

DRAFT 3

GOVERNMENT OF THE REPUBLIC OF ARMENIA

**THE REPUBLIC OF ARMENIA ANTI-CORRUPTION STRATEGY
AND ITS IMPLEMENTATION ACTION PLAN FOR 2009-2012**

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ABBREVIATIONS

ADB	Asian Development Bank
NA	National Assembly
PRSP	Poverty Reduction Strategy Program
USAID	United States Agency for International Development
ICC	International Chamber of Commerce
CIS	Commonwealth of Independent States
OECD/ACN	Anti-Corruption Network for countries with transition economies
OSI	Open Society Institute
BTI	Bertelsmann Transformation Index
BEEPS	Business Environment and Enterprise Performance Survey
OSCE	Organization for Security and Cooperation in Europe
CoE	Council of Europe
ECA	Europe and Central Asia (countries)
ENP	European Neighbourhood Policy
EBRD	European Bank for Reconstruction and Development
EAG	Eurasian Group on Combating Money Laundering and Financing of Terrorism
TI	Transparency International
GE index	Government Effectiveness Index
CBA	Central Bank of Armenia
GRECO	Group of States Against Corruption
RQ index	Regulatory Quality Index
CPI	Corruption Perception Index
CCI	Control of Corruption Index
ACC	Anti-Corruption Council
GNP	Gross National Product
WB	World Bank
WBI	World Bank Institute
NGO	Non-Governmental Organization
RA	Republic of Armenia
ACSIAP	Anti-Corruption Strategy and Implementation Action Plan
VAI	Voice and Accountability Index
UNDP	United Nations Development Programme
UNCAC	United Nations Convention Against Corruption
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
DFID	UK Department for International Development
HRD	Human Rights Defender
MC	Anti-Corruption Strategy Implementation Monitoring Commission
CRD/TI	Centre for Regional Development/Transparency International
OECD	Organization for Economic Cooperation and Development
LAI	Countries with Low Average Income
ML/FT	Money Laundering and Financing of Terrorism
CL Index	Civil Liberties Index
PR Index	Political Rights Index
CSC	Civil Service Council
PSI	Political Stability Index
CC	Criminal Code
RLI	Rule of Law Index
FATF	Financial Action Task Force
FMC	Financial Monitoring Centre

INTRODUCTION

1. The RA Government has recognized the fight against corruption as one of the key issues in its activities. In May 2000, the main directions of the state anti-corruption policy were outlined for the first time, with attaching importance to the implementation of an effective and sound personnel policy, ensuring state guarantees for social and legal protection of state servants, declaration of income by high officials, implementation of public procurement legislation, business licensing processes and state registration of businesses, as well as to fight against shadow economy and its criminalization.

2. Having recognized the dangers produced by corruption, the Government of the Republic of Armenia has taken a number of steps to fight corruption in the last few years. In 2001-2003, the Government of the Republic of Armenia completed a state anti-corruption policy and outlined the main legislative and institutional frameworks. The Government of the Republic of Armenia also developed and adopted the Republic of Armenia anti-corruption strategy and its implementation action plan for 2003-2007 (ACSIAP), which defined the state anti-corruption policy of the Republic of Armenia. The purpose of ACSIAP is to overcome corruption, to remove the reasons and conditions contributing to the emergence and spread thereof, and to establish a healthy moral-psychological climate in the country.

3. The political guidelines and targets for the fight against corruption and for the establishment of an effective system of governance are the most important guarantees for the implementation of the Republic of Armenia Government's commitments and demonstration of the political will which ensures the ACSIAP implementation. In particular, in the Republic of Armenia President's election platform, the 2012 target for the development of the governance system of the Republic of Armenia is set at the current level of newly accessed EU Member States; the platform states that Armenia will surpass these countries' current indicators by 2012 through internationally accepted indicators for the system of governance. This political commitment serves directly as a basis for the goals and objectives of this strategy. The ACSIAP expected outcome targets are chosen on the basis of this principle.

4. In April 2008, the RA National Assembly approved the program of the Government of the Republic of Armenia formed in the result of the 29 February 2008 presidential elections, where the fight against corruption is recognized as one of the important components of state policy. The Government of the Republic of Armenia considers the full development of a multi-party system providing real political competition as the main precondition for fighting corruption effectively and ensuring public confidence. The Government has outlined the main directions of ACSIAP: protection of human rights and liberties, increase of the effectiveness of state and local self-governance activities, informing the public about the fight against corruption, involvement of civil society in the fight against corruption and making it more active in that process, improvement of the public administration system, increase of the effectiveness of public's involvement in public administration, ensuring the principle of everyone's equality before the law including government officials, establishment of equal competitive environment for economic operators and reduce of the shadow economy. The Government of the Republic of Armenia has been also obliged to honour its commitments stemming from the Republic of Armenia's membership in GRECO and OECD anti-corruption network for countries with transition economies, and from the UN Convention against Corruption, as well as to adopt legal acts deriving from these commitments.

5. Effective governance, especially the fight against corruption, has been recognized as one of the priorities in the national security strategy of the Republic of Armenia. The Republic of Armenia national security strategy states that institutional reforms are aimed, in particular, at strengthening the democratic state, effectiveness of public administration bodies, independence and impartiality of the judiciary, increasing the civil society's roles in the decision-making process and oversight over it, and intensifying the fight against corruption, particularly bribery.

CHAPTER I. ANTI-CORRUPTION POLICY IN ARMENIA FOR 2003-2007

1.1. Assessment of the level of corruption in Armenia, its prevalent types, sectors and areas

6. In 1999-2000, the Corruption Perception Index (CPI) in Armenia was 2.5, which having fluctuated around 3.0 in subsequent years, stood at 3.0 in 2007. Armenia compares favourably both to other CIS countries and to 20 countries of Eastern Europe and Central Asia, ranking 99th among 163 countries.

7. According to the World Bank Institute, the Control of Corruption Index (CCI) was improved in Armenia in 2006. Armenia appeared in 35th percentile rank among 209 countries. With this ranking, Armenia occupies the second place among CIS countries, lagging behind only the neighbouring Georgia. Armenia's CCI is lower than both the average for ECA countries and Central and Eastern European countries as well as countries with low average income. At the same time, with its ranking, Armenia is ahead of the average for Europe and Central Asia countries with low average income (See Tables 1 and 2).

Table 1. The Dynamics of WBI Governance Indicators for Armenia (percentiles, 0-100, 1998-2006)

	1998	2000	2002	2003	2004	2005	2006
1. Regulatory Quality	26.6	28.1	56.7	57.1	53.2	56.9	59.0
2. Government Effectiveness	29.7	18.7	45.5	45.5	44.5	49.3	51.2
3. Voice and Accountability	35.3	37.2	34.8	33.3	30.0	30.4	26.9
4. Political Stability	22.6	17.9	23.6	28.3	31.6	38.2	35.1
5. Rule of Law	38.0	36.1	35.6	39.4	38.0	41.5	38.1
6. Control of Corruption	21.6	23.0	32.4	33.8	28.9	33.5	35.0

Table 2. Governance Indicators for the CIS and Eastern European countries for 2006 (percentiles, 0-100)

	Control of Corruption	Government Effectiveness	Regulatory Quality	Voice and Accountability	Political Stability	Rule of Law
Slovenia	81.1	84.4	72.7	84.6	82.7	75.2
Estonia	80.1	85.3	92.2	78.8	71.2	80.5
Latvia	68.4	73.5	82.4	72.6	73.6	63.8
Czech	66.0	80.1	79.5	77.4	70.2	73.3
Slovakia	65.5	78.2	83.4	78.4	76.4	61.4
Poland	60.2	69.2	69.3	76.9	54.3	59.0
Bulgaria	57.3	60.2	66.3	65.4	57.2	50.0
EE and B* Average	56.3	62.1	65.7	65.3	56.6	53.3
Romania	53.4	53.6	62.0	61.5	50.0	50.5
Georgia	44.7	50.7	44.4	44.7	21.6	32.9
Armenia	35.0	51.2	59.0	26.9	35.1	38.1
Moldova	30.1	22.3	41.5	32.7	29.8	32.4
CIS Average	22.2	26.3	28.2	21.3	27.2	20.0
Belarus	21.4	10.4	4.9	4.3	52.4	11.9
Tajikistan	18.9	14.2	17.6	11.1	10.6	12.9
Kazakhstan	18.4	33.6	36.1	19.7	46.2	23.8
Azerbaijan	15.0	27.5	34.1	14.9	15.9	22.4
Kyrgyzstan	10.2	21.3	28.3	27.9	13.0	10.5

*Eastern European and Baltic countries

8. Main types of corruption in Armenian can be grouped as follows: transactional corruption, administrative corruption and political corruption.

9. **Transactional corruption** is aimed at speeding up various processes and official procedures and reducing costs with the purpose of supplying public services to citizens or economic operators, in particular, within a shorter period of time than that provided for and within the framework of procedures and legal transactions prescribed by the legislation of the Republic of Armenia.

10. Armenian companies consider transactional corruption as a relatively secondary obstacle for their activities. According to WBI data, about 10% of Armenian companies said they make unofficial payments frequently. Unofficial payments are a particularly heavy burden for small undertakings, amounting to about 1.2% of their annual sales. Typically, heads of medium-sized and large undertakings spend more time dealing with public officials and official procedures.

11. The level of transactional corruption has been reduced as a result of continuous improvement of regulatory policy and regulation mechanisms. According to WBI data, the Regulatory Quality Index improved dramatically in 2003; by 2006, Armenia became firmly established in the 55-60 percentiles group, which is above average for ECA countries but below average for Central and Eastern European countries. At the same time, the improvement of regulatory quality was accompanied by an increase in the general government effectiveness.

12. **Administrative corruption** takes place when existing legal norms are violated or applied through reservation clauses. According to BEEPS data, about one third of Armenian companies considers that corruption poses obstacles for their activities, while 20% of companies consider it to be the main obstacle for business activities. Moreover, Armenian companies conceive tax administration and the high level of uncertainty of regulatory policies as the main obstacles to business.

13. When asked about certain manifestations of administrative corruption, about 42% of the surveyed households found impossible to get things done without corruption, 28.5% considered the punishment avoidance as the reason for corrupt practices, 18.7% deemed the desire to avoid paying high official fees to be the reason for corruption, and 25.4% justified corruption by a desire to get an alternative source of income.

14. The rise in the level of administrative corruption was accompanied by a relative worsening of the level of rule of law. In 2006, Armenia was ahead of the average for ECA countries in terms of its Rule of Law index, but below the average for Central and Eastern European countries. According to WBI data, 47.5% of the companies surveyed in 2005 said they did not trust the legal system for the protection of their right of ownership and enforcement of contracts.

15. The Human Rights Defender's 2006 report states that public authorities do not always follow the rule of law principle when dealing with applications or complaints from citizens, whereas the level of public confidence towards the courts is far from being satisfactory. The risk of administrative corruption is especially high in the areas of healthcare, education, labour and social security, as well as the areas concerning the bodies of the Police, the Prosecutor's office, Ministry of Justice of the Republic of Armenia and Ministry of Defence of the Republic of Armenia, also the Yerevan Municipality, Marzpetarans and local self-governing bodies of the Republic of Armenia.

16. In case of **political corruption**, corrupt practices are aimed at changing legal or regulatory norms in the interests of an individual or a group of individuals, and the public policy is made to serve private interests, which leads to distortions of the competitive environment and the civil society establishment.

17. International indicators for evaluating the level of manifestations of political corruption in Armenia, in particular, those related to voice and accountability, political rights, lawfulness of electoral processes, freedom of expression, freedom of association and press freedom, have not changed significantly in the period of **2002-2006**.

18. According to the Freedom House report 2007, Armenia's corruption index has not been changed over the last 10 years scoring 5.75 points. The Armenian media is not sufficiently developed and powerful, therefore, citizens are unable to enjoy proper independence of the media, professionalism in journalism and plurality of information.

19. According to a household survey, the majority of citizens consider that the level of corruption is the highest in the electoral system, while 95% of those surveyed consider the electoral system to be corrupt to one extent or another.

20. According to WBI data, about 42% of the surveyed companies have mentioned anti-competitive environment as one of the main obstacles for business activities. The Bertelsmann Foundation's report 2008 states that the vulnerable economic competition environment, caused by manifestations of political corruption, continuously hinders Armenia's further economic development. According to USAID, the Armenian civil society is characterized as weak.

21. Thus, the assessment of the level of corruption, its prevalent types and the affected sectors and areas in the current stage of Armenia's development indicates that:

- The indicators showing the general level of corruption in the Republic of Armenia have not changed significantly in 2003-2006, and Armenia continues to be classified in the group of countries with high level of corruption.
- In terms of its indicators of the general level of corruption, Armenia has an advantage over the CIS countries; however, it significantly lags behind Eastern European and Baltic countries.
- Continuous and significant improvement of regulatory policies and mechanisms have contributed to reduction of the level of transactional corruption, moreover, this improvement of regulatory quality has been clearly accompanied by an increase in the general government effectiveness.
- The indicators describing the level of administrative corruption have worsened caused by shortcomings with the rule of law in the area of protection of legal interests of individuals, by lack of confidence towards the judiciary and other reasons, inter alia, in terms of these indicators, Armenia is significantly lagging behind Central and Eastern European countries.
- The high level of political corruption negatively affects the country's economic competition environment. Citizens of the Republic of Armenia consider the electoral system to be corrupt, while the certain weakening of civil society institutions in the last few years has significantly limited their role and capacities in facing manifestations of political corruption.

1.2. Results of the Republic of Armenia Anti-Corruption Strategy and Its Implementation Action Plan for 2003-2007

22. The Republic of Armenia Anti-Corruption Strategy and its Implementation Action Plan for 2003-2007 was mainly focused on corruption prevention measures, new institutional structures and improvement of the legal framework attaching importance to wide public participation in combating corruption and monitoring of anti-corruption measures. Some typical ACSIAP measures related to closing of the existing gaps in legislation and removal of all contradictions by expert analysis of draft laws and identification of corruption risks, to the increase of law-enforcement authorities' capacity to fight against corruption by developing their professional skills, as well as by improving the salary and social security mechanisms for law enforcement officers and by introducing codes of conduct.

23. On the whole, **more than fifty laws and secondary legislation were adopted within the framework of the anti-corruption measures of the ACSIAP for 2003-2007**, main institutions responsible for the fight against corruption were established, key international anti-corruption conventions and agreements were signed and ratified, and the country joined the most respectable organizations enabling international cooperation in the fight against corruption.

24. The President of the Republic of Armenia signed an order on establishing an Anti-Corruption Council (ACC), chaired by the Prime Minister, to coordinate the activities of the competent state authorities aimed at the comprehensive and effective implementation of the Republic of Armenia anti-corruption policy, to eliminate the causes of corruption and to improve the state policy aimed at preventing corruption. Anti-Corruption Strategy Implementation Monitoring Commission (MC) was also established in accordance with ACC regulations. Parallel to the establishment of institutions aimed at implementing a coordinated and effective anti-corruption policy, a number of institutions and units exercising specialized functions of preventing, disclosing and prosecuting corruption were also created.

25. Amendments to the Constitution of the Republic of Armenia maximally clarified the **functions and powers of all branches of Power**, and minimized duplications of rights and obligations. Institutional reforms of the legal system started. The Law "On Prosecutor's Office" separated the functions of carrying out investigation and supervising the legality of investigation. Guarantees for the prosecutor's office independence and transparency were introduced. The concepts of an "official

person,” subjects of corruption crimes, amount of penalties and mechanisms for confiscation of proceeds of corruption crimes were clarified, complemented and brought into compliance with the provisions of international conventions. Legislation defined the activities of operational intelligence bodies, their rights and responsibilities, and the control and supervision over operational intelligence activities. The law also improved the logistics support of operational intelligence bodies. Professional qualifications and anti-corruption capacities of law enforcement officers involved in anti-corruption measures were also improved.

26. Preconditions for independence and normal operation of the judiciary have been laid down. The principles for judges’ activities, procedures for judicial appointments, safeguards for their independence, rules of conduct, the grounds and procedures for their liability. The powers of the Council of Justice and the procedure for election of member judges have been established. The adoption of the Law of the Republic of Armenia “On advocacy” contributed to the development of an adversarial judicial system.

27. In terms of introducing **responsibility, transparency and accountability** in state service and developing it further, Armenia has established and regulated by law various types of state service, civil and community services. The selection and promotion of personnel for state and community service is done on a competitive basis. The remuneration system for state and community servants is regulated and tied to the person’s position, qualifications and experience. Training institutions and new training programs have been created for state and community servants. Depending on the peculiarity of each service, rules of conduct for civil servants and ethics rules for judges, prosecutors, diplomats and other state servants have been adopted. A fine has been set for officials for providing incomplete or distorted information, documents or materials related to lawful interests or a person. The Government policy in 2004-2007 was aimed at establishing institutions in public administration bodies, such as public relations subdivisions, responsible for processing and sharing information, as well as building their capacity. Various participatory public administration mechanisms were developed and introduced, which became precedents and are now used in the development of various strategic programs. Civil society representatives are included in management boards of major state programs.

28. Thus, based on the results of the Republic of Armenia Anti-Corruption Strategy and Its Implementation Action Plan for 2003-2007, as well as on international indicators of the level of corruption, the analysis of the trends thereof shows that:

- The level of corruption in Armenia remains high, and corruption is of systemic nature;
- ACSIAP has not involved clear, measurable and attainable goals and objectives, has not been oriented on concrete results and has not put together the results of implementation of measures in resolving various issues;
- ACSIAP measures have been mainly focused on the prevention of corruption, while means to disclose and prosecute corruption-related crimes, to increase public awareness of corruption and to obtain public support have been relatively weak. Public education, awareness campaigns and civil society participation processes have been implemented by civil society.
- The system of coordination and monitoring of the Republic of Armenia anti-corruption policy and programs is still in the stage of development. It is not backed by working mechanisms. The monitoring being carried out is administrative and is limited to the adoption of decisions on concrete draft legislative initiatives. ACSIAP has not included a system to assess the level of corruption by areas and sectors, the requirements of performance monitoring of the content and reports, including those to summarize annual results, measurable description of the current situation and indexes to evaluate the outcomes and results of implementation of measures.
- ACSIAP implementation mechanisms have not properly ensured the development of concrete anti-corruption programs by public administration bodies, cooperation with civil society institutions, and their effective involvement. Mechanisms for annual review of ACSIAP and for the development and adoption of annual programs are also missing.

1.3. The Republic of Armenia's International Anti-Corruption Commitments

29. The Republic of Armenia anti-corruption commitments have been expanding continuously, while the state policy in that field has been tied to the country's sustainable development priorities, becoming one of the main directions for the government's activities in 2008.

30. In January 2004, Armenia joined the GRECO, and in June and December of 2004, respectively, it signed and ratified the Council of Europe's Criminal Law Convention on Corruption and the Civil Law Convention on Corruption. GRECO's first and second phase evaluation report on Armenia was adopted in March 2006. The report outlined 24 recommendations on the improvement of the current situation in the area of combating corruption. The majority of GRECO's recommendations are of preventive and disclosing nature and are mainly (20 recommendations out of 24) aimed at the adoption and improvement of laws and procedures. The Republic of Armenia Anti-Corruption Council has approved an Action Plan for implementing the GRECO recommendations. The 2008 report on the process of implementation of the GRECO recommendations proves that 12 recommendations out of the 24 have been deemed to be fully implemented, 9 of those implemented partially, and 3 of those not implemented at all.

31. Armenia is also involved in the "Istanbul Anti-Corruption Action Plan" of the Organization for Economic Cooperation and Development (OECD), designed for 8 former Soviet states. It is designed to improve the anti-corruption policy of these countries by means of recommendations developed by international experts. Recommendations for Armenia were developed and adopted in 2004. The 24 recommendations of the OECD are classified in the following three groups: 1) National anti-corruption policies and institutions (7 recommendations), 2) Legislation and criminalization of corruption (8 recommendations), 3) Transparency of civil service and financial supervision (9 recommendations). Seven recommendations of OECD fully or partial coincide with the relevant GRECO recommendations. The 2006 OECD monitoring report on the implementation of recommendations evaluating the progress in Armenia indicated that only 4 recommendations out of 24 were not implemented, 11 were implemented partially, 8 were mainly implemented and 1 was considered as fully implemented. At the same time, the report noted that many of the implemented measures are only the first step towards reduction of corruption, and that there was still much work to be done for relieving the "burden" of corruption in various areas of public and economic life.

32. Within the framework of the EU European Neighbourhood Policy (ENP), the European Union and Armenia ratified an Action Plan in 2006, in which fighting corruption was included as a priority field. In the Armenia Action Plan, 8 anti-corruption measures were included as special priorities, including the ensuring of appropriate investigation and prosecution of corruption crimes, bringing the Criminal Code in compliance with international standards, developing rules of ethics for judges and prosecutors, defining the liability of officials for wrong declarations of property and income, increasing the judges' salaries, etc. Almost all of the measures described in the Action Plan are, at the same time, included in both UN conventions and Council of Europe conventions on Criminal Law and Civil Law, and in GRECO and OECD recommendations.

33. In 2005, the Republic of Armenia signed the United Nations Convention against Corruption (UNCAC), which was ratified by the National Assembly of the Republic of Armenia in 2006. Armenia is required to submit a self-evaluation report to the UN Office on Drugs and Crime, based on questionnaires prepared by the latter, in the preliminary stage of monitoring the UNCAC.

34. Under the 2006 agreement between the Government of the Republic of Armenia and the Millennium Challenge Corporation of the United States of America, the Government of the Republic of Armenia will retain its commitments related to MCC criteria, the implementation of which will be monitored by evaluating the performance of the Government of the Republic of Armenia in the areas of political rights and civil liberties, control of corruption, government efficiency, rule of law, as well as the voice and accountability.

35. Under the 2005 NATO Individual Partnership Program, the Government of the Republic of Armenia undertook commitments to participate actively in GRECO's activities and implement GRECO's recommendations, implement the ACSIAP, introduce clear and transparent accountability mechanisms for the prevention and prosecution of corruption by officials, improve awareness of corruption by means of education and training for state officials.

CHAPTER II. THE REPUBLIC OF ARMENIA ANTI-CORRUPTION POLICY FOR 2009-2012

2.1. Effective and Coordinated Anti-Corruption Policy

36. In order to ensure an effective and coordinated implementation of the Republic of Armenia anti-corruption policy, for the period of 2009-2012 the Government of the Republic of Armenia will consistently continue to:

- Apply **international tools** for the fight against corruption, including the United Nations and Council of Europe's conventions, peer assessment establishments and best practices in the fight against corruption by means of their analysis, adaptation and introduction;
- Develop **public support** in the fight against corruption through active involvement of the civil society and public awareness campaigns;
- Ensure periodic **reviews and adjustments** of the anti-corruption policy, as well as its **harmony** with state policy priorities in other sectors and areas, by means of continuous monitoring of ACSIAP implementation and its preliminary and interim results, regular evaluation thereof, as well as taking into consideration the lessons learned;
- Ensure the effective and coordinated activities of **bodies** responsible for the implementation of the anti-corruption policy by clearly defining their functions, developing their professional capacities, establishing control over their activities and ensuring effective cooperation between these bodies;
- Proportionally use the main **means** of the anti-corruption policy: prevention, disclosure of corruption and liability thereof, public education and awareness-raising by means of legislative improvement, institutional reforms and consistent application of legal norms.

2.2 The Main Goals and Expected Outcomes of the Republic of Armenia Anti-Corruption Strategy and Its Implementation Action Plan

37. The main political directions and targets of the Republic of Armenia Anti-Corruption Strategy and Its Implementation Action Plan are anchored in the commitments to establish an effective public administration system and to fight against corruption, undertaken in the election platform of the President of the Republic of Armenia and in the Program of the Government of the Republic of Armenia.

38. At the same time, ACSIAP's goals and objectives are separated by the expected results: **final (impact), interim and factorial results**. Moreover, results expected at each level must meet the following main criteria: they must be tangible, realistic, measurable and comparable.

39. The 2012 targets for final and interim results expected from the ACSIAP implementation are in line with the average Government Effectiveness Indexes for Central and Eastern European countries for 2007, which are generally higher than those of ECA countries and of LAI countries. The average current Government Effectiveness Indexes for Central and Eastern European countries are characteristic mostly for Bulgaria, Romania and Hungary. Therefore, these countries' indicators mainly coincide with the 2012 targets for Armenia.

40. **The main goal and the expected final result of ACSIAP is the significant reduction in the general level of corruption in Armenia.** In particular, the Government of the Republic of Armenia expects that, as a result of ACSIAP implementation, by 2012, corruption will lose its systemic nature, the extent of corruption will be limited significantly, the quality of public services supplied to citizens will improve, the perception of social justice in households and in among businessmen will improve significantly, the stability of the country's political system will strengthen, conditions for increasing the productivity of the economy will be created, thus increasing the country's competitiveness and the economy's attractiveness for investments.

41. The final results of ACSIAP implementation will be evaluated with the help of the Corruption Perception Index (TI) and Control of Corruption Index (WBI).

42. The final results targets for ACSIAP implementation for 2012 are the followings:

- Corruption Perception Index (TI) – 4.1 points (instead of 3.0 points in 2007)
 - Control of Corruption Indicator (WBI) – -0.05 points (instead of -0.58 points in 2007).
43. The gaps between the current levels and the 2012 targets for CPI and CCI constitute 11.0% (1.1 points in the 0-10 range) and 10.6% (0.53 points in the -2.5 - 2.5 range) percentage points of the range, respectively.
44. ACSIAP's **interim results** are a significant reduction in the levels of transactional, administrative and political corruption.
45. The Government of the Republic of Armenia expects that, by 2012, the reduction in the level of **transactional corruption** will result in increase of the government effectiveness, improvement of the regulatory quality and governance functions, and in increase of the effectiveness of the local self-governance system. The 2012 interim result targets for reduction in the level of transactional corruption are set as follows:
- **Increase of the government effectiveness:** Government Effectiveness Index (WBI) – 0.15 points (instead of 0.16 points in 2007);
 - **Improvement of the regulatory quality and governance functions:** Regulatory Quality Index (WBI) – 0.37 points (instead of 0.26 points in 2007).
46. The gap between the targets and the current situation is not significant; which is considered to ensure the continuity of current reforms in the aforementioned directions.
47. The Government of the Republic of Armenia expects that, by 2012, the reduction in the level of **administrative corruption** will result in a significant increase in the level of rule of law, a dramatic increase in the level of independence of the judiciary and in the level of detection and prosecution of abuse of official position, a significant increase in the level of accountability and transparency of public administration bodies, as well as the institutional framework for the implementation of anti-corruption policy will become complete. The 2012 interim result targets for the reduction in the level of administrative corruption are set as follows:
- **Increase in the level of rule of law:** Rule of Law Index (WBI) -0.15 points (instead of -0.52 points in 2007);
 - **Increase in the level of accountability, transparency and openness of public administration bodies:** Voice and Accountability Index (WBI) -0.47 points (instead of -0.72 points in 2007).
48. The gap between the mentioned targets for reduction of administrative corruption and the current situation is significant and mainly presumes consistent implementation of drastic measures in the mentioned directions. Targets for the reduction in the level of administrative corruption are more ambitious, compared to the targets for reduction in the level of transactional corruption.
49. The Government of the Republic of Armenia expects that, by 2012, the reduction in the level of **political corruption** will result in the strengthening of political stability, an increase in political rights and civil liberties, including political pluralism and participation, freedom of expression and conscience, freedom of assembly and association, an improvement in electoral processes, an increase in the level of independence and sustainability of the media, a strengthening of civil society and an expansion of civil society's involvement in government, a significant improvement in regulation of conflicts of interests, and ensuring the implementation of an effective anti-monopoly policy. The 2012 interim result targets for the reduction in the level of political corruption for ACSIAP are set as follows:
- **Increase in the level of political stability:** Political Stability Index (WBI) – 0.23 points (instead of -0.30 points in 2007);
 - **Increase in the level of protection of political rights and civil liberties, and improvement of electoral processes:** Political Rights Index/AA(FH) – 2 points (instead of 5 points in 2007), Civil Rights Index/ AA(FH) – 2 points (instead of 4 points in 2007).
50. The gap between the targets for reduction in the level of **political corruption** and the current situation is significant and presumes drastic changes in the mentioned directions, with wide involvement of civil society institutions. The relatively positive trends in the civil society development serve as a

strong basis for establishing an effective cooperation between government bodies and civil society institutions. Inter alia, the targets for reduction in the level of political corruption are the most ambitious ones, compared to targets for reduction in the level of both transactional and administrative corruption, while the spectrum of challenges is wider and the more comprehensive.

51. The 2012 interim result targets for ACSIAP, by types of corruption and by indicators selected for the assessment of levels, are summarized in Table 3.

2.3. Main Directions and Objectives of the Republic of Armenia Anti-Corruption Strategy

52. The main objective of ACSIAP implementation is to make an effective use of **preventive, criminalization and public support** measures in order to reduce the levels of transactional, administrative and political corruption in public administration and specific sectors of the economy.

53. **Continuous improvement** of the development policy of areas and sectors included in ACSIAP and of **legislation of the Republic of Armenia** covering relations therein are important with regard to **preventing** corruption. In particular, this refers to the further simplification and clarification of regulatory mechanisms and procedures in line with international standards and best practices, adoption of provisions aimed at reducing corruption risks in laws and secondary legislation, adoption of mechanisms for consistent application of legislation and control over their enforcement, introduction of appropriate sanctions for shortcomings in the carrying out of functions stipulated by law, and identification and removal of contradictions and duplication in the legislation.

Table 3. Results expected from ACSIAP implementation, current and target indexes, gaps and range on the levels of final and interim results

LEVEL	RESULTS	INDICATOR	CURRENT INDEX	TARGET	GAP		RANGE
		INDICATORS/STUDIES (ORGANIZATION)	POINT/RANK (YEAR)	POINT/RANK (YEAR)	POINT	% POINT	LOW, HIGH
FINAL RESULT	General reduction in the level of corruption	Control of Corruption Index (TI)	3.0/99 (2007)	4.1 (2012)	1.1	11.0%	0□10
		Control of Corruption Index (WBI)	-0.58/35 (2006)	-0.05 (2012)	0.53	10.6%	-2.5□2.5
INTERIM RESULTS	Reduction in the level of transactional	Regulatory Quality (WBI)	0.26/59 (2006)	0.37 (2012)	0.11	2.2%	-2.5□2.5
		Government Effectiveness (WBI)	-0.16/51 (2006)	0.15 (2012)	0.31	6.2%	-2.5□2.5
	Reduction in the level of administrative	Rule of Law (WBI)	-0.52/38 (2006)	-0.15 (2012)	0.37	7.4%	-2.5□2.5
		Voice and Accountability (WBI)	-0.72/27 (2006)	0.47 (2012)	1.19	23.8%	-2.5□2.5
	Reduction in the level of political corruption	Political Stability (WBI)	-0.30/35 (2006)	0.23 (2012)	0.53	10.6%	-2.5□2.5
		Political Rights/AA (FH)	5 (2007)	2 (2012)	3	50.0%	7□1
Civil Liberties/AA (FH)		4 (2007)	2 (2012)	2	33.3%	7□1	

54. **Ensuring the effectiveness, transparency and accountability of public administration bodies** is also important for the prevention of corruption. In particular, this refers to the separation of functions of various state authorities, improvement of their structures, setting up of professional criteria for employees of state authorities, staff capacity building, introduction of systems to evaluate employment effectiveness, improvement of systems of remuneration and social security for state servants, legislative regulation of codes of conduct and conflicts of interests of state and community servants, establishment of public service quality criteria, bringing them in compliance with international standards and best practices, evaluation of the level of citizens' perception of and satisfaction with regard to public service procedures and quality, improvement of procedures for controlling the activities of state authorities, and ensuring effective communication and cooperation between state authorities.

55. Armenia's priorities in the area of **criminalization** of corruption are: definition the framework of corruption related crimes in compliance with internationally accepted approaches,

clarification of the description of certain crimes, regulation of issues related to adequate penalties and statutes of limitations for sanctions, establishment of protection scheme for witnesses, experts, victims and informants, effectiveness of pre-trial investigation of corruption-related crimes, capacity building for law enforcement authorities, and cooperation between law enforcement authorities and civil society institutions. Addressing the aforementioned issues will give an opportunity to overcome the atmosphere of impunity in the country and to prosecute the culprits regardless of their posts or positions.

56. The public's practical participation in the prevention and disclosure and public awareness of corruption is important for ensuring **civil society's support** in the fight against corruption. In particular, it is important to introduce mechanisms and models ensuring citizens' and non-government organizations' involvement in the development, implementation, monitoring and evaluation of anti-corruption policy, to ensure legislative guarantees for freedom of information, to build institutional capacities of civil society institutions for an effective participation in public administration, to inform the public about the activities of anti-corruption bodies, to introduce electronic governance systems in state authorities, to educate the citizens on the problem of corruption, its types and manifestations, consequences and dangers thereof, as well as to establish a business environment contributing to the reduction of corruption in the private sector and to encourage transparency and accountability.

57. ACSIAP defines objectives for reduction in the level of transactional, administrative and political corruption in the areas of combating money laundering and terrorism financing, public finance management, public procurement, tax and customs, education and healthcare, the judiciary, penitentiary sector, state registration of legal entities, judicial acts compulsory enforcement, the police service, local self-governance system, political and public sector, as well as in the electoral system. The Government of the Republic of Armenia attaches special importance to the continued increase in the levels of political stability, political rights and civil liberties, and to improvements in electoral processes to ensure free and fair elections.

2.4 Bodies Implementing the Anti-Corruption Policy

58. In Armenia, the fight against corruption is managed through a decentralized system, where the functions of developing, monitoring and coordinating of anti-corruption policy are separated from bodies specialized in disclosing cases of corruption.

59. The comprehensive and effective implementation of the state anti-corruption policy in the Republic of Armenia is ensured by the **Anti-Corruption Council**, established for the purpose of collating the activities of state authorities involved in the fight against corruption, eliminating the causes of corruption and improving the state policy aimed at preventing corruption.

60. Attached to the Anti-Corruption Council, has been established **Anti-Corruption Strategy Implementation Monitoring Commission** (hereinafter referred to as 'the Commission'), chaired by the Assistant of the President of the Republic of Armenia and with the participation of representatives of parliamentary factions and groups, non-governmental organizations and several public administration bodies. The chairperson and members of the Commission participate in works of the Commission on volunteer basis. The Commission's decisions are of advisory nature. With the participation of non-governmental organizations, the Commission has set up 12 working groups. On the whole, the activities of these working groups have not been continuous, which has been conditioned by the lack of high-quality specialized staff. Working on volunteer basis, the Commission has not been able to build its capacities fully in order to engage in professional activities. The Commission's composition and the mechanisms for involving the representatives of civil groups failed to create sufficient grounds for carrying out a full-fledged participatory process. Moreover, the politicized process of NGO nomination hinders the involvement of professional potential in the Commission's activities. Lacking financial resources, human capacity and material resources, the Commission has not been able to develop a comprehensive monitoring system for the Republic of Armenia anti-corruption strategy.

61. The disclosure and preliminary investigation of corruption-related crimes is carried out by the Special Investigation Service of the Republic of Armenia, The Police of the Republic of Armenia adjunct to the Government of the Republic of Armenia and the National Security Service of the Republic of Armenia. The State Revenue Committee by the Government of the Republic of Armenia also has appropriate functions in this matter. The Prosecutor's office of the Republic of Armenia oversees the lawfulness of preliminary investigation and investigation of corruption-related crimes, as well as defends

corruption charges in courts. The Human Rights Defender performs the function of primary protection of human rights and freedoms infringed by state and local self-government authorities and officials. The external state control over the use of budget resources and state and community property is carried out by Control Chamber of the Republic of Armenia. The Financial Monitoring Centre of Central Bank of the Republic of Armenia examines suspicious transactions in the light of money laundering and terrorism financing, and provides the Board of the Central Bank of the Republic of Armenia with opinions on freezing or suspending these transactions. The protection and encouragement of economic competition aimed at business development and consumers' rights protection, the creation of appropriate environment for fair and free competition, the prevention and restriction of anti-competitive activities and the issuance of warnings thereon, as well as control over the protection of economic competition are exercised by the State Committee on the Protection of Economic Competition of the Republic of Armenia.

62. Taking into consideration the existing anti-corruption institutions and anti-corruption practices in Armenia, the development of bodies implementing the anti-corruption policy in 2009-2012 will be aimed at their further institutional development, coordination of their activities, as well as ensuring cooperation between bodies in charge of prevention and disclosure of corruption.

63. The establishment of a comprehensive and effective anti-corruption policy in Armenia and evaluation of the results thereof, coordination of activities by state authorities engaged in the fight against corruption, and improvements to the state policy to prevent corruption will continue to be carried out by currently operating **Anti-Corruption Council**. At the same time, the composition and the functions of the Council will be completed. The Council will involve representatives from the Judicial Department, civil society and business circles. The main functions of the anti-corruption council within a new format shall be the followings: a) coordination of development, implementation, monitoring and evaluation of the Republic of Armenia anti-corruption strategy program, b) coordination and collation of anti-corruption activities of empowered authorities, c) cooperation with regional and international organizations in the fight against corruption, d) coordination of development and implementation of anti-corruption agency (sectoral) programs of the Republic of Armenia, e) increase and share of public's knowledge on issues of the prevention of corruption.

64. **In order to ensure the implementation and monitoring of an effective corruption prevention policy in Armenia, the cooperation between empowered authorities, as well as full and effective operation of the Anti-Corruption Council and Monitoring Commission**, it is recommended to create a structural unit on corruption prevention, the main functions of which shall be the followings:

- Organization and implementation activities related to the development of anti-corruption strategy and its implementation action plan, monitoring and evaluation of the program, regular review of the program and progress reports,
- Organization of studies and surveys on the level of corruption, its types and extent,
- Collection and analysis of information from state and local self-government authorities, organization of studies of corruption risks in various sectors,
- Preparation of opinions on corruption risks in projects developed by individual public administration bodies,
- Organization of educational activities, anti-corruption campaigns, public awareness of anti-corruption matters, including by means of an electronic website,
- Organization of thematic training courses for employees from anti-corruption state authorities and private sector organizations,
- Ensuring cooperation with international anti-corruption organizations and preparation of reports on international commitments deriving from international treaties,
- Provision of secretarial support to the activities of anti-corruption council and monitoring commission.

65. The organizational structure and status of the structural unit attached to the Anti-Corruption Council will directly depend on its main functions.

2.5. Staff Preparation and Training, Management of Information about Corruption

66. The effectiveness of the fight against corruption greatly depends on the professional capacity of bodies implementing the anti-corruption state policy. In 2003-2007, some training courses were organized for specialists from the main bodies involved in the implementation of the anti-corruption state policy. However, these courses mainly covered some anti-corruption elements and did not ensure access to complete professional information. The problem of staff preparation and training in the area of fight against corruption should be resolved by means of an education and continuous training system.

67. The objectives of anti-corruption **education** programs shall be aimed at developing topics on prevention, disclosure and public awareness of corruption and introducing them in some master's degree programs of general educational establishments in higher educational institutions of the Republic of Armenia.

68. The Ministry of Education and Science of the Republic of Armenia will approve the courses and textbooks for general educational establishments where anti-corruption topics would be introduced. Topics on types, reasons, manifestations and consequences of corruption, anti-corruption measures, levels of corruption, and impact assessment of anti-corruption programs should dominate in educational programs.

69. Higher educational institutions will develop curricula in compliance with the requirements approved by the Ministry of Educational and Science of the Republic of Armenia, that would include mainly topics on effective public administration systems, transparent, open, accountable and participatory governance, evaluation of corruption risks and anti-corruption analysis of legislation, public service, public finance management and public procurement oversight systems, principles of public information and other related subjects. The topics on criminalization of corruption, disclosure of money laundering and financing of terrorism, detecting signs of corruption crimes, methods for the collection and examination of evidence, defining penalties for corruption crimes, international legal tools and other related subjects should prevail in curricula on disclosure of corruption.

70. The issue of anti-corruption specialists' continuous **training** is planned to be addressed by means of both educational institutions and vocational training establishments attached to state authorities.

71. Training programs on the prevention and disclosure of corruption will focus, in particular, on capacity building in the areas of development and planning of anti-corruption policy and strategy, as well as development of draft programs in individual areas, and on the examination of best international practices in the areas of coordination of anti-corruption policy and inter-agency cooperation.

72. Capacities of training centres of the Prosecutor's office of the Republic of Armenia, the Police of the Republic of Armenia, the Judiciary of the Republic of Armenia, the National Security Service by the Government of the Republic of Armenia, the Central Bank of the Republic of Armenia, tax and customs authorities will be used to carry out vocational training on disclosure and prosecution of corruption. These training centres have sufficient, but yet limited capacities for continuous training of specialists involved in disclosure of corruption.

73. In the process of training of specialists involved in investigation and prosecution of corruption, it is important to organize joint anti-corruption trainings for police officers, prosecutors, and relevant employees of tax, customs and national security authorities, with the involvement of capacities of establishments of relevant international organizations.

74. The current system for the **collection, exchange and analysis of information** on corruption includes the functions of the Financial Monitoring Centre of Central Bank of the Republic of Armenia in the area of ML/FT, the functions of the State Revenue Committee by the Government of the Republic of Armenia in the area of declaration of property and income by citizens, the functions of the Prosecutor General's office of the Republic of Armenia in the area of statistics on results of preliminary investigation and trial of corruption-related crimes, the operative-investigative functions of law-enforcement authorities in the area of investigation of corruption, and the functions of the National Statistics Service of the Republic of Armenia in the area of producing concise statistics on corruption-related crimes.

75. Special investigative activities reporting form has been approved upon the Prosecutor General's order, which reflects the statistics on crimes containing corruption risks. The Police of the Republic of Armenia summarizes the data provided by law-enforcement authorities and forwards it to the

National Statistics Service of the Republic of Armenia. However, in practice, there is no established system for comprehensive, complete and accessible statistics on corruption-related crimes. In particular, the current reporting system does not provide details about all types of corruption-related crimes, the extent to which officials are involved in them and the state establishments involved, which makes it difficult to conduct comparative analysis between different establishments, identify corruption risks, assess the trends and extent of corruption, etc. The statistics on corruption-related offences does not include administrative offences committed by state servants. Studies and research on the level of corruption in Armenia, its prevailing forms, sectors and areas, as well as the use and collation of the results thereof in official statistics are strictly limited.

76. For the purposes of improvement of preparation training of anti-corruption staff and the management of information on corruption it is necessary to:

- **Introduce a system of education in the area of fight against corruption specialists** by means of defining the requirements for the education process, developing and topics on prevention, investigation and public awareness of corruption and introducing them in the curricula of masters' programs for certain professions in higher educational institutions, approving general education programs, methodological and other materials required for organizing the educational process, developing the capacities of higher educational institutions, highlighting the introduction of educational programs, and establishing the legal basis for the introduction of the system;
- **Introduce a system of continuous training for anti-corruption specialists** by means approving the training programs, assessing the capacity of training establishments attached to the state authorities involved in anti- corruption policy implementation, defining the scope of officials required to undergo training through these establishments, clarifying the framework of organizations that carry out training, defining the sources and procedures for financing of continuous training activities, and approving training programs and study manuals for different professions;
- **Ensure continuous improvement of the system of education and training in the area of fight against corruption** by means of evaluating the education and training needs of specialists, continuously developing the capacities of the institutions involved, and providing with financial resources for education and training processes;
- **Improve the system for collection, exchange and analysis of information about corruption** by means of clarifying procedures for corruption-related data exchange between individual anti-corruption bodies and with international and regional organizations, completing the system of statistics on corruption-related offences, developing and introducing a methodology for its analysis, conducting studies and research to evaluate the level of corruption, its prevailing types, sectors and areas where it is spread, commissioning such studies to civil society institutions, collating and using their results in official statistics.

CHAPTER III. MAIN MEANS FOR THE FIGHT AGAINST CORRUPTION

3.1. Corruption Prevention Means

77. The establishment and development of an **decent public service** is an especially important means of prevention of corruption by means of completing the public service system, staffing the public service with high quality specialists, improving the professional abilities of public servants and offering them training, introducing a system of remuneration and incentives, and regulating the public servants' rules of conduct and conflicts of interests.

78. In the current phase of public administration reforms, the **public service system** is facing a number of challenges. In particular, this refers to the unity and integrity of public service, ensuring transfers from one type of service to another, identifying and approximating standards for servants' knowledge, skills and experience, to the requirements for political and discretionary positions and for professional activities of certain types of services, and with regard to involving civil society in competition and attestation commissions for public servants. On the whole, staff management capacity in public administration bodies remains weak, which hinders the development of a merit-based professional service.

79. The testing and interview processes of **state and community** servants for filling vacancies on competitive bases, as well as the appointments made by heads of the relevant bodies or by chiefs of staff from among candidates who have received the minimum passing score, are not fully regulated; there are no clearly defined selection and appointment standards, which leaves room for discretion and subjective approach. Attestation remains the main method for the regular evaluation of state and community servants' professional aptitude and promotion thereof. Attestation does not fully identify their training needs, which limits attestation's role in the process of increasing the staff qualification.

80. Regular staff rotation is used in some types of state service in order to limit employees' involvement in corrupt agreements, which is regarded as a key preventive anti-corruption measure.

81. Despite the existence of **training programs for state and community servants**, trainers and the necessary institutional capacities in Armenia, the training policy is essentially limited to courses on legislation, management skills and abilities, while the development of appropriate professional skills and abilities remains unsatisfactory. Moreover, training courses and programs do not cover the legal restrictions on the activities of state and community servants and provisions regulating their conduct as well as the elements of the country's anti-corruption policy.

82. The base salary for **state and community servants** has been increasing every year. Nevertheless, public sector salaries are significantly lagging behind those for equivalent positions in the private sector, which contributes greatly to corruption risks in the public sector. The system of remuneration for public servants is not directly conditioned by the quantity and quality of work performed by public servant concerned. The current attestation system is not connected to changes in the level of remuneration. Some public administration bodies have off-budget resources defined by law, which are used, in particular, for **incentives for state servants**. Even though such an approach improves the living standards of state servants working in bodies with off-budget resources, it also creates unequal conditions for servants in a uniform state service system and gives rise to additional corruption risks. Some social security issues of civil servants and some special state servants, particularly issues related to pensions, life and health insurance and social protection, have not been given complex solutions.

83. Thus, for the purposes of creating a uniform public service system, staffing with high quality specialists, improving the servants' professional abilities and training thereof, and to develop systems of remuneration and incentives it is necessary:

- **Complete the legislative regulation of all types of public service** by including the services provided by state commercial and non-commercial organizations under the framework of public service, and laying down common principles of regulating the rights and responsibilities of public servants, recruitment, promotion and dismissal, rules of conduct and conflicts of interests thereof;
- **Introduce mechanisms for public services quality evaluation and control** by laying down criteria and procedures for quality of public services, in accordance with international standards,

including time limits for transactions and operations, and minimum thresholds for operational costs, citizens' perception of service quality and citizens' satisfaction;

- **Introduce an effective uniform public service management institute** by laying down goals and functions, powers, accountability and procedures for an authorized body in a uniform public service field;
- **Reduce the role of political officials in the creation of a professional staff and in delivering discretionary decisions taken individually** by unifying the procedures for hiring state servants on competitive bases and recognizing the chief of staff of the relevant body as a person responsible for filling vacancies;
- **Reduce the corruption risks in recruitment procedures for public servants** by delegating the organizational work for the testing and knowledge evaluation round, recognizing the qualification certificates in the relevant area issued by relevant research and educational establishments, decentralizing the activities of interview stage of candidate selection to the relevant public administration bodies, and introducing a grading system for interview results evaluation and a collegial procedure for selection of winning candidates;
- **Increase public servants' level of accountability** by introducing an interconnected system of remuneration, incentives and promotion based on program performance evaluation;
- **Complete the training programs for state and community servants** by including courses on restrictions on state servants' activities, regulations on rules of conduct and conflicts of interests, effective communication, service provision, freedom of information, corruption prevention and other similar topics in mandatory training programs;
- **Reduce the corruption risks related to state and community service functions** by offering individual training courses on prevention, disclosure of corruption risks and application of sanctions thereon, and using detailed guidelines describing procedures on state and community service;
- **Increase the competitiveness of the level of remuneration in public service system** by establishing a mid-term and long-term policy for remuneration of state and public servants;
- **Introduce adequate incentive and liability mechanisms in public service areas with particularly high corruption risks** by establishing particularly favourable conditions for remuneration, material and moral incentives in the judiciary, prosecutorial, tax, customs, police and national security services and for some political and discretionary positions, and adequate control mechanisms and more severe sanctions, as well as using off-budget resources for remuneration and incentives in the mid-term period.

84. For the purposes of effective operation of a system **of regulation of conduct and conflict of interests, declaration of interests of state officials**, it is necessary to have relevant legislation, to define appropriate sanctions for breaking the laws regulating rules of conduct and conflict of interests and to apply them consistently, to define clearly the scope of officials included in the system of declaration of interests, and to have functioning **bodies ensuring an effective implementation of the system**.

85. There is no uniform regulation of conduct of public servants and conflict of interests in various parts of state and community services, and that regulation is carried out by legislation covering those services. Inter alia, there are no conflict of interest criteria and procedures for application of legislation. The segmentation of state service laws results in different approaches to restrictions on servants' activities in some similar services. The conduct of officials in high political, discretionary and other state positions, and matters related to conflict of interests are not regulated.

86. **Situations describing conflict of interests**, procedures for settling conflict of interests, relevant regulatory bodies and specific sanctions for violating the restrictions are not defined. It is not clear which public administration body is to supervise the application of restrictions and to apply sanctions. There are no common professional rules of ethics for state and community servants and no single body overseeing their application.

87. The institute of public servants' **declaration of interests** is mainly limited to a legal requirement for officials to declare their property and income. Declaration of property and income by

state officials combines declaration of income from the point of both tax obligations and detection of any conflict of interests and corruption practices. The institutional resources and capacities for verifying the accuracy of declarations of property and income submitted by state officials are limited, while the required methodology and procedures have not been developed yet. The obtained information gets collected, but its accuracy is not verified and it is not cross-checked against other sources, it is not analyzed from the point of unlawful acquisition of income and property, not forwarded to law-enforcement authorities for further use and analysis, and not cross-checked against other components of conflict of interests. Moreover, the legislation includes a wide range of declarants, which does not allow the relevant authorities to focus on high officials. On the whole, the information subject to publication from declarations of property and income, submitted by state servants and persons related to them, is not directly available to the public, including by means of electronic media, and is not sufficiently transparent.

88. Thus, for the purposes of regulation of public servants' rules of conduct and conflict of interests, consistent application of rules of conduct and strengthening of the institute of declaration of interests by state officials, it is necessary to:

- **Complete the legislative regulation of public servants' rules of conduct and conflict of interests** by laying down common principles and rules of conduct for persons in political, discretionary and other public service positions, setting sanctions for breaking specific rules of conduct, and including the current system of property and income declaration by state officials into a common system for declaration of interests;
- **Introduce particularly strict rules and procedures for regulating the conduct and conflict of interests in the areas of public services with higher corruption risks** by identifying the interests in the judiciary, prosecutorial, tax, customs, police and national security services, as well as for political and certain discretionary positions, reducing the scope of authorized conflict of interests, making stringent the rules and restrictions on giving and receiving gifts, prohibiting the engagement in other activities, encouraging and protecting those who report rules of conduct violations and conflicts of interests;
- **Optimize public servants' declaration of interests** by introducing a differentiated system of declaration for officials in political, discretionary, leadership and top positions, top and leading positions, positions in services with higher corruption risks and positions performing functions, and for public servants who are not involved in decision-making processes;
- **Introduce a decentralized institutional model for an effective management of public servants' rules of conduct and system of declaration of interests** by defining the objectives and functions, powers, accountability and procedures of the central authorized body, establishing an ethics committee in every state authority, and appointing in every state authority an official responsible for introducing rules of conduct, creating and keeping a registry of declarations of interests, supervising the compliance with procedures, and preparing reports on matters in respect of ethics and conflict of interests;
- **Strengthen the capacities of those responsible for issues related to public servants' rules of conduct and declaration of interests in state and community authorities** by developing practical guidelines on declaration of interests, rules of conduct and norms of ethics and procedures thereof, on reporting, disclosure of violations, cases and facts, and on applicable sanctions, and by organizing education;
- **Ensure the transparency and openness of declaration of interests by public officials** by posting the declarations of interests of servants in political, discretionary positions, in leadership and top positions in state and community service, including property and income declarations, on official websites of the relevant bodies, and by publicly reacting to citizens' questions or media publications concerning declaration of interests by officials.

89. **Accountability** of state authorities is important. Currently, only a few public administration bodies follow this principle of publishing their annual reports on their websites. There are still numerous obstacles that essentially hinder public reporting and effective communication with the public. In some cases, the public has not access to official information. In many cases, state and local self-government authorities avoid publishing the information in their possession. Publication of information subject to mandatory publication, as well as publication of annual and current reports of state authorities in respect

of their activities is not conducted to a sufficient extent. The development and dissemination of regulations and information bulletins on services provided to citizens, for the purpose of **increasing the public awareness**, is carried out irregularly.

90. Thus, based on the necessity to ensure public reporting on the organization and activities of and decision-making process in public administration bodies for the prevention of corruption, it is necessary to:

- **Ensure the principle of openness of reports on activities of public administration bodies** by publishing reports that include information concerning the organization of all state and local self-government authorities, their policies, activities of their leaders, services provided to citizens, registered corruption practices, possible corruption risks and threats, publishing action plans and financing reports on a regular basis (at least once a year), using and encouraging public supervision mechanisms.

3.2. Criminalization of Corruption and Law Enforcement Activities

91. The Republic of Armenia has ratified the main international conventions and agreements establishing the standards for criminalization of corruption, which has resulted in amending and supplementing the Criminal Code of the Republic of Armenia (CC). Nevertheless, the legislation of the Republic of Armenia needs to be continuously harmonized and approximated to the provisions of international documents.

92. **A clear definition of actions constituting corruption** and exhaustive legislative regulation thereof, essentially determine the effectiveness of the fight against corruption. Inter alia, it is important that legal definitions of crimes be fully understandable and not subject to different interpretations by law-enforcement authorities and the public, including the criminals and their victims. The Criminal Code of the Republic of Armenia criminalizes both taking a bribe (Article 311) and giving a bribe (Article 312). The Criminal Code has clarified and expanded the contents of *corpus delicti* of bribe giving and taking, including in the *actus reus* not only ‘money, property, property rights and securities’ but also ‘receiving other benefits’. The provision allowing officials to accept property, property rights or other property benefits in the amount not exceeding 5-fold of the minimum salary defined, without prior agreement, was repealed. Moreover, the concept of ‘officials’ was expanded to officials from foreign and international organizations. At the same time, not only giving a bribe, but also ‘promising or offering’ a bribe is also criminalized, which is directly derived from the requirement of the Council of Europe and UN conventions and is conditioned by the difference in these three actions constituting the *actus reus* of the crime of giving a bribe.

93. In 2008, supplements to the Criminal Code of the Republic of Armenia introduced two new crimes: **acceptance of illegal payments by public servants not considered as officials** (Article 311.1) and **giving illegal payments** to public servants not considered as officials (Article 312.1), making a distinction between active and passive types of bribery according to the criterion of whether the person accepting the bribe is an official or a public servant, including those left out from the definition of ‘officials’ as stated in Articles 311 and 312 of the Criminal Code of the Republic of Armenia.

94. One of the key issues from the point of criminalization of corruption is to determine the scope of the concept of ‘state official’ as a perpetrator of corruption crimes. The scope of those officials, as provided under the concepts of ‘official’ and ‘public servant’ referred to in the Criminal Code of the Republic of Armenia, on the whole, is in line with the definition provided in Article 2(2) of the UN Convention Against Corruption and with international approaches, even though the same crime with the same *actus reus* has been divided into two separate crimes under different names. Inter alia, the sanctions are less severe for public servants. It should be noted that, in respect of international documents, the concept of ‘official’ actually includes public servants as well. Inter alia, in respect of the concept of ‘official’, it is not important whether the person is paid for occupying his/her post or not. The characteristics included in the Criminal Code of the Republic of Armenia do not clarify this fact.

95. The Criminal Code of the Republic of Armenia provides a separate crime of using **real or supposed influence** for a mercenary purpose (Article 311.2). However, only passive trading in influence is criminalized, while active trading in influence, such as ‘demanding money, property, property rights, securities or any other benefits’ is not criminalized. However, passive trading in influence covered by Article 311.2 referred to in the Criminal Code is not free from faulty regulation. In particular, Article

311.2 does not clearly define the *actus reus* of acts committed by the other side of the crime, that is, by legal entity or natural person for the benefit of which an action must be done, i.e. promising, offering or providing ‘illegal advantage’, which is laid down in the UN Convention. Moreover, actions described in Article 311.2 emphasize the mandatory connection between trading in influence and the scope of powers of an official or a public servant not considered as an official, whereas the definition provided by Convention is wider and is not conditioned by the fact concerned.

96. Article 308 of the Criminal Code of the Republic of Armenia criminalizes the ‘**abuse of official position**’. However, from the perspective of the existing regulation, the problem is that the current regulation is that, in order for the act to be criminally prosecuted, the property damage resulting from the abuse of official position has to exceed the amount of minimum salary by at least 500 times. Such a limitation is not envisaged in the UN Convention requirements (Article 19).

97. **Unlawful taking of property by an official**, embezzlement or misapplication of property is not provided in the Criminal Code of the Republic of Armenia as a separate crime. However, the crime of ‘embezzlement or misappropriation’ of property by means of abusing one’s official position is considered as an aggravating circumstance under Article 179.

98. The **liability of legal entities** for corruption-related offences in the Republic of Armenia is not criminalized, which is an internationally accepted approach and is referred to in Article 26 of the UN Convention. The institute of criminal liability of legal entities has never been used in the Republic of Armenia not only in respect of corruption-related offences, but also in general, which is partially conditioned by the traditions of continental (civil law) legal system. Whereas, the level of involvement of commercial organizations and huge associations in corruption-related offences is increasing parallel to the increase in the number thereof.

99. The legislation of the Republic of Armenia provides for only civil and administrative liability of legal entities. However, several monitoring missions, organized in the Republic of Armenia by various international institutions, stressed the need to introduce an institute of criminal liability of legal entities for crimes related to bribery and money laundering. Reference is made particularly to corporate liability provisions referred to in Article 18 of the Criminal Law Convention that require the criminalization of active bribery committed by a natural person on behalf of a legal entity, trading in influence and money laundering. When subjecting legal entities to a liability, it is recommended to impose adequate sanctions, such as temporary or permanent deprivation of the right to enter into state transactions (e.g. with regard to public procurement, etc.), deprivation of state assistance, confiscation of proceeds of illegal activities, restitution, ban on engaging in commercial activities, putting under judicial control, dissolution of the legal entity, appointment of a caretaker, etc.

100. **Statute of limitations for criminal liability** derives from and depends on the amount of penalties for specific crimes. The Criminal Code provides different amount of penalties for crimes containing ‘corruption features’, therefore, statutes of limitations are also different.¹ However, tying the statute of limitations to the size of the penalty is not adequate for the disclosure and prosecution of corruption-related offences, as it takes longer in comparison with the practice of combating other crimes. The requirement of establishing a longer statute of limitations period for initiating proceedings in respect of corruption-related offences also derives from the UN Convention. The need to make relevant amendments to the criminal legislation of the Republic of Armenia has also been stressed by international experts.

101. One of the important issues in the fight against corruption is the **immunity of officials**, which is a serious obstacle for criminal prosecution of corruption-related crimes. The best international practice is currently moving away from absolute immunity towards functional immunity, which provides certain protection only with regard to activities stemming from the person’s official duties. It is important to simplify the mechanisms for lifting immunity. The Electoral Code of the Republic of Armenia provides a special mechanism for detention, administrative liability through judicial procedure or criminal liability of candidates running for the deputies of National Assembly, heads of the community, members of Council of Elders or members of the Central Electoral Commission and precinct electoral commissions (during national elections), allowing such detention and liability only by consent of the Central Electoral Commission or Territorial Electoral Commission, respectively (Articles 33, 127, 111). The scope of

¹ Depending on the existence or lack of aggravating circumstances, statute of limitations constitutes 5 to 15 years for officials taking a bribe (Article 311), 5 to 10 years for giving a bribe (Article 312) and 2 to 5 years for a commercial bribe (Article 200), etc.

these persons is rather wide and needs to be limited. At the same time, in accordance with the Law of the Republic of Armenia “On Prosecutor’s Office”, criminal prosecution of a prosecutor is initiated by the Prosecutor General (Article 44). Judges may not be detained, involved as an accused or be subject to administrative liability through judicial procedure without the consent of the President of the Republic of Armenia on a proposal from the Justice Council of the Republic of Armenia (The Judicial Code of the Republic of Armenia, Article 13). The procedures for lifting judges’ and prosecutors’ immunity with participation of superior individual decision-makers (the President of the Republic of Armenia, the Prosecutor General) need to be reviewed.

102. Adequate evaluation of the **level of dangerousness of a crime** is an important element of criminalization of corruption. In particular, taking a commercial bribe (Article 200(3)), is subject to a lighter penalty than the taking of a bribe by an official (Article 311(1)). Of course, the difference in the amount of penalties can be explained by the extent of importance of the perpetrators and objects of the crime. However, the spread of corrupt practices in the private sector is not less of a serious problem for a state with free market economy. Therefore, such a differentiation is hardly justified. It is worth mentioning that sanctions are different when the bribe is taken by an official (Article 311) and when the same action is committed by a public servant (Article 311.1), as well as the issue of comparability of amount of penalties for active (giving a bribe) and passive (taking a bribe) bribery and common approach to them. Making the amount of penalties more stringent for corruption-related crimes will automatically result in changes to statute of limitations. Moreover, reviewing the amount of penalties and bringing them in compliance with real and internationally acceptable amount of penalties is desirable also for avoiding additional complications in matters of international legal assistance and extradition of persons having committed corruption-related crimes.

103. In terms of **mechanisms for seizure and confiscation of proceeds of corruption**, legislation provides confiscation of proceeds of crime, including the property directly or indirectly arising from or acquired in result of legalisation of benefits deriving from proceeds of crime, including the income or other benefits deriving from the use of such property, instrumentalities used or designed to be used for committing these actions or, in case of failure to detect the proceeds of crime, confiscation of other equivalent property. The procedure of freezing the benefits deriving from proceeds of crime is covered by the Law of the Republic of Armenia “On combating money laundering and financing of terrorism”. When referring to the future of material evidence at the end of the proceeding in criminal matters, Article 199 of the Criminal Procedure Code of the Republic of Armenia stipulates that money, other valuables and objects deriving from proceeds of crime are used to cover judicial expenses upon the court’s judgment, restitute the damage caused by the crime, or they are transferred to the state, if the person having incurred damages is unknown. However, this provision is limited only to material evidence collected during the proceedings of the case, whereas the issue of managing the confiscated property is very important in practice and is derived from Article 31 (3) of the UN Convention against Corruption, from the Criminal Law Convention and other documents. Article 236 of the Criminal Procedure Code of the Republic of Armenia provides some arrangements related to the management of only seized means. However, the issue of managing the confiscated property remains open. In most of the countries confiscated property is placed under state ownership and is used to compensate the damages caused by the crime. The fact of little number of cases of application of confiscation in practice still remains as a matter of concern.

104. **The institute of protection of witnesses, experts and victims** is important from the point of disclosure of corruption-related crimes and effective fight against them, as these subjects of crime -- having dealt with corruption-related offences -- can provide valuable information in respect of the disclosure of corruption-related crimes. The lack of adequate guarantees and protection mechanisms reduces their readiness and willingness to assist authorities conducting proceedings. Upon the 2006 amendments made to the Criminal Procedure Code of the Republic of Armenia, new provisions on the protection of persons participating in a criminal trial were added thereto (Chapter 12, Articles 98-99.1), which mainly provided legislative regulation for the issues of protection of witnesses, experts and victims.

105. However, the legislation of the Republic of Armenia does not directly address the **protection of informants**, who voluntarily, at their own initiative, provide honest and credible information about corruption-related offences to the authorized bodies. Such protection is provided by Article 33 of the UN Convention against Corruption and Article 22 of the Criminal Law Convention. Even though upon the amendments made to the Criminal Procedure Code of the Republic of Armenia, protection has been

provided to a wide range of persons in addition to witnesses, experts and victims, including other participants of the trial, while informants seem to have been excluded from this scope of persons subject to protection. In this regard, direct inclusion of provisions relating to the informants in the criminal procedure legislation of the Republic of Armenia will promote to disclose corruption-related crimes and to reduce the number of situations where people avoid reporting such crimes.

106. **Preliminary investigation of corruption-related crimes** is decentralized in the Republic of Armenia and, as a rule, it is conducted by the same preliminary investigative authority that has disclosed the crime during examining the case under proceedings. Disclosure of corruption-related crimes is assisted by bodies engaged in operational intelligence activities. Only the Police and National security bodies have the right to ensure access to financial data, covertly monitor financial transactions, and simulate taking a bribe or giving a bribe. The legality of preliminary investigation of corruption-related crimes is overseen by the Prosecutor's office of the Republic of Armenia.

107. **Measures taken in the framework of operational intelligence activities**, particularly, so-called operative test, are another effective means to increase the level of disclosure of the crime of taking a bribe. At the same time, there is no clear legal regulation to draw a distinction between an operative test and cases of provocation of a bribe, and to guarantee the use of operative test strictly meeting the conditions provided by law. This creates favourable conditions for employees of operative authorities in taking discretionary decisions, which increases corruption risks in the area of operational intelligence activities. Clear regulation is needed for the conditions of using operative tests and bribe simulation. In this regard, it is important to study the best international practices in order to reduce the number of discretionary decisions taken by operative authorities by means of appropriate legal regulation. At the same time, it is necessary to exclude the possibility of taking the actions aimed at solving the crime of taking a bribe by persons not authorized to engage in operational intelligence activities.

108. The **effectiveness** of law-enforcement authorities in the fight against corruption largely depends on their capacities, as well as on active cooperation between law-enforcement authorities and civil society institutions, including mass media, business sector, non-governmental organizations and citizens. The Criminal Procedure Code of the Republic of Armenia defines the grounds for these relationships. In particular, prosecutors, investigators and investigative authorities instigate a criminal proceeding, within the scope of their competence, if natural persons, legal entities or the media forward relevant information thereto (the Criminal Procedure Code of the Republic of Armenia, Article 176).

109. **The further expansion of international cooperation** is also important in terms of effectiveness of the fight against corruption-related crimes. The Republic of Armenia has already signed a number of bilateral and multilateral agreements on mutual legal assistance, extradition, transfer of proceedings in criminal matters and on other related issues. Moreover, amendments made to the Civil Procedures Code of the Republic of Armenia stimulated steps taken in this direction by introducing a separate chapter on mutual legal assistance in criminal matters in case of absence of international agreements (the Criminal Procedure Code of the Republic of Armenia, Chapter 54.1).

110. Encouraging citizens and other persons to report corruption-related crimes to investigative authorities and to Prosecutor's office is of key importance in respect of **cooperation between law-enforcement authorities and the private sector**, which is referred to in point 2 of Article 39 of the UN Convention against Corruption. An example of such encouragement serves the provision laid down in the Criminal Code of the Republic of Armenia (Article 312(4)), where a person is exempt from criminal liability for giving a bribe, if s/he has voluntarily reported to law-enforcement authorities thereof. In practice, this cooperation is not appropriately implemented, which is partially conditioned by insufficient confidence towards law-enforcement authorities, fear for consequences and perception of insufficient safety guarantees.

111. Thus, for the purposes of systematic implementation of further criminalization of, legislative and institutional reforms for corruption, it is necessary to:

- **Complete and clarify the scope of corruption-related crimes** by bringing together and improving the legislation and its application practice in line with internationally accepted approaches in the field of criminalization, further clarifying the legal regulation of crimes of active and passive bribery, defining a separate crime of active and passive trading in influence, by reviewing the preconditions for liability for abuse of official powers, defining a separate crime

- of unlawful taking of property, embezzlement or misapplication of property by an official, and clarifying the ambiguous wording of existing crimes that lead to different interpretations;
- **Increase the effectiveness of the fight against corruption** by reducing the latency of corruption-related crimes, reviewing and clarifying the crime of provoking a bribe and its arrangements, clearly regulating the conditions of bribe simulation and operative tests in line with the best international practice, including by allowing operative tests only in case of operative information, if any, on preparation or commencement of the crime of taking a bribe or information on the attempt to extort a bribe,
 - **Introduce the institute of criminal liability of legal entities** by criminalizing corruption-related crimes committed by natural persons for the benefit of a legal entity, introducing effective systems of corporate governance, oversight and internal control, introducing the principle of subsidiary liability of natural persons and legal entities, and establishing effective, proportionate and deterring criminal or non-criminal sanctions, including monetary sanctions, for legal entities subject to criminal, civil or administrative liability;
 - **Establish optimal and internationally accepted statutes of limitations for disclosure of corruption-related crimes and liability of their perpetrators** by studying the international practice with regard to duration of statutes of limitations for corruption-related crimes, analyzing in the statistics of dismissal of proceedings in the Republic of Armenia in result of expiration of statute of limitations in respect of cases in corruption-related matters, and comparing it with the international practice, reducing the categories of persons immune from criminal prosecution and reviewing the procedures for lifting judges' and prosecutors' immunity;
 - **Ensure proportionate, appropriately strict and effective types of penalties and amount of penalties for corruption-related crimes** by studying the international practice of differentiating sanctions for corruption-related crimes, analyzing the statistics of application of types of penalties for corruption-related crimes and comparing them with the international practice, ensuring the principle of inevitability of punishment, using civil law and administrative law methods parallel to criminal law methods;
 - **Develop mechanisms for seizure and confiscation of income received in result of corruption** by introducing transparent and effective mechanisms for the management of seized proceeds of crime, including placing the seized proceeds to state ownership and using them for compensation of damages caused by the crime or forwarding them to other related programs;
 - **Increase the effectiveness of the institute of protection for witnesses, experts and victims, as well as informants** by properly applying the existing provisions and mechanisms that are provided by legislation, expand their scope by other modern means, signing agreements and reaching agreements with other states on the transfer of persons under protection, and inserting in the criminal procedure legislation of the Republic of Armenia provisions on the protection of informants;
 - **Increase the effectiveness of law-enforcement authorities in the fight against corruption** by clearly delineating the functions of law-enforcement authorities, establishing clear procedures for coordination of their activities and cooperation thereof, developing their capacity to disclose corruption-related crimes, creating specialized units and staff units for carrying out investigation on certain types of crimes, improving the mechanisms of oversight and control over preliminary investigation and investigation authorities, and providing the necessary financial resources and logistics support;
 - **Ensure active and effective cooperation between law-enforcement authorities and civil society in the fight against corruption** by establishing effective legal mechanisms to encourage reporting on corruption-related offences to law-enforcement authorities, developing systems for analyzing these reports and quickly reacting to them, increasing the public's confidence towards bodies fighting against corruption and carrying out campaigns to for that purpose, introducing clear procedures to ensure openness, transparency, accountability and legality of law-enforcement authorities' activities;

- **Develop international cooperation in the fight against corruption-related crimes** by expanding the scope of bilateral and multilateral international agreements on issues relating to mutual legal assistance, transfer of proceedings in criminal matters and extradition addressing the matters on conduct of joint criminal investigation measures and application of special investigative techniques therein.

3.3. Civil Society's Support in the Fight against Corruption

112. The environment for effective **participation** of the civil society in Armenia is in the stage of development. Civil society associations piloted a monitoring of identification and evaluation of corruption risks. The public administration bodies of the Republic of Armenia also implement a number of measures ensuring consultation and feedback, including discussions of draft legal documents, seminars, round-table discussions, public opinion surveys, etc. However, this institute needs further regulation in terms of developing procedures for public consultations, receiving feedback on government programs and activities, analyzing this feedback and making government decisions on the basis thereof. Civil society participation in decision-making process of the fight against corruption remains limited.

113. **Institutional capacities of non-governmental organizations** is especially important for participation of civil society institutions in effective public administration. A mechanism of state assistance to non-governmental organizations was introduced in 2005 for the purposes of capacity building. However, the capacities of civil society institutions on cooperation with state authorities in the fight against corruption remain limited.

114. **Public awareness** of the activities of anti-corruption bodies has been mainly raised by non-governmental organizations in the framework of their public campaigns. The effectiveness of such measures has been low for the reason of financial constraints.

115. Some steps have also been taken to introduce new mechanisms to **ensure access to information**. Legal guarantees for the right to freedom of information and ensuring accessible information have been adopted. Even though the general level of protection of the right to information in Armenia is high, the level of replying to information requests by state authorities and the level of completeness of these replies are still low. At the same time, the Law of the Republic of Armenia "On the procedure for examination of citizens' proposals, applications and complaints" is partially applied, that is, only in relation to citizens' proposals, and it needs extensive amendments due to reforms to current legislation.

116. The process of **introducing electronic government systems** to serve citizens in state authorities is ongoing. However, the final results of activities of information centres and public reception rooms are difficult to predict, as their full operation requires a clarification of administrative procedures facilitating the public's contacts with competent decision-making bodies, consistent development of information centres and citizens' reception rooms and allocation of resources from the state budget.

117. Even though official websites of state authorities of the Republic of Armenia are functioning from the point of access to information, they do not always contain the information subject to mandatory publication, such as decisions, budgets and reports. According to the order by the Prime Minister of the Republic of Armenia, public administration bodies are obliged to post their draft decisions on their official websites and to react to mass media publications on issues of public interest. Nevertheless, official websites are not able to ensure wide access to information for the general public for the reason of limited internet access in Armenia. In case of limited circulation of print media, television remains the most effective means of disseminating information.

118. In practice, citizens face a number of obstacles in receiving in time complete information on the organization and decision-making processes of public administration bodies. Information is often provided to citizens in breach of time limits specified by law and is incomplete, whereas refusals to provide information are sometimes unjustified and unlawful. The number of requests left without a reply is also a matter of concern.

119. In cases when rights to freedom of information are violated, citizens contest the actions of state authorities in courts. However, in practice, citizens avoid to protect their rights in courts. On the whole, the issue of access to complete information in time remains on the agenda.

120. Civil society's supervision over the implementation of anti-corruption strategy by means of

monitoring and the use of monitoring results in the ACSIAP review and oversight process is very important for the strategy's implementation.

121. For the purpose of expanding **civil society's participation** in the fight against corruption, it is necessary to:

- **Increase civil society's awareness of corruption, its causes, nature of dangers and threats** by regularly informing the civil society of the state policy in the fight against corruption and its current implementation results, implementing an educational policy, carrying out campaigns on the causes, consequences and nature of corruption, and highlighting the fight against corruption and influencing on public perception, ensuring feedback of the public, forming public opinion, developing and disseminating materials on public services in printed and electronic versions to the public, and regularly updating the websites of state authorities and local self-government authorities with anti-corruption information;
- **Establish mandatory mechanisms for civil society participation in decision-making process** by reviewing the mechanisms and legislation related to the involvement of civil society representatives in councils and commissions attached to political decision-makers, establishing participatory procedures, taking into consideration and making a subject of discussion the results of surveys of discussions on legislative initiatives conducted by non-governmental organizations, conclusions, justifications and public opinion, adopting a practice of involving civil society representatives in the stage of preparation of draft legislation and decisions, and ensuring the participation of representatives of individual social or professional interest groups (the disabled persons, the aged, teachers, etc.) by means of additional regulation.
- **Make public the activities of anti-corruption bodies and make anti-corruption bodies accessible for the public** by regular programs and publications in the mass media, official websites, public discussions, hearings, press conferences, printed booklets, conferences and other modern means of public campaigning, establishing public anti-corruption reception rooms in marzes of the Republic of Armenia, ensuring anonymous 'hotlines' attached to all anti-corruption bodies in order to report corruption cases and providing free consultation by other electronic means, disclosing and publicizing corruption cases in the mass media;
- **Activate the dialogue and cooperation between state and local self-government authorities and the public** by adopting the secondary legislation deriving from the Law of the Republic of Armenia "On freedom of information", establishing a single common procedure for the provision of information to citizens, collecting, classifying and preserving of information, using different mechanisms for publicising information, introducing effective electronic government systems in state and local self-government authorities to serve the public, adopting administrative procedures for communication with the public, introducing the practice of developing standards for services provided to citizens, that is, "citizens' rules", developing other available means of information, reducing the subjective human factor in the process of providing complete information in time in reply to citizens' requests and applications, processing requests more quickly, reducing the number of duplicate applications and complaints, and responding online to letters sent through official websites;
- **Strengthen and develop the capacities of institutional structures that provide access to information** by establishing public relations units in state and local self-government authorities, information centres and citizens' reception rooms, equipped with at least minimal technical and human resources, publishing information registry, appointing officials in charge of freedom of information issues, developing internal and external communication strategies, organizing vocational training and education of employees, introducing electronic information systems, unifying the official websites, integrating them into electronic government systems, and providing with required resources from the state budget;
- **Improve the mechanisms for the protection of the right to freedom of information** by imposing sanctions on the official having violated the right of freedom of information, developing internal procedures and guidelines for possession of information and appropriate

response in time to information requests, and establishing supervision over the reaction to mass media publications relating to corruption risks and manifestations of corruption;

- **Improve the administration of relations between natural persons and legal entities, on the one side, and administrative bodies, on the other side** by continuously improving the legislative practice and regularly analyzing the result of implementation thereof, expanding and developing the public anti-corruption receptions and ‘one-stop-shop’ systems and procedures, making certain social groups eligible for free legal assistance for the account of the state, excluding the possibility of receiving information from other state authorities through citizens in the procedures on providing services to citizens by administrative bodies, clarifying on legislative basis the extent of free legal assistance to be provided in administrative proceedings, particularly, during examination of citizens’ applications and complaints, as well as their proposals submitted to state and local self-government authorities, individualizing the filling out of applications, complaints and proposals by lawyers providing legal assistance, addressed to state and local self-government authorities, regulating the provision of services under accelerated procedures, and reducing official payment rates for services;
- **Regulate the process of implementation of participatory anti-corruption monitoring** by clearly defining the scope of activities for civil society institutions, informing the public about this scope, ensuring maximum transparency of monitoring, continuously educating civil society institutions and their representatives on monitoring methodology and tools, constantly sharing information and experience between civil society institutions and bringing them together in the anti-corruption network, analyzing the participatory monitoring results and developing proposals on systemic changes on the basis of this analysis, and developing mechanisms for the purpose of implementation of these proposals;
- **Develop the civil society’s anti-corruption capacities** by providing grants and state funding for anti-corruption monitoring, evaluation and surveys on the level and extent of corruption, involving non-governmental organizations more actively in protection of public interests and public oversight, organizing training programs and courses for civil society monitoring groups, including, preparation of a larger number of investigative reporters;
- **Ensuring mass media’s direct participation in anti-corruption monitoring** by developing more suitable and effective monitoring mechanisms and tools for mass media, supporting regular visits by mass media to individual establishments providing public services, strengthening the capacities of mass media in carrying out consistent and substantive monitoring, organizing regular educational seminars and exchange of advanced international practice for them, and promoting consistent cooperation between the mass media and non-governmental organizations;
- **Ensure the professional independence and self-sufficiency of bodies regulating mass media** by increasing the level of economic and professional independence of mass media, establishing oversight over the legal requirements for media accreditation and creation of free environment for operation thereof, excluding pressure on mass media and on journalists, making more stringent the oversight over compliance with legal requirements, disclosing cases of putting pressure on mass media and making more stringent the sanctions.

CHAPTER IV. THE REPUBLIC OF ARMENIA ANTI-CORRUPTION POLICY IN CERTAIN AREAS AND BRANCHES OF PUBLIC ADMINISTRATION AND ECONOMY

4.1. Fight against Money Laundering and Financing of Terrorism

122. For the purpose of ensuring the implementation of the 2008 Law “On fight against money laundering and financing of terrorism”, the Board of the Central Bank of the Republic of Armenia has adopted a number of regulatory and individual legal acts. The aforementioned law is the main legislative tool to combat ML/FT in Armenia, which mainly complies with the FATF international standards and regulates the relations between bodies functioning in the field of fight against ML/FT in the Republic of Armenia.

123. **The relationship between the body empowered to fight against ML/FT and other bodies, particularly law-enforcement authorities, and the protection of information related to suspicious transactions** have been clarified on legislative basis. Oversight over compliance with the requirements of law has also been regulated, and liability for not following the requirements of legislation has been significantly made stringent.

124. An effective and coordinated fight against ML/FT is carried out by the Financial Monitoring Centre (FMC) of the Central Bank of the Republic of Armenia. FMC receives an average of 350 reports on transactions subject to mandatory reporting requirement per day and, an average of 2-3 reports on suspicious transactions per month. This information is entered into the FMC’s database. FMC sent 11 reports to law-enforcement authorities in 2007 and 28 reports in 2008. FMC’s current priorities include, in particular, raising the public awareness on ML/FT, developing cooperation with national and international institutions for the purpose of fight against ML/FT, ensuring effective implementation of legislation on the fight against ML/FT, FMC’s capacity building, etc.

125. The interagency coordination in the field of ML/FT on the highest level is ensured by the Interagency Commission on the Fight against Counterfeiting of Money, Fraud in Plastic Cards and Other Payment Instruments, Money Laundering and Terrorism Financing. This Commission, chaired by the Chairman of the Central Bank of the Republic of Armenia, was established in March 2002 upon the Executive Order of the President of the Republic of Armenia and was reorganized in April 2008. In particular, the Commission submits proposals on common state policy on the fight against ML/FT, develops complex state programs in the fight against ML/FT, and ensures development of and discussions on draft legislative acts in the fight against ML/FT. The Commission is also empowered to examine the information and proposals received from citizens, state and local self-government authorities and officials, and to order expert analysis thereof.

126. For the purpose of preventing ML/FT and disclosing corruption cases in the fight against ML/FT it is necessary to:

- **Continue to improve the legislation of the Republic of Armenia on the fight against ML/FT** by bringing the legislation of the Republic of Armenia in the fight against ML/FT in compliance with international standards, that is, to best international and national practices, as well as taking into consideration the results of the 3rd round evaluation of the system of fight against ML/FT of the Republic of Armenia conducted by the Council of Europe’s MONEYVAL Committee and International Monetary Fund, and ensuring access to international registers of persons with political influence;
- **Strengthen the FMC’s institutional capacities** by providing the FMC with modern information technologies, modern tools for studies, monitoring and analysis and software, ensuring access to information databases for the relevant state authorities of the FMC, continuously increasing the professional qualification of the FMC staff, and ensuring the FMC’s official website to be updated on a regular basis;
- **Strengthen the capacities of oversight bodies involved in the fight against ML/FT** by developing the oversight functions of the Central Bank of the Republic of Armenia, as an authorized body in the fight against ML/FT, as well as the oversight functions of other bodies involved in the fight against ML/FT;

- **Increase the effectiveness of disclosing ML/FT cases** by developing the professional capacities of criminal prosecution bodies and judicial bodies involved with regard to the investigation of ML/FT crimes.

4.2. Public Finance Management

127. Public finance management reforms in Armenia are aimed at increasing the fiscal discipline and the effectiveness of financial allocations and transactions.

128. In recent years, the Republic of Armenia has significantly improved **fiscal discipline**, due to structural reforms and procedural improvements. Completeness of the budget has improved significantly. The financial flows in the state budget are managed by the state treasury system, which ensures the accountability of public finance management. Budgetary establishments are also accountable for every off-budget financial flow: both for expenditures and revenues. On the whole, community budgets are also complete. However, finance management in state non-commercial organizations (SNCO) is carried out outside the budget management system, which limits the level of their accountability and makes difficult the completion of own revenues and expenditures of state non-commercial organizations.

129. In 2003-2007, the level of fiscal discipline **transparency** was also increased: the state budget became more transparent, the quality and accessibility of budget documents, financial reports and audit were improved. However, a mandatory requirement of publishing reports on financial means and expenditures thereof by organizations providing public services for the account of state budget is not laid down. Units that have expenses are obliged to develop **programs containing strategic elements**. A document entitled the Public Finance Management System Evaluation Report of the Republic of Armenia was developed and published for the first time in 2008. It will serve as a basis for developing and consistently implementing future public finance reform strategies in various fields of state finance.

130. In terms of accountability and transparency of the **state budget planning process**, the expected outcome indicators of expenditure programs, reporting and monitoring systems thereof still need to be improved and clarified, as well as the introduction of a risk assessment mechanism needs to be improved.

131. Armenia has made progress in terms of **managing the expenditures** in the process of budget implementation. Consistent application of legislation has resulted in significant improvements of the legality of regulation and transparency of budget review and the process of its amendments. Nevertheless, the system of expenditures in Armenia is not completely electronic format yet, while several important operations of the Treasury are not automated and are paper-consuming.

132. The Government of the Republic of Armenia continues to introduce GFS 2001 standards for budget classification and IPSAS standards for **accounting and reporting**, which will give an opportunity to consistently improve the organization of the budget and transparency of reporting. Nevertheless, the transparency reporting systems of SNCOs remains limited.

133. Continuous reforms of the development of a decentralized public finance oversight system, that is, of **internal audit** institute are currently important. The necessary preconditions have been established for internal audit and its monitoring. The legal regulation system of internal audit in the public sector has been brought in compliance with international standards. In 2004, the Government of the Republic of Armenia approved a strategy of development of internal audit system of state and local self-government authorities of the Republic of Armenia, their subordinate establishments, state and community non-commercial organizations, which, in particular, will ensure a smooth transition from a hard mechanism of deep financial control to a decentralized internal audit system. Even though those responsible for internal audit in all state authorities prepare audit plans and reports, internal audit is mainly limited to the examination of the relevance of functions. Approaches based on the risk assessment of internal audit are not used in practice, and processes of consistent application of internal audit evaluation and reporting are not satisfactory. The professional capacities and experience of servants carrying out internal audit, as well as the level of their independence, remain insufficient. The qualification process of public finance management specialists does not comply with the best international practices in this field, which calls for delegating the qualification process to an independent self-regulated professional organization. In order to ensure the continuity of improvements to public finance oversight, it is important to lighten gradually the heavy burden of inspections and to move from a financial control mechanism to a decentralized system of internal audit.

134. The Control Chamber of the Republic of Armenia is the highest **external audit** body for public finance in Armenia. Its independent status is enshrined in the Constitution. The powers of the Control Chamber of the Republic of Armenia was expanded on legislative basis in 2006, allowing the Chamber to involve independent auditors, experts and consultants in its activities. Currently, the Chamber carries out financial, compliance and effectiveness audit. Nevertheless, this audit needs to be improved, particularly, in terms of its compliance with international standards and criteria and in terms of appropriate institutional and professional capacity building. Official reactions to the report on results of audit carried out by the Control Chamber of the Republic of Armenia are limited; sometimes these reactions come late, they are not complete and, mainly, do not mention any changes that need to be made.

135. For the purpose of preventing corruption risks in the public finance sector it is necessary to:

- **Improve the accountability of the Government of the Republic of Armenia before the legislative branch of power** by developing the professional capacities of standing committees of the National Assembly of the Republic of Armenia to discuss current budget reports of relevant executive bodies responsible for budget implementation in individual areas and branches;
- **Increase responsibility and accountability for budget allocations** by improving budget documents preparation procedures, including detailed information on organizations receiving delegated budget allocations, as well as about financing contracts between primary and delegated recipients of budget allocations;
- **Increase the public finance management discipline and transparency** by laying down a mandatory requirement of publishing reports on financial means and expenditures thereof by organizations providing public services the account of state budget, and expanding the public participation in the discussions of draft state budget and budget discharge report of the Government of the Republic of Armenia conducted within the National Assembly;
- **Increase public finance planning accountability in the mid-term period** by establishing baselines describing the current situation, targets and indexes, tangible, achievable and measurable expected results in strategic programs, improving the methodological instructions for the budget development process, including monitoring plans and monitored indexes and risks in budget requests, and clearly determining the scope of organizational liability in the budget implementation process;
- **Improve the functions and procedures for the state budget expenditure management** by improving business processes, clearly delineating staff responsibilities, introducing monitoring, oversight and reporting procedure, comprehensive and reliable data management system, and completing electronic management system in the treasury system;
- **Increase the level of accountability of SNCOs' financing, as well as of providing subventions** by establishing reporting requirements by non-financial, content-performance-based indicators for supplies of services;
- **Ensure continuous improvement of public finance oversight** by lightening the heavy inspection burden, and moving from a centralized financial oversight mechanism to a decentralized system of internal audit;
- **Complete the internal audit system** by introducing financial, functional compliance and effectiveness audit and risk assessment methods and procedures in the internal audit practice, increasing the quality of internal audit plans and reports, increasing the level of auditors' professional capacities, experience and independence, bringing the auditors' professional qualifications standards in compliance with international standards, and bringing the qualification process in compliance with the best international practices;
- **Develop the external audit system in the public sector** by strengthening the institutional and professional capacities of the Control Chamber of the Republic of Armenia, reviewing the professional qualification criteria for the Control Chamber's staff, introducing audit methods and procedures that are in line with international standards, developing and introducing financial, compliance and effectiveness audit methods that are in line with

international standards, and getting a stricter oversight over mandatory official reactions to the audit reports of the Control Chamber of the Republic of Armenia.

4.3. Public Procurement System

136. The legislative and institutional frameworks for public procurement have been already established in Armenia. Nevertheless, the level of perceived confidence towards public procurement remains insufficient. The level of procurement from a single source remains high in several public sector areas, particularly those of education and healthcare. The average number of economic operators reduced from 2.7 in 2006 to 1.55 in 2007, which, parallel to the continuous growth in the number of economic operators, indicates the threat with regard to economic competition.

137. The relationships related to the procurement of goods, works and services by state and local self-government authorities, state or community institutions, the Central Bank of the Republic of Armenia, state or community non-commercial organizations or by organizations where the state or communities hold more than 50 percent of the shares therein, are covered by legislation. The main rights and responsibilities of the parties in such relationships are also covered by the legislation. There are no legal requirements or procedures for declaration of conflicts of interests by the members of **bids commission** -- the most important organizational link in the arrangement of the public procurement process -- which threatens the competitive environment and creates corruption risks.

138. The transparency and openness of the public procurement system is mainly ensured by the official public procurement website and by public announcements. Nevertheless, only local organizations have access to it, which is conditioned by publication of information mainly in Armenian and which, in practice, limits the bidding by non-residents. **Citizens' complaints, suggestions and applications** on public procurement process are considered by the empowered state authority of public finance management, which also monitors the public procurement process, including SPA's activities. However, complaints on the procurement process are not considered by the organization independent from the procurement process, which would give opportunity to react to complaints more effectively, thus reducing their number and the necessity to contest them in the courts.

139. The strategy to introduce an **electronic procurement system**, approved in 2006, is aimed at increasing the effectiveness of state expenditure management, increasing its transparency, encouraging competition and reducing corruption risks in the budget process. The effectiveness of introducing an electronic procurement system is currently limited by lack of appropriate procedures and institutional capacities, including the lack of experienced specialists for the use of an electronic procurement system, as well as by a low level of access to telecommunications and electronic communications in Armenia, especially in rural communities of marzes of the Republic of Armenia. The status of SPA does not enable the application of the requirements for specialized service, particularly, rules of ethics and conflict of interests. The employees of SPA are not civil servants.

140. The requirement of **education and training of procurement specialists** at least once every three years **and evaluation of qualification thereof** is defined by legislation. However, this process is not organized appropriately in practice. The capacities of organizing the procurement process appropriately in the communities of the Republic of Armenia, especially in rural communities, are extremely insufficient for the reason of lack of relevant professional qualifications and skills. Local self-government authorities do not always avail themselves of paid services of SPA when organizing a procurement process.

141. For the purpose of preventing corruption in the public procurement system, and of ensuring the transparency and openness of public procurement process, it is necessary to:

- **Strengthen the institutional capacities of empowered state authorities in the field of public procurement** by establishing a specialized unit in charge of initiating, operating and developing an electronic procurement system, providing high-quality specialists, modern information technologies and adequate powerful means of communication, reviewing the status of State Procurement Agency, establishing qualification standards for SPA head and staff members, introducing a system of education, training and qualification for procurement specialists, defining the codes of conduct and conflict of interests for agency's employees, and establishing strict oversight over adherence to state procurement procedures;

- **Ensure the openness and transparency of public procurement** by introducing an electronic procurement system, improving the legislation and procedures covering the public procurement system, including bid evaluation procedures, defining non-price criteria and preliminary screening procedures, providing information by electronic means, in the most common international languages, ensuring the participation of foreign organizations in the procurement process, publishing annual reports on public procurement and organizing regular press conferences on public procurement;
- **Ensure oversight over the adherence to public procurement procedures** by increasing the quality of audit parallel to the decentralization of the procurement process and establishing individual liability for the heads of authorities for following the procurement time limits and procedures, improving procurement plans, establishing legislative requirements or procedures on declaring conflict of interests for members of bids commission, establishing procedures on examining complaints relating to procurement process by the procuring organization, and reducing the possible cases of contests in the courts;
- **Assist the creation of favourable environment for maintaining the legality of public procurement** by encouraging competitive types of procurement and the participation of companies in bids, increasing the confidence towards bid commissions and ensuring competitive environment for public procurement.

4.4. Tax and Customs Systems

142. The Government of the Republic of Armenia attaches great importance to reducing the corruption risks in the tax system, including by means of improving the tax administration. A number of positive steps have been taken towards overcoming corruption in previous years. In 2005, a procedure for taxpayers to send their reports to the tax authorities by mail was introduced. The possibility of conducting off-site (office) examination by tax authorities in organizing and carrying out inspections has been covered by legislation. The State Tax Service adjunct to the Government of the Republic of Armenia follows the guidelines regulating the procedures for disclosing corruption-related offences and reporting the relevant authorities thereof. However, the existing control mechanisms mainly consider the tax officers to establish direct contacts with taxpayers, which contains significant corruption risks. Taxpayers complain about not equal treatment in tax administration and unfairness therein. The lack or non-clarity of the relevant procedures creates wide tax framework of discretionary solutions and decisions by tax inspectors in various tax inspections. The existing system of filing complaints does not fully meet the taxpayers' expectations.

143. The issues of **organizing and operating the tax service**, the legal status of persons holding positions in tax service have been covered by legislation. A principle of rotation for tax servants has been adopted in order to prevent the connections being formed between tax officers and taxpayers, and to reduce the corruption risks. However, there is no modern system of material incentives operating in the tax service. The system of promotions in the tax service is not exclusively based on the evaluation of professional skills. The attestation results are not properly included in the procedures on training and promotion of tax officers. The existing system of attestation does not enable to have a complete evaluation of the tax officers' professional skills. The training mechanism for tax officers is not working properly either, which is operating on irregular basis and without special curriculum. The internal audit function is not completed and, actually, is not working. Rules of conduct for tax officers and oversight over the requirements thereof are simply of formal nature.

144. Human factor is the most vulnerable thing in tax field: compared to European standards, the State Tax Service is especially lagging behind in terms of ethics, human resource management policy and practice promoting the activities of employees, assisting and protecting them, as well as in terms of an effective internal communication system. The tax authority is lagging behind the minimum European standard by 2.4 times with regard to organization of communication among taxpayers and tax officers. The performance evaluation and productivity management system for employees and units of the tax authority of the Republic of Armenia, including internal audit mechanisms, remains deficient compared to European standards.

145. For the purpose of ensuring transparency, openness, accountability and lawfulness of operation of the tax service system:

- **Increase the effectiveness of human resource management in the tax service system** by improving the system of remuneration and bonuses for tax servants and gradually increasing the post salaries for tax servants, improving the social guarantees, introducing procedures to implement the principles of transparency and objectiveness in the process of appointing to positions in tax service, clarifying the procedures for mandatory education, training and promotion of tax servants, introducing written qualification procedures and electronic testing systems, establishing inter-agency attestation committees, establishing mandatory procedures for leading positions in tax service and introducing clear rotation procedures for tax servants, consistent and strict control over the lawfulness of activities of tax servants by a relevant unit of the tax authority, completing rules of conduct for tax servants and establishing consistent oversight over maintenance thereof, regulating conflicts of interests and introducing a system for declaration of conflicts of interests of the tax servants, imposing stricter liability for violations in respect of regulations of conflicts of interests and consistently applying the sanctions thereof, introducing a system for analysis and monitoring of property and income declarations submitted by tax servants, and including subjects on fight against corruption in continuous training programs for tax servants;
- **Continuously reduce direct contacts between tax officers and taxpayers** by expanding electronic tax services, laying down the requirement of filing tax reports are exclusively by mail or e-mail, establishing **information centres** for serving taxpayers, developing a self-evaluation system for selecting taxpayers subject to an inspection by tax authorities and for planning inspections, introducing methods of complete analysis for tax control, introducing methods and procedures for assessing taxpayers' potential and off-site study methods, detecting the crime of corruption in the process of investigating tax-related crimes and identifying the ties between economic crimes and corruption-related offences by applying appropriate investigation methods;
- **Increase the transparency, accountability and lawfulness of the tax service operations** by establishing common internal procedures within the tax service, establishing oversight over their uniform application to all taxpayers and imposing stricter sanctions for breaking these procedures, publishing guidelines for taxpayers, including by posting them on the tax service's official website and regularly updating them, introducing a proper internal audit system within the tax authority, regularly making public the results of internal audit within the tax authority and of procedures of preventing, disclosing corruption and liability of culprits in the tax system, establishing oversight over the lawfulness of administrative proceedings initiated by tax service officials, clarifying the procedures for filing complaints against the tax service, operating a hotline enjoying the confidence of the public and taxpayers and an effective feedback mechanism in official website of the tax authority, and introducing effective procedures for cooperation between the tax authority and civil society institutions.

146. For the purpose of ensuring transparency, openness, accountability and lawfulness of the operation of customs service system it is necessary to:

- **Increase the effectiveness and accountability of customs service management** by introducing in the customs service system performance evaluation system and promotion procedures for customs servant based thereon and mandatory regular rotation procedure for customs servants, introducing rules of ethics for customs servants and establishing oversight thereon, introducing a customs control system based on the publication of annual reports on customs service's activities and on risk management, expanding the system of self-declarations and the scope of those submitting customs declarations by electronic connection lines, developing the institute of customs brokers, introducing a two-channel (red and green) system of customs control of citizens departing and arriving by transportation means across the customs frontier of the Republic of Armenia, monitoring the time period of customs formalities, introducing the 'one-stop' principle allowing the relevant authorities to exercise control in the same place and at the same time, bringing the list of documents submitted for customs control in compliance with the best international practice, establishing simplified customs procedures for vehicles transporting goods under the International Road

Transportation convention, and establishing simplified procedures for bona fide economic operators;

- **Ensure a fair distribution of customs burden between economic operators and transparency and lawfulness of customs service** by excluding state servants' protectionism in the field of business activities, introducing transparent and simplified procedures for clarifying and simplifying the legislative regulation of customs administration, establishing clear standards for the determination of customs values and make them accessible, including by means of the internet, establishing control over the application of equal approaches to economic operators in equal situations, informing the public about customs administration reforms, posting information about bona fide economic operators and those committing offences on the customs service's website, ensuring direct communication between the head of the customs authority, citizens and economic operators by means of the customs service's official website and hotline, and introducing a common system of technical support to economic operators about customs procedures and information technologies.

4.5. Education Sector

147. In 2009-2012, the Government of the Republic of Armenia plans to improve significantly the quality of education and access to it for vulnerable groups of population. Significantly reducing the corruption risks in the education sector is one of the preconditions for achieving this goal. The two main directions of the state policy for developing the education sector, that is, the effectiveness of a drastic increase in the amount of financing of the sector and an effective introduction of a 12-year general education system, are possible only in case of increase in the effectiveness of the sector's management.

148. It is noteworthy that the **level of perception of corruption among the public** is largely determined by the estimate of the extent of corruption in the education sector. Thus, 91.8 percent of residents have considered the education sector as corrupt to some extent. Such perception of citizens is actually conditioned by the continuous and more frequent contacts of the main part of population with the education sector. With this indicator of perception of the extent of corruption, the education sector is lagging behind only to the electoral system.

149. In the education sector more importance is attached to the application of corruption prevention measures and educational and awareness-raising measures with wide involvement of the civil society. At present it is particularly important the identification of corruption risks in the education sector and their reduction by means of procedural changes, promotion of the usefulness of lawful procedures, and the development intolerance towards corrupt practices in the society and the application of moral punishment mechanisms.

150. Anti-corruption measures in the education sector are aimed at reducing the existing corruption risks in every level of education, on the one hand, and, at the same time, at identifying and preventing the corruption risks in the process of moving from one level of education to another.

151. Increasing the role of the State Education Inspection in establishing state oversight over legality in the education sector and its capacity building should be aimed not only at disclosing cases of non-compliance with legislative requirements, but also at preventing corruption and turning the Inspection into a body that guides policy of educational development.

152. **The institute of decentralized management of educational facilities** is still in the preliminary stage of development, while participatory procedures under management and oversight functions are not given a proper role. The secondary legislation of educational establishments do not fully correspond to the existing practice. Information in respect of the management of educational establishments is not appropriately transparent and open. The existing procedures create wide opportunities for discretionary decisions on the selection and appointment of staff, they are not sufficiently transparent and do not rule out conflicts of interests in staff appointments and professional promotion; therefore, they do not guarantee the existence of high quality pedagogical staff of educational establishments and bona fides in this section of public service.

153. Continuous improvements need to be made to the system of knowledge evaluation, including common evaluation criteria, by way of regular completion of the practice of their application.

154. The existence of unofficial payments in the education sector, as well as the regulation of

services provided by and/or through educational establishments are also a matter of concern. In particular, educational institutions are sometimes involved in transactions to the benefit of third parties, while these transactions have no direct link to the education process. The transparency and accountability of circulation of property and material assets of educational establishments are not fully ensured.

155. **Absences for non-compelling reasons** in general education **schools** also contain a number of corruption risks, the manifestations of which are outdoor lessons, conflicts between students and teachers, as well as avoidance from announced and expected money collections at schools. The problem of so-called “dead souls” is also a matter of concern, when an absent student is still considered present in all documents.

156. Thus, for the purpose of ensuring transparency, openness, accountability, lawfulness and reducing corruption risks in the education sector it is necessary to:

- **Ensure continuous identification and prevention of corruption risks in the development policy on education sector** by including studies on the perception of corruption in every level of education, identification of risks, systems management transparency, participation and other areas of research among analyses carried out in the process of developing the education policy of the Republic of Armenia, including approaches directed to assessment and prevention of corruption risks relating to high schools, and establishing a requirement and appropriate procedures for government representatives in the management bodies of higher and secondary professional education institutions to include the issues related to the prevention and identification of corruption risks of individual establishments into the management body’s agenda;
- **Increase management effectiveness and accountability in the education sector** by clarifying the separation of powers and the functions of bodies carrying out oversight functions in the education sector and those involved in inspections and studies in educational establishments, coordinating the activities of these bodies and ensuring inter-agency cooperation between them, developing legislative tools and introducing procedures that are in line with the goals and objectives of the State Education Inspection, raising awareness of corruption in the education management system and implementing anti-corruption training programs;
- **Increase the transparency, openness, accountability and lawfulness of general education school management** by continuously analyzing and reviewing the practice of legislative regulation of school management, comparing the schools’ charter samples with the current practice, expanding the general school network in the education sector of the Republic of Armenia and introducing an education management information system in line with the e-learning improvement concept, using the aforementioned information system to introduce clear procedures on making the complete information related to school management, including students’ performance indicators, available to the school community in a transparent and consistent manner, introducing the practice of written communication between schools and parents, including in paperback format and in electronic form, introducing procedures on ensuring the parents’, teachers’ and methodological councils’ practical involvement in school management and control, expanding on legislative basis the role and the authority of students and student councils in high schools and introducing the relevant procedures, introducing regular inventory and electronic accounting procedures in schools, establishing stricter oversight over school absenteeism for non-compelling reasons, establishing strict oversight over transfers of students in higher forms from one school to another, regulating the existing unofficial payments in schools and introducing mechanisms aimed at placing the shadow funds in the legal field, introducing procedures for handling payments for services, donations and community’s financial support to schools exclusively by non-cash transactions, and establishing a mandatory requirement of recording in writing the nature and the purpose of any such transaction;
- **Increase the transparency, openness and lawfulness of the staff selection, appointment, promotion and regulation of work relationships in educational establishments** by regulating the competition-based procedure for the selection of pedagogical staff, introducing clear mechanisms and procedures for the selection, appointment and promotion of staff,

developing job descriptions and common rules of conduct for employees of educational establishments, establishing the application procedure for declaration of conflicts of interests in this field of public service, considering the teachers' and lecturers' personal files as public documents and introducing procedures for their publication, and introducing an institute of self-regulated evaluation of activities of educational establishments and pedagogues by non-governmental institutions;

- **Ensure the transparency and lawfulness of knowledge evaluation systems** by fully and consistently introducing a uniform, independent evaluation system based on the best international practice, establishing external oversight over the evaluation system and introducing consistent procedures for internal oversight, regularly analyzing the unified evaluation system and the grades existing at schools, regularly amending the general education policy based on such analysis, ensuring the transparency of unified and graduation exam procedures, regulating the wide participation of non-governmental organizations in the supervision of exams and introducing the relevant procedures, clarifying the powers of supervisors during exams and establishing standards and the list of sanctions to be applied by them against students breaking the exam rules.

4.6. Healthcare Sector

157. Corruption risks in the healthcare system are especially noticeable in respect of management, financing of healthcare system and in provision of high quality medical services. Low effectiveness of internal management of medical establishments, insufficient transparency and imperfection of oversight mechanisms, and improper use of state financing create favourable conditions for the emergence of corrupt practices.

158. According to a survey conducted among households by the National Statistics Service of the Republic of Armenia, patients make “informal” payments both in polyclinics and hospitals. According to a corruption perception survey, carried out by CRD/TI in 2006, healthcare took the first place among three more corrupt sectors and services. The study results have shown that those among surveyed with an average monthly income of less than 50,000 Armenian Drams (AMD) mentioned healthcare as the most corrupt sector. The most common complaints with regard to citizens' right to medical aid and services relate to procedure of receiving free or discounted pharmaceuticals, and providing free medical aid guaranteed by the state, etc.

159. The basic healthcare services package (BSP) is more extensive compared to the real capacities of the state budget. The current treatment prices do not reflect the real costs, thus creating fertile ground for informal payments. The inadequate justification of prices for state-financed medical aid and services also affects the pricing of paid healthcare services in medical establishments. Starting from 2000, the limited budget principle is applied under contracts with hospitals, where the primary goal is to prevent state arrears in medical establishments and suspend the uncontrolled mark-ups. However, the problem is not properly resolved yet, which often gives the relevant officials an opportunity to take discretionary decisions. The budget for state-financed services is often artificially inflated with an expectation to receive additional state funding, which serves as a basis for a mark-up in the amount of state-financed services. Moreover, contracts signed between the State Healthcare Agency (SHA) and medical establishments stipulate in advance a limited annual budget for the relevant establishment, which is the maximum amount that a particular establishment may get through state financing from SHA. As a result of such approach, certain volumes of services guaranteed by state and provided by medical establishments do not get paid by the state, which affects the accountability of medical establishments.

160. The framework of **paid medical services** is almost unregulated. Prices for paid medical aid and procedures for their provision are set by medical establishments. The pricing of paid services is aimed at increasing the shadow income.

161. The lack of medical aid **quality evaluation and oversight criteria** leads to incomplete treatment and cases where treatments produce no improvements, which are financed in accordance with general principles. The **insufficient awareness of** population is a serious precondition for increasing the cost of treatment. Patients, who are not aware of their rights and, particularly, of the volumes of treatments covered by state financing, make ‘informal’ payments more frequently.

162. **The competition-based procedures for the selection of staff** in medical establishments is

not properly introduced yet, which creates favourable conditions for discretionary selection of staff and protectionism. The inflated staff lists caused by lack of methodology and standards for calculating the optimal number of medical staff, as well as insufficient oversight over discipline of the estimated staff list on the part of the empowered state authority creates additional corruption risks. The low official salaries of medical personnel significantly contribute to the establishment of the practice of informal payments.

163. In **pharmaceutical sector** of the Republic of Armenia corruption risks exist in various points of pharmaceutical turnover. The shadow turnover ratio of pharmaceuticals within the overall volume of medicine sales is estimated in the range of 50 to 80%. It is noteworthy that the volume of pharmaceutical product purchases by households exceeded the sales volumes reported by retailers by 5.65 times. Even though medicines for special purposes are procured and distributed in a centralized manner, the principles and procedures for identifying the demand for the pharmaceuticals acquired through centralized procurements are not defined. The system of centralized procurement of medicines is not sufficiently transparent. The system of conducting appropriate oversight over the fulfilment of contractual obligations for the supply of medicines by bid-winning organizations is also deficient. The frequency of periodic review of the list of essential medicines is not regulated and is exercised at discretion. The mechanisms of redistribution of medications received through humanitarian aid channels are not clear. The imperfections of procedures related to the receipt, storage, keeping records for and distribution of medicines and other medical products make impossible the full oversight over medication flows. Twenty-six percent of the medicines prescribed in hospital by doctors is acquired by the patients themselves, even in case of medicines are available at the hospital. The patients undergoing a state-financed treatment obtain medicine prescribed by physicians at their own expense, except for the medicines of first necessity. There is a possibility for hospitals to write off expired medicines and medical supplies to patients. As a result of imperfections of the mechanism for intra-hospital turnover of medicines, the pharmaceutical treatment technology violations often appear in form of cases of not providing medicines by doctors, or providing less or more medicines than needed. The process of providing free or discounted medicines is also deficient at the outpatient polyclinic establishments. There is still no procedure in place for the mandatory destruction of medicines which are not suitable for use. As a result, about 150 tons of expired medicines have been accumulated in the country since 1998, which leaves room for various abuses.

164. Within the framework of free medical assistance and service guaranteed by the state, all groups of the population throughout the entire territory of the Republic of Armenia are entitled to get **extra-hospital emergency medical assistance and to hospitalization** through general medical (line) teams, medical attendant brigades, as well as through sanitary aviation calls. The cost set for one call of emergency medical assistance is not realistic, which often leads to informal payments by the population. In case of exceeding the certain risk percentage (5%) of the calls fulfilled beyond the limited budget, these calls are not financed by the state, which leads to inefficient use of state resources and informal payments, while in the case of low performance indices it increases the risk of possible mark-ups of actual calls received in order to correspond to contractual amounts of such calls. The diseases and conditions requiring urgent medical assistance for individuals, who are not included in specifically defined (special) population groups, are not clearly defined, which creates lots of room for discretionary decisions and misinterpretations.

165. Since 1 January 2006, medical assistance and service to all layers of population **in the Outpatient Healthcare Polyclinics (OHP)** are entirely provided within the state-financed schemes. However, there are risks of informal payments in the OHP level, especially with expectations of getting high quality medical services. The analysis of the OHP system monitoring results shows that the shortcomings and deficiencies in the main document covering the provision of free or discounted pharmaceuticals contain corruption risks. The non-rhythmic financing from the approved healthcare budget results in cases of rejecting lawful needs for pharmaceuticals of vulnerable groups. The calculation of the financial limits for obtaining free or discounted pharmaceuticals is based on unjustified fixed price for a territorially served resident rather than on the actual need. The requirement of ensuring the compliance of a physician's prescription to the list of essential medicines of the Republic of Armenia is the main reason for declining the lawful demand for pharmaceuticals in case they do not meet the requirements of the list concerned.

166. The procedures necessary for meeting the legislative requirements of ensuring the population's **sanitary-epidemiological safety** have not been adopted yet. The State Hygienic and

Epidemiological Inspection of the Republic of Armenia operating within the structure of the Ministry of Health of the Republic of Armenia mainly carries out current oversight functions in the prejudice of preventive, analytical and normative activities. The transparency and accountability of the oversight over medical examinations on the appropriate sanitary level still remains insufficient

167. Thus, for the purpose of ensuring transparency and accountability and reducing corruption risks in the area of healthcare it is necessary to

- **Improve the pricing system in the healthcare sector and remove the conditions conducive to informal payments** by developing and introducing medical-scientific and economic standards, setting realistic prices for medical aid based on the cost of services and prime cost thereof, regulating by law the state regulatory mechanisms for tariffs of paid medical aid and services, reviewing and approving the temporary pricelists for paid medical aid and services in state medical establishments by an empowered state authority every year, introducing mechanisms for distribution of revenues resulting from pricing and paid activities by the founder of medical establishments, making stringent the empowered state authority's oversight over maintenance of expenditure priorities, justifying the introduction of financial compensation co-payment system by the difference between real costs of medical aid and the costs expected by the state, and by carrying out comprehensive campaigns and educational and awareness-raising activities relating to the principle of co-payment among the population and medical staff;
- **Reduce the volumes of shadow circulation of money in healthcare sector, increase the transparency and accountability of state-financed medical aid, as well as the transparency and accountability of medical establishments** by continuously clarifying the range of healthcare services financed by the state and regularly reviewing and amending the BSP, introducing a mandatory medical insurance system deriving from social security system covering the significant part of the population, ensuring that contractual volumes for state-finances are justified, analyzing in details the performances submitted in previous years and the trends of possible growth in the volumes thereof prior to signature of state-financed contracts, making more stringent the empowered state authority's oversight over the procedure for signing state-financed contracts and preventing the possible mark-ups and detrimental activities of medical establishments, clarifying the list of medical conditions and diseases requiring urgent medical intervention, ensuring the transparency and possible clarity of the list, establishing a common database in healthcare system of the Republic of Armenia, introducing common electronic systems in medical establishments on medical, statistical and financial data records, and posting mandatory information under approved list on official website of every medical establishment;
- **Ensure the full exercise of patients' rights** by clarifying the legal regulation of the rights and responsibilities of patients and medical staff, introducing practical mechanisms for the exercise of these rights, introducing procedures for filing complaints in case of violations thereof, introducing targeted mechanisms for patient awareness, including state medical assistance certificates, informing the patients on their rights and extent of medical assistance who undergo state-financed treatment starting from the hospital receptions, and establishing criteria for oversight over and evaluation of the quality of medical aid and services;
- **Ensure the selection of staff on a competitive basis in healthcare sector and correspondence of medical staff to the relevant positions occupied** by establishing a competition-based procedure on filling vacancies for the medical personnel, establishing criteria for the optimal number of medical personnel, establishing oversight over procedures on approval of the staff lists in medical establishments with state participation, and establishing minimum salary uniform rates for the of medical staff.
- **Reduce the shadow turnover of pharmaceuticals and increase the efficiency of the professional oversight system in the field of pharmaceutical turnover** by ensuring legislative regulation of professional oversight system in the field of pharmaceutical turnover, creating a specialized structure for pharmaceutical turnover oversight, including its monitoring and data collection and analysis, introducing the necessary procedures for the activities of such structure and developing its institutional capacities, continuously improving

the licensing system for pharmaceutical activities, introducing a pharmaceuticals demand assessment system within the framework of state programs, criminalizing the production and distribution of medicines not corresponding to the quality standards and counterfeit medicines, establishing administrative liability for professional violations threatening the quality of medicines and patients' health, establishing minimal requirements with regard to laboratory, clinical activities, to production, supply and pharmacy activities, as well as establishing state oversight over the fulfilment of those requirements;

- **Ensure the transparency, accountability and lawfulness of the state procurement and centralized distribution process of pharmaceuticals** by essentially increasing the ratio of financial resources intended for the state procurement of pharmaceuticals in the state budget allocations to the healthcare system, clarifying the regulations for the pharmaceutical procurement processes, increasing the transparency and accountability of continuous observation of the prices for the pharmaceuticals included in the list of essential medicines and protection of competition in the relevant product markets, as well as the transparency and accountability of centralized state procurement processes of pharmaceuticals, making stringent the oversight over the fulfilment of supply-related contractual obligations by the organizations winning in the bids organized for centralized procurement of pharmaceuticals;
- **Ensure the transparency, accountability and lawfulness of the process of providing free or discounted pharmaceuticals in outpatient polyclinics** by clarifying the regulation of reimbursement for the medicines included in the list of essential medicines by the state and introducing the relevant procedures, defining the criteria and frequency of mandatory review of the list of essential medicines, introducing mechanisms for targeted informing the patients and medical staff of their rights and for filing complaints thereof, creating electronic information systems on pharmaceuticals for the healthcare professionals and patients;
- **Ensure the transparency, accountability and lawfulness of the receipt, storage and distribution of pharmaceuticals within the framework of humanitarian aid** by clarifying the procedures of receiving, storing and distributing of pharmaceuticals through humanitarian aid channels, increasing the transparency thereof, establishing appropriate oversight over the receipt, storage and distribution of pharmaceuticals within the framework of humanitarian aid, introducing well-defined mechanisms for regulating the information flows related to circulation of pharmaceuticals within the framework of humanitarian aid and mechanisms for redistribution of those pharmaceuticals, defining the powers of empowered state authorities coordinating the functions carried out with the organizations providing humanitarian pharmaceuticals and examining the demand and balances, ensuring continuous examination of advertisements of pharmaceuticals and making stringent the oversight;
- **Ensure the transparency, accountability and lawfulness of the intra-hospital circulation of pharmaceuticals** by establishing professional oversight over the optimal schemes of pharmaceutical treatment and their application, making stringent the oversight over the compliance with the spending priorities in the inpatient medical establishments, reviewing the financial sanctions defined on the contractual basis for not providing pharmaceuticals in medical establishments, mandatory inclusion of pharmaceutical expenses in the price of paid medical assistance and establishing oversight thereon, clarifying the procedures on the activities of pharmaceutical treatment committees of hospitals, and establishing external oversight over their activities;
- **Ensure the lawfulness of the process of destroying pharmaceuticals** by establishing a procedure for safe destruction of expired and unusable pharmaceuticals, ensuring oversight over its implementation and defining liability for any violations of such procedure;
- **Increase the efficiency, transparency and accountability of the emergency medical assistance system** by increasing the justifications of prices for emergency medical assistance calls financed by the state, reimbursing by the state the urgent medical assistance actually provided to all those patients who directly apply to the emergency medical assistance station (department), placing the state-financed emergency medical assistance into the medical establishments providing emergency services within the state-financed structure of servicing emergency calls, establishing strict oversight over the performance of state-financed

emergency services, regulating the paid emergency assistance activities and introducing the relevant procedures, making more stringent the oversight over financial functions, defining priority principles in the generated revenue distribution, introducing mechanisms of receiving and responding to the citizens' complaints and informing the population thereof, and assessing the degree of the population's satisfaction with the emergency medical assistance through surveys;

- **Increase the transparency, accountability and lawfulness of the activities of outpatient healthcare medical establishments** by making more stringent the oversight over the improper referrals of patients to in-patient hospitals from polyclinics, establishing proper oversight over the volumes of reagents, films and other products purchased for the examinations carried out in medical establishments, clarifying the process of calculation of financial limits necessary for acquiring free or discounted pharmaceuticals and their distribution procedures, allocating free or discounted pharmaceuticals through licensed pharmacies operating on contractual basis, establishing medical assistance quality management and improvement methods on the primary healthcare level, introducing clinical guidelines and criteria based on evidence-based medicine, introducing continuous testing and monitoring mechanisms of quality improvement and results, linking the calculation of OHP system family doctors' and specialized physicians' salaries with the systems of financing and incentives based on the assessment of the quality of provided services, treatment effectiveness and performance, setting realistic prices for medical services based on the real prime costs of such medical services;
- **Increase the transparency, accountability and lawfulness of the activities of hygienic and epidemiological service** by reducing the volumes of the state oversight in the area of hygiene and epidemiology, improving the internal oversight system in economic operators, introducing an accreditation system for the entities involved in public health protection, making more stringent the oversight over the existence of personal sanitary cards of those working in the public health protection entities and over appropriate medical examinations of those workers, and establishing procedures ensuring the transparency and accountability of the oversight functions.

4.7. The Judiciary

168. For the purpose of ensuring the effectiveness of fight against corruption in the judiciary, it is necessary to compare the following directions of that fight: reducing the latency of corruption-related crimes, simplifying the formal judicial procedures and reducing the workload of the courts, strengthening the material and social guarantees for judges' activities, establishing stricter liability for judges, declaring the conflicts of interests, income and property of judges and recruiting high-quality professionals for the judiciary, ensuring the necessary volumes of remuneration and material guarantees, financial transparency, *bona fide* service, professional education aimed at establishing an intolerant attitude towards corruption, etc.

169. One of the most important ways to reduce corruption risks in the courts is to **simplify the formal judicial procedures and unburden the courts**. Applying alternative dispute resolution methods were deemed to be an important way to unburden the courts in the second stage of judicial reforms. The establishment of mandatory mediation procedures as an anti-corruption measure is set out also in the Decision of the Council of Courts' Chairmen of the Republic Armenia 'On approving the draft anti-corruption strategy for the Republic of Armenia' No 92 of February 21, 2006.

170. The Law of the Republic of Armenia "On commercial arbitration" was adopted in 2006, among the measures related to **alternative dispute resolution mechanisms**, which provided legislative regulation of arbitration in compliance with international standards. Other alternative methods, especially mediation, are still not regulated by law and are rarely used in practice in the Republic of Armenia. Due to the certain ambiguities of several provisions of the Law of the Republic of Armenia "On Commercial Arbitration" and the Civil Procedure Code of the Republic of Armenia, the possibility of using arbitration to resolve some disputes deriving from a number of legal relationships (particularly labour or family disputes) remains questionable in practice. As a result, alternative dispute resolution methods are still not used in other areas of private relations, as well as in individual areas of public relations, which limits the possibility of replacing formal judicial procedures by alternative dispute resolution methods or

simplifying the existing judicial procedures.

171. **Material and social guarantees for judges' activities** are the most important elements of a mechanism to ensure impartiality of judges and their administration of justice exclusively on the basis of the law. The judges' salaries remain inadequate in the Republic of Armenia. The salaries of judges in the Republic of Armenia are lower than the judges' salaries in Eastern European Countries, Baltic States and several CIS countries, compared to the number of judges in Armenia and their workload. The improvement of material and social guarantees for judges should be lead with **stricter liability** for violations committed in the process of exercising the judicial power which appears in the form of stricter liability for taking bribes by judges, delivering obviously unfair judgments or other judicial acts for a mercenary purpose or other personal reasons, or failing to carry out duties imposed on them as required by law that would contribute to disclosure and prevention of corruption cases.

172. **Illegal interference with the exercise of judicial power** is the most frequently encountered phenomenon creating particularly favourable conditions for corruption risks in the judiciary. Criminal liability for hindering the administration of justice or an investigation is relatively mild and needs to be reviewed. If a judge fails to report an illegal interference with the administration of justice and the exercise of his/her other lawful powers to the Ethics Committee of the Council of Court Chairmen of the Republic of Armenia, then s/he is subject to disciplinary liability. Nevertheless, the disciplinary liability does not play a sufficient role in preventing the judges from not reporting the cases of illegal interferences with their activities. The Ethics Committee has not also a mechanism to detect cases of not reporting the cases of interference by judges either.

173. **Judges' declaration of conflict of interests, income and property** is of great importance for establishing control over them and disclosing cases of illegal acquisition of property and income. At present, judges submit their income declarations in accordance with the Law of the Republic of Armenia "On declaration of property and income by natural persons". If the Ethics Committee of the Council of Court Chairmen of the Republic of Armenia finds that the information relating to a gift received by a judge or his/her relatives is incomplete or suspicious, it may initiate a discussion of the matter with the participation of the judge in question. The Ethics Committee of the Council of Court Chairmen of the Republic of Armenia reviews communications from citizens and legal entities exclusively in cases when they relate to violations of rules of conduct by judges. At the same time, it is necessary to take additional steps to increase the transparency of declarations, to ensure the access to information for population, and to encourage the freedom to seek, receive, publish and disseminate information about corruption.

174. One of the most important factors for reducing the corruption risks in the judiciary is to ensure that the **judiciary is staffed by high-quality personnel**. The Judicial Code of the Republic of Armenia provides a mechanism of judicial appointments that enables to increase the professional qualifications of persons filling judicial vacancies. The Judicial School of the Republic of Armenia opened in 2008. It carries out functions of vocational preparation for persons included in the list of judicial candidates and annual training for judges on the basis of relevant curricula developed for those purposes. In order to be appointed as a judge, prosecutor, advocate and investigator, it is necessary to pass individual training courses in the Judicial School of the Republic of Armenia after being included in the list of judicial candidates. However, the Judicial Code of the Republic of Armenia does not stipulate the minimum duration for such individual courses and requirements thereto. The only thematic anti-corruption course offered by the Judicial School of the Republic of Armenia to judges in 2008 related to combating money laundering and financing of terrorism.

175. Thus, for the purpose of reducing corruption risks in the judiciary it is necessary to:

- **Expand the use of alternative dispute resolution methods** by clarifying the legal arrangements of the Law of the Republic of Armenia "On commercial arbitration" and the Civil Procedure Code of the Republic of Armenia in order to expand the legislative framework for using arbitration as an alternative dispute resolution method, encourage the use of arbitration in the areas of labour and family relations, and developing legal regulation of mediation;
- **Improve the material and social guarantees of judges' activities and, at the same time, establishing stricter liability for violations committed in the exercise of judicial power** by taking steps towards increasing the salary rates for judges of courts of general jurisdiction, introducing a mechanism for analyzing the dynamics of the country's social-economic

situation, for recalculating judge's salary effectively and ensuring adequate amount of salary for judges based thereon, reducing the significant difference in salaries of judges of different court instances, establishing stricter liability for violations committed by judges in the process of exercising judicial power (in particular, establishing stricter criminal liability for judges taking bribes, delivering obviously unfair judgments or other judicial acts for a mercenary purpose or other personal reasons), establishing a stricter criminal liability for the crime of any interference with the court's activities for the purpose of hindering the administration of justice, and improving the mechanisms for detecting cases of not reporting by judges any illegal interference with the administration of justice to the Ethics Committee;

- **Ensure the transparency of and controllability over judges' declaration of conflicts of interests, income and property** by increasing the role of the Ethics Committee of the Council of Court Chairmen in ensuring the transparency of the judges' financial means, including by providing the Ethics Committee a possibility of discussing issues relating to judges' financial transparency on the basis of communications received from citizens and natural persons and establishing clear procedures for such discussion;
- **Improve the vocational preparation of judges' candidates and training for judges** by extending the time limit of training in the Judicial School of the Republic of Armenia in line with the internationally accepted standards, providing a sufficient time period to have an effective internship in all judicial instances, regulating by law the minimum duration and requirements of individual training for those judges' candidates who are prosecutors, advocates or investigators, and guaranteeing the inclusion of a mandatory special course relating to corruption prevention and combating corruption, as well as rules of conduct for judges in the training guidelines approved by the Council of Court Chairmen of the Republic of Armenia, and including directions relating to rules of conduct for judges.

4.8. Penitentiary Service

176. A consistent fight against corruption in the area of administration of justice should cover also the next stage, that is, the stage of execution of penalties. At the same time, a reduction of corruption risks in preliminary investigative bodies could not lead to positive results unless it is accompanied with combating corruption in places of detention and in bodies empowered to execute penalties. In this regard, the reduction of corruption risks in the penitentiary service performing these functions, is a separate direction in the fight against corruption.

177. **Improvement of oversight and internal control mechanisms** is very important for reducing corruption risks in the penitentiary service. At present, mechanisms of judicial, departmental and public oversight over bodies and facilities executing penalties, as well as national and international oversight mechanisms (Human Rights Defender, European Anti-Torture Committee) have been introduced in the Republic of Armenia. In terms of reducing corruption risks the judicial oversight, which is carried out by means of judicial examination of complaints filed by convicts against actions of administration of bodies or facilities executing penalties and continuous public and governmental oversight over the execution of penalties are of great importance.

178. **Public oversight** over the execution of penalties is carried out by means of a Public Monitoring Group established by the Ministry of Justice of the Republic of Armenia. The members of the Group have unimpeded access to penitentiaries without special permission. The Public Monitoring Group is authorized to study the situation in penitentiary institutions and bodies, submit conclusions and recommendations, as well as proposals on improvements of penitentiary legislation to the Ministry of Justice of the Republic of Armenia and to the public. The goals, rules of procedure and the composition of the Public Monitoring Group are approved upon an order of the Minister of Justice of the Republic of Armenia. The Minister of Justice of the Republic of Armenia approves the Group's composition. The Group may include 7 to 21 members whose term of powers shall constitute five years. Thus, the Group's mandate, procedures, structure and composition enable the latter to serve as a working mechanism in the fight against corruption.

179. The group submits three types of reports to the Minister of Justice of the Republic of Armenia: current, annual and ad hoc reports where the Minister then issues interpretations thereon. Reports are tools intended for the performance of oversight function by the Group and for the discovered

problems and submitted proposals during the performance thereof. Making these reports public and accessible for many parties is an essential factor for ensuring the transparency of the oversight function of the Public Monitoring Group's.

180. Civil society's appropriate capacities and activeness in carrying out its observation mission is also important for the effective operation of the Public Monitoring Group. The members of the Group work on volunteer basis, which is an important guarantee of their independence from the state apparatus, though sometimes this causes decrease in the activeness of getting included in the Group. Besides that, the Public Monitoring Group needs continuous technical assistance, including in terms of opportunities of getting familiar with the best international practice. This problem is currently addressed mainly by grants.

181. **The mechanism of departmental oversight** over the Penitentiary Service also needs to be improved. According to the Penitentiary Code of the Republic of Armenia, departmental oversight over bodies and facilities executing penalties is carried out by superior bodies and their officials in the manner prescribed by the Government of the Republic of Armenia. Considering the fact that the Penitentiary Service is a separated subdivision within the Staff of the Ministry of Justice of the Republic of Armenia, where the departmental oversight over it should be carried out by the Ministry of Justice of the Republic of Armenia. According to the Law of the Republic of Armenia "On the Penitentiary Service", the Minister of Justice of the Republic of Armenia carries out general oversight over the Penitentiary Service. Having regard to the structure Staff of the Ministry of Justice of the Republic of Armenia, this oversight should be carried out by the Oversight Department of the Staff of the Ministry of Justice. However, the process of departmental oversight carried out by the Oversight Department of the Ministry of Justice of the Republic of Armenia is not fully regulated. In particular, there are no target directions for oversight, no standards and mechanisms to evaluate the effectiveness of the activities of the penitentiary service, etc.

182. The logistics support of penitentiary facilities and the reduction in the direct involvement of penitentiary servants in the exercise of several rights vested under law to persons serving their sentences are important in terms of combating corruption in the penitentiary service. One of the peculiarities of the penitentiary service is that cases of corruption related to hindering the exercise of rights by convicts, those related to normal exercise of rights, often take place in case of absence of automated systems. The dependence of the normal exercise of convicts' rights from penitentiary servants causes significant corruption risks.

183. The sufficient staffing of Penitentiary Service is an important factor for reducing corruption risks in the penitentiary service. The penitentiary service is a state service area that is not appealing to the public, while for the purpose of proper operation of the service, it is necessary to involve in the service a personnel with appropriate qualifications and knowledge. Currently, citizens with at least secondary education may be appointed to junior positions of penitentiary service. At the same time, the requirement of higher level of education or better professional qualifications may lead to a shortage of personnel in the penitentiary service. The Law of the Republic of Armenia "On the Penitentiary Service" provides for a rather flexible remuneration system for penitentiary servants. There are also certain social guarantees for penitentiary servants provided by the Law of the Republic of Armenia "On social security for military servants and members of their families", according to which penitentiary servants are considered equivalent to military servants (not in terms of their status but in terms of social guarantees) and are, therefore, eligible for the same social benefits and guarantees. Nevertheless, the official salary rate for penitentiary servant remains low (12,000 AMD for 2006-2008).

184. In order to reduce corruption risks in the Penitentiary Service, it is important to exclude the penitentiary servants and persons kept in penitentiary facilities from getting too close to each other. Risks of getting close to each other arise when penitentiary servant works in the same facility for a long period, and involve in that facility persons serving their sentences. In result of getting close to each other, personal relationships are established between the administration of the penitentiary facility and persons serving their sentences there, where such relationships hinder the normal performance of functions of the penitentiary service. The Law of the Republic of Armenia "On the Penitentiary Service" provides for a possibility of transferring a penitentiary servant to another equivalent position without his/her consent, should such transfer be necessary for the service. Such a transfer is possible if the servant concerned has served at least one year in his/her position. Another provision regulates transfer of a penitentiary servant to an equivalent position during the period of time when a person with close family ties or in-law family ties to the servant concerned (parent, spouse, son/daughter, brother, sister, grandfather, grandmother, spouse's parent, child, brother, sister, grandfather or grandmother) serves his/her sentence or is held in

detention in the penitentiary facility. Other regulations for conflicts of interests are not provided by legislation. Moreover, transfer to an equivalent position on the basis of aforementioned grounds is considered a right rather than an obligation. At the same time, the law stipulates that penitentiary servants in the highest positions, as well as heads of penitentiary facilities are transferred to other positions by the Minister of Justice of the Republic of Armenia, upon recommendation received from the head of the Penitentiary Department, while servants in chief, leading, middle and junior positions are transferred by the head of the Penitentiary Department. There is no common practice on cases entailing necessity for the service, while the lack of a uniform practice and under discretionary powers of the official empowered to transfer with regard to the issue of transferring to another position by law, such transfers cannot serve as a practical tool for preventing the cases of getting closer to each other and excluding conflicts of interests.

185. Thus, for the purpose of reducing corruption risks in the penitentiary sector it is necessary to:

- **Improve mechanisms for public and departmental oversight over the implementation of functions of Penitentiary Service** by introducing measures to encourage the civil society representatives' active involvement in the Public Monitoring Group and providing continuous technical support to the Group, publishing the reports of Public Monitoring Group and the commentaries thereon submitted by the Minister of Justice of the Republic of Armenia on the Ministry's official website, clarifying the oversight functions of the Oversight Department of the Ministry of Justice of the Republic of Armenia, establishing departmental oversight procedures, as well as developing and introducing standards for evaluating the effectiveness of the activities of the Penitentiary Service;
- **Reduce the direct involvement of penitentiary servants in ensuring the exercise of rights by persons serving their sentences** by introducing automated systems, technically equipping the existing penitentiary facilities and developing their infrastructure, and building new penitentiary facilities in line with international standards. In this regard, it is important to develop a long-term strategy to improve the infrastructure of penitentiary facilities;
- **Encourage involvement of high-quality personnel in the penitentiary service** by strengthening the material and social guarantees making the service more appealing (in particular, increasing the salary), introducing objective criteria for suitability for positions, and reviewing and improving training programs for penitentiary servants.

4.9. State Registration of Legal Entities

186. Reducing the corruption risks in the area of state registration of legal entities is greatly important for business development and encouraging the activeness of non-governmental associations in the Republic of Armenia. The fight against corruption in the area of state registration of legal entities should proceed in two parallel directions: improving the registration process, and clarifying the functions of the State Register of Legal Entities of the Republic of Armenia and ensuring appropriate oversight over their performance.

187. Ruling out the process of applying to various authorities and getting documents therefrom that are required for state registration of legal entities is of great importance for reducing corruption risks. Thus, commercial legal entities are required to apply to a bank in order to pay the state duty established by law for registration of a legal entity, as well as to the tax authorities in order to get a taxpayer identification number (TIN). Within a single registration process, a person has to deal with several state servants, which increases the possibility of manifestations of corruption risks. In this regard, progress has been made with the adoption of a new Law "On firm names" in 2008, enabling entrepreneurs to apply directly to the state registration body instead of the previously existing requirement of submitting the decision on state registration of a firm name taken by the empowered authority .

188. The mechanism of state registration of liquidation of a legal entity needs to be improved. Currently, the process of liquidation is often delayed in the State Register of Legal Entities, because the legal entity and private entrepreneur wishing to register the liquidation are required to submit to the territorial subdivision of state register a statement from tax authorities proving the absence of obligations with regard to state budget and to social security. The tax authorities reply to such requests within 30 days after receiving them. A failure to reply within the established period of time or sending a different reply is considered as a confirmation of absence of obligations. The legal entity is considered as

liquidated at the end of the 30-day period or after the reply from the tax authorities is sent, and a statement on liquidation is issued within one business day. The provision of a 30-day period to submit a statement increases the possibility of discretion on the part of tax authorities and creates favourable conditions for corruption cases.

189. The improvement of oversight mechanisms of Ministry of Justice of the Republic of Armenia is an important prerequisite for an effective fight against corruption in the area of activities of State Register of Legal Entities. The problem of internal oversight is conditioned by the insufficiency of oversight procedures and the legal consequences of improper regulation thereof.

190. Based on the need to introduce mechanisms to verify the founders' previous criminal conduct and deprivation of professional qualifications at the time of state registration of legal entities, the draft amendments to the Law "On registration of legal entities" provided refusal of registration of legal entities if the founder of that legal entity has been convicted for any of the crimes prescribed in Articles 187-216, 217.1, 308-313 of the Criminal Code of the Republic of Armenia. The implementation of this mechanism will further increase the reliability of the private sector of the Republic of Armenia.

191. For the purpose of reducing corruption risks in the area of state registration of legal entities it is necessary to:

- **Simplify the process of state registration of legal entities** by approving sample documents (templates) required for state registration of commercial legal entities and making them available through the official website of the Ministry of Justice, technically equipping the State Register of Legal Entities and creating a possibility of online state registration, and introducing a mechanism of checking the previous criminal conduct of the founders of legal entities during state registration;
- **Introduce the principle of 'one-stop shop' (one window) in the area of state registration of legal entities** by developing a common automated database of firm names, providing a possibility of search and online registration of firm name, developing an online mechanism of acquisition of a taxpayer identification number, establishing procedures for obtaining the documents from other state authorities required for registration through the State Register of Legal Entities, and regulating the cooperation between the State Register of Legal Entities and other state authorities in order to ensure fast and efficient state registration;
- **Simplify the procedures for registration of liquidation and reorganization of legal entities** by introducing automated systems for obtaining the documents required for liquidation, restricting the time limits for providing the documents proving the absence of obligations and for registration of liquidation, and limiting it to a single level within the empowered body;
- **Improve the departmental oversight mechanisms applied within the empowered state authority** by reviewing the oversight methods applied to the activities of state register bodies, and establishing procedures for summarizing the results thereof.

4.10. Judicial Acts Compulsory Enforcement Service

192. The reduction of corruption risks in the system of judicial acts compulsory enforcement is vitally important with regard to the goals of fight against corruption in the judiciary. Otherwise, it would be impossible to ensure the normal operation of the state system in the area of justice.

193. The legislative arrangements in the area of compulsory enforcement is relatively flexible, providing the compulsory enforcement officers with wide possibilities for discretion. Thus, if different types of property are available in the same order of priority, then the sequence of levying execution thereon is determined by the compulsory enforcement officer. Such flexibility enables the compulsory enforcement officer to be mostly guided by the interests of the compulsory enforcement efficiency. However, the motivations of the compulsory enforcement officer for the proper assessment of such interests are not sufficient. The parties, of course, are entitled to file complaints against the actions of the compulsory enforcement officer in a court. However, the complaints related to the exercise of discretionary powers, especially in the case when no violation of the compulsory enforcement procedure has been made by the compulsory enforcement officer, are not always an effective means of defence and a preventive factor for the compulsory enforcement officer to fulfil his/her responsibilities appropriately.

One of the reasons for that is the absence of legislative stipulation of the compulsory enforcement principles. The only provision relating to the consideration of interests of persons by the compulsory enforcement officers is referred to in Article 45 of the Law of the Republic of Armenia “On compulsory enforcement of judicial acts”, according to which compulsory enforcement officers are required to use their rights in accordance with law and not to allow their actions to violate the rights and lawful interests of citizens and organizations.

194. The enhancement of the technical capacities of identifying the debtor’s property subject to confiscation under the compulsory enforcement procedure is also an important condition for reducing corruption risks in the area of compulsory enforcement of judicial acts. Although the Law of the Republic of Armenia “On compulsory enforcement of judicial acts” prescribes the obligation of the debtor to provide information to the compulsory enforcement officer on the property in his/her possession, and that in the case of failing to provide such information or misrepresenting the data the debtor shall be subject up to a criminal liability; in practice it is necessary to launch a search for the debtor’s property in order to carry out the compulsory enforcement. In case of absence of any information about the location of the debtor’s property, the compulsory enforcement officer takes a decision on launching search for the debtor’s property. The search of the debtor’s property is conducted through inquiries sent to the Real Estate Cadastre, State Register, Depository, tax, customs, state motor licensing and inspection authorities. The law does not regulate the issue of other tools for detecting the debtor’s property.

195. Finally, the improvement of oversight mechanisms by the Ministry of Justice of the Republic of Armenia is greatly important also in terms of ensuring the efficiency and controllability of its activities of the service providing compulsory enforcement of judicial acts regarded as a separate subdivision of the Staff of the Ministry of Justice, .

196. Thus, for the purpose of reducing corruption risks in the area of enforcement of judicial acts it is necessary to:

- **Increase the capacities for the detection of the debtor’s property by the compulsory enforcement officers** by studying the best international practices in the area of detecting the debtor’s property, and developing the capacities of compulsory enforcement services and mechanisms for their cooperation with other bodies;
- **Improve the oversight mechanisms within the Ministry of Justice of the Republic of Armenia** by reviewing the oversight methods ensuring the operation of the judicial acts compulsory enforcement service and defining procedures for summarizing the results thereof.

4.11. The Police Service

197. The legislative and practical gaps giving rise to corruption risks in the area of **road traffic** have not been fully closed yet.

198. **Ensuring the road traffic safety and imposing administrative liability for violations of traffic rules** remain one of the most vulnerable areas of the road police activities. The road traffic rules were established by the Decision ‘On approving the road traffic rules and the list of defects and conditions prohibiting the operation of vehicles’ (RTR), of the Government of the Republic of Armenia’s adopted in 2007. In 2007 the Code on Administrative Offences (CAO) of the Republic of Armenia was amended to make significantly stringent the sanctions for violations of road traffic rules. However, the road traffic rules provided by RTR, as well as the definitions of offences stipulated by the Code on Administrative Offences are not far from imperfections and uncertainties, which creates difficulties for citizens to understand them properly in practice.

199. **Lawfulness and legality of imposing administrative liability** is an issue that is raised frequently and creates problems with regard to imposing liability for administrative offences. The acts delivered by the road police with regard to imposing administrative liability often do not state the description of the problem, grounds for delivering the act, time limits for the appeal and the names of bodies, including those of courts, where appeals may be filed. In some cases, it is even unclear where specifically the violation of road traffic rule took place. The same applies also to protocols on administrative offences, while the road police servants do not fill their administrative acts with relevant evidence which afterwards would be important for resolving the case if those acts were contested. In such a situation, the following principle should apply clearly: all data and information provided by the

person in connection with factual circumstances disputed by an administrative authority shall be considered credible in all cases, unless the administrative authority proves the opposite. Such an approach has been reflected in a number of administrative court judgments, upon which several administrative acts of the road police have been recognized unlawful and have been cancelled.

200. Allowing the road police officers to **impose administrative liability on the person and to levy the imposed fine on the spot** and, at the same time, making more stringent the administrative liability, that is increasing the amount of fines, has resulted in a new increase in corruption risks. Actually, this created preconditions for the offenders to come to an agreement with police officers and for imposing administrative liability on person for a lighter offence instead of more serious one committed by the latter.

201. In terms of imposing liability for violations of traffic rules, there is a big threat of **discretion in determining the types of sanctions and the sizes of sanctions**. As a result, the principle of individualizing the punishment is not implemented in practice. Moreover, there is also a problem of stricter sanctions for some repeated nature of offences provided for in the Code on Administrative Offences. At the same time, a number of measures of administrative coercion, such as taking away the vehicle's number plates or withdrawing the driver's license, are abused especially in cases when no such measures are prescribed for the specific offence, which causes significant difficulties and additional costs for drivers.

202. **Proper road marking** is also an important precondition for reducing corruption risks in the sector. Insufficient visibility of road markings or their complete absence is used as a good loophole to impose liability on drivers. Abuses of the power to place road signs, over-regulation or wrong regulation of traffic are an important issue from the point of reducing corruption risks.

203. **Issuing driver's licenses** is another important function of the road police, where there have been significant corruption risks over the years. The ensuring of transparency of driving tests and exclusion of any manifestations of discretion are also a matter of concern. In 2008, the Government of the Republic of Armenia approved a new procedure for taking driving tests and issuing driver's licenses, which regulates in detail the process of theoretical and practical tests required for granting driver's license. However, it will take time to test this procedure in practice from the point of corruption risks.

204. **The number of traffic accidents** in the country is an important criterion for the effectiveness of activities of the road police. According to the police data, the increase in the number of accidents was maintained in the first half of 2008. Finding out the exact number of traffic accidents and making it public reflects the activities of the road police, and gives opportunity to assess the effectiveness of the measures that have been undertaken. Determining the circumstances of traffic accidents and creating accident schemes, where a room for discretion may arise, creates notable corruption risks. The drivers' lack of awareness of analyzing the schemes creates additional corruption risks.

205. **The extra-budgetary material incentives and technical development fund** of the road police is aimed at increasing the effectiveness of ensuring road traffic safety. From the point of lawfulness of the police activities, it is important to ensure the transparency of proceeds to and expenditures from the extra-budgetary fund, especially in terms of the fines levied for administrative offences in the area of road traffic safety.

206. **Citizens' lack of awareness of a number of existing secondary legislation acts** related to the competence vested to the road police also creates corruption risks, which enables the officials to abuse their powers, draw citizens into an unnecessary administration and impose obligations thereon not prescribed by law. Moreover, instead of explaining the relevant procedures to citizens and make them available to all, their legal lack of awareness is used for other types of profit-making private activities.

207. In 2008, in order to reduce corruption risks in the area of **passport regime** and bringing the passports of the Republic of Armenia in compliance with international requirements, the Government of the Republic of Armenia approved a timetable of activities deriving from the concept of introducing the migration system of the Republic of Armenia and the system of biometric passports and identity cards. In the context of these reforms, new corruption risks are developed for empowering the police officers to apply administrative penalties in cross-border points for offences defined in Article 201 of the Code on Administrative Offences.

208. **Issuance of passports and** the problems arising in the process **extending the validity**

thereof are mainly conditioned by the time consuming nature of issuing of passports and approving the validity thereof for citizens in foreign countries. The longstanding nature of issuing new passports is conditioned by both subjective and objective factors. Documents serving as grounds for issuing a passport are sent to the relevant central body by postal service, which turns the whole thing into a time consuming process (for about two weeks). At present, steps are being taken to introduce an online data exchange system relating to the documents serving as grounds for passports, which would enable to significantly reduce the time limits for issuing a passport.

209. New procedures adopted in 2007 approved the list of documents to be submitted by foreign nationals to the relevant authorities to obtain an **entry visa** as well as the procedures for examining the applications, issuing entry visas and extending validity period thereof. From the point of avoiding corruption risks, an important step was the levying of state duties for obtaining a visa and extend the validity thereof, as well as the relevant fines, by means of banks only, unlike the previous practice, when these fees were also be paid in cash on cross-border points or in the Visa and Passport Department of the Police, often without providing a receipt to the person concerned.

210. The **lack of transparency** of activities of the police and the lack of public debate deepen the police's alienation from the society and the lack of public confidence towards the police. It is also important to improve the quality of activities and services of the police units that are mostly in close contacts with citizens.

211. For the purpose of strengthening the public confidence towards the police and introducing effective anti-corruption mechanisms it is necessary to:

- **Improve road traffic rules and norms prescribing liability for violating these rules** by removing uncertainties of existing legal arrangements and norms entailing a variety of interpretations, removing the dangers of discretion when choosing the sanctions and amounts of penalties, as well as removing other obstacles creating preconditions for breaking road traffic rules;
- **Increase the transparency, openness and accountability of the activities of road police** by introducing procedures ensuring the transparency of the police material incentives and technical development extra-budgetary fund's proceeds and expenditures, and by introducing procedures ensuring access to statistics about traffic accidents and registered administrative offences;
- **Ensure appropriate conditions for furnishing of the road traffic organization and for road markings** by clarifying the procedures for organizing effectively the process of placing road signs in appropriate places and removing the signs that are placed improperly or that cause obstacles, introducing operative procedures for cooperation between road police and community authorities on these matters, introducing procedures ensuring the openness of the process of organizing road traffic furnishing and placing of road sign, and continuously monitoring the effectiveness thereof;
- **Increase the effectiveness and usefulness of the State Register of Population** by continuously improving the state register system, introducing procedures for effective use of State Register data while providing public services, and establishing norms according to which a person would be considered dully notified if a notice was sent to the person's address stated in the State Register (even if the actual residence of the person is other than that);
- **Introduce legal norms ensuring inviolability of personal information** by establishing legal consequences for not reporting proper information to the State Register of Population, residing without an identity card, failing to provide information required by law or providing incomplete information by officials to the State Register;
- **Ensure the lawfulness and increase the responsibility of police activities** by ensuring the adoption of administrative acts on imposing administrative liability to be lawful and meet the legal requirements, improving access to procedures for appealing the actions of police officers, making more stringent the control mechanisms over the legality of police activities parallel to increasing significantly the salaries of police officers, and increasing the risk and inevitability of punishment for income generated by illegal remuneration;

- **Ensure proper quality of activities of police authorities and service of citizens** by minimizing the need for intermediary police units and officer-citizen contacts, introducing procedures of encouraging cooperation between the public and the police authorities and the civil society participation, increasing public awareness of police activities, and by ensuring appropriate highlighting of citizens' rights and responsibilities and administrative processes.

4.12. Political Sector and Political Corruption

212. The risks of political corruption in the Republic of Armenia are noticed in the organization of elections, political party financing, carrying out charities for political purposes, and in the legislative, executive and judicial branches of the power. Persons with political influence, particularly those occupying political positions with political decision-making competence, are considered as subjects of political corruption.

213. The National Assembly of the Republic of Armenia plays a key and decisive role in the development and implementation of the anti-corruption policy in the Republic of Armenia. In this regard, it is important to establish high standards for the **conduct to be conformed by each deputy of the National Assembly**. Citizens of the Republic of Armenia have the right to expect proper behaviour from deputies both inside and outside the National Assembly. The need to adopt rules of conduct for the deputies of the National Assembly also stems from the UN Convention against Corruption. The importance of adopting codes of conduct for deputies is also mentioned in the Global Organization of Parliamentarians against Corruption (GOPAC) resolution on Codes of Conduct for Parliamentarians.

214. Issues related to the rules of conduct of deputies of the National Assembly of the Republic of Armenia are not fully and adequately regulated at present. Some provisions concerning the deputies' conduct are provided for by law. In particular, deputies are supposed to take an oath when starting their term in office, but no liability is established for refusing to take an oath. Every deputy must be registered and vote in person, which is not always the case. There are no specific sanctions for these violations. The current system of sanctions for disciplinary offences is flexible, but it needs to be made more concrete by types of offences and by defining clear procedures and time limits for an authorized body to react in every case and take the appropriate impact measures. During his/her speech about the procedure of conducting the National Assembly meeting, the deputy in question may refute the statement made about him/her; however, there is no concrete liability for the person who has used offensive language.

215. **The enforcement of the constitutional ban on deputies engaging in entrepreneurial activity, clear legislative regulation of issues related to deputy's immunity, improvement of the system of deputy's declaration of property and income, introduction of the institution of declaration of interests and regulation of the issue of receiving gifts** play a special role in the regulation of relations related to conflicts of interests of the deputies of National Assembly of the Republic of Armenia. On the whole, there are no adequate legal mechanisms to enforce the constitutional bans on deputies engaging in entrepreneurial activities or taking up other paid work. Other forms of deputies' participation in a company's economic activities, which would not constitute entrepreneurial activity, are not defined. There are no procedures to regulate the paid scientific, pedagogical and creative work by deputies that would exclude to circumvent the constitutional provisions while carrying out such activities and guidance by private interests of others. According to the Constitution and the Law of the Republic of Armenia "On the Regulations of the National Assembly", deputies are not required to notify the relevant authorities when taking positions or jobs prescribed by Article 65 of the Constitution of the Republic of Armenia. Also, there are no procedures for finding out the fact of violation by a deputy of conditions of Article 65 of the Constitution of the Republic of Armenia and those for addressing the issue of terminating his/her powers.

216. Improving the laws and National Assembly's **procedures for the adoption of decisions** with wider civil society participation is also important from the point of preventing corruption. When draft laws or draft decisions of the National Assembly are discussed in relevant standing committees, the participation of non-governmental associations and individual citizens may take a form of being present at National Assembly's committee sessions and participating in the discussion of draft laws or recommendations related thereto, if they are the authors of these drafts. Representatives of non-governmental organizations who had provided recommendations on the drafts or the citizens can only be present at committee sessions if the committee passes a decision to invite them. The law contains no procedures for notifying the representatives of non-governmental organizations who had submitted

recommendations on the drafts about the time and place of the discussions. A more meaningful participation of representatives of non-governmental associations and citizens at this stage is hindered by the fact that lists of invitees are developed by the committees.

217. Thus, for the purposes of reducing political corruption risks and to ensuring the transparency, openness and accountability of the legislature it is necessary to:

- **Establish rules of conduct for deputies** by regulating the relations connected with rules of conduct for the National Assembly through the Law of the Republic of Armenia “On the Regulations of the National Assembly” and providing the main principles of deputies’ behaviour therein, establishing rules of conduct for deputies during National Assembly meetings and those of standing committees, establishing rules of conduct for deputies in their relations with state and local self-government authorities, officials thereof, non-governmental organizations, mass media, and with foreign persons in foreign states, developing rules of behaviour for deputies working with National Assembly Staff members and voters, establishing coercive measures for breaking the rules of conduct, creating a temporary ethics committee in the beginning of each regular session of the National Assembly and defining its powers.
- **Enforce the constitutional ban on deputies engaging in entrepreneurial activities** by establishing a ban on deputies becoming private entrepreneurs and defining allowed or prohibited forms of participation in an economic company, establishing procedures for deputies to engage in scientific, pedagogical or creative work and to get paid for it, establishing procedure for deputies to notify immediately the relevant National Assembly committee about engaging in entrepreneurial activity or violating other conditions stipulated in Article 65 of the Constitution of the Republic of Armenia, and establishing procedures for measures to be taken by the relevant National Assembly committee if violation of conditions referred to in Article 65 of the Constitution of the Republic of Armenia is detected or when the fact of such a violation is examined;
- **Enforce the constitutional provision on terminating a deputy’s powers for his/her absences for no compelling reason** by clarifying procedures for terminating a deputy’s powers if he/she is absent for no compelling reason for more than half of the votings during one regular legislative session referred to in Article 67 of the Constitution of the Republic of Armenia, by reviewing the provisions that allow the National Assembly Speaker and the National Assembly Standing Committee on State and Legal Affairs to excuse deputies’ absences, clarify as much as possible all the cases when deputies’ absences from National Assembly voting are excused, and develop procedures for addressing the issue of absence in the National Assembly if the required documents verifying the reasons for absence are not submitted.
- **Improve the deputy’s immunity system** by establishing clear rules to identify the deputies who abuse their immunity, inform the public thereof and apply sanctions against them, establishing a deputy’s immunity system that would rule out the possibility of politically motivated prosecution of deputies, and building the journalists’ capacities to conduct journalistic investigations for the purpose of detecting abuses of deputy’s immunity and those to inform the public about the results of such journalistic investigations;
- **Improve mechanisms for deputies’ declaration of interests** by establishing procedures and conditions for declaration of interests in rules of conduct for deputies, requiring deputies to submit declarations before introducing a draft law in the National Assembly and before discussions of an issue (including before voting on the issue) in the National Assembly or its committees, establishing by law rules of conduct for deputies in case of conflict of interests, prohibiting deputies’ exercise of their powers by the order of others or to the benefit of others, preventing other people from using their family, social, official or other position to influence a deputy’s decision, establishing a requirement of and grounds for recusing themselves by deputies during the discussion and voting on an issue if there is a conflict of interests or if there are circumstances that can cast reasonable doubt on the deputy’s impartiality, establishing grounds for recusal for individual issues, and defining the notion of economic interest;

- **Complete all the norms related to deputies receiving gifts** by regulating on legislative basis the issue of officials receiving gifts, defining the procedure of receiving a gift, establishing procedures for accepting gifts, adopting procedures to prevent deputies from ex officio taking a gift from anyone or agreeing to take that gift in the future, as well as to prevent family members of deputies from such actions, define exceptions when the gift ban should not be enforced, set a value threshold on acceptable gifts and require deputies to report to ethics committee any gift the value of which exceeds the said threshold, and establishing procedures for returning the unacceptable gifts or handing them over to the state.
- **Ensure civil society representatives' effective participation in the legislature's activities** by introducing a procedure in the Law of the Republic of Armenia "On the Regulations of the National Assembly" which requires parliamentary hearings on circulation of a draft law or a draft decision of the National Assembly, if at least one percent of citizens (who had the right to vote in the National Assembly elections) signed in support of the said draft; allowing those who have participated in the development of the draft laws being discussed at a committee session or who have made recommendations on the drafts to be present at the session without committee's special decision; notifying them in advance of the session and giving them the right to speak at the session; giving citizens a possibility to offer participation in hearings, giving the invitees the right to participate in hearings fully, ask questions, make recommendations and speeches, establishing provisions on inviting parliamentary hearings at the request of National Assembly factions and parties or non-governmental organizations not represented in the National Assembly, and classifying the recommendations submitted on draft laws passed in the first reading.

4.13. Electoral System

218. **Political corruption** is most clearly manifested in elections of state and local self-government authorities. The unimpeded exercise of the right to elect and be elected through free and fair elections, as guaranteed by the Constitution in accordance with international standards and the establishment of legitimate authorities through such elections is the most important precondition for an effective and real fight against corruption in the Republic of Armenia.

219. In result of many amendments to the **Electoral Code of the Republic of Armenia** the latter has been brought in compliance with international standards. Nevertheless, electoral processes need continuous improvement. From the point of increasing the effectiveness of the fight against corruption, the most vulnerable areas include the compilation of voter lists and removing any inconsistencies therein, establishment of pre-election campaign funds and campaigning, formation of electoral commissions and transparency of their activities.

220. The Republic of Armenia has a three-level system of **electoral commissions** to organize and conduct elections.

221. The Central Electoral Commission is made up of representatives from each party or alliance within a faction in the National Assembly, of one member appointed by the President of the Republic of Armenia and two judicial servants appointed by the Council of Court Chairmen of the Republic of Armenia. During the 2008 presidential election, most of the territorial electoral commission chairmen, deputy chairmen and secretaries thereof were nominated by the political forces that had formed the Government of the Republic of Armenia. According to monitoring group members' opinion, electoral commissions must be more balanced in their composition. Several parties had difficulties with appointment of members of precinct electoral commissions, which indicates the deficiency of current mechanisms of forming the electoral commissions. An examination of international experience shows that electoral commission members should stay out of political processes as much as possible.

222. Even though the reaction to the activities of the central and territorial electoral commissions during national elections has been generally positive, there are still some concerns about the complaints procedures. There procedures on examining applications (complaints) and proposals in electoral commissions referred to in Article 401 of the Electoral Code of the Republic of Armenia are also imperfect, which mostly lays down formal requirements for these documents. The Constitutional Court has found that, in order to establish an effective oversight over electoral processes and to increase the public's confidence towards elections, it is necessary to establish clear normative requirements for

procedural review of applications (complaints) and recommendations especially in electoral commissions and for adopting well-grounded decisions thereon. Even though the Law of the Republic of Armenia “On administrative proceeding and fundamentals of administrative action” and the Administrative Procedure Code of the Republic of Armenia introduced the most effective mechanisms on the protection of public rights, including electoral rights, in compliance with best international practice, the issue of participation of the interested parties, who had raised questions to be discussed at electoral commission meetings, is not sufficiently regulated.

223. The **openness** of the electoral process is mainly achieved by participation of representatives of non-governmental organizations and mass media in the activities of electoral commissions, as well as by providing them with the necessary and equal working conditions. The existence of adequate sufficient knowledge and skills on the electoral legislation of the Republic of Armenia and relevant among monitoring group members and representatives of mass media is the first precondition for effective election observation missions by non-governmental organizations and for appropriate highlighting of corrupt practices in election processes by mass media. The involvement of non-governmental organizations and mass media in the prevention of corruption in electoral processes may not be limited only to oversight over these processes. They play an important role in increasing the public’s awareness of election legislation and in campaigning actively against election bribe, the implementation of which also requires state support.

224. The practice of electoral processes in Armenia identifies a number of corruption risks, including, campaign financing from sources prohibited by law, using official powers for running a campaign, using the property and means that belong to state and local self-government authorities, “buying votes,” and falsifications on the part of electoral commissions.

225. Proper compilation and regular update of **voter lists** is the main tool for ensuring the universal suffrage right. In May 2005, a new system of maintaining voter list was introduced in the Republic of Armenia, that is, the Voter Register of the Republic of Armenia (a national voter register). This new system gave opportunity to post voter lists on the website of Central Electoral Commission and increase the accessibility thereof, allowing various organizations and citizens, who are interested in the outcome of an election, to verify the accuracy of voter lists in advance and take measures on adjustments therein. The Voter Register is directly linked to the State Register of Population.

226. Clear legislative definition of the notion of **pre-election campaign** is important from the point of preventing corruption. This would not only serve as a basis for ensuring equal conditions for all candidates campaigning in an election, but would also outline the limits on campaigning by state servants occupying political, discretionary positions. Despite the fact that the Electoral Code of the Republic of Armenia contains certain restrictions, corruption in pre-election campaign processes is frequently manifested by the use of administrative resources and election bribe; moreover, administrative resources are used both directly by officials and indirectly by their parties. Moreover, despite the fact that the law prohibits the candidates (parties) from giving (promising) citizens any money, food, securities or goods free of charge or on favourable terms or rendering (promising) any services during pre-election campaign, the experience of national elections shows that this provision of the law is not always followed. The process of “giving election bribe” is often disguised as charitable activity, which may be considered a result of combination of political and business interests during elections.

227. One of the main directions of anti-corruption program in the area of combating political corruption is to improve the oversight mechanisms over **political party financing** processes. Political parties need financial resources for their normal operation, including for participation in elections. These financial resources can entail corruption risks, especially in cases when the party or its candidates exceed the amounts in their pre-election funds, when the party uses other state resources and other resources prohibited by law, or when the party’s resources are used for election bribe. The most recent national elections have demonstrated that, in addition to the resources in their pre-election funds, the size of which is limited by the Electoral Code of the Republic of Armenia, candidates are may use other resources without any control, which violates the principle of equality of campaign conditions and allows them to engage shadow resources, which inevitably leads to an increase in corruption risks. It is possible to circumvent the ceilings fixed for natural persons’ and legal entities’ payments made to pre-election funds of candidates running for the President of the Republic of Armenia, as well as candidates and parties running for the National Assembly, because the Law of the Republic of Armenia “On political parties” does not have any established ceilings for natural persons’ and legal entities’ donations to political parties.

228. State and local self-government authorities are not allowed to make donations to political parties and are required to provide their buildings and means of communication on equal conditions to all political parties, and to ensure equal conditions for organizing events for all political parties. Nevertheless, concrete legislative and other measures are needed to prevent state and local self-government authorities from providing office space to individual political parties on special conditions or almost free of charge, providing credits (financing) to commercial or non-governmental organizations close to the authorities and afterwards transferring the whole amount of credits or a part thereof to certain political parties in a form of donation or other ways of financing, providing remuneration by foreign commercial, non-governmental and other organizations to representatives of superior bodies of parties, providing grants to party members for social and other programs, financing mass media established by parties, providing free material support to parties by means of implementing public programs.

229. Public reporting by political parties does not fully guarantee the maintenance of prohibitions provided by legislation, because parties can file reports far from reality.

230. This, in order to reduce the existing political corruption risks in the organization of elections and party financing processes it is necessary to:

- **Prevent the involvement of electoral commission members in political processes** by appointing members of electoral commissions of all levels among state servants and preventing their active involvement in political processes during the last year before elections;
- **Improve the procedure of examining applications and complaints sent to electoral commissions** by clarifying the procedures on examining applications and complaints in electoral commissions, processing the applications and complaints in accordance with the Law of the Republic of Armenia “On administrative proceeding and fundamentals of administrative action”, increasing the responsibility of electoral commissions, clarifying the procedures for contesting the decisions of electoral commissions in courts (if necessary) and ensuring the judicial protection of citizens’ constitutional rights conditioned by the processes related to the outcome of elections;
- **Increase civil society’s participation in monitoring the election processes** by ensuring the impartiality of election observation missions and the mass media in monitoring the electoral processes, and introducing procedures to ensure that non-governmental organizations carrying out election observation missions can operate without any impediment when monitoring contributions to pre-election funds and electoral campaigns;
- **Continuously improve the process of maintenance of voter list** by improving the quality of formation of the State Register of Population and continuing the activities of introducing local registers, **regularly** updating the **voter lists**, by removing the names of people who have no right to vote but are on voter lists, and including the names of people who have the right to vote but are not voter lists for whatever reasons, and making the voter lists public;
- **Make a clear distinction between the day-to-day current political activities of officials and campaign activities** by prohibiting the free or advantageous use of property belonging to state and local self-government authorities for campaign purposes (except in certain cases) and ensuring that all candidates have equal opportunities to make use of such property, prohibiting the display of campaign materials on public property in places other than those designated specifically for that purpose, establishing a procedure for suspending the persons in political and discretionary positions for the duration of their campaign;
- **Make more stringent the fight against election** bribe by assisting the organization and support of education programs available for public aimed at increasing voters’ legal awareness, preventing the combination of political activities and charity, including by prohibiting charitable activities while campaigning and providing administrative liability for violation thereof, preventing political parties from giving financial and/or other material assistance to voters in any way during and outside of election campaigns, prohibiting political parties from giving (promising) citizens money, food, securities, goods or services, free of charge or on advantageous conditions, detecting and imposing liability on those engaged in election bribe;

- **Clarify the procedures for the use of non-monetary assets** through pre-election funds by establishing procedures for attracting and disposing of non-monetary assets in pre-election funds;
- **Increase the transparency of financing the political parties and the oversight over financial activities thereof** by bringing the party financing mechanisms in line with the mechanisms for creation of pre-election funds as stipulated by the Electoral Code of the Republic of Armenia, including by prohibiting under the Law the Republic of Armenia “On political parties” of the donations to political parties by persons without citizenship and organizations where the Republic of Armenia or communities hold shares therein, establishing legislative provisions on mandatory audit of financial-economic activities of political parties being financed by the state within a specific period of time after every national election and optional audit of all political parties upon the decision of party assembly or permanently operating body thereof, establishing the criteria of audit of financial-economic activities of political parties, and including the financial resources necessary for the mandatory audit in the financial support provided to parties by the state.

4.14. Local Self-Governance

231. According to the 2006 Nations in Transition report published by the Freedom House, the local self-governance system of the Republic of Armenia is still considered in the stage of transition from an authoritarian to a democratic governance system. According to a corruption perception survey conducted by CRD/TI, corruption risks in the areas under direct competence and responsibilities of local self-government authorities are particularly vulnerable in the fields of civil registry, social assistance services, condominiums, cemeteries, etc. Those among surveyed mentioned the manifestations of corruption such as informal payments for obtaining community orders (procurement), receiving business permits, as well as in connection with tax obligations, land allocations and property auctions. Most of the complaints filed against the Yerevan municipality to the Human Rights Defender described corruption risks associated with the implementation of the Law the Republic of Armenia “On the status of unauthorized buildings and land plots occupied without authorization” and the decisions of the Government of the Republic of Armenia relating to implementation procedures thereof. Complaints filed against the Yerevan district authorities mainly related to servicing of space for common use in buildings, occupation of spaces for common use, violations of others rights as a result of unauthorized construction, allocation of apartments and other issues. Complaints were also filed against district authorities to the Human Rights Defender which concerned the failures to reply the citizens’ applications.

232. The level of decentralization of powers of providing public services in Armenia is still not adequate, and it is time to establish new and more effective proportion between centralized and decentralized powers of providing public services to the population. In this respect, Armenia is significantly lagging behind Eastern European countries and Baltic countries.

233. An effective fight against corruption in the local self-governance system requires, most of all, a strategy defining a systematic and effective policy aimed at increasing the effectiveness of local self-governance and improving the quality of and access to community services provided to the population.

234. The absence of legislative regulation of procedures for the implementation of mandatory and delegated powers of local self-government authorities creates serious obstacles in terms of establishing a minimum amount of financial resources necessary for the implementation of these powers, as well as in terms of proper internal and external oversight over implementation thereof. The aforementioned gap in the law creates additional corruption risks, since local self-government authorities do not clearly and uniformly set the costs of implementation of mandatory powers and live room for various manifestations of arbitrariness. On the other hand, the oversight bodies are unable to perform their oversight, monitoring and evaluation functions fully and effectively, for the reason of absence of legal grounds establishing standards of implementation of mandatory powers. Mainly for the reason that such methodology is lacking, the government has not yet established procedures for carrying out mandatory and delegated powers by local self-government authorities and ensuring financial support.

235. Establishment of a rational and effective community management system is important, which is mainly conditioned by relationships and cooperation between the community's Council of Elders and the Head of Community, as well as by the existence of complete mechanisms of checks and balances between them. However, at present, the institute of community's Council of Elders is not fully developed and established yet in the Republic of Armenia for the reason of shortcomings of current regulation concerning the elections of members of Council of Elders. In particular, the current legislation does not provide any political liability for Council of Elders. In this respect, the community of Yerevan constitutes an exception, where the elections of Council of Elders are carried out on the basis of principle of proportional system (party lists).

236. Effective strategic planning in communities is important from the point of transparency and accountability of finance management in communities. Every community in Armenia has its own four-year development plan. However, these plans mainly do not reflect the real situation in communities and do not contain even the basic elements of strategic planning. Moreover, these four-year community development plans are not harmonized with either state strategic programs or marz development programs, and there are no methodological guidelines for drawing up marz and community development programs in harmonized manner. Participation of civil society and business sector in the creation of four-year community development programs is insufficient, and local self-government authorities do not properly ensure their involvement in the strategic planning process. The development and implementation of a monitoring and evaluation system for four-year community development programs is important from the point of ensuring the responsibility and accountability of creators and implementers thereof, as well as from the point of ensuring transparency and openness of these documents.

237. In terms of accountability of community finance management and fiscal discipline, financial management in community non-commercial organizations is carried out outside the budgetary system, thus limiting the accountability thereof and creating difficulties for bringing together the budgetary and extra-budgetary resources. Many communities are short of specialists who are able to run the automated information system for land tax and property tax, while the issue of continuous education and training of specialists remains on the agenda. Databases on property tax and land tax still contain about 20-30% of uncertainties.

238. Sometimes community resources are spent without having regard to the requirement of performing mandatory powers which is set by law. The procedures approved by the Government of the Republic of Armenia which concern the provision of subventions from state budget of the Republic of Armenia need to be reviewed. The government examines community applications and adopts decisions thereon in the absence of clear criteria and procedures. Moreover, decisions are often discretionary, and the decision-making process is not transparent and accountable.

239. Compliance with the legislative requirement of ensuring openness of the community budgeting process is insufficient in practice, given the lack of local media and websites in the vast majority of communities. In addition, local self-government authorities, oversight bodies and the civil society are not persistent on this matter, the culture of transparent budgeting is accepted with difficulty in communities: it seems to be given secondary importance, overshadowed by social-economic problems.

240. In practice, organization of procurement process is on a very low level in the communities of the Republic of Armenia, especially in rural and small urban communities mainly for the reason of lack of professional knowledge and skills. Bids announced by communities are won mainly by organizations (bidders) supported by the Head of Community concerned. Moreover, the Head of Community is the one who creates and chairs bidding commissions. Even though the Council of Elders of the community oversees the decisions, the latter still does not play an important role in the local self-governance decision-making and oversight matters. As a result, the level of confidence and satisfaction of economic operators and, especially, of population towards community procurements is insufficient.

241. Functions of decentralized system of internal audit of community finance management are not properly carried out in communities. Many communities do not develop audit plans, do not prepare budget implementation reports and do not submit them to community's Council of Elders for review. The professional capacities and skills of community servants involved in internal audit are extremely insufficient. These community servants are not independent and they act under direct instructions of their superiors. In the best case, audit is limited to financial compliance audit. Risk-based approaches and

forecasts are not used in practice at all. Processes of internal audit evaluation and reporting are not sufficient.

242. In terms of organizing and carrying out effective state oversight over local self-governance activities, legal and professional control functions of Marzpetaran are still not clearly separated, and there are no procedures for carrying out them. The current charters and structures of Marzpetaran are not approximated for carrying out the aforementioned functions of administrative control. The oversight functions of the National Assembly of the Republic of Armenia relating to management of community property and budgets have been transferred to the Control Chamber of the Republic of Armenia. Starting from 2008, the Control Chamber of the Republic of Armenia started to operate more actively in communities. Inspections in various urban and rural communities revealed various violations of legislative, procedural and financial nature, and registered manifestations of major corruption.

243. There are many corruption risks in the area of providing free and paid community services to the population by local self-government authorities. In almost every community in the Republic of Armenia, housing and communal services are provided not to full extent, with insufficient quality and they are not available for the whole population. On the whole, the provision of housing and communal services is not fully regulated yet, and there are no common norms and criteria, approved indicators for carrying out works and clear evaluation criteria. Actually, payment rates for paid services are set by local self-government authorities without serious economic calculations; they do not seek to cover the costs at all. Service providers (subordinate to communities, with private or mixed ownership) mainly work ineffectively. Oversight over the activities of service providers is weak. They are mainly financed from community budgets by means of subsidies, and they submit to local self-government authorities only documents showing the completion of their work rather than detailed performance reports.

244. The effectiveness and the lawfulness of running and maintaining of cemeteries are matters of concern. There are risks of extortion of large unofficial payments when service providers assign cemetery plots and provide other paid services which is conditioned by low level of public's awareness of service standards and procedures, as well as low level of transparency and accountability of the provision of these services.

245. In order to be included in the family benefits system and in one-time assistance lists, social services require citizens to submit many statements prescribed by law, including those from local self-government authorities and condominiums. Citizens often get included in the family benefits system on the basis of fake documents. The process of exercise of powers related to guardianship and patronage is not transparent and, essentially, the decision of Head of Community on establishing guardianship and patronage is discretionary.

246. Civil registry services are located mainly in urban communities, but they also serve neighbouring rural communities, while state duties charged for their services enter only the budget of the urban communities concerned. Even though the operating costs of civil registry services are covered by the state budget of the Republic of Armenia through community budgets as costs of exercising powers delegated by state, civil registry services do not submit performance reports to local self-government authorities, while the level of public's awareness of civil registry services and the applicable service fees is low.

247. The professionalism, knowledge, management and anti-corruption skills and abilities of community servants involved in the local self-governance system of the Republic of Armenia are insufficient. There is a shortage of specialists with relevant professional education, qualifications, experience and skills. The shortage of financial resources in the majority of communities significantly limits the community servants' training opportunities. Training and education programs for local self-government authorities and staff members thereof have been implemented mainly as a result of cooperation between international and local organizations and the Government of the Republic of Armenia (represented by the Ministry of Territorial Administration of the Republic of Armenia) on the account of resources from state budget of the Republic of Armenia or of other sources.

248. The following is necessary in order to ensure the coherence, effectiveness, transparency and accountability of the local self-governance and territorial administration systems of the Republic of Armenia:

- **Create a coordinated and effective policy for the development of local self-governance** by developing a local self-governance development strategy program, establishing common and interlinked goals, objectives and resources, defining by law the areas where local self-government authorities may be assigned new responsibilities, as well as the timetable, phases and implementation procedures of such a transfer of responsibilities, adapting the best international practice in decentralization of responsibilities in the areas of elementary and technical education, social security, healthcare, public order (municipal police), tax administration, registration of population and other areas, and building on the results of pilot projects;
- **Create a coordinated and effective policy for the development of territorial administration of the Republic of Armenia** by developing a territorial administration development concept of the Republic of Armenia, establishing the principles, goals, objectives and measures of the state territorial administration development policy, clarifying the legislative regulation of the structures and functions of the executive public administration bodies in marzes of the Republic of Armenia, and clarifying by legislation the relations between public administration and local self-government authorities.
- **Increase the effectiveness of the local self-governance system** by gradually implementing the consolidation of communities throughout the territory of the Republic of Armenia with a combination of voluntary and mandatory principles, based on analysis and evaluation of pilot programs on consolidation of communities in select marzes and the relevant experience, establishing inter-community associations, regulating by legislative basis the powers, governing bodies, their relationships, property, budget revenues and expenditures of inter-community associations and the communities within these associations, and supporting the creation and development of these structures with state budget resources;
- **Improve the system of checks and balances between institutions of Head of Community and community Council of Elders** by improving the electoral legislation related to the establishment of community councils, clarifying the requirements for community council membership candidates, clarifying the rules and procedures for internal organizational structure and operation of community councils, widely discussing them with the public, adopting and introducing in the communities of the Republic of Armenia, and improving the conditions for community councils' operation;
- **Ensure the availability of financial resources necessary for local self-government authorities to carry out their mandatory and delegated responsibilities** by establishing legislative guarantees for the availability of adequate financial resources for communities to carry out their functions fully and effectively, developing and adopting methodology for calculating the cost of implementing mandatory and delegated responsibilities by local self-government authorities, setting the minimum amounts of the required financial resources, establishing on legislative basis the procedures for the implementation of mandatory and delegated responsibilities based on this methodology, and adopting and introducing the necessary procedures;
- **Increase financial independence of communities and effectiveness of community budget expenditure management** by developing and introducing methodological guidelines on community strategic planning and budgeting process, harmonizing the marz development programs and four-year community development programs, introducing an obligatory legislative requirements and procedures to coordinate the timetables for the development of program and budgeting documents, introducing a program budgeting system and implementing relevant procedures within those framework in communities, developing the communities' capacities in multi-year capital planning and budgeting, capital program development and implementation, analysis of community's financial situation, evaluation of community's own credit rating and ability to get credits, getting credit programs into communities, issuing securities (bonds) and ensuring additional revenues, introducing GFS 2001 budgeting classification and common accounting and reporting systems in communities, establishing by legislation new types of local taxes, ensuring an effective use of automated databases of property tax and land tax, developing and introducing common effective

information systems on community property management and community property management plans, and increasing the responsibility of local self-government authorities with respect to ensuring the lawfulness of the process of issuing business permits and collecting fees for them;

- **Increase the effectiveness, transparency, accountability and lawfulness of procurement process in communities** by establishing strict state control over enforcement of procurement procedures in communities, establishing clear standards for bid evaluation and pre-qualification procedures for bidders in community procurement bids, introducing requirements and procedures for bidding commission members to declare conflicts of interests, counter-balancing the powers of heads of communities in the procurement process and establishing personal liability, and encouraging competition between purchasing organizations;
- **Increase the effectiveness, transparency and accountability of the system of state financial support to community budgets** by introducing more targeted principles and procedures for the distribution of subsidies in accordance with new principles of community financial equalization, developing and introducing procedures for subventions, establishing criteria for subvention requests and project development and informing the communities about them publicly;
- **Increase the transparency and openness of local self-government authorities' activities** by promoting public awareness of communities' role, establishing clear procedures for mandatory publication of information about draft community budgets and budget implementation and for organizing public hearings on the subject, organizing training and education programs for heads of communities and members of communities' council of elders, informing the public about local self-government authorities' activities on a regular basis, establishing clear procedures for receiving citizens, clarifying the procedures related to public auctions for community property selling, closing the gap between the starting price and the market price of land and property during public auctions, and increasing the level of public awareness and involvement in public services provided by local self-government authorities;
- **Increase the accountability and lawfulness of local self-government authorities' activities** by regulating state control over the activities of local self-government authorities, establishing by legislative basis procedures for state control over communities' implementation of responsibilities delegated by the state and measures to be taken by marzpets (regional governors) in the process of exercising administrative control, introducing control procedures, completing marzpets' (regional governors') administrative control functions over local self-government authorities' activities, improving Marzpetarans' and their units' oversight capacities, introducing modern governance technologies in Marzpetarans, introducing procedures to ensure their transparency and openness, clarifying the procedures for internal and external control in communities, establishing a obligatory legislative requirement for heads of communities to prepare reports on the implementation of four-year community development programs, submit these reports to community councils for discussion and approval, and publish them, and introducing relevant procedures to achieve this, establishing clear indicators for work performed by providers of community services, introducing monitoring and evaluation procedures, establishing a mandatory requirement to publish evaluation results on a regular basis, introducing procedures to ensure effective cooperation and flow of information between the Control Chamber of the Republic of Armenia and local self-government authorities in the process of external audit of local self-government authorities' activities, clarifying conditions and procedures for mandatory state registration of community's property of the Republic of Armenia, and toughening control over state registration and effective management of community property by heads of communities and communities' councils of elders;
- **Increase the effectiveness, transparency and accountability of cooperation between communities and condominiums** by establishing, on legislative basis, the forms of community support to condominiums and developing and introducing procedures for local

self-government authorities to delegate some of their responsibilities to condominiums, keeping in check the discretionary decisions by heads of communities in this process, clarifying the relations between communities, condominiums and residents, and establishing state control over the clear regulation and lawfulness of these relations;

- **Increase the effectiveness of services provided by civilian registry office** by equipping them with high-tech equipment, introducing a modern technical system to ensure their uniform operation, automating the service's functions, creating a common electronic database, and developing procedures for state duty collected from residents for civilian registry services to enter the budget of the communities where these particular residents live;
- **Develop local self-government authorities' capacities and establish a comprehensive community service system** by developing and introducing optimal structure models for community staff, developing local self-government authorities' management knowledge and skills, establishing effective cooperation with citizens, private sector, non-governmental organizations and other stakeholders, applying various forms and means of getting them informed and involved in addressing community problems, promoting local self-government authorities' activities aimed at social partnership and delegate them the relevant responsibilities, developing training and education programs for local self-government authorities and community servants, organizing training on community service for community council members, continuously developing the systems for their qualification and continuous training, introducing procedures to ensure the transparency of competitions to fill vacancies in community service, introducing modern management technologies in communities and creating a common information database for communities, creating internal computer networks in local self-government authorities, introducing common community governance systems, ensuring the compatibility and cooperation of these systems, including them and integrating them in the common territorial administration information systems, and providing education and training for employees operating the community information systems;
- **Increase the effectiveness, transparency and accountability of local self-governance in Yerevan** by developing and implementing an action plan for enforcement of the new Law "On local self-governance in Yerevan", organising and carrying out democratic elections to form local self-government authorities in Yerevan, adopting regulations and charters for local self-government authorities, clarifying and defining the functions of different levels of governance bodies, improving the capacities, relations and information management flows in the Yerevan community council, the municipality, its regional divisions and subordinate organizations, introducing modern governance technologies and information centres, and developing the 'one-stop-shop' principle for the provision of public services.

4.15. Private Sector

249. 84 percent of companies in Armenia are unhappy with legislative and administrative regulation in the country. On the whole, the legislation regulating business in Armenia is satisfactory, but the laws are not enforced properly. The main factors hindering business in Armenia is the unequal treatment of companies by the authorities and unfair competition. Companies carry out a part of their activities in the shadow. Legislative amendments are rarely presented to the business community before coming into effect. The bureaucratic procedures of negotiations between foreign investors and state bodies are hard and time-consuming.

250. Armenia occupies one of the last places among CIS countries in terms of issues related to business transparency, particularly company registers and openness about founders and shareholders. The quality of companies' financial reports is still low as well. The Law of the Republic of Armenia "On joint-stock companies", as well as other legislative documents related to the business sector, does not regulate issues of diligence in the work of commercial organizations, codes of conduct for entrepreneurs and other employees and restrictions related to conflict of interests. The Chamber of Commerce and Industry of the Republic of Armenia does not take measures aimed at fostering good commercial practices. In addition, the laws regulating commercial transactions are not perfect, which results in many contracts being agreed on in a non-formal way.

251. The following is necessary in order to reduce and prevent corruption in Armenia's private sector:

- **Strengthen the prevention of corruption supply in the private sector** by introducing international accounting and audit standards, applying civil-law, administrative or criminal penalties for a failure to meet these standards, ensuring equal conditions for competition, toughening the sanctions against companies who violate the provisions of economic competition legislation, engage in anti-competitive practices or abuse their dominant or monopoly position in the market, and widely reporting on such cases, strengthening the capacity and expanding the authority of the State Committee for the Protection of Economic Competition, improving tax and customs administration, and increasing private sector's anti-corruption awareness;
- **Ensure diligence in the work of private organizations** by adopting and adapting International Chamber of Commerce (ICC) codes of conduct and recommendation for combating corruption, developing standards and procedures based on the said rules and recommendations, and by establishing codes of conduct and rules for preventing conflict of interests;
- **Encourage cooperation between commercial organizations and the state** by applying diligence commercial practices in contractual relations, developing company ratings, establishing prizes for diligence businesses, introducing mandatory insurance requirement for certain types of licensed business activities in order to ensure compensation of damages to consumers as a result of services provided by businesses, improving further the consumer rights guarantees and capacity building for state, community and civil society organizations involved in consumer rights protection, involving business sector representatives in the anti-corruption council, introducing electronic governance systems in the relations between state officials and businesses, and making use of 'hotlines';
- **Implant corporate governance principles** by separating and clarifying by legislation basis the relations between shareholders/owners and executive director, establishing the official responsibilities and accountability of boards of directors, introducing a performance evaluation system for businesses, using this evaluation system in the area of public procurement, ensuring openness and establishing preliminary screening criteria for public procurement, which are based on audit results;
- **Strengthen the capacity of the Chamber of Commerce and Industry of the Republic of Armenia and other organizations representing major businesses interests** by developing cooperation with the International Chamber of Commerce, reducing corruption supply in the private sector, exchanging the best international experience, organizing study tours for employees and private sector representatives, and offering educational and training courses on corporate governance;

CHAPTER V. THE SYSTEM OF MONITORING AND EVALUATION FOR THE ANTI-CORRUPTION STRATEGY OF THE REPUBLIC OF ARMENIA AND ITS IMPLEMENTATION ACTION PLAN

252. The current system of the ACSIAP monitoring essentially implies implementation of the activities included in the Action Plan. It is administrative in nature and is limited to the adoption of decisions on concrete draft legislative initiatives which do not enable any evaluation of changes in the level of corruption in the sectors and areas included in the ACSIAP. Neither do they enable the inclusion of a substantive system of performance monitoring; nor the requirements of reports, including such that summarize the annual results, the measurable descriptions of the current situation and the markers for evaluating the outcomes of the implemented measures; nor the strengthening of the evaluation system with viable mechanisms. In addition, the lack of an evaluation system for the ACSIAP monitoring indicators has complicated the process of attestable analysis of the fight against corruption and the application of internationally comparable indicators.

253. The analysis of reports of the bodies of public administration and the Anti-Corruption Strategy Implementation Monitoring Commission of the Republic of Armenia has revealed that evaluating the ACSIAP implementation outcomes on the basis of these reports is extremely complicated. They cannot serve as an effective basis for subsequent reviews.

254. Along with the development of the ACSIAP, it is also important to improve the monitoring and evaluation system of the project. Taking into consideration the gaps, the most obvious shortcomings and the existing problems in the monitoring and evaluation system of the 2003-2007 anti-corruption strategy and with a view to improving the process of the ACSIAP implementation monitoring and evaluation, the Government will make a transition from the ACSIAP administrative monitoring system to the ACSIAP viable results-based performance monitoring and evaluation system in 2009-2012. The latter has to comply strictly with the introduction of program budgeting, as well as the results-based performance evaluation systems on the basis of projects in public administration bodies. The development of the ACSIAP monitoring and evaluation system implies improving both the current institutions as well as developing a system of evaluation indicators at **final, interim and factor** evaluation levels, which should be combined with targeted capacity building measures in the concerned bodies and the private sector.

255. Related to the improvement of the ACSIAP monitoring and evaluation system is also the building and improvement of the professional capacity among the public bodies and the civil society organizations through methodological assistance and organization of hands-on training courses by making use of the international best practice and technical assistance.

256. The building of an institutional structure for the ACSIAP monitoring has to start with the building of the relevant monitoring and evaluation units in the bodies of public administration. Furthermore, the ACSIAP monitoring and evaluation functions may be combined with the future institutional structures of strategic planning, performance evaluation and, in particular, sustainable development strategy monitoring among the bodies of public administration as well as their harmonization with the emerging system.

257. The provision and regulation of information flows necessary to ensure the functioning of the ACSIAP monitoring institutional structure, of an integrated anti-corruption system of statistics, of transparent and open reporting, of corruption risks-related studies, of surveys among the citizens and businesses as well as the periodical publication of sectoral reports will contribute to the emergence of a realistic and quality ACSIAP implementation evaluation database including one for setting the main targets and possible reviews for subsequent years.

258. In addition to building the ACSIAP monitoring institutional structure, a system of indicators for corruption evaluation will be established and improved. The problems related to the evaluation of corruption encompass, in particular, the assessment of levels and trends of corruption, its spread and types as well as its causes and consequences. Moreover, the evaluation of corruption in concrete sectors and systems is the precondition for drafting, implementing and overseeing the targeted sectoral program and evaluating their impact.

259. The **evaluation of the perception** of the anti-corruption strategy **impact** by the public and

target groups in Armenia encompasses conducting surveys and studies: a) among households, businesses or other target groups to find out **the visibility of the reduction in the level of corruption**; b) among households, businesses or other target groups to evaluate **the level of satisfaction with the pace of reduction in the level of corruption**; c) among households, businesses or other target groups **to evaluate the level of satisfaction with the quality of public services delivered by public bodies**.

260. The provision of the resources necessary for the above studies has to be included in the mid-term expenditure program and the state budget of the Republic of Armenia. Simultaneously, it is necessary to direct the technical assistance and projects implemented by international organizations to the effective attainment of these objectives.

261. In order to develop an effective monitoring and evaluation system, it is necessary to strengthen the monitoring and evaluation mechanism implemented by the bodies of public administration with alternative elements of feedback. In particular, by conferring to the private sector or the civil society the powers to conduct sectoral analyses and evaluations following the development of the relevant methodology and capacity. In this sense, the individual steps and pilot programs implemented by the donor community will serve as a best example for the Government.

262. The Government of the Republic of Armenia appreciates the importance of **the civil society participation** in the ACSIAP monitoring and evaluation process. It will make sure that the outcomes and assessments of the monitoring studies and analyses conducted by the civil society are included in the ACSIAP report, that the recommendations on reducing corruption risks are discussed in the ACSIAP process of review, and that the representatives of the civil society directly participate in the activities of the Anti-Corruption Council. The ACSIAP monitoring and evaluation system has to ensure not only the evaluation of the progress of the project and the gauging of the impact of the consequences of the relevant measures on the level of corruption but it also has to include the relevant freedom of information standards for the concerned representatives of the civil society involved in the ACSIAP participatory process. These standards will be used both for analytical, as well as for sectoral forecasting and policy development purposes.

263. The ACSIAP targets, indicators as well as the main policy directions and priorities are subject to change following the review of the project, depending on the main developments and moves registered in the country, the approaches laid down in the project implementation reports, as well as the recommendations of stakeholders and the outcomes of the monitoring.

264. The system of monitoring and evaluation indicators for the Republic of Armenia Anti-Corruption Strategy and its Implementation Action Plan for 2009-2012 is presented in Annexes 2 and 3.

265. The following is necessary for ACSIAP monitoring and evaluation:

- **Ensure monitoring and impact assessment of ACSIAP activities in individual sectors and branches of public administration and economy** by introducing the system of content-based performance monitoring of ACSIAP, continuously evaluating corruption risks with the participation of public service providers and users, defining the targets and activities for the reduction of the identified risks, introducing procedures for participatory current monitoring of each activity, and introducing methods for assessing the reduction in corruption risks;
- **Ensure evaluation of civil society's perception of ACSIAP impact** by evaluating how noticeable the reduction in the level of corruption is and what the level of satisfaction with the pace of this reduction is among households, businesses and certain targets groups of society, and assessing the level of satisfaction with the quality of public services provided by state bodies;
- **Develop and continuously improve institutional capacities for ACSIAP monitoring and evaluation** by establishing relevant monitoring and evaluation units in public administration bodies, establishing monitoring, analysis and evaluation procedures and introduce guidelines, and clearly regulate the process of ACSIAP review on the basis of their results, establishing criteria and procedures for ACSIAP performance reports, including annual summary, involving best international practices of anti-corruption monitoring and technical assistance, and organizing joint training courses on ACSIAP monitoring and evaluation for representatives of state bodies and civil society.

ANNEX 3. THE SYSTEM OF MONITORING AND EVALUATION INDICATORS FOR THE ANTI-CORRUPTION STRATEGY OF THE REPUBLIC OF ARMENIA AND ITS IMPLEMENTATION ACTION PLAN for 2009-2012

1. The 2009-2012 Action Plan for the Anti-Corruption Strategy and its Implementation of the Republic of Armenia (ACSIAP) is anchored in the logic of the system of the project corruption evaluation indicators and their methodology. Therefore, the **final outcome** (impact) of the anti-corruption strategy of the Republic of Armenia implies reduction in the general level of corruption measured by the reduction in the forecasted disparity between the targets of Corruption Perception Index (TI) and the Control of Corruption Index (WBI) and the current situation.
2. The ACSIAP final outcome depends on a number of **interim outcomes** whose monitoring and evaluation are established on the basis of the aggregated indicators of the effectiveness of governance – regulatory quality (WBI), government effectiveness (WBI), rule of law (WBI), voice and accountability (WBI), political stability (WBI), civil liberties/Nations in Transit (Freedom House).
3. The ACSIAP interim outcomes, which imply reduction of corruption at transactional, administrative and political levels, depend on the **measures** directed at increased effectiveness, transparency and openness, as well as accountability and lawfulness in individual sectors and systems. The relevant **factor indicators** are used to enable the implementation of the latter and the monitoring and evaluation of the outcomes.
4. As a rule, the indicators included in the ACSIAP system of monitoring indicators satisfy a number of requirements. They are clearly definable and bring to naught any scope for ambivalent interpretations. At a certain level of generalization, they directly describe a certain process implying the attainment of the stated goals, as well as the assessment of the outcomes of measures. They are measurable in quantitative terms and describe the interaction of the ACSIAP policies – actions by areas and measures by sectors. The ACSIAP monitoring indicators are at present accessible or may become accessible in the nearest future at a very limited cost.
5. Apart from general developments, the ACSIAP monitoring system has to ensure the evaluation of private developments and trends that are important to the project. For this reason, the indicators included in the monitoring system differ from each other also by their level of aggregation. In particular, the ACSIAP policy indicators describe the level of attainment of the strategy implementation priorities and link the implemented policies and targets (reduction of the degree of disparity between the aggregated indexes that represent the targets and are measured by international organizations). The area-based ACSIAP monitoring indicators describe the actions implemented along the ACSIAP priority directions, while the ACSIAP sectoral indicators enable the measuring of both the dynamic development direction and the level of implementation of individual measures. The last two groups of the ACSIAP indicators reveal the peculiarities of developments, if necessary, on the basis of specific characteristics – territorial division, levels of administration, types of public services, branches of public services, participation of civic groups, etc.
6. If appropriate, a particular group of characteristics may be supplemented by other characteristics if they are necessary for other aspects of the process. The necessity of monitoring by particular characteristics is also conditioned by the need to ensure effectiveness of the ACSIAP implementation process.
7. The visibility of the outcomes of implemented measures in the conduct of the relevant indicators may not coincide in time depending on a certain time lag. In this light, the indicators are differentiated into the following three groups depending on their time-sensitivity, long-term response (5-10 years), mid-term response (2-5 years), short-term or immediate response (1 year). As a rule, the first group encompasses purpose-related indicators, while the second and third groups encompass indicators describing the results of the measures and processes. Dominant among the indicators of the third group are the discrete indicators. The consideration of time-sensitivity is especially important for purpose-related indicators which, normally, are 'less sensitive' in time.

OBJECTIVE 1. Reduction in the Level of Transactional Corruption

8. The Government of the Republic of Armenia anticipates that in 2012 reductions in the level of **transactional corruption** will be followed by increases in the effectiveness of governance, quality of regulation and governance functions as well as effectiveness of the local self-governance.

Interim outcome	Interim outcomes monitoring indicators	Monitoring factor indicators
<p>1. Reduction in the level of transactional corruption</p>	<p>Government Effectiveness Index (WBI)</p>	<p>1.1 The ratio of the time limits set for the delivery of services to the actual time limits (the closer to 1, the higher the quality of the delivered public services);</p> <p>1.2 Time-keeping between the outcomes of public procurement tenders and the notifications thereof (the bigger the gap, the greater the likelihood of corruption risks);</p> <p>1.3 The ratio of communications with state servants to the number of transactions wasted by companies and/or managers on state procedures prescribed by law (the closer to 1, the lower the level of business corruption in public administration);</p> <p>1.4 The ratio of the number of meetings with public officials to the number of interactions prescribed and required by law (the closer to 1, the lower the level of transactional corruption in the system of public administration);</p> <p>1.5 The ratio of the time spent on transactions to the actual performance of transactions, norms are set according to the unit of time (the closer to 1, the lower the level of transactional corruption in the system of public administration);</p> <p>1.6 The ratio of informal meetings to the number of opportunities obtained within the time limits prescribed by law (the closer to 1, the higher the level of business corruption in the system of public administration);</p> <p>1.7 The ratio of the actual time limits for obtaining licenses and authorisations to the time limits prescribed by law (since the date of application until the date of issue or refusal of the license or authorisation): (the closer to 1, the lower the level of business corruption in the system of public administration).</p>
	<p>Regulatory quality index (WBI)</p>	

OBJECTIVE 2. Reduction in the Level of Administrative Corruption

8. The Government of the Republic of Armenia anticipates that in 2012 the reduction in the level of administrative corruption will be followed by a significant improvement in the level of ensuring of the rule of law, the independence of the judiciary, the detection and persecution of the abuse of office, the accountability and transparency of bodies of public administration, as well as integration in the institutional system implementing the anti-corruption policy.

Interim outcome	Interim outcome monitoring indicators	Monitoring factor indicators
2. Reduction in the level of administrative corruption	Rule of law (WBI)	2.1 The legislation of the Republic of Armenia will, in line with the international standards, define and establish the scope of corruption crimes (yes/no); 2.2 There will be no less penalties envisaged for passive corruption than for active corruption (yes/no); 2.3 There will be a unified procedure for seizing illegal income and the legislation will define criminal liability for legal persons (yes/no); 2.4 There will be a Law of the Republic of Armenia "On the protection of informers" (yes/no).
	Voice and accountability (WBI)	

OBJECTIVE 3. Reduction in the Level of Political Corruption

10. The Government of the Republic of Armenia anticipates that in 2012 the reduction in the level of **political corruption** will be followed by increases in political stability, in the degree of political rights and civil liberties, including political pluralism and participation, freedom of expression and religion, freedom of assembly, by a significant improvement in political processes, the level of independence and stability of the media, the civil society and the public participation in the governance, the regulation of stakeholder groups and conflicts of interests and by the implementation of an effective anti-trust policy.

Interim outcome	Interim outcome monitoring indicators	Monitoring factor indicators
3. Reduction in the level of political corruption	Political stability (WBI)	<p>3.1 The ratio of the number of disciplinary proceedings to the applied disciplinary penalties (the closer to 1, the lower the level of observance of the rules of ethics may be regarded);</p> <p>3.2 The ratio of the number of cases against the state in administrative courts to the number of judgments against the state (the closer to 1, the higher the voice indicator may be regarded);</p> <p>3.3 Reduction in the level of statistical imbalance in recruitment (sex, origin, religion, geography);</p> <p>3.4 Percentage of deviations from the functional appropriations prescribed by the state budget (low figures attest to the high level of accountability in the executive-legislature interactions);</p> <p>3.5 Transparent budgetary process (information about the state and the community budgets, registered meetings: contribute to increased transparency);</p> <p>3.6 Priority of qualifications (percentage of cases when decisions are adopted on the basis of professional experience/qualifications/performance or education) (research, audit);</p> <p>3.7 Number of publicised cases devoted to the detected cases on pressure on the mass media and the number of people held liable for that;</p> <p>3.8 The ratio of the number of applications related to pressures on the media submitted to the court to the number of court judgments;</p> <p>3.9 Number of complaints related to inaccuracies in the voter register;</p> <p>3.10 Legislative amendments have been made with a view to increasing the professional independence of the National Television and Radio Commission and the Board of the Public TV and Radio Company (yes/no);</p> <p>3.11 The mass media accreditation is simplified by law (yes/no);</p> <p>3.12 The Government of the Republic of Armenia has established the Procedure for the Provision of Information by Public Bodies and the relevant amendments have been made in the Criminal Code (yes/no);</p> <p>3.13 The relevant amendments have been made in the Electoral Code of the Republic of Armenia for the purposes of normative uniformity (yes/no);</p> <p>3.14 The legislation has defined the control procedures for the pre-election environment (yes/no);</p> <p>3.15 The penalties of violations of the Electoral Code have been made more stringent in the law (yes/no);</p> <p>3.16 Legislatively defined means of administrative and criminal liability are being applied to the cases of unfair conditions created by mass media during election campaigns (yes/no).</p>

	Political rights/ Nations in Transit (Freedom House)	
	Civil liberties/ Nations in Transit (Freedom House)	