

AMERICAN UNIVERSITY OF ARMENIA

THE PROGRESS MADE BY ARMENIA IN GOVERNANCE AND ACCOUNTABILITY

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THE PROGRESS MADE BY ARMENIA IN GOVERNANCE AND ACCOUNTABILITY

CHAPTER I—INTRODUCTION

UNDERSTANDING GOVERNANCE

Generally defined *governance* is the process and extent to which a state holds authority to make rules and regulations by which it upholds integrity to govern and enforce. *Good governance* goes into more detail specifying the manner and degree to which state authorities exercise accountability, transparency, rule of law, and responsiveness to public needs in a participatory policy making process. Along those lines, the World Bank’s Worldwide Governance Indicators (WGI) project has developed indicators for measuring governance at six dimensions, namely with indicators that measure voice and accountability; political stability and absence of violence; government effectiveness; regulatory quality; rule of law; and control of corruption. Defined broadly,

*“Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.”*¹

Using the above as the framing definition of *good governance*, this essay will focus on the quality of *governance* in the Republic of Armenia from the perspective of managing the state with effectiveness, efficiency, and equity of political authority. As such, it will look to the

¹Kaufmann, Daniel, A. Kraay, and M. Mastruzzi. The World Bank Group, 2014.

reform process by which political actors aim at adopting policies and mechanisms that improve the capacity and technical competence of the public sector and make government more accountable, transparent, and democratic.

The analysis of the reform process in Armenia will take into account the complexities of transitioning to *good governance* and the assumptions that are made based on the perceived needs of the population. Therefore, this essay will analyze the process of transitioning to *good governance* at three levels:

- a. State-led reforms;
- b. Civil society initiated and led transitions; and
- c. Combinations of state led and society led efforts.

As such, the analysis of the democratic transition of the Republic of Armenia will consider the following strategic and process-driven issues:

- The presence of objective conditions for the political transition of socio-economic structures;
- The contingent political dynamics, i.e., good governance installed as a result of the conscious reform initiatives of individual leaders, elite factions, and social movements;
- The emergence of supportive set of rules and political, social, and economic institutions.

At the essence of such reform efforts as a policy priority of good governance is the need to fight against corruption. Without question, anti-corruption reforms — built on the notion that corruption is a dysfunction of government — must include efforts that eradicate state-dominated monopolies and a multitude of other manifestations of corruption at the state level. But, fighting

against corruption also is a societal obligation. In fact, fighting against corruption must be considered along state-led and society-led efforts.

GOVERNANCE AS CROSS-CUTTING COMPONENT OF MDGs

From the United Nations' perspective, achieving the Millennium Development Goals (MDG) requires a commitment to good governance.

*“This includes upholding the rule of law through administrative and civil services and through legal and judicial institutions. It includes human rights, particularly civil liberties and political freedom. ... And it includes transparent, participatory, and accountable decision making processes.”*²

These serve as the fundamental complements critical to good governance and accountability.

For the United Nations (UN), good governance is synonymous to democratic governance. This becomes possible when *“democratic values and norms are engrained into the society and its institutions along with the procedural requirements of fair and free elections,”* and peaceful change of power.³ In effect, the score that citizens afford to good governance strengthens trust in government, which in turn contributes to achieving the MDGs. Good governance also serves as the cross-cutting dimension and necessary condition for economic growth, equality in the distribution of income, and other social sector reforms essential for a country's development.

²UN Millennium Project, “Governance to Achieve the Millennium Development Goals,” Chapter 7.

³Seventh Global Forum on Reinventing Government: Building Trust in Government, “Governance for the Millennium Development Goals: Core Issues and Good Practices,” January 2007.

BACKGROUND ON THE REPUBLIC OF ARMENIA

In September 2000, Armenia signed the Millennium Declaration at the Millennium Summit and joined other countries to make every effort toward contributing to the achievement of MDGs. This commitment was a pledge for implementing long-term plans and policies aiming at the implementation of programs for human development and economic growth. Considering that the MDGs are not applicable to each state at the same target levels, the MDGs had to be translated into national goals that address local development priorities. After the nationalization process, the scope of MDGs for Armenia included all eight MDGs with thirteen localized targets and forty-three progress monitoring and evaluation indicators. Thus, the scope of Armenia's MDGs is specific to the country's development need.⁴

Considering the span of the MDGs for Armenia and the complexities of analyzing all within a limited period of time, this essay will focus on MDG eight, target number 12, which requires efforts to *“ensure such level of governance, political rights and responsibility and protection of human rights that would contribute to increased ODA and its efficient utilization.* This target alone places the Republic of Armenia before a number of challenges in all dimensions of *governance* mentioned earlier. Furthermore, even if the government establishes democratic and market institutions, the insufficient regulatory framework and weak public administration would impede the proper functioning of government institutions if corruption is not controlled. Thus, the other factors contributing to poor governance are the unstable law enforcement and the limited capacity of public officials to formulate policies and laws.

⁴Armenia. 2005. National Progress Report: Millennium Development Goals.

Furthermore, the low level of public awareness of political and civil rights could also lead to limited public participation in policy making. At the heart of these, therefore, corruption and deficient public services could be sufficient reason for not achieving the MDG target.⁵

During 2003-2008, three indicators were adopted for measuring progress in target 12 — *political stability, voice and accountability* and *control of corruption*. The UN reported that even though some anti-corruption policies were adopted by the Republic of Armenia, including the establishment of the anti-corruption council, acceptance of the anti-corruption program, and other related measures, the fight against corruption has not produced significant results. The TI corruption perception index also confirmed the inadequacy of government's anti-corruption policies.⁶

Although the World Bank indicators have shown better results for Armenia compared to other former Soviet republics, they are still at lower insufficient levels when compared with Eastern European and Baltic States. According to the corruption perception index, there have been no improvements in the fight against corruption in the last few years. The government of Armenia claims to be currently trying to develop new and/or strengthen existing anti-corruption policies, together with paying attention to curtailing political corruption. There continue to be hardships related to achieving the projected level for target number 12, which assumes further government democratization, improvements in regulatory quality and efficiency, reducing corruption and protection of civilians' civil and political rights.⁷

⁵Ibid.

⁶Armenia. 2009. Millennium Development Goals: National Progress Report

⁷ Ibid.

As stated earlier, the most important among the reforms necessary for Armenia is the fight against corruption, which the World Bank and TI define as “the misuse of public office for private gain.”⁸ Similarly, scholars have argued that a strong negative relationship exists between the extent of corruption and economic performance.⁹ In that context, negative impacts of corruption are visible in Armenia’s slow progress in human development and economic growth. This has served as the major driver for international aid organizations to demand the establishment of *good governance* measures in their respective aid packages.

Conditionalities embedded in international aid packages aim at improving integrity, transparency, and accountability in government and private administrative transactions in order to achieve sustainable growth and improved service delivery to the public. Transparency, combined with the empowerment of civil society, is expected to help the government of Armenia ensure the efficient use of resources and manage a change process that results in increased accountability and improved service delivery—two elements that assist in the creation of an enabling environment for private-sector development and economic growth.

⁸The World Bank, *Helping Countries Combat Corruption: The Role of the World Bank*, Poverty Reduction and Economic Management Network, September 1997. See pages 19-20 on definitions of corruption.

⁹Mauro, 1995, 1997; Ades and di Tella, 1996; and the World Bank, 1997.

CHAPTER II—LITERATURE REVIEW

GOOD GOVERNANCE REFORMS

The importance of accountability stems from the increasing numbers of development scholars and practitioners who discuss the relationships between social accountability and participatory policymaking and planning. Indeed, anti-corruption reforms in many developing countries have produced little results in terms of positive change in institutional behavior. Scholars have explained that failure in this sphere of governance has much to do with the complexity, dynamism and pervasiveness of corruption, which varies from one country to another. In countries where corruption is a major obstacle to development, there is distortion of political and economic decisions. Development assistance geared toward reforms in this sphere is more likely to work adversely and fall hostage to corruption than boost development. Corruption is certainly one of the greatest obstacles to the development of most countries and demand for good governance has caught the prime attention of most development assistance programs.

The debate on the role of corruption and good governance in aid policy has evolved along different paths. Corruption scandals have raised the question of what strategies and tools donors might offer to countries willing to fight against corruption; whether countries with an extremely poor governance performance should be cut off from aid; and whether international aid agencies should adopt more preventive measures to guarantee the integrity of resource flows.

In many countries, international aid has been used by the political elite for individual gain and interest. Given the track record in such practices, international donors have adopted decisions to attach strict control measures on the use of aid or have stopped providing assistance altogether. The most important lesson learned has produced imposing on the recipient countries criteria related to good governance and measuring progress by way of establishing strict targets and policy reform requirements. In the case of the U.S., a new donor strategy was launched by the Bush administration establishing good governance criteria in order to qualify for aid.¹⁰

There are several approaches used by governments in the fight against corruption. The first one is the establishment of anti-corruption institutions. The mission of these agencies is to combat against corruption by centralizing anti-corruption endeavors within one institution. However, they can be ineffective in a practical way since the concentration of so much power in one agency can be used by the authorities for their own benefits. Thus, the question raised here is the extent to which such agencies adhere to democratic accountability.¹¹

Another approach in the fight against corruption is to distribute responsibility for anti-corruption measures among various branches of government instead of centralizing them in one agency. This approach requires political will. There are cases where the existence of both political will and anti-corruption institutions (not concentrated in one agency) have succeeded.

¹⁰Speck, Bruno Wilhelm. "Controlling Good Governance and Promoting Good Governance: A New Challenge for Aid Policy." (2005).

¹¹ Ibid.

Nonetheless, failures are mostly attributed to the absence of political will in some countries, even though anti-corruption functions were placed in various parts of the government.¹²

In order to know the reasons of ineffectiveness of anti-corruption policies, measurements need to be established. Measuring corruption is of great importance since it raises public awareness of the issue —knowing more about the extent of corruption is often used in public campaigns aiming to create political will toward reforms. Besides, measurement of corruption is used to figure out good practices and the primary substance of reforms. Finally, regularly measuring corruption plays an important role in monitoring and evaluating the failure or success of policy.¹³

Elena Iorga and Raluca Mihai have conducted a study that examines the anti-corruption policies realized in Romania. They investigate the work of existing anticorruption institutions and analyze the anticorruption framework of the country. According to these authors, in 2010, the Romanian Parliament adopted a new law, according to which, the National Integrity Agency (NIA) has regained its initial status quo and has been recognized as an important body dealing with the prevention and sanction of corruption. The aim of the Agency is to prevent institutional corruption and to ensure that responsibilities addressing accountability are carried out, including the elimination of inconsistencies and possible conflicts of interests of public figures. Within that charge, the Agency cooperates with other institutions in country and beyond. The integrity inspectors of the Agency are people who are responsible for gathering and analyzing government

¹² Ibid.

¹³ Ibid.

data concerning the interests and inconsistencies of public figures. After completing such analyses, the inspectors write evaluation reports highlighting potential breaches of the law.¹⁴

Similarly, Daniel Smilov and Ruzha Smilova have studied the effectiveness of anti-corruption tools used in Bulgaria. The authors have used in-depth interviews and analysis of official documents in their investigation. According to these authors, one of the efficient instruments in the central state administration is the presence of 20 inspectorates, which function in all ministries, in state agencies and in other regional and administrative structures. They check the grievances received from citizens against explicit illegal actions and analyze the level of efficiency in performing administrative functions, etc. In 2006, the Office of the Chief Inspectorate was founded, with the charge of establishing the state anti-corruption policies, coordinating the functions of the 20 inspectorates and checking the activities of high-placed public figures. Since 2004, Public Councils for Prevention and Countering of Corruption agencies were established aiming to deal with the corruption at the municipal and regional levels.¹⁵

In another study, Benjamin A. Olken discusses the effectiveness of anti-corruption policies concluding that monitoring of government transactions has played a positive role in reducing corruption. The study pertained to monitoring the performance of the government of Indonesia in the roads project of 2007. Further, common citizens were selected to prevent

¹⁴Ioga, Elena and Mihai, Raluca. 2010. "Effective Mechanisms and Practices for Fighting Corruption in the Black Sea Region".

¹⁵Smilov, Daniel and Smilova, Ruzha. 2010. "Effective Mechanisms and Practices for Fighting Corruption in the Black Sea Region".

corruption by monitoring government officials. By using this type of monitoring, Indonesia has removed the function of a central auditor, which decreases the probability of corruption.¹⁶ Aiming at getting the community more involved in monitoring corruption, the following interventions were established and implemented.

The first engaged hundreds of villagers at scheduled accountability meetings in order to decrease the control of monitoring by the elite. The next policy was to raise citizen concerns and objections by adopting the procedure of filling anonymous comment forms available to the citizens. Eventually, the interventions decreased theft but only in the case of wages. While earlier villagers were persuaded to work for free and their budgeted wages were pocketed by the organizers of the construction projects. In this second policy, anonymous comment forms were effective mainly because they were filled by school children; if the local government was charged with the task of reporting wrongdoing, the forms would have been filled by those people who would have to support the elite and fail to report.¹⁷

Archil Abashidze has also conducted a study analyzing the effective anti-corruption policies in Georgia. The author mentions that one of the successful examples in the fight against corruption is the establishment of the “Support of Anti-Corruption Strategies in Georgia” (GEPAC) project. This was founded in 2007 and functioned for three years. The purpose of the GEPAC project was to enhance the efficiency of Georgian institutions in their combat against corruption through the implementation of the Anti-Corruption Strategy and Action Plan. GEPAC’s counterpart in this endeavor was the Inter-Agency Coordination Council on the

¹⁶Olken, Benjamin A. "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." *Journal of Political Economy* (2007) 115: 200-249.

¹⁷Ibid.

Georgian side. The project was successful in many ways, including the enhancement of good governance. Apart from this, the Chamber of Control of Georgia is a supreme institution that realizes financial and economic control. It oversees the allotment and use of public funds, and analyzes the effectiveness and purposefulness of the use of state resources. It is an independent agency reporting to the Parliament.¹⁸

A study by Edina Melania Hadnagy indicates that one of the effective anti-corruption institutions in Romania is the Directorate for National Anticorruption (DNA) programs. This institution is responsible for the fight against corruption inside the Ministry of Internal Affairs and Public Administration (MAI). This directorate has adopted several anti-corruption policies that are intended to fight against corruption in the Judicial System. DNA has succeeded in finding several cases of corruption among high-level politicians and officials within government. DNA is one of the best examples of government initiatives in fighting against corruption in the Romanian Justice System. The DNA has adopted indicators to measure its progress in the fight against corruption at the national level institutions. Much progress has been made, but there are still remaining issues related to transparency, checks and balances, independence and other areas.¹⁹

Another study discusses the effectiveness of the anti-corruption institution of Hong-Kong. The author states that the Independent Commission Against Corruption (ICAC) has been

¹⁸Abashidze, Archil. 2010. "Effective Mechanisms and Practices for Fighting Corruption in the Black Sea Region".

¹⁹Hadnagy, Edina Melania. 2012. "A critical Analysis of the effectiveness of Anticorruption Measures in the Romanian Judicial System."

one of the brightest examples in fighting against corruption — moving the country from extensive corruption to clean government. The success of this institution is its independence, its authorized power of investigation with commensurate enforcement and adequate financial resources. The author emphasizes the importance of the independence of the ICAC in terms of structure, power, finance, and staffing. From his perspective, independence realizes a certain “equilibrium switch” among government agencies, which improves the credibility of government. Further, given that ICAC reports to the Chief Executive, it can maintain the level of independence necessary for developing anti-corruption policies. ICAC staff comprises Civil Service employees and members of the national Police.²⁰

Another successful example in the combat against corruption is Corrupt Practices Investigation Bureau (CPIB) of Singapore. As in the previous example, the CPIB has power and financial resources, but is not as independent given that structurally it is in the Prime Minister’s office. However, this has contributed to the overall effectiveness of the agency in the case of Singapore given the strong support of CPIB’s anti-corruption mission by the political leadership. In addition, although CPIB staff is not drawn from the police, but a law provides these employees with the necessary authority to use police power when investigating crimes. The CPIB functions in secret and does not publish any annual reports (although some of its major dismissals of public officials have become public knowledge).²¹

South Africa’s National Anti-corruption Forum (NACF) is another example of effective results in the fight against corruption. NASF consists often elected representatives within three

²⁰Jing, Su. 2007. “Corruption by design? A comparative study of Singapore, Hong Kong and mainland China.”

²¹ Ibid.

sectors: government, civil society, and business. The Forum has led to the cancellation of thousands of grant projects because of corruption by public officials (i.e., partiality by public officials against favors). In addition, more than 2,000 public officials were asked to return the grant moneys and 750 others were prosecuted. The NACF has developed a budget and secretariat in order to make sure the interests of various groups are taken into consideration and treated on an equal level by the government. In addition, NACF shares information and contributes to the improvement of anti-corruption strategies at the sectoral level.²²

Using a study in a totally different geographical location, John R. Heilbrunn discusses effective anti-corruption efforts implemented by the New South Wales (NSW), Australia. In 1987, the politicians of NSW have formed an anti-corruption agency similar to Hong Kong's ICAC, but with the difference that this agency focuses on the prevention of corruption. Since its establishment, NSW ICAC has adopted the stance that prevention of corruption is better than cure, punishment or management of corruption. Further, the NSW ICAC is required to submit annual reports and is also subject to external and internal audits of its activities. The NSW ICAC functions under the management of two committees: an Operations Review Committee and a Parliamentary Joint Committee. While the Parliamentary Joint Committee is responsible for responding to citizens' complaints, the Operations Review Committee deals with accountability issues related to ICAC, including investigations and associated actions.²³

²²Camerer, Marianne. 2008. "What Makes for Effective Anti-corruption Systems?" *SAIIA Occasional Paper*.

²³Heilbrunn, John R. 2004. "Anti-Corruption Commissions: Panacea or Real Medicine to Fight Corruption?"

John R. Heilbrunn has also studied the United States Office of Government Ethics (OGE), which is one part of the U.S. multi-party agency policy for combating corruption. Since 1989, OGE has become an independent office that reports to the President and to Congress. OGE cooperates with different offices in the Executive Branch, including the Government Accountability Office and the Office of Management and Budget. The specific characteristic of the OGE is that it mainly deals with informing appointed and elected officials on the laws that the U.S. Congress has passed. Here, the difference from anti-corruption agencies in other countries is that OGE does not have investigative authority, but rather concentrates on preventive actions and improvements in bureaucratic processes and public perception of regulations and laws.²⁴

Maria Fernanda Tuozzo and Syeda Naushini Parnini have discussed anti-corruption policy reforms in Argentina and Bangladesh respectively. In particular, Maria Fernanda Tuozzo²⁵ discusses those reforms that were realized in Argentina by supervision of the World Bank. Among the reforms realized are the establishment of the Anti-Corruption Office and two projects related to the development of the Model Court and the Modernization of the state. The last two projects have focused on improving the effectiveness and efficiency of the government. Accountability and transparency have also been fostered through the creation of the Anti-Corruption Office (AO) which is responsible for investigating and preventing the state agencies' and officials' corruption activities.

²⁴ Ibid.

²⁵ Tuozzo, Maria Fernanda. 2004. "World Bank, Governance Reforms and Democracy in Argentina". *Bulletin of Latin American Research*. Vol.23, No.1, pp.100-118.

The next study conducted by Syeda Naushini Parnini describes the government's anti-corruption reforms in Bangladesh.²⁶ The study is based on the qualitative research techniques and includes such quantitative methods as interviews with Transparency International staff in Bangladesh. Parnini confirms the government's intent to establish an anti-corruption commission as a distinct national agency. He also discusses that since its independence in 1971, the Bureau of Anti-Corruption (BAC) was established as the government body responsible for fighting against corruption. In spite those efforts, Bangladesh did not meet its anti-corruption target and was forced to move on to creating the Anti-Corruption Commission (ACC) in 2004 (replacing the old BAC).

Parnini explains that ACC is to promote good governance by eliminating corruption. He then posits that such donors as the Asian Development Bank have placed conditionalities in their financial assistance packages pushing for effective governance. As part of its work, ACC has prosecuted many high level politicians, government officials and business companies on charges of corruption. Nonetheless, the ACC statute does not provide for effective accountability mechanisms other than providing an annual report to Parliament. Therefore, Parnini argues that there is a need for changes in the legal framework in order to broaden the activities of the ACC.²⁷

In the same vein, a study of the Malaysian public sector reforms examines the reforms realized in the fight against corruption. The authors discuss that those reforms created two institutional mechanisms: the Anti-Corruption Agency (ACA) and the Public Complaints Bureau (PCB) in order to make them work more effectively and also to strengthen accountability.

²⁶Parnini, SyedaNaushini. 2011. "Governance Reforms and Anti-Corruption Commission in Bangladesh". *Romanian Journal of Political Science*.

²⁷Ibid.

Nevertheless, the reforms had little effect on the progress needed in the fight against corruption. Moreover, other reforms, such as privatization, further stimulated corruption by increasing abuse of power for private gain by the government elite.²⁸

Other studies have investigated how governance reforms are ranked by the Corruption Perception Index of Transparency International. Syeda Naushini Parnini refers to the Corruption Perception Index (CPI) of Bangladesh in 2009, which ranks 180th among countries from the best to the most corrupt. Bangladesh is ranked as the third most corrupt country after Somalia and Afghanistan.²⁹

Another study conducted by Noore Alam Siddiquee and Mohd. Zin Mohamed investigates Malaysia's ranking according to the CPI. According to the TI, Malaysia had a CPI score of 5.2 in 2003 when in 1995 and 1996 it had a score of 5.28 and 5.32, respectively. Even though the new government led by Prime Minister Abdullah Ahmad Badawi has declared a fight against corruption and has undertaken many reforms, Malaysia's ranking has not changed ranking 39th in the world with scores of 5.0 and 5.1 in 2004 and 2005 respectively.³⁰

Sohail Mahmood, Maria Fernanda Tuozzo and the World Bank have investigated reforms done in the framework of accountability in Pakistan, Argentina, and Indonesia, respectively. Sohail Mahmood has studied the reforms done within the framework of accountability in

²⁸Siddiquee, NooreAlam and Mohamed, Mohd. Zin. 2007. "Paradox of Public Sector Reforms in Malaysia: A good Governance Perspective". Vol. 31, No. ¾, pp. 284-312.

²⁹Parnini.

³⁰Siddiquee and Mohamed.

Pakistan during the period of Musharraf's regime, 1999-2000.³¹The author highlights the structural weaknesses, such as over-centralization of power in Islamabad and inadequate checks and balances in the political system, which have resulted in a high level of corruption in the government elite. In order to strengthen the accountability and transparency of government, Musharraf's regime established the National Accountability Bureau (NAB), which aimed to reveal previous failures and ensure the effective functioning of state institutions. Nonetheless, the accountability in structures such as the civil service has weakened over time and accountability within the legal system and parliament started to function ineffectively.³²

The next report conducted by Maria Fernanda Tuozzo has mentioned about the reforms done in the framework of accountability of the government of Argentina. The author states that the World Bank has initiated modernization program better known as the Citizen's Compacts in Argentina.³³ By laying out state agency mission, the responsibilities and rights of citizens, grievances and appeal procedures, citizen compacts construct the bond that makes accountability much higher and, thus public sector becomes more accountable to client's needs. These compacts make reforms through 'new management' policies that imply better government in the case if it functions as a private sector organization. Following this further, it gives limitations to the role for society and citizens and is more focused on the performance of the system and its results rather than on the planning of social choices. Furthermore, the author argues that there was also launched a new program regarding the accounting and auditing of the fiscal accounts

³¹ Mahmood, Sohail. 2001. "Good Governance and the Musharraf Regime's Performance in 1999-2000". Vol. 54, No. 2, pp. 99-77.

³² Ibid.

³³ Tuozzo

and the improvements of the budget management and financial accountability.³⁴ Thus, all these programs are aimed to raise the level of transparency and accountability of the government of Argentina.

The following two reports done by the World Bank discuss the reforms regarding the accountability in Indonesia. In the first report, the World Bank makes measurements regarding corruption and accountability in Indonesia.³⁵ The corruption is described in this report as the use of power for private gain. In addition, it is stated that corruption is the result of failed or no accountability in the country. Furthermore, the data collected by the World Bank show that Indonesia was doing very badly in measuring corruption. Using the six indicators of good governance, the report shows that Indonesia has made improvements in the indicator of ‘voice and accountability’ but the other indicators, such as ‘government effectiveness’, ‘regulatory quality’ and ‘control of corruption’ have gotten worse. The slight improvements mentioned above are direct results from a democratically-elected government and the activities of civil society.³⁶ And the deteriorating indicators are attributed to the variation from a centralized government and the weakness in the government’s management capacity. In addition, the results of the survey of Indonesians show that corruption has affected their lives in four ways. First of all, government officials have used financial pressure on the people. The second impact is moral decay since corruption undermines the rule of law. Next is loss of social capital, since corruption

³⁴ Ibid.

³⁵ World Bank Report. 2003. “Combating Corruption in Indonesia.”

³⁶ Ibid.

causes loss of trust among the people. And the final one is the abrasion of human capital because corruption reduces the effectiveness of social services.³⁷

In a follow-on report, the World Bank evaluates the level of accountability in Indonesia. As part of that, the World Bank's Country Financial Accountability Assessment for Indonesia shows that the accountability level is too low in the country mainly because of the following: (a) the rules and regulations dealing with financial management are not enforced; (b) the responsibilities and authorities of external and internal auditors are not clear; and (c) poor personnel policies, including the salary and incentive structure in the Civil Service, does not reward accountability.³⁸

Deborah A. Brautigam and Stephen Knack mention about tax revenues of the GDP indicator. The authors have investigated the international aid that was given to the African countries and how it affected to the tax revenues of the GDP in those countries. The World Bank's International Development Administration (IDA) aid was distributed to poor countries in order to deal with the following sectors: the improvement of bureaucratic quality, rule of law and corruption.³⁹In general, starting from 1972-1976 tax revenues have been increased in the middle-income countries in as a percentage of GDP an average 16.5% to an average 21.1% in 1995-1999, but at the same time, in the low income countries, there was a tax revenue fall from 17% to 14.3% For instance, in the case of Tanzania, because of the contributed aid the amount of money consisted 200\$ million instead of 100\$ million which in turn reduced the tax revenues.

³⁷Ibid.

³⁸World Bank Report. 2003.

³⁹Brautigam, A. Deborah and Knack, Stephen. 2004. "Foreign Aid, Institutions and Governance in Sub-Saharan Africa."

According to the data of IMF, 71% of the African countries receiving aid were receiving more than 10% money of their GDP which was evaluated lower than expected tax efforts. However, all the aids given to the African countries declined the quality of governance as well as tax revenues of GDP, but it happened in the case if the control of economic stability and political violence is managed.⁴⁰

To sum up, by taking into consideration the above mentioned cases of effective governance, we can state that policy reforms implemented in different countries demonstrate how governments improve governance and accountability. The aforementioned examples show that different countries have shown different approaches in an effort to improve the effectiveness of the government. As we observed, certain policies that governments have developed directed to oversight and monitoring have been successful in the fight against corruption. For instance, the government of Hong Kong has provided full independence to ICAC in terms of authority, functions, and use of financial resources, while the CPIB in Singapore was structurally within the oversight span of the Office of Prime Minister. NSW ICAC in Australia has many things in common with the ICAC of Hong-Kong, but places stronger emphasis on prevention instead of investigation or management of corruption. In this regard, the NIA in Romania is similar to the NSW ICAC of Australia, since it too deals with the prevention of corruption but on a more institutional scale. In Bulgaria, the government has established the inspectorates whose functions are supervised by the Office of the Chief Inspectorate.

Some authors have researched issues related to changes in accountability in Pakistan, Argentina, and Indonesia. The case of Pakistan shows that even though the National

⁴⁰ Ibid.

Accountability Bureau (NAB) was established in order to improve accountability and transparency within the government, it did not function effectively to achieve that goal. The Citizen's Compacts in Argentina established by the World Bank aimed at improving the accountability of the public sector not too much success. And the case of Indonesia has shown that there were little improvements in accountability as a result of the activities of civil society and democratically-elected government.

CHAPTER III — RESEARCH DESIGN AND METHODOLOGY

RESEARCH QUESTIONS AND HYPOTHESES

The current study aims at studying the situation in Armenia with respect to policies and rules adopted for fighting against corruption and the extent to which they have produced tangible results. The research questions are as follows:

R.Q.1: What policies has Armenia adopted in the last five years to be able to meet MDG goals?

R.Q.2: Are the policies adopted by Armenia implemented and enforced by law to address the issues related to good governance and accountability by 2015?

R.Q.3: What are the measurable improvements in the policy areas related to good governance and accountability?

R.Q.4: What changes need to be addressed not only to satisfy the good governance and accountability MDG, but beyond that?

H₁: The Republic of Armenia does meet MDG 8, Target 12 standards of good governance and accountability by 2015.

H₀: The Republic of Armenia does not meet MDG 8, Target 12 standards of good governance and accountability by 2015.

RESEARCH DESIGN AND METHODOLOGY

In order to answer the above stated research questions, this study uses a qualitative methodology in an explanatory sequential design. In the initial phase, two-three case studies were analyzed in order to identify the specific measures by which advances in MDG #8 are measured and reported, specifically in the fight against corruption. Subsequently, descriptors or categories to be used in the next phase were identified. [Some of these descriptors are the same as the indicators used by the World Bank.]

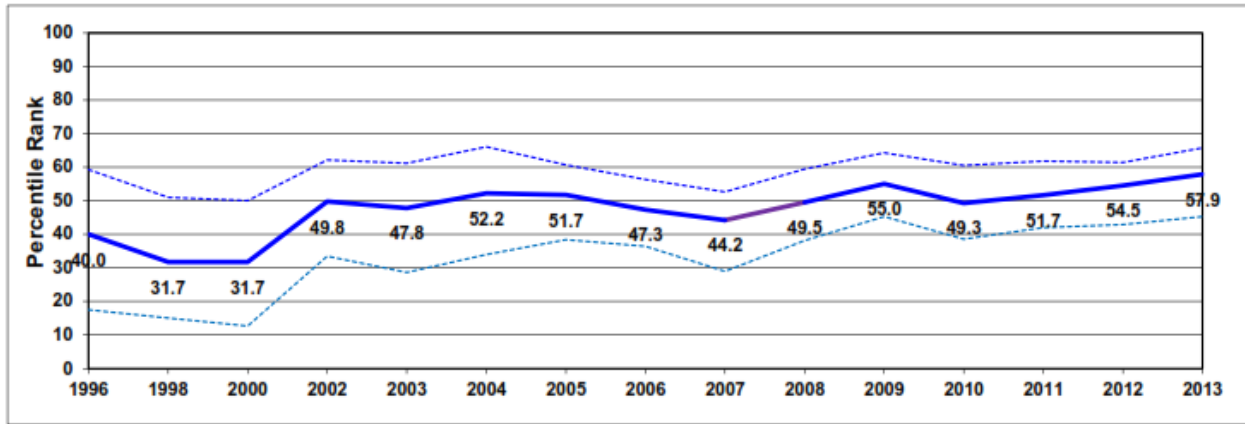
DATA COLLECTION STRATEGIES AND MEASURES

Government effectiveness:

This is measured by an index that includes indicators related to the quality of administration and civil service personnel; quality of public health system; public schools and transportation infrastructure; budget management and tax administration capacity; as well as ease of access to public services.

Graph 1.1 below shows Armenia's progress in *Government Effectiveness* in 1996-2013, as expressed by the aggregate government effectiveness index. The World Bank has reported Armenia's performance at 40% in 1996 and then the level of performance has improved reaching 57.9% in 2013.

Armenia, 1996-2013
Aggregate Indicator: Government Effectiveness



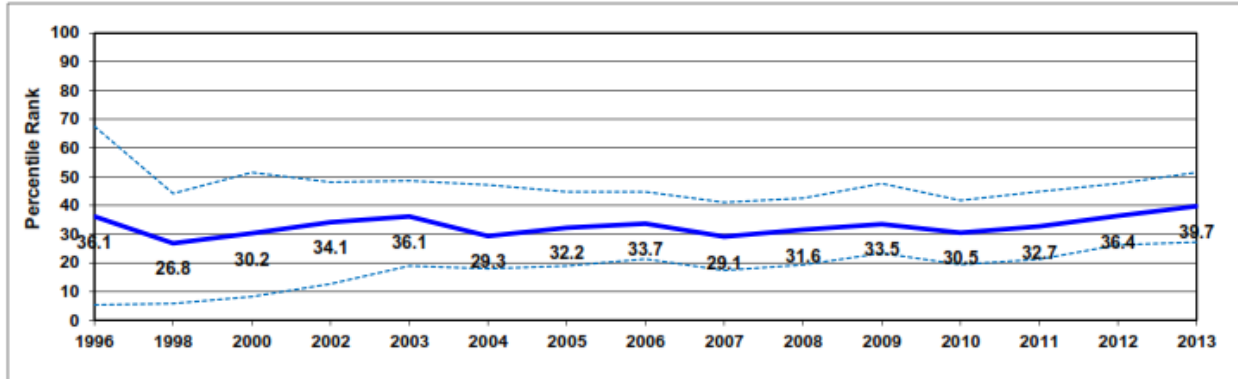
GRAPH 1.1 — AGGREGATE INDICATOR: GOVERNMENT EFFECTIVENESS

Control of corruption:

This indicator is measured by the extent to which public power is used for private gain and the extent to which the state is “controlled” by private interests and the political elite. It also indicates the effectiveness and strength of the country’s institutional and policy capacity in the fight against corruption. More specifically, this indicator measures the following: the absence of bribes in contractual agreements, taxes, utilities, courts, drivers’ permits; transparency of other transactions or agreements; nepotism and cronyism in hiring and promoting civil servants; and the level of public trust in politicians.

Graph 2.1 below shows how Armenia has functioned in the *control of corruption* in 1996-2013. As reported by the World Bank, Armenia’s performance in this indicator has been 36.1% in 1996, changing slightly to 38.7% in 2013.

Armenia, 1996-2013
Aggregate Indicator: Control of Corruption



GRAPH 2.1 — AGGREGATE INDICATOR: CONTROL OF CORRUPTION 1996-2013

Another data collection instrument used in this study for measuring corruption was through semi-structured interviews with representatives of the institutions dealing with the anti-corruption issues in Armenia. The main goal of the interviews was to investigate the substance and extent to which these institutions address to the anti-corruption measures within the Republic of Armenia (See Appendix I for the questionnaire used for interviewing representatives of anti-corruption institutions in Armenia). Further, semi-structured interviews were conducted by the representatives of the business sector in order to know what impact the anti-corruption efforts made by the government to date have had on the development and prosperity of the business community. The intensity of the content of the interviews for each disaggregated code was measured on a scale of 1 to 7, where 1 meant very weak in tone and emphasis; and 7 meant very strong.

The list of institutions with the representatives of which semi-structured interviews were conducted is presented below:

- Office of the Ombudsman
- Anti-corruption Program Monitoring Division

- Anti-corruption center in Yerevan
- Transparency International
- The Republican Union of Employees of Armenia

As stated earlier, two main categories were used, namely Government Effectiveness and Control of Corruption. The strength of each category was measured by their respective disaggregated descriptors on a scale of 1 to 7, where 1 meant very weak in tone and emphasis; and 7 meant very strong.

The World Bank's Government Effectiveness category, which has been identified in the first phase of the research, was disaggregated into its components as presented and described below:

Public access to information

This descriptor is measured by the level of citizens' access to information about government's activities, particularly of decisions passed, laws, reforms, annual reports, institutional changes in the websites of the government, as well as the opportunity for citizens to file complaints through respective government websites.

Quality of healthcare system

This descriptor aims at measuring the rule changes and reforms in the public healthcare system aimed at increasing the quality of healthcare.

Quality of education system

This indicator refers to the quality of teachers in the schools, the quality of lecturers in the higher educational institutions of Armenia, as well as the outcome of trainings and reforms in the educational sphere that aim to raise the level of quality of education.

Quality of infrastructure

This quality descriptor covers basic facilities and services in the communities, such as roads, transportation, water, electricity, gas, communication, sewage, and heating system.

Management of civil service

This descriptor refers to the recruitment, placement, professional development, promotion, as well as salary of civil servants.

Automation of public procurement system

This descriptor pertains to the level of automation of government procurements through electronic publications of public procurements.

Management of public procurement

As a follow on to the earlier descriptor, this measures the level of transparency of managing government procurements, internal audits, and reports.

Management of public expenditure system

This descriptor refers to the level at which government expenditures are made public, i.e., publicity and transparency of the state budget, including the classification of expenditures by programs or activities, financial reports, etc.

In the same vein, the Control of Corruption category was disaggregated to the following descriptors:

Use of e-government

This measures the extent to which tax payments, registry, complaints, appeals, reforms, laws are carried out electronically.

Regulatory bodies

This descriptor refers to the regulations that are adopted and implemented within the framework of anti-corruption programs.

Corruption in healthcare system

This descriptor refers to the level of financial control in the healthcare system, particularly tracking the use of unofficial payments in this sector.

Corruption in education system

This descriptor pertains to the level of corruption in the educational institutions, particularly tracking corruption in admission exams, recurrent exams and graduation exams in the higher educational institutions.

Implementation of policies against corruption

This descriptor measures the extent to which anti-corruption programs are implemented.

Cases of corruption revealed

This descriptor refers to the cases of corruption that have been appealed in court, as well as cases of corruption cases revealed.

Upper corruption code

This descriptor also measures corruption, but at the higher level of abuse of political or public authority.

Monitoring agencies

This descriptor tracks the performance of monitoring agencies that function in Armenia, including the Anti-corruption Council, and the Monitoring Committee of the Anti-corruption Council.

Evaluation agencies

Included under this descriptor are those institutions that are established for conducting evaluations of the performance of anti-corruption programs.

CHAPTER IV — DATA ANALYSIS AND DISCUSSION

CONTENT ANALYSIS OF REPORTS

In this phase of the research reports by UNDP Armenia were analyzed using the categories and descriptors developed earlier. The analysis focused on policies that have aimed at making significant advances in the fight against corruption. The documents selected for the content analysis in this phase included: Republic of Armenia Anti-corruption Strategy and Implementation Action Plan for 2003-2007; Assessment of the Republic of Armenia Anti-corruption Strategy and its Implementation Action Plan for 2009-2012; Report on Identification of Existing Gaps between the United Nations Convention Against Corruption (UNCAC) and Armenia’s Institutional Framework on Anti-corruption published in 2007; Evaluation Report on Armenia on “Incriminations (ETS 173 and 191, GPC 2)” published in 2010 by Group of States against Corruption; OECD Anti-corruption Network for Eastern Europe and Central Asia: Istanbul Anti-corruption Action Plan document which has been published in 2011; Enforcement of Anti-corruption Laws: Armenia, UNCAC, Civil Society, published in 2013; OECD Anti-corruption Network for Eastern Europe and Central Asia: Istanbul Anti-corruption Action Plan document which has been published in 2014.

Below is a table summarizing the findings from the content analysis completed for measuring government effectiveness and control of corruption by their disaggregated descriptors, respectively.

<i>Descriptors</i>	<i>Frequency Mean</i>	<i>Intensity Mean</i>
Government Effectiveness		
Public access to information	16.86	4.14
Quality of health system	5.71	2.43
Quality of education system	7.00	1.86
Quality of infrastructure	1.00	1.00
Management of civil service	35.71	3.29
Automated public procurement system	6.57	2.71
Management of the public procurement system	22.29	3.14
Control of Corruption		
Regulatory bodies	24.29	4.29
Use of e-government	18.14	3.00
Corruption in healthcare system	5.29	3.00
Corruption in education system	10.14	2.86
Implementation of policies against corruption	7.14	2.43
Cases of corruption revealed	32.57	3.29
Political corruption(upper tier of government)	7.43	4.00
Monitoring agencies	25.14	3.86
Evaluation agencies	4.57	1.71
Table 1 — Content Analysis of Documents Listed Above		

According to the first Anti-Corruption Strategy of Armenia, the state should coordinate its anti-corruption policies in three directions:

- Raising public knowledge regarding the negative impact of corruption
- Prevention of corruption

- Enhancement of rule of law

The Republic of Armenia has taken steps in the fight against corruption by implementing different anti-corruption measures and programs, which are presented in Table 1 according to the disaggregated descriptors. Under the *public access to information* descriptor, the following reforms were adopted: the 2007 Freedom of Information Act which specifically applies to those cases of corruption where the information holders do not publish or make the information available. There is no clarity in classification of the types of documents or information that falls under this Act by which public officials will know whether the information is required to be published or should be kept classified.⁴¹

The Freedom of Information Center of Armenia NGO created an Internet portal by which it monitors appeals for access to information. In the event of violations of citizens' request for information, citizens are unable to go to court because there is specified administrative body dealing with such citizen complaints. According to international criteria, such an administrative body should work independently from the executive branch of government, should be given authority to argue cases of complaint and provide direction to the authorities for the resolution of such complaints, as well as provide an annual report.⁴²

In the period 2004-2007, Resource Centers were established aiming at improving accountability and raising awareness of the functions of local and regional administration bodies by way of delivering information about the relevant agencies to the public and enhancing the

⁴¹ Report on Identification of Existing Gaps between the United Nations Convention Against Corruption(UNCAC) and Armenia's Institutional Framework on Anti-corruption. 2007.

⁴² OECD. 2011. "Anti-corruption Network for Eastern Europe and Central Asia: Istanbul Anti-corruption Action Plan".

activities of civil society organizations. However, effective provisions for public participation to combat against corruption have not been established.⁴³

Since 2011, RA made progress in the activities of the Freedom of Information Center. The analysis of the complaints received by the Center shows that the number of silent refusals by the Government decreased from 22% in 2011 to 8% in 2013. In spite of this significant decrease in the number of silent refusals, there exist instead incomplete and unjustified responses. As a result, silent refusals to responses and incomplete or inaccurate responses continue to be a major problem. In general, it is fair to state that Armenia lacks transparency and openness in the area of public accessibility to information.

As to the classification whether information is deemed confidential or not by public officials, Armenia's legislation does not provide any regulation in this respect. As to the establishment of an independent administrative body dealing with citizens' complaints, the government of Armenia has rejected to cooperate in this regard. Such authority remains with the Public Defender's Office (PBO), which is created in order to monitor the implementation of the Freedom of Information Act, but it does not possess enough authority that should be vested in such an administrative body by international standards.⁴⁴

Other reforms in the sphere of *public access to information* include publication of anti-corruption programs, as well as reports on the anti-corruption Action Plan 2011-2012 available on the website of the Ministry of Education and Science of the Republic of Armenia. In 2012,

⁴³ Report on Identification of Existing Gaps between the United Nations Convention Against Corruption (UNCAC) and Armenia's Institutional Framework on Anti-corruption. 2007.

⁴⁴ OECD. 2014. "Anti-corruption Network for Eastern Europe and Central Asia: Istanbul Anti-corruption Action Plan".

600 information and mass media materials, including information on 75 anti-corruption measures were posted on the website of the Ministry of Education and Science of the Republic of Armenia, aiming to enhance accountability and transparency of the Ministry.⁴⁵

The center for complaints and requests was established within the RA State Revenue Committee, where 68,947 requests were received in 2012 via telephone and electronically. The RA State Revenue Committee introduced an effective system of communication among citizens, head of the customs authority, and other associated entities. Additionally, the Appeals Commission was established along with a hot line for public feedback available through the official website of the customs service.⁴⁶

The Commission of High-Ranking Officials as well as the Registry of High-Ranking Officials for the declaration of personal income and property of high-ranking officials and associated persons was introduced. As a result, 680 high-ranking officials and their affiliates have published personal data on income and property on the website of the Commission (www.ethics.am). Nevertheless, the monitoring of the filings by high-ranking officials is not effective since there is no information on the procedure and indicators used for drawing any assessment of the information filed. In addition, there is no document that establishes the objectives or criteria by which the filed data is evaluated.⁴⁷

However, according to the OECD report (2011), the Government of Armenia has made some progress in raising public awareness regarding the fight against corruption, but not enough

⁴⁵ Assessment of the Republic of Armenia Anti-corruption Strategy and its Implementation Action Plan for 2009-2012

⁴⁶Ibid.

⁴⁷Ibid.

for reaching tangible results in this sphere. The official website of the Office of the RA Prosecutor General provides statistics on a semi-annual and annual basis on cases of corruption. Even though there is progress in terms of raising public awareness regarding corruption-related cases, description of actual convictions and detailed discussion of those cases of corruption are not available.⁴⁸

In the area of *quality of healthcare system*, the package of hospital care services was amended and improved aiming to enhance the accountability and transparency of the administration of public finances. Particularly, the shared medical cost formula was introduced on some healthcare services by way of amendments to the pricing system in healthcare services. In order to raise the accountability and transparency of targeted government-sponsored activities in healthcare, the provision on the circulation of shadow money was introduced in 2012. As a result of this provision in the law, state-provided funds were accounted for through the use of measurements against the previous year. Through this financing scheme of medical program, three billion Armenian drams were allotted from the state budget for healthcare, which is equal to 4.8% of the total circulating by shadow payments.⁴⁹

In the *quality of education system*, a new unified examination was adopted for admission to higher educational institutions, thus providing equal conditions for all applicants, including those applying to non-state higher educational institution.⁵⁰ The functions of the State Inspectorate of Education were augmented by way of establishing a new division of “Inspection

⁴⁸ Enforcement of Anti-corruption Laws: Armenia, UNCAC, Civil Society. 2013.

⁴⁹ Assessment of the Republic of Armenia Anti-corruption Strategy and its Implementation Action Plan for 2009-2012.

⁵⁰ Ibid.

of Vocational Education. In addition, quality assurance centers were established in all higher educational institutions to monitor internal quality and issue annual reports on their findings. These reports were posted on the official website of the RA Ministry of Science and Education. Additionally, trainings were organized for raising public awareness of anti-corruption and anti-corruption measures implemented by the government.⁵¹

Further, aiming at raising transparency in and accountability of general education schools, the statutory functions were changed to include the institution of educational and parental councils in schools. In this regard, the statute afforded defined authority to student councils, including funding.⁵² Though the aforementioned reforms were implemented in the educational sector, according to the OECD report (2014) the objectives established in “the Republic of Armenia Anti-corruption strategy and its Implementation Plan for 2009-2012” were not achieved. This fact is confirmed by the Corruption Perception Index of Transparency International and the Control of Corruption index of the World Bank. According to the Government of Armenia, the main reason for this ineffective implementation of the Anti-corruption Strategy was the lack of political will. In addition, although there were a large number of anti-corruption measures spelled out in the Strategy, none was prioritized.

Aside from the above, the Ministry of Education along with the Ministry of Health each developed anti-corruption programs for the implementation of the 2009-2012 Anti-corruption Strategy. As a result, the Ministry of Education also developed its Anti-corruption plan for 2014-

⁵¹ Ibid.

⁵² Ibid.

2017 and the Ministry of Health for 2013-2014.⁵³ No results are yet available for analysis (but could serve as sources for the continued monitoring of Armenia's progress in this MDG).

In the sphere of *automation of the public procurement system*, the e-procurement system was established in 2011 aiming to increase the transparency of the public procurement system. In 2013, the usage of e-procurement comprised 5.8% of total government procurements, but this continues to increase. Although bid announcements are now available in both English and Russian, aside from Armenian, the detailed information regarding those bids is only available in Armenian, which reduces participation in the procurement process by foreign companies. In addition, there are some technical problems associated with the website, including software codes that make the functioning of the website somewhat ineffective.⁵⁴

In the field of *management of the public procurement system*, the decentralization of the public procurement function was realized with the establishment of nearly 3,000 procurement bodies. In addition, the Procurement Complain Review Board (PCRB) was introduced in 2010, tasked with the review of citizen complaints regarding public procurements. In this regard, if any citizen is not pleased with the decision made by PCRB is authorized by law to file an appeal in court. Additionally, an external audit of the public procurement system is now required to be conducted by the Control Chamber.⁵⁵

However, the independence of PCRB is in question by many for the following reasons. First, the PCRB is failing to ensure full independence from an institutional perspective and the

⁵³ OECD. 2014.

⁵⁴ Ibid.

⁵⁵ OECD. 2011.

actual application of selection procedures for board membership are not monitored. Besides, with respect to having representatives from the public, urban communities, the RA Central Bank, and NGOs are not fully adhered to. There are only three representatives from the NGO sector and the rest are from Government agencies, which might affect the decision-making process and use of appropriate unbiased procedures by the PCRБ in the decision-making process.⁵⁶

Under the *monitoring agencies* descriptor, the Anti-corruption Council was created in 2004, chaired by the RA Prime Minister. The main functions of the Council are the coordination of the activities of the Anti-corruption Strategy Plan, as well as the level of instituting anti-corruption measures, etc.⁵⁷ Another body monitoring anti-corruption is the Anti-corruption Strategy Implementation Monitoring Commission, attached to the Anti-corruption Council, specifically created for the implementation of the anti-corruption strategy. The main functions of the Commission are making observations of the implementation of the anti-corruption strategy and development of recommendations for the enhancement of the mechanisms and tools for combatting against corruption.⁵⁸ In other words, the Anti-corruption Council was established as a public entity and the Anti-corruption Strategy Implementation Monitoring Commission as a technical body.⁵⁹

In 2010, the Mobilizing Action against Corruption Activity (MAAC) was established by USAID, requiring relevant state bodies to provide reports to the Monitoring Commission on the

⁵⁶ OECD. 2014.

⁵⁷ Assessment of the Republic of Armenia Anti-corruption Strategy and its Implementation Action Plan for 2009-2012.

⁵⁸ Ibid.

⁵⁹ OECD. 2014.

progress in the implementation of anti-corruption programs. Based on the annual reports filed by state bodies, the Monitoring Commission published a general report posted in the government's website. Nonetheless, monitoring was not effective because there is no information on the methodology that state bodies used in monitoring. Moreover, the submitted reports by state agencies were either inaccurate, or incomplete. In addition, there were no impact evaluations of the anti-corruption measures related to specific sectors.⁶⁰

Overall, the institutionalization of monitoring anti-corruption has failed because of the ineffectiveness of the Anti-corruption Council and not because of the functioning of the Monitoring Commission as a group. Restrictions on the activities of state bodies are another factor for this failure, because these bodies had monitoring authority, but none for developing and realizing subsequent anti-corruption activities. In addition, there were no mechanisms provided by donors in order to promote effective anti-corruption programs, as well as programs in other components of good governance.⁶¹

As part of the descriptor on *regulatory bodies*, the Law on Public Service was adopted in 2011, which regulates conflicts of interest among public officials. According to this law, public officials do not have the right to be engaged in business activities, to be employed outside of public service, work with closely related persons, etc. Public officials also do not have the right to accept gifts.⁶² Nevertheless, these regulations refer to the high-ranking officials only and there are no specific regulations applicable to other levels of officials working in the public sector.

⁶⁰ OECD. 2014.

⁶¹ Ibid.

⁶² OECD. 2011.

Besides, the provisions in the Law concern only close relatives of public officials, without reference to using nephews, cousins or other relatives for registering personal property. In addition, the Law states that public officials must inform his/her supervisor in the case of conflict of interest, but the Law does not address those public officials who do not report to any supervisor. The Commission established to deal with the declarations of personal property of public officials does not include sanctioning those civil servants who present incomplete or false information.⁶³

Government has also established the Legislative Guillotine project that is aimed to simplify regulations in the business sector. Overall, 1,100 regulations were changed, but these changes do not cover all the sectors. Furthermore, the business community is not pleased with the simplification of business regulations, because these changes happen too often, thereby constraining the development of business. In order to boost business activities, there should be some stability in the legislative framework of the private sector. Additionally, the Government has taken measures for raising awareness in the business sector, particularly with informing citizens of their rights, aimed at reducing corruption. Nevertheless, these efforts by the Government have not contributed to the decrease of corruption in Armenia. This also is as a result of the lack of political will to combat corruption, given the limited incremental changes in the field with no fundamental transformation.⁶⁴

In the field of *management of Civil Service*, there is no a centralized body, which is responsible for coordinating all the duties and standards related to civil service across agencies.

⁶³ OECD. 2014.

⁶⁴ Ibid.

The Law on Public Service is applicable to 46 state bodies only, absent a mechanism that aims to coordinate implementation of the requirements of the Law on Public Service. In addition, there are no instructions for the ethics commission to follow on issues related to breaches in the law by civil servants. In 2012, the Civil Service Council organized a training of civil servants under the topic of “Fight against corruption”. However, only several hundred civil servants attended this training, too few compared to a total of 7,476 civil servants.⁶⁵

In addition, Armenia adopted the law on making amendments and supplements to the Law on civil service in 2014, according to which, a new system of performance appraisals of civil servants should be introduced, making merit based appointments in the Civil Service a requirement. Although these changes show positive advances in the fight against corruption, they do not apply to temporary or senior positions where low or lack of competition is the most obvious.⁶⁶

In the field of *political corruption*, the Government took steps toward establishing a system for disclosing the financial data of political parties. According to the Law on Political Parties, the parties should disclose financial data, including assets, goods and services bought at market prices, bank loans, and contracts made with associations, foundations.⁶⁷ Each political party should present its financial statements to the Control and Verification Service (CVS), although the latter is not part of the Central Electoral Commission. It comprises the head and two civil servants, but can employ up to five contract workers for a one month period. However,

⁶⁵ Ibid.

⁶⁶ Ibid.

⁶⁷ OECD. 2014.

CVS has two limitations, particularly restricted independence from CEC and limited capacity to realize its functions. For instance, CVS has not issued confirmations regarding pre-election expenditures and funds. According to the 2014 OECD Report, an on-site visit revealed that CEC representatives were not aware that the information on bank loans and contracts with associations and foundations should be presented.⁶⁸ In addition, by law, CVS has coordination obligation with the Control of Chamber, which oversees all public procurements by political parties. The issue raised by civil society is about the financial benefits from the state budget by only those parties that are represented in the RA National Assembly.⁶⁹

In 2012, the Ethics Committee of the National Assembly was established aiming to increase the integrity of the members of Parliament. The objectivity of the Committee is questioned because of the total number of investigations the Committee has made thus far, most of which did not result in any violations.⁷⁰ Since 2011, there have been no improvements realized in the field of legislative enforcements to deal with investigations of *corrupt cases*. Besides, there were no institutional, regulatory or legislative changes related to the gathering of statistical data on corrupt cases.⁷¹

⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ Ibid.

⁷¹ OECD. 2014.

DISCOURSE ANALYSIS OF INTERVIEWS

The discourse analysis of the semi-structured interviews showed that there was little progress in the fight against corruption. As the anti-corruption programs, interviewees mentioned the first Anti-corruption Strategy of the Republic of Armenia for 2003-2007, the second Anti-corruption Strategy and its Action Plan in 2009-2012 and the draft of the new Anti-corruption Strategy, which is not adopted yet.

<i>Descriptors</i>	<i>Frequency Mean</i>	<i>Intensity Mean</i>
Government Effectiveness		
Public access to information	1.00	1.00
Quality of health system	3.00	2.40
Quality of education system	3.00	2.00
Management of the public procurement system	3.60	2.00
Control of Corruption		
Regulatory bodies	1.80	1.14
Corruption in healthcare system	2.20	1.40
Corruption in education system	1.80	1.00
Implementation of policies against corruption	0.60	1.00
Cases of corruption revealed	5.40	4.40
Political corruption(upper tier of government)	1.40	2.20
Monitoring agencies	4.40	3.20
Evaluation agencies	0.40	0.57
Table 2 — Discourse Analysis of Semi-Structured Interviews		

These anti-corruption strategies were ineffective because of the failure of *monitoring agencies* (Frequency mean 4.4, intensity mean 3.20). The Anti-corruption Council was

established in order to coordinate and monitor actions of anti-corruption, but it was not an effective body because there was no cooperation among the Council members. Representatives from public institutions comprised a small percentage of the Council membership and could not affect decision-making. Besides, there were no professionals included in the Council that could handle investigations effectively — collect data or statistics on corruption and develop anti-corruption mechanisms.

Furthermore, one of the interviewees mentioned that the new Anti-corruption Council will also be chaired by the Prime Minister and government representatives in high positions, but will also include members from opposition parties and other public institutions. In addition, an Expert Group will function parallel to the Anti-corruption Council, which will be selected by competition and it will be independent in its functions and assessments of risks. But, there was a contradiction in the views of interviewees regarding this body because even though this new body will be formed by competition, the Anti-corruption Council is the final authority in deciding who will be included from the opposition. Besides, the sustainability of this Expert Group was questioned because the funding for this Expert Group comes from foreign donors and may not continue after funding stops. Moreover, the number of Expert Group staff is small — four or five experts that have to perform eight or nine functions.

Among the measurable improvements mentioned by some interviewees were those realized by the State Cadaster and the Passport Office given the decrease in the number of citizen complaints. Anti-corruption Program Monitoring Division is another improvement which will monitor the implementation of anti-corruption strategy through a unique methodology for the corruption risk assessments. Nonetheless, most interviewees mentioned that there is no

measurable improvement in the fight against corruption. Further, the second Anti-corruption Strategy and its Action Plan in 2009-2012 had more than 200 measures that were implemented, but they did not have measurable impact on the level of corruption considering that citizens' perception of corruption has not changed.

There is no progress in the education, healthcare and judicial systems. In the *quality of healthcare system* (Frequency mean 3.00, Intensity mean 2.40), given the difficulty of pregnant women to get Reproductive Health Certificates, many refuse to enroll in the program for pregnant women cognizant of the low probability to receive benefits. Another issue is the existing gap in the legislation for determining the status of people with disabilities. The rules may classify a person with pains in the legs as having a first degree or a third degree disability. The disability pension for first degree disability is 30,000 AMD compared to a much lower amount for higher degrees of disability, which may also be discontinued after a couple years of benefiting.

In the education system, most of the interviewees mentioned that there is a dire need to raise public awareness of the negative impact of corruption. Many people think that corruption is a part of the system and that nothing can be done to change it mostly not recognizing the impediments of corruption to the country's development. On the question whether prosecutors treat the investigation of government cases as a priority over other crimes, there was only one interviewee who praised the objectivity of prosecutors. Other interviewees mentioned that according to the *cases of corruption* (Frequency mean 5.40, intensity mean 4.40), smaller or petty corruption cases are revealed as opposed to corruption cases dealing with high-ranking officials. In addition, there is no statistics on comparison cases to better assess the types of cases prosecuted.

The special Investigation Service does not function effectively because there are too many cases where the issue is abated or dropped. Another issue is that such crimes are not classified at a commensurate level thus their punishment is too soft. Another issue is that there are bodies that deal with the investigation of corruption cases, including the Special Investigation Service, National Security Service, Police, etc. There is no single body specializing in investigating corruption cases. Besides, there are no agents specializing in the investigation of corruption cases.

Although the number of corruption cases is relatively lower in Armenia compared with Baltic States, but it does not mean that there is less corruption here. This simply means that prosecution of corruption is not as organized in Armenia. Also, on the issue of the ineffectiveness in implementing anti-corruption programs, most interviewees reiterated the lack of political will. In order to properly implement anti-corruption programs, there should be effective law enforcement agencies, without which the laws do not work.

Nepotism is another issue, which impedes the development of a free market-based economy and leads to monopolization. This occurs because of linkages between politicians and businesses. Even though there have been some improvements in legislation, there are still problems that must be tackled. For instance, the Government has made reforms in the tax code for the development of small and medium enterprises (SMEs), but the representatives of SMEs state that these reforms do not contribute toward promoting business.

On the average, one or two companies participate on *public procurements* (Frequency mean 3.60, intensity mean 2.00), which means that the competition is very low. It is a result of the special characteristics of goods and services specified in the call for bids that prevents many

from bidding. In many cases, the only qualifying companies are those of relatives or friends of state officials. Even though, the procurement process is transparent, competition is not fully practiced. Overall, these phenomena affect the development of SMEs.

Among other constraints that impede the implementation of anti-corruption programs is the prevailing mentality of the citizenry and the existing tolerance towards corruption. There are no programs for raising public awareness of the impediments of corruption. There are some anti-corruption programs and trainings in local universities, but none in schools. It would be very helpful to teach children from an early age about the costs of corruption. There is a need for professionals who know how to develop various types of programs that deal with educating the public about corruption.

Other mechanisms that can be utilized in the fight against corruption are improving the code of punishment of corruption along with qualified institutions. This might help improve public trust towards state bodies. Apart from this, though the reports by the Ombudsman and the Chamber of Control are published regularly, there is no follow-up action that culminates in some advances in the fight against corruption. The judiciary is yet another area that needs attention for making it more independent in its mission of protecting the rights of people. There should also be reforms in the Inspectorate, because inspectors need to have relevant training and at least relevant experience to qualify as inspectors.

Another policy that should be considered for change is anti-monopolization of the market through the establishment of an effective mechanism of checking monopolistic behavior. A high-ranking Ethics Committee was established but functions ineffectively because of the limitation of the power vested in the Committee by law — the law does not give the Committee the power to

investigate violations. Aside from that, the capacity of the Committee is also limited because of inadequate staffing. In the case of the ethics committee, the law states that a person can freely report a conflict of interest case, but the Armenian mentality does not view ‘whistle blowing’ as appropriate and there are no whistleblower protection provisions in the law.

ANALYSIS AND DISCUSSION OF ASSESSMENTS BY INTERVIEWEES

In phase III of the qualitative analysis, interview questions were developed drawing from the indicators identified in phase I and validated in phase II of this study. This phase III measured the degree to which the RA government policies have helped make progress in MDG #8. A total of 4 in-depth interviews were analyzed using content analysis. In-depth interviews were conducted from the representatives of the following institutions:

- Ministry of Education and Science of the Republic of Armenia
- Ministry of Health of the Republic of Armenia
- The Commission on Ethics of High-ranking Officials
- United States Agency for International Development (USAID)

The use of an explanatory design helped analyze and explain the degree to which policies implemented by the RA government have contributed or are contributing toward achieving the target for MDG #8 by 2015.

<i>Descriptors</i>	<i>Frequency Mean</i>	<i>Intensity Mean</i>
Government Effectiveness		
Public access to information	11.00	4.50
Quality of health system	2.25	1.25
Quality of education system	5.00	2.75
Quality of infrastructure	0.00	0.00

Management of civil service	0.00	0.00
Automation of the public procurement system	0.25	0.50
Management of the public procurement system	0.75	0.25
Control of Corruption		
Regulatory bodies	13.25	4.50
Use of e-government	4.75	2.50
Corruption in healthcare system	2.75	1.25
Corruption in education system	3.00	2.75
Implementation of policies against corruption	4.25	3.00
Cases of corruption revealed	8.75	3.50
Political corruption(upper tier of government)	3.75	1.50
Monitoring agencies	5.75	4.25
Evaluation agencies	5.75	0.00
Table 3 — Discourse Analysis of In-depth interviews		

The strength of intensity in discourse analysis of in-depth interviews for each disaggregated descriptor was measured on a scale of 1 to 7, where 1 meant very weak in tone and emphasis; and 7 meant very strong.

Anti-corruption programs which interviewees were aware of are anti-corruption reforms in the education and healthcare sectors. In addition, the interviewees were aware of the Open Government Partnership program, Anti-corruption Strategy of the Republic of Armenia for 2003-2007, the second Anti-corruption Strategy and its Action Plan in 2009-2012 and the draft of the new Anti-corruption Strategy.

Among the programs mentioned by the interviewees is Open Government Partnership (OGP), which the Government of Armenia joined voluntarily in 2011. The First Action Plan was implemented in 2012-2014. The Second Action Plan started to be implemented in 2014, which

will endure until 2016. The monitoring and evaluation reports are conducted by the independent expert every six months, who submits reports to the Secretariat of OGP in Washington. The Government of Armenia also conducts self-evaluation reports in order to monitor the progress of the implementation of OGP programs.

It is worth to note that the Second Action Plan includes the participation of civil society organizations, as 9 out of 11 actions of the Second Action Plan were proposed by civil society organizations and the other 2 actions were suggested by the Government. One of those actions is Armenia's involvement in the Extractive Industries Transparency Initiative (EITI) program, which is about publishing the financial activities of companies functioning in the mining industry, including salaries, taxes and other payments. This program is aimed to increase the transparency and accountability of mining companies functioning in this industry. In addition, Armenia is now in the stage of implementing the EITI standards.

Among the measurable improvements, interviewees mentioned the simplification of services as well as the introduction of e-government system in state agencies. The establishment of monitoring and evaluation divisions for anti-corruption activities is another reform that was realized by the Government. There were no other institutional reforms in this sphere. In addition, during the implementation of the Second Anti-corruption Strategy of the Republic of Armenia, the number of corruption cases of bribery increased, but there was no increase in other types of corruption cases.

Among the constraints that hinder the implementation of effective anti-corruption programs, the interviewees mentioned the absence of civil society involvement in the decision-making process. According to the Caucasus Research Resource Center, citizens of Armenia are

the most tolerant people when it comes to corruption, which is also true throughout the South Caucasus. Further, Transparency International has surveyed public employees and 57% of the respondents have mentioned that they will not report about the cases of corruption by their colleagues. Another limitation is that there is no independent body, which would be authorized to deal with the corruption issues, including its prevention, investigation, punishment, etc. Another limitation is that lacks the culture to fight against corruption; political parties are mostly engaged in criticizing one another rather than coming together for discussion and cooperation on policy issues.

As to the General Prosecutor's transparency and objectivity, interviewees stated that that Office mostly publishes cases of low or mid-level corruption by state employees, leaving out corruption cases by the political elite. One reason for this is that prosecutors do not have access to the facts related to such corruption cases to be able to open criminal cases. In addition, criminal legislation should contain mechanisms for the prevention of corruption, instead of the existing laws that are intended to imprison the accused. Particularly, there are no laws on special corruption cases, such as those of nepotism, cronyism, hidden incomes, etc. There are no legal mechanisms by which political appointees would be required to return illegally acquired state funds and be dismissed from their positions until the closure of such corruption cases in order not to have the power of influencing the investigation process.

For the improvements needed in the fight against corruption, interviewees articulated the following:

- The necessity of including the issue of corruption among the top most important national agenda items, along with poverty, security, emigration, economic development, etc.

- Establishing a unified civil service code that defines the responsibilities, obligations and rights of public servants.
- Creating an independent body dedicated to dealing with corruption cases.
- Providing, by law, for the protection of whistleblowers including the necessary mechanism that would encourage reporting corruption cases.
- Entrusting civil society with equal responsibility with taking anti-corruption measures.

In the *quality of education system* (Frequency mean 5.00, intensity mean 2.75) and *corruption of education system* (Frequency mean 3.00, intensity mean 2.75), the reforms related to the university entrance exams resulted in the dramatic decrease of complaints by citizens. Even though there are continuing issues related to the university entrance exams, the establishment of unified examination system for admission to higher educational institutions assuring, to a large extent, the objectivity and equality in grading applicants' exams is viewed positively. Besides, the sample exams are available on the website of the Ministry of Education and Science, which provides equal opportunities to all applicants to have an idea of the content of admission examinations.

As to other improvements in the fight against corruption in the education sphere, there should be courses in the system educating the students (and therefore the public) about the negative impact of corruption, explaining the types of losses caused by corruption, which would make people less tolerant to corruption. Also, there are no appropriate mechanisms to involve civil society organizations in the fight against corruption. The monitoring of the corruption in the education system is a very difficult task and there is a need to develop appropriate monitoring mechanisms.

In the *quality of healthcare system* (Frequency mean 2.25, intensity mean 1.25) and *corruption in healthcare system* (Frequency mean 2.75, intensity mean 1.25), the co-payments system was introduced aiming to curtail illegal payments to health professionals. This reform pushed the increase of doctors' salaries through a bonus system, which made payments to health professionals in addition to fixed incomes; the amount of such bonus payments is proportional to the number of clients they have served.

The introduction of Consent Forms in the case of the Basic Benefit Package (BBP) is another reform, according to which, clients have to complete a form and sign it before any medical procedure can be performed. The Consent Form spells out the duties and responsibilities of the patients, thus increasing awareness and aiming at decreasing corruption. The establishment of the new Government Referral Forms is another reform, which gives patients the freedom of choosing doctors or hospitals for the treatment they need. This too aims to decrease the risks of 'recoiling' in the healthcare system. Nevertheless, it is difficult to measure the level of success achieved in reducing corruption in the healthcare system since there are no monitoring and evaluation instruments or reports.

Among needed reforms or improvements in the combat against corruption in the healthcare system are the following:

- A comparative study to determine the outcome and impact of the anti-corruption programs implemented to date.
- Full implementation of an established law is an area that also needs improvement and enforcement by respective agencies.
- Harmonization of existing laws to remove gaps and contradictions in the legislation.

LIMITATIONS

Due to time constraints, as well as the refusal by some to give interviews, a lower number of interviews were completed than originally desired or planned. Particularly, in-depth interviews were planned to be conducted with the representatives of the Office of Public Procurement, the Ethics Committee of the National Assembly, the General Prosecutor's Office, as well as representatives of the United Nations office and the Organization for Security and Co-operation in Europe.

CHAPTER V—CONCLUSIONS AND RECOMMENDATIONS

Considering that this study was intended to measure Armenia's progress in good governance and accountability in order to meet the standards of MDGs by 2015, the World Bank's *Government Effectiveness* descriptor was chosen as a criterion to test the level of progress that the Republic of Armenia has made in public administration, in building the capacity of public institutions, public access to information, etc. The other criterion was the World Bank's *Control of Corruption* qualifier, which measured the level of progress that the Republic of Armenia has made in the fight against corruption. The study shows that even though the Republic of Armenia has realized significant steps in the fight against corruption and in enhancing the effectiveness of Government, there is a need for further reforms and institutional capacity building in this area.

The first Anti-corruption Strategy of the Republic of Armenia was adopted in 2003. This phase was the initiation of the Anti-corruption steps the Government took. However, there was no concrete methodology defining the implementation of the strategy. In the Second Anti-corruption strategy of the Republic of Armenia and its Implementation Action Plan for 2009-2012, measures were introduced in order to assess the level of success of the strategy. Nonetheless, this strategy was not adequate to cover all the sectors needing reform and the resources of the state were limited for implementing all the actions articulated in the strategy. As a result, the new Anti-corruption strategy of the Republic of Armenia was drafted, which is more focused on reforms in four prioritized sectors.

In summation, the first hypothesis that assesses the extent to which the Republic of Armenia meets MDG #8, Target 12 on good governance and accountability by 2015 is **partially accepted**. The Republic of Armenia has demonstrated significant progress in this arena. The reforms and improvements include both institutional and legislative changes.

RECOMMENDATIONS

Recommendation 1

In the scope of institutional reforms, to establish an independent agency comprised of experts, who would be authorized by law to deal with anti-corruption issues, including developing measures for the prevention of corruption. An example of such an institution is the NSW ICAC founded in Australia, which was illustrated in the literature review of this study. This body would function through several supervisory committees. One committee would be responsible for citizen complaints; another for audits of the effectiveness of the institution itself; etc. The effectiveness of the body would be checked through internal and external audits. In addition, the staff of this body would be authorized by law to investigate corruption cases.

Recommendation 2

By taking into consideration the fact that there is a lack of involvement by civil society in anti-corruption programs, it would be beneficial to create a National Anti-corruption Forum comprising representatives of civil society, the business sector, and Government. As stated in the literature review, such a measure was taken in South Africa and produced positive results. In order to ensure the effectiveness of the Forum, meetings should be organized regularly and reports issued every six months.

Recommendation 3

To increase political will and to introduce law enforcement mechanisms will lead to the effective implementation of existing laws. Although amendments to existing laws might become necessary, the focus should be on improving implementation of existing legislation.

Recommendation 4

To develop corruption prevention mechanisms by instituting correctional programs that deal with first-time offenders, instead of imprisonment. Preventive efforts might also include requiring that political figures return moneys acquired through bribes and dismissal from their respective positions. Subsequently, the state should address different types of corruption, including unofficial income, nepotism, cronyism, etc.

Recommendation 5

In the *healthcare system*, one recommendation is to conduct a before and after situation analysis to assess the gains realized in the healthcare system after adoption of the new pay system. Another recommendation is to make amendments and eliminate existing gaps and contradictions in healthcare legislation, particularly in reference to the status of people with disabilities.

Recommendation 6

In the *education system*, the recommendation is to establish specific methodology to involve civil society organizations in programs against corruption. Furthermore, special courses

and trainings on the negative impact of corruption should be regularly taught both in schools and colleges to raise public awareness regarding the damages caused by corruption.

Recommendation 7

To authorize the Commission of High-Ranking Officials with the power to investigate issues related to personal income and property. In addition, cooperative mechanisms should be established between this Commission and the court system, so that the Commission is able to make investigations based on the facts and send cases of violations to court.

Recommendation 8

To ensure that procurement announcements are available in English and Russian on the public procurement website. This will increase competition among local and foreign companies, which in turn will decrease corruption through unjustified sole-sourcing practices.

Recommendation 9

To establish a law that protects whistleblowers. Even though, Armenian culture does not justify the activities of whistleblowers, effective protection mechanisms in the law and mechanism for protecting the anonymity of whistleblowers may increase the number of reported corruption cases.

Recommendation 10

To develop a culture that encourages political parties to discuss with one another differences and preferences in the policy-making process. Such cooperative action would be helpful in the implementation of anti-corruption measures in the country.

Recommendation 11

To reform the civil service such that the classification, position descriptions, level of authority and responsibility, as well as rights and duties of each employee is standardized across all agencies.

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APPENDIX I—INTERVIEW QUESTIONS FOR SEMI-STRUCTURED AND IN-DEPTH INTERVIEWS

1. Which anti-corruption programs are you closely familiar with and aware of the implementation issues related to those programs?
2. Among the programs that you spoke about, what measurable improvements have been realized in anti-corruption programs?
3. Do you think that the prosecutors in Armenia give priority to investigate and prosecute government corruption cases (including corruption of elected officials, political appointees, and civil servants) compared to investigating and prosecuting other crimes? Explain.
4. In your opinion, what is the critical weakness or constraint that impedes the implementation of effective anti-corruption programs?
5. In your opinion and based on your awareness of what has been done in this area, what are the reforms or improvements that would be most helpful in the fight against corruption?