

# Armenia

by Anna Walker

*Capital:* Yerevan  
*Population:* 3.2 million  
*GNI/capita:* US\$4,950

The social data above was taken from the European Bank for Reconstruction and Development's *Transition Report 2007: People in Transition*, and the economic data from the World Bank's *World Development Indicators 2008*.

## Nations in Transit Ratings and Averaged Scores

	1999	2001	2002	2003	2004	2005	2006	2007	2008
Electoral Process	5.25	5.50	5.50	5.50	5.75	5.75	5.75	5.75	5.50
Civil Society	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Independent Media	4.75	4.75	4.75	5.00	5.25	5.50	5.50	5.75	5.75
Governance*	4.50	4.50	4.50	4.75	4.75	n/a	n/a	n/a	n/a
National Democratic Governance	n/a	n/a	n/a	n/a	n/a	5.00	5.00	5.25	5.25
Local Democratic Governance	n/a	n/a	n/a	n/a	n/a	5.50	5.50	5.50	5.50
Judicial Framework and Independence	5.00	5.00	5.00	5.00	5.00	5.25	5.00	5.00	5.25
Corruption	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
Democracy Score	4.79	4.83	4.83	4.92	5.00	5.18	5.14	5.21	5.21

\* With the 2005 edition, Freedom House introduced separate analysis and ratings for national democratic governance and local democratic governance to provide readers with more detailed and nuanced analysis of these two important subjects.

NOTE: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. The opinions expressed in this report are those of the author(s). The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year.

## EXECUTIVE SUMMARY

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Since Armenia gained independence in 1991, its democratic development has been hampered by the absence of an effective system of checks and balances, concentration of power in the presidency, and a centralized system of government, which together have fostered weak governance and widespread corruption. Close links between the country's political and business elites have impeded the development of transparent, democratic state institutions. Flawed elections have contributed to public cynicism toward the authorities and skepticism about the value of participating in political and civic activities. The unresolved conflict with Azerbaijan over the territory of Nagorno-Karabakh has deterred foreign investors and hampered trade diversification and regional cooperation. However, Armenia's progress in macroeconomic stabilization has been relatively successful, with annual average real growth in gross domestic product reaching over 13 percent in 2003–2007. Although poverty rates are declining, there remains a popular perception that many Armenians have yet to benefit from these macroeconomic successes. This has contributed to disillusionment in Armenia's political and economic transition.

Parliamentary elections, held on May 12, were the focus of political activity in 2007. Observers judged that the conduct of the elections improved compared with earlier ones, but concerns remained over issues such as vote counting and tabulation. A consolidation of power among the business and political elites was also evident. The authorities made some progress in approving the legislation necessary to enable constitutional reforms enacted in 2005 to come into effect, including the passage of a new judicial code, but the impact of these reforms will not be fully realized until 2008. Treatment of witnesses in police custody continued to cause concern, as did a number of attacks on journalists. Delays in the approval of a new anticorruption strategy strengthened doubts as to the authorities' commitment to addressing corrupt practices.

**National Democratic Governance.** Although progress was made in harmonizing Armenia's legislation with the revised Constitution (amended in 2005), in actuality the balance of power continued to lie with the presidency and the government in 2007. Moreover, the May parliamentary elections further entrenched the close links between business and politics. The weak rule of law remained a concern, highlighted by several attacks on businessmen and public figures. *Although the legislative framework for improved governance is being strengthened, concrete steps toward a more accountable political system and more even distribution of the balance of power were lacking in 2007. Thus, Armenia's rating for national democratic governance remains at 5.25.*

**Electoral Process.** Observers judged Armenia's parliamentary elections, held on May 12, 2007, to have demonstrated improvement compared with earlier elections, although there were still significant shortcomings. Amendments to the electoral code allowed for a fairer electoral process, and training of election officials ensured that they were better able to fulfill their roles. However, some parties exploited unclear legislation related to campaign financing to their advantage, and the counting and tabulation of votes remained problematic. *Ongoing concerns for the close connections between business and politics, which hinder the rotation of power, and flawed vote tabulation, mitigate the comparatively positive assessments of the election; thus, Armenia's rating for electoral process improves only slightly from 5.75 to 5.50.*

**Civil Society.** Nongovernmental organizations are becoming more active in public life but remain hampered by financial constraints and a reliance on external funding. Progress in developing legislation to improve the financial sustainability of civic groups stalled in 2007. The government is engaging more with civil society, but increased state funding for such groups raises fears that their independence will be compromised. The mobilization of civil society groups to protest proposed new legislation that would have restricted the retransmission of foreign programs by public broadcast media was a positive development in 2007. *Armenia's rating for civil society remains at 3.50.*

**Independent Media.** Observers judged media coverage of the parliamentary elections to have improved compared with previous years, although bias toward pro-establishment parties was still evident, and opposition parties reported that the high cost of advertisements was prohibitive. Moreover, government attempts to restrict the retransmission of foreign broadcasts heightened concerns over the lack of pluralism in the broadcast media in 2007 and raised fears that media objectivity in the run-up to the 2008 presidential election would suffer. Amendments to broadcast media legislation provide for a more balanced composition of the regulatory body, reducing the number of presidential appointees. But, these changes will come into effect only in 2011, and media organizations were unable to influence the drafting process. *Although media coverage of the elections improved in 2007, the government's attempts to limit foreign broadcasts raise fears that pluralism will be further eroded, keeping Armenia's rating for independent media at 5.75.*

**Local Democratic Governance.** Some progress was made toward drafting legislation that would enable the decentralization of authority to local bodies in 2007. More controversially, in October 2007 the authorities presented proposals for the election of the mayor of Yerevan by a municipal council. Although the new system removes the president from the appointment process, it does not allow for the direct election of the mayor by residents, nor does it allow independent candidates to stand. Furthermore, the new mayor would have the power to appoint the heads of Yerevan's districts; these are currently chosen by direct election. Reliance on transfers from the state budget for around 60 percent of revenues continued to

impede local governments' autonomy in 2007, as did their absence of powers to set local tax rates. *As new legislation to decentralize government authority has yet to be enacted and the proposed system for electing Yerevan's mayor is of concern, Armenia's rating for local democratic governance remains unchanged at 5.50.*

**Judicial Framework and Independence.** In 2007 the Parliament approved a new judicial code aimed at enhancing judicial independence and transparency, but this will come into effect only in 2008. Concerns remained at the influence of the executive over the judiciary in 2007, following the dismissal by the president of a judge who had earlier acquitted two businessmen charged with fraud and tax evasion. The authorities attributed his dismissal to charges that he had violated Armenian law when presiding over several cases; critics contended that he had been sacked for his acquittal of the businessmen. Prosecutors have lost the right to conduct pre-trial investigations; this prerogative passes to the police and the national security service. The death of a witness in police custody in May highlighted ongoing concerns at the mistreatment of witnesses and prisoners, and the passage of new legislation allows the police to conduct surveillance without first seeking judicial approval. *The newly passed judicial code is commendable and when it comes into effect will likely yield improvements. However, given continued concerns about the current influence of the executive over the judiciary and the mistreatment of witnesses, Armenia's rating for judicial framework and independence worsens slightly from 5.00 to 5.25.*

**Corruption.** Corruption remains a substantial obstacle to Armenia's political and economic development. The close links between the political and economic elite were reinforced by the May parliamentary elections, which saw many wealthy businessmen returned to Parliament. The authorities began work on a new anticorruption strategy only toward the end of the year; it had been due to be approved at the end of 2006. In a July survey commissioned by the International Republican Institute, 97 percent of respondents considered the wrongdoing and corruption of political leaders or authorities to be a "rather serious" or "very serious" problem in Armenia. *The authorities' failure to produce a new anticorruption strategy reinforces existing doubts about their lack of political will to make genuine inroads into reducing corruption; thus, Armenia's rating for corruption remains at 5.75.*

**Outlook for 2008.** Attention has already turned to the presidential election, scheduled for early 2008, in which the current prime minister, Serzh Sarkisian, has long been considered the front-runner candidate. The reemergence of former president Levon Ter-Petrossian could nevertheless render Sarkisian's passage to the presidency more problematic, if Ter-Petrossian is able to rally broad-based support behind his candidacy. In these circumstances, opposition supporters and the independent media are likely to face greater restrictions on their activities, either overtly or through administrative pressure such as the use of tax investigations. Implementation of the new judicial code and of anticorruption measures will demonstrate the extent of the authorities' commitment to a more democratic and accountable political system.

# MAIN REPORT

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## National Democratic Governance

1999	2001	2002	2003	2004	2005	2006	2007	2008
n/a	n/a	n/a	n/a	n/a	5.00	5.00	5.25	5.25

The Constitution enshrines the principle that Armenia “is a sovereign, democratic, social state governed by rule of law” and provides for the separation of powers. However, it has so far failed to ensure an effective system of checks and balances among the branches of government.

In 2007, although progress was made in harmonizing Armenia’s legislation with the revised Constitution (amended in 2005), the balance of power continued to lie with the presidency and the government. Moreover, the outcome of the May 2007 parliamentary elections, in which pro-government forces won an overwhelming majority of seats, reinforced the government’s influence over the legislative agenda. As a result, the Parliament generally continues to act as a rubber stamp for government initiatives. A further negative development in 2007 was the entrenchment of the close links between business and politics that have become a defining feature of Armenia’s political scene.

Weak financial resources continued to hamper the effectiveness of the government and the Parliament in 2007; central government tax revenue was equivalent to just 15.4 percent of gross domestic product in 2007, according to the National Statistical Service.<sup>1</sup> In May, the government announced a new three-year program to combat tax evasion, including the abolition of privileges for businesses and strengthened tax administration. However, previous initiatives to improve tax collection have had little success, seemingly owing to an absence of political will to address the issue. Moreover, many of Armenia’s largest businesses—including some owned by parliamentarians—continue to make tax payments that appear inconsistent with their commercial success.

Public confidence in the Parliament and government is low, reflecting the fact that even though Armenia has adopted a progressive legislative framework in some areas, implementation remains weak. A survey of 1,200 households (the Armenia National Voter Study) conducted for the International Republican Institute (IRI) in July 2007, found 65 percent expressed an “unfavorable” opinion toward the Parliament and 61 percent held a similar attitude toward the government.<sup>2</sup>

Public access to information about the activities of government and other public service bodies is enshrined in the 2003 Law on Freedom of Information. Imperfect enforcement of the legislation and a lack of awareness among officials of the requirements of the law have hampered its effectiveness. Nevertheless, the Freedom of Information Center, a nongovernmental organization (NGO) that—among other activities—monitors use of the law, has reported that journalists and

NGOs are increasingly making use of the legislation to challenge official refusals to release information.

The Parliament has a Web site, debates are usually open to the public and reported in the media, draft legislation is generally made publicly available, and all legislation approved by the Parliament is published in an official bulletin. The Ministry of Justice's Web site contains a database of legislation, government decisions, and Constitutional Court rulings. A negative development in 2007 was a ruling by the Constitutional Court that public television should no longer be legally obliged to broadcast parliamentary sessions, a decision that has reduced Parliament's accountability to the public. The speed with which controversial legislation can be approved with minimal or no public consultation also remained a concern.

In 2007, public procurement procedures were being reviewed to increase transparency. In addition, a new audit body, the Control Chamber, was established as provided in the revised Constitution. The new body replaces one that operated under the Parliament as a public accounts watchdog but lacked powers to act effectively. The new organization brings together several other audit and investigative bodies within ministries and is intended to be independent of parliamentary or government structures. However, the fact that appointing the chairman is a presidential prerogative—subject to parliamentary approval—raises the risk that this independence could be jeopardized.

As in 2006, several physical attacks against public figures in 2007 reinforced concerns of the "criminalization" of Armenian society and demonstrated that the rule of law is not yet well entrenched. In April, the mayor of Gyumri, Armenia's second largest city, survived an assassination attempt (which killed three of his bodyguards), while in August, the chief prosecutor of Lori region was shot dead. Relatives of people taken in for questioning by the police in connection with the latter incident asserted that violence had been used during the interrogations. Business disputes also escalated into gunfights on several occasions, and there were a few violent incidents among supporters of rival parties close to the election. A global survey of governance released by the World Bank in July 2007 concluded that Armenia had regressed in terms of rule of law compared with its 2002 report, although the Bank judged that it had improved its legal framework and developed a more stable political situation.<sup>3</sup>

The ongoing dispute with Azerbaijan over Nagorno-Karabakh remained a potential source of instability in 2007, particularly as there were increased clashes along the cease-fire line. The conflict has had wide-ranging economic repercussions, preventing intra-regional development projects; notably, in 2007 Armenia was excluded from a new railway project that will link Azerbaijan with Turkey via Georgia. The dispute has led to substantial expenditures for defense (the military received the largest share of state budget spending in 2007, at 16.9 percent) to the detriment of other sectors (such as health care and education).<sup>4</sup> A new National Security Strategy, approved by President Kocharian in February 2007, identifies Azerbaijan's growing threats to resolve the conflict by force as a specific threat to Armenia's security.

One legacy of the 1988–1994 war with Azerbaijan over the area of Nagorno-Karabakh has been that the armed forces and security services have played a large role in the country’s political development, including the election to Parliament of several veterans in 2007. The Yerkrpah parliamentary faction of Nagorno-Karabakh veterans was instrumental in forcing the resignation of President Levon Ter-Petrossian in 1998, having rejected his apparent willingness to negotiate a stage-by-stage resolution of the conflict with Azerbaijan. This issue had particular resonance in 2007, when Ter-Petrossian broke a near decade-long silence to return to politics. Criticizing Armenia’s current leadership and accusing it of presiding over a corrupt regime, Ter-Petrossian announced that he intended to stand for the presidency in the 2008 election and stated that Armenia’s sustainable development depended on a resolution of the Nagorno-Karabakh conflict.

#### Electoral Process

1999	2001	2002	2003	2004	2005	2006	2007	2008
5.25	5.50	5.50	5.50	5.75	5.75	5.75	5.75	5.50

Armenia’s constitutional and electoral framework enshrines the principle of universal and equal suffrage by secret ballot and provides for regular, free, and fair elections. In most elections since independence, observers have concluded that the authorities failed to ensure free and fair elections. Observers’ conclusions about the most recent national legislative election (held on May 12, 2007) were generally more positive, although they noted that there were still significant shortcomings.

A total of 22 political parties and 1 bloc contested the proportional part of the election, under which 90 of the 131 seats in the National Assembly were allocated. (The share of mandates elected by party list was raised from 75 to reduce opportunities for vote buying.) A further 119 candidates stood for election in the 41 majoritarian constituencies. Few candidates reported difficulties registering, and the large number of parties participating indicates that the registration process was inclusive. Voter turnout was 59.4 percent, up from 52 percent in the 2003 parliamentary election, suggesting greater voter confidence in the electoral process.

Amendments to the electoral code made since the 2003 election were generally held to have paved the way for a fairer process. Steps were taken to rectify inaccuracies in the voter register by establishing a central computerized list, which enabled voters to check in advance whether they were registered. The inclusion of names of non-residents nevertheless opened up opportunities for abuse. Moreover, the removal of the right of citizens to vote abroad, which resulted from changes to the citizenship legislation in 2007, in effect disenfranchised many Armenians working abroad.

The Central Election Commission (CEC) increased the transparency of its operations in the 2007 election, holding regular press conferences. Training for

members of election commissions at all levels ensured that they were better able to fulfill their roles. However, even though the composition of election commissions was broadened from being just presidential nominees to include representatives from parliamentary factions, the fact that the president still has the right to appoint one commission member remained an issue of concern.

The Republican Party of Armenia (RPA), the leading party of the outgoing government, secured the largest number of seats (63), followed by Prosperous Armenia (25). The two parties formed a coalition government led by Serzh Sarkisian, the former defense minister who was first appointed prime minister in March, following the sudden death of Andranik Markarian from a heart attack. The coalition government was also supported by the Armenian Revolutionary Federation (ARF) on an issue-by-issue basis.

Prosperous Armenia had been founded by a wealthy businessman, Gagik Tsarukian, in 2006. Although Tsarukian claimed that his party offered an alternative to Armenia's longer-standing political groupings, its close connections to the existing political elite were apparent. Pre-election opinion polls suggested that the party would perform much more strongly than it did and that it might even rival the RPA for a parliamentary majority. However, despite its financial largesse in the run-up to the election, Prosperous Armenia failed to win over as many voters as it had expected. The result of the election nevertheless demonstrated the consolidation of power among Armenia's business and political elites that has occurred in recent years. Inadequate legislation regarding party funding has left parties reliant on private financial sources and therefore susceptible to donor influence. The immunity from prosecution enjoyed by parliamentary deputies has also encouraged business monopolists to seek election.

Opposition parties performed poorly in the election, having failed to present a united front—a reflection of the fact that parties tend to be driven more by personality than by policy. Only Orinats Yerkir (Country of Law), led by Artur Baghdasarian, and Heritage, led by Raffi Hovannisian, won seats, taking 10 and 7, respectively. (Two members of Orinats Yerkir have since defected.) The Alliance Party, led by a former Nagorno-Karabakh veteran, Samvel Babayan, also won 1 seat; nonpartisan (in practice pro-government) candidates secured the remaining 9 mandates.

The amendments to the electoral code required that at least 15 percent of candidates on every party or bloc list be women, but only 5 of the 119 majoritarian candidates were women. A total of 12 women won seats, up from 7 in the outgoing Parliament; none of these were in single-mandate constituencies.

According to observers from the OSCE/ODIHR, the conduct of voting was good or very good in 94 percent of polling stations observed. The largest domestic observer, the It's Your Choice NGO, reported that the voting and vote counting proceeded in a comparably peaceful and balanced environment.

However, observation reports from both missions noted that there were still shortcomings in the conduct of the election, in particular questions surrounding campaign finances and problems with the counting and tabulation of votes. Even

though the formal campaign started only a month before the election, in practice parties used a combination of administrative resources and private funds to begin campaigning much earlier. Moreover, 19 civil society groups issued a joint statement criticizing both the pre-election period and the election campaign, noting in their press release that the methods used had created “an atmosphere of fear, suspicion, and personal insecurity.”<sup>5</sup>

The OSCE/ODIHR noted that the separation between the state and the governing party, the RPA, appeared to be blurred in the run-up to the election (one example being high-profile celebrations marking the fifteenth anniversary of Armenia’s army). Moreover, in addition to Prosperous Armenia, Gagik Tsarukian established a charity that distributed financial and other assistance to rural inhabitants in the year prior to the election, apparently contravening legislation prohibiting political parties from offering financial aid to the public.

Vote counting and tabulation procedures were bad or very bad in 34 percent of polling stations observed, according to the OSCE/ODIHR, and It’s Your Choice also reported shortcomings in the summarization and announcement of the election results. Three opposition parties and the Impeachment Bloc (a coalition of opposition groups formed to push for the impeachment of Kocharian) tried unsuccessfully to appeal the results in the Constitutional Court. Although the Court upheld the CEC’s decision, it did acknowledge deficiencies with regard to campaign and party financing.

A failure to investigate electoral fraud and bring perpetrators to justice has been one of the main factors behind public disillusionment with the electoral process. In a positive move, three criminal cases were prosecuted successfully in conjunction with violations in the 2007 election, including charges of bribery and falsification.

The most recent presidential election was won by the incumbent, Robert Kocharian, beating Stepan Demirchian in a second-round runoff in 2003 with winning 67.5 percent of the vote (according to the CEC). However, international and domestic observers did not judge the election to be free and fair.

#### Civil Society

1999	2001	2002	2003	2004	2005	2006	2007	2008
3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50

Public participation in civil society activities in Armenia remains limited. Several developments in 2007 indicate that civil society groups are becoming more effective and better able to engage with the government and the public. However, the increased activity of so-called GONGOs (government-operated nongovernmental organizations), particularly in election observation, was of concern because of the negative implications for the independence of civil society.

A total of 52 domestic groups monitored the May 2007 parliamentary elections; the largest, It’s Your Choice, had around 4,000 volunteers. The fact that some of

these groups had no prior involvement in election-related or democracy-building activities but had amended their charters shortly before the elections to include election observation among their missions raised doubts about their effectiveness or impartiality.

Most NGOs are still concentrated in the capital, Yerevan, and in the northern regions, where they tend to have better-developed organizational and management capacity than those in other regions. One noteworthy development is an increasing interest in the formation of umbrella organizations, to provide the manpower for grassroots activities in the case of election-related activities or to strengthen advocacy and lobbying skills. For example, the nonprofit Foundation for Small and Medium Business has formed a Business Advocacy Network to improve business operating conditions.

Civil society groups are generally able to carry out their work without interference either from the government or from extremist organizations. The registration process for organizations is relatively straightforward, although because it is centralized, it is more difficult for regional organizations to complete the process. The International Center for Not-for-Profit Law has judged the legislation governing charities and NGOs to be in compliance with international good practices of NGO regulation, although implementation of the legislation is at times patchy.

Nonprofit organizations are subject to taxation on property, vehicles, and employee wages, and NGOs must disclose their revenue sources in order to establish their tax liability. Nonprofit organizations are prohibited from direct income generation and are not permitted to participate in government tenders. This has serious implications for their financial sustainability. The establishment of limited liability companies is one way in which they can generate income, but these are subject to taxation in the same way as businesses. Progress on enacting a Law on Volunteers, which would have eased the tax burden and improved access to donor funding that requires in-kind contributions, stalled in 2007.

Most civil society groups remained dependent on foreign financing in 2007, for example from diasporic organizations, leading to continued concern that this practice weakens the civic sector's incentive to establish strong links with Armenian society. It has also led to public perceptions of civil society groups as businesses sponsored by foreign donors rather than civic organizations. Of concern to some civil society groups is the fact that government funding of NGOs is increasing, leading to fears that this will negatively affect the sector's independence. In addition, foreign governments are decreasing their direct financing of NGOs, preferring to distribute resources to the government that are then allocated to civic initiatives.

Armenia's legislative framework has not kept pace with the complexity of civil society, and changes in ministerial personnel have slowed progress in developing policy. For example, the development of new mental health legislation, pushed for by the Mental Health Foundation, stalled in 2007 following personnel changes in the Ministry of Health. Moreover, NGOs have complained that even though they are able to participate in the drafting of government initiatives, this is merely to

satisfy international pressure for NGO inclusion in policy making and that their opinions are not taken into consideration in final documents.

More positively, state bodies such as the Public Services Regulatory Commission and the Ministry of Agriculture continued to cooperate with the Consumer Rights Association (a local NGO), which in 2007 pushed successfully for the establishment of a working group to monitor food security issues. In addition, a number of independent civil society groups participate in the monitoring of the U.S.-funded Millennium Challenge Corporation's five-year (US\$236 million) rural development program, which began to distribute funds in 2007.

Media coverage of civil society activity is increasing, possibly because this provides less controversial material than, for example, political issues. Media groups and civil society united in mid-2007 to protest proposed new legislation that would have imposed restrictions on the transmission of foreign programs on public radio; the vote subsequently failed in the Parliament for lack of a quorum, indicating that the protest had played a part in influencing deputies. However, a less successful campaign was one by environmental groups, which failed in their attempts to persuade the government to reject the award of a license to a mining company, Armenian Copper Program, to develop mines in a forested region in northern Armenia. In addition, media organizations failed to influence the content of amendments to Armenia's broadcasting legislation, approved in February, that appear to allow for continued political influence over regulatory and licensing decisions.

Armenia's Constitution guarantees the right to establish and join trade unions, although this right can be restricted for those serving in the armed forces and law enforcement agencies. Issues such as wage increases and the payment of back wages have in the past led to strikes, but these are rare. The Union of Industrialists and Entrepreneurs represents the interests of Armenia's largest businesses.

Political influence over universities remained an issue of concern in 2007, when a lecturer at Yerevan State University was dismissed after students presented a petition to the rector stating that he had used his lectures to discredit the government. Although the court of appeals ruled that the dismissal was unsubstantiated, it also judged that he could not return to work because of his poor relations with the university's management. Anecdotal reports of teachers being encouraged to vote for the RPA in the May 2007 parliamentary election raised further concerns about the politicization of the education system.

#### Independent Media

1999	2001	2002	2003	2004	2005	2006	2007	2008
4.75	4.75	4.75	5.00	5.25	5.50	5.50	5.75	5.75

Press freedoms are guaranteed in Article 27 of the Constitution. In practice, these freedoms have come under threat in recent years, and 2007 was no exception,

witnessing government attempts to restrict the retransmission of foreign broadcasts and several instances of violence against journalists. Although media coverage of the parliamentary elections improved compared with previous years (notwithstanding continued bias in favor of pro-government parties), coverage of political parties throughout the rest of the year lacked objectivity.

Election observers reported that the public broadcast media met their legal obligations concerning free airtime to political parties during the campaign. However, in their pre-election reporting most private national broadcast media focused on the activities of the government and three pro-government parties, offering virtually no critical coverage. Positive developments were the broadcasting of pre-election debates and of video information for voters about the election code. The public television channel H1 offered the most coverage of opposition activities. Radio coverage of the election was more comprehensive, including more critical viewpoints. Print media provided more diverse, if not necessarily more balanced or analytical, viewpoints, reflecting their ownership; the majority of Armenia's more than 100 print publications are privately owned but have limited circulation and hence are less influential than the broadcast media.

Opposition parties and observers expressed concern at the rates charged by broadcast media for pre-election political advertisements. These tended to be higher than the commercial fees normally charged, rendering the cost of access prohibitive for many of the parties. Some local television stations opted not to accept any party advertisements at all. Given the lack of objectivity in election-related coverage by the national broadcast media, both these measures put opposition parties at a disadvantage.

Contrary to fears of media associations, violence against journalists did not increase in the run-up to the parliamentary election, as had happened before in previous polls. However, unrelated to the election there were several assaults against journalists in 2007, including, in September, an attack on Hovhannes Galajian, editor of *Iskakan Iravunk*—the second time that he had been assaulted in a year. He again attributed the attack to his reporting. Two other editors, Suren Baghdasarian and Ara Saghatelian, reported arson attacks on their cars, which they also attributed to their work.

Several journalists also faced court cases. In June, a freelance journalist, Gagik Shamshian, was given a 30-month suspended prison sentence following his conviction on charges including fraud; protesting his innocence, he linked his arrest to his reporting. In November, two editors of opposition newspapers faced charges including assault, following their arrest in the run-up to an opposition rally organized by Levon Ter-Petrossian.

Although advertising revenue is growing, most broadcast media remain dependent on private financing, and their reporting tends to be supportive of the authorities, reflecting the close connections between business and political circles. Those media outlets that do try to report alternative viewpoints have experienced difficulties. For example, media outlets that attempted to report on Ter-Petrossian's political activities faced pressure that appeared to be connected to their coverage. In

October, tax officials inspected Gala television company in Gyumri shortly after it had broadcast a speech made by Ter-Petrosian, one of only two regional outlets to do so. The company subsequently faced accusations of tax evasion and had some of its assets and bank accounts frozen.

In 2007, libel remained a criminal offense, although no journalists were prosecuted; critics argue that the independent media use self-censorship, preferring to offer noncontroversial programs to avoid attracting libel charges or antagonizing the authorities. In October, the Yerevan Press Club (YPC) expressed concern that television channels had ceased to cover events such as news conferences. The fear is that this will further limit opposition access to the media in the run-up to the presidential election. In December, the YPC reported that the broadcast media were openly promoting Serzh Sarkisian's campaign and displaying obvious bias against Ter-Petrosian. The broadcasters responded that they were reporting on Sarkisian in his capacity as prime minister, not as a presidential candidate.

Government attempts to restrict the retransmission of foreign broadcasts heightened concerns over the lack of pluralism in the broadcast media in 2007. In June, the government put forward legislative proposals that would have made it illegal for state outlets to retransmit foreign programs and would have raised substantially the tax paid by private companies to do this. These changes would have affected in particular radio broadcasts by the U.S.-funded Radio Free Europe/Radio Liberty (RFE/RL). Although there is a legitimate business case for public media not to be obliged to broadcast foreign programs, the proposed restrictions had negative implications for media pluralism; observers judged RFE/RL's election coverage to have been among the most objective.

The bill unexpectedly failed to pass in the second reading, owing to the absence of a parliamentary quorum. Protests by NGOs and media associations were believed to have been instrumental in persuading some deputies not to attend. However, shortly afterward Armenian Public Television and Radio refused to renew its contract with RFE/RL, citing legal, technical, and contractual issues. RFE/RL is now broadcast only by a Yerevan-based private company, Ar Radio Intercontinental, whose coverage is not nationwide.

Changes enacted to broadcasting legislation in February 2007 to bring it in line with the constitutional amendments approved in 2005 should eventually ensure a more diverse composition of the National Commission for Television and Radio, responsible for regulating the broadcast media and granting licenses. Parliament will appoint four of the council's eight members, with the remaining four appointed by the president (who currently appoints all the members). However, the amendments will come into effect only in 2011, ensuring continued presidential influence. Media organizations criticized the government for not allowing them to participate in the drafting of the amendments.

The Internet continued to offer a diversity of opinions, and there were no instances of government attempts to control access to or to censor Web sites in 2007. The high cost of connecting nevertheless remained a barrier, but the removal of all monopoly services from the telecom service provider Armentel (including

that of connecting to international services) and cuts to duties imposed on Internet service providers should eventually reduce costs by increasing competition. About 6 percent of the population used the Internet in August 2007, according to the International Telecommunication Union.

#### Local Democratic Governance

1999	2001	2002	2003	2004	2005	2006	2007	2008
n/a	n/a	n/a	n/a	n/a	5.50	5.50	5.50	5.50

Chapter 7 of the Constitution and national legislation provide a framework for local self-government, but in practice weak financial resources and extensive central government control circumscribe the authority and activities of local administrations. In 2007, the focus on the parliamentary election and subsequent preparations for the presidential election resulted in little progress being made in decentralizing authority to local governments.

For administrative purposes, Armenia is divided into 10 regions, subdivided into around 930 communities. Governors appointed by the central government, and approved by the president, administer the 10 regions and in turn appoint their own staff. Regional governors are responsible for administering policy in a wide range of fields (including finances, public utilities, and urban development), coordinating the activities of regional agencies of state administration, mediating between the central and local governments, and regulating intercommunity issues. The Ministry of Territorial Administration exercises control over the regional governors.

Constitutional amendments approved in 2005 provide for the election of the mayor of Yerevan (which is designated a community), who is currently appointed by the president. In October 2007, the authorities revealed proposals to set up a new municipal council, elected by proportional representation, that would in turn elect the mayor. Although this removes the president from the appointment process, it does not allow for independent candidates to stand for mayor; nor does it allow for the mayor to be directly elected by residents. Moreover, the new mayor would have the right to appoint the heads of Yerevan's administrative districts; these are currently chosen by direct election.

Councils of Aldermen (the representative body for communities) ranging from 5 to 15 members are responsible for approving community budgets and supervising their implementation. However, the central government has authority over budgetary loans, credits, and guarantees and establishes procedures for the collection and distribution of local taxes. Local governments are given little opportunity to participate in the drafting of legislation; once laws have been approved, implementation programs are often lacking.

Land and property taxes and revenue from state duties are the main sources of local tax revenue. Even these must be collected by regional branches of the state treasury. Local authorities have no powers to set tax rates and are therefore heavily

dependent on financial transfers from the state budget, which provided around 60 percent of total local budget revenue in 2007. Disbursement delays are common, limiting the capacity of local governments to meet their spending requirements, draft long-term development programs, or ensure the timely payment of staff salaries. The distribution of financial resources from central to local government is uneven and poorly targeted, but discussions over how to better distribute these resources were ongoing in 2007. In addition, legislation on intercommunity unions, under discussion in 2007, should enable communities to better provide services.

Community heads (equivalent to a mayor) are accountable to the Council of Aldermen; they are elected for three-year terms on the basis of universal, equal, and direct suffrage by secret ballot. They can be dismissed by the regional governor only following a court decision. Regional governors nevertheless have often used administrative resources as a means of influencing local authorities. In theory, local authorities have the courts to protect their powers and defend the rights of the local community, but because of the judiciary's dependence on the executive, its impartiality in such cases is questionable.

Local governments have the right to form associations to protect and promote their interests. Such associations include the Communities Union of Armenia and the Communities Finance Officers Association of Armenia. International organizations are working with local government associations to strengthen the capacity of local government (for example, through more effective budget mechanisms and increased decentralization). One such project is the Armenia Local Government Program, funded by USAID.

Although citizens are allowed to participate in local decision making, interaction between local governments and their constituents is generally limited. Citizens are entitled to submit draft resolutions to local governments, and most meetings of the Council of Aldermen are open to the media and the public. The public is entitled to full access to information concerning the activities and decisions of regional and local governments. However, many local officials are unaware of their obligation to inform the public; in addition, a lack of funds restricts their capacity to publicize the information.

Political parties do not play a major role in local elections, although they are entitled to nominate candidates. More commonly, citizens are nominated as independent candidates through civil initiatives; party affiliation can be stated on the ballot. The most recent local elections were held in September–October 2005. As in previous years, the opposition largely boycotted the elections, regarding the process as deeply flawed. Although the elections were to a certain extent competitive—in that multiple candidates took part—these tended to be rival pro-government figures vying for influence over local resources. Reports of vote buying and indirect bribery of voters by candidates with promises to repair local infrastructure remained a defining feature of the 2005 local elections.

Assessments of the elections varied. A local election-monitoring group, *It's Your Choice*, reported that candidates had been hindered during the campaign and that voter lists remained inaccurate. A small observation mission sent by the Council

of Europe judged that the electoral process and voter lists had improved compared with previous elections.

#### Judicial Framework and Independence

1999	2001	2002	2003	2004	2005	2006	2007	2008
5.00	5.00	5.00	5.00	5.00	5.25	5.00	5.00	5.25

Chapter 2 of Armenia's Constitution provides for fundamental political, civil, and human rights, but there are substantial barriers to protecting them effectively. These stem largely from the weak judiciary, which lacks independence. This has led to low public confidence in the capacity of the judicial system to protect the population from unjust treatment by the state.

In February 2007, the Parliament approved a new judicial code aimed at enhancing the independence and effectiveness of the judiciary. International experts have described the new code as progressive. However, as it is scheduled to enter into force on January 1, 2008, its effectiveness remains to be seen. Throughout 2007 the influence that the executive enjoys over the judiciary remained a concern. This was highlighted by the dismissal in October of Parven Ohanian, a judge of a court of the first instance. In July, Ohanian had acquitted two senior executives from a coffee-importing company, Royal Armenia, on a range of charges (including tax evasion and fraud) in a rare example of a judgment going against the prosecution. Shortly afterward, the Justice Department requested that the Council of Justice investigate apparent violations of Armenian law presided over by Ohanian. Having found him guilty, the council requested that President Kocharian remove Ohanian from office. Ohanian stated publicly that his dismissal was linked to his acquittal of the businessmen, but the Council of Justice stated that the two events were unrelated.

Mistreatment of prisoners and witnesses by the authorities remained a concern in 2007. In May, Levon Gulyan, a restaurant owner who had witnessed a shooting, died after falling out of a window while being questioned at the Ministry of Internal Affairs. The police claimed that he jumped out of the window, either trying to escape or committing suicide; Gulyan's family and human rights organizations affirm that he was killed by his interrogators. A medical report by foreign independent experts concluded there was some evidence that he had been beaten prior to the fall.

According to *Monitoring of Democratic Reforms*, a report compiled by the YPC in conjunction with members of the Partnership for Open Society Initiative and released in June 2007, 80 percent of defendants deny the testimony they gave during pre-trial investigations, on the grounds that it was extracted under torture. Victims of abuse are often reluctant to press charges for fear of the consequences. In 2007, three former soldiers who had spent three years in prison for killing two colleagues continued to assert that their confessions had been extracted under torture. A court annulled the verdict against them in December 2006 on the grounds that the trial was flawed, but in 2007 military prosecutors continued to press for their retrial.

In 2007, some local human rights groups supported claims by several people that they had been imprisoned on political grounds. In July, Vartan Malkhasian was sentenced to two years' imprisonment following his conviction on charges of plotting to overthrow the government, while a fellow member of the Alliance of Armenian Volunteers (which opposes any territorial concessions by Armenia to Azerbaijan), Zhirayr Sefilian, received an 18-month sentence for possession of illegal weapons. The case against them was built on the basis of statements they had made during a meeting of the alliance in December 2006. The men denied the charges and claimed that they had been imprisoned to prevent them from organizing post-election protests.

A high-profile detainee in 2007 was Aleksandr Arzumanian, a former minister of foreign affairs, who was arrested in May on charges of money laundering. Arzumanian was eventually released in September, but the charges against him were not dropped. Arzumanian asserts that the charges were politically motivated and stem from the authorities' fear that he would help coordinate demonstrations after the parliamentary election.

Armenia's judicial system provides for the presumption of innocence, the right of persons not to incriminate themselves, and access to a public hearing by a fair and impartial court. However, prosecutors' requests for arrests are seldom refused, bail is infrequently granted, and acquittals are rare. One development in 2007 was the ending in December of prosecutors' rights to conduct pre-trial investigations, aimed at reducing the substantial influence prosecutors have had over the investigative process; this authority passes to the police and national security service. Although in theory a positive step, continued reports of torture of witnesses and suspects during police interrogations raise concerns that this authority could be misused. Also of concern was new legislation approved in October that grants more powers to the police to conduct surveillance operations (for example, phone tapping) without the need to secure court approval.

Although Armenia's procedural justice code sets a one-year maximum for criminal inquiries, delays in the criminal justice system are common, owing in part to a shortage of qualified judges. The April 2003 criminal code stipulates a maximum sentence of life imprisonment; prisoners are entitled to apply for parole after 20 years. In 2007, the maximum sentence other than life remained 15 years.

The Armenian Constitution and laws guarantee freedom of religion. However, the Armenian Apostolic Church enjoys privileges that are not accorded to other religions. A total of 63 religious groups were reported as registered with the Office of the State Registrar in 2007. There were no reports of any being refused registration, but societal discrimination against groups such as Jehovah's Witnesses remained a concern.

Since 2006, evasion of either military or civilian service has been deemed a criminal offense. Those choosing the civilian option must serve for 42 months—almost twice as long as those carrying out military service. As of September 2007, 69 Jehovah's Witnesses were in prison for refusing to carry out the alternative service on the grounds that it was overseen by the military.

Chapter 2 of the Constitution guarantees intellectual property rights and the right to own and inherit property; it states that no one can arbitrarily deprive a citizen of his or her property. However, in 2006 Parliament approved legislation that enables the government to confiscate private real estate for use by property developers where this is deemed to be in the public or state interest. In 2007, the eviction of residents from central Yerevan to make way for the development of new commercial and residential property and streets remained an issue of concern among local lawyers, NGOs, and opposition politicians, who argued that people's property rights were not being respected. Citizens were unsuccessful in challenging the evictions in court. With respect to business rights, a lack of training for judges in commercial issues has left many investors disillusioned with the court system as a viable legal recourse.

Although the Constitution enshrines freedom of assembly, the authorities have discretionary powers to restrict demonstrations. In the run-up to the 2007 parliamentary election, several opposition parties—including Heritage and Country of Law—reported that they had faced difficulties in holding public meetings because of governmental pressure on authorities who refused to allow them to rent out meeting rooms.

Several Web sites offer information and advice to citizens on judicial issues. The World Bank is funding judicial reform projects with a view to increasing the efficiency of judicial services and to broadening public access to information about the system. Armenia is also receiving support for judicial reforms from the European Union under an Action Plan concluded in November 2006.

### Corruption

1999	2001	2002	2003	2004	2005	2006	2007	2008
5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75

Corruption at all levels of government continues to impede Armenia's political and economic development. Not only has this fostered public cynicism toward the authorities, it has inhibited the development of a competitive business environment.

The government made little progress in implementing anticorruption initiatives in 2007. Its three-year anticorruption strategy ended in 2006, but the drafting of a new program for 2008–2012 began only toward the end of the year.

A total of 157 corruption-related crimes were registered in January–August 2007; in 2007, no high-ranking officials were prosecuted for corruption-related crimes. In 2006, the Council of Europe's Group of States Against Corruption highlighted concerns over the wide scope of people enjoying immunity from prosecution and the lack of protection for witnesses, victims of corruption, and whistle-blowers. Armenia was due to present a report on fulfilling the body's recommendations at a plenary session of the organization in December 2007.

A survey of 1,500 households conducted in August 2006 by the Center for Regional Development/Transparency International (TI) Armenia, with the support of the United Nations Development Program, found that 89 percent of respondents believed that corruption was a problem, up from 80 percent in the 2002 survey.<sup>6</sup> In findings that were published in January 2007, 33.5 percent of respondents to the survey believed that corruption had increased significantly over the previous three years. Among the services and sectors considered most corrupt were the health care and education systems, the electoral system, and the traffic police; the president, prime minister, and ministers were judged the most corrupt institutions. In addition, 18.3 percent of respondents believed absence of political will to be the main cause of corruption. Dominance of clan interests over state interests and poor law enforcement were also considered important factors.

The TI survey found that 87.8 percent of respondents judged public tolerance to be a cause of corruption in Armenia, suggesting that the majority of people perceive corruption to be too deeply entrenched to be eradicated. In the Armenia National Voter Study conducted in July 2007 for the IRI, 97 percent of those questioned judged the wrongdoing and corruption of political leaders and authorities to be a “rather serious” or “very serious” problem. However, only 11 percent of respondents said that corruption was one of the most important issues facing Armenia.

Armenia’s score in the Transparency International 2007 Corruption Perceptions Index was 3.0 (with 10 being the least corrupt). Although this was a slight improvement compared with 2006 (2.9), the failure to register greater progress adds justification to the skepticism among observers that the government’s anticorruption initiatives have had little impact.

The state’s formal involvement in the economy is low in comparison with that in other transition countries. However, despite constitutional provisions explicitly banning parliamentary deputies and government members from engaging in business interests, public officials in practice encounter few limitations to economic participation and have extensive business interests. The 2007 election returned many wealthy businessmen to Parliament.

Armenia’s financial disclosure laws are insufficient to combat corruption. All government officials and civil servants are required by law to annually declare revenue and property belonging to them and their families. However, the tax authorities are not required to verify financial statements, and gaps in the legislation enable government officials to register property in the names of relatives. The authorities have limited powers of investigation and can impose only relatively lenient fines for reporting false information. Moreover, weak implementation of generally sound business-related legislation and the complexity of the tax and customs system increase the opportunities for official corruption. There is a perception that it is difficult to run a successful business without personal connections to public officials.

The Civil Service Council advertises employment vacancies on its Web site, but opportunities for discretionary decision making with respect to employment are still broad. Despite progressive salary raises since 2003, average monthly civil service wages, at 98,610 dram (US\$324) in November 2007,<sup>7</sup> are still insufficient

to attract and retain high-caliber staff or deter them from seeking bribes. A focus on inspections and audits as the main tools of legislation enforcement increases the opportunity for bribe taking.

Attempts to expose official corruption carry risks. Following allegations of corruption against the customs system, two senior officials from a coffee importer, Royal Armenia, were arrested in 2005 on charges of fraud. Released in July 2007 after being cleared of all charges, the men were subsequently rearrested, and in November the court of appeals sentenced them to prison terms of six and two years on charges including fraud and tax evasion.

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