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Conducted at the outset of UI’s Local Government Program in Armenia, to determine the status of local government reform and to support design of a 3-year technical assistance program. Findings cover fiscal and administrative decentralization, service delivery and citizen participation, and confirm that local government remains weak and largely ineffective. Causes include an ambiguous legal framework, inadequate authority and revenue to deliver basic services and lack of citizen interest in local governance. The study includes preliminary recommendations to address these problems; detailed recommendations and workplan are found in the subsequent Implementation Plan.
I. EXECUTIVE SUMMARY

Background

The Urban Institute (UI) and the United States Agency for International Development (USAID) executed a Task Order providing for technical assistance to local governments in Armenia. The first deliverable document required pursuant to that Task Order is a Baseline Study to determine how far Armenia has progressed in local government reform.

Approach

Promptly following the issuance of the Task Order, the UI commenced the Baseline study by engaging local professionals with technical expertise in the various elements of the study. UI staff reviewed statutes, documents, and other USAID reports and worked closely with the local consultants to clarify issues. This Baseline Study is a composite of the work performed by expatriate staff and local consultants.

Findings

The conceptual and legal framework for local government was established in Armenia just four years ago. After more than three generations of tight central government control under the Soviet system, the fact that there is local government here at all is a substantial accomplishment. While much work has been done to implement a comprehensive agenda of government decentralization and reform, there are a number of areas that need significant improvement before true self-government based on democratic principles can flourish here.

The findings from the Baseline Study can be grouped into three general categories:

— Government Decentralization, which includes Administrative and Fiscal Issues
— Service Delivery
— Citizen Participation

All these issues interrelate to create what can be seen as a vicious circle that impedes development of an effective system of local governance. Local Government Unions (LGUs) have insufficient power and revenue to provide adequate services. Citizens recognize the severe limitations on local government autonomy and the incapacity of LGUs to delivery services, and therefore have little interest in participating in local government activities and decision making. They correctly perceive that under present circumstances, local governments can do little to improve the quality of their lives. To complete the circle: without meaningful and broad based citizen involvement, local governments are less unlikely to have the political power to persuade the state
government to devolve additional administrative and revenue generating powers to the local level.

Key findings in the Baseline Study include the following:

- **Government Decentralization—Administrative Issues:**
  - LGUs have limited political autonomy through direct elected local representatives who can exercise their functions freely.
  - LGUs have limited legal authority and practical capacity to carry out their functions as they see fit.
  - LGUs have limited administrative autonomy and freedom from hierarchical supervision by others tiers of government.
  - LGUs are not effectively represented in the RoA Government or legislative process.

- **Government Decentralization—Fiscal Issues:**
  - LGUs have limited financial autonomy and ability to allocate and manage resources commensurate with their responsibilities.
  - LGUs are by necessity too reliant upon State subventions, which are unpredictable.
  - There is inadequate authority for LGUs to finance or to be held accountable for the carrying out many public functions commonly associated with LGUs in other countries.
  - Most LGUs generate insufficient revenue from local sources.
  - LGUs are forced to rely on land and property taxes as their primary discretionary sources of local revenue, but assessment and collection is problematic and controlled by state authorities.

- **Service Delivery:**
  - Most LGUs are too small to be fiscally and administratively able to provide local public services effectively.
  - Most LGUs do not have significant and meaningful public service functions.
— The role of LGUs vis-à-vis Marzes, State Ministries and legal enterprises delivering local public services is not clearly defined, by law or by practice.

— LGUs often have no direct or effective control over the delivery of local public services.

• Citizen Participation:

— Citizen understanding of and participation in local government is low.

— Citizens are generally dissatisfied with local service delivery, but do not believe that they or the local governments themselves can do anything to improve the status quo.

— Local governments in their present state are not effective institutions of democracy.

— Citizens lack access to the public information they are entitled to have.

— In most localities, there are insufficient numbers of organized business interests, workers groups, citizen associations, non-government organizations (NGOs) and other interest groups to constitute a healthy and pluralistic democracy at the community level.

— Condominium associations potentially provide an effective vehicle for developing cooperative relationships between LGUs and citizen groups, but this possibility has not been developed.

**Recommendations**

In keeping with USAID strategic objectives the following recommendations will be considered in the Implementation Plan:

• Government Decentralization, which includes Administrative and Fiscal Issues:

— Clarifying the powers and functional responsibilities of LGUs vis-à-vis the Marz, State Ministries and public service enterprises, making clear what agency, office or official is responsible for each function.

— In lieu of the present structure of LGUs, establishing two classes of local government: (1) Urban in character; and (2) Village (non-urban) in character.
— Transforming Yerevan into a unified City with an elected Mayor and Council.
— Providing for direct LGU control over public service delivery enterprises.
— Encouraging State Government institutions, such as the Ministry of Territorial Administration and Urban Development, to become advocates for LGUs and improved local government.
— Reducing the adverse effects that result from intergovernmental bargaining between LGUs and Marzpets over the allocation of subsidies and subventions; rationalizing the allocation formula and make its administration transparent.
— Empowering LGUs to effectively manage all local public services.
— Enhancing the effectiveness of municipal and professional associations.
— Enhancing the capacity of LGUs to increase revenue from local sources.
— Setting targets based upon rational criteria for allocation of State subsidies and subventions to LGUs.
— Strengthening the capacity of financial officers to enhance the budget and capital planning processes.

• Service Delivery:
— Strengthening the capacity of LGUs that are too small to be fiscally and administratively able to provide local public services.
— Strengthening the capacity of LGUs that do not have significant and meaningful public service functions to form alliances with nearby LGUs to increase their ability to perform public services functions.
— Clarifying the role of LGUs vis-à-vis Marzes, State Ministries and legal enterprises regarding delivery of local public services.
— Enhancing the ability and capacity of LGUs to take direct or effective control over the delivery of local public services.

• Citizen Participation:
— Increasing citizen understanding of Armenian government at all levels in order to facilitate meaningful public participation and democratic decision making.

— Strengthening the capacity for community based organizations to lobby for change.

— Improving access to and dissemination of public information.

— Creating and using structures to facilitate public participation, such as advertised public hearings, press releases and pamphlets, published agendas for scheduled public meetings, neighborhood information forums and operation of effective public information offices as an integral part of LGU activities.

— Promoting the effectiveness of condominium associations.

• Next Steps:

  — Develop Implementation Plan in collaboration with USAID.

  — Develop Milestone Plan.

  — Begin Phase II—Implementation of technical assistance.
II. INTRODUCTION

The Urban Institute (UI), under contract with the United States Agency for International Development (USAID) is working to implement technical assistance to local governments in Armenia in accordance with USAID SO 2.1. (Increased Citizen Participation in Political, Economic, and Social Decision-making Process) commenced work with development of the requisite Baseline Study as part of Phase I of the Task Order. The purpose of the Baseline Study is to determine how far Armenia has progressed in local government reform. Organized around ten elements specified by USAID, the Baseline Study provides a description of the existing context in which local governmental units (LGUs) function, and describes current conditions, laws and practices pertaining to LGUs. Analysis of facts and circumstances elucidated in the study served as a rational basis for the findings and recommendations contained in this report.

During the formulation of the Baseline Study, expatriate staff and local consultants reviewed previous USAID funded programs in Armenia; conferred with other USAID implementers and donor funded organizations; gathered and reviewed laws, norms, policies and other information pertinent to LGUs; and assessed that information in terms of its impact upon LGUs in Armenia. Both primary and secondary data were used for the analysis of the various elements of the Baseline Study, which resulted in an integrated report on Armenia’s progress in implementing and institutionalizing local government reforms.

The findings contained in the Baseline Study tend to confirm many of the statements contained in the RFP issued by USAID for the Armenian Local Government Program (LGP), and will serve as a factual and relevant basis for the development on an Implementation Plan of technical assistance to Armenian local governments. In addition, the findings are descriptive in nature and will provide useful background information for short-term advisors, subcontractors and other parties having a need to understand the status of local government in Armenia. As the next step in Phase I requirements of the LGP, UI will formulate and propose an Implementation Plan for consideration by USAID.

III. METHODOLOGY

Both primary and secondary data were used for the Baseline Study, which resulted in an integrated report on Armenia’s progress in implementing and institutionalizing local government reforms. The following methods were used: 1) Secondary analysis of pertinent Laws, Presidential Decrees, Governmental Decrees,
and Prime Ministerial Decisions and Instructions; 2) Secondary analysis of pertinent research, reports, and articles; 3) In-depth interviews and 4) Focus groups.

Ten key elements of the Baseline Study, as designated in the Scope of Work were analyzed using the above methodology. These are:

A. Administrative Relationships among Marzes, Cities and Communities
B. Status of and Plans for Decentralization
C. Regulation of Basic Services by Local Governments
D. Resource Allocation and its Effects on the Delivery of Services
E. Effectiveness of Municipal Associations
F. Transparency of Local Government Processes
G. Citizen Understanding of and Satisfaction with Local Government
H. Structures and Processes for Citizen Access to Public Information
I. Identification and Evaluation of Projects Jointly Promoted by Local Governments and Community Members
J. Effectiveness of Condominium Associations and their Relations with Local Governments

The approach used and substantive findings for each element of the Baseline Study are discussed in the ensuing subsections of the Review of Elements of the Baseline Study Section.

Review of Elements of the Baseline Study

Each of the ten elements of the Baseline Study contains factual information and analysis, which are presented below. Key findings and recommendations of the Study are provided in Key Finding and Recommendations Sections, respectively. The term local government unit (LGU) is used generically as a reference to all general-purpose political subdivisions of the Republic of Armenia (RoA).

A. Administrative Relationships Among Marzes, LGUs (Cities, Villages, Communities) and State

The legal, fiscal and administrative relationships among levels of government in Armenia (LGUs, Marzes, public enterprises and State) are problematic, and may be understood from two different perspectives, legal and practical (de jure and de facto). However, to understand those relationships from either perspective, it is necessary to have knowledge of the basic structure of government in Armenia and an appreciation of the legal meanings of certain key terms. Accordingly, this section begins with a description of the governmental structure as provided by the Constitution and Laws.

Structure of Local Government—In Armenia, local governmental units (LGUs) are political subdivisions of the State, created by the State. All Armenian LGUs lie
within the boundaries of a Marz, which is an administrative subdivision of the State. While the Constitution and statutes make reference to both City and Village, there are no distinguishing characteristics of legal differences between them. Accordingly, there is effectively only one class of LGU in Armenia.

A Marz is an administrative subdivision of the State that has some characteristics of an LGU, but is not so classified because there is no provision for elected Marz officials to be chosen elected by the inhabitants of the Marz. The executive head of the Marz is the Marzpet, who is appointed by the State to administer each Marz. The functional responsibilities of the Marzpet are limited to coordination of activities of Government Ministries conducted within the Marz. However, the technical knowledge combined with the informal political power of an individual Marzpet may increase his effective authority far beyond its purely legal basis.

A City or Village is a body corporate and politic (legal entity) with jurisdiction over a definitive geographical territory. It is an LGU under Armenian law, and has specified powers and responsibilities. Executive authority in Armenian LGUs is vested with the Mayor and his appointees. Legislative authority is vested with the Council, which may range in size from 5 to 15 members, based upon population of the respective community.

Enterprises are special purpose legal entities created by the State or by an LGU. Some enterprises have a public service function and often provide local services that otherwise would be provided directly by a LGU. (See glossary in Appendix A for definitions of additional terms applicable to local government.)

Ambiguous Legal Authority—Upon reading the Law on Self-Government, one at first may perceive that local governments in Armenia have been delegated broad powers by the State. For example, the Law on Self-Government states that “Local self-government is the right and capacity of local self-government bodies acting at their own responsibility, to dispose of community’s property and to resolve the problems of community importance with a view to improving the well-being of the population”.

However, a careful reading of this Law reveals references to other laws that often take away or severely limit those very powers and responsibilities that the basic law appears to give. Moreover, the non-institutionalized nature of LGUs vis-à-vis the State make uncertain the amount of informal discretionary prerogatives available to local officials. When these limited or ambiguous legal powers are considered in the context of very low fiscal capacity and a high level of dependency upon State subventions, LGUs in Armenia are capable of little political, social or fiscal impact.

Limited Public Service Delivery—While LGUs have, in legal theory have the power to own and operate utilities and other public services, in actual practice they are often precluded from doing so for a number of reasons. For example, water may be
provided by a separate public enterprise over which the LGU has little or no control. Or, the LGU may be given legal authority to 'create conditions for economic development' without having resources to provide roads and utilities or authority to control land use. (Such ‘authority’ is about as useful to LGUs as would be the case if the State provided each citizen the ‘authority’ to vacation for two weeks each year in the Canary Islands.) Rhetorically, it is natural for a citizen to ask: "Why should I care about local government if it is powerless to do anything to address my needs?"

**Low Fiscal Capacity**—The State collects nearly all of the governmental revenues generated, leaving only the problematic land and property tax, certain fees and State subventions available to LGUs for financing local public services. The revenue derived from the land and property tax is difficult to collect and miniscule in comparison with needs. Except for utility user fees, other discretionary fees available to LGUs yield little revenue and are administratively inefficient. While local utilities, such as water and sewer services, yield significant amounts of revenue, most of those utilities are not operated by LGUs, but by quasi-independent government “enterprises” over which LGUs have little or no control, and from which LGUs receive no revenue.

A rudimentary indicator of LGU fiscal resources may be calculated by dividing the aggregate amount of locally generated LGU revenue and State subventions by the total LGU population for the year 1998 (source: Barents MTEF draft report, of July 12, 1999):

- LGU land and property taxes = 6.2 billion drams
- Fees, other = 0.3
- State transfers (estimated) = 4.7
- Total LGU revenue = 11.2 billion drams
- LGU population = 3,000,000
- Average annual Per Capita contribution to LGU = 3733 drams/$7.18

When compared with the 56,220 drams, or $108.16 average annual per capita contribution to the State (168.66 B drams divided by population of 3,000,000), it is rather obvious that LGUs have inherently deficient resources available to provide a meaningful level of local public services. Phrased differently, LGUs receive only 6 cents out of each tax dollar, or 6 percent of governmental revenues. Unless this circumstance is dramatically changed by enabling LGUs access to alternate revenue sources, local government in Armenia is unlikely to ever be significant enough to engender citizen participation in local democracy—simply because there is virtually nothing at stake.

**Jurisdictional Ambiguity**—The Law on Local Self Government fails to clearly establish functional responsibility for public service among levels of government. For example:

- The State provides primary health care (LGUs may operate first aid clinics), post-kindergarten education, social services and pension administration. The
Law speaks of LGU responsibility to provide similar services without delegating authority or resources to make that possible.

- The Marz is charged by Law with “coordinating” LGUs, but no definition of the term ‘coordination’ is given. As a result, the Marzpet often claims jurisdictional authority over matters that would appear to be within the province of LGUs. The traditionally powerful nature of the Marzpet under former systems of government reinforces the perception among citizens and LGU officials of a centralized and authoritarian government, rather than that of a local democracy with powers to effect change and deliver public services.

- Public enterprises have traditionally provided utility services, and in many cases continue to do so. LGUs have little or no control over the revenues, expenditures, policies and management practices of these legally independent enterprises.

- The tier of government with power to control land use policy and meaningful planning for economic development is unclear.

These and other examples of ambiguous jurisdiction permeate the practice of government in Armenia. Public officials at all three levels of government are able to evade responsibility for specific functions and are not held accountable for the quality of public service delivery. For citizens to have both an interest in and ability to participate in their local governments, it is necessary for the structure of government to be intelligible to interested persons. In other words, if the local citizen cannot determine who is responsible for what, he has little ability to exercise influence via the local democratic process. Accordingly, citizen interest and participation in local democracy is low.

In summary, the administrative relationships among LGUs, Marzes, State Ministries and legal enterprises delivering public services is highly problematic. Most LGUs are ineffective as governmental entities, while those remaining are hampered by lack of clear legal authority and limited fiscal capacity. Local governments must be restructured to enable local democracy and local public administration to develop and function effectively.

B. Status of and Plans for Decentralization

This section of the Baseline Study assesses the National Government’s movement towards greater administrative and fiscal decentralization. The assessment was based on interviews, a review of the legal framework and other subject matters.
Legal Framework—The Constitution of the RoA (1995) initiated the process of formation of local government administration system. Further development of the decentralization process was grounded in a number of important documents. These are:

- The Treasury Law, that contains elements of devolved power consistent with the Law on Local Self-Government. It refers to the powers of the local governments to allocate their own resources. It improves the treasury system in central and local government cash and debt management.

- The Law on Local Self-Government (July 22, 1996) delegates certain powers of the State to local self-government bodies, with rights to carry on activities related to the interests of the community. The list of property transferred to local governments was published in Government Decree No. 51, March 1997.

- The Budget Law (July 21, 1997) defines the procedures of the budgetary system. The Law confirms the State Budget and the process of implementation of the State Budget for specific fiscal periods. Community budgets are defined as those administered by the self-government bodies of urban or rural communities.

- The Financial Equalization Law (November 24, 1998) promotes harmonious development through reducing financial disparities between communities and enabling the implementation of their mandates. However, the Law does not encourage local governments to maximize revenue collection. Subsidies and subventions are allocated to local governments that are least well off and targets for revenue collection is not set.

- Law on Territorial Administration (December 1995) describes the regional Marz system and the appointment of Marzpets.

The principles in the Law of Self-Government fulfill the commonly recognized requirements of a modern, liberal democratic system of territorial administration. In addition to mandating transparency the Law upholds the notions of autonomy from the central government, accountability and democracy through the election process. However there are some practical deficiencies that adversely affect an LGU’s ability to perform as a significant provider of public services.

The Law on Territorial Administration achieved two main results:

— The consolidation of the 38 Marzs into 11 including Yerevan which has the status of Marz.
— The definition, roles and responsibilities of the Marzpet. They are appointed for a three-year period by the Central Government.

In the economic and financial spheres the Law on Local Self-Government upholds the notions of appropriate revenue assignment, property rights and equity. The Law also permits devolution of responsibility for the management of utilities and other communal services to the private sector through tender processes.

These laws provide a rudimentary framework for limited administrative and fiscal decentralization and, regulation of financial issues relating to local government administration. Modifications are needed, however to enhance the ability of LGUs to perform as viable democratic institutions.

In addition amendments should be made to the Law on Equalization to encourage local governments to meet certain revenue collection targets and subsidies and subventions should be based on achievements of targets.

**Administrative Decentralization**—The administrative structure fixed by the Constitution provides for a ‘unitary’ country, where most of the administrative powers are with cabinet and the Prime Minister. Territorial administration units of the Republic are Marzes, with Yerevan City having special status of a Marz. The term Marz implies a branch of the central government administrative structure, and not a separate tier of the state administration systems. There are 930 local government communities established in the Republic—47 of which have City status. (City status was defined in the Soviet era on the basis of population and industrial base but under present law has no legal significance).

Regional administration in Marzes is carried out through Marzpets (governors) and Marz executives. Marzpets are appointed and removed by central government. They are responsible for implementing the government’s regional policy, administration of delegated ministerial functions (health care, education, civil defense etc.), and “coordination” of local government (Article 107). The Marzpet has additional powers relating to local governance, for example:

- Marzpet can submit a proposal to the government for the removal of a community leader (elected mayor) from office.

- Marzpet can appeal to the court against illegitimate decisions and activities of local self-government.

- Marzpet can participate in meetings of local government councils with a right to have a consultative voice. Marz executives see their main function as exercising strict control over activities of the local government and limiting its independence. For example: The main objective of the central government’s...
economic policy is to ensure, where possible, equal socio-economic development in all regions. This policy is implemented by providing state subsidies and subventions to augment community budgets. In the implementation of policy, the Marzpet’s authority is important because they are assumed to know what is important for the region; however, they may manipulate for political reasons the allocation of subsidies and subventions as a means of controlling the local authorities.

There are also institutional bottlenecks. For example: “Matters of regional significance” are not defined in the legislation and appears to be a matter of debate even though the law has been in place for over three years. There is also considerable debate within central government on (i) the appropriate assignment of budgetary responsibilities and (ii) the distinction between matters of local, i.e., community versus regional or central authority.

In addition, the state Ministries, especially the Ministry of Finance, are apathetic toward local government. The State operates a balanced budget policy, and whenever there is either a shortfall in revenues or expenditures are too high, local government budgets tend to be cut.

**Fiscal Decentralization**

**Number of Communities**—Of the 930 communities, they’re a number that are too small to support self-government. For example a community of 850 population cannot support the same structure of services as the community of Ashtarak (population 32,000). The large number of communities results in inefficiencies, non-integrated development plans and ad hoc allocation of resources that are not based on the prioritization of investments. Few studies have to been carried out to assess the fiscal costs of decentralization to the central government budget, for example, how much effort should the central government put into treasury, budgeting, reporting and monitoring activities for a community with only a $2 to $3000 annual budget. The revenue raised probably does not cover the salaries of the staff employed to provide state level review let alone run and manage the local government.

To achieve adequate levels of efficiency in the allocation of resources, it is necessary to rationalize the number of local communities to achieve economies of scale and better allocation of resources for priority projects. An example of rationalization could be to amalgamate small communities to approximately 30,000 citizens. Assuming the total population is 3,000,000, there would be approximately 100 local government authorities with 10 Marzes, Yerevan retaining separate Marz status.

**Provision of Services**—Under the Law on Local Self Government, the services are divided into three categories: mandatory, delegated and voluntary.
One area in which allocation of functions between central and local government remains particularly vague is that of social protection. Responsibility for this function is not usually assigned to local governments. However, as principle providers of certain services, local governments may become responsible for the payment of need-based allowances, such as housing, which are rational consequences of policies aimed at cost recovery. The introduction of such allowances is not discussed in the Law on Local Self-Government.

Despite the efforts to increase accountability of local government by means of the Treasury and Budget laws, the enterprises or service providing departments that are owned by the local governments appear to be outside the overall management systems and are not held accountable. In some cases the water treatment and network assets are owned by the local government; however, the management reports to the central government through a closed joint-stock company. Local governments are held accountable for services provided by these enterprises that do not have management control. The interference of central government in the provision of services clearly reduces the ability of LGUs to perform their mandatory duties and provide adequate services.

The overall goal is therefore to set out clear definitions of the roles, responsibilities and accountability of both central and local government in the provision of services.

Budgeting—The norms regulating the drafting, discussion, approval and supervision of the budget are defined in the Budget Law. The budget process is carried out jointly by the Chief of the Community (Mayor) and the Community Council. The Mayor presents the proposed budget for the year to the Council within one month of the approval of the state budget by the National Assembly. Marz authorities are required to provide methodological assistance for the preparation of local government budgets. There is evidence that such assistance is either not provided or there are significant delays. The financial department of the Marz has to transmit to municipalities, no later than July of the current year, the methodological instructions on the preparation of the draft budgets. Because of the lack of the technical equipment (computers, photocopiers, etc.) and the lack of professional skills local governments do not receive the instructions on time. In most cases the local government authorities prepare the budgets without the Marz methodology. The Central Government shares responsibility for supervision of budget implementation with the Community Council, specifically with regard to cash performance.
The budget regime as it is currently undertaken (one year budgeting; there is limited multi-year financial planning in local government) does not provide proper incentives for good, accountable local self-government. The following reasons are cited:

- The Law on Local Self-Government imposes certain ‘mandatory’ spending requirements and insists that these will be funded through the Central Government budget.

- The Law on Local Self-Government refers to a number of delegated authorities or responsibilities, but no funding promises are made.

- The Law on Local Self Government refers to ‘voluntary’ services and responsibilities, but assumes these can be funded by the local revenue effort, yet tax sharing categories such as VAT and the various income taxes have been changed to eliminate the local government share.

- The Law on Local Self-Government assumes that the local government can implement all aspects of the law. In small towns and villages there is little understanding of the law and its goals and objectives. Preparation of the budget is inconsistent with the approved budget procedures and not related to multi-year financial planning.

- The Law on Local Self-Government requires the development of a three-year fiscal plan. With subsidies and subventions from central government outside LGU control and local government collections erratic and subject to change by the central government, there is little incentive for local governments to develop accurate fiscal plans. There appears to be a lack of clarity in the conditions for accessing capital for investment priorities and addressing the problems arising from organizational separation of capital expenditure responsibility and operation and maintenance.

The above analysis indicates that “budgeting decentralization” has taken place. Elected officials are responsible for preparation and execution of the budget even though there may be interference from the higher tiers of government. There is, however, a lack of clarity in the conditions for accessing capital investment and addressing the problems arising from the separation of capital, operating and maintenance expenditure. There is little evidence of community participation in the budget process. In some cases a strong Chief of Community can get what he/she wants from the local council by paying lip service to democratic principles.
Funding

Transfers from State—There is little doubt that transfers are necessary to augment local government sources of revenue. Infrastructure and utility services still operate at substantial deficits and support from the center is required in order to enable the poorer local governments to provide critical services at levels comparable to better-off localities. To facilitate this, the Law on Equalization was passed. However, the Law on Equalization does not reward those governments that have performed well and does not set targets to increase efficiency of poorly performing local governments.

Viable Local Taxes—The Law on Local Self Government and the Law on Local Duties and Charges (January 1998) provide for the collection of local duties, land and property tax. The laws authorize councils to set duties rates within a specified range. However, local duties and charges account, on average, for 5 percent of total revenues. The main cause of the low percentage of total revenues is the residents inability to pay. For example, less than 50 percent of the assessed land tax and property tax are actually collected.

Procedures and policies are currently being developed both at a national and local level for the collection of land and property tax. The Budget Law is currently being amended to enable local governments to retain all land and property taxes collected. The central government will retain income tax and VAT. Collection of these taxes is currently the responsibility of the district level tax offices that are part of the State Tax Inspectorate.

Structural lines, processes and procedures put in place to collect land and property taxes are inadequate, which resulting in erratic and inconsistent collection. For the foreseeable future this will reduce the income for local governments and will impact on their ability to prepare medium-term development plans and undertake much needed investment in infrastructure. Local revenue collection is not likely to improve substantially until a better system be put in place more revenue can be expected.

User Fees—The allocation of functions to local governments as defined in the Law on Local Self Government has simplified financing arrangements; local government financing involves the funding of infrastructure and communal services.

There is limited agreement between central and local government on how infrastructure and utility services should be financed. However, whenever possible, costs should be recovered from present and future users. Present users pay user fees that are supposed to cover at least operating costs. Under current financial conditions in most local communities, it is not possible to recover investment costs by user fees. The introduction of full cost recovery requires drastic improvements in the quality of services and the ability of the users to pay. The recovery of costs from the user will increase the fiscal decentralization process, accountability, efficiency and transparency.
It should also provide a vehicle for increasing citizen participation in determining and accepting the tariff structure.

Capital investments in infrastructure over the last decade have been minimal, although the World Bank Social Investment Fund has supported small-scale irrigation and potable water projects in medium and small towns and villages.

**Borrowing**—Responsibility for infrastructure implies that local governments require access to capital for investments. The right to borrow is accorded in the Law on Local Self-Government, with the constraint that borrowing must be recommended by the Marzpet and approved by the Ministry of Finance. In the case of Yerevan, further constraints to direct borrowing by Neighborhood Communities may originate from the need to harmonize with the City capital investment plan.

Currently, the Social Investment Fund provides very limited capital for projects in villages and small towns. For the larger towns and cities there is a need to capitalize a financing program to address their needs.

**Management**

The Law on Local Self Government treats all communities (except Yerevan) identically. Communities vary not only in population size but also in managerial competence, entrenched traditions and available financial resources. In particular, the aggregate of rural communities has the following profile in terms of population size: communities under 500 residents; 31.6 percent (276) and the communities under 1,000; 51.7 percent of the total population of rural communities. These have the same standing as the large cities such as Gyumri (211,000) and Vandzor (172,000). There is no differentiation in functional areas, such as planning, in a medium sized city (population 30,000) and in a village. There is no recognition of differences in management capacities between the smallest and largest communities.

The Law on Local Self Government transferred to local governments a large number of responsibilities for managing services such as water, sewerage, solid waste management. Currently there is limited human resource capacity to manage certain services efficiently in many local governments (especially rural). As a result local control of certain services has been transferred back to central government departments under management contracts.

Small villages are unlikely to gather critical mass necessary to reach full-blown municipal management. They will rely heavily on subventions and subsidies from Central Government and provide the most rudimentary services to citizens. As was discussed above, a study is required on whether it is feasible to try to increase the management capacity of such small villages to better manage their assets and resources. It may be better to amalgamate them into a much larger entity.
Three-year Urban Development Investment Plan

Upon being elected, the Chief of Community is required to submit to the Community Council a three-year urban development and investment program. The three-year plan includes stated objectives and is published and given broader circulation among the constituents. Available information indicates that three-year plans indicate that they are no more than a ‘wish list’ and are not backed up by programmed revenues and expenditure. In addition, there is little evidence of community participation in the preparation of the plan.

Marzes are not required to prepare development plans. As a result there is in no development integration between the region and the community. Development is ad hoc and resources are not allocated according to priorities. To overcome this, some communities have formed associations to tackle the most pressing problems, such as provision of irrigation water and potable water.

C. Regulation of Basic Services by Local Governments

Under the Law on Local Self-Government a broad range of powers and functions was devolved to LGUs in particular the responsibility to provide services to their communities. The list of property transferred to local governments, published in a Government Decree No. 51, March 1997, is as follows:

- Kindergartens, specialized schools, clubs, houses of culture, libraries, health care facilities and organizations
- Central heating
- Water pipelines, sewerage, irrigation
- Gas pipelines
- Streets, squares, rest areas, bridges, and other facilities of local significance
- Residential buildings, apartments, non-residential premises, administrative building
- Educational, historical, cultural, athletic and other facilities and structures, industrial enterprises, trading organizations
- Vehicles for transportation and other real and movable property located in the territory of the community

The property transferred to the communities presupposed the transfer of the responsibility for its operation, maintenance and capital investment for improvements. Many utility systems are in poor state of repair and rehabilitation or even routine maintenance requires heavy investments. (Some conclude that the Government simply passed the burden onto the communities).
Under the Law, local governments are assigned ‘mandatory’ functions. These are related to the provision of water, central heating, gas and electricity supply, housing maintenance, irrigation, public transportation and community roads, solid waste management, cemetery management and funeral ceremonies, community regulations for trade and urban development. Exceptions are electricity and gas supply lines that are owned and managed by state ministries.

Reforms in the provision of services would be said to be in the best interests of the communities. It should be noted that ‘strong’ communities were able to work out ways of making systems more efficient. Some services have been improved using different forms of management structure and have been rehabilitated with the support of international organizations and various foundations. Some services were temporarily discontinued because of the lack of funds. In a number of cities and towns, the former housing maintenance authorities now are autonomous enterprises, *viz.* joint-stock companies to improve the delivery of maintenance services.

**Responsibilities of LGUs**

LGUs have the following mandatory responsibilities in the field of municipal services:

- Use and maintenance of non-privatized residential and non-residential buildings and associated facilities, dormitories, administrative buildings and other structures that are the property of the community.

- Operation of water supply, sewerage, irrigation, gas supply and central heating systems and of other structures.

- Landscaping and site improvement in the community.

- Solid waste collection and disposal.

- Construction, repair and operation of water and waste water treatment plants.

- He/she is responsible for ensuring the proper maintenance of cemeteries.

- Construction, maintenance and operation of roads, bridges and other engineering structures under the community’s jurisdiction.

- Regulating the operation of public transport in the community.

- Construction, renovation and operation of irrigation systems.
In instances where the services are financially self-supporting, the role of the LGU is merely to facilitate the provision of the services, for example for gas, electricity supply and communications. The LGU cannot directly affect rates charged for these services; rates are set by central government.

**Water and Sewerage Systems**

Water treatment stations, distribution networks, reservoirs and in some instances water sources (springs, underground wells, etc.) were transferred to the LGUs to operate and manage. In most communities the assets are 30 to 40 years old. There are considerable water losses estimated to be 40 to 60 percent due to leaks and corroded pipes. The amount of water consumed by residents is not measured. It is estimated approximately by dividing the total volume of water supplied to a community by the number of residents in the community. The resulting consumption figures are excessive, as losses are not accounted for separately. The total loss may exceed the amount of water that reaches the consumers. Some localities, including in the regions of Aragatsotn and Armavir, do not have any access to water sources, their water is transported by tankers.

The wholesale price set by the central government is 30 AMD/m$^3$ for water from the source to the community treatment plant. The retail price is set by the Council usually within the price range from 30 to 60 AMD/m$^3$. For example, in Abovian the price/m$^3$ has been set as 46.92 AMD for residents and 76.47 for industrial users. In Ashtarak, it is 50 AMD/m$^3$ for residents and 60 AMD/m$^3$ and other users. Prices are adjusted annually.

Many communities fail to collect all the fees owed for the water service. In Abovian only 35 to 40 percent of the amounts due are paid and in Ashatarak only 30 to 35 percent is received. As a result the revenue stream is inadequate for capital investments, major repairs, operating costs and payment for bulk water to the central government. Community debts to the central government for the supply of bulk water often exceed the local budget revenues.

To recover the fees for bulk water supplied to the local government, the central government decreed (Decree # 49, March 13, 1999) to rent for 10 years under fixed term contract water supply networks to the “Hayjerzoughkoyughu” (Armenian water supply and sewerage) closed join-stock company that is owned by the central government.

In some communities, renovations and rehabilitation of water supply systems have been undertaken with funding provided by international donor organizations, especially the World Bank Funded Social Investments Fund (SIFA). The installation of water meters is proceeding, albeit slowly. In many communities water is supplied once
or twice a day for a short period of time. Very few communities have a 24-hour water supply.

The sewerage systems are old, poorly maintained and in need of considerable capital investment to improve standards. In most cases treatment plants do not function at all due to the lack of funds.

Rates for sewerage collection and treatment are set annually by community councils. Rates vary for different consumer categories. For example, in Abovian residents are charged 11.41 AMD/m\(^3\), whereas other users are charged 8.53 AMD/m\(^3\). In Ashtarak the rate for residents is 8.33 AMD/m\(^3\) and 20 AMD/m\(^3\) for other users.

**Solid Waste Management**

Solid waste management (collection and disposal) is one of the mandatory responsibilities of the LGU. Rates for collection and disposal of waste are set annually by the Community Council. Rates differ from community to community, and are on average under 100 AMD per capita/month. This assumes that monthly solid waste generation is approximately 35 kilograms per capita and the cost price of removal of 1/m\(^3\)of solid waste is approximately 3,000 AMD.

In some communities solid waste removal is performed by the private sector through agreements negotiated between the private sector and residents. In such cases the rates of service charges are not set by the local council however, in reality these are usually lower than the average council charges.

Most communities’ own solid waste landfills. Maintenance and operation is funded from the community budget. Communities that do not have landfills make pay a fee to use landfill of another community. The fees charged for the use of landfills are an additional source of revenues for the communities that have them.

Many communities collect only a fraction of the money owed for solid waste collection and disposal. To ensure that collection and disposal is not disrupted, communities often use funds allocated for street cleaning to support the solid waste management budget. In inner cities, street cleaning and solid waste collection is performed simultaneously. People residing in the community outskirts where street cleaning is not done are unwilling to pay for solid waste collection. Waste piles up and additional funds from the community budget are required to remove the waste.

**Street Cleaning**—Organization of cleaning of streets and other areas such as gardens, parks are a mandatory responsibility of the LGU to be paid for from the community budget. Because of the shortages of funds only central streets are cleaned with any regularity. The local Council determines the list of streets, the total surface area to be cleaned and the rate per unit of surface area to be cleaned. For example, the
rate of 47 AMD for cleaning 1m² has been set in Abovian and 80 AMD in Ajapniak district, Yerevan.

The street cleaning work is done either by an enterprise owned and controlled by the local community or by a private sector enterprise selected through a public tender.

In many small rural communities there is no street cleaning or solid waste trash collection.

**Heat Supply**—Heat supply is a mandatory responsibility of the LGU. Most of the systems (boilers and network) in Armenia are in very poor condition and may not function at all. As a result communities are unable to collect user charges. This has forced a number of these communities to end the service altogether.

Several condominium associations have installed electrical boilers in their apartment blocks. Off peak tariffs for electricity are half the tariffs charged during the day. This has made it possible to reduce the price of the heat supplied. An example of such an installation is in Nor Hajn, region of Kotayk.

**Maintenance of Housing Stock**—Maintenance of the non-privatized multi-family housing stock is a mandatory responsibility of the LGU. Most of the multi-family housing stock has been privatized. For example, in Ajapniak district in Yerevan, 83 percent has been privatized, in Ashtarak 98 percent of the stock has been privatized. Detached, privately owned houses, which are not maintained by the LGU, constitute the bulk of housing stock in small towns and in villages. Multi-apartment blocks are found in Armenia only in large and medium-size cities.

The growth in the formation of condominiums has been high over the last three years. In Yerevan (Ajapniak district) out of 374 apartment blocks 253 have formed condominium associations. Additional information on the functions, roles and responsibilities of condominiums is presented in Section J.

The monthly service charges for maintenance of apartments that have not been privatized are 22 AMD/m² for buildings without elevators and 26 AMD for buildings with elevators. (Ajapniak district -Yerevan). The maintenance of these buildings is provided on a contractual basis either by an enterprise owned by the local community or by the private sector under contract. In the latter case, the service charge is set by negotiation between the LGU and the private enterprise.

The local council sets rents and maintains non-residential space owned by the community. The collection of service charges and rent is poor in apartment buildings, which results in poor quality of service.
Housing Market—With the possible exception of the center of Yerevan and the adjoining districts, the market value of housing stock is significantly lower than its construction price. This discourages the renovation of the housing stock and retards the development of a functioning housing market.

Site Improvement and Landscaping—Site improvement and landscaping are mandatory responsibilities of the LGU, with costs covered by the community budget. In small communities such services are not provided due to the lack of funds.

Maintenance of Cemeteries—Community councils approve the allocation of resources, procedures and the size of land for cemeteries. Some communities have transferred the preservation, maintenance and servicing of cemeteries to specialized agencies on a contractual basis.

Organization of Irrigation

In most localities, agriculture is not feasible without irrigation. The upkeep and management of irrigation systems in the community are mandatory responsibilities of the LGU, which owns the internal irrigation pipeline network. In some cases where there is no irrigation network, water used for irrigation comes from the drinking water network. Associations of water users organize the operation and maintenance of irrigation systems. For example, in Arzni-Shamiram 99 percent of irrigation an association of water users distributes water.

Regulations for irrigation water supply, consumption, registration and reporting are provided in the Government Decree No. 79, February 9, 1999. Central government supplies and sets the wholesale price of irrigation water (Decree # 88, February 23, 2000). Rates are set on the based on the size of the land parcel. For water supplied to the irrigation associations, a two-tier rate structure based on consumption is used to encourage conservation, Rate 1 is of 3.7 AMD/m$^3$ and Rate 2 is 4.3 AMD/m$^3$.

Collection of fees for irrigation is poor. In the Arzni-Shamiram irrigation association only 50 to 60 percent of the total revenue are actually collected. Because of poor collection rates, the supply is suspended, giving rise to discord between the paying consumers and the association. Water meters are non-existent in the irrigation system.

Education and Culture

Public Schools—Provision of public education for persons aged 7 through 16 is the responsibility of the State, and attendance is compulsory. Public schools are funded and administered by the State. Teachers and administrators are employees of the State, which also determines the curriculum and performance standards for students. There is no legal provision for local governments to influence policy or administration of Public Schools. However, following a central government decision and by way of
experiment, a few communities were given control of comprehensive schools. Funding is provided from the national budget to the local government budget for these schools. The head of the school who is an employee of the state is responsible for the management and success of the school. The role of the LGU in the management of those schools is limited.

**Kindergarten**—Kindergarten is provided for children ages 3 through 6, and enrollment is at the option of parents. The management and operation of kindergartens is a mandatory responsibility of the LGU. The cost of operating and maintaining kindergartens is covered jointly by parents and by allocations from the community budget. The amount of fees to be paid by is set by the Council, and varies in different communities. For example, in Abovian the daily charge per child is 100 AMD, in Ashtarak the daily charge is 50 AMD. In Ajapniak district (Yerevan) the monthly charge is 1,500 AMD. Council also sets a minimum amount per child that has to be spent on food. For example, in Ajapniak district (Yerevan) the minimum daily amount is 115 AMD; and in Ashtarak, it is 150 AMD. A number of kindergartens have closed, especially in rural areas, and the number of children attending pre-schools has decreased.

**Extracurricular Education**—Extracurricular education is provided by the LGU and includes music and fine arts schools, athletics schools and centers for enhancing technical and creative potential of children and adolescents. The local council sets the fees charged for each service and determines the number of students who are entitled to make use of those services free. Costs are covered from budgetary funds. In most small and medium-size communities, such services are not offered.

Fees charged for the above services vary and are basically predicated on the demand for a given service. For example, in Ashtarak the athletic school and the center for enhancing creative potential of children and adolescents provide services free of charge. The monthly rate charged per child in the fine arts school is 1,100 AMD. The music school charges per child 4,000 AMD/month in the piano department and 1,500 AMD in other departments.

**Libraries, Houses of Culture and Museums**

The maintenance costs of libraries and museums are entirely covered from local budgetary resources. Houses of culture charge fees for their services. However, these fees are not sufficient to cover the maintenance costs; the deficit is made up from the local budget.

**Health Care**—Healthcare is provided primarily by the central government; in most communities the role of LGU is minimal. Some communities have first-aid stations, the costs of which are covered by the community budget and by user fees.
Power and Gas Supply—Ownership of power and gas supply systems was not transferred to communities. The role of the LGU is to facilitate the installation of such services for the community residents and businesses. Rates for these services and procedures for operation and maintenance are established by the respective ministries.

Communications and Public Transportation—“Armentel” company provides telecommunications services on a monopoly basis. The LGU has no responsibility for the operation and management of telecommunication. The LGU is responsible for facilitating installation of telecommunications in the community.

Public transportation services are not provided in rural communities and small towns. The private sector provides such services. In larger towns, the community regulates public transportation. Services are provided either by a public transportation enterprise owned by the community or by a private carrier. In both cases the local Council sets the fares charged for public transportation.

Economic Development—The development of commercial trade, restaurants, consumer services, etc. is the responsibility of the LGU. The LGU is required to ensure there is compliance with current legislation and community regulations for the activities of enterprises and commercial organizations in the fields of trade, public catering and consumer services.

Other Services—Other services provided by the community, including: public lighting and stray animal control, are regulated by the local council.

D. Resource Allocation and its Effects on the Delivery of Basic Services

This section includes a review of the allocation of resources to support the implementation of the three-year investment program and land resources planning.

Resources for Three-year Investment Program—Communities are required to develop three-year investment plans. The norms regulating the drafting, discussion, approval and supervision of the three-year plan are defined in the Law on Local Self Government and Budget Law.

Upon being elected, each Mayor is required to submit to the Council a three-year development program. Members of the LGU management committee and department heads are instructed to carry out the process. The three-year plan includes stated objectives and priorities and is published for citizen review.

Capital expenditures for the year are included in the budget regime. Currently in local government there is one-year budgeting and limited multi-year financial planning. There appears to be a lack of clarity for accessing capital for investment priorities and
addressing the problems arising from organizational separation of capital expenditure responsibility and operation and maintenance responsibility.

The Law on Local Self-Government imposes certain constraints on local governments to develop accurate three-year investment plans that reflect local priorities: The following reasons are cited:

— The Law imposes certain ‘mandatory’ spending requirements and requires that these will be funded through the Central Government budget.

— The Law refers to a number of delegated authorities and responsibilities, but makes no provision for funding.

— The Law refers to ‘voluntary’ services and responsibilities, but assumes these can be funded from local revenue, despite the fact that tax sharing categories such as VAT and the various income taxes have been eliminated.

— In small towns and villages there is little understanding of the law and its objectives. Preparation of a capital plan is inconsistent with approved procedures and not related to the multi-year financial plan.

— Subsidies and subventions from central government and local government collections are erratic and subject to changes without local government input. These factors provide little incentive for local governments to develop accurate fiscal plans.

Local revenues are considered general revenues and not earmarked for specific services and or costs. Because of the poor collection of fees and the erratic flow of funds from central government resources, investment is made on an as-needed basis, if at all. Long-term planning is very difficult to do under these conditions and therefore investment is minimal. As a result, the improvement in the quality of basic services is negligible.

Fees charged for some services are not considered LGU revenue but income of the enterprise that provides the service. (For example water, electricity, heat, gas, solid waste collection, communications, public transportation, etc.). Because fees are paid late, if at all, the collected charges do not cover operating costs and the users are subsidized from the budget.

A review three-year plans indicates that they are no more than wish lists and are not backed up by programmed revenues and expenditure. Projects are not prepared to sufficient standards to attract investment. In addition, there is little evidence of community participation in the preparation of the plan.
The Marzes are not required to prepare development plans. This results in no development integration between the region and the community. As a result, development is ad hoc and resources are not allocated according to priorities.

**Land Resources**—In functioning market economies, land resources are an important source of local government revenue, both directly, through sale and leasing of land and buildings, and indirectly, through economic activity resulting from rational land use planning and property market development.

At the present time, these benefits are largely unavailable to Armenian LGUs, because they lack effective control over community (non-agricultural) land, and because the real estate taxation system generates a very small amount of revenue. Zoning and land use regulations are inadequate. Property tax collection procedures are under the control of the state Tax Inspectorate (which is more diligent in collecting income tax, which is state revenue). The LGU is required to use cadastral values, which substantially exceed market value in most cases, when selling community-owned land. The use of cadastral values not only impedes sales of community land but also discourages parties to land transfers from legally registering their property rights, which further blocks development of the land market.

The law requires that 20 percent of community land in rural communities and villages be reserved for future development. In most ‘built-up’ communities (larger towns and urban areas), there is no community land available for sale to developers. Virtually all non-agricultural land in urban areas belongs to the state. Land for development or construction must either be acquired from private owners or leased.

The relationship between local governments and the State Cadaster Department is described as problematic. They view each other essentially as competitors, since the State Cadaster Department not only evaluates property for taxation and registers title and other property interests, but also receives most of the revenue generated by land transactions. The Cadaster Department controls all information on who owns what land, and is generally unwilling to share it with local governments. The Cadaster Department is still organized in regions in accordance with the old Soviet system—37 outside Yerevan plus 8 in Yerevan.

**Planning**—The community is obliged under the Law on Local Self Government to prepare a land use plan including stated objectives. Council approves land use and development plans in the community. The plan provides for zoning, especially land to be use for agricultural purposes. The plan has to be finally approved the National Assembly. Only two communities have completed this task to date. Other communities continue to operate under the Soviet general plan. There is limited professional and technical capacity in local governments to prepare or implement a development plan.
Agricultural land—Agricultural land is classified by soil type. There are five categories of soil type with five being the least suitable for agriculture. Agricultural land in communities has been privatized. This was undertaken before the law on privatization was passed and has caused some discontent with regard to fairness of the process and confusion as to final ownership. Agricultural land is registered with the local government and the State Cadaster Department. Private land is registered with the Cadaster Department. Very few local governments have records of land and ownership that are sufficient for land tax collection. The Cadaster Department is reluctant to release such information.

Land Valuation—The State Cadaster Department undertakes land valuation. The basis for valuation is replacement value, zoning and land use, infrastructure, and closeness to city center, quality of soil. There is no attempt to reconcile cadaster valuation with actual market values. Currently market values are falling and considerably less than cadaster valuations. The result is that many private land transactions are not registered because transfer fees are based on the cadastral values rather than market value or actual sales prices.

Sale of Community land—The LGU may, with Council’s approval, organize an auction of land parcels for construction of private housing. The proceeds from the sale go to the budget. The Cadaster Department determines the valuation of the land. The cadastral value is usually higher than market value. For example the Cadaster department valuation of community land in Ashtarak is $600/hectare, the market value is approximately $100/hectare.

Sale of Private land—Sale of private land is negotiated by private parties with sales prices at market value. The process of registration and collection of fees is as follows:

— Agreement between parties on the price (Contract of Sale).

— Registration of sale by notary public in the cadastral records. Fees paid to the community budget of 5,000 AMD for registration.

— Transfer of title by the Cadaster Department and fees paid to the central government (5000 AMD for preparation deed) and Cadaster Department (fee for measurement and description of property).

Permits—The LGU issues construction permits and approves construction plans. Permits are required to demolish the buildings or change their exterior.
E. Effectiveness of Municipal Associations

There are two municipal associations currently operating in Armenia: (1) The Community Union of Armenia; and (2) The Union of Yerevan Neighborhood Councilors. These are described below:

- **Community Union of Armenia (CUA):**

  - **Purpose:** Originally intended to promote the interests of LGUs as effective instruments of democracy and providers of public services. The composition of the membership has recently undergone significant change and the present role of the CUA is somewhat ambiguous.

  - **Membership:** This consists of 530 members representing 530 LGUs; according to the charter, membership is corporate (i.e., the LGU is the member and is represented in the Union by its delegate(s); Member(s)/Delegate(s) must be an elected/appointed LGU official; Affiliate ("individual") members are permitted (6 as of December 1999). However, in practice most members are Mayor of their respective LGUs and have not been officially designated as delegates.

  - **Meetings:** General membership meetings are held every three years, however policy and administrative sub-groups within the Union meet more frequently.

  - **Staff:** There is a paid staff consisting of eight employees. The functions of these staff are administrative technical and training.

  - **Dues:** Membership dues are based upon a schedule and vary according to population of LGU. For the current year it is estimated that only 20 percent of members have paid their dues.

  - **Budget information:** Revenue from dues in 1999 was miniscule (only five percent paid). It is anticipated that dues collection will increase substantially this year. There is no other recurrent source of revenue.

  - **Principal activities of the Union during 1999 consisted of sponsoring legislative changes and State administrative decisions affecting LGUs and public education.**

  - **Effectiveness:** Representatives of the Government, academics and studied observers regard the CUA’s activities and degree of effectiveness at influencing the Government and Parliament on LGU issues as marginal. These same persons anticipate that the CUA will be more active this year
due to its restructuring in December 1999, but that it would benefit greatly by having a President to serve as leader.

— Comments: CUA suffers from low dues collection and lack of elected leadership through the office of President, which remains vacant. The de facto nature of its members as individuals rather than as delegates of their respective LGUs renders the nature of the CUA more akin to an “Association of Mayors” than to a “Municipal Association”. The paid staff appears to be the principal policy formulation subgroup within the CUA, which in the long run will become problematic.

• Union of Yerevan Neighborhood Councilors (UYNC)

— Purpose: Participation and oversight of Yerevan City government and its 12 districts; research and educational activities for its members and constituencies.

— Membership: A member must be an elected Councilor; there are 77 individual members (from a total population of 170 Councilors).

— Meetings: Bi-weekly.

— Staff: No paid staff.

— Dues: There is a dues structure, but only 10 percent to 15 percent of membership have paid dues.

— Budget Information: Recurring revenue is solely from members dues; there have been donor agency grants for specific projects.

— Principal Activities: Information dissemination to members about the role of a Councilor; Oversight of City of Yerevan activities.

— Effectiveness: Generally viewed as marginally effective.

— Comments: Organization suffers from low percentage of dues collection and lack of professional staff.
In addition to the municipal associations, there is an active professional association of LGU finance officers:

- **Community Finance Officers Association (CFOA):**
  
  — Purpose: Professional development of LGU finance officers; improvement of LGU fiscal practices; monitoring legislation and Government actions that impact LGUs; promulgation of public information about LGUs.
  
  — Membership: 84 members consisting of 66 from LGUs, 14 from State agencies, and 4 unaffiliated.
  
  — Meetings: An ‘executive committee’ meets frequently, as needs dictate.
  
  — Staff: No paid staff.
  
  — Dues: There is a schedule of dues, but none have been collected.
  
  — Budget Information: Initial revenue sources have been donor grants for specific purposes; Dues collection is anticipated to provide a recurring source of operation revenue.
  
  — Principal Activities: Establishment and operation of information centers; professional development of membership; review and analysis of legislation and Government policies impacting LGUs.
  
  — Effectiveness: Moderately effective, especially in consideration of its brief life span; Highly regarded by Government officials, NGOs and donor organizations as having good potential.
  
  — Comments: Has potential to become highly effective professional association; would benefit from active dues collection and professional staff services.

Other active NGOs relating to local government issues and activities included in the consultant’s study include the Union of Civil Society Development and Inter Community Associations.
F. Transparency of Local Government Processes

Introduction

A recent survey\(^1\) conducted among citizens to determine their level of knowledge of and interest in local government activities and operations yielded the following conclusions:

- Most people in Armenia have little knowledge of or interest in the activities and operations of their local governments. They perceive that LGUs lack the resources to have meaningful programs, so there is no reason for citizens to take an interest.

- Those citizens who are interested in local government activities and operations have great difficulty gaining access to information about what is actually done by their LGUs.

- Most citizens get news from television and radio broadcasts, not the print media. There is very little coverage of local government activities in any of the media. Reporters have great difficulty gaining access to credible information about local government.

- Residents of villages have a stronger sense of their community and are comparatively better informed of local government activities than those of urban areas or larger towns. However, even residents of villages lack understanding of how community revenues are generated and what the spending objectives are of local authorities. They strongly believe their community lacks adequate resources, and the only way to improve current conditions is to receive more assistance from the state government.

Yerevan residents lack even a perception of their community and consider themselves residents only of the City of Yerevan, that is, the municipality. They often make no distinction between the functions of the community and those of the municipality, and are not interested in the activities of their community.

On the other hand, residents of Gjumri have a sense that they are citizens of a community, but they too are generally unaware of and not interested in the activities of their community.

Citizen Attitudes toward Transparency of Local Government Authorities and Activities—Access to information is generally low regardless of community size;

\(^1\) The survey was carried out in Yerevan and Gjumri cities, and Baghramyan and Verin Artashat villages of the Ararat marz.
however, explanations for the unavailability of such information vary to some extent with the size of the community.

For example, in Yerevan there are mass media outlets, but district-level governments do not have publishing facilities themselves for preparing information or reports to the public. (The one exception is the community of Nor Nork, which periodically publishes a newsletter for community residents.) In villages, there are not even mass media outlets; the only information source for small town or village residents is the village authority itself. In any case, there is a widely held perception that village authorities would not present news of its activities with a reasonable level of objectivity.

Citizens justify their lack of knowledge and their indifference to local governance by citing the fact that local authorities lack sufficient funds to solve their problems. In other words, they believe that whether they are aware or unaware of local government activities is of no importance because local governments do not have the resources to carry out meaningful activities. For this reason, citizens expressed no interest in attending public budget hearings or otherwise participating in the planning or revue of local government spending.

Two respondents from village communities provided exceptions to the rule, at least in their level of awareness of the share of their taxes that went to the local budget. For example, one pensioner in Baghramyan village knew that 95 percent of the land taxes went to the village authorities.

**Transparency of LGU Activities from the Perspective of the Press**—News media do not have journalists specially assigned to reporting on local government activities and operations. Any such reporting is done journalists who specialize in economic, social and legal areas.

The Yerevan Press Club reported in 1999 that there are eight newspapers and numerous small weekly bulletins or newsletters published in Yerevan. The Press Club surveyed these publications to determine how they allocate available space to various issues. Unfortunately, information about local government activities either was not included among the surveyed activities or was so insignificantly reported that it does not show on the survey. See Table G.1 at the end of this section.

From the Bulletin of the Yerevan Press Club:

In 67 domestic publications covering Armenia news, only 7.9 percent of the total coverage deals with marz-level government activities, 7.4 percent with communities, and 0.5 percent with villages. (No. 2 March to April 1999.)

In addition to the Yerevan Press Club report, interviews were held with reporters of “Aravot,” “RoA,” and “Novoye Vremja” newspapers in Yerevan and a newspaper in
Ashtarak that is disseminated throughout the marz. These discussions were designed to determine the thoughts of journalists regarding their access to information on local government activities and how reliable they believe that information to be. The following information is drawn from those interviews.

One journalist stated, “There is no impediment to obtaining information. The Information Division of the local government stands ready to provide all information on activities of local authorities and other issues of interest for journalists”.

Most reporters, however, report that information from local authorities is not reliably objective, and it is often ‘softened’ and unrealistic. Reporters in Yerevan in particular state that they encounter significant difficulties in obtaining information from local authorities and do not perceive the information they receive to be reliable or complete. Usually, information is provided in a form that is most favorable for the local authorities.

From an interview with a journalist from “Novoje Vremja”, we were provided information with regard to the length, diameter, and performance deadlines of the new water pipe. But when I tried to obtain the information I was interested in, for example, number of valves installed on the pipe, no one would answer this question.

Similar responses regarded the completeness of information from local authorities were obtained from reporters for “Aravot” and “RoA” newspapers.

Journalists complain that Information Offices at the district and municipality level impede direct contacts between the press and the staff of the various departments of the local government. If a journalist succeeds in meeting with staff member and asks questions, the staff member either refers the journalist to the Information Office or states that he cannot provide information without authorization from the head of his department. The journalist must try to meet with the department head in order to get this authorization; such a meeting may not be possible, or it may take so long to arrange that the topic has become irrelevant.

From an interview with Suren Geghamyan, Chief Editor of the “RoA” (Armenian): Without an order from the head of a department, no important information is given out, yet to get into his office is next to impossible.

According to a number of journalists, in order to ensure transparency of the process of local administration, it is necessary to improve the equipment of the local authorities, such as computers capable of developing a database. This would help generate detailed, reliable, and more statistically significant data.

Because of the financial problems of various media, it is virtually impossible for journalists to travel to other areas of the country to find answers to their questions. As a
result, the conditions and problems of the population in more remote areas remain outside their scope and are not covered by the press.

Television and radio stations also report on the activities of local authorities. Broadcast reporters experience the same problems in getting information as those of the print media, but local TV and radio stations are likely to provide more time in their programming to cover local issues.

Data is on broadcast coverage of various issues, obtained from the Yerevan Press Club, is included in Table F.2 at the end of this section.

**Legal Framework for Transparency of LGU Information**—The current legal framework contributes to the difficulties faced by journalists who attempt to report on local governance. The laws are not adequate to ensure transparency of operations and activities of local authorities, and do not protect the rights of journalists with regard to obtaining related information.

The law on Local Self Government, in Clause 10 of Article 4 simply states that a fundamental responsibility of local authorities is “publicity about activities of local authorities”.

The Law on Press and Other Mass Media Operating in Armenia, adopted in 1991 and still in effect, is obsolete and does not encourage press freedom or protect the right of journalists to obtain information that should be available to the public. The only provision in that law regarding the rights of reporters is Article 27, Chapter 4, Clause 1, which states that the press may “collect and publish news and information”.

A draft of a new Law on Mass Media is currently in the National Assembly. Reporters hope that if they new law is adopted, they will have greater authority to investigate and report the news. Chapter 3, Article 12 of the draft law states: ‘A journalist shall have the right to seek, collect and spread information, and shall be granted access to familiarize himself with official documents and materials’.

**Project on Community Information Centers**—Should the new law on Mass Media be adopted, journalists would have greater rights to request and quickly receive important information that they can in turn make available to the public. Then the critical issue will become availability of local resources to provide reliable and comprehensive information. One approach to this problem has been the project for creation of Community Information Centers, local-level offices for information gathering and analysis, funded by the Eurasia Foundation and managed by the National Association of Finance Officers.

The project is based on the assumption that without access to a comprehensive database, local governments will be hampered in their efforts to analyze and solve their
management and service-delivery problems and to involve citizens in local government decision making. The project envisages establishment of such databases in 10 community centers, with the following types of information:

- Registrar of residents in the community
- Identity of allowance beneficiaries and social categories of the residents
- Inventory of residential stock of the community
- Inventory of land plots leased by the community
- Data on suggestions made to the community by social organizations and citizens

The project is proceeding as following:

- Determine types of information available by collecting such information in Ashtarak, Charentsavan, Abovian, Garni communities.
- Design of standard databases that can be used in these and other communities.
- Selection of 10 communities for establishing future information centers.
- Design of a 3-month training course for 20 community representatives on how to collect, format and present information available in the centers.
- Establishment of information centers in the 10 selected communities, providing them with computer equipment and methodological guidelines, within one year.

The project is now close to completion of the first phase – collection of available data in the four pilot communities. The implementation schedule calls for the project to be complete in about 14 months.

G. Citizen Understanding of and Satisfaction with Local Government

Introduction

With regard to satisfaction with local government, citizens generally rate local services as unsatisfactory in terms of both quality and quantity. Citizens perceive that the primary reason for the unsatisfactory level of local services is that LGUs lack the financial means to carry out even those activities that are mandated by law. They are resigned to receiving poor services, and believe this situation is inevitable, given the fiscal status of local government.
Local services are rated somewhat higher in Yerevan and other larger community than they are in villages and small towns.

With regard to understanding local government, most citizens know very little about LGU authorities and responsibilities, or what mechanisms and procedures are used for exercising them. For the majority of citizens, their only interaction with LGUs is to vote in local elections. They do not participate in the decision-making processes of LGUs, despite the fact that the Law on Local Self Government affords them the opportunity to do so.

Citizens have a fairly low level of confidence in their local governments, which is not surprising, given their lack of satisfaction with local services, their belief that LGUs lack the financial resources to improve services, and their lack of knowledge about LGU policies and procedures. According to the ‘Citizen Participation’ survey conducted by USAID, citizens provided the following responses to the question of who pays the most attention to the problems they face:

— Political parties 38.5 percent
— Local government 26.5 percent
— National Government 25.5 percent
— Regional Governor’s office 20.9 percent

Table F.1
Allocation of Newspaper Space by Topic (as Percent of Total Space)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Social problems</td>
<td>3.16</td>
<td>3.73</td>
<td>6.30</td>
<td>4.49</td>
<td>4.39</td>
<td>3.33</td>
<td>4.39</td>
<td>4.26</td>
<td>3.51</td>
<td>7.88</td>
</tr>
<tr>
<td>Economy</td>
<td>13.48</td>
<td>13.70</td>
<td>10.51</td>
<td>11.00</td>
<td>9.41</td>
<td>8.59</td>
<td>10.11</td>
<td>6.12</td>
<td>12.37</td>
<td>11.45</td>
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<td>Domestic policies</td>
<td>4.77</td>
<td>4.17</td>
<td>5.89</td>
<td>9.19</td>
<td>10.52</td>
<td>11.96</td>
<td>10.26</td>
<td>18.61</td>
<td>17.49</td>
<td>32.79</td>
</tr>
<tr>
<td>Rights, legal protection, defense, security</td>
<td>4.59</td>
<td>4.21</td>
<td>3.86</td>
<td>3.91</td>
<td>6.41</td>
<td>6.98</td>
<td>6.13</td>
<td>1.98</td>
<td>4.54</td>
<td>11.21</td>
</tr>
<tr>
<td>National Assembly, legislature</td>
<td>4.61</td>
<td>3.72</td>
<td>3.83</td>
<td>3.39</td>
<td>2.84</td>
<td>4.20</td>
<td>2.56</td>
<td>2.66</td>
<td>1.98</td>
<td>3.49</td>
</tr>
<tr>
<td>Health, environment protection</td>
<td>2.29</td>
<td>2.86</td>
<td>2.10</td>
<td>2.35</td>
<td>3.36</td>
<td>3.34</td>
<td>3.26</td>
<td>2.05</td>
<td>2.20</td>
<td>2.41</td>
</tr>
<tr>
<td>Education, science</td>
<td>4.22</td>
<td>2.86</td>
<td>2.64</td>
<td>5.05</td>
<td>5.04</td>
<td>2.37</td>
<td>2.43</td>
<td>1.18</td>
<td>2.12</td>
<td>1.64</td>
</tr>
<tr>
<td>Culture</td>
<td>14.67</td>
<td>10.76</td>
<td>12.70</td>
<td>12.78</td>
<td>7.55</td>
<td>5.11</td>
<td>6.78</td>
<td>10.10</td>
<td>10.20</td>
<td>8.53</td>
</tr>
</tbody>
</table>
### Table F.2
**Allocation of Broadcast Programming Time by Topic (as Percent of Total Time)**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Hailur (Lraber)</th>
<th>Ajb-Re</th>
<th>&quot;Orakarg&quot; (Sunday News) &quot;Tesadasht&quot;</th>
<th>&quot;Kiraki&quot;</th>
<th>&quot;Storaket&quot;</th>
<th>&quot;Lurer&quot; Radio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social problems</td>
<td>4.14</td>
<td>7.91</td>
<td>5.14</td>
<td>1.38</td>
<td>18.07</td>
<td>7.25</td>
</tr>
<tr>
<td>Economy</td>
<td>11.37</td>
<td>12.42</td>
<td>10.86</td>
<td>7.25</td>
<td>10.83</td>
<td>22.91</td>
</tr>
<tr>
<td>Domestic policies</td>
<td>6.55</td>
<td>9.41</td>
<td>9.65</td>
<td>33.11</td>
<td>2.45</td>
<td>5.95</td>
</tr>
<tr>
<td>Rights, legal protection, defense, security</td>
<td>5.30</td>
<td>15.65</td>
<td>4.20</td>
<td>4.84</td>
<td>4.24</td>
<td>5.57</td>
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<tr>
<td>National Assembly, legislature</td>
<td>4.32</td>
<td>7.66</td>
<td>8.68</td>
<td>27.61</td>
<td>0.95</td>
<td>7.31</td>
</tr>
<tr>
<td>Health, environment protection</td>
<td>2.93</td>
<td>5.15</td>
<td>2.82</td>
<td>0.49</td>
<td>12.70</td>
<td>4.38</td>
</tr>
<tr>
<td>Education, science</td>
<td>4.06</td>
<td>7.33</td>
<td>2.34</td>
<td>—</td>
<td>4.81</td>
<td>5.21</td>
</tr>
<tr>
<td>Culture, history</td>
<td>27.27</td>
<td>11.86</td>
<td>6.21</td>
<td>0.51</td>
<td>12.14</td>
<td>7.56</td>
</tr>
<tr>
<td>Society</td>
<td>1.91</td>
<td>5.25</td>
<td>2.74</td>
<td>0.14</td>
<td>16.56</td>
<td>1.55</td>
</tr>
</tbody>
</table>

**General Comments on Survey of Citizen Satisfaction and Understanding**

A survey was conducted among target groups of residents of Yerevan and Gyumri and two rural communities to determine the degree to which citizens are knowledgeable about and satisfied with the work of local government bodies. For more detailed analysis a number of individual citizens were also interviewed in depth. There were 72 respondents in all, 31 in Yerevan, 20 in Gyumri and 21 in rural communities. Tables G.14 and G.15 at the end of this section show the composition of the respondents by gender and age.
Several general observations about the survey results are possible:

- Yerevan respondents were more candid and negative in their replies. Respondents from Gyumri and rural communities were more cautious in their responses and had a more sympathetic attitude toward local governments.

- Women were more blunt in their assessment of local government services; their were primarily confined to household issues.

- Individuals under 60 years of age were more reserved and more optimistic in their attitude toward LGUs. Individuals over 60 were more uncompromising and critical, and focused primarily on improving the social situation.

- A respondent with higher levels of educational and income had a more realistic picture of the functions and responsibilities of LGUs.

**Low Level of Understanding about LGU Responsibilities and Services**—Most citizens’ complaints dealt with unmet social needs, such as inequitable distribution of humanitarian aid and low pensions, and were based on the mistaken belief that these problems were rooted in low quality and unfair LGU operations. There were also numerous complaints about high cost and irregularities in delivery of telephone, electricity and gas services.

Respondents often commented on shortcomings in the education and health care sectors, even though these are outside the control of local authorities. They noted especially that fees had been introduced for essential services and many people could no longer afford them.

Especially in Yerevan, respondents confused services provided by districts with those delivered by the Yerevan municipality and by service providers under the municipality’s jurisdiction.

These findings to some extent undermine the credibility of the responses in the study of “Citizen Participation” conducted for USAID, which found that 48.7 percent of respondents were sure they knew who to turn to should they have problems with public services. The current survey demonstrates that despite the confidence of respondents in their knowledge of local government activities, in reality they do not have such knowledge. Almost all persons surveyed mentioned one or more sectors or services that in fact are not within the powers of local government bodies but rather are provided by other level of government or by private enterprises.
Evaluation of Specific Issues—The following tables and analysis are based on survey responses to specific issues:

Table G.1
Maintenance of Residential and Non-Residential Space in Apartment Buildings

<table>
<thead>
<tr>
<th></th>
<th>Very Poor</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Good</th>
<th>Very good</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yerevan</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>—</td>
<td>—</td>
<td>10</td>
</tr>
<tr>
<td>Gyumri</td>
<td>3</td>
<td>6</td>
<td>2</td>
<td>—</td>
<td>—</td>
<td>11</td>
</tr>
<tr>
<td>Villages</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6</td>
<td>11</td>
<td>4</td>
<td>—</td>
<td>—</td>
<td>21</td>
</tr>
</tbody>
</table>

This issue was evaluated by citizens who reside in high rise apartment buildings in Yerevan and Gyumri, but who are not members of condominium associations. (In rural communities surveyed, there were no high-rise apartment buildings.)

Table G.2
Water Supply Service

<table>
<thead>
<tr>
<th></th>
<th>Very Poor</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Good</th>
<th>Very good</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yerevan</td>
<td>5</td>
<td>10</td>
<td>13</td>
<td>3</td>
<td>—</td>
<td>31</td>
</tr>
<tr>
<td>Gyumri</td>
<td>2</td>
<td>3</td>
<td>11</td>
<td>3</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Villages</td>
<td>1</td>
<td>8</td>
<td>8</td>
<td>4</td>
<td>—</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL</td>
<td>8</td>
<td>21</td>
<td>32</td>
<td>10</td>
<td>1</td>
<td>72</td>
</tr>
</tbody>
</table>

Even though the evaluation of water service is almost identical for residents of Yerevan and Gyumri, objectively the situation in Yerevan is better than in Gyumri. One possible explanation is that Yerevan is more demanding in terms of services. It is also noteworthy that while control over water supply was not transferred to district communities in the City of Yerevan, district governments do have responsibility for providing residents with drinking water.

Even though there were “good” and “very good” responses in the evaluations, not a single respondent had a 24-hour water supply in his or her apartment. In general, drinking water service is inadequate; differences in evaluations could be accounted for by whether a given respondent lived on the higher or lower floors.

Data from the National Report “Social Situation and Poverty in the Republic of Armenia” produced by the Republic of Armenia Ministry of Statistics, State Register and Analysis, 1996, indicates that 88.1 percent of households in Armenia have water supply through water conduits, 94.4 percent in cities and towns, and 78.1 percent in villages. It also reports that all cities and towns and over one third of rural communities were using water supply main lines, but the network of water pipes in the country is in very poor
condition because of wear and tear on pipes, low quality of repair work and lack of maintenance. The use efficiency factor for the operating production capacity is 28 percent (30 percent in Yerevan).

The amount of water supplied to the population has been decreasing annually, dropping 16 percent nationwide and 36 percent in Yerevan between 1990 and 1996. The amount of per capita daily water supply is significantly lower than required by sanitary standards. According to the 1996 data, the \textit{de facto} per capita consumption was 275 liters, 61 percent of the norm, and in Yerevan it was 370 liters, 53 percent of the norm.

Irrigation and service water shortages are often compensated for by the use of drinking water, which further aggravates the problem of inadequate water supply.

\textbf{Table G.3}
\textbf{Change in Water Service from 1997 to 1998}\textsuperscript{2}
\begin{tabular}{lllll}
\hline
& \textbf{Urban population} & & \textbf{Rural population} & \\
& \textbf{No.} & \textbf{Percent} & \textbf{No.} & \textbf{Percent} & \textbf{No.} & \textbf{Percent} \\
\hline
Improved & 414 & 19.0 & 325 & 22.9 & 739 & 20.5 \\
Deteriorated & 533 & 24.5 & 282 & 19.9 & 815 & 22.7 \\
No change & 1161 & 53.3 & 713 & 50.2 & 1874 & 52.1 \\
Don't know & 71 & 3.2 & 99 & 7.0 & 170 & 4.7 \\
TOTAL & 2179 & 100.0 & 1419 & 100.0 & 3598 & 100.0 \\
\hline
\end{tabular}

\textbf{Table G.4}
\textbf{Wastewater Disposal Service}
\begin{tabular}{llllll}
\hline
& \textbf{Very poor} & \textbf{Poor} & \textbf{Satisfactory} & \textbf{Good} & \textbf{Very good} & \textbf{Total} \\
\hline
Yerevan & — & — & 7 & 21 & 3 & 31 \\
Gyumri & — & 1 & 4 & 8 & 3 & 16 \\
Villages & — & — & — & — & — & — \\
TOTAL & — & 1 & 11 & 29 & 6 & 47 \\
\hline
\end{tabular}

\textsuperscript{2} Data in this section reflecting opinions on changes in the past year in service of various categories is taken from ‘\textit{The Comprehensive Survey of Households–1998},’ conducted by the Ministry of Statistics, State Register and Analysis.
Table G.5  
Change in Waste Water Disposal from 1997 to 1998

<table>
<thead>
<tr>
<th>Urban population</th>
<th>Rural population</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Percent</td>
</tr>
<tr>
<td>Improved</td>
<td>253</td>
<td>11.6</td>
</tr>
<tr>
<td>Deteriorated</td>
<td>207</td>
<td>9.5</td>
</tr>
<tr>
<td>No change</td>
<td>1517</td>
<td>6.6</td>
</tr>
<tr>
<td>Don't know</td>
<td>202</td>
<td>9.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2179</td>
<td>100.0</td>
</tr>
</tbody>
</table>

From these two tables, it can be inferred that the population is basically satisfied with water supply and disposal services. However, experts believe that these answers do not present a realistic assessment of the water system. Most flaws are not apparent to the end consumer, and because operational problems in the system cause environmental degradation as well as deterioration of sanitary conditions that may not be of immediate concern to the end consumer.

Table G.6  
Heat Supply Service

<table>
<thead>
<tr>
<th></th>
<th>Very poor</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Good</th>
<th>Very good</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yerevan3</td>
<td>—</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Gyumri</td>
<td>—</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>—</td>
<td>11</td>
</tr>
<tr>
<td>Villages</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>TOTAL</td>
<td>—</td>
<td>7</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>18</td>
</tr>
</tbody>
</table>

Prior to the early 1990s, Yerevan and other cities and towns had central heat production and distribution systems that generally met the needs of the population. Low energy costs made it possible to provide heat in villages and in privately owned homes in urban areas as well as apartment buildings. At present, according to a study of poverty and social support in Armenia commissioned by the World Bank, the average overall household expenditure for heating through winter is 20,000 AMD, which is more than many socially vulnerable families can afford.

According to another survey, “Citizen Participation,” conducted by USAID, and by the Armenian Sociological Association in winter of 1998 and 1999:

— 24.8 percent of the population did not have heating at all.
— 29.8 percent had heat from time to time.
— 45 percent usually had heat.

3 Note that in Yerevan heat supply is under the jurisdiction of the municipality, not the district-level community government.
Specific complaints voiced most often by the population include the following:

— Inadequate supply of heat.
— High rates charged for heat supply.
— Late start and early termination of central heating season.

Local communities in rural areas do not provide central heat service at all and the residents themselves have to find a solution to the problem of heating their homes. The fact that very few respondents answered this question at all is evidence that only a fraction of the urban population is provided with central heating.

Lack of adequate heating co-relates to evaluation of another service: the second highest explanation (20 percent) for children’s non-attendance in kindergarten is inadequate heating, according to the study “Social Indicators of Poverty” commissioned by United Nations Armenia House.

<table>
<thead>
<tr>
<th>Table G.7</th>
<th>Irrigation Water Supply Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very poor</td>
</tr>
<tr>
<td>Yerevan</td>
<td>6</td>
</tr>
<tr>
<td>Gyumri</td>
<td>—</td>
</tr>
<tr>
<td>Villages</td>
<td>6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12</td>
</tr>
</tbody>
</table>

The table shows that urban and rural residents alike are dissatisfied with the delivery of the irrigation service. Irrigation is of vital importance to rural residents, which may explain why they are critical in their evaluation. Irregular supply of irrigation water and payment by residents of bills are interdependent, which ultimately has an adverse effect on crop capacity and which may, in some cases, bring about the loss of the entire yield.

<table>
<thead>
<tr>
<th>Table G.8</th>
<th>Change in Irrigation Water Supply Service from 1997 to 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban population</td>
<td>No.</td>
</tr>
<tr>
<td>Improved</td>
<td>62</td>
</tr>
<tr>
<td>Deteriorated</td>
<td>170</td>
</tr>
<tr>
<td>No change</td>
<td>327</td>
</tr>
<tr>
<td>Don't know</td>
<td>1620</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2179</td>
</tr>
</tbody>
</table>
Table G.9
Solid Waste Collection Service

<table>
<thead>
<tr>
<th></th>
<th>Very poor</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Good</th>
<th>Very good</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yerevan</td>
<td>1</td>
<td>10</td>
<td>10</td>
<td>7</td>
<td>3</td>
<td>31</td>
</tr>
<tr>
<td>Gyumri</td>
<td>2</td>
<td>14</td>
<td>4</td>
<td>—</td>
<td>—</td>
<td>20</td>
</tr>
<tr>
<td>Villages</td>
<td>21</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL</td>
<td>24</td>
<td>24</td>
<td>14</td>
<td>7</td>
<td>3</td>
<td>72</td>
</tr>
</tbody>
</table>

Solid waste collection service is usually provided in rural areas. Village residents remove trash on their own initiative, choosing sites away from their homes as a dump, which leads to environmental degradation. The service is delivered relatively well in the district communities in Yerevan. Some Yerevan residents define “good” or “excellent” service as collecting trash twice a week.

Table G.10
Change in Trash Collection Service from 1997 to 1998

<table>
<thead>
<tr>
<th>Urban population</th>
<th>Rural population</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Percent</td>
<td>No.</td>
</tr>
<tr>
<td>569</td>
<td>26.1</td>
<td>36</td>
</tr>
<tr>
<td>Deteriorated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>268</td>
<td>12.3</td>
<td>135</td>
</tr>
<tr>
<td>No change</td>
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<td></td>
</tr>
<tr>
<td>1257</td>
<td>57.7</td>
<td>968</td>
</tr>
<tr>
<td>Don’t know</td>
<td></td>
<td></td>
</tr>
<tr>
<td>85</td>
<td>3.9</td>
<td>277</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2179</td>
<td>100.0</td>
<td>1419</td>
</tr>
</tbody>
</table>

Table G.11
Site Improvement and Landscaping Services

<table>
<thead>
<tr>
<th></th>
<th>Very poor</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Good</th>
<th>Very good</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yerevan</td>
<td>10</td>
<td>7</td>
<td>10</td>
<td>4</td>
<td>—</td>
<td>31</td>
</tr>
<tr>
<td>Gyumri</td>
<td>2</td>
<td>14</td>
<td>4</td>
<td>—</td>
<td>—</td>
<td>20</td>
</tr>
<tr>
<td>Villages</td>
<td>18</td>
<td>3</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL</td>
<td>30</td>
<td>24</td>
<td>14</td>
<td>4</td>
<td>—</td>
<td>72</td>
</tr>
</tbody>
</table>

Site improvement, landscaping and asphalt applications are among the most visible services delivered by local governments. The desire on the part of residents to see their locality beautified and improved was a key factor in their evaluation of the service in question.

The following conclusions were drawn:

- When compared with Gyumri and with villages, Yerevan is more highly rated in terms of site improvement. Even though respondents from Yerevan were
quite critical, that may result from the fact that residents of capital are more demanding.

- These services are quite poor in Gyumri. Residents there hope for better service in this area as the result of the election of a new mayor.

- In villages, respondents often were unable to understand the question, since not a single visible project had been undertaken; all in all, villages public spaces are in very bad, unkempt condition.

<table>
<thead>
<tr>
<th>Table G.12</th>
<th>Education and Cultural Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very poor</td>
</tr>
<tr>
<td>Yerevan</td>
<td>2</td>
</tr>
<tr>
<td>Gyumri</td>
<td>—</td>
</tr>
<tr>
<td>Villages</td>
<td>8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10</td>
</tr>
</tbody>
</table>

These evaluations mostly reflect the perception of the activities of kindergartens and specialized schools (music, arts, and sports), that come under the jurisdiction of LGUs. Higher level schools are controlled by the national government.

Operation of kindergartens, specialized schools and libraries is relatively well-organized in urban settings, particularly in Yerevan. In villages, operation of kindergartens has a seasonal nature, whereas libraries and houses of culture operate very poorly or not at all. Residents of Yerevan were resentful about the dwindling number of kindergartens and selling kindergartens buildings or using them.

The survey respondents did not voice any complaints about the operation of junior colleges. This positive attitude is also supported by the fact that there has been a tendency of growth in a number of such schools. In 1996, there were 73 junior colleges operating in Armenia; in 1998, there were 83.
The charts below are from the UNDP study, “Social Indicators of Poverty”:

**HEAT SUPPLY TO KINDERGARTENS**

- No heating: 11%
- Kerosene: 28%
- Wood: 45%
- Electricity: 8%
- Central heating: 6%
- Coal: 2%
- May collapse at any moment: 5%
- Normal: 6%
- Minor renovations required: 34%
- Major renovations required: 55%

**PROBLEM OF ENSURING FOOD TO KINDERGARTENS**

- Not solved: 27%
- Solved: 15%
- Partially solved: 58%
Table G.13
Pre-School Enrollment

<table>
<thead>
<tr>
<th></th>
<th>Number of pre-school institutions</th>
<th>Number of preschoolers enrolled</th>
<th>Teaching staff</th>
<th>Average number of students/ kindergarten</th>
<th>Student/ Teacher ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Yerevan</td>
<td>228</td>
<td>232</td>
<td>22155</td>
<td>23772</td>
<td>3879</td>
</tr>
<tr>
<td>Aragatsot</td>
<td>54</td>
<td>29</td>
<td>3416</td>
<td>1585</td>
<td>581</td>
</tr>
<tr>
<td>Ararat</td>
<td>84</td>
<td>86</td>
<td>5046</td>
<td>4118</td>
<td>658</td>
</tr>
<tr>
<td>Armavir</td>
<td>96</td>
<td>95</td>
<td>4592</td>
<td>4554</td>
<td>679</td>
</tr>
<tr>
<td>Gegharkunik</td>
<td>84</td>
<td>85</td>
<td>4710</td>
<td>4198</td>
<td>628</td>
</tr>
<tr>
<td>Lori</td>
<td>115</td>
<td>94</td>
<td>6316</td>
<td>4691</td>
<td>920</td>
</tr>
<tr>
<td>Kotayk</td>
<td>75</td>
<td>41</td>
<td>6206</td>
<td>3045</td>
<td>752</td>
</tr>
<tr>
<td>Shirak</td>
<td>77</td>
<td>56</td>
<td>6562</td>
<td>3735</td>
<td>750</td>
</tr>
<tr>
<td>Syunik</td>
<td>78</td>
<td>61</td>
<td>5730</td>
<td>3881</td>
<td>629</td>
</tr>
<tr>
<td>Vayotsdzor</td>
<td>26</td>
<td>25</td>
<td>1261</td>
<td>927</td>
<td>150</td>
</tr>
<tr>
<td>Tavush</td>
<td>61</td>
<td>52</td>
<td>2432</td>
<td>2098</td>
<td>355</td>
</tr>
<tr>
<td>TOTAL</td>
<td>978</td>
<td>856</td>
<td>68426</td>
<td>56604</td>
<td>9981</td>
</tr>
</tbody>
</table>

Transparency and Accessibility of Information Regarding Local Government Services—One of the fundamental principles of local self-government is openness and transparency in the exercise of authority. It is true that local councils are elected, and therefore ultimately responsible to the voters, but for local self-governance to take root in a meaningful way, these residents must be well informed about what transpires and should take part in local decision making.

Citizens should be kept informed about the sources of their local budget revenues, since that may stimulate willingness to pay taxes, local duties and charges. Ultimately, being informed about how and for what purposes community resources are spent and about the services the LGU must provide from its limited funds, should involve citizens in the solution of community problems and in the optimal distribution of available funds.

Survey results indicate that there is insufficient transparency in LGU operations. The populace is not knowledgeable about local community budgeting, what the mandatory activities of the LGU are and, which duties are executed by community leaders. They do not understand how payment of taxes and duties is related to the improvement of service delivery.

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4 This information is from ‘The Comprehensive Survey of Households in 1998,’ prepared by the Ministry of Statistics, State Register and Analysis.
Many LGU leaders fail to involve residents in the process of local self-government. As a result, it is not surprising that the decisions they make and actions they take often fail to reflect community interests and preferences.

In that respect, the role of mass media should receive greater emphasis, and should be developed to help keep citizens informed about government procedures and policies in their communities, as well as educating people about the significance of local self-government in their lives.

### Table G.14
Gender of Survey Respondents

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>No.</td>
<td>No.</td>
<td>No.</td>
</tr>
<tr>
<td>Percent</td>
<td>Percent</td>
<td>Percent</td>
<td>Percent</td>
</tr>
<tr>
<td>Yerevan</td>
<td>11</td>
<td>20</td>
<td>31</td>
</tr>
<tr>
<td>Gyumri</td>
<td>13</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Villages</td>
<td>5</td>
<td>16</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL</td>
<td>29</td>
<td>43</td>
<td>72</td>
</tr>
</tbody>
</table>

### Table G.15
Age of Survey Respondents

<table>
<thead>
<tr>
<th></th>
<th>Under 30</th>
<th>30 to 60</th>
<th>Over 60</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent</td>
<td>Percent</td>
<td>Percent</td>
<td>Percent</td>
<td>Percent</td>
</tr>
<tr>
<td>Yerevan</td>
<td>11</td>
<td>11</td>
<td>9</td>
<td>31</td>
</tr>
<tr>
<td>Gyumri</td>
<td>3</td>
<td>10</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Villages</td>
<td>1</td>
<td>8</td>
<td>12</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15</td>
<td>29</td>
<td>28</td>
<td>72</td>
</tr>
</tbody>
</table>

### H. Structures and Processes for Citizen Access to Public Information

#### Introduction

Local government authorities develop policies and provide services at the level closest to the citizens in their communities. Active citizen participation in the decision making process is essential for successful development of the local government system. For citizens to participate in a meaningful way, they must have access to information about local government activities.

Most LGUs in Armenia do little to assure that citizens have access to public information, either through their own resources or through widely available mass media.

**Legal Right to Access to Information about Local Government Activities**— According to the Law on Local Self-Government, citizens have a right to information...
about local government activities. Except for confidential information, the local government is required to promote citizen participation by opening its activities and deliberations to the public. Freedom of speech is guaranteed by the Constitution. Each citizen has the right to participate freely by expressing his opinion on the issues related to the community and the local government. In addition, local authorities should respond to citizens’ policy preferences and their requests for information. They must promote active participation of citizens in the decision making process to ensure that the public interest is protected and local government activities are open to public scrutiny.

Citizens are interested not so much in local government policies, but rather in the impact those policies have on their lives and the social situation in the community. One of the reasons for providing information to citizens is to allow them to help determine LGU actions that affect their lives in important ways.

Examples of LGU Approaches to Informing the Public of its Activities—A recent study determined that LGUs are not meeting the requirement to keep their citizens informed. This conclusion was drawn from interviews with officials in Aragatsotn Marz and the Municipality of Ashtarak to determine existing structures and procedures for providing information to citizens, NGOs and media, and the extent to which local officials make such information available. An interview was also conducted with a journalist for the daily radio program, ‘Azg,’ which reports on the activities of the marz administration.

There are 114 communities in Aragatsotn Marz, of which Ashtarak, Aparan and Tallin have the status of a city. There are representatives of the Marz Administration in Aparan, Tallin and Tsakhkahovit. The Marz Council is composed of the mayors of the Marz communities. The Marz Council meets once a month. Citizens do not participate in those meetings.

Special meetings with citizens through community-level ‘School Committees’ are organized to discuss issues related to education, but except for kindergartens, local governments have little control over school administration and policy. LGU administrations also meet periodically with other community groups and labor collectives. Once a month the city of Ashtarak organizes public meetings with NGOs such as the Women’s Union, the University Women’s Union, Civil Society, the Veterans’ Union, and holds an NGO roundtable once a month.

The Aragatsotn Marz administration provides information to three newspapers: Kantegh (official paper of the marz administration), Aragats and Tallin. In addition, it publicizes its activities through the cable television station of Ashtarak, which has daily and weekly news programs on local affairs ("Quaghakapetaranri Lratu") and is available to 70 percent of the population; the cable television station of Oshakan; the national radio network, which broadcasts local information twice each afternoon; and the
Armenpress news agency. The city of Ashtarak also publishes a newsletter. It prints 30 copies to post on walls in public places.

**The Role of the Press in Access to Public Information**—The main source of information for citizens is television. In Yerevan, television is available to 96.5 percent of the population; in villages, to 89 percent. Despite the pervasiveness of televisions in Armenian homes, only 4 to 5 percent of citizens in Armenia receive information about public affairs through the mass media, according to a 1998 UNICEF study entitled “Communications Situation Analysis in Armenia.”

The broadcasting area of independent TV studios is small. Most citizens have old radio sets which do not receive the FM programs broadcast by modern stations. In any case, neither television nor radio stations have regular programs to provide information or analysis of local government activities. The most popular television program in Armenia is the Russian ORT. The Armenia H1 program, which has the largest broadcasting area, ranks second in popularity.

Newspapers are not widely used to disseminate information about LGU activities. In any case, the total circulation for all newspapers in Armenia is only around 50 thousand copies, which are distributed mainly in large cities.

**Local Government Information Centers (The Eurasia Foundation Project)**—One approach to the problem of citizen access to information is the project for creation of Community Information Centers, local-level offices for information gathering and analysis, funded by the Eurasia Foundation and managed by the Local Association of Finance Officers. This project was described in Section G, on Transparency of Local Government Practices.

This project is designed to benefit citizens indirectly by gathering public information to help local administrations in their decision making processes. The emphasis of the project is on creation of internally computerized database. It is not intended to result in wide dissemination of such information; rather, the information will be available in response to citizens who make targeted requests or complaints.

Eurasia Foundation has also sponsored a project on Development of Management Information System (MIS) for Ashtarak City.

I. Identification and Evaluation of Projects Jointly Promoted by Local Governments and Community Members

**Overview**—A number of small capital projects have been implemented jointly by communities and either the Social Investment Fund of Armenia, Save the Children Armenia Office or the UN World Food Program. These organizations share the same goals of encouraging the joint initiatives between the community residents and local
government. In most communities funds earmarked for capital projects are either non-existent or the amounts are negligible. Without the support of the international donors limited investment would occur especially in poor communities.

Training on Project Preparation—Training for local government officials and citizens was conducted on November 17, 18, 1998 by the School of Public Administration on how to apply for funds from international donors. The theme was ‘Ensuring viability of a project’. The principal goal of the seminar was to develop the capacity of local government officers, their employees and the community residents as well as to foster the attitude of self-reliance. Participants came from the implementing agencies especially those working on drinking and irrigation water supply projects, rural communities and village councils.

Projects Implemented

- **Project No. 1**: 1998 - Marz of Kotayk, Town of Abovian

  - **Title**: Construction of reservoirs to remedy the shortage of water supply
  
  - **Goal**: To improve the water supply to residents of sub-districts numbers 3 and 4 in the town of Abovian.
  
  - **Cost**: 57 mln AMD, 52 mln AMD donated by SIFA (grant), 5 mln AMD contributed in-kind by the community residents
  
  - **Description**: The construction of 3 reservoirs with the capacity of 3,000 m$^3$ each was needed in Abovian. About 10,000 citizens were the primary beneficiaries. For the implementation of the project, a 7-member project implementation group was set up. The head of the projects department of the local government was elected as the chairperson. The group included four residents of the community and two heads of housing maintenance office. A tender was announced for the construction of the reservoir and 4 construction companies submitted their bids. The "Massis" company won the tender.
  
  - **Status**: The project has been completed. The National Board of the Water Supply and Sewage System tested the reservoirs and no faults were found. The following objectives were attained:
    
    - Additional drinking storage capacity of 3,000 m$^3$ was constructed
    
    - Water supply in certain parts of the town has been restored and is sufficient for 24 h service
— Water was supplied to top floors of high-rise apartment buildings as result of the elevation of the reservoir

— Water supply to over 20 thousand residents has improved

— Two hundred meters of additional network pipes were installed from the new reservoir to the water supply network of the town

• Other Project Benefits:

— A road was constructed to the reservoir, which provides a additional access to and from sub-districts numbers 7 and 8 to the center

— Tree and shrub planting was completed in the area surrounding of the reservoir and the area is irrigated by gravity flow from the reservoir

— New jobs have been created for the reservoir maintenance

— Operating costs were reduced (electricity). Additional power was used to distribute water in the old system

— Water losses have decreased

— Social justice in terms of water supply has been improved. All residents are supplied equally regardless of the location of their apartment within the building.

► Project No. 2: Year 1998 - Region of Kotayk, Town of Abovian

• Title: Construction of pipeline for the irrigation of land in sub-district number 8 of the town of Abovian.

• Goal: To provide irrigation to cottage household plots

• Cost: 1.6 mln AMD funded by a grant from UN World Food Program

• Description: The plots of land in sub-district number 8 in Abovian had no irrigation because there was no designated water pipeline. Drinking water was used for irrigation, even though its supply was intermittent. There was need to construct a 2,000-meter water supply pipeline. The construction of the pipeline had special importance because refugees constituted the bulk of residents in the sub-district. Most of the refugees were unemployed and land plots were their major source of income. The municipality and the
sub-district residents set up an initiative group, which undertook the project implementation with the support of the UN World Food Program. Thirty residents of the sub-district were directly involved throughout the entire duration of the project implementation and they received food for their work.

- **Status:** The commission established by the Abovian municipality and the UN World Food Program accepted the feasibility study. The water supply pipeline was completed thus making the irrigation of the cottage household plots possible.

- **Other Project Benefits:** The project had the demonstrated the following benefits:
  - Conserving drinking water
  - Improvement of social situation of the sub-district residents - the yield of agricultural crops and residents income increased
  - Temporary employment for residents on the basis of food for work.

**Project No. 3:** Year 1999-2000 - Region of Aragatsotn, Village of Aghdzk

- **Title:** Water supply for irrigation of the southern sub-district of the village of Aghdzk

- **Goal:** Provision of irrigation to household plots, orchards and reserve lands in the southern sub-district in the village of Aghdzk

- **Cost:** USD 19,566, of which USD 9,841 was donated by the Save the Children Armenia Country Office, and USD 9,725 was contributed by the community.

- **Description:** The pipeline of the internal irrigation network in the village of Aghdzk was constructed 25 years ago and had been intended for the irrigation of the household plots in the northern sub-district (approximately 50 hectares). Since then the village has spread to the south and 30 hectares of land had been divided as household plots for 150 families. The southern sub-district is adjoined also by 25 hectares of reserve land, 10 hectares of which has been leased and used by villagers, as well as by 10 hectares of privatized apricot orchards. Residents of the southern sub-district were unable to use the water pipeline that supplies water to the northern sub-district and to irrigate their land. Fifteen hectares of reserve land fell into disuse.
• Status: To solve this major problem the village council and residents of the sub-district set up a civic action group composed of 11 individuals, 3 of which were the staff of the village. Having received financial and technical assistance from the Save the Children Armenia Country Office the group started the project implementation. The village head’s office provided the pipes for the water supply line. The residents of the sub-district (320 individuals) raised 60,000 AMD and worked on the construction of the water supply line. On February 28, 2000 the line was inspected and pressure tested. As a result of the implementation of this project the 65 hectares will be under irrigation which will bring about a 3 to 5-time increase in the yield from cultivated plants and orchards.

• Other Project Benefits:
  — Relations between the village government and the residents have improved
  — Public trust in the government has increased
  — Experience of team work has been gained, which will be instrumental in further consolidating the community
  — An organization of water consumers has been established which employs three individuals and who operate and maintain the water supply line and collect fees for water
  — Water will be saved during summer months due to better irrigation methods

► Project No. 4: Year of 1999 - Region of Aragatsotn, Village of Hartavan

• Title: Renovation of the secondary school in the village of Hartavan

• Goal: To ensure normal school facilities for the Hartavan village children.

• Cost: USD 16,637, of which USD 9,998 was donated by the Save the Children, USD 6,639 contributed by the community.

• Description: Inspired by the successful solution of the major problem of drinking water supply with the support from the Save the Children organization, the Hartavan village community decided to renovate the village school. The school building had been constructed in 1976 and had
deteriorated into a miserable state, thus making it impossible to provide normal conditions for the education of 216 schoolchildren.

- **Status:** To solve the problem a civic action group composed of 11 individuals was set up. After receiving the support and assistance from the Save the Children the group started the implementation of the project. The project was implemented with the direct involvement of the village head's office and of the community residents.

- **Other Project Benefits:** The spirit co-operation of project implementation through joint efforts by the community residents, the office of the village head and by international organizations has been established in the village. Community residents had a vested interest in the renovation of the school and there were no impediments for implementation to proceed.

### J. Effectiveness of Condominium Associations and Their Relationship with Local Government Practice

**Introduction**

Condominium associations have great potential to be a realistic ‘success story’ in Armenia’s transition. They are natural partners with local governments in any effort to increase government accountability and responsiveness to citizens, and to improve citizen participation in governance and access to public information.

Effective condominium associations offer the following benefits and opportunities to the average Armenian citizen:

- Home ownership and improved housing conditions
- Meaningful experience in democratic decision making
- Direct interaction with utility providers, and the potential for improved services at lower cost
- Experience with simple economic planning and cost recovery principles, through learning to maintain and improve their properties
- Voluntary association with a non-governmental affinity group, through which they can participate in local governance and aggregate their power to affect local and state policy

Condominium associations also benefit local governments:

- They facilitate effective public information dissemination by LGUs, by providing access to organized, active groups of constituents.
- They encourage citizen participation and provide information about citizens’ desires and needs, helping to foster demand-driven local management and service provision techniques.

**Enabling Legislation**

In Armenia, as in most other NIS/CEE countries, widespread economic reform began with privatization of the state-owned rental housing stock. Housing privatization began here in 1993.

Condominiums associations were first authorized by Government Decision No. 295 of May 30, 1995, which provided that they are established in privatized buildings or groups of buildings where more than 50 percent of the units had been transferred to private ownership.

The process of forming and legally registering condominium associations began very slowly; the first such associations were registered in early 1996, mainly in Yerevan. By May 1996, about 60 condominium associations, comprised of 300 residential blocks with about 1600 flats, were registered. Multiple-building associations usually were made up of groups of buildings with adjoining outdoor courtyards, common roofs or infrastructure, such as water mains, heating supply or electrical lines, and other common facilities that made common management logical and advantageous.

On May 1, 1996, the National Assembly adopted a more comprehensive Law on Condominiums to replace the 1996 government decision. Under the new law a condominium could not include more than one residential building. Most owners felt their buildings were too small to support improvements in services and facilities, and could not afford to hire managers, accountants, cleaning staff, and the like. Nevertheless, by May 1998 the number of officially registered condominiums in Armenia reached 354. These condominiums included 650 blocks with 42,583 flats, which represented 10 percent of the total housing stock of the Republic.

In April 1998, the 1996 Condominium Law was amended, and once again a single condominium associations could be comprised of more than one building.

The most recent major change in condominium legislation occurred with the adoption of a new Civil Code for Armenia in 1999. Before the Civil Code, the communities retained control over the common areas of condominiums, and contracted with the public property management enterprises (the “Zsheks”) to maintain them. Now the common areas, which are jointly owned by the individual owners of the apartment units with ownership shares in proportion to the size of the apartment, are under the management control of the condominium association.
Number of Condominium Associations

Since the 1998 amendments to the Condominium Law and the 1999 effective date of the Civil Code, registration of associations has proceeded fairly quickly. As of February 2000, there were 595 legally registered condominium associations in Armenia, comprised of 4,000 buildings and 165,000 apartments. About 40 percent of the total apartment stock is in buildings with registered condominium associations.

The prevalence of condominium associations is not evenly distributed among the Marzs or among communities within a given Marz. In the City of Yerevan, the ratio of households in condominium associations to the total number of apartment-block households ranges from 6.4 percent in Kentron Community to 100 percent in Nubarashen Community. (Seven out of 11 communities in Yerevan are over 74 percent.) The ratio of households in associations to total number of apartment block households ranges from 79.4 percent in Sjunik Marz to 0 percent in Ararat Marz. In the City of Yerevan, 56.1 percent of apartment block households are members of associations.

At the end of this Section, Table 1 shows the total number of apartment blocks by Marz and city or community, and the number of associations, blocks and households as a percentage of the total apartment stock. Table 2 shows the number of condominiums as a percentage of total apartment households by Marz.

Activities and Effectiveness of Condominium Associations

Of registered condominium associations, approximately 15 percent report that they do not function in any manner, and do not collect fees. The two most common explanations for this are that social conditions are too poor to pay for services or to support the association, and that residents resent being controlled by association managers who are perceived as lacking adequate management skills. It is likely that some of these associations could be activated if there were a change in leadership or if training in association management were available.

The remaining 85 percent of condominium associations (which are comprised of 34 percent of the households residing in apartment buildings in Armenia) report that they function at least to some extent. Of those 60 percent report public utility services are better now than before the association was formed. The other 40 percent report that they do not perceive any change in the quality of services. No functioning condominiums report that services are now worse than before the association was formed.

Most associations pay for maintenance and utility services from their own resources. About 10 percent of associations have contracts for maintenance with
“professional” or outside managers. Most of the paid managers have not had any formal training for this work.

Fees collected for management (including payment to service providers) work out to about 6 to 20 drams per square meter of living space. In fact, associations do not use this method to calculate fees, but charge more or less according to ability to pay. Associations report that between 60 to 80 percent of the members regularly paid fees. In an average building, about 10 percent of the residents are financially unable to pay any condominium fees, and have been exempted from financial obligations to the association by a decision of the owners at a General Meeting of the association. In most cases, they contribute labor instead and the rest of the residents make up the difference so that the association can pay its bills. It seems that many condominiums have established methods of helping their most vulnerable residents.

In addition, condominiums of the same community often cooperate with each other. For example, a condominium that has a welder with welding equipment on its staff or among its residents may contract with neighboring associations to do the welding work in their properties, either for fees or in exchange for maintenance or repair services those associations can provide.

More substantial repairs, such as installation of doors and windows, are usually performed by private contractors. Condominiums do not budget for major repair projects in advance, or allocate a portion of regular fees for a renovation fund. Repairs are paid on an “emergency” basis; owners are asked to pay their share when a problem arises and the cost of repair has been determined. All fees collected on a regular basis go for routine maintenance and costs of utility services.

**Relations between Condominium Associations and Service Providers**

Contracting between condominium associations and utility service companies provides an interesting example of benefits for both parties.

Water supply and wastewater enterprises can contract either with an association or with individual households within an association. If there is one contract with association, the association allocates and collects the individual payments due from the residents and pays the total amount of the water bill to the provider. If there are individual household contracts, water fees are collected by the employees of water and wastewater companies. There are several advantages to the service provider if there is only one contract. Condominiums report that they collect over 60 percent of the fees due from the individual members, while the water and wastewater companies collect less than 30 percent, and have to pay the salaries of the collectors. In recognition of these benefits, the service providers give a 3 percent discount in the water bills to the condominiums, which have a single contract. By the end of 1999, some 60 percent of condominiums had single contracts for water services.
Only 10 percent of condominiums have installed water meters.

Condominiums do not sign agreements with central heating companies, since most owners have declined this service.

**Relations between Condominium Associations and LGUs**

The relationship between LGUs and condominium associations is complicated, partly by the sense of competition between those who provide services (maintenance, trash collection, etc.), which are local government functions or wholly-owned joint stock companies like the Zsheks, and the associations who want to do these things themselves or contract for them competitively. For example, 25 percent of all associations contract privately for solid waste collection.

Every district in Yerevan provides “condominium support services” to help establish condominium associations and to provide further assistance. In fact, there is at least a perception of conflict between the interests of these departments and those of the associations. The residents see the departments as impeding associations who want to contract independently for services. These services are usually provided by public utility or housing maintenance department staff of the districts. Their salaries are frequently delayed for long periods, often many months, for which they blame the condominiums.

**NACO Activities**

With the support of USAID, the National Association of Condominium Owners was founded in 1997 to provide support for establishing and operating condominium associations. It has offered programs of training and consulting and dissemination of public information, and conducts research on the numbers of registered associations, their activities and their problems. Its primary activity has been to assist with registration of associations. Through NACO, USAID has paid the registration fees, which cost about $50 per association, mostly from August 1998 through April 1999. NACO has been largely inactive since the cessation of the ICMA/Local Government program in early 1999; no training has been conducted since that time.

The organization was founded by 20 representatives of the most active condominium associations in the City of Yerevan. There is now a headquarters office near Republic Square in Yerevan (although rent has not been paid for several months), and ‘branch offices’ in most of the Yerevan communities and three other towns. The other offices share space with other NGOs or municipal or district council staff, and do not pay rent.

There are now about 400 members. (The members are individual heads of associations, since legal entities cannot belong.) The membership fee is about ½ dram
per square meter of the condominium building, an average of 500 drams per building per year. The fees are largely symbolic; NACO cannot provide support services to condominiums without outside funding.

### Condominium Association Problems

NACO reports that condominium associations are struggling largely because most citizens and public officials (including national and local authorities, city and marz executives and staff, the Registration offices, etc.) have very little information about procedures for establishing condominium associations or understanding of the rights and responsibilities of condominium ownership.

There are conflicts, contradictions and gaps in the legal framework applicable to condominiums, including the 1996 Condominium Law, the 1998 amendments, the Civil Code, and the Law on Local Self Government, and the currently published draft of the Land Code.

The legal framework does not adequately define the procedures for establishing and registering condominiums, or the functions and duties of the participants of that process. Nor does it define legal remedies for breach of the law. For example, under Article 31 of the Local Self Government Law the mandatory functions of local governments include preparation and organization of General Meetings of Condominiums. In reality, since many local officials seem to regard condominiums as their rivals, they try to impede the establishment and development of condominiums.

In the present political and economic environment, condominium associations potentially provide effective tools for management of the multifamily housing stock and relations between public utility services and citizens. Most managers of condominiums lack the training and skills needed to carry out the necessary task, particularly in the fields of planning and organization of public services, development of condominium budget and accounting.

Most citizens lack even a rudimentary understanding of their rights and responsibilities as owners. This seriously handicaps the development of condominiums associations, and often allows dishonest local officials and condominium managers to abuse their positions at the expense of residents.

There are no effective citizen participation procedures that would allow condominium residents to work with local government officials in developing legal regulations and rational procedures and policies relevant to condominiums. For example, Article 4 of the Law on Condominiums provides that the land upon which the residential blocks are built and adjacent land which is of “vital importance” to the residents shall be transferred to condominiums. At the present time, no transfer of land to any condominium has been effected. As a result, the adjacent courtyard areas are
cleaned and maintained by condominiums, if anyone, while service fees for cleaning garages and storage spaces belonging to the owners are collected by local governments. In addition, the Condominium Law provides that for those condominium buildings that lack technical documentation or have technical documentation that is more than 10 years old, the relevant local government agency must conduct a technical study and prepare technical documentation within one year after registration of the condominium. Reportedly, this requirement has never been met for any condominium. Lack of such documentation impedes the ability of the owners to make necessary repairs or undertake improvements to their buildings.

Table J.1
Number and Percentage of Registered Condominium Associations by LGU

<table>
<thead>
<tr>
<th>Marz</th>
<th>City or Community</th>
<th>Total No. of Blocks</th>
<th>Registered Condominium Associations</th>
<th>Percentage of Blocks in Condo Assns.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>Number of Assns.</td>
<td>Number of Blocks</td>
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<td>Percentage of Blocks in Condo Assns.</td>
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<tr>
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<td>Jermuk</td>
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Table J.2
Number and Percentage of Registered Condominium Associations by Marz

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<tr>
<th>Marz</th>
<th>Total No. of Households</th>
<th>No. of Households in Condo Associations</th>
<th>Percent of Households in Condo Assns.</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Yerevan</td>
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<td>121,842</td>
</tr>
<tr>
<td>2</td>
<td>Aragatsotn</td>
<td>7,295</td>
<td>515</td>
</tr>
<tr>
<td>3</td>
<td>Ararat</td>
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<tr>
<td>4</td>
<td>Armavir</td>
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</tr>
<tr>
<td>5</td>
<td>Gegarkunik</td>
<td>11,075</td>
<td>1,600</td>
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</table>

Small houses.
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<thead>
<tr>
<th>Marz</th>
<th>Total No. of Households</th>
<th>No. of Households in Condo Associations</th>
<th>Percent of Households in Condo Assns.</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Lory</td>
<td>30,696</td>
<td>2,347</td>
<td>7.6</td>
</tr>
<tr>
<td>7 Kotaik</td>
<td>38,716</td>
<td>14,698</td>
<td>38.0</td>
</tr>
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<td>8 Shirak</td>
<td>24,877</td>
<td>1,916</td>
<td>8.0</td>
</tr>
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<td>9 Sjunik</td>
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<td>16,327</td>
<td>79.4</td>
</tr>
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<td>10 Vayots Dzor</td>
<td>4,979</td>
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<td>3.0</td>
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<td>11 Tavush</td>
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<td>Total</td>
<td>405,384</td>
<td>163,039</td>
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**IV. KEY FINDINGS**

The conceptual and legal framework for local government was established in Armenia just four years ago. After more than three generations of tight central government control under the Soviet system, the fact that there is local government here at all is a substantial accomplishment. While much work has been done to implement a comprehensive agenda of government decentralization and reform, there are a number of areas that need significant improvement before true self government based on democratic principles can flourish here.

The findings from the Baseline Study can be grouped into three general categories:

— Government Decentralization, which includes Administrative and Fiscal Issues
— Service Delivery
— Citizen Participation

All these issues interrelate to create what can be seen as a vicious circle that impedes development of an effective system of local governance. LGUs have insufficient power and revenue to provide adequate services. Citizens recognize the severe limitations on local government autonomy and the incapacity of LGUs to delivery services, and therefore have little interest in participating in local government activities and decision making. They correctly perceive that under present circumstances, local governments can do little to improve the quality of their lives. To complete the circle: without meaningful and broad based citizen involvement, local governments are less unlikely to have the political power to persuade the state government to devolve additional administrative and revenue generating powers to the local level.

Key findings in the Baseline Study include the following:

— **Government Decentralization—Administrative Issues**

— LGUs have limited political autonomy through direct, universal suffrage of local representatives who can exercise their functions freely
— LGUs have limited legal authority and practical capacity to carry out their functions as they see fit

— LGUs have limited administrative autonomy and freedom from hierarchical supervision by others tiers of government

— LGUs are not effectively represented in the RoA Government or legislative process

**Government Decentralization—Fiscal Issues**

— LGUs have limited financial autonomy and ability to allocate and manage resources commensurate with their responsibilities.

— LGUs are by necessity too reliant upon State subventions, which are unpredictable.

— There is inadequate authority for LGUs to finance or to be held accountable for the carrying out many public functions commonly associated with LGUs in other countries.

— Most LGUs generate insufficient revenue from local sources.

— LGUs are forced to rely on land and property taxes as their primary discretionary sources of local revenue, but assessment and collection is problematic and controlled by state authorities.

**Service Delivery**

— Most LGUs are too small to be fiscally and administratively able to provide local public services effectively.

— Most LGUs do not have significant and meaningful public service functions.

— The role of LGUs vis-à-vis Marzes, State Ministries and legal enterprises delivering local public services is not clearly defined, by law or by practice.

— LGUs often have no direct or effective control over the delivery of local public services.
• **Citizen Participation**

  — Citizen understanding of and participation in local government is low.

  — Citizens are generally dissatisfied with local service delivery, but do not believe that they or the local governments themselves can do anything to improve the status quo.

  — Local governments in their present state are not effective institutions of democracy.

  — Citizens lack access to the public information they are entitled to have.

  — In most localities, there are insufficient numbers of organized business interests, workers groups, citizen associations, NGOs and other interest groups to constitute a healthy and pluralistic democracy at the community level.

  — Condominium associations potentially provide an effective vehicle for developing cooperative relationships between LGUs and citizen groups, but this possibility has not been developed.

V. **RECOMMENDATIONS**

Following the list of key elements in the Baseline Study preliminary recommendations are presented here on how to improve the implementation of the local government reforms in Armenia. More detailed recommendations and actual steps to accomplish them will be presented in the Implementation Plan.

**A. Administrative Relationships among Marzes, Cities and Communities**

The following recommendations are presented to improve relationships between marzes, cities and communities:

- Clarify the powers and functional responsibilities of LGUs vis-à-vis the State and the Marz. Make clear what agency/office is responsible for each function.

- Develop State legislation that will enable LGUs to generate a substantial part of their own revenue in order to become significant providers of public services.

- Provide for effective control by LGUs over local public services.
• In lieu of the present structure of LGUs, establish two separate and independent classes of local government based on urban and village needs.

• The City of Yerevan should be consolidated as an integrated unit of local government with an elected Mayor and Council.

B. Status of and Plans for Decentralization

Administrative Decentralization

Analysis of the administrative decentralization process indicates that it functions in a limited way. The review indicates the “marz tentacle” is present in local government affairs and constrains the activities of local government. The principle of administrative decentralization implies transfer of substantial and meaningful decision-making powers to local-self government bodies that are accountable to their constituencies. For ‘real’ administrative decentralization, the following issues must be addressed:

• The need to reform the function and scope of authority of the Marzpet and Marzpet staff.

• The need to assist community based organizations to more actively support local government to lobby for improvements in administrative relationships among levels of government.

• The need to increase co-operation between ministries and local government.

• The need to improve collection of tax and property by effective fiscal.

• The need to increase the capacity of the Ministry of Territorial Administration and Urban Development to advocate local government needs. (Liaison with the Know-How Fund project on budget preparation in the ‘spending ministries).

• The need to develop the means of local government to participate more effectively in land titling in land registration and titling processes. Now under the jurisdiction of the Cadastral Department (Liaison with Barents, Ronco and Chemonics projects).
Fiscal Decentralization

The review of fiscal decentralization indicates that a limited effort has been carried out to make this a reality. For ‘real’ fiscal decentralization the following issues must be addressed:

**Revenues**—To mobilize additional revenues for local governments the following should be done:

- A program to reduce the adverse effects of intergovernmental bargaining and the involvement of the marzpet in the allocation of subsidies and subventions.
- Setting targets for the allocation of subsidies and subventions measured against rational standards.
- Strengthening capacity of financial officers in budget preparation.
- Increasing the ability of constituents to participate and contribute to budget hearings.
- Implement structural, procedural and process reform to rationalize land and property tax revenues (In association with Ronco & Barents Projects).
- Provide technical assistance for accessing capital for investments, in order to reduce arbitrariness in capital allocation, improve priorities and address the problems arising from organizational separation of capital expenditure responsibility and operation and maintenance.
- Support the establishment of a Municipal Development Fund for capital improvements in larger towns and cities funded by international finance institutions. (Based on the Social Investment Fund model should continue to be the funding institution for small towns and villages).

**Expenditures**—To ensure a more rational and efficient allocation and management of municipal expenditures the following measures should be taken:

- Continue to implement modern financial management practices (budgeting, planning and multi-year investment plans). (Continuation of USAID work in budgeting).
- Increase the capacity and interest of constituents to participate in capital planning processes.
• Implementing municipal accounting and financial reporting procedures to meet international standards for reporting, monitoring and control and are consistent with national accounts.

• Improve the legislative framework and practices in public procedures.

C. Regulation of Basic Services by Local Government

The measures proposed below aim to strengthen and improve the provision of services by:

• Clarifying the ownership and management of service enterprise and associated assets.

• Increasing the constituents input into planning, management and operation of services.

• Increasing the capacity of local government officials to prioritize projects and prepare projects of sufficient standard to attract investment from donor institutions.

• Explore opportunities for improving the quality of services by contracting with the private sector.

• Outlining in larger municipalities the principles of cost recovery and consider the implementation of a phased program to implement cost recovery. (A balance needs to be established between sustainability and ability to pay among the poorer categories of the population).

D. Resource Allocation and its Effects on the Delivery of Services

The measures proposed below aim to improve the allocation of resources by:

• Increasing capacity of local governments to develop and implement three-year development plans.

• Increasing capacity of local government officials to prepare projects of sufficient standard to attract finance.

• Increasing the capacity of local governments to generate and use lists of land property ownership to improve property land and tax revenue collections.
Increasing capacity of local governments to regulate land use.

E. Effectiveness of Municipal Associations

The measures proposed below aim to strengthen and the municipal and professional associations, their relationship between citizens, local government and central government:

- **Goals:** State clear goals and objectives and link resources to achieving them.

- **Membership:** Target key influential membership possibly from the large cities. Separate membership for the rural communities as their needs will differ from those of the large cities.

- **Management:** Set up a management structure that functions and has the authority to implement the strategy and achieve the desired association objectives.

- **Meetings:** Hold annual general meeting to elect officers, approve budget and agree on strategy. Hold monthly management meetings to ensure strategy is implemented.

- **Staff:** Strengthen the capacity of the staff to support the management and operate as a secretariat.

- **Dues:** Encourage payment of fees. Seek sponsorship and grant funds to strengthen the revenue stream.

- **Budget information:** Strengthen capacity of financial controller to prepare accurate financial information.

- **Core functions:** Strengthen capacity of the organization to sponsor legislative changes affecting LGUs and training and dissemination of public information.

- **Effectiveness:** Increase awareness of the association and its core activities. Elect strong leadership that is interested in implementing local government reform and working for members.
F. Transparency of Local Government Processes

The measures proposed below aim to increase transparency in local government by:

- Reinforcing the right of citizens to know about community government activities in workshops and written materials on public administration.

- Determining if training workshops and materials for LGU Information Offices would be an appropriate part of this project.

- Ascertaining linkages with Eurasia Foundation-funded program on Citizen Information Centers; maintaining ongoing coordination where Citizen Information Centers are located in LGU pilot project sites.

- Increasing the level of public interest in local government activities, by disseminating information on role and authority of LGUs, to help people understand that local government can make a difference and they should participate in local decision making.

- Incorporating statements regarding the public’s right to know about LGU activities and operations in training, newsletters and information materials available to citizen groups and NGOs such as condominium associations.

- Identifying other donor-funded projects working on developing a free press and public access to information about government activities; work with them to assure that they encourage objective reporting and open access to information on the community level.

- Determining status of law on Mass Media and whether a role for LGU-related associations in efforts to secure its passage would be appropriate.

- Incorporating statements on LGUs’ responsibility under Law for Local Self Government to operate transparently in training programs and information material.

G. Citizen Understanding of and Satisfaction with Local Government

Recommendations to improve citizen understanding of and satisfaction with local government services are listed with Sections E, H and I.

H. Structures and Processes in Place for Citizen Access to Public Information
The measures proposed below aim to improve access to information for citizens by:

- Providing assistance to LGUs to develop more effective structures and processes for providing public information.

- Designing and implementing a survey to ascertain what information about local affairs would be interesting and useful to citizens.

- Encouraging LGUs to hold participatory public meetings on topics of concern to citizens, NGOs and other local interest groups.

- Assisting with design and dissemination of local newsletters that feature information citizens would like to receive.

- Assisting with developing procedures for holding regular and special press briefings and for preparation of press releases.

I. Evaluation of Projects Jointly promoted by Local Governments and Community Members

The measures proposed below aim to strengthen and the relationship between citizens and the local government through design and implementation of joint projects:

- Increasing the capacity of citizens to participate in the project prioritization process and contribute in the design and implementation of projects.

- Increasing the awareness of the community to assist in the financing of the projects, thus increasing their control over the management and operation of the project.

- Increasing the capacity of local government officials to prioritize projects.

- Increasing the capacity of citizen associations and local government officials to prepare projects of sufficient standard to attract investment from donor institutions.

- Increasing the capacity of citizen associations in the areas of budgeting, capital investment planning and business management.

J. Effectiveness of Condominium Associations and Their Relationship with Local Governments
Develop LGU capacity to assist condominium associations and encourage association participation in local government:

- Ascertaining and improving LGU compliance with legal framework vis-à-vis establishing condominiums, surrounding land allocation, technical passports, etc.

- Identifying and train staff to attend organizational meetings of owners, disseminate written materials, help with registration procedures, interact with condominium associations, act as liaison with NACO, etc.

- Increasing citizen participation through condominium associations.

- Reviewing existing procedures and make recommendations for assisting associations with major repair and improvement projects (technical passports, building permits, providing construction plans for common projects, etc.).

Reactivate assistance to the National Association of Condominium Owners so they can help establish and register more condominium associations and develop their capacity to provide services to associations:

- Providing technical assistance for membership development and association capacity building (membership development, service delivery, lobbying techniques, data collection, newsletter, etc.).

- Preparing and conducting surveys on condominium activities and services desired by members.

- Training staff and cadre of experts to offer training, consulting and public information services.

- Reviewing appropriateness of existing condominium association management training materials; revise or supplement as necessary.

- Reviewing existing public information materials; revise or supplement as necessary.

- Preparing simple ‘how-to’ pamphlets on individual topics relevant to owners, public service providers, local officials, etc.—example: association registration procedures for owners and registration officials.
• Improving relations with LGUs (in conjunction with citizen participation component of Implementation Plan).

• Establishing membership newsletter.

• Exploring other potential sources of revenue, such as donor grants.

• Exploring possibility of establishing fee scale for services (training, consulting, advertising in newsletter).

• Developing dissemination plan for public information, manuals and training materials.

• Reviewing costs of condominium association registration; pay registration fees if feasible.

Legal framework:

• Reviewing basic laws relating to condominiums; assessing necessity of amendments to eliminate contradictions and fill gaps; developing recommendations, if appropriate.

• Reviewing LGUs legal responsibilities vis-à-vis establishing condominiums, surrounding land allocation, technical passports, etc.

Other Recommendations:

• Set up protocols for assessing and selecting pilot cities.

• Provide training either through workshops or conferences on:

  1. Fiscal Administration
  2. Effective Use of Legal Authority
  3. Human Resources Administration
  4. Organizational Structure
  5. Process Re-engineering
  6. Procurement
  7. Public Information
  8. Service Delivery
  9. Municipal Associations
  10. Professional Associations
11. Public Access and Information
12. Public Participation
13. Condominium Associations

**USAID Indicators**

The USAID local government program has set out a strategic objective to: “Increase citizen participation in the political, economic, and social decision-making process”. The program includes three intermediate results that have to be achieved before this objective can be reached. These are:

- Increased government accountability and responsiveness to citizens
- More effective and transparent management systems
- Government that is more accessible

In keeping with USAID strategic objectives the following interventions will be considered in the Implementation Plan:

- Government Decentralization, which includes Administrative and Fiscal Issues:
  
  — Clarifying the powers and functional responsibilities of LGUs vis-à-vis the Marz, State Ministries and public service enterprises. Make clear what agency, office or official is responsible for each function.
  
  — In lieu of the present structure of LGUs, establish two classes of local government: (1) Urban in character; and (2) Village (non-urban) in character.
  
  — Transforming Yerevan into a unified City with an elected Mayor and Council.
  
  — Providing for direct LGU control over public service delivery enterprises.
  
  — Encouraging State Government institutions, such as the Ministry of Territorial Administration and Urban Development, to become advocates for LGUs and improved local government.
  
  — Reducing the adverse effects that result from intergovernmental bargaining between LGUs and Marzpets over the allocation of subsidies and subventions. Rationalize the allocation formula and make its administration transparent.
  
  — Empowering LGUs to effectively manage all local public services.
— Enhancing the effectiveness of municipal and professional associations.

— Enhancing the capacity of LGUs to increase revenue from local sources.

— Setting targets based upon rational criteria for allocation of State subsidies and subventions to LGUs.

— Strengthening the capacity of financial officers to enhance the budget and capital planning processes.

• Service Delivery:

— Strengthening the capacity of LGUs that are too small to be fiscally and administratively able to provide local public services effectively to form alliances and associations with nearby LGUs to achieve economies of scale and provide services effectively.

— Strengthening the capacity of LGUs that do not have significant and meaningful public service functions to form alliances with nearby LGUs to increase their ability to perform public services functions.

— Clarifying the role of LGUs vis-à-vis Marzes, State Ministries and legal enterprises delivering local public services.

— Enhancing the ability and capacity of LGUs to take direct or effective control over the delivery of local public services.

• Citizen Participation:

— Increasing citizen understanding of Armenian government at all levels in order to facilitate meaningful public participation and democratic decision making.

— Strengthening the capacity for community based organizations to lobby for change.

— Improving access to and dissemination of public information.

— Creating and using structures to facilitate public participation, such as advertised public hearings, press releases and pamphlets, published agendas for scheduled public meetings, neighborhood information forums and operation of effective public information offices as an integral part of LGU activities.
Promoting the effectiveness of condominium associations.

VI. CONCLUSION

The creation of local government in Armenia has produced a seedbed to nurture the development of democratic institutions capable of delivering public services. However, that is only a precondition necessary to enable the growth and maturation of a decentralized system of governance. To continue the development of LGUs it is important, indeed necessary, to fertilize that seedbed by implementing significant structural changes. Local governments need to be empowered via a combination of legislative and policy reforms, increased public access and participation, increased fiscal capacity and provision of managerial authority and tools necessary to deliver cost-effective services to residents.

After four years of reform in local government the progress of economic development is itself being increasingly slowed by the bureaucratic and controlling machinery of government. The lack of familiarity, both at the national and local levels of government, with the democratic processes of decentralized decision-making is a major impediment to the implementation of reform.

While there is a structure in place upon which to build local democratic institutions, local self-government in Armenia is weak and has little impact on citizens' lives. If the extent of local democracy and the quality of local public administration are to become significant, it is necessary to implement meaningful structural and fiscal capacity changes. The functions of each level of government need clarification in terms of who does what. Citizen participation and local democracy will blossom only if the governmental structure enables those ideals to be exercised in the context of a transparent, understandable and meaningful public decision making processes. Accordingly, the structure of LGUs must be modified to make them more significant entities in view of the people that they are intended to serve.

Given the fact that LGUs in Armenia are comparatively new institutions with limited powers, technical assistance should be provided to State policy makers, local officials and administrators and citizen organization and other NGO's to accomplish the goal of decentralization. This will encourage effective policies and increase local government capacity to provide improved public services despite limited resources.
### APPENDIX A

#### GLOSSARY OF TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
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<tbody>
<tr>
<td>CHIEF OF COMMUNITY</td>
<td>Term sometimes used in lieu of Mayor</td>
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<tr>
<td>CITY</td>
<td>LGU under Armenian law, no legal distinction from Village</td>
</tr>
<tr>
<td>CITY OF YEREVAN</td>
<td>Capital city of Armenia; sometimes referred to as Municipality of Yerevan; is equivalent legally and politically to a Marz</td>
</tr>
<tr>
<td>COMMUNITY</td>
<td>Sometimes used in lieu of the term City or Village, particularly with respect to the neighborhood communities within the City of Yerevan</td>
</tr>
<tr>
<td>COUNCIL</td>
<td>Governing body of LGU; varies in size, from 5 to 15 members, depending upon population</td>
</tr>
<tr>
<td>DEPARTMENT</td>
<td>Administrative subdivision of LGU or Ministry</td>
</tr>
<tr>
<td>DEPUTY MAYOR</td>
<td>Administrative official appointed by Mayor, subject to Council approval</td>
</tr>
<tr>
<td>ENTERPRISE</td>
<td>Legal entity established for specific purpose in accord with Armenian law</td>
</tr>
<tr>
<td>GOVERNMENT</td>
<td>Government of the State of Armenia</td>
</tr>
<tr>
<td>KINDERGARTEN</td>
<td>Armenian kindergarten includes the equivalent of US preschool (ages 3 through 6) and is optional at discretion of parents</td>
</tr>
<tr>
<td>LGU</td>
<td>Local Governmental Unit is the term used in this Baseline Study report to refer to city or village</td>
</tr>
<tr>
<td>MARZ</td>
<td>Administrative subdivision of State (there are 10). All territory in Armenia is located within the boundary of a Marz. (i.e., the geographical division of Armenia by Marzes is both mutually exclusive and collectively exhaustive)</td>
</tr>
<tr>
<td>MARZPET</td>
<td>Government appointed head of the Marz</td>
</tr>
<tr>
<td>MAYOR</td>
<td>Chief executive of LGU; Presides over Council meetings with right to participate in deliberations but with out vote (i.e., “deliberative vote”); Elected by voters for 3 year term; sometimes called Chief of Community</td>
</tr>
<tr>
<td>MUNICIPALITY</td>
<td>Generic term with no legal significance</td>
</tr>
<tr>
<td>NEIGHBORHOOD COMMUNITY</td>
<td>A political subdivision of the City of Yerevan (there are 12); often the term district or community is used; has the same legal status as a city</td>
</tr>
<tr>
<td>PRESIDENT</td>
<td>Highest elected official of the Republic of Armenia</td>
</tr>
<tr>
<td>PRIME MINISTER</td>
<td>Head of the Government of Armenia</td>
</tr>
<tr>
<td>PUBLIC SCHOOL</td>
<td>Armenian public school includes ages 7 through 16 (10 years) and is mandatory (note: most experts use the term “secondary school”).</td>
</tr>
</tbody>
</table>
## Glossary of Terms

- **Mandatory** (note: most experts use the term “secondary school”.)
- **Rural Community**: Traditional term with no contemporary legal significance
- **Settlement**: Traditional term sometimes used by RoA Bureau of Statistics in discussion of local government, but is ambiguous and has no legal significance
- **State**: Republic of Armenia (RoA)
- **Subsidy**: The amount by which the cost of providing a public service exceeds the revenue derived from fees related to that service. (Note: Many Armenian officials and cognoscenti use this term to signify a budget transfer from State to LGU.)
- **Subvention**: Generic term signifying transfer of funds from State to LGU via formula as part of annual budget process. (Note: Many Armenian officials and cognoscenti use this term to mean a specific purpose grant from State to LGU.)
- **Tariff**: User fee charged for a local public service (e.g., water, sewer, solid waste collection)
- **Town**: Generic term with no legal significance
- **Urban Community**: Traditional term with no contemporary legal significance
- **Village**: LGU under Armenian law, with no legal distinction from City
<table>
<thead>
<tr>
<th>NAME</th>
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<tbody>
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