

**AMERICAN UNIVERSITY OF ARMENIA**

**THE RULE OF LOCAL SELF-GOVERNANCE IN ARMENIA:  
PAST EXPERIENCE AND CHALLENGES**

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## *Abstract*

The purpose of this Master's Essay is to analyze the current system of local self-governance in Armenia as a former Soviet Union member making the so far reached results vivid and to depict the differences between those systems with possible recommendations for the Armenian local self-government system.

The concept of local self-governance as a precondition for true democracy is described reviewing historical roots of Local Self-Government, current model and structure, legal basis in Armenian Local Self-Government system referring to the European Charter on Local Self-Government and providing some possible recommendations that can facilitate the process for having sound and truly democratic Local Self-Governance in Armenia.

## **Introduction**

Local self-government has a long and venerable tradition in many countries. In some it is a young and sensitive plant, and in others it really has not yet been seriously tried. Concern about the strengthening of local self-government is not, however, a new phenomenon. Its philosophic roots go back at least as far as the writings of the French philosopher Jean Jacques Rousseau, who, impressed with the emerging Swiss democracy, wrote of local government as the training ground for democratic development. Further attention was called to the significance of local government with Alexis DeTouqueville's famous visit to the United States and his discovery of the importance of local citizens and their emerging municipal governments in sustaining and nourishing the newly formed North American democracy. Recent concerns for the strengthening of local government can be traced to the process of democratization in countries undergoing the transition from authoritarian to democratic governance (Bertucci, 1996).

So, for democracy to be sustained and enhanced in transitional democracies, one of the most critical requirements is the improvement of democracy at the local level. In this level of governance the citizen is the closest to the government, people have the opportunity to participate directly in civic life, and decisions are likely to affect their everyday life the most. The local level is where the concept of grass-roots democracy finds its meaning, and without such depth of origin one can not expect true democracy to grow.

***Historical overview of local self-governance system in Armenia.*** It appears that Local self-governments existed in Armenia long times ago. And the roots of Local Self-Governance in Armenia go as far as to the 23-22 c B.C where there were small administrative divisions called “yerkrner.” Even more, Armenian leaders gave the right of self-governance to countries under their dominance. In this respect one cannot help mentioning the polities of

Tigran the Great who gave “freedom” to conquered countries. The classic model of the Armenian local self-governance of the ancient period can be imagined as follows: the Head of city was the head of administration, who very often was appointed by the king. The administration staff consisted of the spiritual leader of the town (qrmapiet), the head of judicial power, avagner, etc. Towns had their own army, which at war joined regal arm forces. The responsibilities of local governors were to collect taxes, to build houses, to regulate water supply, to solve problems connected with market and production relations (Movsisyan, 1997).

According to ancient Mesopotamian manuscripts, the Kutu kings (2200-2100 BC) were elected rather than hereditary. Local administrators were elected by councils of elders and public assemblies. The same system was peculiar to the federation of Nairian countries, founded in the second millennium BC during the struggle against Assyrians (Tumanyan, 2000). Summarizing this brief notion it should be mentioned that from very early times in the Armenian reality and governing mentality there was a deep respect for the phenomenon of decentralization (Movsisyan, 1997).

During Yervandunyan (a.d. VII – III), Artashesyan (a.d. II-I) and Arshakunyac kingdoms periods local self-government was of value in the Armenian state governing system. That kind of system was implemented both in big cities and in rural free communities, where people were electing community heads (avagani). Self-governed cities were governed by mayor (City overseer, Shahap), where elected council of elders were also included in the governing process.

During the Bagratuni kingdom cities (Ani, Dvin, Arcn and so on) had city administrations. The head of administration was Mayor (Amira). The spiritual leader, the Judge, head of the city militants, were included in the administration. The collection of taxes,

regulation of education, water supply and other many functions were included in the administration's responsibilities.

Though Armenia has big and rich history, but for a long time it did not have such kind of system. Both during first and second Republics in the country, there was no developed Local Self-Governing system. Even during Soviet times, like Soviet other republics, there was a system of the government's local bodies in Armenia which by its essence was far from being called Local Self-Governing (Ghazaryan, 2002).

Republic of Armenia having regained sovereignty through democratic referendum held in 1991 embarked on implementation of large-scale reforms and establishment of new political and economic systems. Huge and specific importance in these processes is assigned to decentralization (Tumanyan, 2004).

Today there is a big debate over the improvements of local governments. According to Edgar Ghazaryan (2002), the main meaning of these improvements is to change from totalitarian way of governing to democratic one. First of all this means decentralization.

As a consequence of decentralization the public governance system is formed and streamlined in accordance with administrative and territorial division, distribution of powers, and interrelations among various tiers of governance (Tumanyan, 2004).

Nevertheless, it should be mentioned that in the overall context of reforms the decentralization process per se was launched fairly late, only after adoption of the Constitution in 1995.

At the time from 1922 to 1991 when Armenia was a part of the Soviet Union. Local governments functioned as a component of Soviet administration. The Soviet administrative-



territorial division of Armenia into thirty seven rayons persisted until 1996. In particular, democratization and the creation of a civil society required innovative approaches to issues of local self- governance (Tumanyan, 2002).

### **Methodology**

Methodology used for this Master's Essay is content analysis of various materials (academic research, reports, projects, conferences, papers, data and other relevant material) related to the local self-government system in Armenia. The study itself is descriptive, exploratory and explanatory. The main focus of the study will be the Local Self-Government system changes in Armenia after gaining independence in 1991.

### **Decentralization as a Means to Sound Local Self-Government System**

The goal of decentralization is to shape strong local self-government through logical and consistent steps to enable the local self-government bodies to independently and effectively run the community affairs and provide a considerable portion of public services to the population. Decentralization strategy is based on the principles and provisions of the European Charter of Self-Government and traditions and specificities, and takes into account

the international experience as well as the fact that fulfillment of decentralization strategies differ from country to country.

A large and growing number of countries around the globe are re-examining the roles of various levels of governments and their partnership with the private sector and the civil society with a view to creating governments that work and serve their people (Shah, 1998).

Overall thrust of these changes manifest a trend towards either devolution that is empowering people and/or localization which means decentralization. Localization has been pursued through varying combinations of political, administrative and fiscal decentralization initiatives. **Political or democratic decentralization** implies devolution of functional responsibilities to the lower levels that is transfer of decision-making power to lower level government units and to citizens or to the representatives elected by them. **Administrative decentralization** aims at redistributing authority, responsibility and financial resources among various levels of government to provide public services. **Fiscal decentralization** notion provides local government with access to resources to carry out their responsibilities and entrusts local government fiscal autonomy in the spheres of taxing and spending (Tumanyan, 2004).

It is considered that the examination of the effective decentralization of the governance system requires simultaneous observation of the included three key aspects of decentralization, as they together constitute the integrated process of decentralization and the failure to meet the objectives in any of these areas will hinder the progress as a whole.

Decentralization of governance is an important component of public reforms to result in bringing the governance closer to the people, creation of prerequisites for democratisation and increased efficiency. Introduction and establishment of an effective decentralized system is a complicated process, which may not be completed in a short period of time through a one-off legal act or discrete administrative measure. It is a continuous process requiring

continuous and consistent efforts, comprehensive approach, proper attention and constant regulation, sometimes to be implemented in a number of phases. A prerequisite of the success in implementation of this process is the strong political will and support (Ghevondyan, 1996).

Decentralization promotes democratic processes at least in five major directions (Terteryan, 2004).

**First**, an opportunity is created for large segments of population to participate directly in governance processes through elected bodies and exercise immediate impact upon government operations through local elections and participatory monitoring. This state-of-affairs promotes also dissemination of knowledge in respect of new process and practical interaction within government system;

**Second**, a decentralized administrative and territorial system preconditions formation of local political and economic elite, its manifestation at the local and principally new and independent level of political and economic functions, which is an integral and crucial segment of national political life;

**Third**, in the interrelations with higher levels of governance the lower ones can now provide a system of “checks-and-balances” thus ensuring objective feedback;

**Fourth**, decentralization promotes citizen participation in economic and social development processes in their communities and larger regions;

**Fifth**, delegation of powers to local governments alleviates the burden placed on the central authorities.

So, decentralization is an integral component of democratic reforms and it preconditions efficiency of their implementation. It is not merely an important but a necessary component in establishment of democratic society and its further development.

## **Local Self-Government in Armenia**

### ***Current Model and Structure of Local Self-Government:***

Though Armenia has big and rich history, but for a long time it did not have such kind of system. Both during first and second Republics in the country, there was not any developed Local Self-Governing system. Even during Soviet times, like Soviet other republics, there was a system of the government's local bodies (local councils) in Armenia which by its essence was far from being called Local Self-Government (Ghazaryan, 2002).

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The progress of decentralization is broken into several phases: (Tumanyan, 2004)

1. 1995-1996: Constitutional, legislative, institutional and structural reforms, and formation of a new public governance system;
2. 1997-2001: Expansion of legislative framework, and establishment of local self-government system;
3. 2002: strengthening the basis of local self-government, and transferring new powers to local governments.

In the first phase of decentralization, institutional and structural reforms were undertaken, new system of public governance was established, local self-government was segregated from the state (central) governance, first ever elections of local governments were held, and

the process of establishment of the new self-governance system began, all the above on the basis of the Constitution and legislation.

The second phase is characterized with strengthening of local-self governance. In this phase, local governments started actual implementation of their operations, building and application of necessary institutions, a number of laws and regulatory acts were adopted, which, to certain extent, filled the legislative gaps.

Beginning of the third phase relates to adoption of the new Law on Local Self-Government (May 7, 2002), which expanded and strengthened the institution of community property, streamlined interrelations between central authorities and local governments, and new powers were transferred to the communities (Tumanyan, 2004).

One of the problems concerning decentralization according to Ghazaryan (2002) is that central government is not willing to give up its power, reasoning that communities are not ready for it. On the other side communities want all the power at once, considering that central offices just do not wish to give up their power. But Ghazaryan (2002), comments that the communities will be more developed if they have more power for implementing local tasks and if they have financial big possibilities. It will arise the effectiveness of solving the local problems in the community.

One of the most important aspects of the Armenian government is that Armenia is a unitary state and, as typical of all unitary states, most of the government functions are centralized. The share of local budgets in the consolidated budget is rather small at nearly 5%. This means that local governments in Armenia have few assigned responsibilities (Ghevondyan, 1996).

The development of post-socialist cities has allowed Central and East European, as well as CIS countries to rejoin the mainstream of European democratic institutions. Across Europe, a range of very different local government systems have developed and been grouped

into three categories. In Leemans' (1970) terminology these are fused, dual, and split hierarchy systems<sup>1</sup>. A number of CIS countries including Armenia selected a strong central supervision combined with locally elected Mayors and Councils. This model is closer to the French fused system, with some elements of German legislation incorporated (Ordyan, 2000). In its original French form, instituted by Napoleon, the prefect level and the local mayor were centrally appointed. In its more recent form, local mayors are elected. Armenia has a simple two-tier system of government: central and local government, in which the central government has deconcentrated branches in each of the 10 regions (marzes) (Drampian, 2004).

The Law on Administrative-Territorial Division of the Republic of Armenia (December 1995) defines the government structure and territorial division of the country. Armenia is divided into 10 regions (marzes), and the capital of the country Yerevan is also assigned marz status. Marzes are governed by marzpets, or regional governors, appointed by Prime Minister of the country. The mayor of Yerevan also has a status of marzpet but is appointed by Prime Minister upon the President's nomination. Marzpets carry out state policy in the regions of the country. Marzpet offices are not a subnational tier of government, they represent the central government in the regions. It is important to mention here, that among other responsibilities that marzpet has, he/she can initiate the procedure for dismissing a mayor upon a Community Council request, or alternatively he can himself initiate this process by submitting a request to the Government (Drampian, 2004).

Marzes are divided into urban and rural communities. Despite the relatively small country size and population there are 1000 settlements in Armenia governed by 930 local governments. The total number of urban communities defined by the Law on Administrative-Territorial Division is 59, including 47 cities and 12 communities (districts) in Yerevan. The

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<sup>1</sup> Cited through Bennett (1977), p.4.

remaining 871 are rural. The peculiarity of the local government structure in the country is also the special status of the capital city of Yerevan. Yerevan is the biggest city having a marz status and it is divided into 12 communities, called districts. The districts of Yerevan are self-governed and have elected mayors and councils, as any other community (Tumanyan, 2001).

Through the system of state administration the Armenian government appoints and dismisses regional governors (marzpetner) to carry out the following duties with the assistance of regional administrations (marzpetaran):

- to implement the government's regional policy
- to coordinate the activities of regional agencies of state administration
- to mediate between the central and local governments
- to regulate inter-community issues within their competence

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Responsibilities (mandates) of the communities are classified into own and delegated by state. Own responsibilities are divided into mandatory and voluntary (Drampian, 2004).

The law states that mandatory and delegated responsibilities have a priority and must be fulfilled in the first place.

**Local government mandatory powers in the field of municipal services are the following:**

- Maintain and update a citizen's register
- Foster economic activity and assist businesses
- Develop a city master plan
- Perform zoning
- Issue construction and demolition permits
- Use and maintain non-privatized residential and non-residential buildings and associated facilities, dormitories, administrative buildings and other structures that the community owns
- Use and maintain land
- Maintain and operate water supply, sewerage, irrigation and central heating systems
- Perform landscaping and site improvement in the community
- Perform solid waste collection and disposal
- Maintain cemeteries
- Perform construction, maintenance and operation of roads, bridges and other infrastructure under the community's jurisdiction.
- Issue permits for public transportation and regulate operation of public transport in the community
- Issue permits and regulations for trade, catering and services in the city.
- Manage and operate art, sport and music schools, kindergartens, community centers, libraries, museums, other cultural institutions under its jurisdiction.

So, as one can see, as the result of decentralization kindergartens, community centers, libraries and other institutions or centers are under the responsibility of local governments.



Going back to the pro and con argument concerning decentralization in Armenia that local and central governments bring forward one can judge according to the facts. For example as a result of decentralization 12 kindergartens were transferred under the responsibility of the local government in Abovyan. As the local government in Abovyan could not keep those buildings as cultural centers they sold some of them. Two of them became privately owned houses, which were sold by auction at the lower price, one of them became university, the other one was destroyed, and the fate of the fifth is not clear yet.

However, the fact is that today two or three kindergartens are working in Abovyan. The same fate had the libraries: From eight libraries only one is left, the condition of which is not very good.

**State delegates some of its powers to local government and provides adequate full funding from state budget to execute them. Some examples include:**

- Billing and collecting of land and property taxes
- Maintaining city cadastre
- Maintaining records of citizens' civil status and vital statistics (births, deaths, marriages, divorces etc.)

Primary and secondary education is the provenance of the state government, which funds and administers institutions, employs teachers and administrators and determines curricula and performance standards.

Health care is provided primarily by the central government. However, a few communities have primary health care clinics, which are covered from user fees and the community budget.

Ownership of electricity and gas supply systems was not transferred to communities, but local governments must facilitate the installation of such services for community residents and businesses.

Local governments have no responsibility for telecommunications, which is provided by the Armentel stock company on a monopoly basis. So, in general, local authorities play a minor economic role, due to lack of financial resources (Tumanyan, 2000).

Local governments in Armenia have the “Mayor-Council” structure. Both the mayor and community councils are elected every three years through direct and equal elections. The size of the councils depends on the population number and varies between 5 and 15. Community councils have power to:

- issue municipal regulations
- adopt the budget and three-year development plan and monitor their execution
- approve the structure of the local administration
- approve community loans
- suggest dismissal of the mayor to the marzpet (regional governor)
- determine the rate of local fees and duties
- approve the regulations for local trade, catering and public service enterprises

Together, the council of community elders and the community head comprise the local decision making bodies. The community elders act as the representative body, providing guidance on community development, improvement of community life, public service delivery and other issues. Council sessions are held at least once per quarter at the elders’ discretion. These are presided over by the community head, who has a tie-breaking vote. Community elders have the authority to issue resolutions on any matters related to community interests. Community elders may also issue statements on matters which are outside their jurisdiction but related to the community. These may be addressed to the public, the head of the community, the marzpet or other state authorities (Tumanyan, 2000).

Councils have other powers, which relate to approving the mayor’s appointments, sales and rental of municipal property, naming of streets and squares and other. At first glance it

may seem that there is a balance between legislative and executive bodies, which ensures the system of checks and balances. However, in practice executive power dominates in decision-making, often leaving the councils just to rubber-stamp its decisions. According to Drampian (2004), some of the reasons for this are:

- Legacy of the Soviet administrative system – former Soviets (councils) used to rubber-stamp Communist party branch decisions
- Low professionalism of council members
- Low accountability of councils, open meetings are rarely practiced though it recently became a legal requirement under the new Law on Local Self-Government
- Council members are most often loyal to the mayor and avoid opposing or criticizing the executive power.

### **Legal Basis of Local Self-Government (Constitution and Laws)**

The Constitution of the Republic of Armenia, adopted by referendum on 5 July 1995, directly addresses issues of regional and local self-government in chapter 7, articles 104–110. These articles became the legal foundation for administrative-territorial reforms. Chapter 7 in the acting Constitution is called Territorial Administration and Local Self-Government. Articles 104 through 110 state the fundamental principles of administrative and territorial division of the country and ways of execution of local self-government. These articles became the legal foundation for administrative-territorial reforms. Article 108 declares the special status of capital city Yerevan as a marz (region) and Yerevan mayor as a marzpet (governor).

Article 109 has been under critique since the system of local self-government was established in the country. According to it the marzpet (governor) can submit a request to the Government to dismiss any mayor. This was the case in France before 1982. According to the French constitution the central government controlled the municipal council or the mayor: before 1982, the mayor and the council could be dismissed by a decree if dissension was a real constraint for the management of the municipality (Sinet, 1996). Apparently, a decentralization policy should consider revising this article (109) and bringing it in concordance with the European Charter of Local Self-Governance (Drampian, 2004).

Another legal basis of local self-government are more than 15 laws, number of Presidential decrees, numerous Government decrees, Prime Minister's decrees and other normative acts (Drampian, 2004).

The authorities delegated to the communities shall be subject to mandatory financing from the state budget. The communities shall define local taxes and duties within the limits provided by law. The communities may define fees for the services they render. The Law on Local Self-Government is the key one providing legal basis of this sphere. This law was first adopted in July 1996. After a series of amendments the need for systemic change became clear and the new Law on Local Self-Government was adopted by Parliament in December 2002.

As Tumanyan notes (2000), according to the Armenian law, the central government has the authority to decide on over twenty spheres of local government interest. These include allocating budgetary loans, credits and guarantees; establishing procedures for the collection and distribution of local taxes; and confirming community property. But one of the problems concerning the law of Local Self-Government is that Armenian legislation does not address public participation in the decision making process in detail, although it may do so according to the Law on Local Self-government.

As Tumanyan mentions (2002), the community head and the community elders have the right to initiate decisions, but residents may submit draft resolutions and attend council sessions with the permission of the local council. However, the level of public participation is very low. Most citizens are poorly informed about local authorities and their responsibilities as well as local government procedures.

Although the Constitution provides for forms of direct democracy, such as referenda, public hearings and meetings, they have rarely been used at the local government level. Only a few cases of public hearings are known. The absence of direct forms of democracy is due to many factors, such as lack of financial resources, an ill-defined legal framework, minimal activity on the part of non-governmental organizations (NGOs) and overall organizational difficulties (Tumanyan, 2000).

Recent experience in the Armenian local self-government has revealed many areas that urgently require clarification or strengthening. These include local government finance, administrative-territorial division, decentralization of responsibilities and procedures of public administration

In France the process of decentralization took long time. In the first period (1982-1992), deconcentration seemed to have been the alternative to decentralization: in fact, while the main political value was decentralization, the Central Government faced problems in the process of deconcentration (Sinet, 1996).

However, in France in 1996 there still was confusion in the execution of many functions, confusion between the State and local level and between the different levels of local entities. The main reason according to Sinet (1996), for the confusion was the role of Central Government which tried to keep issuing norms and rules, for example, about education or urbanism polices.

## **Fiscal Decentralization in Armenia**

In order to fulfill their powers and operations local governments should possess relevant financial resources. This is one of the provisions of the European Charter of Local Self-Government, which has been stipulated in the Armenian Law on Local Self-Government as well. The Law on the Budget System in the Republic of Armenia regulates all budgetary relations between central and community budgets in a system based on unified state fiscal, monetary and taxation policies classifying revenues and expenditures, accounting, reporting and implementation. Regulation of budgetary relations is based on the principles of unity, independence, balance and transparency of the budgets, as defined by law. The aggregate of the revenues and expenditures of the state and community budgets forms the consolidated budget of the Republic of Armenia (Drampian, 2004).

**In its fiscal relations with local governments, the central government carries out the following purposes:**

- to promote community development by reducing financial disparities between communities and enabling them to implement their mandates;
- to allocate subventions (special-purpose appropriations) to communities for capital expenditures;
- to allocate budgetary credits and loans to the community budgets for capital expenditures.

Looking at the community budget expenditures one can clearly understand local government's operations. However, in order to implement and organize budget process, importance is attached to classification of community budget revenues. In accordance with the Law of Armenia on Budgetary System (Article 28), the community budget expenditures are divided into two constituent parts (Movsisyan, 2004):

- Operating part of the community budget (operating budget)
- Capital part of the community budget (capital budget).

***Revenues of the operating budgets are:***

1. All tax revenues, duties (specific types of stamp duties and local duties, including fines and penalties for breaches of tax legislation, which are assigned to the local budgets;
2. Specific non-tax revenues, i.e. revenues from use and rent of land and property, local fees.
3. Official transfers, i.e. subsidies from the state budget under the financial equalization formula and transfers from other sources.

***Revenues of the capital budget are:***

1. Official transfers from the state budget and other sources earmarked for capital expenditures,
2. Non-tax revenues collected to capital budget under the legislation and other legal acts, including proceeds from capital transactions, dividends from investments in joint-stock companies, financial institutions, statutory funds of banks, interest gained on bank deposits and other non-tax revenues;
3. Borrowings in the form of credits and loans
4. Allocation from operating budget of the community and retained balance at the beginning of the year.

Predominant portion of community budget expenditures is done through the operating budget. Besides, majority of capital budget expenditures reflects capital renovation costs. It should be mentioned that 80% of communities do not have capital budgets at all (Drampian, 2004).

The range of community budget revenues contains tax revenues (property tax, and land tax), duties (around 37% of total revenues), non-tax revenues (some 12% of total revenues), and official transfers (around 48% of total revenues, which are practically entirely subsidies from the state budget allocated through financial equalization) and revenues from capital transactions (around 3% of total revenues) (Darbinyan and Haroyan, 2004). From the figures shown one can see that the communities are heavily dependent on state budget transfers.

There are two types of central government transfers subventions and subsidies. According to the Armenian legislation, subsidies are defined as intergovernmental transfers to communities' operational budgets. Subventions are targeted transfers to communities so called capital budgets to fund capital improvement projects.

The legal basis for intergovernmental transfers in Armenia is the “Law on Financial Equalization” adopted by the National Assembly on November 24, 1998 and amended on February 8, 2000. Article 3 and Article 4, item 1 of this law stipulate that to promote harmonious development of the communities, the state budget shall allocate subsidies to local community budgets, based on equalization principles. The law defines subsidies, as government transfers, appropriated to cushion financial inequalities between the communities (Article 3).

Individual communities have full discretion over use of equalization subsidies, which are considered budget revenue and distributed through the community budget. Subsidies are distributed from a fund, the precise size of which is determined each year by the Annual State Budget.

**Subsidies for communities with more than three hundred inhabitants are determined by the following factors** (Tumanyan, 2004):

- (a) land and property tax revenue per capita and
- (b) the number of residents.



For communities with fewer than three hundred inhabitants, the subsidy based on land and property tax revenue per capita may not be less than twenty-five percent of total previous-year collections from income, land and property tax. The total subsidy to these communities based on the number of residents may not be less than ten percent of previous-year income tax collections. The subsidy based on land and property tax revenue is destined for communities with over three hundred inhabitants where per capita land and property tax revenues are lower than the national average. For communities with over three hundred inhabitants, the subsidy based on the number of residents is calculated by multiplying the number of residents by the subsidy amount per capita (the ratio of the total subsidy based on the number of inhabitants to the entire population in Armenia living in communities of over three hundred inhabitants). The amount of subsidies for the communities with fewer than three hundred inhabitants is calculated evenly.

The central government may also allocate subventions to local governments for the implementation of concrete projects.

**So the main sources of community budget revenue are as follows (Movsisyan, 2004):**

- centrally established taxes and duties;
- subsidies from the state budget;
- local duties and fees;
- land and property rent;
- revenue from the sale of community property.

Land and property taxes are currently the only community budget tax revenues; one hundred percent of each tax is paid to local governments. Local governments also receive revenues from the following state duties that are imposed on registration of certain official documents:

- duty for registering acts of civil status such as birth, marriage and death certificates, amending records and issuing copies of certificates or documents that were lost;

- duty for Notary Office services, such as issuing copies of documents certified by the notary, drafting contracts and applications and issuing copies or extracts of official documents.

State duties comprise more than ten percent of local budget revenues. The Law on Local Duties and Fees, adopted in 1998, stipulates requirements and procedures for implementing nine local duties and three local fees. Under this law, community elders have the right to fix rates within a defined range for duties on the following items (Movsisyan, 2004):

- license to construct or renovate buildings, building facades or other civil engineering structures including temporary ones;

- license to demolish buildings or other civil engineering structures;

- license to sell alcohol or tobacco products, in accordance with standards set by the community or the city of Yerevan;

- license for open-air trade activities, except trade in markets, fairs and provisional buildings;

- license to operate entertainment facilities after midnight, including saunas, catering facilities and gambling establishments in accordance with standards set by the community or the city of Yerevan;

- license to keep a non-pet animal in Yerevan and other urban communities, in accordance with standards set by the community or the city of Yerevan;

- license to advertise in public areas, in accordance with standards set by the community or the city of Yerevan;

- copies of documents from the communal archive;

- license to operate a passenger taxi on community territory, except for minibuses (districts are not allowed to implement this duty).

**Local governments may also charge the following fees:**

- fee for local government services in preparing technical or financial documentation for the construction of new buildings or renovation of building facades;

- participation fee for auctions and tenders organized by the local self-government, for covering expenses;

- fee for government services in surveying land and other necessary activities in allocating, reclaiming or renting local government property.

Community elders may decide on the allocation of expenditures; the main areas of expenditure are usually administration, housing stock and public utilities, pre-school education, culture and sports. In many rural communities, administration expenditures make up the greatest part of budget expenditures. Execution of community budgets is supervised by the community elders, the National Assembly and the central government according to their legally stipulated powers (Movsisyan, 2004).

The official fiscal year begins on 1 January and ends on 31 December. The budget process for a given fiscal year lasts for about two years, beginning in June of the previous year and ending upon approval of the budget execution report in May of the following year. The head of the local community, with the assistance of local administration staff, drafts the local budget on the basis of the annual objectives stated in the community's three-year development plan. Unfortunately, the local budget process does not always follow the given schedule due to delays in the adoption of the state budget, which contains necessary information on community subsidies.

The community head must submit the following documentation to community elders prior to adoption of the budget (Movsisyan, 2004).

- the draft of the community budget from a three-year perspective, broken down into separate components, and detailed revenues and expenditures in accordance with defined operational and economic classifications;
- a report from the community head on the major directions of community development for the fiscal year;
- a supporting statement for the required funds and proposed appropriations for implementing special-purpose programs financed from the community budget;
- the debt structure, accompanied by a comparative analysis of its indicators, actual previous year indicators and estimated current year indicators;
- a supporting statement for proposed appropriations from the reserve fund;
- information on transfers from the state budget, as stipulated by law;
- information on the total number of full-time local positions and total payments for wages.

The head of a community may submit the draft budget to community elders up to one month after approval of the state budget. It is then adopted by the community elders, with any necessary amendments or additions initiated by either the community head or community elders. The community head is responsible for the implementation of the local budget and local authorities exercise the full right to manage own financial resources. Article 50 of the Law on Local Self-Government states that the Councils can "check any budgetary action, the quality and effectiveness of works performed, and require reports regarding performed expenditures." Community Chiefs must have the consent of the Councils in order to organize staffs, to establish enterprises, to dispose of communal land, to rent or sale communal property, and to engage in other transactions.

Ministry of Finance is the principal source of funding for local self-governments. Municipal governments make budget requests to the Ministry of Finance, which forwards

them to the president after review. Allocations to specific municipalities are given in the yearly budgets presented by the president to parliament (Tumanyan, 2004).

The following laws form the legal basis for municipal finance: Law on local Self-Government, Law on Budgetary System (chapter 5), Law on Local Duties and Fees. These laws shape the major requirements for municipal budgets and identify sources of revenues as well as patterns of expenditure.

Effective fiscal decentralization process assumes that local governments raise significant portions of their budgets from their own sources. Strengthening financial capacity and efficiency of local governments in Armenia can be attained in several ways:

1. Through increasing own revenue effort by better administration and collection of local taxes and duties within the framework of current legislation,

2. Through legislative reforms: expanding the tax base of the local governments by assigning additional taxes as a source of local revenues,

3. Through legislative reforms: introducing larger discretion to local governments regarding local tax rates (those which are 100% assigned to community budgets) and fee schedules,

4. Through legislative reforms: improving the intergovernmental revenue structure and introducing more sophisticated system of transfers that will ensure a better vertical and horizontal balance throughout the country.

Of all the mandatory powers delineated in the Law, the adoption of a local budget appears to be the most significant. The Communities do not have the authority to introduce and/or collect local taxes by themselves. All taxation is controlled by the central government. Nevertheless, taxes on land and other property and 15 percent of all income and profit taxes collected within a community go directly into its budget (Drampian, 2004).

All the statements and facts show that local self-government in Armenia has been largely established. Political, economic, legal, financial and organizational basis for local self-government has been created. It operates, but there are numerous problems, and the progress is slow and poorly planned.

So, the further development of local self-government is directly linked with decentralization and democratization processes, implementation of an optimal administrative and territorial division of the Republic, consolidation of communities and financial independence of communities from the central government (Terteryan, 2004).

Following is a list of recommendations which Tumanyan (2000) suggests for the future development of local self-governance in Armenia.

***In order to provide local governments with the necessary finances to carry out their activities, the following steps may be taken:***

- to increase the power of local authorities to collect taxes;
- to define a share of centrally established taxes as a new community budget revenue;
- to transfer state funds to community budgets in a timely manner.

***In order to clarify the status and responsibilities of various administrative-territorial units, the following steps may be taken:***

- to differentiate between the requirements of urban communities, rural communities and districts of Yerevan;
- to enlarge community territories;
- to modify the status of the capital city and allow the city mayor to be directly elected by the population;
- to ensure that the staff of the regional governor corresponds to its assigned functions.

***In order to support decentralization and the development of local democracy, the following steps may be taken:***

- to broaden the authority of local governments to resolve local matters such as the creation and operation of the social-economic infrastructure, primary and secondary education and community police;
- to create support offices for community councils;
- to increase the transparency of local government activities by publicizing them and soliciting feedback.

*In order to develop the system of public administration, the following steps may be taken:*

- to adopt the Law on Civil Service;
- to clarify the relationship between bodies of public administration and local authorities;
- to develop mechanisms for the supervision of local authorities;
- to establish administrative courts;
- to clarify the legal requirements for removing the community head from office.

All of these issues require changes to the Constitution and existing legislation as well as the adoption of new normative acts.

### **The Constitutional Bases of the Local Self-Government System in Armenia**

The key documents forming the bases for the concept of the local self-government system in Armenia are the Constitution of RA, the European Charter of Local Self-Government, and the Laws of RA. The Constitution of RA states the principal guarantees of formation and development of local self-government. They are seriously corroborated and expanded within the frames of the European Charter of Local Self-Government, which are reflected in the laws on the system of local self-government.

The conceptual bases of the system of local self-government in Armenia are stated in the Constitution of 1995, passed by referendum, which made basis for the realistic and modern local self-government system (Tumanyan, 2005).

Article 2 of the basic Law clearly states that citizens exercise their authority through the State (central) government and local self-government bodies, which fact corroborates the political and economic independence of said authorities, as well as their direct accountability to the citizens. This provision rules out any subordination, or subjection, of the local self-government bodies to all branches of the central government, which is also confirmed by other Articles of the Constitution.

One of the most important guarantees is that the local self-government bodies: community head and community council, are formed by citizens through direct and free elections. Article 104 of the Constitution states, that local self-government bodies are elected in the communities, which are administrative-territorial units of the Republic of Armenia.

Article 105 of the Constitution specifies that local self-government bodies are elected to solve communal problems and to manage the communal property, for a term of three years. Thereby, the community is deemed a subject with the right of ownership with all ensuing consequences; the communal problems and property should be clearly distinguished as those of state and of communal significance; the right to solve the communal problems is only entitled to the local self-government bodies.

At the same time, Article 10 of the Constitution states that the powers of the local self-government bodies are only specified by Law, which means that the local authorities are only accountable to the Law and to their electorate, and that the bodies of the central government, i.e. President of RA, National Assembly, the Government, governors and others cannot by their ordinances obligate the communities to perform any activity not provided by



Law. By the same Article, the community head is granted an important conceptual right to form the staff of the community head, to pursue independent staff policy.

By Article 106 of the Constitution, the community is entitled to have a budget, which is developed by the community head and adopted by the community council. The supervision over the execution of the community budget is conducted by the community council. By the same Article, the community council, by the procedure, established by Law, determines the local duties and fees, which means, that the community is to determine by the procedure, established by Law, the types and rates of the local duties and fees. The right of the community to pursue independent economic policy follows from this provision.

Article 107 of the Constitution states that in marzes, as administrative-territorial units, state government is carried out, and that the marzes consist of rural and urban communities. The latter provision of the Constitution obligates that the territory of a marz be equal to the aggregate of the administrative territories of the communities constituting the marz. This is of a unique systemic significance, as it suggests implementation of local self-government all over the Republic of Armenia.

By Article 108 of the Constitution, Yerevan is granted the status of a marz, while local self-government in the city is carried out by the district communities.

Article 109 of the Constitution contains a provision, which totally hinders formation of local self-government. By this Article, the central government is entitled to pronounce no confidence to the community head, elected by citizens; to dismiss the head; to schedule extraordinary elections, and to assign the acting community head. This provision completely deprives the communities of political independence, which consequences have been sensed since the establishment of the system.

The above cited is the Constitutional concept of local self-government, which ensures the following Constitutional guarantees of exercising local self-government:

1. The local self-government is clearly separated form and independent of the central government.
2. Exercising local self-government only in the communities, and spread of it all over the territory of the Republic of Armenia.
3. Electiveness of the community bodies by citizens by the procedure, established by Law.
4. The right of the community to manage the community property, to have own budget and to solve the communal problems.
5. The right of the community to pursue independent staff policy.
6. The guarantee to determine only by Law the powers of the local self-government bodies.

The Constitutional conceptual bases and guarantees of local self-government are seriously developed by the European Charter of Local Self-Government, ratified by the Republic of Armenia in 2002. After ratification by the Republic of Armenia, the European Charter of Local Self-Government is an integral part of the Law of the Republic of Armenia, acts directly, and enjoys a higher legal effect than the Law of RA. It is a serious incentive for the further advancement of local self-government in Armenia (Gimishyan, 2005).

According to Tumanyan (2005), the European Charter is based on the principles, recognized in the civilized world, which are as follows:

- local self-government is one of the bases of any democratic society;
- public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen;
- only local self-government bodies, endowed with real power, are able to ensure efficient government, brought close to the citizens for the ease to make use of.

All said is possible in parallel with the decentralization policy through democratically formed local self-government bodies, which are empowered the authority to make decisions independently, and are provided with all requisite means to implement them. The principles, declared by the European Charter, put forward serious responsibilities and rights for communities, state government bodies and officials, and supplements and evolves the Constitutional concept of local self-government in the Republic of Armenia (Tumanyan, 2005).

According to Tumanyan (2005), the European Charter on Local Self-Governance stipulates activities or powers in the following spheres:

***In the sphere of Powers of the Communities:***

1. Direct participation of citizens in local self-government through local referenda where it is permitted by statute.
2. Complete freedom of local self-government bodies while carrying out their own initiatives, which are not excluded from the competence of the local authorities and are not within the competence of any other authorities.
3. Exercising public responsibilities by the closest to the citizens local authorities.
4. Fullness and exclusiveness of the local self-government bodies' powers. Said powers can be only disputed or limited within the frames, specified by Law.
5. Preparation of the decisions on local self-government system by the State after preliminary discussions with the communities.
6. The right of the members of elected bodies to receive financial compensation for the expenses, incurred while they were executing their powers.

***In the Sphere of Administrative Control over Communities Conducted by the Central Government:***

1. Execution of administrative supervision by the central government solely in the events and by procedure, specified by Law.

2. Execution of supervision solely to support the Constitutional and legislative principles.

3. Under the administrative supervision, execution of comprehensive supervision over the fulfillment by the communities of the powers, delegated by the central government.

***In the Sphere of Finance of the Local Self-Government:***

1. Local self-government bodies shall be provided with sufficient own financial resources, which they can freely use in order to fulfill their powers.

2. Said financial resources shall be commensurate with the responsibilities granted to the communities by Law.

3. A certain part of the finance is constituted of local duties and fees, determined within the frames, specified by the community, in accordance with the Law.

4. The financial system of the communities shall be flexible and diverse, which will enable to exercise flawlessly the powers, granted by Law.

5. Financial assistance to financially weak communities via the mechanism of financial equalization, not restricting the independence of said communities in making decisions about the ways of how to spend the finances. The way of redistribution of resources shall be consulted with local authorities.

6. The subsidies to the communities shall not be, to the extent possible, directed towards concrete projects, and cannot restrict their independence.

7. The communities, when making capital investments, shall be entitled to make use of the loan capital market by the procedure, established by Law.

***In the Sphere of Formation of Communities Associations and Unions and their Legal Protection:***

1. The right of the communities to cooperate while exercising their powers and within the frames, specified by Law, to form consortia with other communities to solve the problems of mutual interest.
2. The right of the communities to form associations to protect their common interests and goals, as well as to cooperate with identical structures in other countries.
3. The right to legal protection of the communities to protect their own rights and to follow the principles, defined by Law.

So, the European Charter, by the above-mentioned provisions, creates additional guarantees for the system of local self-government to come into existence, such as:

1. The fullness and exclusiveness of the local self-government bodies' powers, which rules out partial solution of the objectives, granted to the community by Law, through the local self-government or central governmental bodies. Simultaneously, it is planned to delegate through the mechanism of decentralization some of the central government powers to local governments, closest possible to the citizens.
2. The central government is held liable to discuss with the communities all the related decisions.
3. The central government can only conduct supervision by the procedure and in the events, established by Law: Constitutional and legislative supervision and administrative supervision over the execution of the delegated powers by the communities.
4. The communities use their funds freely, which shall be proportionate to the powers, granted by Law.
5. The financial system of the communities shall be flexible and diverse; the rates of some taxes shall be determined by the community.

6. The budget of the communities shall be enabled to be completed by the procedure, established by Law, from the loan, subsidies, and means for financial equalization of the weak communities.
7. The right defined by Law to form community unions to solve problems of mutual interest, etc.

### **The Legislative Development of the Concept of Local Self-Government**

Tumanyan (2005) states, that based on the Constitution and on the conceptual provisions, stipulated by the European Charter, the laws, formulating the local self-government system, advance and expand it, particularly:

#### **The Law of RA «On Local Self-Government»**

1. The community, as a subject of the private and public right, is recognized a legal entity, which constitutors are the community citizens; which administrative boundaries are delineated in compliance with the Law on Administrative-Territorial Division; which bodies are the elected by citizens community head and community council; which powers and property are defined by Law; which has a budget, formed from concrete sources.

2. The community is to solve the problems, related with the citizens' life support; to be allotted the required for said function funds, which gradually expand in parallel with formation and development of the communities, and based on the principle of decentralization; at the same time, the central government is held liable for the projects on regional development and control over the communities.

3. In order to solve the problems of the community, the elected bodies of the community: community head and community council, are granted by Law with concrete powers, based on the following principle: the community council formulates the political decisions on carrying out said tasks, and the community head puts said decisions into effect through managing the executive bodies of the community.

4. The powers of the community are separated into own powers and those delegated by the central government. The central government can delegate by Law some of its powers to the community to bring those closer to the citizens and thus more efficient. Since the community can carry out any power within its interests, not granted by Law to another governing body, and taking into account the scarcity of the community funds, which does not allow to exercise the entire volume of said powers, the community's own powers are differentiated as mandatory and voluntary. The mandatory powers are funded from the community budget on priority and compulsory basis, while the voluntary powers are funded by the decision of the community council, from the community budget, provided that free means are available. The powers delegated by the central government are carried out by the procedure, established by Law or the central government, and through mandatory funding from the state budget.

5. The central government transfers to the community with the title for ownership the property, which is requisite for the community to exercise the mandatory powers. To the community is also transferred the land within the administrative boundaries of the community, which is state property. The community leases gratis to the state budget offices, located within one's administrative territory, the land, necessary for them to exercise their authorities, for the entire period of their activity.

6. The community budget is formed from own revenues of the community and from state transfers. Own revenues of the community budget constitute the land and property taxes

total, local duties and fees, as well as allocations from the state taxes, such as income tax and profit tax, fixated to the community budget in order to ensure the diversity of the budget inflow and the flexibility of the financial system.

7. It is clearly stated that state supervision over the community is conducted by National Assembly and the central government (Minister of Territorial Administration, or governor's office once a year).

8. In order to deliver quality services to all the citizens regardless of how big is the community they live in, and considering the fact that smaller communities (i.e. most of the communities) are financially unable to fulfill their powers, the Law suggests a concept for optimization of governance at the local level, which makes possible to:

a) enlarge communities through communities with merged settlements, thereby to cut the administrative costs and increase the funding of mandatory powers;

b) to merge small communities into intercommunity unions (districts), rendering them fulfillment of the authorities, which the communities are unable to fulfill on their own.

***Laws of RA «On the Budgetary System of the Republic of Armenia», «On the Treasury System» and «On the State Procurement»***

These Laws state that the community budgets are serviced via the State Treasury system, and certain purchases shall be made by the community by the procedure, specified by the Law, coordinating the state procurement.

***Law of RA «On Urban Planning»***

By the Law, coordinating the sphere of urban planning, it is stated, that within the administrative boundaries of the community, permission to carry out construction works is given by the community, and the documentation on urban planning and land utilization are verified by the central government.

***Law of RA «On Financial Equalization»***



By this Law is specified the minimum volume of subsidies, allotted to the communities from the state budget, and the mechanism or formula of their distribution.

### ***Law of RA «On Local Duties and Fees»***

By Law are specified the kinds of local duties and fees, which can be used by the communities, and the uppermost and lowermost limits of their rates, thereby the community gets an opportunity to carry out a certain economic policy within its administrative boundaries.

## **Ways of Development of the Constitutional and Legislative Concept of the Local Self-Government System**

### **Constitutional Conceptual Reforms**

According to Tumanyan (2005), by Constitutional reforms, first of all, the defects of the Constitution in force shall be eliminated, such as:

a) the right of the central government to pronounce no confidence to the community head, only settling such problems via judicial bodies;

b) the Constitutional limits set for the number of councilors; this will give an opportunity to form multimember councils and council leading bodies, which, in turn, will present an adequate counterbalance and will allow to conduct a fuller and more efficient control over the community head-an executive body.

*To supplement the Constitution with new clauses, thereby envisaging:*

a) to form the second level of local self-government or intercommunity unions; to state the electiveness of their bodies; to recognize them as administrative-territorial units and subjects of public right;

b) to recognize communities as subjects to apply to the Constitutional Court;

c) to define the land and property taxes as sources for the community budget's own revenues, which will allow the communities to determine their rates by the procedure, established by Law;

d) to recognize Yerevan as a community with a system, specific for a two-tier local self-government; city mayor and city council are elected to solve city problems, while district head and council are elected to solve district problems; they have their own budget each.

These conceptual changes shall be fully reflected in the Law, finalizing the system of local self-government, embracing laws on local self-government, elections to local self-government bodies, local referenda, local duties and fees, budgetary system, financial equalization, administrative-territorial division and others.

### **Legislative Conceptual Reforms**

Moreover, as Tumanyan (2005) states, in the Laws in force, it is necessary to introduce the following conceptual changes:

1. The system of local self-government shall be removed from the system of state procurement and treasury, thereby ensuring the community's complete independence in using own funds. The communities shall be granted the right to have a bank account in any bank, or to consolidate to have a community bank, and, under the market circumstances, to act freely and obtain the necessary services and goods.

2. For coordination of the powers and financial means of communities, in the community budget, to fix 30 percent of the profit tax, 2 percent of the value added tax, 15 percent of the income tax, as well as significantly extend the frames of the local duties and fees.

3. On the principle of financial equalization, to revise the mechanisms of granting subsidies to the communities, so that subsidies from the state budget be granted to the financially weaker communities.

4. To revise the administrative-territorial system, so as to enlarge the communities and to create intercommunity unions all through Armenia.

5. To separate and recognize independent those communities, which are able to fulfill on their own funds the entire body of mandatory powers, granted by law to the communities (such are communities with over 15,000 citizens).

6. In Yerevan, based on the specificities of city objectives implementation, to define by Law the powers of Yerevan community and district communities local self-government bodies and their budget revenues.

7. To provide by Law formation of community's council's leading bodies and commissions, that will constitute serious counterbalance for a strong community leader, not preventing by Constitution the creation of multimember councils.

8. Simultaneously, in order to ensure permanent professional internal supervision over the community head and community offices and organizations, to allow that councils form a permanent supervisory service, consisting of 2-3 members and subjected to solely the council.

It is also necessary to adopt such new laws, as:

1. Law On Mandatory Powers.
2. Law On Delegated Powers.
3. Law On Intercommunity Unions.
4. Law On the City of Yerevan.

## **European Charter on Local Self-Government**

The European Charter of Local Self-Government upon its adoption constitutes an integral part of the Armenian legislation and acts as an impetus for further development of local self-government system in Armenia (Gimishyan, 2004). The European Charter stipulates that:

1. Local self-government is one of the cornerstones of any democratic country;
2. It is the indispensable part of citizens' right to be a participant in management of national issues;
3. Direct participation in national governance can be implemented at the level of local government;
4. Only those local governments, which have real power, are capable of ensuring efficient governance appropriate for and close to citizens.

In the framework of the announced principles the European Charter complements the constitutional system of local self-government in Armenia and being an integral part of the local self-government legislation generates serious obligations and powers for communities and the state (Gimishyan, 2004).

The aim of the Council of Europe is to reinforce and consolidate local and regional democracy in member states, to draw up and implement a framework of standards for the functioning of the state, its institutions and its intermediate structures, such as municipal, provincial and regional authorities and to encourage the sharing of experience and best practice in “front line” issues of change such as government at local level<sup>2</sup>.

The Council of Europe, as the custodian of human rights and the upholder of the principles of democratic government, was the obvious framework within which to draft and

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<sup>2</sup> “Democracy at Grass Roots Level” (Webpage: [www.coe.int](http://www.coe.int)).

adopt such an instrument; all the more so because, as long as 1957, it showed its appreciation of the importance of local authorities by establishing for them a representative body at European level known as the Standing Conference of Local and Regional Authorities of Europe (CLRAE)<sup>3</sup> (Note: As from 14 January 1994 the Standing Conference was transformed into the Congress of Local and Regional Authorities of Europe (CLRAE), as a recognition of its political significance).

It was at the first General Assembly of the Council of European Municipalities in Versailles in 1953 that the first initiative for an international recognition of the principles of local autonomy was undertaken. They adopted on that occasion during the succeeding years the CEM which launched a series of initiatives to have “European Charter of Municipal Liberties” which reflected commitment to rebuilding post-war Europe on the basis of strong local institutions enjoying a high degree of democratic autonomy adopted officially by the European Institutions. It was not until the late 1970s for this call to be answered, with the preparation by the CLRAE of a Draft European Charter of Local Self-Government in 1981 and referred to the Committee of Ministers of the Council of Europe for action. There was a long period of detailed scrutiny, which resulted in the present text of the European Charter, which was drawn up in its final form as a European Convention and opened for signature in 1985. The Charter entered into force on 1 September 1988 upon its ratification by four countries. Thus, from that day on the European Charter of Local Self-Government, along with the European Convention on Human Rights became a pre-requisite for accession by new Member States United Nations Center for Human Settlements 2002<sup>4</sup>.

While tracing the origins of the Charter one can see how the notion of local self-government rose in significance: It was the CLRAE which, in its Resolution 64 (1968),

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<sup>3</sup> The Congress of Local and Regional Authorities of Europe which is one of three organs of the Council of Europe (other two are Parliamentary Assembly and the Committee of Ministers) which is responsible for monitoring the implementation of the European Charter of Local Self-Government via a specific working group in assistance with European Committee of independent experts ([www.cid.bg](http://www.cid.bg)).

<sup>4</sup> Available online ([www.unch.org](http://www.unch.org)).

proposed a Declaration of Principles on Local Autonomy the proposed declaration, was, however, of a rather too general and sweeping character for any firm action to be taken on it. The new initiative of the CLRAE in 1981 was based on a more flexible approach. The view was taken that a mere non-binding declaration of principles could not do justice to the importance of local autonomy or to the nature of the threats to which it is exposed. Rather, government must be asked to enter into binding commitments. The logical outcome of this approach was the submission to the Committee of Ministers, in CLRAE Resolution 126 (1981), of a draft European Charter of Local Self-Government with the request that it be adopted with the status of a European convention. The 6<sup>th</sup> Conference of European Ministers responsible for Local Government, which met in Rome from 6 to 8 November 1984 with regard to the legal form which the Charter should take, a majority of ministers expressed themselves in favor of a convention<sup>5</sup>.

The Council of Europe has always admitted the overriding importance of democracy at local and regional level. After all, freedom is a neighborhood issue as well as a national one. Local self-government must meet the needs of all Europeans, in towns and villages, central and peripheral regions and across borders. In 1994, the Council of Europe established the Congress of Regional Authorities of Europe (CLRAE) as a consultative body to replace the former Standing Conference of Local and Regional Authorities. The Congress helps new member states with practical aspects of their progress towards establishing effective local and regional self-government. It is the voice of Europe's regions and municipalities; it provides a forum where local and regional elected representatives can discuss problems, pool their experience and express their views to governments; advises the Committee of Ministers and the Parliamentary Assembly of the Council of Europe on all aspects of local and regional policy; cooperates closely with national and international organizations representing local and

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<sup>5</sup> European Charter of Local Self-Government (webpage: [www.conventions.coe.int](http://www.conventions.coe.int)).

regional government; organizes hearings and conferences to reach a wider public whose involvement is essential to a working democracy; prepares regular country-by-country reports on the state of local and regional democracy in all the Council's member and applicant states and monitors, in particular, how the principles of the European Charter of Local Self-Government are implemented<sup>6</sup>.

The European Charter of Local Self-Government is the culmination of a series of initiatives and many years of deliberation within the Council of Europe. The protection and strengthening of local autonomy in Europe by means of a document expounding the principles subscribed to by all the democratic states of Europe is a longstanding ambition in local government circles, as long ago as 1957, it showed its appreciation of the importance of local authorities by establishing for them a representative body at European level known as the Standing Conference of Local and Regional Authorities of Europe (CLRAE).

The Charter commits the Parties to applying basic rules, which will guarantee the political, administrative and financial independence of local authorities and that the principle of local self-government shall be recognized in domestic legislation and, where practicable, in the constitution by local authorities, who, acting within the limits of the law, shall regulate and manage public affairs that is under their own responsibility and do it in concomitance with the interests of local population that local authorities shall be elected in universal suffrage.

Consequently, the Charter considers that public responsibilities should be exercised preferably by the authorities closest to the citizens, the higher level being considered only when the co-ordination or discharge of duties is impossible or less efficient at the level immediately below. To this end, it sets out the principles concerning the protection of local

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<sup>6</sup> "Grass-roots Democracy" (webpage: [www.radaeuropy.sk](http://www.radaeuropy.sk)).

authority boundaries, the existence of adequate administrative structures and resources for the tasks of local authorities, the conditions under which responsibilities at local level are exercised, administrative supervision of local authorities' activities, financial resources of local authorities and legal protection of local self-government. The principles of local self-government contained in the Charter apply to all the categories of local authorities. Each Party undertakes to consider itself bound by at least twenty paragraphs of Part I of the Charter, at least ten of which shall be selected from among a "hard core."<sup>7</sup>

So, one can see that the European Charter of Local Self-Government is the first multilateral legal instrument to define and safeguard the principles of local autonomy, which is regarded to be one of the pillars of democracy which it is the Council of Europe's function to defend and develop. And dramatic turning point in Armenia's life became its membership in the Council of Europe, which is an organization devoted to the rule of law and to pluralist democracy which acquired a pan-European dimension by welcoming countries from Central and Eastern Europe<sup>8</sup>.

The importance of Armenia's membership can be explained by the fact that a rapid integration into European structures opens up new possibilities for Armenia. For Armenia as well as any other country joining this pan-European organization is a landmark event. It will give an opportunity to start international cooperation in many fields as well as local democracy (Kinakh, 2002)<sup>9</sup>.

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<sup>7</sup> Treaty (2002) Available online ([www.conventions.coe.int](http://www.conventions.coe.int)).

<sup>8</sup> Available online ([www.cid.bg](http://www.cid.bg)).

<sup>9</sup> Congress of Local and Regional Authorities of Europe Session (June 4-6 2002). Available online ([webpage:www.coe.int](http://webpage:www.coe.int)).



## **Conclusion**

The aim of this Master's Essay was to depict the current model of local self-governance in Armenia. Of all the examples and analysis made one can draw a picture of the level of local democracy in Armenia.

As a member of former Soviet Union Armenia is undergoing difficult stage of transition from authoritarian rule that existed under Soviet System into democracy. Further development of local self-governance in Armenia is directly dependent upon building and enhancement of the local self-government capacities by assigning new mandatory powers to local self-government of course accompanied with allocation of relevant financial resources, as well as continuing the decentralization processes in the country. Also the principles put forward by the European Charter on Local Self-Governance will indeed move Armenia into having true democracy both on state and local levels.

Decentralization of power is in itself an effective tool for having sound local self-government system as it is considered to be an integral component of democratic reforms. All in all decentralization and local government reform is underway in Armenia. And everybody in the society should feel responsibility in paying contribution and must have genuine interest in making a change in their lives and support democratic reforms for the sake of the bright future of Armenia.

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