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OVERVIEW OF CORRUPTION AND ANTI-CORRUPTION IN ARMENIA

QUERY

Can you provide an overview of corruption and anti-corruption in Armenia?

CONTENT

Author(s)

Sofia Wickberg, Transparency International, swickberg@transparency.org, tihelpdesk@transparency.org

Contributor(s)

Varuzhan Hoktanyan, Transparency International Armenia

Reviewer(s)

Dieter Zinnbauer, Transparency International

Date

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SUMMARY

Corruption in Armenia is endemic and widespread, permeating all levels of society. The public administration, particularly the judiciary, the police and the health sector, are especially vulnerable to corruption. This situation is echoed by Armenia's poor performance in most areas assessed by governance indicators.

The political crisis that followed the 2008 elections unveiled the need for deep reform of the country's governance structure and sparked a new political will for change in the government. This led to a wave of reforms being adopted with the aim to modernise the state, such as the adoption of an anti-corruption strategy, a new Electoral Code and a new Law on Public Service, among other reforms.

Entrenched corruption, strong patronage networks, a lack of clear separation between private enterprise and public office, as well as the overlap between political and business elites render the implementation of anti-corruption efforts relatively inefficient. What is more, the governance deficiencies of Armenia are made worse by and, at the same time, feed a pervasive political apathy and cynicism on the part of citizens, who do not see an impactful role for themselves in the fight against corruption. A largely controlled media environment further aggravates this situation.

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1. OVERVIEW OF CORRUPTION IN ARMENIA

Background

Armenia gained independence from the Soviet Union in 1991. The country struggled to set up the appropriate state institutions and to adapt to the requirement of the nascent market economy (Bertelsmann Foundation 2012). Ongoing war with its neighbour Azerbaijan, as well as historical tension with Turkey that led to the blockade of the country's eastern and western borders, further precipitated the country's economic collapse in the mid-1990s (Freedom House 2013a). Shock-therapy-like economic reforms led to impressive economic growth, yet went hand in hand with a grossly uneven distribution of this new national wealth, which contributed to widening existing disparities and also creating deep socioeconomic divides (Bertelsmann Foundation 2012).

A large number of Armenians left the country throughout these years due to political discontent or lack of economic opportunities, creating an enormous diaspora. The population of Armenia is approximately 3 million inhabitants and the population of Armenians living abroad – mostly in France, Iran, Russia and the US – is estimated to be 8 million (BBC 2007).

Since independence, Armenia is characterised by a deep public mistrust in the government and political elite. The results of every national election have been challenged by the opposition who does not recognise the legitimacy of the government (Freedom House 2013a). Armenia was long seen as a system with weak parties and a relatively violent political life (France Diplomatie 2013). Political parties are generally personality-driven and their role is limited between elections (Freedom House 2013a). The elections organised in 2008 were rife with fraud and abuses, and led to civic unrest and uprisings in the Armenian population. Repeated political abuses and deep-rooted corruption has eroded public trust and support for any political leader. Observers note that this situation has fostered political apathy and cynicism in the Armenian society (Bertelsmann Foundation 2012). The elections of 2012 and 2013 renewed the majority of the Republican Party in the National Assembly and Sarkissian in the presidential seat.

Armenia is a relatively poor country, with a per-capita GDP of approximately US$3,200. It is deeply dependent on the remittances from Armenians living abroad. A drop-off in these transfers contributed to the grave recession that the country faced in 2009. The economy is heavily dependent on the service and construction sectors, and is characterised by a closed "oligarchic" network of businessmen (Bertelsmann Foundation 2012)..

A dispute over the predominantly Armenian-populated Nagorno-Karabakh region continues to fuel tensions between Armenia and Azerbaijan. The region is internationally recognised as part of Azerbaijan, but the country has not exercised power over most of the region since the beginning of the 1990s and representatives of both governments have been holding peace talks on the region's disputed status. Despite numerous international mediation efforts, negotiations have stalled.

Extent of corruption

The World Bank's *Worldwide Governance Indicators* (WGI) place Armenia in the lower half of the percentile ranks, with a score of 30 on a scale from 0 to 100 in terms of control of corruption. Armenia's score has remained relatively stable since 2002, oscillating between 34 in 2002 and 24 in 2007. Armenia has had a rather low score in terms of rule of law since the World Bank started to measure governance using the WGI – ranging from 34 in 1996 to 46 in 2008. The country obtained a score of 43 in 2011. Similarly, the country's score under "voice and accountability" does not reflect a good performance with a score of 28 in 2011.

Transparency International's *Corruption Perceptions Index 2012* ranks Armenia 105 out of the 176 countries and territories assessed, with a score of 34 on a scale from 0 (highly corrupt) to 100 (very clean). Armenia's rank falls in between that of its immediate neighbours, coming below Georgia (51) and Turkey (54) but above Azerbaijan (139).

Citizens' perceptions of corruption in their country echo these findings, with 82 per cent of the individuals surveyed by the Transparency International *Global Corruption Barometer 2013*

(GCB) asserting that the level of corruption in Armenia either stayed the same (39 per cent) or increased (43 per cent) in the past two years. Furthermore, 61 per cent of the respondents classify corruption in the country's public sector as a very serious problem.

Business representatives interviewed for the World Bank's 2009 *Enterprise Survey* typically share this perception of bribery. Close to 40 per cent of the companies surveyed consider corruption to be a major constraint for doing business in Armenia. Similarly, corruption is seen as the most problematic factor for doing business in the country by firms surveyed for the World Economic Forum's *Global Competitiveness Report 2012-2013*. According to the US Department of State's *Investment Climate Statement 2012*, corruption is and remains a major obstacle to investment in Armenia.

Forms of corruption

Bureaucratic corruption

"Petty" corruption is widespread throughout society and the UN Human Rights Committee has expressed concern about allegations of persistent corruption throughout all branches of the government (US Department of State 2012a, 2012b).

Paying a bribe to get things done, to speed up administrative procedures or to express gratitude is common in Armenia, according to Transparency International's 2013 Global Corruption Barometer. Approximately a fifth of the respondents admitted to having paid a bribe to one of the services examined by the survey in the last twelve months, and almost 70 per cent of people regarded civil servants as corrupt or extremely corrupt. Similarly, more than 15 per cent of the firms polled by the World Bank's 2009 enterprise survey report having had to pay bribes when working in the country. Interestingly, both surveys relay the fact that the perception of the overall scale of corruption (82 per cent of the polled citizens think corruption is a serious or very serious problem, as well as 40 per cent of the business people surveyed) is more significant than the reported experience with some street-level forms of corruption.

The Bertelsmann Foundation, in its 2012 study on Armenia, reports that the country's administration remains stalled by practices inherited from the Soviet era, making it overly bureaucratic and grossly inefficient. Excessively burdensome bureaucracies tend to provide fertile grounds for corruption and, despite recent efforts to reform the system (see below) bribery within the administration remains a serious challenge (Bertelsmann Foundation 2012).

Grand corruption

One of the most significant corruption issues in Armenia is the blurred line between the political elite and business people (see section on patronage), which deepens the risk of grand corruption occurring.

The Constitution forbids members of parliament to own or run a business while in office, but this ban is often ignored (International Crisis Group 2012). Powerful officials and politicians frequently have control over private firms through hidden partnerships or relatives (US Department of State 2012a). The absence of clear separation between private enterprise and public office leads to gross manipulations of government procurement, abetted by the poor implementation of the existing regulations, which results in inefficiencies and opacity in the bidding system (Freedom House 2013a).

One of the historical gaps in Armenia's procurement regulation is the abuse of the recourse to "emergency procurement" or "unforeseen situations" as pre-conditions allowing the conduct of single-source procurement. This can be explained partially by the lack of clarity of the relevant legislations with regards to "unforeseen situations". The World Bank has expressed its concern over the unjustified use of single-source procurement in Armenia (Transparency International Anti-Corruption Centre 2011a).

The government has taken steps to try to tackle the problem of grand corruption with the adoption of a new law on procurement in 2011.

Political corruption

The results of Transparency International's 2013 *Global Corruption Barometer* show that nearly 60 per cent of the interviewed citizens think that political parties and the parliament are corrupt or extremely corrupt. Experts indicate that Armenian citizens have grown accustomed to deep-rooted corruption among

its political leaders and a rigid and closed political system, which is also reflected in the population's relative disengagement from public life, widespread political apathy and cynicism (Bertelsmann Foundation 2012). Similarly, the *Caucasus Barometer 2012* produced by the Caucasus Research Resources Centers (CRRC) indicates that more than 30 per cent of Armenians "fully distrust" the parliament and the executive government.

Freedom House reports that, historically, political apathy and mistrust for government, combined with high levels of poverty, have made Armenia's population vulnerable to vote-buying (Freedom House 2013a). According to the Bertelsmann Foundation, Armenia's very first election in the early 1990s was the country's only free and fair ballot. The electoral process has since systematically been rigged by fraud, ballot-stuffing, vote-buying, falsification and voter intimidation (Freedom House 2013a).

In 2008, the election that brought Sarkissian to power was perceived by the population as flawed and led to civic unrest and a violent crackdown on protesters, which in turn prompted a series of reforms such as the adoption of a new electoral code. Despite such efforts, the parliamentary election of 2012 and the presidential election of 2013 were marred by abuses. The Transparency International Anti-corruption Center, the Armenian chapter of Transparency International, produced a survey that revealed that approximately 20 per cent of the respondents had either been given or knew someone who had been given money or any items in-kind, (for example, cellular phones or jam, among other items) during the 2012 parliamentary elections to vote for a certain candidate. Similarly, an observer of the 2013 presidential elections reported serious fraud, such as multiple voting or ballot-stuffing in the district where she was posted (Esmaeili 2013).

The elections regularly trigger complaints of abuse of administrative resources to discourage the financing of opposition parties and to limit their activities. Allegations of businesses channelling part of their profits to the ruling party in exchange for fiscal favours are also frequent (US Department of State 2012b).

Patronage networks and collusion

A key feature of Armenia's political system is the significant interconnection of political and economic elites, and the consensus among these groups that control the resources of the country (Freedom House 2013a). Closed business networks that are grouped around informal cartels and semi-monopolies and that provide support to and enjoy benefits from the political elite are commonly named the "oligarchs". They have a substantial, though not systematic, influence on politics through patronage networks – especially in the regions outside of the capital – which increases the opportunities for corruption. Some oligarchs are involved in electoral fraud, for example, by using charitable foundations to secure voter support for a specific party through the distribution of benefits and in-kind goods (International Crisis Group 2012).They are also involved in vote-buying at polling stations, ballot-stuffing and intimidation of opposition leaders and election observers, among others[1].

Transparency International's GCB 2013 reports that more than 80 per cent of the surveyed citizens think that the government is run by a few big entities acting in their own best interest.

Nepotism is a common feature of government agencies and public administration in Armenia (Freedom House 2013b). Almost 80 per cent of the individuals interviewed for the GCB 2013 indicated that personal contacts were important to get things done when dealing with Armenia's public sector (Transparency International 2013). Public employment is commonly used to reward cronies and there are allegations of government officials discriminating against opposition party members in hiring decisions (US Department of State 2012b).

Organised crime and money laundering

Armenia is not a significant regional financial centre and the money laundering risk is not major.. The country's geographic location, however, makes it vulnerable to various forms of trafficking (International Monetary Fund 2010). According to the US Department of State, drugs such as amphetamines from Russia and Turkey and heroin

[1] This information was gathered through consultation of local experts.

from Afghanistan are trafficked through the country and are also abused domestically (US Department of State 2013a). Money laundering in Armenia uses the system of remittances from the diaspora, as well as from high level transactions such as real estate and the gold market (US Department of State 2013a). The fact that Armenia is a cash-based economy presents additional challenges to the implementation of anti-money laundering efforts.

Armenia is a source country for women, men and children subjected to human trafficking and forced labour. Armenian women and girls are subjected to trafficking for sexual exploitation within the country as well as in Turkey and the United Arab Emirates. Persons subjected to trafficking for forced labour are mostly sent to Russia and Turkey (US Department of State 2013b).

Sectors most vulnerable to corruption

Justice

The executive branch of government is predominant in Armenia's state apparatus (France Diplomatie 2013), and despite formal separation of powers, the judiciary is largely subordinate to the executive (Bertelsmann Foundation 2012). The judicial system remains, like in many former Soviet states, dominated by the prosecutors, thus by the government (International Crisis Group 2012). Experts have observed that in the last years a number of judicial decisions were suggestive of manipulation by political authorities (Freedom House 2013a).

The judiciary is poorly resourced (International Crisis Group 2012) and lacks professionalism (Transparency International Armenia 2011). The current number of authorized judicial positions is not sufficient to ensure an efficient and functioning justice system (American Bar Association 2012). Global Integrity's scorecard for Armenia indicates that the procedure for appointing judges is not sufficiently transparent and that the appointment and promotion of judges is in many cases based on patronage, kinship and personal relationships. The recourse to political or kin affiliation, corruption, and other illegal or unethical means to gain a position as a judge is a common practice (Global Integrity 2011). There are, however, improvements and the procedures appear more objective and fair than in the past (American Bar Association 2012).

The judiciary in Armenia is widely seen as corrupt and is thus discredited and mistrusted by the population. The 2012 Caucasus barometer shows that only 17 per cent of the surveyed individuals said that they trusted the country's justice system (Caucasus Research Resources Centers 2012). Corruption in the Armenian judicial system is considerable, according to Freedom House, and almost 70 per cent of the citizens surveyed by Transparency International's 2013 global corruption barometer said that the judiciary was corrupt or very corrupt, making it one of the most corrupt institutions of the country according to public opinion. Moreover, almost a fifth of the respondents admitted having had to pay a bribe in their interaction with the judiciary in the last twelve months (Transparency International 2013). Arbitrary decisions and abuses of the rule of law appear to be particularly problematic in remote areas where citizens are more dependent on public services and jobs (International Crisis Group 2012).

The widespread lack of trust in the judiciary tends to undermine citizens' confidence in the state more generally (Bertelsmann Foundation 2012). The government acknowledges this issue and regularly declares that ensuring an independent and accountable judiciary is a top priority. Experts note that reform, however, only happens slowly (American Bar Association 2012).

Police

The police are recognised by the citizens as one of the four most corrupt institutions of Armenia, according to Transparency International's GCB 2013. Echoing citizens' impression of impunity and distrust for the judiciary, only 30 per cent of the individuals surveyed by the 2012 Caucasus barometer said that they trusted the police.

The Armenian police have been reported to regularly abuse their power, to employ torture to obtain confessions, and to mistreat persons in custody or arrest (US Department of State 2012b). Observers note that Armenia's police administration is permeated with corruption and nepotism, and that abusive practices are tolerated because the government uses the security forces to silence

opposition leaders (PONARS Eurasia 2012).

The police are a self-governing administration that reports directly to the president since Armenia does not have an interior ministry since 2002. The Council of Europe recommended that the government consider creating such a ministry since the current arrangement limits the oversight and control of the police administration (International Crisis Group 2012). The relevant authorities are reluctant to investigate reported cases of torture and abuse, and sometimes push citizens into retracting complaints (Human Rights Watch 2013).

Public administration

Basic services

According to Transparency International's 2013 global corruption barometer, 70 per cent of the respondents say that public officials are corrupt or extremely corrupt in Armenia. CRRC's 2010 *Armenia Corruption Survey of Households* adds that when asked which level of the administration corruption was the most significant in, almost 50 per cent of the respondents indicated that corruption is most common among high-ranking officials. This study also shows that more than a third of the surveyed citizens reported that it is "known beforehand how to pay and how much to pay," indicating an institutionalisation of bribery (Caucasus Research Resources Centers 2010).

Basic services are permeated by widespread corruption. Transparency International's 2013 barometer shows that respectively 58 per cent and 66 per cent of respondents consider the education system and medical services to be corrupt or extremely corrupt. In 2010, health care and education were both in the top three corrupt institutions of Armenia according to the surveyed households (Caucasus Research Resources Centers 2010). The Organization for Security and Co-operation in Europe (OSCE) conducted a survey about corruption in higher education among Armenian students and approximately 50 per cent of the latter indicated that the corruption problem was sufficiently widespread enough for them to feel uncomfortable. The admission exams were seen by almost half of the respondents as the phase most vulnerable to corruption. Notably, near to 40 per cent of the surveyed students see corruption in higher education as a systemic problem that is inherent to a faulty educational system (OSCE 2010).

In an attempt to reduce corruption in the public administration, the government adopted a new Law on Public Service in 2011 that entered into force in 2012. The focus of this law is the provision of rules on ethics, prevention of corruption and declaration of assets, as well as related implementation mechanisms (see section on legal framework).

Public financial management

According to Global Integrity's 2011 *Report on Armenia*, the budget process is transparent on paper, with oversight by the parliament and publication of budget documents for public oversight. The lack of professional capacity and training of the members of parliament, however, limits their ability to control the budget process, to ensure the reporting of government department heads or to initiate investigations on alleged wrongdoings. Moreover, there is no venue for citizens to contribute or express concerns (Global Integrity 2011). In addition, tax and customs operations are seen as largely corrupt and needing reform and modernisation (Bertelsmann Foundation 2012).

Efforts have been undertaken lately to overcome shortcomings in the country's public financial management (Heritage Foundation 2013), including the establishment of a Public Internal Financial Control within the Ministry of Finance and the adoption of a new law on public procurement, among others (OECD 2011).

2. ANTI-CORRUPTION EFFORTS IN ARMENIA

Overview

The political crisis and social unrest that followed the flawed election in 2008 exposed the need for deep reform of the country's governance system and instilled a new political will for change in the government.

In recent years, Armenia has seen a wave of reforms being adopted with the aim to modernise the state. For example, the government adopted an Anti-

Corruption Strategy for 2009-2012, an Anti-Money Laundering Strategy for 2013-2015, a new Electoral Code in 2011 and a new Law on Public Service to strengthen integrity within the state. Armenia has followed many of the recommendations set out by the OECD, according to its Istanbul Anti-Corruption Action Plan, as well as the recommendations of the Group of States against corruption (GRECO).

A number of structural factors, such as the entrenched corruption, the lack of genuine political will, deeply rooted vested interests or the overly powerful role of a small wealthy elite, make these reforms largely ineffective. Only 20 per cent of the respondents to Transparency International's GCB 2013 think that the government is effective in its anti-corruption efforts. There is a reported cynicism among the Armenian population towards any possible way out of corruption – with more than 60 per cent of the respondents admitting that they do not think that citizens can make a difference in the fight against corruption. According to experts, Armenian citizens are generally unwilling to get involved in the fight against corruption, which is reflected by the very low positive response rate of Armenia (43 per cent – the lowest of all surveyed countries) to the GCB 2013 question "Are you willing to get involved in the fight against corruption?"

The legal framework

International instruments

Armenia is a state party to the United Nations Convention against Corruption (UNCAC) since March 2007, and is part of the 3rd group of countries reviewed in the framework of the Implementation Review Mechanism, meaning that the first review cycle should be concluded in 2013. In July 2003, the country also ratified the United Nations Convention against Transnational Organized Crime (UNTOC), as well as its Protocol on Human Trafficking. In 2012, Armenia acceded to the UNTOC's Protocol on Firearms. Armenia is also, since 1993, a state party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Armenia ratified the Council of Europe's Civil Law Convention on Corruption and Criminal Law Convention on Corruption in 2005.

National laws and regulations

Several shortcomings in Armenia's anti-corruption legislative structure have been pointed out by experts, and in 2011, Global Integrity assessed and described the country's legislative framework as weak, giving it a score of 67 out of 100. Taking on-board the recommendations put forward by the OECD and GRECO, the government amended the Criminal Code that now criminalises major corruption offenses, such as active and passive bribery; embezzlement, misappropriation or other diversion of public property; abuse of office; trading in influence; and bribery in the private sector (OECD 2012). Armenia has extended its definition of "official" to include foreign and international public officials. The OECD recommends that Armenia introduces liability (criminal, civil or administrative, as it deems appropriate) of legal persons for corruption, coupled with appropriate sanctions, as well as criminalises illicit enrichment (OECD 2011).

In 2008, Armenia adopted its Law on Combating Money Laundering and Terrorism Financing to reinforce its anti-money laundering legal arsenal contained in the Criminal Code. The government has made progress following the recommendations of the MONEYVAL Committee of the Council of Europe, such as the establishment of the AML/CFT national strategy for the period 2013-2015.

As mentioned in the previous section, the government adopted a new law on public service that entered into force in January 2012. The scope of this law goes beyond previously applied legislation. It covers not only civil servants, but also high-level officials, staff in the National Assembly, Constitutional Court, Central Banks, National Security Council, Judicial Department, Prosecutor's Office, Yerevan Mayor's Office and bodies of local self-governments (OECD 2012).

This new law designed to prevent conflicts of interest, corruption and undue influence contains legal provisions and rules of ethics, as well as procedures to apply them. The rules of ethics are presented in a non-exhaustive list including "respect of law, respect of moral norms in the society, contribution to development of trust in the public body, respectful attitude, use public resources for official purposes…"

(OECD 2012). The rules of ethics specified in the law on public service do not only apply to public servants in their function but also in their daily and private life. The law on public service prohibits the acceptance of gifts (and defines what is meant by gift) and limits the possibility of public servants to exercise business or other activities besides their public duty.

The Law on the Declaration of Assets and Property of Top Officials of the Armenian Government, adopted in 2001, required senior public officials to declare their property and income for the first time. After the adoption of the Law on Declaration of Property and Income of Physical Persons, which replaced the above-mentioned law and entered into effect from 1 January 2009 (losing its effect from 1 January 2012 when the law on public service entered into force), the scope of people required to submit declarations on income and property was substantially widened. The law on public service that entered into force January 2012 represents a step back, since only a number of high-ranking public officials, including the president, the prime minister, ministers and 500 top level public officials, as well as their close relatives, are required to declare their property and income to the Ethics Commission for High-Ranking Officials on a yearly basis.

Political party financing is governed by the Law on Political Parties of 2002, amended in 2012 and in the new electoral code of 2011. Armenia's legal framework requires political parties to keep accounting records and to produce an annual financial statement that should be submitted to the members of the party as well as to the Oversight-Audit Service of the Central Electoral Commission. For donations exceeding 100,000 Armenian drams (approximately €200), the financial statement should contain information regarding the type of donation, amount and identity of the donor. Political parties are required by the electoral code to set up separate pre-election funds and to record all contributions made to the fund (including names and addresses of donors, as well as size of donations) and expenditures (with date and documentation confirming the expenses) up to election day (GRECO 2012). Political parties are obliged to declare all their financial resources including in-kind donations, assets, services, goods bought or rented below market prices, bank loans, and contracts with foundations, among others. (OECD 2012). The recent amendments strengthen the oversight and control over party finances and clarify sanctions. GRECO recommends that the government take actions to make the oversight more efficient and effective (GRECO 2012).

The Armenian parliament adopted the Law on Freedom of Information in September 2003. This law defines information holders responsible for keeping records and ensures access and publicity of information by "state bodies, local self-government bodies, state offices, state budget sponsored organizations as well as organizations of public importance and their officials." Information requests can be formulated both orally and in writing. The law on freedom of information does not provide for an independent oversight body. The government of Armenia has actively embarked in e-government and modernisation of its communication tools (OECD 2012). TI Armenia undertook a testing exercise and found that 85 per cent of the requests they sent out received a response, of which about 80 per cent were prompt or timely. Only 20 per cent of the responses could, however, be considered complete or satisfactory (Transparency International Armenia 2012).

Armenia's framework to protect whistleblowers is weak according to Global Integrity's 2011 *Scorecard*. The OECD had recommended that the government of Armenia adopt measures to protect employees in state institutions when they report wrongdoings and to raise awareness among the latter about their rights. Despite the adoption of the new law on public service that introduces the obligation for public officials to report abuses and corruption, the organisation still considers that Armenia has not complied with its recommendation. Transparency International's 2013 global corruption barometer interestingly shows that almost two-thirds of the respondents said they would not report an incident of corruption and a majority of those justified their choice by stating that "it would not make any difference."

The institutional framework

Anti-corruption council

The Anti-corruption Council was established by presidential decree in 2004 with the objective to coordinate work of relevant public agencies in charge of implementing the anti-corruption strategy. The council is headed by the prime minister and is

composed of nine officials representing the national assembly, the national assembly control chamber, the chief of government staff, the minister of justice, the president and the central bank of Armenia, among others.

The 2011 OECD *Monitoring Report for Armenia* stipulates that little is known about the operations and results of this institution but that the body appears rather weak overall.

Anti-corruption strategy monitoring commission

The Anti-corruption Strategy Monitoring Commission was created by the same presidential decree as the Anti-corruption Council in 2004. This commission is headed by a presidential assistant.

The role of the commission is to "monitor the implementation of the Anti-Corruption Strategy and internal anti-corruption programmes, by involving the public, the mass media and civil society representatives; study practice of international organizations, the public bodies of the Republic of Armenia in the area of the fight against corruption and develop recommendations; monitor fulfilment of obligations and commitments stemming from international agreements and the recommendations made by international organizations; conduct expert analysis of normative acts and submit recommendations on their improvement" (OECD 2011).

There is little available information on activities and results. According to experts, the commission exists only on paper and has not been conducting meetings for the last two years[2].

Ombudsman

Armenia's Constitution provides for the existence of a human rights defender, equivalent to a national Ombudsman. He or she is elected for a period of six years by a three-fifth majority of the national assembly. The Constitution rules that the human rights defender should be irremovable.

The office of the human rights defender is well-resourced and fully staffed. With financial support from the OSCE, the human rights defender was able to open six regional offices, which extends its presence throughout the country. According to the institution's annual report, it provided legal assistance to 7,395 individuals and more than 500 complaints were resolved in favour of the complainant. The report also indicates that 31 decisions were taken against human rights violations perpetrated by state bodies (Human Rights Defender 2013).

Financial monitoring center

The 2008 law on combating money laundering and the financing of terrorism provides for the establishment of an "Authorized Body for Combating Money Laundering and Terrorism Financing". The Financial Intelligence Unit (FIU) of Armenia is the Financial Monitoring Center (FMC), which is responsible for receiving, analysing and disseminating suspicious transaction reports and other relevant information concerning suspected money laundering activities to relevant authorities. The FMC is also in charge of initiating the process of suspending a suspicious transaction and the freezing of assets mechanism provided by the law.

The FMC is under the supervision of the central Bank of Armenia but functions autonomously (for example, concerning the budget, hiring procedures, and nomination of head, among others) (International Monetary Fund 2010). Internal procedures of the FMC were modernised in the framework of the efforts undertaken to reinforce anti-money laundering in Armenia (Council of Europe 2012).

The FMC is a member of the Egmont Group of Financial Intelligence Units and thus is subjected to the Egmont principle of exchange of information among FIUs.

The control chamber

The Control Chamber of the Republic of Armenia was set up in 1996 and is the state body responsible for monitoring finances of state institutions. Its head is appointed by the national assembly upon the proposal of the president of the Republic of Armenia. The deputy chair and the other five members of the

[2] This information was gathered through consultation of local experts.

Board are appointed by the president.

Since the adoption of the new Law on Control Chamber in 2006, this body has functioned more independently than previously when it was under the control of the national assembly. The chamber had 131 staff members in 2011, when the OECD produced its monitoring report.

The chamber exercises control over the use of public funds and state and community property. The chamber carries out several types of audit: financial compliance, effectiveness and environmental audit. Its focus is on the detection of "fraud" and "incidents of corruption" (OECD 2011). It sends reports to the General Prosecutor's Office in cases of suspicion of the breaching of law.

The 2011 OECD monitoring report mentions that the national assembly has to approve the activity plan of the chamber, which can limit the independence of the institution.

Public internal financial control

In 2010, the government set up the Public Internal Financial Control (PIFC) within the Ministry of Finance. It is composed of three elements: (i) financial management and control based on managerial accountability; (ii) internal audit providing assurance to the management at all levels as appropriate; (iii) central harmonisation unit to regulate relationship pertaining to PIFC, to set and monitor the standards (OECD 2011).

The establishment of this body is seen as a step forward in terms of modernisation of public finance systems and management. The lack of resources and trained personnel, however, impedes the efficiency of the institution. Data collection and available information is insufficient for properly analysing public expenditure (GIZ 2012).

Ethics commission for high-ranking officials

The Ethics Commission for High-Ranking Officials was established by presidential decree in 2012. The law specifies that this ethics commission is responsible for receiving, publishing and analysing the declarations of assets submitted by the high-ranking officials listed in the law on public service (see above)(OECD 2011).

Limited information is available regarding the performance of this new institution. The European Commission, in its *ENP Country Progress Report 2012*, encourages Armenia to reinforce the "capacities, independence and transparency of the State Commission on the Ethics of High-Ranking Officials" (European Commission 2013).

Central electoral commission

The Central Electoral Commission (CEC) of Armenia is the body in charge of organising elections and guaranteeing their legality. The CEC is also in charge of monitoring election campaigns and overseeing political party funding.

According to Global Integrity, the appointment of CEC staff is not done in a transparent and impartial manner. The CEC lacks the adequate resources to properly undertake its tasks (Global Integrity 2011). The CEC's lack of independence, impartiality and sufficient resources did not allow it to prevent the electoral fraud that was reported in the 2008, as well as in the 2012/2013 elections (see above)[3].

Other relevant stakeholders

Civil society

Armenia's Constitution provides for the freedom of assembly and association, and the government generally respects this right (US Department of State 2012b). The post-election crisis in 2008, however, led to the government imposing increasing restrictions on the right of groups to assemble freely (Bertelsmann Foundation 2012). International and internal pressure forced the government to end the practice of banning demonstrations in the capital's Freedom Square, a highly symbolic location in Armenia (Freedom House 2013b). Donors have indicated that the environment in which non-governmental organisations operate is unpredictable and uneven for different organisations (Transparency International Armenia 2011b).

Registration requirements for civil society organisations (CSOs) are burdensome and time-

[3] This information was gathered through consultation of local experts.

consuming (Freedom House 2013b). The government attempted to amend the laws regulating the registration of CSOs, to tighten its control over them by forcing them to re-register at each leadership change and to disclose disproportionate amounts of information about membership, governance, finances, and so on. Faced with strong concerns from the international community as well as domestic civil society groups, the government suspended the process (Bertelsmann Foundation 2012).

Armenia has a vibrant civil society, comprised of a large number of non-governmental organisations working in a variety of fields. Civil society groups' influence on public policy is nevertheless limited by the government's unwillingness to grant CSOs a serious role in public debate and policy-making (Bertelsmann Foundation 2012). Representatives from the media, the donor community and Armenian civil society recognise the relatively poor connection between NGOs and the population (Transparency International Armenia 2011b).

Media

Despite constitutional and legal provisions on freedom of press and expression, the media environment in Armenia is restricted and remains dominated by political influence (Freedom House 2013c). Armenia ranks 74 out of 179 states on *Reporters Without Borders Press Freedom Index 2013*.

Libel was decriminalised in 2010. Historically, however, legal suits for defamation that significantly challenge the financial stability of media outlets have been the main concern for freedom of expression and press in Armenia according to various international civil society groups (Freedom House 2013a).

Harassment and abuse of journalists has decreased but remains relatively common in Armenia (International Crisis Group 2012). According to the Committee for Protection of Freedom of Expression, the first nine months of 2012 saw 4 cases of physical violence against journalists and 25 attempts at intimidation through lawsuits and fines most commonly. Another serious challenge to press freedom in Armenia is the relative impunity of security forces harassing journalists. No efforts have been made to punish the police and government officials that attacked journalists during the post-election uprisings in 2008 (International Crisis Group 2012).

Print media is essentially privately-owned and free; they nevertheless tend to reflect the ideological views of their owner (Freedom House 2013c). The influence of press, generally available only in big cities, is very limited compared to television (the main source of news for 90 per cent of the citizens, according to CRRC), on which the political influence is heavy (International Crisis Group 2012). The licensing and regulations for broadcast media outlets have been used systematically to limit their freedom and diversity. A1+, the last independent national TV channel, was banned in 2002 and its license is still suspended (Freedom House 2013c). A1+ tried to obtain a new license by participating in tenders but lost the tenders every time[4].

The internet penetration rate almost reaches 40 per cent and the public increasingly uses and trusts online sources of information. The internet is not officially restricted, but the government blocked the access to certain websites during the 2008 crisis (International Crisis Group 2012). Online news reports and bloggers play an increasingly important role in the Armenian media landscape (Freedom House 2013c).

[4] This information was gathered through consultation of local experts.

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