

GOVERNMENT OF THE REPUBLIC OF ARMENIA

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

YEREVAN - 2009

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ABBREVIATIONS

ADB	Asian Development Bank
NA	National Assembly
PRSP	Poverty Reduction Strategy Program
USAID	US 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 Neighborhood Policy
EBRD	European Bank for Reconstruction and Development
EAG	Eurasian Group on Combating Money Laundering and Financing of Terrorism
TI	Transparency International
GE indicator	Government Effectiveness Indicator
CBA	Central Bank of Armenia
GRECO	Group of States Against Corruption
RQ indicator	Regulatory Quality Indicator
CPI	Corruption Perception Index
CCI	Control of Corruption Indicator
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
RA MF	RA Ministry of Finance
VAI	Voice and Accountability Indicator
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	Center 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 Indicator	Civil Liberties Indicator
PR Indicator	Political Rights Indicator
CSC	Civil Service Council
PSI	Political Stability Indicator
CC	Criminal Code
RLI	Rule of Law Indicator
FATF	Financial Action Task Force
FMC	Financial Monitoring Center

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 state anti-corruption policy were outlined for the first time. These included implementation of an effective and sound personnel policy, ensuring of state guarantees for social and legal protection of state servants, declaration of income by high-ranking officials, enforcement of public procurement regulations, business licensing processes and state registration of businesses, as well as fight against shadow economy and criminalization of the economy.
2. Having recognized the dangers produced by corruption, the RA Government has taken a number of steps to fight corruption in the last few years. In 2001-2003, the RA government completed a state anti-corruption policy and outlined the main legislative and institutional frameworks. The RA Government also developed and adopted the RA anti-corruption strategy and its implementation action plan for 2003-2007 (ACSIAP), which defined the RA state anti-corruption policy. The purpose of ACSIAP is to overcome corruption, remove the reasons and conditions contributing to the emergence and spread of corruption, and 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 guarantors of the implementation of the RA Government's anti-corruption commitments and of the political will required for ACSIAP implementation. In particular, in the RA President's election platform, the 2012 target for the development of the RA system of governance is set at the current level of new EU member-states. The platform states that Armenia will surpass these countries' the internationally adopted indicators for the system of governance by 2012. 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 RA Government formed as a result of the February 29, 2008 presidential election. In this program, the fight against corruption is recognized as one of the important components of state policy. The RA Government 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 RA Government outlined the main directions of ACSIAP: protecting human rights and liberties, increasing the effectiveness of state and local self-governance activities, informing the public about the fight against corruption, involving the civil society in the fight against corruption and making it more active in that process, improving the public administration system, increasing the effectiveness of public's involvement in public administration, ensuring the principle of everyone's (including government officials) equality before the law, establishing equal competitive environment for all businesses and reducing the amount of shadow economy. The RA Government has also promised to honor 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 required as part of these commitments.
5. Effective governance, especially the fight against corruption, has been recognized as one of the priorities in the RA national security strategy. The RA 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 their implementation, and intensifying the fight against corruption, particularly bribery.

CHAPTER I. ANTI-CORRUPTION POLICY IN ARMENIA IN 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. Having fluctuated at about 3.0 for the next few years, it stood at 3.0 in 2007. Armenia compares favorably 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 Indicator (CCI) improved in Armenia in 2006. Armenia ended up in 35 percentile rank among 209 countries. With this ranking, Armenia occupies the second place among CIS countries, with only the neighboring Georgia scoring better. Armenia's CCI is lower than both the average for Central and Eastern European countries and countries with low average income. At the same, 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 1. 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 Republic	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. Most prevalent forms 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 citizens or legal entities receiving public services, in particular, within a shorter period of time than that provided for in the RA legislation.

10. Armenian companies consider transactional corruption as a relatively secondary obstacle for their business. According to WBI, about 10% of Armenian companies said they have made unofficial payments frequently. Unofficial payments are a particularly heavy burden for small businesses, amounting to about 1.2% of their annual sales. Typically, medium and large business managers 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, the Regulatory Quality Indicator 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 selectively. According to BEEPS data, about one third of Armenian companies think corruption poses obstacles for their activities, while 20% of companies consider it to be the main obstacle for business activities. Moreover, Armenian companies think that tax administration and the high level of uncertainty of regulatory policies are the main obstacles for doing business.
13. When asked about various manifestations of administrative corruption, about 42% of the surveyed households said “it was impossible to get things done” without corruption, 28.5% said avoiding the punishment was the reason for corrupt practices, 18.7% stated that corrupt practices were caused by a desire to avoid paying high official fees, and 25.4% said corruption was justified 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 indicator, 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 property rights and enforcement of contracts.
15. The Human Rights Defender’s 2006 report shows that public bodies do not always follow the rule of law principles 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, labor and social security, as well as the police, prosecutorial bodies, the RA ministries of justice and defense, the Yerevan municipality, marzpetarans and local self-governance bodies.
16. In the 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 public policy is made to serve private interests, which leads to distortions in the competitive environment and the civil society development.
17. International indicators for evaluating the level of political corruption, in particular the ones related to voice and accountability, political rights, lawfulness of electoral processes, freedom of expression and association, and press freedom, have not changed significantly in the period of 2002-2006.
18. According to a report by Freedom House, Armenia’s corruption index has remained unchanged at 5.75 over the last few years. The Armenian media is not sufficiently developed and powerful; therefore, citizens are unable to enjoy proper independence of the media, sufficient level of professionalism in journalism and plurality of news.
19. According to a household survey, the majority of respondents think that the level of corruption is the highest in the electoral system, while 95% of respondents said the electoral system is corrupt in one way or another.
20. According to WBI data, about 42% of the surveyed companies mentioned anti-competitive environment as one of the main obstacles for doing business. The Bertelsmann Foundation’s report for 2008 says that the vulnerable economic competition environment, caused by manifestations of political corruption, continues to threaten Armenia’s further economic development. According to USAID, the Armenian civil society is characterized as weak.
21. Thus, the assessment of the extent 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 extent of corruption in the Republic of Armenia have not changed significantly in 2003-2006, and Armenia remains a country with a 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 scores significantly below Eastern European and Baltic countries.
 - The level of transactional corruption was reduced thanks to a continuous and significant improvement of regulatory policies and mechanisms; moreover, this improvement of regulatory quality was clearly accompanied by an increase in the general government effectiveness.

- The worsening of indicators describing the level of administrative corruption was caused by shortcomings with the rule of law in the area of protecting legal interests of individuals, by a lack of confidence towards the judiciary and other reasons; moreover, in terms of these indicators, Armenia is well behind Central and Eastern European countries.
- The high level of political corruption negatively affects the country's economic competition environment. The RA citizens consider the electoral system to be corrupt, while the relative weakening of civil society institutions in the last few years has significantly limited their role and capacities in standing up to manifestations of political corruption.

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

22. **The RA Anti-Corruption Strategy and Its Implementation Action Plan for 2003-2007 was mainly focused on prevention of corruption, new institutional structures and improvement of the legal framework,** while emphasizing the importance of wide public participation in combating corruption and monitoring of anti-corruption activities. Some typical ACSIAP activities included the closing of the existing gaps in legislation and removing all contradictions by expert analysis of draft laws and identification of corruption risks contained therein, increasing the law-enforcement agencies' 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 bylaws were passed as part of anti-corruption measures included in the 2003-2007 ACSIAP,** main bodies 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 RA President signed an order to establish an **Anti-Corruption Council (ACC)**, chaired by the Prime Minister, to coordinate the activities of the **relevant state bodies** aimed at the comprehensive and effective implementation of the RA anti-corruption policy, to eliminate the causes of corruption and to improve the state policy aimed at preventing corruption. In accordance with ACC regulations, **Anti-Corruption Strategy Implementation Monitoring Commission (MC)** was also established. Parallel to the establishment of institutions aimed at implementing a coordinated and effective anti-corruption policy, a number of institutions and units with the professional responsibility to prevent, identify and prosecute corruption were also created.
25. Amendments to the RA Constitution 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 investigation and the functions of 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, penalties and mechanisms for the confiscation of proceeds of corruption crimes were clarified, complemented and brought into compliance with provisions of international conventions. Legislation defined the bodies implementing operative-investigatory activities, their rights and responsibilities, and control and supervision over operative-investigative activities. The law also improved the material-technical equipment of law-enforcement agencies. 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 enhanced. The principles of judges' activities, procedures for judicial appointments, safeguards for their independence, codes of conduct, the grounds and procedures for holding them accountable have been regulated. The powers of the Council of Justice and procedures for the election of member judges have been established. The adoption of the RA Law 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 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, codes of conduct for civil servants and ethics rules for judges, prosecutors, diplomats and other state servants have been adopted. Fines have 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 public relations offices in state bodies, which are going to be responsible for processing and providing information, and 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 RA 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 indicates that:
- The level of corruption in Armenia remains high, and corruption is of systemic nature;
 - ACSIAP did not have clear, measurable and attainable goals and objectives, was not oriented towards concrete results and did not put together the results of implementing various measures to resolve a specific issue;
 - ACSIAP activities were mainly focused on the prevention of corruption, while measures to identify and prosecute corruption-related crimes, increase public awareness of corruption and obtain public support were relatively weak. Public education, awareness campaigns and civil society participation processes were implemented by civil society.
 - The system of coordination and monitoring of the RA anti-corruption policy and programs is still in the phase of development. It is not backed by working mechanisms. Monitoring is administrative is limited to the adoption of decisions on concrete draft legislative initiatives. ACSIAP did not include a system to assess the level of corruption by areas and sectors, performance monitoring based on content and reporting requirements, including a requirement to summarize annual results, description of the current situation and indicators to evaluate the outcomes and results of activities.
 - ACSIAP implementation mechanisms did not properly ensure 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 RA's anti-corruption commitments have been expanding continuously, while the state anti-corruption policy 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 became a member of GRECO, then in June and December of 2004, respectively, it signed and ratified the Council of Europe's Criminal Law Convention 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 geared towards 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 out of 24 recommendations) aimed at the adoption and improvement of laws and procedures. The RA Anti-Corruption Council has approved an Action Plan for implementing the GRECO recommendations. The 2008 report on the implementation of the GRECO recommendations indicates that 12 out of the 24 recommendations have been implemented fully, 9 – partially, and 3 – 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 policies in these countries through the enacting of the 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 of OECD's recommendations fully or partial coincide with the relevant GRECO recommendations. The 2006 monitoring report on the implementation status of OECD recommendations indicated that only 4 of the 24 recommendations were not implemented, 11 were implemented partially, and 8 were considered as mainly implemented. One recommendation was considered as fully implemented. At the same time, the report noted that many of the implemented measures constituted but 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 Neighborhood Policy (ENP), the European Union and Armenia ratified an Action Plan in 2006, in which fighting corruption was included as a priority area. In the Armenia Action Plan, 8 anti-corruption measures were included as special priorities, including adequate investigation and prosecution of corruption crimes, bringing the Criminal Code in compliance with international standards, developing ethics rules for judges and prosecutors, holding officials responsible for wrong declarations of property and income, increasing the judges' salaries, etc. Almost all of the measures described in the Action Plan are also included in the UN conventions, Council of Europe conventions on Criminal Law and Civil Law, and in GRECO and OECD recommendations.

33. In 2005, the RA signed the United Nations Convention against Corruption (UNCAC), which was ratified by the RA National Assembly 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 RA Government and the Millennium Challenge Corporation of the United States of America, the RA Government will retain its commitments related to MCC criteria. Their implementation will be monitored by evaluating the RA Government's performance in the areas of political rights and civil liberties, control of corruption, government efficiency, rule of law, and voice and accountability.
35. Under the 2005 NATO Individual Partnership Program, the RA Government 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 information about corruption by means of education and training for state officials.

CHAPTER II. THE RA ANTI-CORRUPTION POLICY IN 2009-2012

2.1. Effective and Coordinated Anti-Corruption Policy

36. In order to ensure an effective and coordinated implementation of the RA anti-corruption policy, the RA Government will continue to do the following consistently in 2009-2012:
- Apply **international tools** for the fight against corruption, including the UN and CoE conventions, peer assessment organizations and best practices in the fight against corruption by means of analyzing, adapting and applying them;
 - Develop **public support** in the fight against corruption through active involvement of the civil society and public awareness campaigns;
 - Ensure periodic **review and adjustment** of the RA anti-corruption policy, as well as its **harmony** with state policy priorities in other sectors and areas, by means of continuous monitoring and regular evaluation of ACSIAP implementation and its preliminary and interim results, as well as examination of the lessons learned;
 - Ensure the effectiveness and coordination of 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, investigation and prosecution of corruption, 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 RA Anti-Corruption Strategy and Its Implementation Action Plan

37. The main political directions and targets of the RA 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 RA President's election platform and the RA Government's Program.
38. At the same time, ACSIAP's goals and objectives are separated by the expected results on the levels of **final (impact), interim and factoral results**. Moreover, each level's results must meet the following 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 indicators for Central and Eastern European countries for 2007, which are generally higher than the average indicators for ECA countries and for LAI countries. The average current Government Effectiveness indicators 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 a significant reduction in the general level of corruption in Armenia.** In particular, the RA Government 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 will improve, the perception of social justice in households and in business circles 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 Indicator (WBI).
42. The final results targets for ACSIAP implementation for 2012 have been set at the following levels:
- Corruption Perception Index (TI) – 4.1 (instead of 3.0 in 2007)
 - Control of Corruption Indicator (WBI) – -0.05 (instead of -0.58 in 2007).
43. The gaps between the current levels and the 2012 targets for CPI and CCI are 11.0% (1.1 units on a 0-10 scale) and 10.6% (0.53 units on a -2.5 to 2.5 scale) percentage points, respectively.
44. ACSIAP's interim results are a significant reduction in the levels of transactional, administrative and political corruption.

45. The RA Government expects that, by 2012, the reduction in the level of **transactional corruption** will result in increasing the government effectiveness, improving the regulatory quality and governance functions, and increasing the effectiveness of the local self-governance system. The 2012 interim result targets for the reduction of the level of transactional corruption are set as follows:
- **Increasing the government effectiveness:** Government Effectiveness Indicator (WBI) – 0.15 (instead of -0.16 in 2007);
 - **Improving the regulatory quality and governance functions:** Regulatory Quality Indicator (WBI) – 0.37 (instead of 0.26 in 2007).
46. The gap between the targets and the current situation is not significant; what is need is mainly to ensure the continuity of current reforms in the aforementioned areas.
47. The RA Government 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 investigation and prosecution of abuse of official position, a significant increase in the level of accountability and transparency of public administration bodies, as well as in the institutional framework for the anti-corruption policy implementation becoming more complete. The 2012 interim result targets for the reduction in the level of administrative corruption are set as follows:
- **Increasing the level of rule of law:** Rule of Law Indicator (WBI) – -0.15 (instead of -0.52 in 2007);
 - **Increasing the level of accountability, transparency and openness of public administration bodies:** Voice and Accountability Indicator (WBI) – -0.47 (instead of -0.72 in 2007).
48. The gap between the mentioned targets for the reduction of administrative corruption and the current situation is significant and mainly requires consistent implementation of drastic measures in the mentioned areas. Targets for the reduction of administrative corruption are more ambitious, compared to the targets for the reduction of transactional corruption.
49. The RA Government 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 rights, 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 participation in government, a significant improvement in regulation of interests groups and conflicts of interests, and ensuring the implementation of an effective anti-monopoly policy. The 2012 interim result targets for the reaction in the level of political corruption are set as follows:
- **Increasing the level of political stability:** Political Stability Indicator (WBI) – 0.23 (instead of -0.30 in 2007);
 - **Increasing the level of protection of political rights and civil liberties, and improving the electoral processes:** Political Rights Indicator/AA(FH) – 2 (instead of 5 in 2007), Civil Rights Indicator/ AA(FH) – 2 (instead of 4 in 2007).
50. The gap between the **political corruption** reduction targets and the current situation is significant and requires drastic changes in the mentioned areas, with wide involvement of civil society. 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. The political corruption reduction targets are the most ambitious ones, compared to both transactional and administrative corruption reduction targets, while the spectrum of challenges is the widest and the most comprehensive.
51. The 2012 interim result targets for ACSAP, by types of corruption and by selected indicators, are summarized in Table 3.

Table 3. Results expected from ACSAP implementation, current and target indicators, gaps and range on the level of final and interim results

LEVEL	RESULTS	INDICATOR	CURRENT INDICATOR	TARGET	GAP		RANGE
		INDICATORS/STUDIES (ORGANIZATION)	UNIT/RANK (YEAR)	UNIT/RANK (YEAR)	UNIT	% POINTS	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 Indicator (WBI)	-0.58/35 (2006)	-0.05 (2012)	0.53	10.6%	-2.5+2.5
INTERIM RESULTS	Reduction in the level of transactional corruption	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 corruption	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

2.3. Main Areas and Objectives of the RA 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 legislation** regulating the sectors included in ACSIAP and sectoral development policies is important from the point of view of **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.
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 bodies, improvement of their structures, setting up of professional criteria for employees of state bodies, staff capacity building, introduction of systems to evaluate employees' effectiveness, improvement of systems of pay 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 public service procedures and quality, improvement of procedures for controlling the activities of state bodies, and ensuring effective communication and cooperation between state bodies.
55. Armenia's priorities in the area of **criminalization** of corruption are: defining the crimes of corruption in compliance with internationally accepted approaches, clarifying the description of certain crimes, regulating issues related to adequate sanctions and statutes of limitations, establishing protection for witnesses, experts, victims and informants, effectiveness of preliminary investigation of corruption crimes, capacity building for law enforcement agencies, and cooperation between law enforcement agencies and civil society institutions. Addressing the aforementioned issues will make it possible to overcome the atmosphere of impunity in the country and to prosecute the culprits regardless of their posts or positions.
56. The following is important for getting **civil society's support** in the fight against corruption. The public's practical participation in the prevention and identification of corruption, and public awareness raising. In particular, it is important to introduce mechanisms and models that allow for citizens' and non-government organizations' involvement in the development, implementation, monitoring and evaluation of anti-corruption policy, ensure legislative guarantees for freedom of information, develop civil society's capacity for an effective participation in public administration, inform the public about the activities of anti-corruption bodies, introduce electronic governance systems in state bodies, educate the citizens on the issue of corruption, its types and manifestations, consequences and dangers, as well as to establish a business environment that would contribute to the reduction of corruption in the private sector and encourage transparency and accountability.
57. ACSIAP defines objectives for the reduction of the level of transactional, administrative and political corruption in the areas of money laundering and terrorism financing, public finance management, public procurement, tax and customs, education and healthcare, the judiciary, criminal-executive sector, state registration of legal entities, judicial acts enforcement, the police service, local self-governance system, political and public sector, as well as in the electoral system. The RA Government 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 that are in charge of identifying 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 coordinating the activities of state bodies involved in the fight against corruption, eliminating the causes of corruption and improving the state policy aimed at preventing corruption.
60. Adjunct to the Anti-Corruption Status, the **Anti-Corruption Strategy Implementation Monitoring Commission** (henceforth referred to as the Commission) has been established. It is chaired by the RA President's Assistant and is comprised of representatives of parliamentary factions and groups, non-governmental organizations and several public administration bodies. The Commission chairperson and members work in the Commission free of charge. The Commission's decisions are of advisory nature. Together with 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 mainly had to do with a lack of high-quality specialized staff. Working free of charge, the Commission has not been able to develop its capacities fully in order to engage in professional activities. The Commission's composition and the mechanisms for involving civil society representatives failed to create sufficient grounds for carrying out a full-fledged participatory process. Moreover, the politicized process of NGO nomination creates obstacles for getting real professionals involved 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 RA anti-corruption strategy.

61. The identification and preliminary investigation of corruption crimes is done by the RA Special Investigation Service, The RA Policy and the RA National Security Service. The State Revenues Committee also has appropriate functions in this matter. The RA prosecutor's office is in charge of controlling the lawfulness of preliminary investigation and investigation of corruption crimes, as well as defending corruption charges in courts. The Human Rights Defender performs the function of primary protection of human rights and liberties infringed upon by state and local government bodies and officials. The external state control over the use of budget resources and state and community property is provided by the RA Control Chamber. The RA Central Bank's Financial Monitoring Center is responsible for examining suspicious transactions in the light of money laundering and terrorism financing, and providing the RA CB Council with recommendations on freezing or suspending these transactions. The protection and encouragement of economic competition to promote business development and consumers' rights protection, the creation of an environment that is favorable for honest and free competition, the prevention and restriction of anti-competitive actions and the issuance of warnings against such actions, as well as control over the protection of economic competition are done by the RA State Committee on the Protection of Economic Competition.
62. Considering 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 investigation of corruption.
63. The formulation of a comprehensive and effective anti-corruption policy in Armenia and evaluation of its results, coordination of activities by state bodies engaged in the fight against corruption, and improvements to the state policy to prevent corruption will continue to be done by the currently operating **Anti-Corruption Council**. At the same time, the composition and the functions of the Council will be completed. The Council will include representatives of the Judicial Department, civil society and business circles. The main functions of the anti-corruption council in its new format will be: a) to coordinate the development, implementation, monitoring and evaluation of the RA anti-corruption strategy program, b) To coordinate the anti-corruption activities of various authorized organizations, c) cooperation with regional and international organizations in the fight against corruption, d) to coordinate the development and implementation of sectoral anti-corruption programs in various agencies of the Republic of Armenia, e) to increase 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, as well as cooperation between authorized agencies, and 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 should include:
 - Organize and implement 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,
 - Organize studies and surveys on the level of corruption, its types and extent,
 - Collect and analyze information from state and local self-governance bodies, organize studies of corruption risks in various sectors,
 - Prepare conclusions on corruption risks in projects/drafts developed by individual public administration bodies,
 - Organize educational activities, anti-corruption campaigns, public awareness on anti-corruption matters, including by means of an electronic network,
 - Organize thematic training courses for state anti-corruption bodies and private sector organizations,
 - Ensure cooperation with international anti-corruption organizations and preparation of reports on international commitments,
 - Provide secretarial support to the anti-corruption council and monitoring commission.
65. The structure and status of the structural unit under the Anti-Corruption Council will depend directly on its functions.

2.5© Staff Education 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 state anti-corruption policy. In 2003-2007, some training courses were organized for specialists from the main bodies involved in the implementation of the state anti-corruption policy. However, these courses mainly covered some anti-corruption elements and did not ensure access to complete professional information. The problem of staff training and education in the area of anti-corruption should be resolved by means of an education and continuous training system.
67. The objectives of anti-corruption **education** programs is to develop topics of prevention, investigation and public awareness of corruption and introduce them in general educational institutions in some master's degree programs in higher educational institutions in the Republic of Armenia.
68. The RA Ministry of Education and Science will approve the courses and textbooks for general educational institutions that would have to include anti-corruption topics. 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. Based on requirements of the RA Ministry of Educational and Science, higher educational institutions will develop curricula 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 following topics should prevail in programs on investigation of corruption: criminalization of corruption, investigation of money laundering and financing of terrorism, identifying signs of corruption crimes, methods for the collection and examination of evidence, defining penalties for corruption crimes, international legal tools and other related subjects.
70. The issue of anti-corruption specialists' continuous **training** is planned to be addressed by means of both educational institutions and professional training centers operating within state bodies.
71. Training programs on the prevention and investigation 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 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 centers of the RA Prosecutor's Office, the RA Police, the RA Judiciary, the RA National Security Service, the RA Central Bank, tax and customs authorities will be used to conduct professional training on investigation and prosecution of corruption. These training centers have sufficient yet limited capacities for continuous training of specialists involved in investigation 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 training for police officers, prosecutors, and relevant employees of tax, customs and national security bodies, with the involvement of relevant international organizations.
74. The current system for the **collection, exchange and analysis of information** on corruption includes the functions of the RA Central Bank's Financial Monitoring Center in the area of ML/FT, the functions of the RA State Revenues Committee in the area of declaration of property and income by citizens, the functions of the RA Prosecutor General's office in the area of preliminary investigation of corruption-related offences and collecting judicial trial statistics, the operative-investigative functions of law-enforcement agencies in the area of investigation of corruption, and the functions of the RA National Statistics Service in the area of producing concise statistics on corruption-related crimes.
75. An order by the Prosecutor General approved a special investigative activities reporting form, which reflects the statistics on crimes containing corruption risks. The RA Police summarizes the data provided by law enforcement agencies and forwards it to the RA National Statistics Service. 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 bodies involved, which makes it difficult to do comparative analysis of different bodies, identify corruption risks, assess the trends and extent of corruption, etc. The statistics of corruption-related offences does not include administrative offences committed by state servants. Studies and research on the level of corruption in Armenia, prevailing forms of corruption, and sectors and areas where it is spread, as well as the use of their results and analysis in official statistics are very limited.
76. The following is necessary in order to improve the education and training of anti-corruption staff and the management of information on corruption:
 - **Introduce a system of education for anti-corruption specialists** by means of defining the requirements for the education process, developing subjects of prevention of corruption, investigation and public awareness

and introducing them in the curriculum of certain masters' programs in higher professional educational institutions, approving educational programs, methodological and other materials required for organizing the education process, developing the capacity of higher educational institutions, providing coverage of the introduction of educational programs, and establishing the legal foundations 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 institutions operating in state bodies involved in anti-corruption policy implementation, defining the range of officials who are required to undergo training through these institutions, identifying organizations that organize training, defining the sources and procedures of financing for continuous training, and approving training programs and study manuals for different professions;
- **Ensure continuous improvement of the system of preparation and training of anti-corruption specialists** by means of continuously evaluating the education and training needs of specialists, continuously developing the capacity of the involved institutions, and ensuring the existence of 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 international and regional organizations, consolidating 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, prevailing types of corruption and sectors and areas where it is spread, commissioning such studies from civil society institutions, analytically comparing their results with official statistics and using them.

CHAPTER III. MAIN MEANS FOR THE FIGHT AGAINST CORRUPTION

3.1© Means for the Prevention of Corruption

77. The establishment and development of an **honest public service** is an especially important means of prevention of corruption; this is done by means of consolidating 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' codes 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 criteria for servants' knowledge, skills and experience and making these criteria compatible with each other, requirements for political and discretionary positions and for professional activities of certain types of services, and 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 the basis of a competition, as well as the appointment 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 criteria, 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 for their promotion. Attestation does not fully identify their training needs, which limits attestation's role in the process of increasing the staff members' qualifications.
80. Regular staff rotation is used in some types of state service in order to limit employees' involvement in corrupt agreements. This is regarded as a key preventive anti-corruption measure.
81. Despite the fact that Armenia has training programs, trainers and the necessary institutional capacity for the **training of state and community servants**, 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 that apply to state and community servants; nor do they cover provisions regulating their conduct or the elements of the country's anti-corruption policy.
82. The official base salary for **state and community servants** has been increasing every year. Nevertheless, public sector salaries remain significantly lower than the salaries for equivalent positions in the private sector, which contributes greatly to corruption risks in the public sector. The system of remuneration of public servants is not directly related to the quantity and quality of work performed by the given public servant. 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. Such resources may also be used 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 consolidated 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 resolved in a systemic way yet.
83. Thus, the following is necessary in order to create a consolidated public service system, to staff it with high quality specialists, to improve the servants' professional abilities and to provide them with training, and to develop remuneration and incentives systems:
- **Consolidate the legislative regulation of all types of public service** by extending it to services provided by state commercial and non-commercial organizations, and establishing common principles of regulating the rights and responsibilities of public servants, recruitment, promotion and dismissal, codes of conduct and conflicts of interests;
 - **Introduce mechanisms for public services quality control and evaluation** by establishing indicators and procedures for quality of public services, in accordance with international standards, including deadlines for transactions and operations, and minimum thresholds for operational costs, citizens' perception of service quality and citizens' satisfaction;
 - **Introduce an effective consolidated public service management institute** by establishing the goals and functions, the scope of power, accountability and procedures for an authorized body for the consolidated public service;

- **Reduce the role of political officials in the creation of a professional staff and in discretionary decisions made by a single person** by consolidating the procedures for hiring state servants on the basis of competition and recognizing the chief of staff of the relevant body as a person responsible for filling the vacancy in that particular body;
 - **Reduce the corruption risks in public service recruitment procedures** by outsourcing the organizational work for the testing and knowledge evaluation phase, recognizing the qualification certificates in the relevant area issued by relevant research and educational institutions, decentralizing the interview phase of candidates' selection to relevant public administration bodies, and introducing a grading system for interview results evaluation and a system where the winning candidate is selected by a collective body;
 - **Increase public servants' level of accountability** by introducing an integrated system of remuneration, incentives and promotion based on program performance evaluation;
 - **Consolidate the training programs for state and community servants** by including courses on restrictions on state servants' activities, regulations on codes of conduct and conflicts of interests, effective communication, service provision, freedom of information, anti-corruption measures and other similar subjects in mandatory training programs;
 - **Reduce the corruption risks related to state and community service functions** by offering special courses on the means of prevention, investigation and prosecution of corruption, organizing educational programs and using detailed guidelines on state and community service procedures;
 - **Increase the competitiveness of remuneration in public service** by developing a medium and long-term policy for remuneration of state and public servants;
 - **Introduce adequate incentive and responsibility mechanisms in public service areas with particularly high corruption risks** by establishing particularly favorable 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 particularly strict responsibility, as well as using off-budget resources for remuneration and incentives in the medium-term.
84. In order for **regulation of conduct of state officials and conflict of interests and for a system of declaration of interests** to work effectively, it is necessary to have relevant legislation, to define appropriate sanctions for breaking the laws regulating codes of conduct and conflict of interests and to apply them consistently, to define clearly the range of officials included in the system of declaration of interests, and to have **practical bodies ensuring an effective implementation of the system.**
85. There is no common regulation of conduct of public servants and conflict of interests in various parts of state and community services; these issues are regulated by laws applying to individual services. Moreover, there are no conflict of interest criteria and procedures for enforcing the law. The segmentation of state service laws results in different approaches to restrictions on servants' activities in some similar services. The conduct of high-ranking officials in political, discretionary and other state positions, and matters related to conflict of interests are not regulated.
86. **Situation 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 control the application of restrictions and to apply sanctions. There are no common professional ethics rules 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 view of tax obligations and declaration of both property and income from the point of view of identifying any conflict of interests and cases of corruption. The capacity and resources 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 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 view of illegal income and property acquisition, not forwarded to law-enforcement agencies for further use and analysis, and not cross-checked against other components of conflict of interests. Moreover, the law establishes a wide range of declarants, which does not allow the relevant authorities to focus on high-ranking officials. On the whole, the information 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, the following is necessary for the regulation of public servants' codes of conduct and conflict of interests, consistent application of codes of conduct and strengthening of the institute of declaration of interests by state officials:

- **Consolidate the legislative regulation of public servants' codes of conduct and conflict of interests** by establishing common principles and rules of conduct for persons in political, discretionary and other public service positions, setting sanctions for breaking specific codes 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 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, toughening the rules and restrictions on giving and receiving gifts, prohibiting the engagement in other activities, encouraging and protecting those people who report codes 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 performing functions with higher corruption risks, and for public servants who are not involved in decision-making processes;
- **Introduce a decentralized institutional model for an effective management of public servants' codes of conduct and system of declaration of interests** by defining the objectives and functions, responsibilities, accountability and procedures of the central authorized body, establishing an ethics committee in every state body, and appointing an official in every agency who is responsible for introducing codes of conduct in the given organization, creating and keeping a register of declarations of interests, controlling the adherence to procedures, and preparing reports on ethics and conflict of interests issues;
- **Strengthen the capacity of those who are responsible for issues related to public servants' codes of conduct and declaration of interests in state and community bodies** by developing practical guidelines on declaration of interests, codes of conduct and norms of ethics and related procedures, reporting of violations, cases and facts, investigation and sanctions, and by organizing training;
- **Ensure the transparency and openness of declaration of interests by public officials** by posting the declarations of interests, including property and income declarations of persons in political, discretionary and leadership positions in state service and in top positions in civil service on official websites of the relevant agencies, and by publicly reacting to citizens' questions or media publications about declaration of interests by officials.

89. **Accountability** of state bodies is important. Currently, only a few public administration bodies follow this principle by 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, official information is not available to the public. In many cases, state and local self-government bodies avoid publishing information in their possession. Publication of information required by law, as well as publication of state bodies' annual and current reports on their activities is not done on a sufficient level. The development and dissemination of regulations and information bulletins on the available services, with the purpose of **increasing the public awareness**, is done irregularly.

90. Based on the need to ensure public reporting on the organization, activities and decision-making process in public administration bodies for the prevention of corruption, the following is necessary:

- **Ensure a principle of openness of report on activities of public administration bodies** by publishing reports that include information about the organization of all state and local self-government bodies, their policies, activities of their leaders, services provided to citizens, reported corruption cases, possible corruption risks and threats, publishing action plans and 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 making amendments in the RA Criminal Code (CC). Nevertheless, it is necessary to continue bringing the RA legislation in compliance and harmonizing with provisions of international documents.

92. **A clear definition of actions constituting corruption** and comprehensive legislative regulation of these matters determine, to a significant extent, the effectiveness of the fight against corruption. Moreover, it is important that legal definitions of crimes be fully understandable and not subject to different interpretations by law-enforcement agencies and the public, including the criminals and their victims. The RA Criminal Code criminalizes both taking a bribe (Article 311) and giving a bribe (Article 312). The Criminal Code clarified and expanded the substance of definition of bribe giving and taking, adding the words "receiving other benefits" to the words "money,

property, property rights and securities.” The norm, which used to allow officials to accept property, property rights or other property benefits in the amount not exceeding five times the minimum wage, without prior agreement, was repealed. Moreover, the word “official” was expanded to cover officials from foreign and international organizations. At the same time, not only giving, but also “promising or offering” a bribe is also criminalized, which is a direct requirement of the Council of Europe and UN conventions and has to do with the difference in these three actions that constitute the objective aspect of the definition of this type of crime.

93. In 2008, amendments to the RA Criminal Code introduced two new crimes: **acceptance of illegal payments by public servants who are not officials** (Article 311.1) and **giving illegal payments** to public servants who are not officials (Article 312.1), making a distinction between active and passive types of bribery based on whether the person accepting the bribe is an official or a public servant, and covering people who had been left out from the definition of “officials” as stated in Articles 311 and 312 of the RA Criminal Code.
94. One of the key issues from the point of view of criminalization of corruption is to define the notion of “state official” as a perpetrator of corruption crimes. The definition, as provided in the RA Criminal Code under the definition of “official” and “public servant”, is on the whole in tune 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 objective description has been divided into two separate crimes under different names. The sanctions are less severe for public servants. It is worth emphasizing that, according to international documents, the notion of “official” essentially includes public servants as well. Moreover, to be considered an “official,” it is not important whether the person is paid for occupying his/her post or not. The characteristics included in the RA Criminal Code are not clear about this circumstance.
95. The RA Criminal Code contains a separate crime of using **real or supposed influence** to gain an advantage (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 regulated by CC Article 311.2 is not free from faulty regulation. In particular, Article 311.2 does not clearly define the objective aspect of acts committed by the other side of the crime, the legal entity or physical person who are going to benefit from an action, i.e. promising, offering or giving “illegal advantage,” which is included in the Convention. Moreover, actions described in Article 311.2 emphasize the mandatory connection between trading in influence and the authority/functions of an official or a public servant who is not an official, whereas the Convention’s definition is wider and is not tied to the authority/functions of officials.
96. The RA CC Article 308 criminalizes the “**abuse of official position.**” However, the problem with 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 wage by at least 500 times. Such a limitation is not envisaged in the UN Convention requirements (Article 19).
97. **Embezzlement of property by an official**, illegal appropriation or misuse of property is not included in the RA CC as a separate crime. However, in Article 179, which talks about squandering or embezzlement of property, the commission of these same acts by means of abusing one’s official position is considered an aggravating circumstance.
98. What is not criminalized in the RA is the **liability of legal entities** for corruption-related offences, which is an international norm and is covered 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 for corruption-related offences, but in general. This is, in part, due to traditions of continental (civil law) legal system. However, the level of involvement of legal entities in corruption-related offences is increasing parallel to the increase in the number of commercial organizations and huge companies.
99. The RA legislation provides for only civil and administrative liability of legal entities. However, several monitorings, organized in the Republic of Armenia by various international organizations, 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 norms covered in Article 18 of the Criminal Law Convention that require the criminalization of active bribery by a physical person in favor of a legal entity, trading in influence and money laundering. To punish legal entities engaged in such practices, it is recommended to use proportionate sanctions, such as temporary or permanent deprivation of the right to get state contracts (e.g. public procurement contracts, etc.), deprivation of state assistance, confiscation of proceeds of illegal activities, restitution, ban on engaging in commercial activities, putting them under judicial control, dissolution of the legal entity, appointment of a caretaker, etc.
100. **Statute of limitations for criminal liability** depends on the sanctions for specific crimes. The Criminal Code contains different sanctions for corruption-related crimes, and 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 investigation and

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

prosecution of corruption-related offences, because they take longer to investigate than any other crimes. Establishing a longer statute of limitations period in which to commence proceedings for corruption crimes is also required by the UN Convention. The need to make relevant amendments to the RA criminal legislation has also been stressed by international experts.

101. One of the important issues in the fight against corruption is the issue of **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 and towards functional immunity, which provides certain protection only in connection with activities stemming from the person's official duties. It is important to simplify the mechanisms for lifting immunity. The RA Election Code contains a special mechanism for detention, administrative or criminal prosecution of candidates running for the National Assembly, community leaders or community council members positions, members of the Central Electoral Commission and precinct electoral commissions (during national elections), allowing for such detention and prosecution only by consent of the Central Electoral Commission or Territorial Electoral Commission, respectively (Articles 33, 127, 111). This range of persons is rather wide and needs to be limited. At the same time, in accordance with the RA Law on Prosecutor's Office, criminal prosecution of a prosecutor is initiated by the prosecutor general (Article 44). Judges may not be detained, charged nor be subjected to administrative court proceedings without the RA President's consent provided by recommendation of the RA Justice Council (The RA Judicial Code, Article 13). The procedures of lifting judges' and prosecutors' immunity with participation of superior individual decision-makers (the RA President, Prosecutor General) need to be reviewed.
102. Proper 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, Part 3) is punished by a lighter penalty than the taking of a bribe by an official (Article 311, Part 1). Of course, the difference in the sanctions can be explained by the difference in the importance of the perpetrators and objects of these difference crimes. However, the spread of corrupt practices in the private sector is not less of a serious problem in a 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). Also, there is the issue of comparability of sanctions for active (giving a bribe) and passive (taking a bribe) bribery and the issue of having a common approach to them. The toughening of sanctions for corruption-related offences will mechanically result in statute of limitations changes. Moreover, reviewing the sanctions and bringing them in compliance with real and internationally acceptable sanctions is also important for avoiding additional complications in matters of international legal assistance and extradition of persons accused of corruption-related crimes.
103. In terms of **mechanisms for seizure and confiscation of proceeds received as a result of corruption**, the RA Criminal Code requires mandatory confiscation of property acquired by criminal means, including the property directly or indirectly arising or acquired as a result of legalization of criminal proceeds, including the income or other benefits resulting from the use of such property, tools used or designed to be used for committing these actions or, if the property acquired by criminal means is not found, of other equivalent property. The procedure of arresting the proceeds of crime is regulated by the RA Law on Combating Money Laundering and Financing of Terrorism. The procedure of arresting the proceeds of crime is regulated by the RA Law on Combating Money Laundering and Financing of Terrorism. When referring to the future of material evidence at the end of the criminal case, Article 199 of the RA Criminal Procedure Code stipulates that money, other valuables and objects acquired by criminal means are used by the court's decision to cover judicial expenses, retribute the damage caused by the crime, or they are transferred to the state, if the person who incurred damages is not known. However, this provision is limited only to material evidence collected in the process of investigation of the case, whereas the issue of managing the confiscated property is very important in practice and is covered by Article 31, Part 3 of the UN Convention against Corruption, the Criminal Law Convention and other documents. Article 236 of the RA Criminal Procedure Code has some regulation about the management of confiscated property. However, the issue of managing the confiscated property remains open. Most of the countries turn confiscated property over to the state and use it to compensate for the damages caused by the crime. Also of concern is the fact that there are very few cases when confiscation was used in practice.
104. **The institution of the protection of witnesses, experts and victims** is important from the point of view of investigation of corruption-related crimes, because these people, having been in contact with corruption-related offences, can provide valuable information for successful investigation. A lack of adequate guarantees and protection mechanisms reduces their readiness and willingness to help the investigative authorities. With the 2006 amendments to the RA Criminal Procedure Code, new provisions on the protection of persons participating in a criminal trial were added to Chapter 12 (Articles 98-99.1), which mainly regulated legislatively the issues of protecting the witnesses, experts and victims.
105. However, the RA legislation 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 relevant authorities. Such protection is included in Article 33 of the UN Convention against Corruption and Article 22 of the Criminal Law Convention. Even though the RA Criminal Procedure Code has been amended to provide protection

to a wide range of persons, in addition to witnesses, experts and victims, including other participants of the trial, informants seem to have been left out of this range of persons subject to protection. In this regard, adding direct references to informants in the RA criminal procedure legislation will give an important impetus to the solving of corruption-related crimes and to reducing the number of situations when people avoid reporting such crimes.

106. **Preliminary investigation of corruption-related crimes** is decentralized in the Republic of Armenia; as a rule, it is conducted by the same investigative body that had discovered the crime in the process of investigating the case. Investigation of corruption-related crimes is assisted by bodies engaged in operative-investigative activities. Only the police and national security bodies have the right to ensure access to financial data, covertly monitor financial transactions, and simulate bribe taking or giving. The legality of preliminary investigation of corruption-related crimes is overseen by the RA prosecutor's office.
107. **Actions taken as part of operative-investigative activities**, particularly the so-called operative test, are yet another effective means to increase the level of prosecution of the crime of bribe-taking. At the same time, there is no clear legal regulation that would draw a distinction between an operative test and provocation of a bribe, and would allow using operative test with strict adherence to legal requirements. This creates favorable conditions for operative authorities to use discretion when making decisions, which increases corruption risks in the area of operative-investigative 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 scope of discretion in the decision-making by operative authorities by means of appropriate regulation. At the same time, it is necessary to rule out the possibility of other people, who are not authorized to engage in operative-investigative activities, taking the actions aimed at solving the crimes of bribe taking.
108. The **effectiveness** of law-enforcement bodies engaged in anti-corruption activities largely depends on their capacities, as well as on active cooperation between law-enforcement agencies and civil society institutes, including the media, business sector, non-governmental organizations and citizens. The RA Criminal Procedure Code defines the grounds for these relationships. In particular, prosecutors, investigators and investigative authorities open a criminal case, within the scope of their authority, if physical persons or legal entities, or the media send them relevant information (the RA Criminal Procedure Code, Article 176).
109. **The further expansion of international cooperation** is also important in terms of effectiveness of the fight against corruption. The Republic of Armenia has already signed a number of bilateral and multilateral legal assistance agreements on extradition, transfer of criminal investigation materials and other related issues. Moreover, this was the purpose of amending the RA Civil Procedures Code by introducing a separate chapter on legal assistance in criminal cases in the absence of international agreements (the RA Criminal Procedure Code, 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 from the point of view of **cooperation between law-enforcement bodies and the private sector**. This is also mentioned in Article 39, Part 2 of the UN Convention against Corruption. One of the examples of such an encouragement is a norm in the RA Criminal Code (Article 312, Part 4), according to which a person is not criminally prosecuted for giving a bribe, if he/she has voluntarily reported this fact to law-enforcement bodies. In practice, this cooperation is not adequate, which is in part due to the insufficient trust towards law-enforcement bodies, being afraid of consequences and perceived insufficiency of safety guarantees.
111. The following is necessary for a systematic implementation of legislative and institutional reforms for further criminalization of corruption:
- **Complete and clarify the range of corruption-related crimes** by bringing together and improving the legislation and its application practice in tune with internationally accepted approaches to criminalization, further clarifying the legal regulation of active and passive bribery, defining a separate crime of active and passive trading in influence, reviewing the preconditions for liability for abuse of official powers, defining a separate crime of embezzlement, illegal appropriation or inappropriate use of property by an official, and clarifying the ambiguous wording in the descriptions of several crimes that leads to misinterpretation;
 - **Increase the effectiveness of the fight against corruption** by reducing the latency of corruption-related crimes, reviewing and clarifying the description and the regulation of the crime of provoking a bribe, clearly regulating the conditions of bribe simulation and operative tests in line with the best international experience, including by allowing operative tests only if there is operative information that a bribe-taking crime is about to be committed or has started to take place or information about an attempt to demand a bribe,
 - **Introduce the institute of criminal liability of legal entities** by criminalizing corruption-related crimes committed by physical persons in favor of a legal entity, introducing effective systems of corporate governance, oversight and internal control, introducing the principle of subsidiary liability of physical persons and legal entities, and establishing effective, proportionate and deterring criminal or non-criminal (including monetary) sanctions for legal entities subjected to criminal, civil or administrative prosecution;

- **Establish optimal and internationally accepted statutes of limitations for investigation of corruption-related crimes and prosecution of their perpetrators** by studying the international experience with internationally accepted periods of statutes of limitations for corruption-related crimes, analyzing the statistics of Armenian cases closed because the statute of limitations period had expired, and comparing it to the international experience, reducing the categories of persons immune from criminal prosecution and reviewing the procedures for lifting judges' and prosecutors' immunity;
- **Ensure that proportionate, appropriately strict and effective types of sanctions are used for corruption-related crimes** by studying the international experience with sanctions for corruption-related crimes, analyzing the Armenian statistics of sanctions applied in corruption cases and comparing it with the international experience, 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 proceeds received as a result of corruption** by introducing transparent and effective mechanisms for the management of seized assets received from illegal activities, including transferring the seized assets to the state for state ownership and using them for restitution of damages caused by the crime or other programs;
- **Increase the effectiveness of the institute of protection for witnesses, experts and victims, as well as informants** by properly applying the norms and mechanisms that are already provided in the law, increasing their range by other modern means, reaching agreements with other states on the transfer of protected persons, and amending the RA criminal procedure legislation to provide protection to informants;
- **Increase the effectiveness of law-enforcement bodies in combating corruption** by clearly delineating the functions of law-enforcement bodies, establishing clear procedures for coordination and cooperation between them, developing their capacity to solve corruption-related crimes, creating specialized units and personnel for investigating certain types of crimes, improving the mechanisms of control of preliminary investigation and investigation authorities, and providing the necessary financial and material/technical resources;
- **Ensure active cooperation between law-enforcement agencies and civil society in combating corruption** by establishing effective legal mechanisms to encourage reporting to law-enforcement agencies about corruption-related offences, developing systems for analyzing these reports and quickly reacting to them, increasing the public's trust towards anti-corruption bodies and carrying out campaigns to that end, and introducing clear procedures to ensure openness, transparency, accountability and legality of law-enforcement bodies' activities;
- **Develop international cooperation in the fight against corruption-related crimes** by expanding the scope of bilateral and multilateral international agreements on issues of mutual legal assistance, transfer of criminal case materials and extradition to include matters related to joint criminal investigation and application of special investigative techniques.

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

112. The environment for effective civil society **participation** in Armenia is in the process of development. Civil society organizations piloted a monitoring of identification and evaluation of corruption risks. The RA public administration bodies also implement a number of activities for consultation and feedback, including discussions of draft legislation, 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 of this analysis. Civil society participation in anti-corruption decision-making process remains limited.
113. **Institutional capacity of civil society organizations** is especially important for civil society's effective participation in public administration. A mechanism of state assistance to non-governmental organizations was introduced in 2005 for the purposes of capacity building. However, civil society's capacity for cooperation with state bodies on anti-corruption issues remains limited.
114. **Public awareness** about the activities of anti-corruption bodies has been raised mainly by non-governmental organizations as part of their public awareness campaigns. The effectiveness of such campaigns has been low because 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 accessible information have been adopted. Even though the level of protection of the right to information in Armenia is high, the level of state bodies' replies to information requests and the level of adequacy of these replies are still low. At the same time, the RA Law on Procedures to Examine Citizens' Proposals, Applications and Complaints works only in part, only in relation to citizens' proposals, and it needs extensive amendments due to improvements to current legislation.

116. The process of **introducing electronic government systems** to serve the public in state agencies is ongoing. However, the final results of activities of information centers and public reception rooms are difficult to predict, because their full operation requires a clarification of administrative procedures facilitating the public's contacts with decision-making bodies, consistent development of information centers and citizens' reception rooms and allocation of resources from the state budget.
117. Even though official websites of RA state bodies work from the point of view of access to information, they do not always contain the information that is subject to mandatory publication, such as decisions, budgets and reports. According to the RA Prime Minister's order, public administration bodies are required to post draft decisions on their official websites and to react to media publications on issues of public interest. Nevertheless, because of limited internet access in Armenia, official websites are not able to ensure wide access to information for the general public. Given the limited circulation of print media, television remains the most effective means of disseminating information.
118. In practice, there are many obstacles preventing citizens from getting timely and complete information about the organization, activities and decision-making processes of public administration bodies. Information is often provided later than the deadline 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 of concern.
119. In cases when rights to freedom of information are violated, citizens contest the actions of state bodies in courts. However, in practice, citizens are reluctant to protect their rights in courts. On the whole, complete and timely access to information remains on the agenda.
120. Civil society's control over the implementation of anti-corruption strategy by means of **monitoring** and the use of monitoring results in the ACSIA review and control process is very important for the strategy's implementation.
121. The following is recommended in order to expand **civil society's participation** in combating corruption:
- **Increase civil society's awareness about corruption, its causes, nature of danger and threats** by regularly informing the civil society of the state anti-corruption policy and its current implementation results, implementing an education/information policy, carrying out campaigns on the causes, consequences and nature of corruption, and organizing various public information events to cover the anti-corruption activities and impact public perception and to ensure feedback from the public, forming public opinion, developing and disseminating to the public printed and electronic information about public services, and regularly updating the websites of state and local self-governance bodies with anti-corruption information;
 - **Establish mandatory mechanisms for civil society participation in decision-making** by reviewing the mechanisms and legislation related to the involvement of civil society representatives in councils and commissions in political decision-making bodies, establishing participatory procedures, taking into consideration and discussing the results of studies conducted by non-governmental organizations, their conclusions, arguments and public opinion surveys when considering draft legislation, adopting a practice of involving civil society representatives in the preparation of draft legislation and draft decisions, and ensuring the participation of various social or professional interest groups (the disabled, the elderly, teachers, etc.) by means of additional regulation.
 - **Publicize the activities of anti-corruption bodies and make anti-corruption bodies accessible for the public** by regular programs and publications in the media, official websites, public discussions, hearings, printed booklets, conferences and other modern means of public campaigning, establishing public anti-corruption reception rooms in marzes and anonymous "hotlines" in all anti-corruption bodies for people to report corruption cases, providing free consultation by other electronic means, reporting on corruption cases in the media;
 - **Activate the dialogue and cooperation between state and local self-government bodies and the public** by adopting the secondary legislation required by the RA Law 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 publishing information, introducing effective electronic government systems in state and local self-government bodies to serve the public, developing administrative procedures for communication with the public, introducing the practice of "citizens' rules" containing the standards for services provided to citizens, developing other available means of information, reducing the subjective human factor in the process of responding in a timely and complete manner 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-governance bodies, information centers and citizens' reception rooms, providing them with at least minimal technical and human resources, publishing an

information register, appointing officials in charge of freedom of information issues, developing internal and external communication strategies, organizing professional education and training for staff, introducing electronic information systems, unifying the official websites, integrating them with electronic government systems, and allocating the required resources from the state budget;

- **Improve the mechanisms for the protection of the freedom of information right** by forming an institute of a freedom of information commissioner that is accepted in international practice and is used successfully, establishing sanctions against officials who have violated the freedom of information rights, developing internal procedures and guidelines for possession of information and proper and timely response to information requests, and establishing control over reaction to media publications about corruption risks and corruption cases;
- **Improve the administration of relations between physical persons and legal entities, on the one side, and administrative bodies, on the other side** by regularly analyzing and continuously improving the results of application of legislative practice, expanding the public anti-corruption receptions and “one-stop-shop” systems and practices, making certain social groups eligible for free legal assistance paid for by the state, not allowing for information from other state bodies that is required for services offered by administrative bodies to be received by means of citizens, clarifying by law the extent of free legal assistance to be provided for administrative proceedings, particularly during examination of citizens’ applications and complaints, as well as their proposals submitted to state and local self-government bodies, individualizing the filling out of applications, complaints and proposals by lawyers providing legal assistance, addressed to state and local self-government bodies, regulating rush delivery of services, and reducing official fees 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 training 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 for systemic changes on the basis of this analysis, and developing mechanisms for the implementation of these proposals;
- **Develop civil society’s anti-corruption capacities** by providing grants and state financing for anti-corruption monitoring and studies on the level and extent of corruption, involving non-governmental organizations more actively in advocacy and public oversight, organizing training programs and courses for civil society monitoring groups, and training a bigger number of investigative reporters;
- **Ensuring media’s direct participation in anti-corruption monitoring** by developing monitoring mechanisms and tools that are more suitable and effective for the media, supporting regular visits by the media to various organizations that provide public services, strengthening the media’s capacity to carry out consistent and substantive monitoring, organizing regular training seminars for them and opportunities to get acquainted with advanced international experience, and promoting consistent cooperation between the media and non-governmental organizations;
- **Ensure the professional independence and self-sufficiency of media regulators** by increasing the level of economic and professional independence of the media, establishing control over the legal requirements for media accreditation and creation of free environment for media operation, preventing pressure on the media and on journalists, establishing stricter control over the enforcement of legal requirements, investigating cases of pressure on the media and imposing stricter sanctions for putting pressure on the media.

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

4.1. Fight against Money Laundering and Financing of Terrorism

122. To ensure the enforcement of the 2008 ML/FT law, the RA Central Bank Board adopted a number of normative acts and legal acts on individual topics. The aforementioned law is the main legal instrument to combat ML/FT in Armenia, which mainly complies with the FATF international standards and regulates the relations between various agencies involved in the fight against ML/FT in the RA.
123. Legislation also clarified the **relationship between the authorized body in charge of combating ML/FT and other bodies, particularly law-enforcement agencies, and issues related to the protection of information related to suspicious transactions**. Control over adherence to the requirements of the law has also been regulated, and responsibility for not following the requirements of the law has been toughened significantly.
124. An effective and coordinated fight against ML/FT is carried out by the RA CB's Financial Monitoring Center (FMC). FMC receives an average of 350 reports on transactions subject to mandatory reporting requirement per day and about 2-3 suspicious transaction reports per month. This information is entered into FMC's database. FMC sent 11 reports to law-enforcement agencies in 2007 and 28 reports in 2008. FMC's current priorities include, in particular, raising of public awareness of ML/FT, developing anti-ML/FT cooperation with national and international organizations, effectively enforcing ML/FT legislation, FMC's capacity building, etc.
125. The interagency coordination of anti-ML/FT activities on the highest level is ensured by a special permanent committee on the fight against counterfeiting, fraud with plastic cards and other means of payment, money laundering and financing of terrorism. This committee was established by the RA President's order in March 2002, and then it was restructured in April 2008. It is chaired by the RA CB Chairman. In particular, the committee provides recommendations on a common state policy on ML/FT, develops comprehensive state programs in the area of the fight against ML/FT, and ensures that draft legislation is developed and discussed. The committee is also authorized to examine the information and various proposals received from citizens, national and local self-governance bodies and officials, and to order expert analysis thereof.
126. The following is necessary in order to prevent ML/FT and identify corruption in that area:
- **Continue to improve the RA ML/FT legislation** by bringing it in compliance with international standards, taking into consideration the best international and national practices, taking into consideration the Council of Europe's MONEYVAL commission's and IMF's evaluation of the 3rd phase of the RA anti-ML/FT system, and ensuring access to international registers of persons with political influence;
 - **Strengthen FMC's institutional capacities** by providing FMC with modern information technologies, modern research, monitoring and analysis tools and software, ensuring FMC's access to information databases of the relevant state bodies, continuously increasing the qualifications of FMC staff, and regularly updating FMC's official website;
 - **Strengthen the capacity of oversight bodies involved in the fight against ML/FT** by developing the oversight capacity of the RA CB as the authorized body in the fight against ML/FT, as well as the oversight capacity of other bodies involved in the fight against ML/FT;
 - **Increase the effectiveness of investigating ML/FT cases** by developing the professional capacity of criminal prosecution and judicial bodies involved in 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 operations.
128. In the recent years, the Republic of Armenia has significantly improved **fiscal discipline**, mainly thanks 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. Organizations financed by the state budget are also accountable for every off-budget financial flow – both expenditures and revenues. On the whole, community budgets are also complete. However, finance management in state non-commercial organizations is done outside the budget management system, which limits the level of their accountability and makes it difficult to have a complete picture of revenues and expenditures of state non-commercial organizations.

129. In 2003-2007, the level of fiscal discipline **transparency** also increased: the state budget has become more transparent, the quality and accessibility of budget documents, financial reports and audit have improved. However, organizations providing public services with state budget means are not required by law to publish information about financial resources and the way they are spent. Units that have expenses are required to develop **programs containing strategic elements**. A document entitled the RA Public Finance Management System Evaluation Report 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.
130. In terms of accountability and transparency of the **state budget planning process**, the expected outcome indicators of expenditure programs, reporting and monitoring systems still need to be improved and clarified, and 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 amendment process. Nevertheless, the system of expenditures in Armenia is not completely electronic yet, while some of the Treasury's important operations are not automated and are paper-consuming.
132. The Republic of Armenia Government continues to introduce GFS 2001 indicators for budget classification and IPSAS indicators for **accounting and reporting**, which will make it possible to continue to improve the organization of the budget and transparency of reporting. Nevertheless, the transparency of state non-commercial organizations' reporting system remains limited.
133. Continuous improvement and development of an **internal audit** institute (a decentralized public finance oversight system) is an important current issue. The necessary reconditions for internal audit and its monitoring have been established. The legislative regulation of internal audit in the public sector has been brought in compliance with international standards. In 2004, the RA Government approved a development strategy for an internal audit system in the RA state and local self-governance bodies, their subordinate organizations, and state and community non-commercial organizations, which, in particular, will ensure a smooth transition from a strict mechanism of deep financial control to a decentralized internal audit system. Even though internal audit officers in all state bodies prepare audit plans and reports, internal audit is mainly limited to the examination of the appropriateness of functions. Approaches based on risk assessment are not used by internal auditors in practice, and processes of consistent application of internal audit evaluation and reporting are not satisfactory. The professional skills and experience of internal auditors, as well as the level of their independence, remain unsatisfactory. The qualification process of public finance management specialists does not comply with the best international practices in this area, 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 Republic of Armenia Control Chamber is the highest **external audit** body for public finance in Armenia. Its independent status is enshrined in the Constitution. The authority of the Control Chamber was expanded by law 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 being brought in compliance with international standards and indicators and in terms of institutional and professional capacity building. Official reactions to the RA Control Chamber's report on audit results are limited; sometimes these reactions come late, they are not complete and, mainly, do not mention any changes that need to be made.
135. The following is necessary in order to prevent corruption risks in the public finance sector:
- **Improve the RA Government's accountability before the legislative branch of power** by developing the professional capacities of NA standing committees to discuss current budget reports from relevant executive bodies responsible for budget implementation in their sectors and areas;
 - **Increase responsibility and accountability for budget allocations** by improving budget document preparation procedures, and by 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 introducing a mandatory requirement for organization providing public services with state budget money to publish reports on their financial resources and expenses, and expanding the public participation in the discussions of the draft state budget and the RA Government's report on state budget implementation in the National Assembly;
 - **Increase public finance planning accountability in the mid-term** by establishing baselines describing the current situation, targets and indicators, tangible, achievable and measurable expected results in strategic

programs, improving the methodological instructions for the budget development process, including monitoring plans and monitored indicators and risks in budget requests, and establishing clear scope of organizational responsibility in the budget implementation process;

- **Improve the functions and procedures for the state budget expenditure management** by improving business processes, clearly delineating staff responsibility, introducing monitoring, control and reporting procedures and a comprehensive and reliable data management system, and having a complete electronic management system in the treasury system;
- **Increase the level of accountability of the state non-commercial organizations' financing, as well as of providing subventions** by establishing reporting requirements by non-financial, content-performance-based indicators for 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;
- **Consolidate 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 capacity, experience and independence, bringing the auditors' professional qualifications criteria in compliance with international standards, and bringing the qualification process in compliance with the best international practices;
- **Develop an external audit system in the public sector** by strengthening the institutional and professional capacity of the RA Control Chamber, reviewing the professional qualification criteria for the Control Chamber's staff, introducing audit methods and procedures that are in tune with international standards, developing and introducing financial, functional compliance and effectiveness audit methods that are in tune with international standards, and having a stricter control over mandatory official reactions to RA Control Chamber's audit reports.

4.3. Public Procurement System

136. The legal and institutional frameworks for public procurement have been established in Armenia.

Nevertheless, the level of perceived confidence towards public procurement remains unsatisfactory. The level of procurement from a single source remains high in some public sector areas, particularly education and healthcare. The average number of bidders dropped from 2.7 in 2006 to 1.55 in 2007, which, parallel to the growth in the number of businesses, indicates that economic competition is threatened.

137. Legislation regulates the relationships related to the procurement of goods, work and services by state and local self-governance bodies, state or community institutions, the RA Central Bank, state or community non-commercial organizations or organizations where the state or communities have more than 50 percent of the shares. The legislation also defines the main rights and responsibilities of the parties in such relationships. There are no legal requirements or procedures for declaration of conflicts of interests by members of **bids commissions**, which are the most important organizational link in the organization of the public procurement process. The lack of such a requirement threatens the competitive environment and creates corruption risks.

138. The transparency and openness of the public procurement system is ensured by the official public procurement website and by public announcements. Nevertheless, because the information is published mainly in the Armenian language, it is accessible to local organizations only, which, in practice, limits the bidding by non-residents. **Citizens' complaints, suggestions and applications** about the public procurement process are reviewed by the state authorized agency in charge of public finance management, which also monitors the public procurement process, including SPA's activities. However, complaints about the procurement process are not reviewed by the organization that is independent of the procurement process, which would make it possible to react to complaints more effectively, thus reducing their number and the likelihood of them being contested in 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 a lack of appropriate procedures and institutional capacity, including a lack of experienced specialists in 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 marzes and rural communities. SPA's status makes it impossible to apply the requirements for a specialized service, particularly ethics and conflict of interest rules. SPA's employees are not civil servants. SPA's employees are not civil servants.

140. The legislation requires **procurement specialists to undergo training and retraining** and to have their qualification examined at least once every three years. However, this process does not take place properly in practice. The capacity to have an adequate procurement process in the RA communities, especially in rural communities, is extremely unsatisfactory because of the lack of appropriate professional qualifications and skills. Local self-governance bodies do not always use SPA's paid services when organizing a procurement process.

141. The following is necessary in order to prevent corruption in the public procurement process, and to ensure the transparency and openness of the process:

- **Strengthen the institutional capacity of authorized state bodies engaged in public procurement** by establishing a specialized unit in charge of initiating, operating and developing an electronic procurement system, providing high-quality specialists, modern communication technologies and adequate powerful means of communication, reviewing the State Procurement Agency's status, establishing qualification requirements for SPA head and staff members, introducing a system of education, training and qualification for procurement specialists, developing rules of conduct and conflict of interests for agency's employees, and establishing strict control 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 that regulate the public procurement system, including bid evaluation procedures, 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 control over the adherence to public procurement procedures** by increasing the quality of audit parallel to the decentralization of the procurement process and establishing individual responsibility for the heads of various agencies for following the procurement deadlines and procedures, improving procurement plans, establishing a legal requirement or procedures for bid commission members to declare conflict of interest, establishing procedures for organizations procuring goods or services to review complaints about the procurement process, and reducing the need to contest procurement decisions in courts;
- **Help create a favorable environment for lawful public procurement** by encouraging competitive types of procurement and various organizations' participation in bids, increasing the confidence towards bid commissions and ensuring competitive environment for public procurement.

4.4. Tax and Customs

142. The RA Government attaches great importance to reducing the corruption risks in the tax system, including by improving the tax administration. Some positive steps had been taken in the direction of getting rid of corruption in the tax service in the previous years. In 2005, a procedure for taxpayers to send their reports to the tax authorities by mail was adopted. The law provided for the possibility of cameral (office) examination in the area of tax services organizing and carrying out inspections. The RA Tax Service is following the guidelines regulating the procedures for identifying corruption cases and reporting them to the relevant authorities. However, the current oversight mechanisms mainly require tax officers to establish direct contacts with taxpayers, which is something that contains significant corruption risks. Taxpayers complain about the inequality and unfairness of tax administration. The lack or non-clarity of the relevant procedures create wide possibilities for discretion by tax inspectors in their decisions and solutions in various tax offices. The current complaints procedure does not fully meet the taxpayers' expectations.

143. Legislation was passed to regulate the peculiarities of **organizing and operating the tax service** and the legal status of persons holding positions in the tax service. A principle of staff rotation has been adopted in the tax service to prevent the forming of connections 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 based exclusively on the evaluation of professional qualifications. The attestation results have not been properly incorporated in the procedures for training and promotion of tax officers. The current system of attestation does not make it possible to have a complete evaluation of the tax officers' professional capabilities. The training mechanism for tax officers is also not working properly; trainings are irregular and are not based on a special curriculum. The internal audit function within the tax service is not complete and, essentially, is not working properly. Rules of conduct for tax officers and their enforcement are simply a formality.

144. Human factor is the most vulnerable thing in the tax system. Compared to European standards, the RA State Tax Service is especially behind in terms of human resource management policy and practice that would promote ethics and the staff members' good work and would support and protect them, as well as in terms of an effective internal communication system. The tax service is about 2.4 times behind the minimum European standards for communication between taxpayers and tax officers. Also behind from the point of view of European standards is the process of tax officers' performance evaluation and productivity management, including internal audit mechanisms.

145. The following is necessary to ensure transparency, openness, accountability and lawfulness of the tax service's operation:

- **Increase the effectiveness of human resource management in the tax service** by improving the system of remuneration and bonuses and gradually increasing the official pay rate for tax officers, improving the social

guarantees, introducing procedures to implement the principles of transparency and objectiveness in the process of hiring of tax officers, clarifying the procedures for mandatory education, training and promotion of tax officers, 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 procedures for rotation of tax officers, consistent and strict oversight over the lawfulness of tax officers' activities by a relevant unit within the tax service, completing rules of conduct for tax officers and consistently enforcing them, regulating conflicts of interests and introducing a system for declaration of conflicts of interests by tax officers, consistently applying tougher sanctions for violations of regulations related to conflicts of interests, introducing a system for analysis and monitoring of property and income declarations submitted by tax officers, and including anti-corruption subjects in on-going training programs for tax officers;

- **Continuously reduce direct contacts between tax officers and taxpayers** by expanding electronic tax service, requiring that tax reports are filed exclusively by mail or e-mail, establishing **information centers** for serving taxpayers, developing a self-evaluation system for selecting taxpayers subject to an inspection by tax authorities and for planning such inspections, introducing complete methods of analysis for tax control, introducing methods for assessing taxpayers' potential and cameral study methods and procedures, identifying corruption-related crimes in the process of investigating tax-related crimes, and identifying the ties between economic crimes and corruption-related offenses by applying adequate investigation techniques;
 - **Increase the transparency, accountability and lawfulness of the tax service operations** by establishing common internal procedures within the tax service, establishing control over their uniform application to all taxpayers and introducing 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 service, regularly making public the results of internal audit and the measures to prevent, investigate and prosecute corruption in the tax service, establishing control over the lawfulness of administrative proceedings initiated by tax service officials, clarifying the procedures for filing complaints against the tax service, operating a hotline that would enjoy the trust of the public and taxpayers and an effective feedback mechanism in the tax service's official website, and introducing effective procedures for cooperation between the tax service and the civil society institutions.
146. The following is necessary to ensure transparency, openness, accountability and lawfulness of the customs service's operation:
- **Increase the effectiveness and accountability of customs service management** by introducing customs officers' performance evaluation system and promotion procedures based on performance evaluation, introducing a principle of mandatory regular rotation of customs officers, introducing rules of ethics for customs officers and consistently enforcing them, introducing a customs control system based on the publication of annual reports on customs' activities and on risk management, expanding the system of self-declarations and the scope of entities submitting customs declarations by electronic means, developing the institute of customs brokers, introducing a two-channel (red and green) system for customs control of citizens crossing the RA customs border by road, monitoring the time it takes to complete customs formalities, introducing the "one-stop" principle allowing to pass control by the relevant authorities in one place and at one time, bringing the list of documents required for customs clearance in compliance with the best international practice, establishing simplified customs clearance procedures for vehicles transporting goods under the International Road Transportation convention, and establishing simplified procedures for diligent businesses;
 - **Ensure a fair distribution of customs burden between businesses and transparency and lawfulness of customs service** by prohibiting state servants' protectionism over business activities, clarifying and simplifying the legal regulation of customs administration, introducing transparent and simplified procedures, establishing clear standards for the determination of customs value and make them accessible, including by means of the internet, establishing control over the application of equal approaches to businesses in equal situations, informing the public about customs administration reforms, posting information about diligent businesses and businesses who broke customs law on the customs service's website, ensuring direct communication between the head of the customs service, citizens and businesses by means of the customs service's official website and hotline, and introducing a common system of technical support to businesses about customs procedures and information technologies.

4.5. Education Sector

147. In 2008-2009, the RA Government plans to improve significantly the quality of education and access to education for vulnerable groups of population. Significantly reducing the corruption risks in the education sector is a prerequisite for achieving this goal. The two main areas of the state policy for developing the education sector – 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 if the effectiveness of the sector’s management is increased.

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 said the education sector was corrupt in one way or another. Such a perception on the part of the people has to do with the fact that most people in the society have especially continuous and frequent contacts with the education sector. With this level of perceived corruption, the education sector is second only to the electoral system.
149. The most important anti-corruption measures in the education sector are preventative and educational/awareness-raising measures with wide involvement of the civil society. It is especially important to identify the corruption risks in the education sector and reduce them by means of procedural changes, to promote the usefulness of lawful procedures, to develop intolerance towards corrupt practices in the society and to apply moral punishment mechanisms.
150. Anti-corruption measures in the education sector are aimed at reducing the current 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 control over legality in the education sector and its capacity building should be aimed not only at identifying cases of non-compliance with legal requirements, but also at preventing corruption and turning the Inspection into a body that guides policy for educational development.
152. **The institute of decentralized management of educational facilities** is still in the preliminary stages of development, while participatory management and control processes are not given a proper role. The bylaws of educational institutions do not fully correspond to the existing practice. Information on school management is not adequately transparent and open. The existing procedures leave a lot of room for discretion in the selection and appointment of personnel, they are not sufficiently transparent and do not rule out conflicts of interests in making appointments and promotion; therefore, they do not guarantee the existence of high quality personnel in schools and honesty/integrity 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 review of their practical application experience.
154. Also of concern is the existence of unofficial payments in the education sector, as well as the regulation of services provided by and/or through educational institutions. 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 in general education schools is not properly ensured.
155. **Absences for non-compelling reasons** in general education **schools** also contain a number of corruption risks. These are manifested in studying outside the school, conflicts between students and between students and teachers, as well as children missing class in order to avoid the announced or expected money collection in the school. Also of concern is the problem of so-called “dead souls”, when an absent student is still considered present in all documents.
156. The following is necessary in order to ensure transparency, openness, accountability and lawfulness and to reduce corruption risks in the education sector:
- **Ensure continuous identification and prevention of corruption risks in education development policy** 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 RA education policy, and establishing a requirement and appropriate procedures for government representatives in the management bodies of higher and secondary professional education institutions to include issues related to the prevention and identification of corruption into the management body’s agenda;
 - **Increase management effectiveness and accountability in the education sector** by clarifying the separation of powers of bodies carrying out oversight functions in the education sector and bodies involved in inspections and studies in educational institutions, clarifying their functions, coordinating the activities of these bodies and ensuring inter-agency cooperation between them, developing legal tools and introducing procedures that are in tune 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 practical experience with the legal regulation of school management, comparing the sample school bylaws with the current practice, expanding the general

school network in the RA education sector and introducing an education management information system in line with the e-learning improvement concept, using the aforementioned information system to introduce clear procedures that would make complete information related to school management, including students' performance, available to the school community in a transparent and consistent fashion, introducing the practice of written communication between schools and parents by paper and electronically, introducing procedures to ensure the parents', teachers' and methodological councils' practical involvement in school management and control, expanding by law the role and the authority of students and student councils in high schools and introducing the relevant procedures, introducing procedures for regular inventory and electronic accounting in schools, ensuring stricter control over school absenteeism for non-compelling reasons, exercising strict control over students' transfer from one school to another in higher grades, regulating the existing unofficial payments in schools and introducing procedures to bring the money from the shadow to the legal field, introducing procedures for handling payments for services, donations and community's financial support for schools solely by non-cash transactions, and instituting a mandatory requirement to record in writing the nature and the purpose of any such transaction;

- **Increase the transparency, openness and lawfulness of the selection of personnel, appointment, promotion and regulation of work relationships in educational institutions** by regulating a competitive procedure for the selection of teaching staff, introducing clear mechanisms and procedures for the selection, appointment and promotion of personnel, developing job descriptions and common rules of conduct for staff members of educational institutions, establishing procedures for declaration of conflicts of interests in this part of public service, making teachers' personal files public documents and introducing procedures for their publication, and introducing an institute of self-regulated evaluation of educational institutions and teachers by civil society institutions;
- **Ensure the transparency and lawfulness of knowledge evaluation systems** by fully and consistently implementing an independent unified evaluation system based on best international experience, establishing external control over the evaluation system and introducing consistent procedures for internal control, regularly analyzing the unified evaluation system and the grades that exist in schools, regularly amending the general education policy based on such an analysis, ensuring the transparency of unified and graduation exam procedures, regulating the participation of a wide range of non-governmental institutions in monitoring of exams and introducing the relevant procedures, clarifying the powers of test administrators 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 sector are especially noticeable in the areas of healthcare management, financing and the provision of quality healthcare services. Low effectiveness of internal management of healthcare institutions, insufficient transparency and imperfection of oversight mechanisms, and improper use of state financing create favorable conditions for the emergence of corrupt practices.
158. According to a household survey conducted by the RA National Statistics Service, patients make "informal" payments in both polyclinics and hospitals. According to a corruption perception survey, carried out by CRD/TI in 2006, healthcare came first among the three most corrupt sectors and services. The study revealed that most respondents with an average monthly income of less than 50,000 Armenian Drams (AMD) mentioned healthcare as the most corrupt sector. The most common complaints about people's right to medical aid and services are related to receiving free or discounted drugs, procedures for the provision of free medical services guaranteed by the state, etc.
159. The basic healthcare services package (BSP) is more extensive than the capacity 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 institutions. Starting from 2000, contracts with hospitals employ the limited budget principle, the primary goal of which is to prevent state arrears in hospitals and uncontrolled upward distortion processes. However, the problem is not properly regulated yet, which often gives relevant officials an opportunity to use discretion when making 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 an upward distortion in the amount of state-financed services provided by an institution. Moreover, contracts signed between the State Healthcare Agency (SHA) and medical institutions stipulate in advance a limited annual budget for every institution, which is the maximum amount that a particular institution can get in state financing from SHA. As a result of such an arrangement, medical institutions do not get paid by the state for some services guaranteed by the state and provided by these institutions, which affects the medical institutions' accountability.
160. The area of **paid medical services** is almost unregulated. Prices for paid medical services and procedures for their provision are set by individual medical institutions. The pricing of paid services is aimed at increasing the unreported/shadow income.

161. The lack of medical aid **quality evaluation and control criteria** leads to incomplete treatment and cases where treatments produce no improvements, which are financed in accordance with the general principles. The people's **lack of information** is a serious precondition for increasing the cost of treatment. Patients, who are not aware of their rights and, particularly, of the range of services covered by state financing, make "informal" payments more frequently.
162. **Procedures for competition-based recruitment of personnel** in medical institutions have not been properly introduced yet, which creates favorable conditions for discretion in recruitment and protectionism. Additional corruption risks are created because of inflated staff lists caused by a lack of methodology and standards for calculating the optimal number of medical personnel, as well as by insufficient control over staffing estimation discipline on the part of the authorized state body. Medical personnel's low official salaries significantly contribute to the establishment of the practice of informal payments.
163. Corruption risks in the area of the RA **pharmaceutical sector** are present in various points of pharmaceutical turnover. The ratio of the shadow turnover 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 special purpose medicines are procured and distributed in a centralized way, the principles and procedures for identifying the demand for the pharmaceuticals procured in a centralized way are not defined. The system of centralized procurement of medicines is not transparent enough. The system for conducting adequate oversight over the fulfillment of contractual obligations for medication supply by bid winners is also deficient. The frequently of periodic review of the list of essential medicines is not regulated; such a review is done 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 track and distribution of medicines and other medical products make the comprehensive oversight of medication flows impossible. Twenty-six percent of the medication prescribed by hospital doctors is purchased by the patients themselves, even in the case when the medicines are available in the hospital. The patients treated through state funding obtain the medication 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 present themselves through cases of not providing medication by doctors, or providing less or more medication than needed. The process of providing free or discounted medicines is also deficient at the outpatient polyclinic institutions. There is still no procedure for mandatory destruction of medicines that 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 services guaranteed by the state, all groups of the population throughout the entire territory of the Republic are entitled to getting **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 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 there appear the risks of artificial increase of the number of calls serviced, to meet the contractual levels 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 January 1, 2006, medical assistance and services to all layers of population **in the Outpatient Healthcare Polyclinics (OHP)** are entirely provided within the state-funded schemes. However, there are risks of informal payments in the OHP level, especially with expectations to get high quality medical services. The analysis of the OHP system monitoring results shows that the shortcomings and deficiencies in the main document regulating the free or preferential provision of medication contain corruption risks. The non-rhythmic financing from the approved the healthcare budget results in cases of rejecting lawful needs for medication of the vulnerable groups. The calculation of the financial limits for obtaining medicines free of charge or on preferential terms is based on the 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 RA list of essential medicines is the main reason for declining the lawful demand for medication in case they are in conflict with the current requirements of the list.
166. The procedures necessary for meeting the legislative requirements related to ensuring the population's **sanitary-epidemiological safety** have not been adopted yet. The Republic of Armenia State Hygienic and Epidemiological Inspection operating within the structure of the RA Ministry of Health mainly carries out on-going oversight functions, rather than preventive, analytical and normative activities. The transparency and accountability of the oversight on the sanitary cards availability and proper level of conducting medical examinations are still unsatisfactory.
167. Thus, the following is necessary in order to ensure transparency and accountability and to reduce corruption risks in the area of healthcare:

- **Improve the pricing system in the healthcare sector and remove the conditions conducive to informal payments** by developing and introducing standards based on medical science and economics, setting realistic prices for medical aid based on the cost of services and realistic economic classifications, regulating by law the state regulatory mechanisms for prices for paid medical aid and services, reviewing and approving temporary pricelists for paid medical aid and services in state medical institutions by an authorized state body every year, introducing mechanisms for distribution of proceeds from paid services, toughening the authorized state body's control over medical facilities' adherence to expenditure priorities, justifying the introduction of financial compensation co-payment system by the difference between real costs of medical aid and the money allocated by the state, and by implementing comprehensive educational and awareness-raising about the principle of co-payment among the public and medical personnel;
- **Reduce the amount of shadow circulation of money, increase the transparency and accountability of state-financed medical aid, and increase the transparency and accountability of medical institutions** by continuously clarifying the range of healthcare services financed by the state and regularly reviewing and amending the BSP, introducing a mandatory health insurance system that would be a part of a comprehensive targeted social security system covering the majority of the population, ensuring that contractual volumes for state-funded healthcare are justified, analyzing previous years' performance and the possible growth in the use of healthcare services prior to signing contracts for state-funded healthcare, toughening the authorized state body's control over the signing of contracts for state-funded healthcare and preventing the possible upward distortion and losses for medical institutions, clarifying the list of medical conditions and diseases requiring urgent medical attention, ensuring the transparency and clarity of the list, establishing a common database for the RA healthcare system, introducing common electronic systems in medical institutions to keep track of medical, statistical and financial data, and posting the required information (in accordance with an approved list) on every medical institution's website;
- **Ensure the full exercise of patients' rights** by clarifying the legal regulation of the rights and responsibilities of patients and medical personnel, introducing practical mechanisms for the exercise of these rights, introducing complaints procedures for cases when these rights are violated, introducing targeted mechanisms for patient information, including state healthcare certificate, informing the patients about their rights and entitlements for state-funded medical services starting from the hospital reception, and establishing criteria for monitoring and evaluation of the quality of medical aid and services;
- **Ensure that healthcare personnel is selected on a competitive basis and that medical personnel correspond to their positions** by establishing procedures for competition to fill vacancies in medical institutions, establishing criteria for optimal number of medical staff, establishing control over approving the staff lists of medical institutions with state participation, and establishing common tariffs for medical personnel's minimum wage
- **Reduce the shadow turnover of pharmaceuticals and increase the efficiency of the pharmaceutical turnover system expert oversight** by ensuring legislative regulation of the pharmaceutical turnover system expert oversight, 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 capacity, continuously improving the pharmaceutical activities licensing system, introducing a pharmaceuticals demand assessment system within the framework of national projects, criminalizing the production and distribution of medicines not corresponding to the quality standards and counterfeit medication, establishing administrative responsibility for professional violations jeopardizing the medication quality and patients' health, establishing minimal requirements and state control over their fulfillment with regard to laboratory, clinical activities, as well as to production, supply and pharmacy activities;
- **Ensure the transparency, accountability and lawfulness of the state procurement of medication and the centralized distribution process** by considerably increasing the ratio of financial resources intended for the medication state procurement in the state budget allocations to the healthcare system, clarifying the regulations for the medication procurement processes, providing on-going observation of the prices for the pharmaceuticals included in the list of essential medicines and protecting competition in the relevant product markets, increasing transparency and accountability of the pharmaceuticals centralized state procurement processes, emphasizing oversight over the supply-related contractual obligations performance by the organizations winning in the bidding competition for centralized procurement of pharmaceuticals;
- **Ensure the transparency, accountability and lawfulness of the process of providing medicines free of charge or on preferential terms in outpatient polyclinics** by clarifying the regulation of reimbursement for the medication 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 essential medicines list, introducing mechanisms for targeted information on the rights of patients and medical personnel and

grievances thereof, creating electronic information systems on pharmaceuticals for the healthcare professionals and patients;

- **Ensure the transparency, accountability and lawfulness of the humanitarian aid medication receipt, storage and distribution** by clarifying the procedures of receiving, storing and distributing of medications through humanitarian aid channels, increasing their transparency, establishing adequate control over the humanitarian aid medication receipt, storage and distribution, introducing well-defined mechanisms for regulating the information flows related to humanitarian aid medication turnover and for redistribution of such medication, establishing the scope of work of the state authorized body coordinating the functions realized with the organizations providing humanitarian medication and examining the demand and balances, ensuring on-going surveillance of medication-related commercials and intensifying the oversight;
- **Ensure the transparency, accountability and lawfulness of the intra-hospital turnover of pharmaceuticals** by establishing expert oversight over the optimal schemes of pharmaceutical treatment and their application, intensifying control over the compliance with the spending prioritizations in the inpatient medical institutions, reviewing the financial sanctions defined on the contractual basis for not providing medication in medical institutions, mandatory inclusion of medication expenses in the paid medical assistance and establishing oversight thereon, clarifying the procedures of the pharmaceutical treatment committees' performance in hospitals, and establishing external control over their activities;
- **Ensure the lawfulness of the process of destroying the medications** by establishing a procedure for safe destruction of expired and unusable medication, ensuring control over its application and defining responsibility for any violations of such procedure;
- **Increase the efficiency, transparency and accountability of the emergency medical assistance service** by increasing the justification of prices for emergency medical assistance calls financed by the state, introducing reimbursement by the state of the urgent medical assistance actually provided to all those patients who directly apply to the emergency medical assistance station (department), introducing the state-funded emergency medical assistance servicing of calls into the medical institutions having emergency services within their structure, establishing intensified oversight over the performance of state-funded emergency services, regulating the paid emergency assistance activities and introducing the corresponding procedures, intensifying control of the financial transactions, defining priorities in the generated revenue distribution, introducing mechanisms of receiving and responding to the citizens' complaints and informing the population about such mechanisms, and assessing the degree of the population's satisfaction with the emergency medical assistance through surveys;
- **Increase the transparency, accountability and lawfulness of the outpatient healthcare medical institutions' performance** by intensifying control over the improper referrals of patients to in-patient hospitals by polyclinics, establishing proper oversight over the reagents, films and other products volumes purchased for the examinations carried out in medical institutions, clarifying the process of calculation of financial limits necessary for acquiring medication free of charge or on preferential terms and their distribution procedures, allocating medication intended for distributing free of charge or on preferential terms through licensed pharmacies operating on contractual bases, 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 financing and incentives systems based on the assessment of the quality of services rendered and the treatment effectiveness, setting realistic prices for medical services based on the real cost of such services;
- **Increase the transparency, accountability and lawfulness of the hygienic and epidemiological service performance** by reducing the volumes of the state oversight in the area of hygiene and epidemiology, improving the internal oversight system in economic entities, introducing an accreditation system for the entities involved in public health protection, intensifying the oversight over the availability of the public health protection personnel's personal sanitary cards and proper level of their medical examinations, and establishing procedures ensuring the transparency and accountability of the supervisory functions.

4.7. The Judiciary

168. In order for the fight against corruption in the judiciary to be effective, anti-corruption measures should cover the following areas: reducing the latency of corruption-related crimes, clarifying 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 level of remuneration and material guarantees, criminalization, financial transparency, honesty/integrity in the service, professional training 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 has been deemed an important way to unburden the courts in the second phase of judicial reforms. The establishment of mandatory mediation procedures as an anti-corruption measure has been included also in the RA Council of Court Presidents' Decision No. 92 of February 21, 2006 "On Approving the Draft Anti-Corruption Strategy for the Republic of Armenia Judiciary."
170. To establish an **alternative dispute resolution method**, the RA Law on Commercial Arbitration was adopted in 2006, 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. Because some provisions of the RA Law on Commercial Arbitration and the RA Civil Procedure Code are not clear, the possibility of using arbitration to resolve some disputes (particularly labor 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 some areas of public law, which limits the possibility of the possibility of replacing formal judicial procedures by alternative dispute resolution methods or simplifying the judicial procedures for such cases.
171. **Material and social guarantees of judges' activities** are the most important elements of a mechanism to ensure impartiality of judges and their administration of justice solely on the basis of the law. Judicial salaries remain inadequate in the Republic of Armenia. The salaries of judges in the Republic of Armenia are lower than the judicial salaries in Eastern European, Baltic and some CIS countries, considering the number of judges in Armenia and their workload. The improvement of material and social guarantees for judges should go hand-in-hand with **stricter liability** for violations committed in the process of exercising the judicial power, which is manifested in stricter liability for judges taking bribes, passing obviously unfair judicial decisions, verdicts or other judicial acts for personal gain or other personal reasons, or failing to carry out their duties as required by law that would contribute to solving and preventing corruption-related crimes.
172. **Illegal interference with the exercise of judicial power** is the most frequently encountered phenomenon creating particularly favorable 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 RA Council of Court Presidents, then he/she is subject to disciplinary proceedings. Nevertheless, disciplinary liability is not a significant deterrent to prevent the judges from not reporting the illegal interferences with their activities. Also, the ethics committee has no mechanisms to identify cases of judges not reporting such interference.
173. **Judges' declaration of conflict of interests, income and property** is of great importance for establishing control over them and identifying cases of illegal acquisition of property and income. At present, judges submit their income declarations in accordance with the RA Law on Declaration of Property and Income by Physical Persons. If the RA Council of Court Presidents' finds that the information on a gift received by a judge or his/her relatives is incomplete or suspicious, then it can initiate a discussion of the matter with the participation of the judge in question. The RA Council of Court Presidents' ethics committee reviews complaints from citizens and legal entities only if they are related 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, ensure public's access to information, 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 RA Judicial Code provides for a mechanism of judicial appointments that makes it possible to increase the professional qualifications of persons filling judicial vacancies. The RA Judicial School opened in 2008. It organizes professional training for persons included in the list of judicial candidates and annual training for judges on the basis of relevant curricula developed by the school. However, the current length of the training and internship makes it impossible to apply effective methodology and to achieve the training goals fully. In order to be appointed as judges, prosecutors, advocates and investigators must go through individual training courses in the RA Judicial School after they get included in the list of judicial candidates. However, the RA Judicial Code does not stipulate the minimum duration for such individual courses and the requirements such courses must meet. The only thematic anti-corruption course offered by the RA Judicial School to judges in 2008 was on combating money laundering and financing of terrorism.
175. Thus, the following is necessary in order to reduce corruption risks in the judiciary:
- **Expand the use of alternative dispute resolution methods** by clarifying certain provisions of the RA Law on Commercial Arbitration and the RA Civil Procedure Code in order to expand the legal framework for using arbitration as an alternative dispute resolution method, encourage the use of arbitration in labor disputes and in some areas of family law, and developing legal regulation of mediation;
 - **Improve the material and social guarantees of judges' activities and, at the same time, toughen the penalties for violations committed in the exercise of judicial power** by taking steps to increase the base

salary for judges of courts of general jurisdiction, introducing a mechanism for analyzing the dynamics of the country's social-economic situation and, based on it, calculating an effective and adequate salary rate for judges, reducing the significant difference in salaries of judges of different level courts, introducing tougher sanctions for violations committed by judges in the process of exercising judicial powers (in particular, tougher sanctions for judges taking bribes, passing obviously unfair decisions, verdicts or other judicial acts for personal gain or for other personal reasons), toughening the criminal sanctions for the crime of any interference with administration of justice, and improving the mechanisms for detecting cases of failure by judges to report any illegal interference with the administration of justice to the ethics committee;

- **Ensure the transparency of and control over judges' declaration of conflicts of interests, income and property** by increasing the role of the Council of Court Presidents' ethics committee in ensuring the transparency of the judges' financial means, including by giving the ethics committee a possibility of reviewing the judges' financial transparency issues on the basis of reports from citizens and physical persons and establishing clear procedures for such a review;
- **Improve the professional training of candidates for judges' positions and training for judges** by increasing the length of training in the RA Judicial School in line with the internationally accepted standards, providing a sufficient time to have an effective internship in all judicial instances, regulating by law the minimum length and requirements of individual training for those candidates for judges' positions who are prosecutors, advocates or investigators, and introducing the mandatory subjects of preventing and combating corruption and rules of conduct for judges in the training guidelines approved by the RA Council of Court Presidents, and requiring judges to take mandatory training on these subjects as part of their annual training requirement;

4.8. Criminal-Executive Service

176. A consistent fight against corruption in the area of justice should cover also the next phase, i.e. the phase of execution of sentences. At the same time, a reduction of corruption risks in investigative bodies could not lead to positive results unless it is coupled with combating corruption in places of detention. In this regard, reducing corruption risks in the criminal-executive service, which performs these functions, is a separate area in the fight against corruption.
177. **Improvement of oversight and internal control mechanisms** is very important for reducing corruption risks in the criminal-executive service. At present, there are mechanisms for judicial, administrative and public oversight over bodies and facilities involved in the execution of sentences in the Republic of Armenia, as well as national and international mechanisms. In terms of reducing corruption risks, all these mechanisms are important: the judicial oversight, which is carried out by means of judicial review of convicts' complaints against actions by administration of bodies or institutions involved in the execution of sentences, and on-going public and administrative oversight over the execution of sentences.
178. **Public oversight** over the execution of sentences is carried out by means of a public observers' group established at the RA Ministry of Justice. Public observers have unimpeded access to penitentiaries without special permission. The public observers' group is authorized to study the situation in criminal-executive institutions and bodies, draw conclusions and provide recommendations, as well as proposals on how to improve the criminal-executive legislation, to the RA Ministry of Justice and to the public. The goals, operating procedures and the composition of the public observers' group are established by an order of the RA Minister of Justice. The group's composition is approved by the RA Minister of Justice. The group may include 7 to 21 observers serving five-year terms. The group's mandate, procedures, structure and composition make it possible for the group to serve as a working mechanism in the fight against corruption.
179. The group submits three types of reports to the RA Minister of Justice – current, annual and ad hoc reports. The Minister then comments on these reports. Reports are tools for the group to raise problems discovered during their monitoring and to submit their recommendations. Making these reports public and accessible is an essential factor for ensuring the transparency of the public observers' oversight function.
180. Civil society's proper capacity and activeness in matters of observation missions is also important for the effective operation of the public observers' group. Observers work for free. This is an important guarantee of their independence from the state apparatus; on the other hand, sometimes this causes people to be less eager to get included in the group. In addition, the observers' group needs continuous technical assistance, including in terms opportunities to get acquainted with the best international experience. This issue is currently addressed mainly by grants.
181. **The mechanism of administrative oversight** over the criminal-executive service also needs to be improved. According to the RA Criminal-Executive Code, administrative oversight over bodies and institutions involved in the execution of sentences is carried out by superior bodies and their officials, in accordance with procedures established by the RA Government. Considering the fact that the criminal-executive service is a separate unit within the RA Ministry of Justice, administrative oversight over the service should be carried out by the RA

Ministry of Justice. According to the RA Law on Criminal-Executive Service, the RA Minister of Justice carries out general oversight over the criminal-executive service. Given the structure of the RA Ministry of Justice, this oversight should be carried out by the ministry's oversight department. However, the process of administrative oversight by the oversight department of the RA Ministry of Justice is not fully regulated. In particular, there are no target areas for oversight, no standards and mechanisms to evaluate the effectiveness of the criminal-executive service, etc.

182. The material-technical upgrading of criminal-executive facilities and a reduction in the direct involvement of criminal-executive service employees in the exercise of some lawful rights by persons serving their sentences are important in terms of combating corruption in the criminal-executive service. One of the peculiarities of the criminal-executive service is that cases of corruption, related to hindering the convicts' exercise of their rights or a normal exercise of these rights, often take place if there are no automated systems in place. The dependence of the normal exercise of convicts' rights on criminal-executive service employees causes significant corruption risks.
183. Having sufficient staff is an important factor for reducing corruption risks in the criminal-executive service. Criminal-executive service is a state service that is not appealing to the public. However, in order for the service to operate properly, it is necessary to attract people with appropriate qualifications and knowledge to work for the service. Currently, junior positions in the criminal-executive service may be staffed by citizens with at least secondary education. At the same time, requiring higher level of education or better professional qualifications may lead to a shortage of employees in the criminal-executive service. The RA Law on Criminal-Executive Service provides for a rather flexible remuneration system for criminal-executive service employees. There are also certain social guarantees for criminal-executive service employees in the RA Law on "Social Security for Military Servicemen and Members of Their Families," according to which criminal-executive service employees are considered equivalent to military personnel (not in terms of status, but in terms of social guarantees) and are, therefore, eligible for the same social benefits and guarantees. Nevertheless, the official base salary for criminal-executive service employees remains low (12,000 AMD in 2006-2008).
184. In order to reduce corruption risks in the criminal-executive service, it is important to prevent criminal service employees and persons kept in criminal-executive facilities from getting too close to each other. Risks of growing closeness arise in the case if a criminal-executive employee works in the same facility for too long, and they affect persons serving their sentences in that facility. As a result of such growing closeness, personal relationships are established between the administration of the criminal-executive facility and the persons serving their sentences there, and such relationships hinder the normal implementation of the criminal-executive service's functions. The RA Law on Criminal-Executive Service provides for a possibility of transferring a criminal-executive service employee to another equivalent position without his/her consent, if such a transfer is necessary for the service. Such a transfer is possible if the said employee has served at least one year in his/her position. Another provision regulates transfer of a criminal-executive service employee to an equivalent position during the period of time when a person with close family or in-law family ties to the said employee (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 criminal-executive facility. Moreover, transfer to an equivalent position in the aforementioned cases is considered a right rather than an obligation. At the same time, the law stipulates that criminal-executive service employees in the highest positions, as well as heads of criminal-executive facilities are transferred to other positions by the RA Minister of Justice, at a recommendation of the head of the criminal-executive department, while employees in chief, leading, middle and junior-level positions are transferred by the head of the criminal-executive department. There is no common practice on how to determine if a transfer is necessary for the service. Given this lack of a uniform practice and the authority of the official to use discretion when transferring employees from one place to another, such transfers cannot serve as a practical tool for preventing the growing closeness between employees and convicts and conflicts of interests.
185. The following is necessary in order to reduce corruption risks in the criminal-executive sector:
- **Improve mechanisms for public and administrative oversight over the implementation of criminal-executive service functions** by introducing measures to encourage civil society's active involvement in the public observers' group and providing continuous technical support to the group, publishing the reports of observers' group and the relevant commentary by the RA Minister of Justice on the ministry's official website, clarifying the functions of the oversight department of the RA Ministry of Justice, establishing administrative oversight procedures, and developing and introducing standards for evaluating the effectiveness of the criminal-executive service;
 - **Reduce the direct involvement of criminal-executive service employees in the exercise of the rights by persons serving their sentences** by introducing automated systems, technically upgrading the existing criminal-executive facilities and developing their infrastructure, and building new criminal-executive facilities in line with international standards. In this regard, it is important to develop a long-term strategy to improve the infrastructure of criminal-executive facilities;

- **Encourage high-quality personnel to come to work for the criminal-executive service** by strengthening the material and social guarantees that would make the service more appealing (in particular, increasing the salary), introducing objective criteria for suitability for positions, and reviewing and improving training programs for criminal-executive service employees.

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 activity of public 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 and ensuring proper control over their implementation.
187. Ruling out the process of applying to various agencies and getting documents from them that are required for state registration of legal entities is important for reducing the corruption risks. Thus, commercial legal entities are required to go to a bank to pay the legislatively established state duty for registration of a legal entity, and then go to the tax authorities to get a taxpayer’s code. Within a single registration process, a person has to deal with a number of state servants, which increases the possibility of corruption risks. In this regard, progress has been made with the adoption of a new law on company names in 2008, which allows entrepreneurs to go directly to the state registration body instead of the past requirement to submit a decision of an authorized body on state registration of a company name.
188. The mechanism of state registration of dissolution of a legal entity needs to be improved. Currently, the process of dissolution is often delayed in the state register of legal entities, because legal entities and private entrepreneurs wishing to register the dissolution are required to submit to the regional state register offices statements from tax authorities certifying that they have no outstanding debts to the state budget and to social security. It takes 30 days for tax authorities to reply to such requests. A failure to reply within the established period of time or sending a different reply is considered a confirmation of the fact that there are no outstanding obligations. The legal entity is considered dissolved at the end of the 30-day period or after a reply from the tax authorities is sent, and a dissolution certificate is issued within one business day. Giving a 30-day period to provide a statement increases the possibility of discretion on the part of tax authorities and creates favorable conditions for corruption.
189. An important prerequisite for an effective fight against corruption in the area of state registration of legal entities is an improvement of oversight mechanisms used by the RA Ministry of Justice. The problem of internal control has to do with oversight procedures being insufficient and the legal consequences of their results being under-regulated.:
190. Based on the need to introduce mechanisms to verify the founders’ criminal background and professional qualifications at the time of state registration of legal entities, amendments to the Law on Registration of Legal Entities have been proposed. According to these proposed amendments, registration of legal entities may be refused if the founder of that legal entity has been convicted for any crime described in Articles 187-216, 217.1, 308-313 of the RA Criminal Code. The introduction of this mechanism will further increase the reliability of the RA private sector.
191. The following is necessary in order to reduce corruption risks in the area of state registration of legal entities:
- **Simplify the process of state registration of legal entities** by approving sample documents (templates) required for state registration of legal entities and making them available through the Ministry of Justice official website, upgrading the technical equipment of the state register of legal entities and creating a possibility of state registration online, and introducing mechanisms to conduct criminal background check on the legal entity’s founders during 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 company names, creating a possibility of search and company name registration online, developing a mechanism of online acquisition of a taxpayer’s code, establishing procedures for getting the documents from other state agencies required for registration through the state register of legal entities, and regulating the cooperation between the state register of legal entities and other state agencies in order to ensure fast and efficient state registration;
 - **Simplify the procedures for registration of dissolution and reorganization of legal entities** by introducing automated systems for getting the documents required for dissolution, reducing the timeframes for providing the documents on the lack of outstanding debt and for registration of dissolution, simplifying the registration process prompted by reorganization of a legal entity and limiting it to a single level within the authorized body;

- **Improve administrative oversight mechanisms applied within the authorized state body** by reviewing the oversight methods applied to the activities of state register bodies, and establishing procedures for summarizing their results.

4.10. Judicial Acts Enforcement Service

192. Reducing the corruption risks in the area of enforcement of judicial acts is vitally important from the point of view of fighting 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 legal regulation in the area of judicial acts enforcement is relatively flexible, giving enforcement officers wide possibilities for discretion. Thus, if different types of property are available in the same order of priority, then the sequence of extending confiscation on these is determined by the enforcement officer. Such flexibility gives the officer an opportunity to be maximally guided by the interests of the enforcement efficiency. However, the motivations of the compulsory enforcement officer for proper assessment of such interests are not satisfactory. The parties, of course, are entitled to file complaints against the actions of the compulsory enforcement officer at a court. However, the complaints related to the exercise of discretionary powers, especially in the case when no violation of the enforcement procedure has been made by the enforcement officer, are not always an effective means of defense and a deterrent for the enforcement officer to duly fulfill his/her responsibilities. One of the reasons for this is the absence of the legislative stipulation of the enforcement principles. The only provision about enforcement officers considering the interests of persons is contained in Article 45 of the RA Law on Enforcement of Judicial Acts, according to which enforcement officers are required to use their rights in accordance with the law and not to allow their actions to violate the rights and lawful interests of citizens and organizations.
194. The enhancement of the technical possibilities of identifying the debtor's property subject to be confiscated under judicial act enforcement is also an important condition for reducing corruption risks in the area of enforcement of judicial acts. Although the RA Law On Enforcement of Judicial Acts prescribes that the debtor shall be obligated to provide information to the 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 to responsibility up to criminal punishment, in practice it is necessary to launch an investigation for the debtor's property in order to carry out the enforcement. If there is no information about the location of the debtor's property, the enforcement officer takes a decision on starting investigation for the debtor's property. The investigation of the debtor's property is fulfilled through inquiries sent to the real estate cadastre, state register, depository, tax, customs and state motor licensing and inspection bodies. The law does not regulate the issue of other tools for identifying the debtor's property.
195. Finally, the improvement of oversight mechanisms by the RA Ministry of Justice is greatly important also for the service providing enforcement of judicial acts - a separate subdivision within the structure of the Ministry of Justice, in terms of ensuring the efficiency and controllability of its activities.
196. Thus, the following is necessary in order to reduce corruption risks in the area of enforcement of judicial acts:
 - **Increase the capacities for identifying the debtor's property by the compulsory enforcement bodies** by studying the best international practices in the area of identifying the debtor's property, and developing the capacity of enforcement services and mechanisms for cooperation with other agencies;
 - **Improve the oversight mechanisms within the RA Ministry of Justice** by reviewing the oversight methods applicable to the performance of the judicial acts enforcement service and defining procedures for summarizing the relevant results.

4.11. The Police Service

197. The legal and practical gaps giving rise to corruption risks in the area of **enforcement of traffic rules** have not been fully closed yet.
198. **Ensuring traffic safety and applying administrative sanctions for traffic rule violations** remain one of the most vulnerable areas of the traffic police activity. Traffic rules were established by the RA Government's Decision "On Approving the RA Traffic Rules and the List of Defects and Conditions That Prohibit Operation of Vehicles" (henceforth referred to as traffic rules), adopted in 2007. In 2007, the RA Code on Administrative Offenses was amended to toughen significantly the sanctions for traffic rules violations. However, the wording of

traffic rules themselves and the descriptions of offences in the Code on Administrative Offences are not perfect and contain some unclear language, which makes it difficult for average citizens to understand them properly in practice.

199. **Lawfulness and legality of applying administrative sanctions** is a subject that is raised frequently and creates problems in the context of applying administrative sanctions. In reality, administrative acts are faulty and hardly meet the requirements for written administrative acts, as stipulated in the RA Law on Administrative Procedure and Principles of Administration. The administrative sanction acts filled out by traffic police often lack the description of the problem, grounds for filling out the act, deadlines for appeal and the names of bodies, including courts, where appeals can be filed. In some cases, it is even unclear where specifically traffic rule violation took place. The same applies also to protocols on administrative offenses. However, the traffic police bodies do not back their administrative acts with relevant evidence that would be important for resolving the case, should it be contested later. 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 body shall be considered credible in all cases, unless the administrative body proves the opposite. Such a position has been reflected in a number of administrative court decisions, which recognized some traffic police administrative acts to be unlawful and void.
200. Allowing traffic police officers to **apply administrative sanctions and collect the applicable fine on the spot** and, at the same time, making administrative sanctions tougher (increasing the fines), has resulted in a new increase in corruption risks. Essentially, this created conditions for tempting the offenders to come to an agreement with police officers so that the former get punished for a lighter offense instead of the more serious one that was committed.
201. In terms of applying sanctions for traffic rule violations, there is a big threat of **discretion in determining the types of liability and the gravity of sanctions**. As a result, the principle of individualizing the punishment is not really applied in practice. Moreover, there is also a problem of tougher penalties for some repeat offenses, provided for in the Code on Administrative Offenses. At the same time, some types of administrative sanctions, such as taking away the vehicle's license plates or the driver's license, are abused especially in cases when no such sanction is prescribed for the specific offense, which causes significant difficulties and additional costs for drivers.
202. **Proper road marking** is also an important pre-requisite for reducing corruption risks in the sector. Insufficient visibility of road markings or their complete absence is used as a good loophole to sanction drivers. Abuses of the power to place road signs, over-regulation or wrong regulation of traffic are all an important problem from the point of view of reducing the risks of corruption.
203. **Issuing driver's licenses** is another important function of the road police, where there have been significant corruption risks over the years. The issue is to ensure transparency of driving tests and not allow any manifestations of discretion. In 2008, the RA Government approved a new procedure for driving tests and issuing driver's licenses, which regulates in detail the process of theoretical and practical tests required for getting a driver's license. However, it will take time to test this procedure in practice from the point of view of corruption risks.
204. **The number of traffic accidents** in the country is an important criterion that gives an idea of how effective is the traffic police. According to the police, the number of accidents continued to grow in the first half of 2008. Finding out the exact number of traffic accidents and making it public shows the work of traffic police, makes it possible to draw conclusions about the effectiveness of the measures that have been undertaken. Determining the circumstances of traffic accidents and creating accident schemes, where discretion and interests may be possible, creates notable corruption risks. The drivers' ignorance on how to analyze the schemes creates additional corruption risks.
205. **The extra-budgetary material incentives and technical development fund** of the traffic police is aimed at increasing the effectiveness of ensuring traffic safety. From the point of view of lawfulness of the police activity, it is important to ensure the transparency of proceeds to and expenditures from the fund, especially in terms of the administrative fines collected for violations of traffic rules.
206. **Citizens' ignorance of many secondary legislation acts** related to the authority given to traffic police also creates corruption risks. This allows officials to abuse their powers, draw citizens into an unnecessary bureaucracy and impose obligations not prescribed by law. Moreover, instead of explaining the relevant procedures to citizens and make them available to all, their legal ignorance 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 RA passports in compliance with international requirements, the RA Government approved a timetable of activities to be implemented under the concept of the RA migration system and introduction of biometric passports and identity cards. In the context of these reforms, new corruption risks are developed by allowing police officers to apply administrative fines in border-crossing points for violations described in Article 201 of the Code on Administrative Offenses.

208. Problems in the process of **issuing passports and extending their validity** arise mainly because the issuing of passports and validating their for trips abroad is time consuming. The length of time it takes to issue new passports has to do with 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 lengthy process (about two weeks). At presents, steps are being taken to introduce a system that would make it possible to send these documents electronically, which would make it possible to reduce the time it takes to issue a passport significantly.
209. New procedures adopted in 2007 clarified the list of documents to be submitted by foreign nationals to the relevant authorities to be issued an **entry visa**, as well as the procedures for reviewing visa applications, issuing visas and extending their period of validity. From the point of view of avoiding corruption risks, an important step was to start collecting state duty for visa issuance and extension, as well as the relevant fines, by means of banks only, unlike the practice before, when these fees could also be paid in cash on the border or in the passport and visa department of the police, often without a receipt.
210. The **lack of transparency** in police activities and the lack of public debate deepen the police's alienation from the society and the lack of public trust towards the police. It is also important to improve the quality of work and services of the police units that come into especially close contacts with the public.
211. The following is necessary in order to strengthen the public's trust towards the police and to introduce effective anti-corruption mechanisms:
- **Improve traffic rules and norms prescribing sanctions for violating these rules** by getting rid of unclear wording and norms that leave room for a variety of interpretations, removing the dangers of discretion when choosing the types of liability and penalties, as well as removing other obstacles creating pre-conditions for breaking traffic rules;
 - **Increase the transparency, openness and accountability of traffic police activities** by introducing procedures to ensure the transparency of the police material incentives and technical development fund's proceeds and expenditures, and by introducing procedures to ensure access to statistics about traffic accidents and administrative offenses committed;
 - **Ensure adequate situation with organizing traffic furnishings and road markings** by clarifying the procedures for organizing effectively the process of placing road signs in proper places and removing the signs that are placed improperly or that cause obstacles, introducing working procedures for cooperation between traffic police and community bodies on these matters, introducing procedures to ensure the openness of the process of traffic furnishing and road sign placing, and continuously monitoring their effectiveness;
 - **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 duly notified if a notice was sent to the person's address as stated in the state register (even if the person actually resides elsewhere);
 - **Introduce legal norms to ensure inviolability of personal information** by establishing legal consequences for not reporting proper information to the state register of population, residing without an identity card, state register officials failing to provide information required by law or providing incomplete information;
 - **Ensure the lawfulness and increase the responsibility of police activities** by ensuring that administrative acts on administrative liability are lawful and meet legal requirements, improving access to procedures for appealing against police officers' actions, toughening the mechanisms of control over the legality of police actions parallel to increasing significantly the police officers' salaries, and increasing the risk and inevitability of punishment for income generated by illegal payments;
 - **Ensure proper quality of police organs' work and service to the public** by minimizing the need for intermediary police units and officer-citizen contacts, introducing procedures to encourage cooperation between the public and the police and civil society participation, increasing public awareness of police activities, and by ensuring proper coverage of citizens' rights and responsibilities and administrative processes.

4.12. Political Sector and Political Corruption

212. In the Republic of Armenia, risks of political corruption are noticed in the organization of elections, political party financing, carrying out charitable work for political purposes, and in the legislative, executive and judicial branches of power. Persons with political influence, particularly persons occupying political positions with political decision-making power, are subjects of political corruption.

213. The National Assembly plays a key and decisive role in the development and implementation of the RA anti-corruption policy in the Republic of Armenia. In this regard, it is important to establish high standards for the **conduct of each and every parliamentarian**. Citizens of the Republic of Armenia have the right to expect proper behavior from parliamentarians both in and out of the National Assembly. The need to adopt rules of conduct for the RA National Assembly members also stems from the UN Convention against Corruption. The importance of adopting codes of conduct for parliamentarians is also mentioned in the Global Organization of Parliamentarians against Corruption (GOPAC) resolution on Codes of Conduct for Parliamentarians.
214. Issues related to rules of conduct of the RA National Assembly members are not fully and adequately regulated at present. Some provisions covering parliamentarians' conduct are provided for by law. . In particular, parliamentarians are supposed to take an oath when starting their term in office, but there are no consequences for refusing to do so. Every parliamentarian must register and vote in person, which is not always the case. There are no specific sanctions for these violations. The current system of sanctions is flexible, but it needs to be made more concrete by types of violations and by defining clear procedures and timeframes for an authorized body to make note of violations in every case and apply the appropriate measures. During his/her speech about the procedure of conducting the National Assembly session, the parliamentarian 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 parliamentarians engaging in entrepreneurial activity, clear legal regulation of issues related to parliamentary immunity, improvement of the system of parliamentarians' 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 issues related to conflicts of interests of the RA NA members. On the whole, there are no adequate legal mechanisms to enforce the constitutional bans on parliamentarians engaging in entrepreneurial activities or taking up other paid work. Other forms of parliamentarians' participation in a company's economic activities, which would not constitute entrepreneurial activity, are not defined. There are no procedures to regulate the paid research, teaching and creative work by parliamentarians that would make sure that legislators do not circumvent the constitutional provisions and do not get guided by private interests of others. Under the Constitution and the Law on Rules of Procedure of the National Assembly, parliamentarians are not required to notify the relevant authorities when taking positions or jobs under Article 65 of the RA Constitution. Also, there are no procedures for finding out whether or not a parliamentarian violated the conditions of Article 65 of the RA Constitution and 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 view of preventing corruption. When draft laws or draft NA decisions are discussed in relevant standing committees, the participation of non-governmental associations and individual citizens may take a form of being present at NA committee sessions and participating in the discussion of draft laws or recommendations related to the drafts, if they are the authors of these drafts. Representatives of non-governmental organizations who had provided recommendations on the drafts or citizens can only be present at committee sessions if the committee passes a decision to invite them. The law contains no procedures for notifying 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 created by committees.
217. The following is necessary in order to reduce political corruption risks and to increase the transparency, openness and accountability of the legislature:
- **Develop rules of conduct for parliamentarians** by regulating the relations connected with rules of conduct for the National Assembly with the RA Law on Rules of Procedure of the National Assembly and providing for main principles of legislators' conduct in the rules of conduct, establishing rules of conduct for parliamentarians during National Assembly and standing committee sessions, establishing rules of conduct for parliamentarians in their relations with state and local self-governance bodies and their officials, non-governmental organizations, the media, in foreign states and with foreign persons, developing rules of behavior for parliamentarians in working with NA staff members and with voters, establishing sanctions 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 parliamentarians engaging in entrepreneurial activities** by establishing a ban on parliamentarians becoming private entrepreneurs and defining forms of participation in a business that are allowed or not allowed, establishing procedures for parliamentarians to engage in research, teaching or creative work and to get paid for it, establishing procedure for parliamentarians to notify immediately the relevant National Assembly committee about engaging in entrepreneurial activity or violating other conditions stipulated in Article 65 of the RA Constitution, and establishing procedures for measures to be taken by the relevant National Assembly committee if violation of Article 65 of the RA Constitution is discovered or when the fact of such a violation is discussed;

- **Enforce the constitutional provision on terminating a parliamentarian’s powers if he/she is absent for no compelling reason** by clarifying procedures for terminating a parliamentarian’s powers if he/she is absent for no compelling reason for more than half of the votes during one regular legislative session, as described in Article 67 of the RA Constitution, by reviewing the provisions that allow the National Assembly Speaker and the NA standing committee on state and legal affairs to excuse parliamentarians’ absences, clarify as much as possible all the cases when parliamentarians’ absences from NA voting are excused, which would include cases when a parliamentarian is in detention, temporarily incapable of work, on a business trip and on paid vacation and establish a list of documents required to verify the reasons for absence in every individual case, 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 parliamentary immunity system** by establishing clear rules to identify the parliamentarians who abuse their parliamentary immunity, inform the public about them and apply sanctions against them, establishing a parliamentary immunity system that would rule out the possibility of politically motivated prosecution, and developing journalists’ capacity to conduct journalistic investigations into abuses of parliamentary immunity and to inform the public about the results of such journalistic investigations;
- **Improve mechanisms for parliamentarians’ declaration of interests** by establishing procedures and conditions for declaration of interests in rules of conduct for parliamentarians, requiring parliamentarians 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 parliamentarians in case of conflict of interests, prohibiting parliamentarians’ exercise of their powers by the order of others or to the benefit of other people, preventing other people from using their family, social, official or other position to influence a parliamentarian’s decision, requiring parliamentarians to recuse himself/herself from 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 parliamentarian’s impartiality, establishing grounds for recusal, and defining the notion of economic interest;
- **Complete all the norms related to parliamentarians receiving gifts** by legally regulating the issue of officials receiving gifts, defining the notion of a gift in such a way as to include property sold or services provided at disproportionately low prices, loans and free use of someone else’s property, establishing procedures for accepting gifts, adopting procedures to prevent parliamentarians 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 parliamentarians from such actions, define exceptions when the gift ban should not be enforced, set a value threshold on acceptable gifts and require parliamentarians 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 effective civil society participation in the legislature’s activities** by introducing a procedure in the RA Law on Rules of Procedure of the National Assembly requiring parliamentary hearings on introducing a draft law or a draft NA decision, if at least one percent of citizens (who had the right to vote in National Assembly elections) signed in support of the said draft, allowing the people who participated in the development of draft laws to be 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 recommend 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 national and local self-governance elections. 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 prerequisite for an effective and real fight against corruption in the Republic of Armenia.
219. The compliance of Armenian elections with international standards largely depends on election observation missions carried out by reputable specialized international organizations. As a result of being amended many times, the **RA Election Code** has been brought in compliance with international standards. Nevertheless, electoral processes need continuous improvement. From the point of view of increasing the effectiveness of the fight against corruption, the most vulnerable areas include the compilation of voter lists and removing any inconsistencies in them, 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-tier system of **electoral commissions** to organize and conduct elections.
221. The Central Electoral Commission is made up of representatives from each party or alliance with a faction in the National Assembly, one member appointed by the RA President and two judicial servants appointed by the RA Council of Court Presidents. During the 2008 presidential election, most of the territorial electoral commission chairpersons, deputy chairpersons and secretaries were nominated by the political forces that had formed the government of the Republic of Armenia. According to observers, electoral commissions must be more balanced in their composition. Some parties had difficulties with appointment of members of precinct electoral commissions, which indicates that the current mechanisms of forming the electoral commissions are faulty. 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 are problems with Article 401 of the RA Election Code, which defines the procedures for reviewing applications (complaints) and proposals in commissions, as it contains mostly formal requirements for these documents. The Constitutional Court found that, in order to establish an effective oversight over electoral processes and to increase the public's confidence in 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 as a result of such review. Even though the RA Law on Principles of Administration and Administrative Procedure and the RA Administrative Procedure Code introduced the most effective mechanisms on the protection of public rights, including electoral rights, in accordance with best international experience, the issue of participation of the interested parties, who had raised questions to be discussed at electoral commission sessions, is not sufficiently regulated.
223. The **openness** of the electoral process is achieved mainly by participation of representatives of non-governmental organizations and the media in the activities of electoral commissions, as well as by providing them with the necessary and equal working conditions. The existence of adequate capacity (sufficient knowledge of the RA election laws and relevant skills) among observers and representatives of the media is the first precondition for effective election observation missions by non-governmental organizations and for the media's adequate coverage of corrupt practices in election processes. The involvement of non-governmental organizations and the media in the prevention of corruption in electoral processes cannot be limited only to watching over the processes. They play an important role in increasing the public's knowledge of election laws and in campaigning actively against vote buying; doing so also requires state support.
224. The experience of electoral processes in Armenia identifies a number of corruption risks, including: campaign financing from sources that are prohibited by law, using official powers for running a campaign, using the property and resources that belong to state and local self-governance bodies, "vote buying," 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 voter list compilation – the Republic of Armenia Voter Register (a national voter register) – was introduced. This new system made it possible to post voter lists on CEC's website and increase their accessibility, 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 to correct any mistakes. The voter register is directly linked to the state register of the population.
226. Clear legal definition of the notion of **pre-election campaign** is important from the point of view 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 persons in political, discretionary or state service positions. Despite the fact that the RA Election Code contains certain restrictions, corruption in pre-election campaign processes is frequently manifested by the use of administrative resources and vote buying; 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 favorable 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 enforced. The process of "vote buying" is often disguised as charitable activity, which may be considered a result of the intermingling 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 mechanisms of control 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 times of elections, particularly 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 vote buying. 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 RA Election Code, candidates are able to 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 for physical persons' and legal entities' contributions to pre-election funds of presidential candidates, as well as candidates and parties running for the National Assembly, because the RA Law on Political Parties does not have any established ceilings for physical persons' and legal entities' contributions to political parties.

228. State and local self-governance bodies 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-governance bodies from providing office space to some political parties on special conditions or almost free of charge, providing credits (financing) to commercial or non-governmental organizations close to the authorities and then transferring the whole amount of the loan or its part to certain political parties in a form of donation or other ways of financing, foreign commercial, non-governmental and other organizations hiring political party leaders to provide consulting or other services, 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 enforcement of legal restrictions, because parties can file reports that are far from reality.
230. The following is necessary in order to reduce the existing political corruption risks in the organization of elections and party financing processes:
- **Prevent the involvement of electoral commission members in political processes** by appointing members of electoral commissions of all levels from among civil servants and preventing their active involvement in political processes in the year before the elections;
 - **Improve the procedure of reviewing applications and complaints sent to electoral commissions** by clarifying the complaints procedures in electoral commissions, processing the applications and complaints in accordance with the RA Law on Principle of Administration and Administrative Procedures, increasing the responsibility of electoral commissions, clarifying the procedures for appealing against electoral commission decisions in court (if necessary) and ensuring the citizens' constitutional right to an effective judicial remedy in 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 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 voter list maintenance** by improving the quality of compiling the state register of population and continuing to work towards an introduction of 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 operation of officials and campaign activities** by prohibiting the free or advantageous use of property belonging to state and local self-governance bodies 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 the ones designated specifically for that purpose, establishing a procedure for suspending the persons in political and discretionary positions for the duration of their campaign;
 - **Toughen the fight against vote buying** by organizing and supporting voter education programs aimed at increasing voters' legal awareness, preventing the combination of political activities and charity, including by prohibiting charitable activities while campaigning and introducing administrative sanctions for breaking this rule, 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, identifying and prosecuting the people engaged in vote buying and selling;
 - **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 political party financing and control over their financial activities** by bringing the party financing mechanisms in tune with the mechanisms for creation of pre-election funds as

stipulated by the RA Election Code, including by prohibiting in the RA Law on Political Parties contributions to political parties by persons without citizenship and organizations where the Republic of Armenia or communities have shares, introducing legal provisions on mandatory audit of financial-economic activities of political parties who have received state financing within a specific period of time after every national election and optional audit of all political parties by the decision of party assembly or permanently operating body, establishing the criteria of audit of financial-economic activities of political parties, and including the financial resources necessary for the required 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 Freedom House, the RA local self-governance system is still in 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 authority and responsibility of local self-governance bodies are particularly pronounced in the areas of civil registry, social assistance services, condominiums, cemeteries, etc. Respondents mentioned the following manifestations of corruption: informal payments for getting community orders (procurement), receiving business permits, as well as in connection with tax obligations, land allocations and property auctions. Most of the complaints against the Yerevan municipality sent to the Human Rights Defender described corruption risks associated with the implementation of the RA Law on the Status of Unauthorized Buildings and Land Plots Occupied without Authorization and the RA Government decisions on procedures for implementing the law. Complaints against Yerevan district authorities mainly had to do with servicing of common property in buildings, occupation of common property, violations of other people's rights as a result of unauthorized construction, allocation of apartments and other issues. The Human Rights Defender also received complaints that district authorities do not reply to citizens' letters.
232. The level of decentralization in the provision of public services in Armenia is still not adequate, and time has come to establish new and more effective proportion between centralized and decentralized responsibilities to provide public services to the population. In this respect, Armenia is significantly behind Eastern European and Baltic countries.
233. An effective fight against corruption in the local self-governance system requires, most of all, a strategy that would set out 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 responsibilities of local self-governance bodies creates serious obstacles in terms of establishing a minimum amount of financial resources necessary for the implementation of these responsibilities, as well as in terms of proper internal and external control over their implementation. The aforementioned gap in the law creates additional corruption risks, since local self-governance bodies do not clearly and uniformly set the costs of mandatory responsibilities and allow various manifestations of arbitrariness. On the other hand, oversight bodies are unable to perform their oversight, monitoring and evaluation functions fully and effectively, because there are no legal grounds to establish clear implementation indicators and norms. Mainly because such methodology is lacking, the government has not yet established procedures for carrying out mandatory and delegated responsibilities by local self-governance bodies and financial support for this.
235. Establishment of a rational and effective community management system is important. This greatly depends on relations and level of cooperation between the community council and the community leader, as well as on the existence of proper checks and balances. However, the institute of community councils is not fully developed and established yet in the Republic of Armenia because of shortcomings of current regulation concerning council member elections. In particular, the current legislation does not give any political responsibility to councils. In this respect, the community of Yerevan is an exception, because the Yerevan city council is elected on the basis of proportional system (party lists).
236. **Effective strategic planning in communities** is important from the point of view of transparency and accountability of finance management in communities. Every community in Armenia has a 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 on how to develop marz and community development programs in accord with each other. Civil society and business sector participation in the creation of four-year community development programs is unsatisfactory, and local self-governance bodies do not properly ensure their involvement in the strategic planning process. The development and utilization of a **monitoring and evaluation** system for four-year community development programs is important from the point of view of ensuring the responsibility and accountability of the creators and implementers of the projects, works and activities included in the three-year programs, as well as the 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 done outside the budgetary system, which limits their accountability and makes it difficult to bring together budgetary and extra-budgetary resources. Many communities are short of specialists who are able to run the automated information system for land and property tax, while the issue of continuous education and training for specialists remains on the agenda. Property and land tax records are still about 20-30% off the real picture.
238. Sometimes community resources are spent without regard for the legal requirements to perform certain mandatory functions. The RA government-approved procedures for providing subventions from the RA state budget need to be reviewed. The Government reviews community requests and makes decisions on them without clear criteria and procedures. Moreover, decisions are often discretionary, and the decision-making process is not transparent and accountable.
239. The legal requirement to ensure **openness** of the community budgeting process is not enforced in satisfactory manner, given the lack of local media and websites in the vast majority of communities. In addition, local self-governance bodies, 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 pushed to the background, overshadowed by social-economic problems.
240. In practice, organization of **procurement process** is on a very low in the RA communities, especially in rural and small urban communities. This has mostly to do with a lack of professional knowledge and skills. Bids announced by communities are won mainly by organizations (bidders) supported by the given community's leader. Moreover, community leader is the one who creates and chairs bidding commissions. Even though community councils oversee the decisions, they still do not play an important role in the local self-governance decision-making and oversight matters. As a result, local businesses and, especially, the public, have an unsatisfactory level of confidence and satisfaction with the community procurement process.
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 councils 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 satisfactory.
242. In terms of organizing and carrying out **effective state control over local self-governance activities**, marzpetarans' legal and professional control functions are still not separated clearly, and there are no procedures for exercising this control. The current bylaws and structures of marzpetarans are not suitable for carrying out the aforementioned function. The RA National Assembly's oversight functions over the management of community property and budgets have been transferred to the RA Control Chamber. Starting from 2008, the RA Control Chamber started working more actively in communities. Inspections in various urban and rural communities revealed various irregularities of legal, procedural and financial nature, and identified instances of major corruption.
243. There are many corruption risks in the area of **local self-governance bodies providing free and paid community services to the public**. In almost every community in the Republic of Armenia, housing and communal services are provided at less than full extent; their quality is unsatisfactory and they are not available for all of the residents. On the whole, the provision of housing and communal services is not fully regulated yet, and there are no common norms and criteria, no approved work indicators and clear evaluation criteria. Essentially, fees for paid services are set by local self-governance bodies without serious economic calculations; they do not seek to cover the costs at all. Service providers (subordinate to communities, private or with mixed ownership) mainly work ineffectively. Control 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-governance bodies only documents showing the completion of their work rather than detailed performance reports.
244. The effectiveness and the lawfulness of the running and maintaining of cemeteries are of concern. There are risks of extortion of large unofficial payments when service providers assign cemetery plots and provide other paid services. The existence of these risks has to do with the low level of people'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 bring many different documents as described by law, including documents from local self-governance bodies and condominiums. Often, citizens get included in the family benefits system on the basis of false documents. The process related to guardianship and patronage is not transparent and, essentially, community leaders have discretion when making guardianship and patronage decisions.
246. Civil registry services are located mainly in urban communities, but they also serve neighboring rural communities, while state duty charged for their services enter the budget of the relevant urban community only.

Even though the operating costs of civil registry services are covered by the state budget through community budgets as costs of providing a delegated responsibility, civil registry services do not submit performance reports to local self-governance bodies, while the level of public's knowledge about 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 RA local self-governance system are unsatisfactory. 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 community servants' training opportunities. Training and education programs for local self-governance bodies and their staff members have been implemented mainly as a result of cooperation between international and local organizations and the RA Government (represented by the RA Ministry of Territorial Administration) and have been paid for from the RA state budget or from other sources.
248. The following is necessary in order to ensure the coherence, effectiveness, transparency and accountability of the RA local self-governance and territorial administration systems:
- **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-governance bodies can have 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 policing), 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** by developing a territorial administration development concept, establishing the principles, goals, objective and resources of the state territorial administration development policy, clarifying the legal regulation of the structures and functions of the executive public administration bodies in marzes, and clarifying by law the relations between public administration and local self-governance bodies.
 - **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 law 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 community leaders and community councils** 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 RA communities, and improving the conditions for community councils' operation;
 - **Ensure the availability of financial resources necessary for local self-governance bodies to carry out their mandatory and delegated responsibilities** by establishing legal 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-governance bodies, setting the minimum amounts of the required financial resources, establishing by law 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 a legal requirement and procedures to coordinate the timetables for the development of program and budgeting documents, introducing a program budgeting system and relevant procedures 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 new types of local taxes by law, ensuring an effective use of automated property and land tax databases, developing and introducing common effective information systems on community property management and community property management

plans, and increasing local self-governance bodies' responsibility for 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 community leaders 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-governance bodies' 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 community leaders and community council members, informing the public about local self-governance bodies' activities on a regular basis, establishing clear procedures for receiving citizens, clarifying the procedures related to public auctions for community property, 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-governance bodies;
- **Increase the accountability and lawfulness of local self-governance bodies' activities** by regulating state control over the activities of local self-governance bodies, establishing by law procedures for state control over communities' implementation of responsibilities delegated by the state and measures to be taken by marzpets in the process of exercising administrative control, introducing control procedures, completing marzpets' administrative control functions over local self-governance bodies' 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 legal requirement for community leaders 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 RA Control Chamber and local self-governance bodies in the process of external audit of local self-governance bodies' activities, clarifying conditions and procedures for free and mandatory state registration of community property, and toughening control over state registration and effective management of community property by community leaders and community councils;
- **Increase the effectiveness, transparency and accountability of cooperation between communities and condominiums** by establishing by law the forms of community support to condominiums and developing and introducing procedures for local self-governance bodies to delegate some of their responsibilities to condominiums, keeping in check the discretionary decisions by community leaders 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 civil registry services** 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 to enter the budget of the communities where these particular residents live;
- **Develop local self-governance bodies' capacities and establish a comprehensive community service system** by developing and introducing optimal structure models for community staff, developing local self-governance bodies' management knowledge and skills, establishing effective cooperation with citizens, private sector, non-governmental organizations and other stakeholders, applying various forms and means of getting their informed and involved in addressing community problems, promoting local self-governance bodies' activities aimed at social partnership and delegate them the relevant responsibilities, developing training and education programs for local self-governance bodies 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-governance bodies, introducing common community governance systems, ensuring the compatibility 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, organizing and carrying out democratic elections to form local self-governance bodies in Yerevan, adopting bylaws and rules for local self-governance bodies, 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 centers, 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 complex 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 RA law on Joint-Stock Companies, as well as other legislative documents related to the business sector, does not regulate issues of honesty/diligence in the work of commercial organizations, codes of behavior for entrepreneurs and other employees and restrictions related to conflict of interests. The RA Chamber of Commerce and Industry does not take any steps to encourage honest commercial practices. In addition, laws regulating commercial transactions are faulty, which results in many contracts being agreed on in a less 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, 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 honesty/diligence in the work of private organizations** by adopting and adapting International Chamber of Commerce (ICC) rules of conduct and recommendation for combating corruption, developing standards and procedures based on the said rules and recommendations, and by establishing rules of conduct and rules for preventing conflict of interests;
- **Encourage cooperation between commercial organizations and the state** by applying honest commercial practices in contractual relations, developing company ratings, establishing prizes for honest 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 law the relations between owners and executive directors, 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 RA Chamber of Commerce and Industry and other organizations representing major business interests** by developing cooperation with the International Chamber of Commerce, reducing corruption supply in the private sector, adopting 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 RA ANTI-CORRUPTION STRATEGY 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 RA anti-corruption strategy implementation monitoring commission 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. Alongside developing 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. Alongside 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 RA mid-term expenditure program and the state budget. 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, it is recommended to confer on 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 the best example for the Government.
262. The RA Government 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 RA Anti-Corruption Strategy and Its Implementation Action Plan for 2009-20012 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** 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, business circles and certain targets groups of population, and assessing the level of satisfaction with the quality of public services;
 - **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 RA ANTI-CORRUPTION STRATEGY AND ITS IMPLEMENTATION ACTION PLAN for 2009-2012

1. The 2009-2012 Action Plan for the RA Anti-Corruption Strategy and its Implementation (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 RA anti-corruption strategy 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 Indicator (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 RA Government 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 Indicator (WBI)</p>	<p>1.1 The ratio of the deadlines set for the delivery of services to the actually met deadlines (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 by the deadlines 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 deadlines for obtaining licenses and permissions to the deadlines prescribed by law (since the date of application until the date of issue or refusal of the license or permission): (the closer to 1, the lower the level of business corruption in the system of public administration).</p>
	<p>Regulatory quality indicator (WBI)</p>	

OBJECTIVE 2. Reduction in the Level of Administrative Corruption

9. The RA Government anticipates that in 2012 the reduction in the level of administrative corruption will be followed by a significant improvement in the situation with 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 RA legislation will, in line with the international standards, define and establish the scope of corruption crimes (yes/no)
	Voice and accountability (WBI)	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 an RA Law on the Protection of Informers (yes/no)

OBJECTIVE 3. Reduction in the Level of Political Corruption

10. The RA Government 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)	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);
	Political rights/ Nations in Transit (Freedom House)	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);
	Civil liberties/ Nations in Transit (Freedom House)	3.3 Reduction in the level of statistical imbalance in recruitment (sex, origin, religion, geography); 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); 3.5 Transparent budgetary process (information about the state and the community budgets, registered meetings: contribute to increased transparency); 3.6 Predominance of qualifications (percentage of cases when decisions are adopted on the basis of professional experience/qualifications/level of performance or education) (research, audit);

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| | <ul style="list-style-type: none"> 3.7 Number of publicized cases devoted to the detected cases on pressure on the mass media and the number of people held liable for that; 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; 3.9 Number of complaints related to inaccuracies in the voter register; 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); 3.11 The mass media accreditation is simplified by law (yes/no); 3.12 The RA Government 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); 3.13 The relevant amendments have been made in the RA Electoral Code for the purposes of normative uniformity (yes/no); 3.14 The legislation has defined the control procedures for the pre-election environment (yes/no); 3.15 The penalties of violations of the Electoral Code have been made more stringent in the law (yes/no); 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). |
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