

USAID/Armenia

---

**Democracy and Governance  
Assessment of Armenia**

*Submitted to:*

USAID/Armenia



*Submitted by:*

**ARD, Inc.**  
159 Bank Street, Suite 300  
Burlington, Vermont 05401  
*telephone: (802) 658-3890*  
*fax: (802) 658-4247*  
*e-mail: ard@ardinc.com*



Work Conducted under Core TO (Task Order No. 1)  
Under USAID Contract No. AEP-I-00-99-00041-00  
General Democracy and Governance Analytical Support and  
Implementation Services Indefinite Quantity Contract

CTO for the basic contract:  
Joshua Kaufman  
Center for Democracy and Governance, G/DG  
Bureau for Global Programs, Field Support, and Research  
U.S. Agency for International Development  
Washington, DC 20523-3100

**June 2002**

---

## Preface

The Armenia Democracy/Governance Assessment team consisted of Ms. Faye Haselkorn, Local Government Management Specialist, Bureau for Europe and Eurasia, USAID/Washington; Dr. Aghasi Yenokian, journalist, researcher and professor, Yerevan; and James T. Thomson, institutional analyst, ARD, Inc., Burlington, VT, USA. Dr. Yenokian offered analysis and arranged contacts for the team in Yerevan with Government of Armenia executive and judicial branches, political parties, and civil society organizations. Aram Ohanian provided professional translation services and substantive input. Mr. Levon Markaryan transported the team in Yerevan and on three field trips.

USAID Mission personnel gave generously of their time and experience, and enabled the team to move very rapidly from arrival in country through an initial briefing, to contact with the American Embassy team, Government of Armenia officials, USAID partners, and other foreign assistance agencies. Ms. Arev Movsisyan, Administrative Assistant, and Ms. Bella Markarian, Program Specialist, of the Office of Democracy and Social Reform, offered particular assistance.

A very tight schedule meant the team could ill afford missed interviews. Ms. Zara Chatinyan and Ms. Anahit Karpetyan, consultant and resident advisor, respectively, at the USAID-funded Armenia Local Government Program implemented by The Urban Institute, arranged a productive schedule of interviews in Yerevan, Vanadzor, Martuni, and Goris, and field accommodations.

Officials in local governments in Vanadzor, Martuni, and Goris, outside Yerevan and in Nor Nork and Kentron municipalities within the capital district, in the three branches of government at the national level, and in Lori Region proved uniformly helpful in responding to our questions and in helping us to grasp their perspectives on D/G issues in Armenia. Representatives of civil society organizations – various nongovernmental organizations (NGOs), human rights organizations, veterans' associations, the Armenian Apostolic Church, print and broadcast media in Yerevan and outside the capital offered their own, sometimes contrasting views of the D/G problems. Political party representatives shed helpful light on many aspects of competition for office in the Third Republic of Armenia.

Donor community representatives, USAID partners, and NGOs helped clarify complicated behavior patterns.

Team members thank the individuals mentioned for their efforts. It would have been impossible to conduct a D/G assessment in Armenia without their careful and conscientious input.

Conclusions and recommendations present the team's analysis of the information collected. They neither represent the official views of USAID/Armenia or its partners, nor do they in any way commit USAID/Armenia or other U.S. Government agencies to any particular course of action.

---

# Table of Contents

Acronyms and Abbreviations	i
Glossary	iii
Armenian Modern History: Timeline	iv
Executive Summary	vi
<b>Section 1: Introduction</b>	<b>1</b>
1.1 Democracy/Governance Assessment Methodology	1
1.2 Conclusions and Recommendations	2
<b>Section 2: Obstacles to Consolidating Democracy and Good Governance in Armenia: Background</b>	<b>4</b>
2.1 Criteria for Defining Key D/G Problems	4
2.2 Background: A Blocked Economy	5
2.2.1 Straitened Economic Circumstances for Most Armenians	5
2.2.2 War for Nagorno-Karabakh (1991-1994)	5
2.2.3 Impacts of the Economic Blockade	6
<b>Section 3: Analyzing D/G Problems</b>	<b>8</b>
3.1 General Consensus on Rules of Game	8
3.2 Respect for Rule of Law	8
3.3 Degrees of Competition in the System	10
3.3.1 Electoral Process and Parties	10
3.3.2 Intra-Governmental Competition	11
3.3.3 Media and Free Speech	12
3.3.4 Economic Competition	13
3.3.5 Civil Society	14
3.4 Degrees of Political Inclusion	14
3.5 Good Governance in Armenia's Political Institutions	15
3.6 Distilling the DG Problem	15
<b>Section 4: Actors in the Armenian Political System and Incentives Driving their Behavior</b>	<b>17</b>
4.1 Overview	17



4.2	Citizen Recourses: Indicators of Good Governance and Democratic Consolidation	17
4.3	Armenia's Political Machine in the Making	19
4.3.1	Security Forces	19
4.3.2	Judiciary	19
4.3.3	Dominating the Bureaucracy and Civil Service Reform	20
4.3.4	Muzzling the Media	20
4.3.5	Fragmenting the Legislature	21
4.3.6	Centralizing Control over Important Revenue Sources	21
4.3.7	Armenian Apostolic Church: Still a Marginal Player	21
4.3.8	Diaspora Funds and Remittances	21
4.4	Conclusions	21

---

**Section 5: Interventions in Institutional Arrangements to Help Consolidate Democracy and Good Governance in Armenia** **23**

---

5.1	COE Interventions and the ROL	25
5.2	Enhancing the Role of Local Governments	26
5.2.1	Local Collective Action to Enhance D/G	26
5.2.2	Draft Law on Local Self-Government May Create D/G Opportunities	27
5.2.3	Territorial Administration Then, More Effective Local Governance Now	28
5.3	Strengthening Media Autonomy and Financial Viability	30
5.4	Donor Coordination	30

---

**Section 6: Conclusions and Recommendations for USAID/Armenia** **32**

---

6.1	USAID/Armenia's D/G Programming, 1995-2003	32
6.2	Building on and Protecting Existing D/G Investments	32
6.2.1	Rule of Law	33
6.2.2	Local Government Support	34
6.2.3	Media	35
6.2.4	Election Monitoring	37
6.2.5	Legislative Support	37
6.3	New D/G Initiatives	37
6.4	Donor Coordination	37

---

**Annexes**

---

Annex 1.	Scope of Work for DG Strategic Assessment for Armenia
Annex 2.	Persons Interviewed
Annex 3.	A1+: A Case of Media Intimidation
Annex 4.	Illustrative Newspaper Budget
Annex 5.	Bibliography

---

# Acronyms and Abbreviations

AAC	Armenian Apostolic Church
ANM	Armenian National Movement (opposition political party)
AUA	American University of Armenia
CIS	Commonwealth of Independent States (all 12 of which seceded from the ex-Soviet Union in the early 1990s)
COE	Council of Europe
CSO	Civil society organization
D/G	Democracy/Governance
DSRO	USAID/Armenia's Democracy and Social Reform Office
EREO	USAID/Armenia's Economic Reform and Energy Office
EU	European Union
FDI	Foreign direct investment
GOAM	Government of Armenia
ICRC	International Committee of the Red Cross
IHF	International Helsinki Federation for Human Rights
IMF	International Monetary Fund
LGU	Local Government Unit
NA	National Assembly, Armenia's unicameral parliament
NGO	Non-governmental organization
OSCE	Organization for Security and Cooperation in Europe
OSCE/ODIHR	OSCE's Office for Democratic Institutions and Human Rights
RoA	Republic of Armenia

RoAG	Republic of Armenia Government
ROL	Rule of Law
SAC	Structural Adjustment Credit
TACIS	Technical Assistance to Commonwealth of Independent States
UN	United Nations
USAID	United States Agency for International Development
WB	World Bank
YSU	Yerevan State University

---

## Glossary

Dram	Armenian unit of currency (582 Dr = \$1.00 US, April 2002).
<i>Marz</i>	State regional administrative jurisdiction, of which there are 10 within Armenia.
<i>Marzpet</i>	Governor of <i>Marz</i> Jurisdiction
<i>Marzpetaren</i>	Regional government offices
“Roof”	Armenian slang for a politically powerful patron who protects his clients from eventual legal or illegal claims by other state officials on clients’ wealth, arranges licenses and other necessary authorizations, etc.
Venice Commission	Commission attached to Council of Europe, charged with reviewing member states’ legislation to ensure compliance with COE guidelines
Yezidis	Kurdish minority located in south-eastern Armenia, practicing a religion incorporating animist, Christian and Zoroastrian elements; the name derives from the Persian/Iranian city of Yezd, one of the remaining seats of Zoroastrianism.

---

# Armenian Modern History: Timeline

1914 – WW1 begins

1915 – About 1.5 million Armenians massacred in Ottoman Empire; many others flee to Eastern Armenia (Russian Empire), Middle East, Europe and America, enlarging diaspora

1917 – Collapse of Russian Empire

## FIRST REPUBLIC

1918, May – Counterattacks of Armenian forces

1918, May 28 – Declaration of independent Republic of Armenia by National Committees of Tiflis (Tbilisi) and Yerevan

1918, August 1 – First session of Parliament and formation of Government

1918, October 30 – Defeat and collapse of Ottoman Empire.

1919, May – Armenia receives first foreign aid from U.S.

1920, August 10 – Agreement of Sevr between Entente and allies (including Armenia) and Ottoman Empire, among other things recognizing unification of Eastern and Western Armenia

1920, September-November – Turkish invasion and defeat of Armenia

1920, December 2 – Turkey and Armenia sign Agreement of Alexandrapol (Gumri), renouncing Sevr agreement; Armenia loses about half the territory of RA

## SECOND REPUBLIC

1920, December 2 – Armenia surrenders to Russia (to prevent annexation by Turkey); Sovietization of Armenia

1920, December 25 – Declaration of Independent Sunik (in South Armenia)

1921, January-February – Soviet repression in Armenia

1921, February-March – Anti-Bolshevik rebel and civil war in Armenia

1921, March 16 – Moscow agreement between Russia and Turkey settles (current) borders of Armenia

1921, April 2 – Restoration of Soviet power in Yerevan

1921, July – Sovietization of Sunik and unification with Armenia

1922, March – Creation of Federative Union of Transcaucasian Soviet Socialist Republics

1922, December 30 – Creation of Union of Soviet Socialist Republics

1927- Beginning of *piatiletkas* (five-year state economic plans), start of industrialization

1928-1938 – Collectivization in USSR (creation of *kolkhozes*)

1935-1938 – Great Purge in USSR

1941-1945 – USSR in WW2

1956-1964 – Weakening of ideological repression during Khrushchev's reign

1975-1985 – Economic depression in USSR (Brezhnev's era)

1985-1991 – *Perestroika* under Gorbachev

1988, February 20 – Session of Nagorno-Karabakh Regional Council considers unification with Armenia, first supporting demonstration occurs in Armenia

1988, February 27-29 – Azeris massacre Armenian in Sumgait (Azerbaijan)

1988, March-November – Azerbaijan deports its Armenian residents (about 300,000 refugees)  
1988, December 7 – Earthquake in Northern Armenia, with a death toll of about 25, 000  
1989 – First free elections for seats in Supreme Council of Soviet Armenia, first Members of Parliament democratically elected  
1990, January 13 – Armenians massacred in Baku (Azerbaijan)  
1990, May 20 – First free elections in Armenia and victory of Armenian National Movement (ANM)  
1990, August 4 – Levon Ter-Petrosian becomes chairman of Supreme Council.

### THIRD REPUBLIC

1990, August 23 – Declaration of process of independence for Armenia  
1991 - present – Blockade of Armenia  
1991- 1994 – Armenian - Azeri war  
1991, September 2 – *Nagorno-Karabakh* declares independence from Azerbaijan  
1991, September 21 – Referendum on independence, Declaration of Independence of Armenia  
1991, October 16 – Levon Ter-Petrosian elected first president of Third Republic of Armenia  
1992, May – Liberation of Shushi and road to Karabakh  
1994, April – Ceasefire in Karabakh war  
1995, July 5 – Referendum on Constitution, elections of deputies to National Assembly  
1996, September 23 – Levon Ter-Petrosian re-elected president  
1997, December – Nagorno-Karabakh President Robert Kocharian becomes Prime Minister of Armenia  
1998, February – Coup d’etat, Levon Ter-Petrosian resigns, Robert Kocharian becomes acting president  
1998, May – Robert Kocharian elected President  
1999, July – National Assembly elections; “Unity” block of former Soviet Armenia leader Karen Demirchian and Defense Minister Vazgen Sarkisian win majority of seats  
1999, October 27 – Assassinations in National Assembly, Karen Demirchian, Vazgen Sarkisian, six other MPs killed

---

# Executive Summary

From a democracy and good governance (D/G) perspective, Armenia's democratic transition confronts serious challenges.<sup>1</sup> Soviet-era strong executive traditions and the Nagorno-Karabakh (NK)<sup>2</sup> war led voters in 1995 to approve a constitution for the Third Republic of Armenia that concentrates power in the executive branch. Consequently, formal institutional arrangements encourage the executive branch to dominate the polity, impeding progress on D/G issues.

## Concentrated Politico-Economic Power

The NK war led to the Turko-Azeri economic blockade of Armenia. Belligerents agreed to a cease-fire in 1994, but conflict and the blockade persist. Blockade-based economic monopolies facilitate personal enrichment, creating powerful incentives for elites (e.g., presidents, prime ministers, leaders of pro-government parties, business and military leaders) to dominate the political system. Monopolies work against peace with Azerbaijan and an end to the blockade.

## Politics of Majority Impoverishment

Elite enrichment involves impoverishing most of Armenia's population. The popular standard of living has been halved since the mid-1980s. People now pay monopoly prices for indispensable consumer goods and utilities. Independence, war, and the blockade destroyed Armenia's heavy industries. Unemployment rates skyrocketed. Since 1991, a million Armenians – a quarter of the 1989 population – have left the country looking for work or new lives abroad, most recently in Russia and other Commonwealth of Independent States (CIS) countries. Poverty undermines popular interest in D/G issues.

## Democratic Political System: Multiple, Effective Citizen Recourses

Contrasting Armenia's current political system with a "semi-ideal" democratic one highlights D/G problems. In democracies, citizens act as principals. They elect politicians as their agents. These agents pursue their principals' preferences within constitutional and legal limits. Citizens enjoy multiple recourses. Elections are honest, and citizens can use their votes to replace ineffective agents with ones they expect will better serve their interests. A rule of law (not of men) prevails. Courts offer recourse against abuses of political power. Citizens can appeal for assistance in solving problems of different scales to separate sets of elected representatives in legislatures and executives at local, regional, and national levels, and inform them of their preferences on public policy issues. Print and broadcast media accurately report political events and governance processes, including abuses of power. This transparency helps citizens monitor officials' actions and discourages official abuses. Media organizations air pros and cons of proposed constitutional and legal changes. In sum,

---

<sup>1</sup> "Modern Armenian History: A Timeline," immediately above, provides a useful overview of Armenian political events from the beginning of World War I to the present.

<sup>2</sup> NK was a largely Armenian ethnic enclave located entirely within Azerbaijan just a few kilometers east of Armenia's eastern border in 1990.

*citizens of democracies have multiple, effective recourses*, and can hold political agents and appointed officials partially *accountable*.

## Contemporary Armenian Political Machine: Lack of Effective Citizen Recourses

Armenia's political system diverges sharply from this idealized democratic system. Recourses that most citizens *typically lack* reveal the gap. Conduct of *elections* has improved somewhat, yet Government of Armenia (GOAM) politicians and local political heavyweights can still manipulate them. Principals cannot reliably use elections to remove non-performing agents. The *rule of law* (ROL) in Armenia remains problematic. Executives dominate judges. Many of the latter still adhere to the Soviet judicial paradigm of law as a tool of state, supporting executives in legal disputes with opposition politicians, local governments, NGOs, and citizens. The GOAM underfunds courts, pushing judges to finance the legal process through corruption. Many judges are also personally corrupt. Both forms of corruption weaken credibility of an institution undergoing a major transition to new, still poorly understood legal processes and procedures. Lack of legal recourse reduces most citizens to the status of agents. Political parties are weak, and national politicians have shown little interest until recently in helping constituents solve problems (in this regard, some local government officials have built a better record). Petitioning for redress of grievances affords weak recourse. Citizens confront decreasing access to reliable information about political events. The GOAM has intimidated the financially and legally vulnerable newspapers, TV, and radio stations. Media companies consider it too risky to publicize D/G and economic issues if they involve criticism of GOAM officials.

This form of political institution can be termed a *political machine*. Armenia's current political machine vitiates citizen recourses, converting principals into agents, while nominal agents benefit as effective principals from monopoly economic operations. Whether the system is shifting to a more authoritarian form of governance will be tested in three elections (local government, national executive, national legislature) scheduled during October 2002-May 2003.

## Supporting D/G Consolidation in Armenia

One question encapsulates the D/G consolidation challenge for assistance agencies in Armenia: "How can citizens reclaim their recourses?" For USAID the answer lies in targeted support for ROL, local government units (LGUs), and media, and concerted donor pressure for D/G reforms.

## COE Conditionalities

The GOAM wants to maintain its new (2001) membership in the Council of Europe (COE) and distinguish Armenia from Azerbaijan by adopting COE-proposed changes in Armenian institutional arrangements. If passed *and implemented*, these would reduce machine control of political processes in the country. They involve constitutional amendments (judicial autonomy, human rights ombudsman, internal structure of GOAM), new laws (Civil Service Reform), and changes in existing laws (Local Self-Government, Electoral Code). Constitutional amendments will enhance judicial independence by reducing presidential control over judges' careers. If those succeed, the proposed human rights ombudsman could amount to a significant institutional innovation. Another constitutional amendment would vest in Parliament a meaningful advise and consent role in selecting prime ministers, instead of the latter being mainly creatures of the president. Civil service reform will substitute a professional civil service for the current political

spoils system. Electoral Code revisions should reduce election manipulations, strengthening voters' ability to hold politicians accountable. The Local Self-Government bill would authorize villages to consolidate voluntarily to achieve economies of scale in service provision. It will formally authorize LGU elected officials to provide additional public services, but the second reading in May cast doubt on devolution of correspondingly more fiscal resources to LGUs.

The GOAM has discouraged public discussion of constitutional amendments that might shift the balance of power in favor of judicial autonomy and greater citizen recourses. This raises basic questions about the GOAM's political intentions.

### Priority D/G Interventions for USAID/Armenia

The D/G Assessment team recommends the Mission continue intervening in three areas:

- ◆ support implementation of ROL, so that formal legal and constitutional changes create practical incentives for behavior that will help consolidate D/G reforms;
- ◆ support LGUs in building on rule changes designed to strengthen communities' service provision capacities, thus demonstrating democracy and good governance in action; and
- ◆ support newspapers, radio, and television to help media companies gain autonomy and engage in independent journalism, particularly where D/G issues and elections are concerned.

*ROL:* The Mission should support application of laws and amendments either already on the books or soon to be approved. Assistance agencies should help the GOAM progress from acceptance of COE/Venice Commission D/G recommendations to their effective implementation.

*LGUs:* The small size of many villages prevents provision of locally important services. *Inter-community unions*, proposed in the May 2002 Draft Law on Local Self-Government, would enable adjacent villages to band together to provide services of common interest (e.g., water supply and local public transportation). *Voluntary consolidation* would enable small communities to pool resources and administrations for economies of scale and greater efficiencies in resource mobilization and implementation. Opportunities also exist to involve more people in good governance. The country's persistent economic malaise has forced many rural Armenians back to the land to produce goods for home consumption and market. These activities face problems (e.g., irrigation system maintenance and pasture management). Resource users can co-govern and manage these activities, reducing poverty and enhancing their D/G skills as they do.

*Media:* Until Armenian media companies can discuss D/G topics of their own choosing, Armenian voters will lack the information about political programs, policies, elections, candidates, and legal changes indispensable to informed choice. The media alone cannot overcome popular apathy about the political system, but without an independent, aggressive media system, reforms and improvements will be much more difficult to achieve.

*Donor D/G coordination:* Intensified collaboration with other foreign assistance agencies on D/G issues can pressure the GOAM for reforms to rebalance Armenian's political system. Donors should **push for ample public discussion** of proposed constitutional amendments. Consolidating D/G will require USAID effort at least through its next programming cycle (2003-2008).

---

## Introduction

### 1.1 Democracy/Governance Assessment Methodology

The Democracy Governance Center of USAID/Washington's former Global Bureau developed the methodology utilized in this Armenia democracy/governance (D/G) assessment. It is designed to enable small field teams to provide a snapshot of D/G conditions in a country and produce a short list of recommendations highlighting where USAID might best intervene with greatest impact in promoting transitions to or consolidating democracy and good governance.

The three-person Armenia D/G Assessment team began work in Yerevan on 8 April and completed field investigations 19 days later, on 26 April. Team members interviewed a broad range of informants in four groups knowledgeable about governance in Armenia:

- ◆ USAID/Armenia, the Embassy team, and USAID/Armenia partner organizations;
- ◆ officials in the three branches of the Government of Armenia (GOAM) at the national level and in local governments;
- ◆ a range of nongovernmental organizations (NGOs), civil society organizations (CSOs), and private sector operators; and
- ◆ other assistance organizations, including bilateral and multilateral agencies and several international NGOs.

The team interviewed roughly 100 individuals. The team asked respondents to list the two or three most serious D/G problems currently confronting Armenia. Next, the team asked why respondents thought the actors involved in creating these problems behaved as they did. Finally, informants were asked to suggest changes in institutional arrangements that would lead key actors to modify their strategies over time to consolidate democracy and good governance. Assessment conclusions and recommendations reflect these interviews and many documents addressing D/G issues in Armenia.

### 1.2 Conclusions and Recommendations

Executive dominance within the Armenian political system poses the greatest threat to D/G consolidation in the country. Executive leaders have reduced competition sharply in the political and economic spheres, and created a *political machine* through which they control the country. This enables them to limit or eliminate citizen recourses, reducing Armenians' capacity to challenge

officials' use of their powers to enrich themselves. Lack of recourse discourages political involvement by citizens, reinforcing apathy and facilitating machine control.

The team anticipates that USAID can have the greatest impact in its next programming period (2004-2008) by concentrating its support in three areas:

- (1) strengthening local governments where citizens have begun to experience good governance;
- (2) developing independent, autonomous media; and
- (3) converting formal laws already on the books into working rules that effectively regulate and orient the behavior of government officials, economic actors, and citizens to consolidate D/G.

The GOAM desires to maintain its membership in the Council of Europe (COE), to which it gained admittance in 2001. As part of this effort, GOAM officials have accepted significant proposed changes in both the Constitution and in a number of laws, as well as creation of certain new laws. Some of these changes have already been ratified (e.g., the Civil Service Law). The government has taken first steps to implement several other laws; others remain unimplemented. Yet more draft laws remain under discussion, but appear likely to be proposed as bills in Armenia's unicameral National Assembly (NA), ratified, and then signed into law by the president. Additional legal changes, including significant constitutional amendments, await finalization in the NA. The amendments will most likely be submitted to a national referendum during one of the three elections (local government, presidential, parliamentary) scheduled for the period October 2002–May 2003. If the amendments are approved, and *if* they are translated into effective changes, they will in all probability impede political elite efforts to perpetuate the machine and control the system.

#### Box No. 1: Assumptions Underlying this Assessment

D/G consolidation in Armenia is affected by several important factors:

1. The country's political machine has the resources to affect people's life chances and, indeed, does so on a daily basis. Machine control of the economy has impoverished much of the population. Their precarious economic situation compels most people to focus on the elemental "nuts and bolts" of existence. The struggle to keep food on the table discourages most people from focusing on "the big issues" of democracy and governance: free elections, responsive parties, press freedom, judicial performance, constitutional amendments, etc. These become, in effect, luxuries that, in personal terms, they cannot afford. Working to achieve such D/G goals involves considerable effort and risk, and few immediate payoffs.
2. The Soviet tradition of cradle-to-grave welfare and, during Soviet times, the heavy concentration of power and authority in the hands of the Party Secretary, have eroded long-enduring Armenian traditions of self-governance. These traditions were supported strongly for two millennia by the Armenian Apostolic Church (AAC). Before the Soviet era, many Armenian communities viewed their local AAC as the local government, as well as the community religious center. Community members met in the Church, organized to solve common problems, and then coordinated their efforts to achieve shared goals.
3. Unless Armenians can acquire the skills and attitudes of self governance, they will most likely continue to view themselves as dependent on elected and appointed officials for solutions to their individual and collective problems. Such attitudes do not predispose citizens to demand accountability of their officials; instead, they reinforce passive dependence. With such a mindset, Armenians will have difficulty consolidating D/G in their country. Several USAID partners – IFES and Eurasia Foundation – with experience in promoting self-help and self-governance at the grass roots in Armenia assert that, while traditions of self-governance and sharing may be impaired, they are by no means dead and can be revived as powerful, productive movements when opportunities arise for communities to organize to overcome their difficulties (Interviews, Artashes Kazakhetsyan, Eurasia Foundation, and Albert Decie, IFES, both Yerevan, 10 April 2002).
4. Under these circumstances, to engage the Armenian population effectively and encourage development of skills in self-governance and self-help, D/G programming should focus on pragmatic issues, the resolution of which will help people solve pressing problems, improve their living standards in palpable even if marginal ways and, simultaneously, enable them to acquire and practice the skills required for self-governance. D/G activities that empower people to play a role in organizing and improving their existence convince them that seeking a stake in governance is worth the risk. Such activities will also enable them to acquire the skills necessary to help themselves, and will likely prove sustainable and contribute to consolidation of better governance and democracy in Armenia. For further discussion see Section 5.2 below.

COE conditionalities underlying these changes in formal institutional arrangements provide potentially useful leverage in moving the GOAM towards a more pro-democracy and pro-good governance stance. The COE, however, cannot implement these promising changes alone. To generate the greatest leverage for consolidation of democracy, all foreign assistance agencies, including particularly major ones like USAID/Armenia and the World Bank, will have to work in concert.

The Draft Law on Local Self-Government, though not perfect in all respects, offers considerable promise. It will enhance the power and authority of Local Government Units (LGUs) and encourage consolidation among the 800 plus small villages (population = <5,000) that now lack the economic base and human resources to provide themselves better quality public services.

Finally, extremely limited press freedom in Armenia must be improved if citizens and government officials are to benefit from transparency in governance operations. Greater transparency will not eliminate electoral fraud and other abuses, but should help to reduce them and thus indirectly make officials more accountable to citizens.

The Mission should continue to promote D/G activities in Armenia. While the current D/G situation in Armenia is far from the ideal and gives cause for concern, possibilities of promoting changes just outlined are real. D/G improvements will reinforce existing Mission activities in the economic, energy, and social sectors. Success will depend on solid, sustained donor coordination and political will.

---

## Obstacles To Consolidating Democracy and Good Governance in Armenia: Background

### 2.1 Criteria for Defining Key D/G Problems

USAID [2000: 13-26] uses *five variables* to identify obstacles to D/G consolidation:

1. **Consensus** on the **rules** and on **fundamentals**. Consensus involves agreement about who is and is not a member of the society and about relations among the state, civil society, and individuals. The rules of the political game should be clear to and accepted by all parties. Elections offer an obvious test case of consensus: parties and individuals should be able to compete, confident that results of free and fair contests will be tallied correctly and transparently.
2. Degree to which the **rule of law** (ROL) is respected. Respect for the individual and for human rights constitutes a major ROL indicator. People should feel secure, in their persons, freedoms of expression, religion, association, and assembly. The country's security forces abide by general rules of the land, rather than operating in an extra-legal manner. The judiciary must be autonomous, impartial, well versed in the laws of the land, and reasonably just in applying those rules to cases before them. Judges – not prosecutors, other state officials, or vigilante groups – must ultimately decide how to apply rules in specific cases including, in criminal cases, sentencing.
3. Degree of **competition** in a political system and in the broader society reveals much about the degree of democracy in a society. Vigorous, fair competition should characterize elections, flow and exchange of ideas in the media, and interactions among many groups in civil society. Market competition exists and consumers benefit if economic power is distributed broadly rather than concentrated in a small group that can restrict people's choices and extract monopoly prices. To preserve citizens' rights to choose leaders and influence policies and laws (rather than citizens' having to accept choices others make and impose on them), power must check power. An enduring balance of power should prevail within government, implying competition among the three branches as well as competition between central and local government actors.
4. Political **inclusion** is critical: unless *all* citizens enjoy both formal and effective rights to participate in political processes, democracy will be a façade not a reality. Citizens enjoying formal guarantees of inclusion, but clearly apathetic may signal a breakdown in inclusion.

5. Performance of government institutions (*good governance*) should demonstrate capacity to make and meet commitments, deliver reliably a minimum of public services, and be held accountable for their performance. These same criteria should apply to civil society institutions.

Armenians view the GOAM as scoring poorly on four out of five of these criteria. For most, a rough consensus exists on rules of the game and fundamental principles of politics in Armenia (e.g., how leaders should be chosen, laws drafted, and rules implemented). Yet, political murders during 1999-2001 raise serious questions about whether key players share in this consensus. A history of electoral manipulations under the Third Republic raises further doubts.

The general conclusion concerning the GOAM's D/G performance, however, must be drawn in light of two points. First, some individuals in government are seriously trying to improve performance. Second, the new "Draft Law of the Republic of Armenia on Local Self-Government" may build on LGUs' social and institutional capital to create opportunities to strengthen good governance.

## 2.2 Background: A Blocked Economy

### 2.2.1 *Straitened Economic Circumstances for Most Armenians*

The country's limping economy figures into all discussions as a powerful factor conditioning D/G consolidation in Armenia. Persistent poverty afflicts private individuals and public institutions. The daily struggle for existence curtails citizens' interest in D/G activities. Most Armenians have lost their taste for the grand principles and goals of democracy and good governance. D/G activities will more likely succeed if they address problems of *immediate* interest to citizens, where positive payoffs are *palpable* and *probable*. Examples include revitalizing irrigation systems so they work reliably at reasonable cost, upgrading education facilities and practices, and the economic opportunities associated with these initiatives. People are likely to discount anything more remote as "unrealistic."

A second factor closely linked to poverty is corruption, making rules uncertain and governance inefficient. GOAM officials' salaries are low. Many can authorize valuable services, licenses, tax assessments, and the like. This combination of monetarily valuable authority and low pay leaves many officials facing a standing temptation to engage in corruption.<sup>3</sup> The highest paid judges, for instance, earn less than \$250/month, while often ruling in cases involving thousands of dollars.

Some LGU officials note that Armenia has "too much democracy," given the economic problems most citizens face. Until the GOAM and LGUs can better address citizens' basic economic issues, they say officials should work exclusively on that fundamental problem. Such comments, however, may merely express officials' annoyance with criticism of their efforts, programs, or policies. NGOs, by contrast, reject the idea that Armenia suffers from "too much democracy."

### 2.2.2 *War for Nagorno-Karabakh (1991-1994)*

Armenians voted to leave the collapsing USSR and create the Third Republic of Armenia in August 1990. Shifting from late Soviet era authoritarian politics to a more democratic one constituted a major challenge, as the recent history of many countries in the Commonwealth of

<sup>3</sup> Armenia's highest paid official, the head of the country's central bank, reportedly earns roughly \$1,200/month.

Independent States (CIS) shows. However, Armenians faced a more daunting challenge: prosecuting a war to protect centuries-old Armenian communities in Azerbaijan’s Nagorno-Karabakh region just outside Armenia’s eastern border. These two challenges together lent credibility to arguments for maintaining certain authoritarian features of the inherited Soviet political system, and set the stage for the current risk of Armenia’s backsliding towards authoritarianism.

At first, Armenians strongly supported both the war and its outcome. Many political observers believe that that support remains solid, though more muted, and that Armenians would not countenance a peace settlement restoring control over Karabakh to Azeris. Conversely, Azeris – particularly the more radical and committed ones – insist on full restoration of their territory as a non-negotiable condition for peace. These sharply conflicting, deeply held positions undermine compromise<sup>4</sup> and partially explain the persistent stalemate between Armenia and Azerbaijan and a continued tendency toward a more authoritarian political system.

### **2.2.3 Impacts of the Economic Blockade**

Absent a peace settlement, the Azeris and Turks have maintained an effective economic blockade against Armenia. Some highway and railroad traffic still crosses its borders with Iran and Georgia, but the blockade costs the Armenian economy dearly. The country lacks access to the much larger economic zone within which it operated during the Soviet era. Entrepreneurs and producers, with few exceptions,<sup>5</sup> cannot operate in the larger CIS market. Many Armenian companies lack critical inputs, notably certain raw materials and energy. Armenia still operates a nuclear reactor in a geologically unstable site because it has no other viable energy sources.

Blockade costs do not fall equally on all Armenians. For most, blockade shortages compounded by collapse of Soviet-era industries domiciled in Armenia create extreme economic hardship. However, after a decade of economic hardships, people have adapted to a much lower standard of living. They no longer view the blockade as a prime cause of their difficulties. The depth of Armenia’s economic disaster is reflected in a stark statistic: roughly one-quarter of the pre-war population of some four million has abandoned Armenia by legal or other means for greener pastures elsewhere.<sup>6</sup> Most of the million emigrants were young adults in their productive years. The first wave had competitive skills necessary to find good jobs elsewhere. Recently, persistent economic depression has driven many more Armenians *without skills* to leave the country. One interviewee summed up the situation: “We’re not creating jobs, we’re exporting workers!” Low-skill emigrants seek menial jobs elsewhere in the CIS, especially Russia and Ukraine. The Armenian diaspora community in Russia now exceeds a million persons.<sup>7</sup> Remittances from that group to family members in Armenia play a major role in many household budgets.

<sup>4</sup> Compromise, of course, is not impossible. See Yenokian, 2002.

<sup>5</sup> Among exceptions are jewelry processors, who add enough value in cutting rough stones that they can cover air transport costs and still realize a healthy profit. Some computer programmers have developed lucrative market niches with companies in Western Europe. Operating via the Internet, they face no transport costs.

<sup>6</sup> Brutal recruiting methods and treatment in boot camp have reinforced emigration, particularly among young males.

<sup>7</sup> Russian skinheads, bent on ridding the country of foreigners, attacked Armenians in the early months of 2002. Some in the diaspora are reportedly considering returning to Armenia.

In contrast to the economic fate most Armenians suffer, a few politically well-connected individuals have enriched themselves through the blockade. The country's current politico-military leadership recognized in the blockade a mechanism for extracting "rents" from the rest of the population. By means of economic monopolies that GOAM officials have distributed through non-transparent arrangements to the favored few, both monopolists and the GOAM officials involved in these arrangements have profited handsomely, and sometimes enormously. This process has accelerated over the last five years. In 1997, some 20 petroleum importing companies operated in Armenia; that number has now fallen to five. Of 2,300 food importing companies active during 1995-1997, only 200 remain. Of those 200, *a single company* controls 60-70 percent of food imports. Armenian fuel and food prices sharply exceed those in neighboring countries (Yenokian, 2001: 5).

---

## Analyzing D/G Problems

Section 3.0 addresses two topics: assessing performance of the Armenian politico-economic system, and identifying *the* key D/G problem that most impedes consolidation of democracy and good governance in Armenia. First, Section 3.0 assesses Armenia's governance performance in light of the D/G methodology's five evaluation criteria. Then it isolates a key D/G problem.

### 3.1 General Consensus on Rules of Game

There is little disagreement about who is a member of Armenian society, but consensus about relations among state, civil society, and individuals still poses unresolved questions. Many individuals seek a liberal state committed to ensuring respect for the basic institutions of society – the constitution, three branches of government, and a free market economy, as well as a high degree of autonomy for both civil society organizations and individuals. Others, perhaps in reaction to current failures in Armenia's transition from strongly authoritarian institutions to more democratic ones, express a powerful nostalgia for the Communist era. The latter seem far more willing to accept state control of groups and individuals, provided it comes with at least minimal social security guarantees that most Armenians remember as a key feature of that period of the country's existence.

Consensus collapses over rules of the political game. Elections have been subject to manipulation repeatedly over the 11-year existence of the Armenian Third Republic. Worse events, however, have occurred in the history of the Third Republic, including the October 27, 1999 assassinations of eight government leaders on the floor of the National Assembly (NA). These assassinations stunned the country. They vividly underscored the lack of agreement *in some quarters* on rules of the political game.

More assassinations during 1998-2002 of several high-ranking security officers, two prosecutors, and several private citizens, underlined the exposure of prominent individuals, including high government officials. These assassinations suggest something of the importance of the stakes involved and highlight the ends to which individual actors and groups in Armenia will go to gain control, or disrupt others' control, of market monopolies and other high-value economic opportunities. Events like these cast a pall of insecurity over activities in the political sphere.

### 3.2 Respect for Rule of Law

Respect for ROL has yet to be accepted as the cornerstone of Armenian judicial and legal relationships, although some branches of the judiciary are moving towards a firm, GOAM-acknowledged legal framework (e.g., the Economic Court for economic activities). Others,

however, lag far behind. The team interviewed four judges with long experience as lawyers, judges, and court chairmen in Armenia’s judicial system under both the Soviet era Second Republic and the independence era Third Republic. The three senior judges openly recognize difficulties in this regard, and suggest that intellectual, constitutional, fiscal, and ethical problems all undermine judicial autonomy. The most junior judge said he saw few ROL problems. Junior judges may remain most subject to the old system and less inclined than senior judges to change it.

The Armenian *political* system accords little respect to the ROL principle. Judicial leaders struggle to increase their autonomy from the executive branch, but admit that two factors continue to counter their efforts: a powerful executive branch constitutionally and practically subject to few checks and balances, and corruption. Members of the public, including individual lawyers and advocates experienced in dealing with the Armenian judiciary, share this view.

The courts – like many other Armenian governmental institutions – are underfunded. To cover operating deficits, some judges and court personnel engage in corrupt practices.<sup>8</sup> From illegally soliciting funds to cover costs of court operations it is a short step to soliciting funds to increase one’s take-home pay. Observers report that some lawyers willingly facilitate such transactions. The general population views Armenia’s courts as both expensive and corrupt (Armenian Democratic Forum, 2002a: 37, Table 2.14).

Armenia has imported and institutionalized as binding law a vast amount of legislation over the last several years to comply – as a condition of membership – with COE regulations on formal rules (discussed in more detail below, Sections 4 and 5), in a number of constitutionally important areas. Few people discuss these new rules prior to their passage into law, many of which contain rules that contradict both pre-existing Armenian norms and each other. The population knows little of the rules or of their implications for behavior, legal or otherwise.

A non-autonomous judiciary, a flood of new legislation, weak popular understanding of new rules and of the new role of the judiciary within the country’s system of governance, and judicial corruption all contribute to a highly uncertain, fluid, and malleable legal context in Armenia. The GOAM benefits in the short term from opportunities attendant on ambiguous or uncertain legal rules. Officials can bend or violate rules often with little risk of challenge by victims, because many of the latter believe courts cannot hold government officials accountable. Outcomes in election-related litigation, media cases, and in a number of human rights cases lend support to this view.<sup>9</sup> This undermines rule of law as a way of organizing human behavior in society.

## Human Rights

Most of the major challenges to human rights result from actions of Armenia’s security forces. For a country with a standing army of 70,000, the number of recruits who die in basic training – 192 in 2000, about 100 in 2001 – seems disproportionate. Some observers assert recruits die in training accidents. Others report military officers condone brutal hazing as a way to extract bribes from

<sup>8</sup> Some interviewees report that the current GOAM systematically underfunds those government agencies that the Government believes can make up the shortfall by extracting bribes and unofficial service fees, and receiving solicited or unsolicited gifts.

<sup>9</sup> The notorious case of the Dashnak leader, Poghos Poghosian, killed on September 25, 2001, in a Yerevan café by presidential bodyguards, apparently after making an insulting remark about President Robert Kocharian. Of three involved, only one was tried, for manslaughter. He was found guilty and given a two months’ suspended sentence.

recruits. Police torture suspects to extract confessions. Armenia has not defended its religious minorities (e.g., Yezidis, followers of a syncretic Zoroastrian religion, and various Protestant sects, notably Jehovah’s Witnesses). GOAM has systematically refused to recognize Jehovah’s Witnesses as a religious organization, so the sect operates illegally. Only the Armenian Apostolic Church (AAC) is legally authorized to proselytize in Armenia. The AAC remains weakened following Soviet era repression. Some 200 seminarians are training for the priesthood, but it may take a decade before the AAC can compete successfully with other religious sects in the country.

### 3.3 Degrees of Competition in the System

Armenia suffers from lack of competition in politics, the media, and the economy.

#### 3.3.1 *Electoral Process and Parties*

Since the presidential elections of 1996 and 1998, criticized as patently unfair and manipulated, the situation has gradually improved. NDI judged that the May 1999 NA elections demonstrated Armenia’s “capacity to conduct free and fair elections,”<sup>10</sup> but on balance, Armenia’s performance still did not meet international democratic electoral standards (NDI, n.d.: 1-2).

Currently the president appoints one-third of the 13-person electoral precinct committees. He can usually control committees because representatives of parties loyal to him vote with his appointees. Many opposition committee members have sold their votes, once appointed to the committee, to the presidential majority. In April 2002, the executive sought to modify the country’s electoral law to consolidate majority control of precinct electoral commissions.

Parties in Armenia are numerous and weak. NA electoral rules incorporate an interesting combination of plurality rule in single member districts (75 seats) and proportional representation based on *marz* (regional) lists (56 seats). This should produce a legislature both broadly reflective of political opinion in Armenian society and characterized by a stable core of parties. Nevertheless, many Members of Parliament (MPs) win office through vote buying, modifying voter lists, and intimidation. To pursue such strategies, MPs require substantial war chests to finance vote purchases, bribe electoral officials, and employ enforcers who intimidate both voters and other candidates. Once in the NA, MPs invest little effort in constituency relationships. Most lack the skills to build and maintain party structures. They do not represent much of the population, and the population views them with skepticism. Most Armenian parties lack distinct ideologies and platforms. Their platforms boil down to support for or opposition to President Robert Kocharian. Most citizens dismiss parties as useful tools for problem solving.

NDI, a USAID partner organization, began in 1995 to work with parties that had “open structures.” NDI assisted party leaders and members to formulate platforms and offered training to candidates. That experience has led NDI staff to conclude, however, that Armenians remain cynical about parties, especially because they see that President Kocharian has successfully created “a government wing” in most parties by tempting some politicians in each with the promise of high government position. The machine structure of Armenian politics makes such posts extremely

<sup>10</sup> Perhaps in part because the coalition Unity Party, comprising the Republican and People’s Parties, were sure to win that election and therefore saw little need to rig the outcome by the usual techniques of electoral manipulation.

lucrative, and many politicians in fact cede to the temptation to side with the President in hopes of future reward. In consequence, citizen voters see little hope of obtaining recourse through parties.

NDI staff have encouraged parties to do canvassing long before elections, and to organize *tangible* projects that may counter citizen cynicism about party politics by demonstrating that parties can develop practical activities at the local level. This, NDI assumes, would help parties build support by attracting the interest, attention, and possibly adherence of people in neighborhoods interested in pragmatic problem solving – planting trees, cleaning yards and streets – rather than in macro issues such as genocide, Karabakh, and jobs creation. NDI as an organization accepts the proposition that Armenians must create a political culture of self-governance and self-help as an element in D/G consolidation. They see focusing party activities on resolving practical problems as a way to move in this direction.

### **3.32 Intra-Governmental Competition**

The GOAM’s current constitution is widely recognized<sup>11</sup> as creating a lop-sided political game, in which the national executive dominates the other two branches. To a lesser extent, the executive also dominates LGUs, particularly those in the capital city of Yerevan. These constitutional arrangements were drafted at the end of the NK war and approved in a referendum on July 5, 1995, a scant 14 months after the cease-fire declaration. They reflect wartime concerns with preserving a powerful executive capable of taking decisive action in the face of external threats with few internal checks and balances. These concerns were legitimate, but the ensuing eight-year cease-fire stalemate has revealed significant drawbacks to this constitutional system.

At the local level, checks and balances are similarly limited. The elected community leader (or mayor) plays a powerful role. Community councilors, also elected, have far less power. They must approve the local budget and can initiate impeachment of the mayor, but many councilors merely rubberstamp the mayor’s wishes. In a few cases (such as Etchmiadzin and Goris), however, councilors have used their power to initiate removal of an ineffective or corrupt mayor.

Rural and urban, small-, medium-, and large-sized LGUs all face difficulties. Many local problems derive from struggling local economies and widespread poverty. LGUs’ limited revenues make it more difficult for them to address residents’ problems. Other problems arise because citizens do not yet fully understand the shift in approaches involved in the transition from Soviet-style governance to the new, democratic governance patterns. Traditions of local self-governance have withered, and people have not yet moved to take collective responsibility for their situations. Examples of self-help and local-level problem solving do exist, but require support. Local problems also reflect weaknesses in media and information dissemination systems through which citizens might otherwise obtain information about the rules of the new game in which they are players.

Eleven years into the Third Republic, Armenians live under a political system characterized by little meaningful separation of powers. Some of this can be traced to ROL problems, which discourage citizens, particularly poorer ones, from litigating in defense of their rights. When disputes arise pitting citizen(s) against government(s), the former – particularly those who are poor and lack a *roof* (the Armenian slang term for a political protector or patron) conclude in most cases that the

<sup>11</sup> Venice Commission, commenting on the “presidential package” of constitutional amendments to the current constitution of Armenia, strongly approves measures to rein in the largely unrestricted powers available to the president under the current constitution (Venice Commission: Paras. 39-58).

game is not worth the candle, and fail to contest the issue. When officials' questionable actions go unchallenged, they conclude they have leeway to exercise their official powers *as they see fit*. This suggests to citizens and officials alike that officials can operate with *impunity* or, in other words, Armenians live under a system of governance the salient characteristic of which is a *rule of men*, not a *rule of law*.

External observers concur with Armenia's current opposition as well as with some members of the executive that it has become imperative to right the balance. This consensus has launched a domestic debate in which the OSCE, the COE, and Venice Commission experts have played key roles. The range of proposed constitutional amendments has been boiled down to two "packages," one backed by the NA opposition, the other by the executive and the NA majority. Citizens will vote only on the latter in an upcoming referendum. The GOAM has discouraged USAID/Armenia's implementing partners from convening public discussions of the proposed amendments.

### 3.3.3 Media and Free Speech

In the run-up to an important election period,<sup>12</sup> Armenia's print and electronic media cannot engage in a free and vigorous debate about political issues at local and national levels and about candidates' qualifications. With few exceptions,<sup>13</sup> neither print nor broadcast media in contemporary Armenia can be considered autonomous. Armenia has "a free press, but not an independent press."<sup>14</sup> The loss of press independence is an ongoing trend. In addition, USAID's partner for print media support, Peter Eichstaedt of IREX/Promedia, considers that Armenian journalists exhibit a strong tendency to prefer opinion-based to fact-based journalism. He observes that the comparatively high price of newspapers and the fact that they present opinion rather than facts renders them less competitive as news vehicles.

From a high point immediately following independence, newspapers have dwindled in numbers, circulation, and publication frequency.<sup>15</sup> Papers publishing 5,000 copies now rank as significant. Some newspapers do solicit and carry advertising, but GOAM officials monitor these practices, particularly in newspapers with aspirations to independence. They discourage advertising in

<sup>12</sup> Beginning in October 2002 Armenian voters will, in three separate elections, select political officials (1) for the LGU community leader and council member posts; (2) for the presidency; and (3) for all members of the unicameral National Assembly.

<sup>13</sup> Among the exceptions are two newspapers published in Gyumri. These two papers have existed for 70 or 80 years (i.e., they were founded before the beginning of the Soviet era) persisted throughout the entire period, and continue to publish today. Peter Eichstaedt, IREX/Promedia advisor, interview Yerevan, 9 April 2002.

While the D/G Assessment team could not visit Gyumri, it would be useful to contact these newspapers and understand how they have managed to survive. A couple of case histories in this regard could shed interesting light on the future of the print media in Armenia.

<sup>14</sup> Peter Eichstaedt, IREX/Promedia advisor, interview Yerevan, 9 April 2002.

<sup>15</sup> A survey conducted by one of USAID/Yerevan's partners revealed that 85 percent of Yerevan residents rely on TV for their news, 10 percent on radio, and only 5 percent on newspapers. Papers sell for 100 Dram – the price of a loaf of bread. As papers are highly partisan, readers must purchase several to understand the news. The high cost of reading papers discourages readership. Better-off individuals (often opinion leaders) make up the bulk of readership.

“opposition” – meaning independent – newspapers.<sup>16</sup> Businessmen who buy ads in such papers risk an aggressive tax audit unless the director has a *roof* who can protect him. As most papers cannot survive on revenues from advertising and copy sales, many make up the shortfall through arrangements with powerful, wealthy sponsors. These individuals provide working capital and protection against political interference, but in return expect that editors will express their viewpoints and support their candidacies. Papers lose credibility. Even the few that cover costs must still regulate what they publish for fear of inviting political interference from the GOAM. These constraints sharply truncate their contribution to informed debate about D/G problems.

**Box No. 2: Armenian Newspapers and Journalism**

Armenian newspapers typically seem designed and edited to serve a liaison function among members of a particular group or party. Opinion pieces thus dominate newspaper content. Fact-based articles designed to inform the public about local, national, and international events are conspicuous by their absence.

Armenian journalists do not often engage in investigative reporting. If Armenian newspapers regularly carried more fact-based articles on stories of local interest, seasoned expatriate journalists believe they would succeed in attracting more advertising and would therefore achieve financial independence. Such journals might also achieve greater credibility, and might then exert more influence over local public affairs, particularly through fact-based editorializing. Such a development, over the longer term, would increase politicians' accountability to the local electorate as citizens found it possible to acquire accurate information about local issues, and performance of local politicians concerning those issues.

The GOAM has initiated a series of actions that many interpret as aimed at intimidating the electronic media and suppressing the kind of public exchange of information upon which voters depend if they are to make informed choices in the voting booth. In April 2002, the GOAM denied a license to Yerevan-based A1+, the country's most popular and most independent television news station [for more detail, see Annex 3], thus effectively removing it from the air. Through veiled threats about not renewing their licenses, GOAM officials reportedly also pressured A1+ network affiliates to stop airing any programming A1+ might subsequently produce. While A1+ may apply for a license on a new frequency, the A1+ case sends a reminder to other TV stations about just how easy it is to lose the privilege to broadcast.

These GOAM initiatives, while formally legal, create the distinct impression that the GOAM would much prefer less rather than more public exchange of ideas, and lower rather than higher turnout at the polls. The vulnerability of broadcast media companies to impromptu “tax raids,” the fact that most papers cannot cover their operating costs and so require *roofs* in order to function, and the organization of the newspaper distribution system create strong incentives for media self-censorship.

### 3.3.4 Economic Competition

In Armenia it is common knowledge that a small number of operators occupy monopoly positions in key sectors and dominate the economic system. Some of these individuals control lucrative import operations (e.g., hydrocarbon fuels and foodstuffs). These are the most important and most heavily consumed products. Many of these individuals reportedly benefit from “customs holidays”: they pay no duties on goods they import. Given their role in the economy, they must have *roofs*

<sup>16</sup> This, however, may not be an insurmountable problem. On at least one occasion, roughly 10 newspapers published a common advertising supplement. Although their press runs were individually quite small, the insert appeared in 55,000 papers, many of which are read by two, three, or more different readers. This kind of exposure makes newspapers competitive with TV newscasts in terms of audience. Given the economics of newspaper sales, it is also possible that papers might be more productive than television in terms of channeling advertising to consumers with disposable income.

who protect them not only from customs duties but also from profit and income taxes. These economic advantages enable monopolists to undercut competitors who lack powerful protectors and drive them out of business. Other monopolists control, or have controlled, selected domestic services (i.e., electricity distribution) and have engaged in asset-stripping operations.

These monopoly operations have enriched some political actors, particularly in the executive branch and in high military posts, and have simultaneously accelerated Armenia's economic decline. Concentrating much of the country's remaining economic wealth in the hands of a small number of families reduces the capacity for small entrepreneurs to create startup companies. These would create incomes for owners and paying jobs for other members of the population, and so contribute to a multiplier effect within the broader economy, helping to bring Armenia out of its enduring economic recession. The creation, or revival, and growth of numerous small enterprises would gradually increase competition within local markets and drive down consumer prices so that the bulk of Armenians could afford more with their limited incomes.

### 3.3.5 Civil Society

The government has recently approved a relatively favorable NGO law, but it does not authorize NGOs to engage in business activities. While NGOs can generally operate as they wish in Armenia, they remain highly dependent on international donors' funding. They have begun to engage government at both local and national levels, but still hesitate to challenge officials. NGOs have successfully been involved in important discussions of legislation and GOAM policy including NGO legislation, the draft Electoral Code, and the Armenia Poverty Reduction Strategy Paper.

## 3.4 Degrees of Political Inclusion

The Armenian politico-economic system currently fails the test of inclusion. While citizens enjoy formal rights to select their leaders through secret ballots, run for office, petition their representatives for redress of problems, and contest political decisions with which they disagree, for most Armenians, the realities they experience belie these formal rights. Instead, the working rules prevent them from exercising much control over governance issues in their own country, particularly at the national level. Most people lack the resources necessary to maintain their independence from politicians and officials who want to control or direct their choices.

Citizen apathy about national political processes reflects this situation. People sometimes criticize Armenians for apathy about critical events in the struggle to consolidate democracy and governance in their nation. This criticism seems misdirected. A quarter of Armenia's population has emigrated by legal or illegal means for opportunities elsewhere. Many of the country's most energetic human resources have *voted with their feet*, demonstrating (a) that they are anything but apathetic – it takes courage and determination to get to another country and survive there as an immigrant – and (b) their grim estimate of the Armenia politico-economic situation. Many Armenians have concluded that the chances for political reform and improvement are poor at best, which amounts to a devastating indictment of the current regime as well as of the politico-economic situation it has created. By emigrating, many Armenians have chosen exclusion: as they understand the situation in the country, it is not possible to get to improve their lot if they remain there.

## Role of Women in Politics

Cultural norms, maintained and enforced by their husbands and families, discourage women from running for political office. The enduring economic collapse in Armenia coincides with the transition from a state-organized to a market-based economy. Old rules have lapsed and new ones have not yet taken hold. Women find themselves under pressure to function primarily as wives and mothers. At best, careers outside the home rank secondary in importance. Many women in rural areas—but also in major urban centers—have accepted these gender-based stereotypes and now inculcate them in their daughters. Potential political activists encounter social pressure. This complex of attitudes and behavior creates gender problems: women count few representatives among public decision makers (ABA/CEELI: *passim*).

### 3.5 Good Governance in Armenia’s Political Institutions

These circumstances help explain the inadequate performance of Armenia’s political institutions in making and meeting commitments to provide citizens with basic public services. Included here are services such as preventive and curative health care, potable water, personal security, etc., upon which citizens depend for their survival. The GOAM and LGUs must also make the collective investments that the economy requires to function – for example, preparation, publication, and application of fair, reliable rules for economic activity; creation and maintenance of transportation, communications, and market infrastructure; and cheap, reliable energy sources. Finally, the society requires other investments to reproduce itself over time (e.g., universal primary and secondary schooling, quality higher education, improving health care, and expanding economic opportunities).

With economic collapse, social spending needs have increased in Armenia. Many elderly Armenians lost most or all of their retirement benefits when Armenia declared its independence from the Soviet Union in 1991. Public revenues currently collected do not cover social spending and collective investments. Monopoly-related fiscal manipulations leave the GOAM capturing only about 15 percent of the country’s GDP in fiscal receipts, a rate significantly lower than that found in many neighboring countries, where 30 percent is closer to the norm. The GOAM aggravates this problem by systematically underfunding those of its ministries and agencies that can “live off the land” (i.e., extract illegal economic payments from citizens and enterprises with whom they interact). These include the national police (the country’s only police force), the judiciary, public medical facilities, and educational establishments at all levels. Officials in these institutions can cover revenue shortfalls through corruption. This behavior builds on the Soviet legacy, but seriously reinforces it as well.

### 3.6 Distilling the DG Problem

As elsewhere, problems with or obstacles to D/G consolidation in Armenia are inter-linked and often mutually supportive of each other and of politicians and others who seek to forestall or even preclude D/G changes and preserve or enhance authoritarian political practices. At the core of this set of problems lies the phenomenon of a ***dominant executive whose decision-making and behavior is largely untrammelled by effective checks and balances***. The president faces little effective, organized opposition to his political decisions. The current constitution empowers him to control appointments to key committees. He appoints the prime minister, regional governors, and the mayor of Yerevan. He has successfully developed a working majority in the NA (though how stable that coalition is remains to be tested during the coming year of electoral campaigns). His interests are clear and well understood by members of the GOAM bureaucracy, so he may not even

have to issue directions in many instances because political appointees and bureaucrats can anticipate his wishes and act on them. Within the shadow of this executive dominance, many national officials use political power more to achieve their private interests than they do to advance the public good.

The Armenian political system appears more authoritarian than democratic in character at present. Nonetheless, one can identify certain slow trends toward democracy and away from authoritarianism. The pace of positive changes may well accelerate if constitutional and legal reforms currently under discussion or early implementation move forward.

---

## Actors in the Armenian Political System and Incentives Driving their Behavior

### 4.1 Overview

At present, signs are multiplying that the current most powerful actors in Armenia's political system have made marked progress in implementing a set of institutional arrangements that might best be summed up as a *political machine in the making*. The term *political machine* designates a set of institutional arrangements that, taken together, disable and then eliminate citizen recourses against officials. The end-point of this game is a system in which citizens "can't say no, and therefore have no say" in political decisions that structure their lives and their chances of improving their existence. Those who cannot say no (i.e., cannot impose a veto on the decisions of key political decision-makers) must expect that the latter will ignore their interests. In contemporary Armenia, national-level leaders do seem frequently to ignore citizens' interests (TACIS: 3). At the local level, by contrast, the situation appears more promising.

### 4.2 Citizen Recourses: Indicators of Good Governance and Democratic Consolidation

Citizens would have at least the following seven recourses in a consolidated D/G system:

- ◆ **Free and fair elections.** Elections characterized by untrammelled expression of citizen preferences through the ballot box and an honest count of the resulting votes, leading to representative bodies and elected executives who represent the people rather than those who already dominate the system.
- ◆ **Responsive politicians: problem solving.** Capacity to obtain from their political representatives meaningful assistance with problems (e.g., provision of public services, social security, human rights abuses, etc.).
- ◆ **Responsive politicians: rule modifications.** Ability to lobby government officials to modify rules and regulations, laws, and the Constitution, and have their concerns reflected in appropriate modifications of rules.
- ◆ **Competition among officials.** Access to multiple sets of officials at several governmental levels (i.e., at a minimum, local governments and the national government) so that, if one set proves unwilling or unable to help resolve collective or individual problems, citizens can turn to other officials for help.

- ◆ **Autonomous, accurate media.** Access at low cost to accurate, unbiased information about the goals and activities of political officials (members of the executive, legislative, and judicial branches at each level of government, politicians, and other actors who exercise decision-making power within the system, e.g., bureaucrats and members of the security forces).
- ◆ **Effective, affordable lawyers.** Access to reasonably priced, well-qualified legal representation.
- ◆ **Objective, affordable courts.** Low-cost access to courts whose judges render reasonably fair, objective, equitable decisions.

How do Armenian citizens now fare regarding these recourses? Analysis of the Armenian political system 11 years after the founding of the Third Republic suggests that four of the seven offer only fragile recourses against manipulations and abuses of political power.

*Elections* have improved somewhat since 1998, but much room for improvement exists.

*Responsive representatives* constitute the minority of MPs; but local councilors appear more accessible and willing to serve constituents [Armenian Democratic Forum, 2001a: 42, 44].

*Lobbying* MPs has been an underdeveloped art during most of the first decade of independence, as they drafted bills with little citizen input and approved them with little public discussion. Recently, that has been changing. In preparing the law on NGOs (World Learning staff interview, 8 April 2002), the law governing broadcast and print media, and the law on Local Self-Government, NGO, media, and LGU representatives provided important input on these laws.

*Access to officials at multiple levels* exists as a formal recourse. Unknown is the extent to which those different sets of officials are mutually autonomous from each other or rather, are mutually interdependent or dominated. In Armenia, the degree of competition among different sets of officials almost certainly varies from place to place.

*Access to low-cost, reliable, accurate information about political matters* is currently under threat. It seems unlikely that citizens will have access to unbiased information about the coming series of elections, respectively for local government offices (October 2002), the presidency (February 2003), and NA positions (May 2003).

*Well-trained, forceful, and honest legal representation* encourages citizens to play by the rules. In the realms of civil and administrative law, those who can afford good lawyers – wealthier individuals, enterprises, and governments – file lawsuits seeking definitive interpretations of legal rules. Some judges' rulings have begun to reduce executive branch capacity to impose its interpretation of contested events. This process, however, is still very much under development. Moreover, concerns of those who cannot afford legal representation may well be neglected.

*Low-cost, accessible, and fair justice* is a goal, but not within immediate reach for most Armenians. Constitutional amendments the president proposes may deepen and consolidate current reported improvements, but passage is uncertain. Citizens still expect that, in most cases, judges will not render justice [Armenian Democratic Forum, 2001a: 37-39, reveals that only 14 percent of the

population consider the judiciary *accessible*, 34 percent believe it only *somewhat accessible*, and 47 percent rate the judiciary *not accessible*. The cost of lawsuits is a major barrier].

### 4.3 Armenia's Political Machine in the Making

The president continues to tighten control over the Armenian political system. Formal rules favor executive control. Non-formal rules enable the president to compel many key actors either to remain neutral or to help implement his policies and programs, public and otherwise.

A single *clan* (political faction), the Karabakhis associated with President Kocharian, have replaced the multiple clans that operated during the early Third Republic. They now dominate the country, reducing political competition and impeding D/G consolidation in Armenia.

#### 4.3.1 Security Forces

The president has successfully negotiated a degree of autonomy vis-à-vis certain high-ranking officers. In the direct aftermath of the 1999 NA assassinations, the military moved to take power, but then reversed itself. At present, President Kocharian's closest associate, Serge Sargsian, "controls" the Ministry of Defense and the military. Yet the military, police, and security forces remain powerful players in the national political system, not fully subject to civilian control. The president's ability to reward supporters in the security forces with rich economic monopolies enhances his capacity to induce loyalty in some service sections and jealousy in others.

#### 4.3.2 Judiciary

The Armenian judiciary is struggling for autonomy vis-à-vis the executive. Reducing corruption in the judiciary is a critical part of that struggle. Several court chairmen said they are applying the 1999 Code of Judges' Conduct. The Chairman of the Court of Cassation (Armenia's highest court for criminal and civil matters) reports that, since 1999, three judges have been removed from their positions – one for accepting bribes, the two others for gross violation and improper application of the laws. The judge guilty of accepting bribes was sentenced to five years in prison. These disciplinary decisions begin to set a salutary tone and a new standard for judicial probity.

Yet the Cassation Court chair and other chairs admit the inherited paradigm of Soviet justice as a tool of state policy still holds sway over state prosecutors and many judges as well. On April 3, 2002, the Council of Court Chairs interpreted the law as banning prosecutors from submitting sentencing recommendations in criminal trials. The GOAM chief prosecutor immediately issued a circular to all subordinate prosecutors to continue recommending punishments to judges. This circular reveals the low esteem the executive accords the judiciary, and indicates why achieving even quasi-autonomy of the judicial branch will involve a long, arduous struggle.

The executive's consistent refusal to cover court costs with official budget funds<sup>17</sup> compels judges to find funding from other sources, which encourages corruption and in turn impairs judicial credibility. The judges of Armenia have a long way to go in consolidating a reputation as honest, impartial decision makers in interpreting and applying the laws of the country.

---

<sup>17</sup> Interviews with: Judge Hovhannes Manukyan, Court Chairman, Economic Court, and Judge Henrik Danielyan, Court Chairman, Court of Cassation, 12 April 2002; Judge Gagik Sargsyan, Court Chairman, Ararats Court of First Instance, 15 April 2002.

This situation contributes to the strategy of a political machine concerned to discourage creation of a legal system based on the rule of law rather than of men. Uncertain rules and unreliable courts serve as powerful deterrents to citizens' and companies' attempts to challenge and prevent manipulations of law. This outcome in turn encourages executive branch abuses of power and creates enticing opportunities for members of the political machine to collect "rents" from those who have no workable recourses against predation. Such "rents" contribute greatly to maintaining a political machine in good working condition, consolidating the machine's capacity to reward friends and supporters while discouraging and punishing opponents.

#### **4.3.3 Dominating the Bureaucracy and Civil Service Reform**

To induce loyalty, the political machine has relied on a spoils system. Bureaucrats depend for their jobs on ministers the president selects. This converts many bureaucrats into levers of power that can be brought to bear on citizens, groups, and businesses (e.g., via manipulated tax assessments). In early 2002, the GOAM took initial steps to implement the Civil Service Law of 27 December 2001, designed to break this pattern and guarantee civil servants tenure on good behavior. The Commission has been impaneled but, to date, no civil servants have taken exams to determine their competence and qualifications. Only later will it become clear if the new system is functioning as intended and establishing real protections for civil servants who try to follow the law. It would be *realistic to anticipate* that the executive will try to "massage" civil service exams and promotion arrangements to enhance the political machine's domination of the system.

#### **4.3.4 Muzzling the Media**

Many apparent GOAM concessions in the realm of new legal arrangements seem designed to consolidate democracy and good governance in Armenia. These include, for instance, the shift from "state" television to "public" television at the behest of the Venice Commission, passage of the Law on Broadcast Media (IHF: 20) and creation of the National Commission on Radio and Television under terms of that legislation, the Code of Judges' Conduct (Chemonics: 3), the Civil Service Reform Law, and the Local Self-Government bill now under review in Parliament. These modifications of formal rules, however, must be carefully assessed for their real impacts.

The new "public" television is as much beholden to the state, dependent on state financing, and subject to executive direction as the old "state" television ever was. The GOAM can strongly affect programming content, and has used that power increasingly to highlight government achievements and discourage public television coverage of opposition critiques and challenges. The National Commission on Radio and Television, reportedly partially modeled on the American Federal Communications Commission, creates opportunities for the president to intimidate the media through legal mechanisms. This provides him "deniability." He appoints Commission members; they know they are beholden to him for their current posts, and for possible future promotions and favors as well. In a political system characterized by executive dominance and few recourses against executive decisions, these are potent incentives. Most Armenians consider them sufficient to shape Commission members' decisions on issues of critical importance to the GOAM.

Yerevan residents seem to feel the president has used the existing legal framework to pursue his own ends at the expense of the public. This undermines public confidence in Armenia's laws and legal system, as people conclude they cannot often rely on formal rules for security.

### **4.3.5 Fragmenting the Legislature**

The president has repeatedly fragmented the parliamentary opposition. He adroitly used the October 27, 1999 events to weaken other parties' capacity to oppose him, and has used promises of high executive office to encourage further splits within the opposition. The president's success has prevented emergence of a credible opposition candidate. It has also reduced the credibility of the legislature since it fails to function as a counterweight to the executive branch.

### **4.3.6 Centralizing Control over Important Revenue Sources**

President Kocharian has recently issued a decree requiring the country's 300 largest taxpayers to make their contributions directly to the Ministry of State Revenue, rather than paying in their *marz* of residence. International financing agencies, in particular the IMF, may desire further centralization of revenues to enable them to collect more easily principal and interest on loans to Armenia. This innovation in taxation may make it easier for the machine to manipulate public funds to finance upcoming electoral campaigns if members of this group of major taxpayers succeed, through corrupt fiscal arrangements common in Armenia, in reducing their tax bills.

### **4.3.7 Armenian Apostolic Church: Still a Marginal Player**

The Church seems unlikely to play a significant role over the next decade in Armenian politics. ACC leadership has committed to rebuilding, through training new priests and by launching an economic development program. These efforts dominate ACC leaders' attention. If the number of believers increases rapidly in the near future, it is possible that the Church might sway some votes in secular elections. If so, politicians may seek the blessing and backing of Church leaders.

### **4.3.8 Diaspora Funds and Remittances**

The role of diaspora remittances appears significant in the context of Armenia machine politics. Observers estimate annual remittances total between \$100 million and \$400 million. The U.S. diaspora mainly finances public projects. Russian diaspora remittances go to family members. As remittances buffer many Armenians against total poverty, they may contribute to "apathy" in Armenia. Reliable income supplements from diaspora relatives may marginally reduce Armenians' sense of urgency about improving the operation of Armenia's political system.

## **4.4 Conclusions**

The political machine enables the GOAM executive to dominate the system to an extent unhealthy for balance within the country's system of governance. Citizens, in turn, have little reliable recourse to challenge exploitation by machine cohorts. Individuals who have powerful *roofs* can and do escape exploitation, but most Armenians pay for machine mis-governance of the country.

The one exception to this pattern of executive dominance lies in Armenia's relationship with the Council of Europe. Having been accepted into the COA, the GOAM clearly wants to remain a member and, in the process, demonstrate that Armenia is a "better" member (i.e., more democratic and better governed) than either Azerbaijan or Turkey. To that end, the GOAM, with the president's approval, has agreed to modify a number of laws in ways that are designed to right the balance of the system. The nature of the political will behind this general strategy is important to

understanding how President Kocharian views this initiative. It is important as well to understanding how USAID/Armenia can target its D/G assistance for best effect.

---

## Interventions in Institutional Arrangements to Help Consolidate Democracy and Good Governance in Armenia

The Armenian Third Republic will either consolidate its youthful democracy, or revive an authoritarian system designed to permit the powerful few to control the political and economic destiny of most Armenians. The latter outcome clearly bodes ill for D/G consolidation.

This general conclusion highlights the urgency and the importance of USAID's and other donors' efforts to support those in the country who seek to prolong and deepen commitments to transparent, accountable governance and to consolidating democracy. Pro-D/G Armenians are a disparate group, but they count among their number some journalists and media owners, judges, human rights activists, and politicians, particularly at the LGU level. Consolidating D/G in Armenia requires progressive empowerment of citizens. It implies creation of real, working checks and balances that anchor citizens' capacity to hold officials at all levels more (rather than less) accountable. Only in this way can the institutional arrangements of the Armenian political system create persuasive incentives for officials to use their power and authority to promote the public good and eschew (or at least moderate in the short term their practices of) advancing their own private interests at the expense of their fellow citizens' individual and shared interests. Finally, consolidating D/G requires continuous donor support and, where necessary, pressure from the full group of external agencies that have helped to analyze and to craft appropriate adjustments in Armenian institutional arrangements, and helped to finance development in the country, including critical work in the D/G sector.

These are serious, long-term challenges. They are radically compounded by the prevalence of poverty in contemporary Armenia (TACIS: 2-3) and the breakdown of a series of social safety nets that functioned, according to most informants, more effectively under the former Soviet regime than they do now. A very high percentage of the population ranks as poor to very poor. People consistently unable to cover their minimum needs, typically, have neither time nor energy to struggle for better governance and consolidation of democracy. Furthermore, the perceived manipulation of many electoral contests degrades the credibility of the whole process and discourages voters.

The economic vulnerability which most Armenians face conditions them to abandon citizenship for security. For such individuals it makes sense to opt for life under an authoritarian patron who offers some security to buffer them against the worst, in preference to life with a free but empty stomach. If their political system cannot help them manage the risks of existence, they must, per force, seek security by other means. A great many people, above all the young, are voting with their feet, seeking employment and economic security abroad (U.S. Department of State: 2002a: 1). When they emigrate, they take with them skills and energy that Armenia desperately needs to complete its transition to democracy and to consolidate better governance in the country.

To combat these problems and reverse existing trends, USAID/Armenia and other financing agencies will have to intensify their collaboration to pressure the GOAM to accept changes necessary to consolidate a more balanced form of governance. This process is well underway concerning changes in formal rules. The GOAM wants to maintain its membership in the Council of Europe. Current Armenian leaders see COE membership as a partial protection against Azerbaijan trying to retake Nagorno-Karabakh and, for that reason, appear very committed to remaining a COE member country. To that end, the GOAM has complied with a broad range of COE conditionalities accepted when Armenia entered the Council January 25, 2001 (IHF: 19).

The challenge, however, lies in converting new formal rules into working rules – rules that, because they are effectively implemented and enforced, create incentives and opportunities for new behavior more consonant with consolidating D/G in Armenia. The danger is that donors and financing agencies will declare victory when the formal rules have been modified to meet COE conditionalities and will not follow through to ensure that they are enforced.

A second threat to improving governance in Armenia also exists. The “presidential package” of constitutional amendments, as adjusted to take account of COE/Venice Commission recommendations, will probably contribute to re-balancing Armenia’s system of governance *if* accepted by voters and effectively implemented. This concerns especially several of the constitutional rules on organization of the judiciary. The timing of the referendum vote on the constitutional amendments remains uncertain.

While speculative in nature, the following comments highlight a possible dilemma for Armenians as well as for external assistance and lending agencies. It seems quite possible that President Robert Kocharian and his close supporters in the GOAM do not, in fact, want “their” package of constitutional amendments approved, for fear that resulting changes in institutional arrangements would make it considerably harder to control and run the president’s political machine.

This scenario could explain both the current uncertainty about timing of the referendum on the constitutional amendments, and why the GOAM, in collaboration with the NA majority, have so far resisted public discussion of the amendments. The amendments could be presented in a special referendum. The GOAM asserts that that would cost too much, and proposes to present the amendments for voter approval as a special question to be placed on the ballot during one of the three elections scheduled between October 2002 and May 2003. From the GOAM’s perspective, organizing a separate referendum on the amendments involves the disadvantage of requiring prior public discussion. This might increase both public interest in the amendments and the likelihood of passage.

This suggests that the GOAM might well opt to hold off on submitting the amendments to a referendum vote until the May 2003 NA elections, an option clearly under discussion at present. President Kocharian and key GOAM leaders might assume that the president will be safely re-elected in March 2003. The GOAM could then quietly allow the NA opposition parties and candidates to mobilize the population against approving the amendments. If GOAM officials do not campaign hard and well in favor of the amendments, the package could easily fail given general popular apathy about the relevance and credibility of elections.

The COE would be unlikely to strip Armenia of its membership in the Council: GOAM officials will have made a “good faith” effort to introduce changes to honor COE

conditionalities, and will have cooperated fully with Venice Commission experts. Unfortunately, the package will have failed as the population, “misled” by opposition candidates, voted down the amendments. The failure of the amendment package would maintain Armenia in the status quo set of institutional arrangements. This would mean no change in the structure of judicial arrangements, and little possibility of meaningful progress on ROL issues. This might fit very closely with the real preferences of those associated with the political machine.

The COE-supported constitutional amendment process would then have to begin again, but much more slowly this time. On this scenario, the political machine would be preserved for at least another few years, something that those in power can be assumed to desire as it would enable them to strengthen further their economic and political positions.

### 5.1 COE Interventions and the ROL

The COE has supported Armenian efforts to modify its Constitution and a number of laws to bring them into compliance with Council principles. Of the long list of modifications either approved or under consideration, the following are most significant:

- ◆ greater autonomy for the judiciary, notably in sharply curtailing the president’s role in the Council of Justice (constitutional amendment);
- ◆ enhanced autonomy and authority for LGUs (bill currently in NA and judged likely to pass);
- ◆ electoral law reforms (currently under discussion, with an interesting discussion developing between the prime minister and the president over how many electoral committee members the president should be authorized to appoint);
- ◆ vesting the NA with veto power over prime ministerial candidates nominated by the president, and enhanced power for the prime minister once approved (constitutional amendment);
- ◆ creation of a civil service and a civil service commission to implement the new rules governing appointments, promotions, and dismissals of civil servants who are, by law, to be politically neutral (approved); and
- ◆ creation of an office of ombudsman responsible for pleading human rights cases before the Constitutional Court (constitutional amendment).

Under the proposed amendments concerning the judicial branch, the president would no longer be the guarantor of judicial bodies. Instead, the latter would derive their authority directly from the Constitution. The president would no longer appoint all 16 members of the Council of Justice (the judicial body that nominates judges), nor would he continue to serve as its chairman. Instead, judges themselves would elect seven of their number to the Council, and the president would appoint three legal scholars, with both groups serving three-year terms. From among their number, these 10 would elect a chairman. If approved, these amendments would reduce machine capacity to manipulate the judicial process (without, of course, eliminating all potential for manipulation).

This appears to be the most significant proposed constitutional change because it could indeed lay the foundation for firmer ROL in Armenia. Without that, many of the other proposed constitutional amendments and modifications in laws to comply with COE conditionalities remain problematic in terms of their effects. If rules (e.g., constitutionally guaranteed human rights, electoral rules, etc.) *cannot be effectively enforced* by parties to disputes because the courts continue to be unreliable, then those modifications in institutional arrangements, though well thought through, will probably

have little impact because they will not change the incentives for actors in the existing political machine to change their behavior.

**USAID/Armenia should explore with other donor and financing agencies activities that will support implementation of amendments and laws now on the books, or that will shortly be passed.** This will help recreate among citizens a sense that democracy and good governance are indeed possible in Armenia. Donors could co-finance court operating budgets to reduce judges' temptations to accept illegal payments to finance indispensable court activities. Such support should be conditioned on a GOAM commitment to maintain and gradually increase funding levels so that the government fully funds court budgets within five years. Court chairs should be allowed to decide their minimum operating budgets and have those fully funded, as does the Constitutional Court currently.

## 5.2 Enhancing the Role of Local Governments

Thus far, the president's political machine does not appear to have focused much attention on local governments, with the exception of several Yerevan districts (most notably Kentron) controlled by the opposition Armenian National Movement (ANM). Herein lies a *potential opportunity* to strengthen democracy and good governance that USAID/Armenia has already begun through the Armenia Local Government Program implemented by The Urban Institute.

The D/G Assessment team believes that focusing additional effort on strengthening local governance offers real promise in light of Armenia's current context. As suggested below, a large number of simple but vital problems exist within LGUs that governments at that level can solve, assuming modest increases in financing and capacity to mobilize labor inputs. LGUs working with their populations, perhaps in collaboration with local NGOs, can improve local standards of living and can promote opportunities for self-governance among people affected by a given problem. Such activities will offer people opportunities to acquire and practice skills useful in solving collective problems. Success in such areas is likely to create counter-examples to the kind of predatory governance now associated with the political machine dominant at the national level in Armenia. Those counter-examples could also serve to point out alternatives in LGUs where, currently, local bosses dominate community-level political systems, suppress democratic arrangements, and engage in governance operations that leave people worse rather than better off.

Of Armenia's 930 communities, 870 have populations of 10,000 or less, and 840 have populations of 5,000 or less. Powerful local individuals can dominate small communities as well as large ones. Nonetheless, in many Armenian rural communities, several strong families compete for power, so that some possibility of balance and alternation in power exists within these systems. Furthermore, at these small scales, it is difficult to conceal decisions from the public, so that transparency might be achieved more easily in small communities than in large ones. This *creates opportunities for selective interventions in support of local governments whose leaders demonstrate willingness to work on solving collective problems.*

### 5.2.1 Local Collective Action to Enhance D/G

Armenia's prolonged economic downturn has sent many families and individuals back to gardening, truck gardening, small-scale stock raising, and the like to supplement their subsistence diets and earn money. These are coping mechanisms to deal with the crisis rather than major long-

term economic opportunities. Nonetheless, they create various specific problems in solving which local governments can play key roles. Among these are governance and management of:

- ◆ a number of water supply systems for potable water and irrigation (as often urban as rural);
- ◆ lakes and other surface water bodies that fall partly or entirely within LGUs' jurisdiction;
- ◆ watersheds;
- ◆ pasture areas;
- ◆ forested lands; and
- ◆ rural roads and paths that provide access to these resources.

These problems are palpable: people looking for pastures, or potable or irrigation water, know why they need it. Payoffs from solving these problems are also palpable: people can see that harvesting more vegetables or fruit, or protecting pastures from overgrazing so that milk and meat production remain high, will leave them better off.

Payoffs are either immediate – in the case of potable water supply, a reduction in water-borne diseases; for paths and rural roads, easier, more secure transportation, etc. – or short term (duration of a single growing or grazing season). Similar problems exist in various public services (e.g., health and education).

These kinds of crosscutting technical-D/G issues create significant opportunities for USAID to strengthen D/G in Armenia. The Mission can also build on the efforts and experiments of several NGOs that have begun engaging in these kinds of crosscutting activities, and refocus NGO efforts from advocating for changes in formal institutional arrangements to assisting citizens to solve these kinds of problems. *This is probably the best method for imparting the crucial lessons of self-governance and self-help to Armenians who have, for the last three generations, been conditioned to believe that governors and politicians, not citizens, are responsible for solving public problems.*

### **5.2.2 Draft Law on Local Self-Government May Create D/G Opportunities**

Mobilizing populations in small, rural LGUs to co-govern and co-produce these resources and transportation facilities should be feasible if local governments, building on current experiences, can work out appropriate systems to monitor labor contributions and ensure service users that fees are regularly collected, credited, and properly allocated. Such exercises offer thus far under-exploited opportunities to involve Armenians in their own self-governance, and to build self-confidence in their skills in collective problem solving. This kind of experience is essential if Armenians are to change the Soviet-era paradigm of governance in which the state, not citizens, is responsible for governance decisions.

#### **Box No. 3: Possibilities for Local Self -Governance: A USAID Partner Example of Seeding Self-Help**

The Eurasia Foundation provided a grant to a community in the earthquake zone, near Gyumri. The community used the grant funds – a total of \$8,000 – to purchase training from an Armenian NGO in techniques of self-governance. In that community, people have now organized four local services, all of which appear to share a common characteristic: they met high-priority, locally salient needs. The services include:

- ◆ Municipal bus
- ◆ Municipal school
- ◆ Library
- ◆ Walky-talky station for emergencies to call in help.

They are handling these activities and have now won a grant from World Learning. Our original grant to the earthquake zone community led to 56 proposals, and we have money only for six.

– Interview, Artashes Kazakhetsyan, Country Director and  
Hrachia Kazhoyan, Senior Program Officer, Eurasia Foundation,  
Yerevan, 10 April 2002.

USAID/Armenia could take advantage of a series of proposed changes in institutional arrangements for local governance in the country. These are incorporated into the Draft Law of the Republic of Armenia on Local Self-Government, which has currently passed its second reading in the NA and appears assured of passage into law. This bill has benefited from input provided by a GTZ consultant and, more importantly, from suggestions and inputs derived from broad debate among community leaders and others. The Armenian Association of Communities pressured the GOAM to meet with five representatives of the Association during drafting of the bill on Local Self-Government. While the bill before the NA does not draw unqualified approval from mayors and others, most concede that, at a minimum, it is a step in the right direction.

Although it does not fully solve the problem of financial resources and fiscal authority, the Draft Law of the Republic of Armenia on Local Self-Government incorporates a number of useful innovations. Among these are the explicit transfer of more power and authority to LGUs, and greater own-source revenues. Chapter 8 of the Draft Law, “Consolidation of the Communities, Intercommunity Unions,” is germane in this regard. Inter-community unions will become possible on a voluntary basis. This creates an important element of citizen choice in deciding the scale of consolidation and the partners with which each member community might collaborate. In the final version of the law, the GOAM will probably scale back the size of the proposed increase in LGU own-source revenues and intergovernmental transfers. While LGU officials understandably want more resources to address local problems, a series of incremental increases over a decade will be better than an immediate large increase. LGU absorptive capacity must be tested. A shortage of resources will continue to encourage operational efficiency. If LGUs can successfully provide citizens with services they really desire, then citizens will be more likely to pay their taxes and to pressure free riders to pay theirs.

### **5.2.3 Territorial Administration Then, More Effective Local Governance Now**

A brief review of territorial organization, particularly the role of districts, during the Soviet era is useful in evaluating the Draft Local Government Code Chapter 8 innovations. From 1920-1991, while Armenia was a Socialist Republic within the Soviet Union, the country outside Yerevan was divided into 37 rural districts (*raion*), plus 10 urban ones (eight in Yerevan and two in Leninakan [Gyumri]). Over the years, seats of district administrations, typically based in the jurisdiction’s largest town, developed as service centers. District administrations built up both infrastructure facilities – for example, *raion*-level roads, bridges, utilities such as gas, electricity supply, heating networks, potable water supply, irrigation, and sewage – and supporting services in the areas of health, transportation, culture, and sports. Residents of most communities within a district could reach its center without difficulty. This further encouraged citizen identification with the district. Over time, people often developed a firm identification with their *raion* of residence and, for certain purposes, residents considered themselves members of a single unit for collective action. This facilitated officials’ agreement on collective projects. These perceptions persist today, at least in a number of districts. Many Armenians still understand their country geographically in terms of the old *raion* system.

This is not currently the case with the new rural regions (*marzes*). Regions replaced the districts at independence because the GOAM was concerned about putting an end to the Soviet system of governance. Each of the regions combines the territories of four to six *raion*. Transaction costs of travel from most places in a region to government offices (*marzpetaren*) in the regional capital are much higher. At least some regions have established branch *marzpetaren* offices in the old district

seats within their jurisdictions, and regional officials ride circuit to provide services at that level. People in Armenian rural areas, however, do not identify very strongly with the new regions.

The Draft Law on Local Self-Government seeks to remedy the situation of governance units that are either too small or too large to address the problems for which they are responsible. The law provides for two distinct procedures.

### Community Consolidation

Consolidation involves replacing existing small community governments with a new, larger, consolidated government that would inherit their territories and property. The draft bill authorizes both villages and larger towns (i.e., those with populations greater than 15,000) to consolidate. This would presumably offer a means to reconstitute the old Soviet-era *raions* with governments based in the larger district municipal centers. It would also permit constitution of sub-*raion* sized communities where populations desire to pool their resources. Councils of candidate member communities can voluntarily consolidate. The law may also authorize imposing consolidation if local elections fail to produce community councils, after consultations with affected populations.

Economies of scale arguments support consolidation but, from a D/G perspective, eliminating existing small community jurisdictions has potential drawbacks. The principle of subsidiarity asserts that many of the problems that small communities face are best governed and managed by user groups at the community level. Consolidation, in eliminating small communities, might well eliminate this option and with it, the chance for many rural citizens to participate in their own self-governance. Yet, Armenians desperately need more experience in self-governance if they are eventually to demand better governance from GOAM officials. As things stand now, too many Armenians look to government officials to govern them, which means they function as dependent subjects rather than citizen principals willing to demand that both national and local officials perform effectively in a transparent and accountable manner. Donor and financing agencies interested in consolidating D/G in Armenia cannot succeed in this objective without the assistance of a very large number of citizen principals.

### Inter-Community Unions

The second approach to resolving economies of scale problems that impede better D/G in rural areas offers more promise. It involves voluntary creation of inter-community unions, at the initiative of the communities involved. Unions are reserved for communities whose populations do not exceed 15,000. This procedure would enable some of Armenia's 870 rural communities with less than 10,000 inhabitants to band together in groups probably smaller than the districts but large enough to enable them to achieve significant economies of scale in the creation and maintenance of infrastructure facilities and in provision of services.

The Draft Law names 23 municipalities to be granted the status of autonomous cities. Other towns of more than 15,000 residents will be able to petition the GOAM for autonomous city status. One major weakness of the Draft Law is Article 95's retention of the current system of an appointed mayor for Yerevan, who functions for the capital city area as the equivalent of the *marzpets*, or appointed governors, in the country's 10 regions outside the capital city. This provision has been openly criticized by the Venice Commission (2001, Paragraph 75). Commission experts note that several European capital cities have elected leaders responsible for implementing national government policies. This issue would appear, however, to be of lower priority in the near

term than promoting democracy and improved governance in smaller communities and in urban neighborhoods.

### 5.3 Strengthening Media Autonomy and Financial Viability

D/G consolidation is difficult if citizens and government officials do not have regular, reliable, affordable access to accurate information about public affairs. The concept of accountability is severely lacking in a context where government officials can intimidate independent media companies into self-censorship. This removes from public debate meaningful criticism of their decisions and actions. Without feedback, government officials will probably neither correct their mistakes, nor avoid repeating them. Without accurate information, citizens, CSOs, NGOs, and business trade groups have difficulty understanding D/G events, to say nothing of intervening to pressure elected and appointed officials for better performance.

Conversely, financially independent media companies capable of paying their editorial, advertising, and support staffs adequately, and not subject to government threats, loss of operating licenses for failure to toe the government line, impromptu tax increases and the like, can contribute significantly to public debates on D/G issues. When media operate in a legal context that creates incentives for professionalism, discourages libel, and enables broadcast companies and newspapers through freedom of information laws to get access to information about government decisions and the processes behind them, they can improve transparency. This affects government-government, government-civil society, and government-citizen relationships.

Two types of interventions could begin to counter this tendency. First, existing Mission projects could be developed/extended both to strengthen the financial basis of media operations and to increase journalists' professional skills and the quality of their performance. We present suggestions for specific intervention options below in Section 6.2.3, "Media." Second, assistance agencies with an interest in D/G activities could jointly support greater media freedom and less self-censorship in Armenia. This issue is addressed in Section 5.4, "Donor Coordination," below.

### 5.4 Donor Coordination

Consolidating D/G in Armenia poses a challenge that, while not unique in the CIS or countries elsewhere in the developing world, nevertheless must be taken very seriously. An increasingly entrenched political machine, whose leaders and members have strong incentives to maintain the status quo, will not easily agree to modifying their relatively authoritarian, executive-centered, top-down approach to governance. It will take concerted effort on the part of Armenian citizens and assistance agencies to respond effectively to that challenge. Their response, furthermore, must be seen as a long-term effort calculated not to produce D/G miracles but to improve governance and strengthen democratic practices at the margin year in and year out. Over time, small but regular changes favoring better D/G will compound and achieve very significant improvements...but only over a period of years. A realistic timeframe for achieving major changes and consolidating D/G in Armenia is at least a generation – 20 years. It may well require two generations to effect sustainable changes in the organization of the political system as well as to anchor the habits of self-governance in the practices and minds of Armenians.

This challenge may appear daunting when framed in these terms. However, it is entirely feasible to achieve small improvements in D/G on a regular basis. Armenians can evaluate small D/G changes, manage the political risks of participating in them and, over time, rework their ideas about and approaches to governance. Nevertheless, it is not possible to remake Armenian approaches to D/G through large, rapid changes. This analysis indicates the importance of donors staying the course.

External funding plays a significant role in the GOAM's budget. This monetary leverage should enable those agencies to induce – albeit gradually – greater respect by GOAM officials for the practices that underlie democracy and good governance. This will require, however, that donor and financing agencies thoroughly understand each other's programs and closely coordinate their efforts. Most assistance agencies operating in Armenia (e.g., USAID, DFID, GTZ, the EU, and the World Bank) appear to value the benefits of such coordination and, to some degree, already engage in it. USAID should try with other donor agencies to (re)establish regular meetings on D/G activities as a forum within which assistance agencies can share information about their D/G programs, successes, and failures, and work through possible differences to achieve a consensus position on D/G approaches. Once they arrive at a consensus, it will be important to monitor compliance by group members and resolve any conflicts that may occasionally arise. Investment in such coordination will pay dividends over time, but only if assistance agencies are prepared to recognize from the outset the importance of long-term commitments.

Donors could launch this process by adopting a unified position in support of vigorous public discussion and debate of the proposed constitutional amendments. If foreign assistance agencies operating in Armenia can organize themselves to speak with a single voice on this single issue, it will encourage ordinary Armenian citizens to pursue these critical issues, understand them, and cast informed votes when the amendments are presented in a referendum.

**Box No. 4. Donor Coordination in Support of Open Public Debate on Proposed Constitutional Amendments**

The COE-proposed amendments to Armenia's constitution offer donor and financing agencies active on D/G issues in Armenia a rare and productive opportunity to make common cause around an issue of high salience for the consolidation of better governance and meaningful democracy in the country. As this analysis suggests, the series of measures that the COE has proposed, via the Venice Commission, would help reduce executive capacity to dominate public affairs through the existing political machine. Passage of even the presidential package of amendments would enhance incentives for many actors to improve rule of law practices, local-level governance, and human rights. Donors and financing agencies should explore the possibility of organizing a common front to push for GOAM authorization to sponsor public discussions of the proposed constitutional rule changes. Failure to capitalize on this opportunity now may mean foregoing it for the foreseeable future and a long, uncertain struggle to submit this whole set of critical issues to citizen scrutiny, review, and possible approval.

---

## Conclusions and Recommendations for USAID/Armenia

### 6.1 USAID/Armenia's D/G Programming, 1995-2003

The Mission has undertaken an ambitious D/G program involving 11 separate activities (see Annex 1, section entitled "Democracy Program"). Included here are:

- ◆ two ROL initiatives;
- ◆ two projects to support citizen participation (one linked with support for a small number of political parties);
- ◆ two media projects (one each for broadcast and print media);
- ◆ grant funding for an independent printing press;
- ◆ one civic education project (soon to become independent);
- ◆ one program to support local government reform;
- ◆ one NGO strengthening activity; and
- ◆ one recently initiated parliamentary support activity.

Most of these programs appear to have supported consolidation of democracy and good governance in Armenia, but the country has not yet achieved a stable D/G system.

Mission leadership expressed a desire to simplify its D/G portfolio. This poses difficult choices because each of the above-cited activities has contributed something to strengthening D/G in Armenia. The civic education activity has achieved sustainability, or shortly will. Given the arguments presented above, the two citizen participation activities and the NGO strengthening activities could be productively folded into a new umbrella local government activity, outlined below. Insofar as local NGOs can learn to help Armenians in small communities as well as in urban neighborhoods solve local collective action problems, they will support the logic of these recommendations in strengthening Armenians' capacity for informed self-governance. The team believes the Mission's investment to date in promoting NGOs could be significantly capitalized in this regard, while reducing Mission management burdens.

### 6.2 Building on and Protecting Existing D/G Investments

The Mission has developed an interesting array of D/G activities. These can be rearranged somewhat, in accord with recommendations presented in Section 6, in ways that would reduce USAID staff management loads, reinforce synergies among existing and reconfigured activities, and increase the likelihood of promoting durable changes in the way the games of politics are played in Armenia. These recommendations, in effect, are informed by a concern to enhance the contribution of each USAID-financed activity to reviving traditions of self-governance and self-

help in Armenia. If citizens in the context of existing (or possibly consolidated) local governments can learn to solve collective problems, as the examples in Box 3 above strongly imply they can, if media (newspapers, radio stations, possibly television stations that provide news coverage in rural areas) do a better job of reporting on these activities and informing individuals about political activities in which they participate (elections, voting on constitutional amendments, understanding the new judicial system, etc.); and if these developments are reinforced by civic education in the country’s primary and secondary schools, over time the quality of life will improve and a new generation of leaders, shaped by experiences in solving problems at the local level and accustomed to the principle of politicians being accountable to voters, may well arise. While such individuals will no doubt be subjected to the same temptations by machine operatives – if the executive-based political machine persists – that contemporary politicians confront, their experiences may better prepare them to resist. Solving local-level problems can generate confidence, social capital, and trust within communities. Mastering the skills of collective action provides individuals in organized groups with some protection against those who would direct their votes, structure their access to information, and otherwise seek to control their decisions. These kinds of long-term, evolutionary changes outline a feasible path to consolidation of better governance in Armenia, assuming COE-proposed constitutional amendments are approved. If reinforced by activities designed to enhance citizen understanding of rule of law mechanisms and procedures, it is not unrealistic to expect Armenia citizens, over time, to become more assertive about citizens’ rights, more knowledgeable about useful recourses, and more capable of defending themselves against manipulation in the political arena.

### **6.2.1 Rule of Law**

Analysis in Sections 3.0 through 5.0 of this report supports the Mission’s current focus on supporting ROL. Once the current group of constitutional amendments and modified laws developed in response to COE conditionalities have been either approved or defeated, the major issue confronting Armenia will be effective implementation of existing constitutional and legal rules. Even if the constitutional amendments do not pass, the Mission should continue to support professional legal associations – the bar organizations in particular – as well as increased transparency in judicial decision making. The programs of making existing laws available via Internet sites, and publicizing judges’ decisions create incentives at the margin for judges to support and abide by the ROL in their decisions. In addition, the Mission should consider funding a long-term activity in popular legal education. Activities here might include:

- ◆ building on the existing civic education program to develop supporting activities that could be presented in schools, e.g., regular updates of textbooks to incorporate information about constitutional amendments, new laws, important legal rulings, role-playing games to enable students to develop a better feel for how government works, problem-solving games that encourage students to think through solutions to collective problems, etc.;
- ◆ preparing and disseminating “how to” manuals that provide citizens with a reasonably definitive description of the steps in a given legal proceeding, the probable range of costs, the likelihood of success, etc. These could be linked with the next item to capture for viewers the essentials discussed in the broadcast media and distributed to those who indicated interest; and
- ◆ developing in Armenia with local stations a series of weekly television and radio programs that could be shared among broadcast media and would:

- in Armenia, clarify how the new system functions, particularly where it diverges from Soviet practice;
- discuss new legislation and explore implications for specific groups and institutions;
- develop how-to case studies of particular kinds of legal problems (e.g., collecting severance benefits, challenging municipal and national government decisions, constitutional appeals grounds and processes);
- present interviews with legal professionals such as law school professors, judges, lawyers, advocates, and court support personnel, exploring their professional activities;
- report on high-profile cases and organize expert panels to explain decisions in these cases; and
- develop formats, which might include question-and-answer shows, panel discussions, and radio and television drama series with a legal focus.

The link between such activities and the Mission’s existing media support projects is clear; such programs, continued over a decade, would make a major contribution to highlighting for citizens principles of the rule of law. These are still quite new and little understood in Armenia. Only if people grasp the logic of a system based on rule of law rather than rule of men will it be possible over time for citizens to organize to insist on greater accountability from Armenian officials.

The Mission should explore greater collaboration with the World Bank judicial reform project, and with the Bank’s anti-corruption activity. Disseminating strategies by which citizens, NGOs, and LGUs can challenge corrupt decisions and inappropriate legal rulings without inordinate risk or loss of opportunities should encourage more informed use of the country’s legal system.

USAID should collaborate with other assistance agencies to create and maintain pressure for the GOAM to fund court operating costs adequately. Success here will reduce excuses for judicial personnel to engage in corruption, making prosecution of offenders easier, and should enhance judicial credibility. If the GOAM asserts it cannot afford full court funding, donors should offer a fiscal match for any GOAM-funded increases in court operating budgets. The match should never exceed 50 percent (1:1 ratio) to avoid making the judiciary dependent on donor funding.

## **6.2.2 Local Government Support**

Given the array of LGUs proposed by the Draft Law on Local Self-Government, USAID/Armenia could envisage a range of LGU support interventions. Some would extend activities of the existing Armenia Local Government Program; most would build on those initiatives. Options in this regard include:

- ◆ if the Draft Law on Local Self-Government is approved, organize information sessions in collaboration with *marzpetaren* officials for community leaders and for council members on details of new local government powers and authorities, and ways in which LGUs can use them to enhance performance (including consolidation and inter-community unions);
- ◆ adjust these information programs for LGUs of different sizes (villages in rural areas, towns, and 23 autonomous cities outside the capital city area, neighborhoods in Yerevan);
- ◆ provide training to LGU officials and technicians in participatory planning methods to legitimate and increase public support for LGU activities;
- ◆ work with local private lawyers and advocates, human rights groups, municipal lawyers, and judges to ensure that they understand the details of the Draft Law and implementing rules and regulations, and support periodic workshops to keep personnel up to date;

- ◆ support district- and *marz*-level LGU fairs or workshops in which community leaders and council members, NGOs, and CSOs can share their experiences in solving collective problems and arrange cross-visits to further share and deepen collaboration;
- ◆ support Armenia Communities' Association meetings for local members;
- ◆ strengthen community capacity to monitor and implement activities;
- ◆ strengthen LGU planning, budgeting, revenue mobilization, and management capacities and increase transparency and accountability to citizens in these functions;
- ◆ support contracting out of activities to local NGOs or businesses that demonstrate capacity to manage specific sectoral activities;
- ◆ assist with creation of inter-community unions to address special problems (e.g., potable water supply, irrigation system management, pasture management, path and rural road maintenance, forest management, market facilities, and local public transportation networks);
- ◆ explore inter-community contracting for services in situations where consolidation or inter-community unions do not elicit popular support, but where economies of scale would still be appreciable; one community might take responsibility for organizing transportation in its sub-area, another for watershed management, a third for operating a local health facility, a fourth for a sports facility, etc., so that each community would develop a specialization that would help improve living standards for the group of communities;
- ◆ computerization of local government offices, tax rolls, etc.;
- ◆ support for elections encouraging public debate on candidates' programs and performance;
- ◆ strengthen municipal associations' capacity to advocate for LGUs for continued reform;
- ◆ assist key national ministries with the implementation of decentralization policy; and
- ◆ advise relevant parliamentary committees on policy options concerning local government.

The above list is by no means exhaustive, but it suggests activities that LGUs, and citizens might pursue. Not all will be appropriate for every community, but each should find some of them useful. As citizens and local politicians successful in solving local collective action problems begin to build support for norms of accountability, transparency, and fair elections, these activities will support better governance at the local level and, over time, democracy as well.

NGOs can make significant contributions here if trained and willing to help citizens and officials implement some or all of these activities (see examples in Box 3, above). In some cases, this will mean pressuring local governments to fulfill their responsibilities to provide services. In other cases, it will mean facilitating joint citizen-government action. USAID should partially fund NGOs through a local government support project. LGUs that want to avail themselves of such subsidized services would then, in effect, receive a match to complement their own revenue efforts. These kinds of arrangements, over time, would strengthen NGOs as well as popular problem-solving capacities.

### **6.2.3 Media**

A two-pronged approach to changing incentives for GOAM and media actors would involve, on the one hand, concerted donor coordination among all agencies with an interest in D/G and, on the other, extending support for media operating in smaller communities.

USAID/Armenia already provides support through its partners, Internews, IREX/Promedia and Eurasia Foundation, respectively, to broadcast and print media. The Eurasia Foundation, working in parallel with IREX/Promedia, is exploring ways to enhance journalists' skills, improve their

business sense and sense of newspapers as businesses, and enhance their capacity to produce quality products and improve marketing networks and efficiencies in ways that will, over time, enable newspapers to become viable enterprises that can help inform local readership. Eurasia's assistance, in part, has taken the form of journalistic training and support for journalism associations and mixed groups that, for example, bring judges and journalists together to work out public information programs designed to enhance public awareness of the rules and procedures of the country's new adversarial legal system. In addition, Eurasia has also promoted introduction of new production technologies (Pagemaker, etc.) that reduce the time of production runs and enhance product quality and flexibility. All three of these NGO activities seek to strengthen the editorial skills of Armenian journalists and, at the same time, the financial and economic underpinnings of media companies. These kinds of training operations should be strengthened and extended from their current focus on the capital city and regional towns to smaller communities. The pay-off from more probing journalism focused on Armenia's hundreds of smaller communities can be appreciable in helping to reconstruct a viable, responsive D/G system.

Assistance agencies directly or indirectly supporting D/G activities – in addition to USAID – include the World Bank, UNDP, the EU, EU TACIS, OSCE, DFID, GTZ, and the SOROS Foundation. Each should be able to assign a representative to participate in bi-weekly or monthly donor coordination meetings designed to promote mutual information and development of common positions favoring greater media freedom.

USAID and other donors could support activities to reduce risks and increase incentives for effective print and broadcast journalism that enhances popular understanding of D/G issues:<sup>18</sup>

- ◆ case studies of the two Gyumri papers that have survived for 70-plus years to (a) understand the economics of these operations and (b) learn more about how they retain readership when most other Armenia newspapers have experienced falling sales;
- ◆ further training along lines currently pursued by IREX/Promedia/Eurasia Foundation for newspapers interested in increasing income via advertising, including strategies to counter GOAM pressure against businesses which would support independent newspapers with their advertising budgets;
- ◆ a loan program designed to support media companies, particularly local radios and local newspapers, that can prepare and execute viable business plans;
- ◆ support setting up private printing presses in important district centers and regional capitals;
- ◆ training for journalists willing to operate in rural areas of the country and interested in strengthening their professional skills;
- ◆ pool arrangements to share distribution costs;
- ◆ legal insurance schemes for media companies that need lawyers' skills, informed by those pioneered by The Asia Foundation;
- ◆ workshops where journalists, media company owners, and business managers within regions can meet to exchange information and experiences;
- ◆ support for professional associations of journalists;

<sup>18</sup> This should not be read as suggesting that Armenia needs media companies that focus their entire operations on D/G issues. To succeed, print and broadcast media need to interest a wide variety of readers and viewers. Such operations become the vehicles for disseminating information about D/G issues among other topics of general interest.

- ◆ assistance agency support to strengthen viable or nearly viable media companies by advertising supplements providing, e.g., information on D/G issues, in addition to sales;
- ◆ support for creating media associations, where expense pooling and joint advertising campaigns can reduce costs and increase revenues; and
- ◆ promotion of increased readership and/or citizen demand for information through journalism programs in schools and other venues.

Annex 4, “Illustrative Newspaper Budget” indicates costs and advertising’s contribution in developing a viable business plan for a newspaper with a daily press run of 4,000 copies.

#### **6.2.4 Election Monitoring**

OSCE will continue to support and organize election monitoring. The Mission could directly participate in those activities by fielding election monitoring teams to support improvement in electoral processes in Armenia. On the other hand, if reducing staff management burdens is a priority, the Mission could simply provide complementary financial support for such operations organized by OSCE and other agencies, or merely monitor the process. The Mission could support both NGOs and media to assist with monitoring. Either of these approaches would continue to protect an important D/G investment and maintain a role, even if a reduced one, for the Mission in elections.

#### **6.2.5 Legislative Support**

The Mission’s startup project supporting legislative staff training is an appropriate long-term investment. Over the last year, NA committees have heard testimony from NGOs, media companies, and LGUs likely to be affected by pending legislation. Given the Third Republic’s often top-down approach to legislating, this is a major positive development. It should be encouraged. Strengthening NA staff can increase citizens’ involvement in rule making in Armenia. This will focus attention on the legislature and on its capacity to produce useful outcomes, encouraging more serious candidates and a role for the legislature as a check and balance on the executive. Staffs of the Mission’s legislative and local government support activities could collaborate in encouraging greater contact between LGU officials and national legislators. Inviting local media coverage of these events would help increase awareness of possibilities of lobbying officials to modify inappropriate rules.

### **6.3 New D/G Initiatives**

#### **Civil Service Reform**

The Mission should monitor World Bank and DFID civil service reform activities because progress here is essential to insulating civil servants from overt political pressure and reducing spoils system impacts. Increasing transparency in commission operations would enhance its credibility, but no further action seems indicated presently on this front.

### **6.4 Donor Coordination**

USAID/Armenia should continue to strengthen its coordination with other foreign assistance and lending agencies. The constitutional amendments addressing ROL issues play a linchpin role in promoting better D/G in Armenia. For voters to approve those amendments in a referendum, they

have to understand them, recognize their implications, and realize how the proposed changes could modify existing rules of the politico-economic game in Armenia in ways that would open up new opportunities for the many who are now effectively excluded from the political process.

Without full, open, vigorous public discussion of the proposed amendments, most of the public will remain ignorant of their implications. Even if passed, the amendments would create fewer publicly recognized incentives for change and exert a less powerful effect in helping consolidate ROL in Armenia and significant new opportunities for economic and political development.

USAID/Armenia should therefore seek enhanced coordination with other assistance agencies operating in Armenia and interested in this issue. OSCE, GTZ, DFID, the EU, UNDP, and the World Bank share with USAID a commitment to consolidating democracy and good governance in the country. Without necessarily taking a position on the package, these organizations play a sufficiently important role in contemporary Armenia that they could insist that GOAM open up the debate on the proposed constitutional amendments. Several, or all, donors could jointly fund extensive public awareness programs targeting Armenian voters with the express purpose of informing them of the implications of the various proposed amendments and of their options in the matter. Such a campaign, which should be well thought through, extensive in its coverage, and properly financed, should be debated among the donor community as soon as possible. The campaign should be mobilized through the broadcast and print media, and involve special local “town hall” sessions. NGOs, supported by IFES, which has already organized “town hall” discussions of the constitutional amendments in a number of communities, could facilitate such discussions.

In support of this initiative, and as a means to encourage independent journalism in Armenia, assistance agencies could organize a media roundtable to keep tabs on media developments and work to encourage the GOAM to accept independent media companies that exercise their freedom of press rights to criticize government officials as well as addressing other topics.

---

# Annex 1. Scope of Work

## Scope of Work for DG Strategic Assessment for Armenia

### Introduction

This scope of work calls for the completion of two inter-connected tasks: (1) an assessment of political change and democratization in Armenia; and (2) the development of recommendations for a USAID strategy to address major barriers to the transition to and consolidation of democratization in Armenia. The assessment portion of the work will be conducted on the basis of a framework or tool developed by USAID's Center for Democracy and Governance. The strategy recommendations will also follow the guidance laid out in the framework as well as other relevant Agency policy guidance. The strategy recommendations will be articulated as results or outcomes with notional ideas of how best to obtain those outcomes. This scope of work does not call for a full and detailed program design.

This scope of work is meant to serve as a starting point in a dialogue between USAID/Armenia and the contractor on the final nature of the assessment. Before the assessment begins, USAID/Armenia may choose to tailor the assessment methodology to Armenian realities or specific Mission concerns and/or ask the team to explore specific issues or answer specific questions. Such changes will be communicated to the contractor once individual consultants have been identified.

A brief overview of USAID/Armenia's current democracy program is attached. More detailed information and resource materials on USAID/Armenia's program and the general state of democracy in the country will be provided to the assessment team before and upon their arrival in country.

### Assessment Methodology

The team will apply the assessment framework attached to this scope of work. The assessment portion of that framework is divided into four steps and is designed to help devise a democracy strategy, make choices for programming, and define results. The four steps are analytical; in actual fact, the team conducts a single series of interviews but considers each of the four steps as it conducts its interviews.

In Step 1, the team analyzes the problems, which need to be tackled using five variables: consensus, rule of law, competition, inclusion, and good governance. The analysis should lead the team to a diagnosis of key problems for democratization and a prioritization of those problems. In addition, the analysis should identify the place of the country on a continuum of democratic change as well as the pace and direction of change. The result of Step 1 should be a priority ranking of the problems for the transition to or consolidation of democracy.

In light of Step 1, Step 2 examines how the game of politics is played in Armenia and defines the particular contextual dynamics that the country-specific strategy needs to address. In particular, it calls for the analysis of the forces that support democratization, those that oppose it, and their respective interests, objectives, resources, strategies, and alliances. It is designed to help programmers envision possible entry points for addressing the problems identified in Step 1. The team also examines historical, geographic, sectarian, and other factors that influence politics and need to be taken into account in developing a strategy. The result of Step 2 should be a reconsideration of the problems identified in Step 1 in light of the domestic allies and opponents of democratic reform; and a winnowing of the possible



---

institutional arenas in which USAID investments might have the greatest impact—namely, those which address the most important problems adjusted by those in which domestic partners provide at least the prospect of impact.

In light of Step 1 and Step 2 (what are the problems in order of importance and who are the domestic allies and opponents of reforms to resolve those problems), Step 3 examines those institutional arenas in which allies are best placed to push important democratic reforms. It identifies the nature of those institutional arenas, the rules that define them, the way in which those rules establish incentives favoring democracy, and the way in which those rules can be changed to promote more democratic behavior.

Based on the analysis, the team will develop recommendations for a strategy. In the first instance, the strategy should be an optimal strategy (i.e., what changes should USAID support in this environment to bring about a significant deepening of democratization, regardless of bureaucratic or other constraints). The optimal strategy should be formulated as one or more higher-level results or outcomes, with some notion of the lower-level changes required to reach those outcomes. In articulating this strategy, it is important for the team to explain how the strategy is connected to and does something about the problems defined in the analysis.

### Strategy Development

Once the optimal strategy is articulated, it needs to be filtered through Step 4, a series of bureaucratic screens: U.S. Embassy preferences and foreign policy concerns; resource availability (staff and money); USAID policy; the existing USAID portfolio; and USAID's comparative advantage and what other donors are doing. These bureaucratic filters will affect the shape of the final strategy and program recommendations, but it is important for the Agency to be clear about the tradeoffs between the optimal strategy and the practical strategy. In the end, how much can be done about the primary barriers to democratization, given USAID's limitations and strengths?

Because USAID is in the best position to make these determinations, Step 4 is primarily the responsibility of USAID, not the team. Nevertheless, the mission or bureau may want to discuss these screens or constraints with the team and solicit its advice.

The team is not expected to produce a full-blown strategy or USAID results framework detailing a series of inter-locking cause-and-effect relationships or formal strategic objectives or intermediate results. The team is expected to recommend higher-level outcomes or desired changes, although with some tentative notions of how those outcomes might be achieved.

### Proposed Level of Effort

The strategic assessment will be conducted by a team of three specialists – ideally, one expatriate team leader provided by the contractor, one democracy specialist provided by USAID/Washington, and one local expert recommended by either USAID/Armenia or the contractor. If not possible to assemble a team with this composition, other combinations of expertise may be considered. For example, if the contractor can provide a team member with extensive experience in Armenia, this may replace the need for a local expert. The following level of effort is estimated for the team:

<i>Team Leader</i>	18 days work in country
	2-4 days travel
	3 days U.S. preparation
	5 days follow-up and report finalization

---

*Democracy Specialist*            18 days work in country  
   2-4 days travel  
   3 days U.S. preparation  
   3 days follow-up and report finalization

*Local Expert*                            19 days work in country

## Team Member Experience

**Team Leader:** A social scientist or development specialist with an advanced degree in a relevant discipline. At least five years of experience in DG research and/or programming is required. Experience in assessing political change, barriers to democratization, and strategy development is critical. A knowledge of DG transition literature would be useful. Regional experience in Eastern Europe or Eurasia is required, with direct experience in the South Caucasus and/or Armenia preferred. A knowledge of USAID and particularly of DG policy guidance and reengineering principles would be helpful.

**Team Member (local):** A social scientist, public sector management specialist, researcher, or similar professional. Minimum degree BA/BS. Good understanding of political dynamics and political actors in Armenia is essential. At least five years of work experience is required. Knowledge of USAID and other donor programs in Armenia would be helpful.

## Time Line

The work called for in this scope will start on or about April 8, 2002 and will be completed approximately eight weeks later. The Team Leader will stop in Washington for interviews with key USAID officials and other organizations, with the participation of the representative from USAID/Washington. The team will debrief the Mission at least twice (once midway through the analysis and again prior to departure). The Mission will give oral comments at the debriefing and may submit written comments after the return of the expatriate team members. Once the team receives all written comments, it has three weeks to finalize and submit the final report. The final report will be submitted to the Mission for its final review and dissemination. The report belongs to USAID, not to the consultants or contractors, and any use of the material in the report shall require the prior written approval of USAID.

## Detailed Scope

### 1. Preparatory Phase - Washington, DC and/or Contractor HQ

The expatriate team members will pass through Washington, DC, on their way to Armenia. They will be introduced to the assessment framework by G/DG staff and/or contractor personnel. They will interview relevant USAID, multi-lateral donor, and NGO staff on their perceptions of democratization in Armenia. They will collect and begin to review key documents, such as the last USAID country strategy, the R4 for the past two years, and any other relevant materials. They will have a team planning meeting to begin the process of organizing their work.

### 2. Fieldwork

The two expatriate team members will meet with the third local expert and will integrate her/him into the process, briefing her/him on what they learned in Washington and sharing documents. The Mission

---

will brief the team on their perceptions of political dynamics and will discuss any special parameters for the fieldwork not previously communicated (e.g., there may be concerns about who the team interviews or specific issues that the Mission wants the team to focus on). The team will divide its work and will submit a work plan on day three in-country. The team will meet with a broad array of host-country politicians, activists, reformers, researchers, journalists, community groups, etc. The team will also meet with embassy staff, other donors, and NGOs knowledgeable about political life.

The team will deliver a draft report at the start of the third week in country. It will debrief the Mission on its findings, conclusions, and recommendations toward the end of the third week. The Mission will give oral feedback and may later send written comments. The team may give debriefings for others (embassy, donor consortia, NGO consortia).

### 3. Follow-Up

The Team Leader will finalize the report, incorporating and responding to comments from the Mission and other stakeholders. While the report can be organized in whatever manner best suits Armenia's circumstances, the major questions and concerns laid out in the assessment framework must be addressed. The report should include an executive summary that can be detached and used separately, whenever a briefer document is required. The Team Leader has responsibility for ensuring that the final report is complete and reads in a holistic manner. The Team Leader may give a debriefing in Washington to personnel in G/DG, PPC, the Regional Bureau and elsewhere upon his/her return.

### Explanatory Notes

1. This scope calls for team members who are primarily social science generalists rather than DG sub-sectoral specialists, such as municipal development experts or court management specialists. Sub-sectoral specialists may be too narrow for the broad diagnostic work called for in the assessment tool and might be more appropriately used at the program design stage. For example, once a decision has been made to improve the work of the judicial system, then a sub-sectoral specialist could make a critical contribution in designing an appropriate set of interventions. It is our experience that sub-sectoral specialists tend to recommend programs in areas that they themselves understand best (e.g., corruption experts want to tackle corruption and so on), so we believe that the assessment is best carried out by those who do not have a stake in any one DG sector.
2. Skills among the three team members can to some extent be traded off. For example, perhaps only one needs an understanding of USAID reengineering or prior experience in Armenia. At least one of the three members should have a good theoretical understanding of democratic change processes in the region at hand. The optimal mix of skills will differ on a country-by-country basis.
3. The framework can be applied by missions using their own staff or some combination of their own staff and external local or expatriate personnel. It does not require external assistance. Indeed, the greater the Mission's involvement in the process, the better. This scope of work assumes that outside assistance is valuable. We have found that it often takes three people three weeks to do the research and prepare a draft. Finalizing the report will take a little longer. Some assessments have been done with fewer team members. If an external team is used, the close involvement of key Mission personnel in the assessment is highly recommended. While the burden of work in small missions may make such participation difficult, we think the advantages to the Mission in terms of a closer understanding of political change and how the main lines of the strategy interact to affect change in a positive manner may outweigh the disadvantages of a staff person's absence from regular Mission work for three weeks.

- 
4. From the standpoint of efficiency, it is very helpful if the Mission can schedule at least the initial appointments for the team. If no scheduling is done prior to the team's arrival, a few days may be lost while team members try to find knowledgeable citizens and schedule meetings. While sometimes this period can be devoted usefully to document review and internal discussions within the Mission, there may be some wasted downtime as well.
  5. The Mission should be clear whether it wants the strategic assessment report to be written in English, a foreign language, or both. The level of effort needs to be adjusted accordingly.
  6. It is unlikely that the team can do any work on indicators within the timeframe allowed.



**USAID**

**Armenia**

## **DEMOCRACY PROGRAM**

*The USAID/Armenia Program 1999-2003*

In a referendum in September 1991, Armenian voters opted for independence from the Soviet Union. While initial public enthusiasm for economic reform and democracy was high, Armenia's checkered post-independence election history in combination with continuing economic stagnation, declining living standards, crumbling public services and endemic corruption have undermined the public's confidence in government and engendered widespread cynicism regarding the democratic process.

The October 1999 slayings of the Prime Minister and several key government officials represented a further setback for the country. While the assassinations were a political and psychological shock to Armenia and its people, it was a significant achievement that Armenia adhered to democratic principals and the constitutional process despite the instability and uncertainty that followed. Requirements related to Armenia's recent accession to the Council of Europe are expected to help move forward much of the legislation necessary to improve democratic governance in the country.

### USAID's Democracy Program

Since 1995, USAID has been working in Armenia to develop more transparent, accountable, and responsive democratic governance. USAID activities in this area focus on increasing citizen participation with government at the local and national levels, developing NGOs and independent media, promoting civic education in secondary schools, strengthening local government and the legislature, and supporting legal reform. USAID plans to achieve this by supporting programs which:

**Increase citizen participation in policy development and oversight of government:** USAID is supporting advocacy NGOs as well as community-based activities to increase citizens' awareness of their rights, roles and responsibilities in a democracy to help them more effectively participate in the democratic process.

**Increase the quantity and improve the quality of sources of information and analysis:** USAID is funding activities to improve the professionalism and financial viability of independent media outlets to provide citizens with multiple sources of information. USAID also supports programs to encourage government, especially local governments and parliament, to make information more available to citizens and media.

**Support more responsive and effective local government:** USAID is funding efforts to create a legal framework that devolves more authority and responsibility to local government and increases local government capacity to respond to citizens' needs.

**Encourage Parliament to be more effective and responsive:** USAID is designing an activity which will focus on developing mechanisms to increase citizen access to legislative processes, encourage greater interaction between the electorate and legislators and strengthen parliamentary procedures.

**Develop a transparent, dependable and effective legal system:** USAID is supporting efforts to help ensure that the legal system is independent and upholds the rule of law.



---

## Current Activities

### Legal and Judicial Reform

American Bar Association's Central and East European Law Initiative (ABA/CEELI) works to strengthen the organization and effectiveness of professional legal associations in Armenia.

### Rule of Law/Commercial Law

Chemonics International is implementing a project which focuses on the continued development of a legal system that better supports democratic and market reforms and helps accelerate the growth of private enterprise.

### Citizen Awareness and Participation

International Foundation for Election Systems (IFES) is implementing a program to develop citizens' skills to advocate in their communities. The program includes a special emphasis promoting women's participation.

National Democratic Institute (NDI) supports civic development in Armenia through citizen action committees designed to promote citizen participation and by developing political parties' ability to reach out to their constituents. This activity includes a special emphasis to ensure women's participation both in the citizen action committees and in political parties.

### Independent Media

Internews and the International Research and Exchange Board (IREX) support the development of independent media, both to improve the quality of their news, and to strengthen their financial management.

In addition, under a grant to the Eurasia Foundation, which primarily focuses on promoting private sector growth, USAID has provided financing for an independent printing press as an alternative to the state-operated facility.

### Civic Education

Junior Achievement of Armenia is assisting the Government of Armenia in its implementation of a civic education curriculum for Grades 8-10 in all secondary schools in Armenia.

### Local Government

Urban Institute is working to build the capacity of local governments to improve service delivery, increase public participation in local governance, and strengthen fiscal and administrative decentralization.

### NGO Strengthening

World Learning is developing the coalition building and advocacy skills of advanced non-governmental organizations (NGOs) and supports the growth and development of the nascent NGO sector in the



---

regions outside of Yerevan. The program includes a special initiative to promote women's political participation through NGO advocacy efforts.

### Cooperation with Other Donors

The Organization for Security and Cooperation in Europe (OSCE) is providing assistance for meeting Council of Europe accession requirements and for election administration reforms and coordinates the donors' anti-corruption group. USAID collaborates with the UK Department for International Development (DFID), which is supporting civil service reform. USAID also works closely with the World Bank on its new judicial reform program, and with the Open Society Institute on its support for clinical legal education, media support, and NGO strengthening initiatives.

**For more information, please contact:**

USAID/Armenia  
18 Baghramian Avenue  
Yerevan, Armenia  
Phone: (3741) 528-015, 529-975  
Fax: (3741) 543-871  
E-mail: [wmaster@usaid.gov](mailto:wmaster@usaid.gov)  
Web site: [www.usaid.gov/am](http://www.usaid.gov/am)



---

## Annex 2. Persons Interviewed

### USAID/Armenia

---

Balian, Ms. Arpie G. Deputy Director, Office of Economic Restructuring and Energy (EREO)

Berns, Deborah, Program Management Specialist

Boyd, Dr. Michael L., Senior Energy Policy Advisor, Office of Economic Restructuring and Energy

Cullinane, Diane, Civil Society Advisor

Kim, Cheryl, General Development Officer

Markarian, Bella, Democracy and Social Reform Office

Movsisyan, Arev, Democracy and Social Reform Office Program Assistant

Primm, Barry, Director, Office of Economic Restructuring and Energy

Simmons, Keith E., Mission Director

Payne-Flavell, Carol, Deputy Mission Director

Van Den Bos, James L., Democracy and Social Reform Office/General Development Officer

### USAID/Armenia Partners and Contractors

---

#### ***American Bar Association/Central and East European Law Initiative (ABA/CEELI)***

Silvey, Heidi B., Liaison

#### ***Chemonics International, Inc. Rule of Law & Commercial Law Project***

Markarian, Gahmk, Chief of Party

#### ***Eurasia Foundation***

Kazakhetsyan, Artashes, Country Director, Armenia

Kazhoyan, Hrachia, Senior Program Officer

#### ***IFES - International Foundation for Election Systems***

Decie, Albert, Project Director

---

Kharchafdjian, Silva, Public Information/Outreach Director

Zabolotny, Anatoly, Chief Trainer

***Internews***

Pacific, Eric, Country Director

Aslanyan, David, Training Coordinator

***IREX/Promedia***

Eichstaedt, Peter, Resident Media Adviser

***Junior Achievement of Armenia***

Hovannisian, Armine K., Executive Director

***National Democratic Institute (NDI)***

Breth, Erica, Director Of Civic Programs

Sarkissian, Gegham, Program Director

***Open Society Institute Assistance Foundation - Armeniarf***

Minasyan, Larisa, Executive Director

***Urban Institute, Armenia Local Government Program***

Chatinyan, Zara, Consultant

Coxson, Samuel L., Chief of Party

Drampian, Arthur, Resident Advisor

Karapetyan, Anahit, Resident Advisor

Vanoyan, Mayis

***World Learning, NGO Strengthening Program***

Edilyan, Zhirayr, Program Officer, Vanadzor

Karpowicz, Jan, Director, NGO Strengthening Program, World Learning, Armenia

Shahinyan, Poghos, Advocacy Specialist

---

## Central Government of Armenia Officials

---

### ***Executive***

Terteryan, Vatche, Deputy Minister of Territorial Administration

Alaverdian, Armen, Deputy Minister of State Revenues

### ***Legislative***

Torossian, Mr., Deputy Speaker, Armenian National Assembly

### ***Judicial***

Danielyan, Henrik, Chief Justice, Cassation Court, Yerevan

Manukyan, Hovhannes, Justice, Armenian Commercial Court

Sargsyan, Gagik, Judge and Court Chairman, Court of First Instance, Ararats *Marz*

### ***Political Parties***

Alexander Arzumanyan, Chairman, Armenian National Movement

Albert Bazayan, Chairman of the Political Council of the Republic Party

Gegham Manukian, Press Secretary, Armenian Democratic Forum Party

Aram Sargsyan, former Prime Minister, board member of Republic Party

Armen Varcharyan, board member, Armenian Democratic Forum Party

### ***Lori Marz***

Kochinyan, Henrik, *Marzpet* (head of the *Marz* administrative district)

Kocharyan, Aram, *Lori Marz* Chief of Staff

Shahverdyan, Nerses, *Lori Marz* Deputy for Ministry of Territorial Administration

Artak Voskanyan, *Lori Marz* consulting lawyer

Hovsepyan, Edik, *Lori Marz* Public Relations Director

---

## Vanadzor

---

### ***Local Government Officials***

Samvel Darbinyan, Mayor

Norik Sardanyan, Deputy Mayor

Karapetyan, Lvovy, Secretary

Karapetyan, Information Officer

### ***Media***

Ms. Gayane Hovsepyan, stringer, Aravots Newspaper

Suren Arsenian, correspondent, public cable radio, Vanadzor

Arthur Sakunts, Kaghatsiakan Nakhadzernutvun newspaper, Vanadzor

Haykaz Simikyan, Vanadzor newspaper founder, editor, publisher

### ***NGOs***

Manykyan, Gevory, Armenian Constitutional Right – Protective Center

Shekoyan, Koryun, Independent Experts' Association

Jaghinyan, Ms. Nina, Intellectual Women

Aghabekyan, Armen, Association of Young Lawyers

## MARTUNI

---

### Local Government Officials

Mheryan, Rashid, Mayor, Martuni Municipality

Harutyunyan, Rabik, Deputy Mayor

Mheryan, Varazdat, Head, Social Department

Sahakyan, Nvard, Finance department

---

**Media**

David Yeranosyan, Director, Martuni Zangak TV station

Vachic Gevorgian, Reporter, Martuni Zangak TV station

**GORIS**

---

**Local Government Officials**

Dadalian, Ara, Deputy Police Chief

Petrosian, Yuri, Municipal Counselor

Masuryan, Martin, Deputy Mayor

Medglumyan, Slavic, City Councilor and manager in Armentel

Ovanesian, Armen, Police Chief

Todorov, Anatoliy, Head, Goris Municipality Programs Department

Trozyan, Artashe, City Councilor

Vachagian, Adunts, City Councilor, director in the Gas Service

Vardyan, Ashtot, Finance Department

Voskanyan, Nelson, Mayor

**Yerevan/Nor Nork District**

---

Tsaghikyan, Ms. Zsanna, Director, Education, Culture and Public Relations Department

Vanesyan, Hamlet, Deputy Director, Education, Culture and Public Relations Department

Harutiunyan, Ashot, Financial Specialist

Minassian, Mkrtich H., Mayor

Grigoryan, Razmik, Deputy Prefect

---

***Civil Society***

Nor Nork World War II Veterans and Spouses Group

Yerevan/Kentron District

---

Zurabyan, Ararat, Mayor

Arakelyan, David, Deputy Mayor

Ayvazyan, Masis, Secretary

Grigoryan, Hakop, Head of Finance, Trade, Services and Social Affairs Department

Manukyan, Aran, Head of Education, Culture, Health and Sports Department

Donor/Lending Foreign Assistance Agencies

---

***DFID - Department for International Development***

Gevorgyan, Victoria, DFID Officer

***OSCE – Organization for Security and Cooperation in Europe/Office of Yerevan***

Reeve, Roy S., CMG, Ambassador/Head of Office

***UNDP – United Nations Development Program***

Boutroue, Joel, UN Resident Coordinator/UNDP Resident Representative

Medani, Amal-Z M., UNDP Deputy Resident Representative

***World Bank***

Tunyan, Bagrat, Public Sector Management Specialist/Poverty Reduction and Economic Management Unit

***Civil Society***

---

Armenian Apostolic Church

Nazarian, Karen, Head, Etchmiadzin Church, Mother See Of AAC

Khazarian, Ms. Marineh, Head of ACC Finance Department

---

National Media

Mesrop Movsisyan, Director, A1+ TV station

Abrahamyan Aram, Editor in Chief, Aravot Daily

Pashinyan, Nikol, Editor in Chief, Armenian Times

Yezeqian, Arthur, President, Shant TV

Chamber of Commerce

Samwelian, Tom, Esq., Managing Director, Arlex Information and President, American-Armenian Chamber Of Commerce

Armenian Assembly of America

Vardanian, Arpi

Doudoyan, Nouné

NGOC

Piliposyan, Margarit

---

## Annex 3. A1+: A Case of Media Intimidation

The current *cause celebre* of the electronic media concerns a series of decisions by the National Commission on Radio and Television. The president by law appoints members of the Commission. They seem set to silence the few remaining independent voices and deprive them of the means to disseminate their views [U.S. Dept. of State, 2002b: 11-12]. The Commission did not renew the broadcasting license of a key independent television station in early April 2002. A1+, the television station that failed in its license renewal bid, specialized in news programming.<sup>19</sup> The 700,000 viewers who watched A1+'s nightly news program dwarfed any other television audience in the capital city area. Viewers tuned in to A1+ specifically because the station and its journalists had earned themselves a reputation for independent news reporting. As independent journalists, they frequently criticized GOAM officials and programs, including President Kocharian.

The popular view of A1+'s closure holds that President Kocharian engineered it to send a message to other TV stations that might dare to be independent. The president denies this, asserting that he would like to see the station return to the air. Viewers of A1+'s news program are reportedly very disgruntled with the decision to deprive A1+ of its broadcasting license.<sup>20</sup> They have mounted to date three rallies to protest the closing, each of which has turned out more than 5,000 participants. In the current Armenian context of widespread political "apathy" or, more accurately, discouragement, these protest turnouts must be regarded as significant.

### Media Disagreement on Licensing

The background of this imbroglio is complex. It begins with the drafting of the law in 2001 that created the Commission on Radio and Television. Media representatives provided considerable input to the NA commission responsible for preparing the bill. While they discussed presenting a common position, in the end their advice was not unified. TV station owners have, necessarily, invested considerable sums in starting and expanding their operations. Some at least opposed the whole idea of licensing when the media bill was being debated before the NA, because the last thing they wanted was a challenge from new entrants that might crowd them out of the market. They argued that licenses of existing broadcasting companies should be renewed perpetually. Others, including A1+'s owner, believed that, as in so many other areas of Armenia's economic life, powerful individuals succeeded early on during the Third Republic in obtaining broadcasting licenses. Because they were powerful, so runs the argument, they must necessarily have close ties with the GOAM. Rather than risk the benefits of those relationships, they must either air no news, or air only news favorable to the government, thus inhibiting the free, vigorous and fair exchange of ideas. For that reason, A1+ argued for media licensing. However, the director of the station indicates that the procedures eventually adopted to allocate licenses violated the spirit of the law.

After the bill was signed into law and before the deadline for their competition, A1+'s director filed suit against the National Commission. He challenged the legality of organizing a competition for each available broadcasting frequency between only two contenders, rather than allowing a number of competitors to compete simultaneously for a series of available frequencies.

---

<sup>19</sup> A1+ does not broadcast news only. While it aired four news shows daily, the bulk of its broadcasting consisted of old movies and television reruns.

<sup>20</sup> The GOAM shut down A1+'s broadcasting within hours of the Commission's decision in the competition.

---

## The Bid and Trials

A1+'s written proposal contained only the absolute minimum information required and failed to summarize adequately A1+'s real achievements and characteristics as an economic going concern. On April 2, the National Commission rejected the station's bid for license renewal and instead awarded the frequency to a company with almost no demonstrated capacity to produce television programming, much less sustain an independent perspective on the news, but submitted a lengthier application. Having lost – perhaps on a miscalculation that the Commission would not dare refuse to renew A1+'s broadcasting license – the station's director then filed suit challenging several aspects of that particular competition. These included the process of notifying the contenders, the form in which the contenders submitted their bids, whether the winning bidder – Sharm TV – violated the law governing financing of bids and finally, criteria by which bids were evaluated.

The Economic Court, which had originally set trial of A1+'s suit for April 16, postponed it on that date for a week. On April 23, the judge ruled a further two-day postponement. The judge's rescheduling of the trial had the effect of further depleting A1+'s limited financial resources as the station was trying to hold its staff together pending a return to the air. On April 25, the judge rejected A1+'s suit.

## Practical Consequences

Directors of broadcast media signed a public letter in early April indicating that A1+'s losing its license does not pose any threat to freedom of media and speech in Armenia. Possibly they believe this. Other factors, however, must be considered. Of 13 TV stations currently operating in the Yerevan market, only four actually produce and air news broadcasts. Broadcast media owners are in business to make money. If A1+ disappears from the airwaves, even temporarily, other stations will have an opportunity to increase their market share and thus their advertising revenues. Directors may also calculate that, by siding with the GOAM's position in this matter, they identify themselves as "pro-government" and may increase their chances of renewing their licenses without difficulty.

Some regional TV stations now worry that they may lose their licenses. GOAM officials recently told TV stations in Armenia's 10 regions affiliated with A1+ that they must no longer air A1+ news programs. The Commission has established Armenian-origin programming requirements that increase year by year, beginning in at least one case with 35 percent. That regional station was part of A1+'s network. Combining its own local programming with A1+'s news and news analysis programming, the station would have had little difficulty meeting the Armenian programming requirement. However, the situation has now changed dramatically and, within one or two years, the station president anticipates considerable difficulty in meeting the domestic source requirement. From then on, he will be vulnerable to being shut down. If he does not air independent programming (that is, news reporting and analysis "critical of the GOAM"), he might well be allowed to continue to broadcast. Otherwise, he could lose his entire investment.

While external observers express various opinions, media watchdogs such as the French NGO Reporters without Borders and the New York-based Committee to Protect Journalists, believe President Kocharian is currently trying to intimidate members of the print and broadcast media. The U.S. Embassy to Armenia issued a statement expressing concern about the implications of the A1+ case for free speech in Armenia, particularly just prior to a period of intense local and national electoral activity, but welcomed "...President Kocharian's public statement that he would like to see 'A1+' stay on the air..." [*Noyan Tapan*: 5].

---

## Annex 4. Illustrative Newspaper Budgets

Draft Monthly Budget for 8-Page Daily Newspaper\*  
With The Circulation Of 5000\*\* In Armenia

Item	Cost ARD	USD
Printing***	506000	1012
Salary		5400
Editor-in-chief	250000	500
Editor	150000	300
7 journalists	700000	1400
Accountant	60000	120
Driver	50000	100
2 typists	80000	160
2 pagemakers	160000	320
Internet specialist	100000	200
2 translators****	150000	300
Honorarium	1000000	2000
Expenses		1170
Rent of office	200000	400
3 line phones	70000	140
Internet	25000	50
3 mobile phones	80000	160
Gasoline	60000	120
Utilities	50000	100
Computer supply	100000	200
Accidentals	100000	200
Total	7782	

\* - 22 issues per month

\*\* - most popular circulation in Armenia

\*\*\* - post per copy – 46 ARD. Total – 5,000 copies x 22 issues x 46 ARD

\*\*\*\* - from Russian and English

---

**Preliminary Budget For Daily Newspaper  
Start-Up Costs**

Item	price	No of items	Total
Pagemaking & Internet computers	1000	4	4000
Scanner	600	1	600
Printer	1000	1	1000
Computers for typing	300	8	2400
Printer for typing	500	1	500
Mobile phones	200	4	800
Phone	150	3	450
Fax machine	300	1	300
Digital camera	500	4	2000
Furniture	1500	1	1500
TV	200	1	200
Satellite dish	300	1	300
Radio	100	1	100
Radio connection to Internet	2000	1	2000
Books	200	1	200
Other computer supply	200	1	200
Page Formatting & Fonts Software	800	1	800
Office supply	100	1	100
Registration cost	200	1	200
TOTAL			17650
 MONTHLY EXPENSES			
Printing	357	22	7854
Honorarium	200	22	4400
Office Rent	400	1	400
Subscription to news agencies, etc.	100	5	500
Newspapers	60	1	60
Communication	200	1	200
Electricity, utilities	200	1	200
Gasoline	100	1	100
Other (trips, off. Expense, etc.)	300	1	300
SUBTOTAL			14014
 SALARY			
Editor in chief	600	1	600
Department editors	350	3	1050
Manager	300	1	300
Journalists	250	10	2500
Page makers	200	3	600
Translators	150	2	300
Accountant	150	1	150
Typist	100	1	100
Proof-reader	150	2	300
Driver/Cleaner/Watchman	80	3	240
SUBTOTAL			6140
TOTAL MONTHLY EXPENSES			20154

---

PRINTING COSTS

16 pages daily, 1st  
and 16th pages in  
color, 4000 copies  
circulation

<b>Item</b>	<b>Comment</b>	<b>Amount</b>	<b>Price</b>	<b>Cost</b>
Paper/55 g/cm2	52kg for 1000 copies	208	0.9	187.2
Printing	1 color 14 pages			40
Printing	4 color 2 pages			20
Color separation				50
Subtotal				297.2
Add 20% VAT				59.44
Total per day				356.64
			\$	ARD
Monthly expenses		20150		11687000
Cost per copy		0.23		132.81
Price per copy				100
Less 20% commission to sellers				80
Subtotal for 4000 copies		552		320000
Less 20% for unsold copies		441		256000
Total for 22 issues per month		9710		5632000
Needed from advertising		10440		
Needed from advertising per issue		475		

---

## Annex 5. Bibliography

- ABA/CEELI (American Bar Association/Central and East European Law Initiative). 2002. "Compliance with the Convention for the Elimination of All Forms of Discrimination against Women (CEDAW). Republic of Armenia. CEDAW Assessment Project. Yerevan, Armenia. Preliminary Draft Short Report. May 14. 13 pp.
- ARD, Inc. 2001. "USAID/Romania: Democracy and Governance Assessment of Romania." Prepared for USAID/Romania. USAID Contract No. AEP-I-00-99-00041-00, General Democracy and Governance Analytical Support and Implementation Services Indefinite Quantity Contract. Core TO (Task Order No. 1). 24 September. 44 pp., appendices.
- ARMENIAN DEMOCRATIC FORUM (Non-Governmental Organization). 2001a. "The Report of the Sociological Survey on Public Sector Reforms (*For Households*). Carried out in the Framework of the Public Sector Reform Project with Cooperation of the Government of Republic of Armenia and the World Bank. Yerevan. 60 pp.
- [Very detailed, graphically well presented survey of a combined total of 1,000 rural and urban households concerning their evaluation of accessibility, quality and obstacles to efficiency in the provision/production of public services. Complex, nuanced assessment of responses by four categories of households (very poor, poor, not so poor and not poor). Addresses role of unofficial payments and when respondents consider them bribes, when gifts. Highlights policy implications. Reform suggestions based on survey evidence.]
- \_\_\_\_\_. 2001b. "The Report of the Sociological Survey on Public Sector Reforms (*For Enterprises*). Carried out in the Framework of the Public Sector Reform Project with Cooperation of the Government of Republic of Armenia and the World Bank. Yerevan. 30 pp.
- Central Intelligence Agency, n.d. (2001?) "The World Factbook: Armenia." Website. 9 pp., map.
- [Thumbnail sketch of Armenia's history, background data on geography and environment good detailed economic data, demographics (disagrees with U.S. Dept. of State on details), male population of military age, lists of political offices, leaders and parties, international treaty commitments, participation in international organizations.]
- CHEMONICS INTERNATIONAL INC. 2000. "The Court System of the Republic of Armenia." USAID Rule of Law-Commercial Law Project. Yerevan. 5 pp.
- FREINKMAN, Lev M. 2001. "Role of the Diasporas in Transition Economies: Lessons from Armenia." Paper presented at the 11th Annual Meeting of the ASCE, Coral Gables, August 2-4. 12 pp.
- HIRSCHMAN, Albert O. 1970. *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations and States*. Cambridge, Massachusetts: Harvard University Press. 162 pp.



---

IHF (International Helsinki Federation for Human Rights). N.D. (2002). Human Rights Report. "Armenia." Pp. 19-28.

NDI (National Democratic Institute for International Affairs), n.d. "Final Report on the May 30, 1999 Parliamentary Elections in Armenia." 17 pp.

Noyan Tapan [Armenian newspaper]. 2002. "U.S. Embassy to Armenia Concerned over A1+ Closure." April 8. P. 5

ORMANIAN, Malachia (formerly Armenian Patriarch of Constantinople), 2000. The Church of Armenia; Her History, Doctrine, Rule, Discipline, Liturgy, Literature, and Existing Condition. Translated from the French edition by G. Marcar Gregory. First printed in French in 1910. Montreal: Armenian Holy Apostolic Church Canadian Diocese. Preface, 226 pp., appendices.

PCMLP (Programme in Comparative Media Law and Policy). 2002. "Global Media Assistance Strategies: The role of media in economic and democratic development." Conference Report. February 4-5. 5 pp.

REPUBLIC OF ARMENIA. 2001a. "Constitutional Reforms." February. Yerevan 83 pp.

\_\_\_\_\_. 2001b. The Law of the Republic of Armenia on Civil Service. 27 December.

TACIS. 2001. "A Contribution to the Civil Society Involvement in PRSP." Support Project to the National Coordinating Unit in Armenia. June-July. 60 pp.

UNITED NATIONS DEVELOPMENT PROGRAM (UNDP). 2000. "Human Rights and Human Development; Action for Progress: Human Development Report. Armenia."

Urban Institute. 2000. "Baseline Study for Armenia Local Government Program." Prepared by John V. Doane, Malcolm Simpson, Carol S. Rabenhorst. Prepared for Armenia Local Government Program, USAID/Armenia. Contract No. EEU-1-99-00015-00. Task Order 807. March. 76 pp.

\_\_\_\_\_. 2002a. "Table of Rural Community Population Numbers."

\_\_\_\_\_. 2002b. "List of Cities of the Republic of Armenia."

\_\_\_\_\_. 2002c. "List of Yerevan District Communities."

U.S. Commercial Service, 2002 [?]. "Armenia Country Commercial Guide FY 2002, Appendix A: Country Data." Website. 22 pp.

[Lists many American firms operating in Armenia, hotels and Internet servers in Yerevan, and most USAID contractors.]

U.S. Dept. of State, 1996. "1995 Country Reports on Economic Policy and Trade Practices: Armenia." Website. 6 pp.



---

[Data reflecting economic impact of Nagorno-Karabakh incident on Armenian economy and useful information on economic and trade policy framework. Notes significant advances in privatizing state enterprises.]

\_\_\_\_\_. 2001a. "Armenia: International Religious Freedom Report." Bureau of Democracy, Human Rights, and Labor. October 26. 4 pp.

[Provides information on religious freedom policy framework and detailed accounts of limitations, e.g., efforts to ban/suppress Jehovah's Witnesses, first as anti-military service and later as public nuisances.]

\_\_\_\_\_. 2001b. "Background Note: Armenia." Bureau of European and Eurasian Affairs. November. Website. November 8 pp.

[Good, terse summary of Armenia's overall situation, especially Nagorno-Karabakh affair (6-7) and consequences for Armenian economy (5), role of Levon Ter-Petrosian, first president of Second Armenian Republic (1991, constitution approved by referendum 1995; First Armenian Republic 1918-20, followed by Soviet takeover), in taking country to independence as committed nationalist; and subsequent removal from office.]

\_\_\_\_\_. 2002a. "Economic Hardship Impels Young Armenians to Flee Abroad." Office of Research. Opinion Analysis. February 1. 6 pp.

\_\_\_\_\_. 2002b. "Armenia: Country Reports on Human Rights Practices – 2001." Bureau of Democracy, Human Rights, and Labor. March 4. Website 17 pp.

[Very useful, detailed examination of security forces, military, judicial, executive, and legislative roles in D/G process; and apparently growing leeways for media, NGOs, and external actors to influence government conduct concerning D/G affairs. Identifies and assesses specific incidents, relates them to larger context.]

\_\_\_\_\_. 2002b. "United States Assistance to Armenia, 1992-2001: A Decade of Commitment and Partnership." Yerevan, Armenia: Printinfo. 40 pp.

U.S. Embassy/Armenia. 2002a. "Daily Media Review; April 16 2002." 13 pp.

\_\_\_\_\_. 2002b. "Daily Media Review; April 17 2002." 13 pp.

USAID. 2000. "Conducting a DG Assessment: A Framework for Strategy Development." Bureau for Global Programs, Field Support and Research/Center for Democracy and Governance. Technical Publication Series. November. 67 pp., appendices.

USAID/ARMENIA, 1999. Strategic Plan: FY1999-FY2003." Yerevan, Armenia. March. 73 pp., appendices.

\_\_\_\_\_, 2000. "Results Review (R2)". July 1.



---

VENICE COMMISSION. 2001. "Report of the Venice Commission on the Revised Constitution of the Republic of Armenia adopted by the Venice Commission at its 47th Plenary meeting (Venice, 6-7 July 2001)." Comments provided by Gerard Batliner (Member, Liechtenstein), Aivars Endzins (Member, Latvia), Vital Moreira (Member, Portugal), Kaarlo Tuori (Member, Finland). CDL-INF (2001) 17. Strasbourg, 23 July. 13 pp.

WORLD LEARNING, 2001. "Armenia NGO Sector Assessment, Yerevan, 2001." Prepared by Richard N. Blue, David E. Payton and Lusine Z. Kharatyan with support from Emilie Kornheiser. Prepared for NGO Strengthening Program. 66 pp.

YENOKIAN, Aghasi. 2001. "South Caucasus Conflicts in the Era of Globalization: Globalization Context and the Disorder of the Periphery." Paper delivered 20 December at Conference on New Types of Conflict and Political Developments in Central and Eastern Europe. Bucharest, Romania. 6 pp.

\_\_\_\_\_. 2002. "Armenia: Contradictory Approaches to the Karabakh Settlement." *Central Asia and the Caucasus: Journal of Social and Political Studies*. 1 (13) 100-05.