Self-Government and to ensure the fulfillment of the RA international obligations in the field of local self-government, **at the legislative level, it is recommended:**

- To make amendments and additions to the “Electoral Code” constitutional law of the Republic of Armenia, defining provisions necessary for the exercise of the right to be nominated and elected at the elections of avagani through a civil initiative.
- Consistently fulfill the international obligations of the Republic of Armenia in the field of local self-government in connection with the implementation of the provisions of European Charter of Local Self-Government and the recommendations of the Congress of Regional and Local Authorities of the Council of Europe.

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 public opinion on the logic of selection of clusters and on certain economic calculations.
- Provide high-level support to the capital investments by the state and donor organizations in newly formed multi-settlement municipalities in order to promote the proper functioning thereof.
- Launch the process of establishing inter-municipal associations as defined by the RA Law on Inter-Municipal Unions and use them as a tool to delegate the powers of the central government to local authorities.
- 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 decentralization of powers towards the local authorities.

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

- Take practical steps to decentralize powers to municipalities by providing the funding and resources required to implement those powers.
- It is necessary to show consistency in the implementation of the requirements of the legislative changes related to the publicity of local government activities, to expand civic participation in local governance, to provide consultation to municipalities on the proper use of civic engagement tools.

With a view 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.
- Legally establish the amount of contributions to municipal budgets from taxes and payments to the state budget not by the RA Law on Annual State Budget, but by the RA Law on Local Self-Government or the RA Law on Budgetary System.
- 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 importance of local economic development, special attention should be paid to support agriculture, small and medium business, tourism and other economic spheres in municipalities, implementing joint investment and infrastructure programs, providing effective co-financing structures (from RA state budget, municipal budget, private sector, donor organizations, etc.)
- Based on the analysis of the results of the administrative-territorial reforms and international experience, plan and gradually decentralize the powers of state (including territorial) governing bodies towards the municipalities, increasing the degree of decentralization of power in the Republic of Armenia and the effectiveness of the implementation of the powers by local self-government bodies.
- Based on the accumulated experience on definition and assessment of financial indicators in the field of compliance of financial resources with the powers of local authorities, the definition and annual assessment of financial indicators of municipalities was put on an institutional basis. To this end, it is necessary to develop and introduce a comprehensive system for defining, monitoring, evaluating and analyzing financial indicators of the municipality, ensuring that the required information is available and periodically (for example, annually) updated, the assessment results are published and properly applied.
- 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:

- Consider municipal staff optimization measures as a priority for human resource management at the local level. Increase their salaries by optimizing the number of municipal workers.
- Develop and implement more flexible and transparent measures for encouragement and professional advancement of municipal servants.
- Regularly update the content of training programs for local government bodies and municipal servants, bringing it in line with the realities of local government reform. When designing educational programs, more attention should be paid to practical work, situational research, as well as to the most up-to-date, participatory methods of delivering lectures with the involvement of qualified teachers.
- Define appropriate educational outcomes for each local government and municipal service training program. Prior to organizing the training, conduct a self-assessment of local government bodies and municipal staff to determine the participants' personal needs and expectations for the course, and the range of knowledge and skills they wish to enrich.

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 assessment of municipal service.
- Expand the types of local fees defined by the RA Law on Local Duties and Fees, which will help local government bodies to diversify the services provided, as well as make the collection of fees for those services mandatory.
- Encourage inter-municipal cooperation through subvention programs provided from the state budget, in order to improve the efficiency and quality of municipal services.

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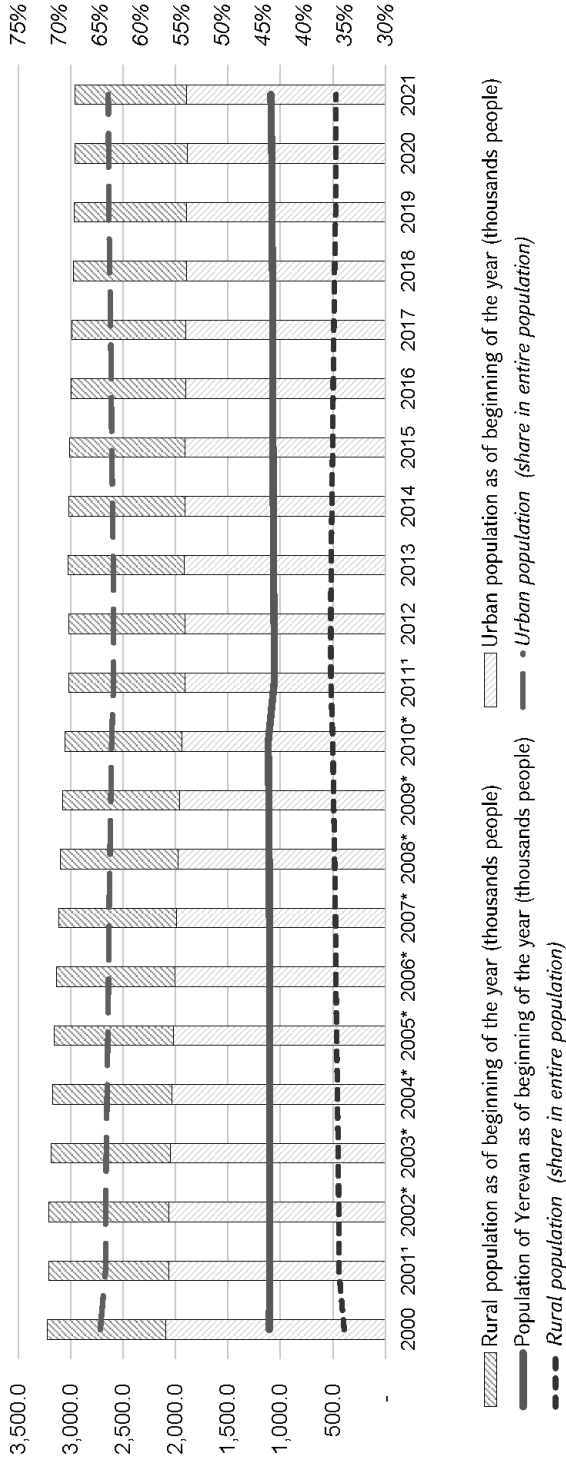
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APPENDICES
Appendix 1

*Population of the Republic of Armenia during 2000-2021 (urban and rural population)
(as of start of year) thousands***



1 Data by census

* Figures are restated based on census results

** Data by National Statistical Service of RA

Appendix 2.

Transparency of the municipal budgets of RA marzes in the 1st and 2nd quarters of 2020¹⁵²

Sr.N	Marz	Number of municipalities in marzes 1st quarter	Publishing on billboards or other visible locations		TV broadcasting		Newspaper publication		Website posts	
			2nd quarter	1st quarter	2nd quarter	1st quarter	2nd quarter	1st quarter	2nd quarter	
1	Aragatsotn	72	114	114	0	0	2	2	82	82
2	Ararat	95	95	95	1	1	4	4	90	93
3	Armavir	97	97	97	27	0	39	39	97	97
4	Gegharkunik	57	124	124	4	4	45	45	49	49
5	Kotayk	42	252	140	0	5	0	5	42	38
6	Lori	56	140	254	5	0	5	0	38	42
7	Shirak	42	107	107	1	1	1	1	42	42
8	Syunik	8	8	99	0	0	0	0	8	8
9	Vayots Dzor	8	109	109	0	0	0	0	8	8
10	Tavush	24	93	93	0	19	6	6	24	24
	Total	501	1139	1232	38	30	102	102	480	483

¹⁵² Source: www.mtad.am, Brief reference on publicity and transparency of local government activities in the Armenian municipalities during the 1st and 2nd quarters of 2020.

Appendix 3.

*Actual execution of the RA municipal budget components and their shares in consolidated budgets during 2018-2020**

Sr.N	Budget type	2018 actual, bln AMD	Share in 2018 consolidated budget, %	2019 actual, bln AMD	Share in 2019 consolidated budget, %	2020 actual, bln AMD	Share in 2020 consolidated budget, %
	Consolidated budget (1)						
	Revenues	1,384.5	100.0	1,614.9	100.0	1,608.7	100.0
	Expenditures	1,480.8	100.0	1,667.3	100.0	1,924.9	100.0
	Surplus (+) Deficit (-) including	-96.3	100.0	-52.4	100.0	-316.2	100.0
1.	State budget						
	Revenues	1,341.7	96.9	1,565.5	96.9	1,560.7	97.0
	Expenditures	1,447.1	97.7	1,629.4	97.7	1,894.7	98.4
	Surplus (+) Deficit (-)	-105.4	109.4	-63.9	122.2	-334.0	105.6
2.	Municipal budgets						
	Revenues	127.5	9.2	144.5	8.9	156.1	9.7
	Expenditure	118.4	8.0	132.9	8.0	138.4	7.2
	Surplus (+) Deficit (-)	+9.1	-9.4	+11.6	-22.2	+17.8	-5.6

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

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

Appendix 4.

Results of the Local Governance Annual Assessment (LGAI 2018, 2019 and 2020)

N	LG sector, function, indicator	2018 score	2019 score	2020 score
1.	Local self-government reforms			
1.1	Legal and programmatic assessment of reforms			
1	Compliance of local governance legislation with the RA Constitution (legal application of constitutional provisions in the RA legislation), %	6	7	7
2	Compliance of LG legislation with European Charter of Local Self-Government (application of relevant provisions 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, %	6	7	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, %	6	7	7
1.2	Fullfillment of international obligations			
5	Degree of implementation of obligations towards Council of Europe, Congress of Local and Regional Authorities of CoE, %	7	7	7
1.3	Territorial-administrative reforms			
6	Average number of population per municipality (excluding Yerevan), persons	5	5	5
7	Average size of administrative territory per municipality, km ²	5	5	5
1.4	Inter-municipal cooperation			
8	Share of municipalities in the total number of the RA municipalities involved in the inter-municipal cooperation structures, %	3	3	2
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
	Average score of indicators of the 1st sector	4.5	4.8	4.7
2.	Municipal assets, development programs and finances			
2.1	Municipal assets			
11	Shares of expenditures of municipal budgets of Armenia (including Yerevan) in non-financial assets, %	3	4	6
12	Shares of expenditures of municipal budgets of Armenia (excluding Yerevan) in non-financial assets, %	4	6	8

2.2	Municipal development programs and budget (planning and budgeting)			
	-			
2.3	Municipal budget revenues			
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	10	6
N	LG sector, function, indicator	2018 score	2019 score	2020 score
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	3	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	3
2.4	Borrowed funds (debt management)			
19	Share of municipal budget loans in total inflow, %	0	0	0
20	Share of municipal budget credits in total inflow, %	0	0	0
2.5	Compliance of LSG powers and finances			
21	Share of municipal budget expenditures in consolidated budget spending, %	3	3	2
22	Share of municipal budget expenditures in GDP, %	2	2	2
23	Actual execution of municipal budget expenditures (including Yerevan) versus the approved plan, %	4	5	1
24	Actual execution of municipal budget expenditures (excluding Yerevan) versus the approved plan, %	6	9	9
25	Actual municipal budget expenditures (including Yerevan) per capita, USD	2	3	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, %	3	4	4
	Average score of indicators of the 2nd sector	3.5	4.2	3.9
3.	Local democracy			
3.1	Democratization of electoral processes			
29	Share of municipalities where elections for avagani members are held through proportional representation, %	1	1	3
30	Share of population in municipalities in the total number of population of the Republic of Armenia, where elections for avagani members are held through proportional representation, %	5	5	9

31	Share of municipalities nominating more than 2 candidates for direct elections of mayors in the given year, %	7	8	5
32	Average voter turnout at LSG elections in the given year, %	5	5	6
N	LG sector, function, indicator	2018 score	2019 score	2020 score
3.2	Civic Engagement			
33	Share of municipalities in the total number of municipalities, which organized and held public discussions/hearings on municipal draft budget, %	4	4	3
34	Share of municipalities in the total number of municipalities, which have official web pages, %	5	7	8
35	Share of municipalities with at least 5000 residents, which have consultative boards under the mayor, %	6	7	7
3.3	Financial accountability			
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
	Average score of indicators of the 3rd sector	4.4	4.9	5.4
4.	Municipal management			
4.1	Human resource management and capacity building			
37	Share of mayors with higher education, %	6	6	7
38	Share of municipalities having MMIS, %	7	7	7
4.2	Municipal service			
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, %	3	5	3
4.3	International assistance			
	-			
	Average score of indicators of the 4th sector	5.0	5.5	5.3
5.	Municipal (public) service delivery			
5.1	Social services (education, culture, healthcare, sport, social protection, etc.)			
41	Share of municipalities delivering pre-school education service, %	6	7	7
42	Share of children attending pre-school education institutions in the total number of children of pre-school age, %	4	4	4

43	Share of municipalities delivering extra-curricular education services, %	3	3	3
44	Total municipal expenditure per capita in recreation, culture and religion sectors, USD	3	3	3
5.2	Urban development-utility 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.)			
N	LG sector, function, indicator	2018 score	2019 score	2020 score
45	Share of municipalities having a general municipality plan, %	3	3	4
46	Share of municipalities delivering waste disposal services, %	9	9	7
47	Share of settlements receiving water supply services from municipalities in total number of settlements, %	6	6	4
48	Share of municipalities providing inter-municipal street lighting service, %	5	8	8
49	Municipal budget expenditures per capita (including Yerevan) in environmental protection sector, USD	5	6	6
50	Municipal budget expenditures per capita (excluding Yerevan) in environmental protection sector, USD	3	4	4
5.3	Economic services (inter-municipal public transport, trade, irrigation, agriculture, including veterinary and medical-sanitary services, etc.)			
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	1	1	2
5.4	Other municipal services (registration of civil status acts, environmental services, etc.)			
	-			
	Average score of indicators of the 5th sector	4.1	4.6	4.4
	Local governance annual index	4.3	4.8	4.7



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