

## CLOSER LOOK ON ONGOING REFORMS IN EASTERN PARTNERSHIP COUNTRIES<sup>1</sup>:

### ARMENIA: PUBLIC ADMINISTRATION REFORM – REMAINING GAPS AND NEEDS March 2018

#### Summary<sup>2</sup>

Republic of Armenia has reformed the public administration system during last two decades, with the aim of making it more consistent with the principles of democracy and free market relations. This “closer look” analysis, based on input from ECEAP local programme experts from civil society in Armenia, gives overview of administrative reform in Armenia, with a special focus on local self-government reforms and fight against corruption.

Several improvements have been made in recent years, however, the challenges remain in establishing comprehensive public administration reform strategy, in the fight against corruption and overcoming gender imbalance.

#### **Main observations of the reform processes and key conclusions**

Overall principle approaches and rules in the field of public administration in Armenia were formulated based on already existing criteria in EU member states - established principles define key components of good governance such as predictability and reliability, transparency, accountability and effectiveness, based on the rule of law.

However, it should be noted that although progress has been made in the reform of administrative structures, the significant gaps still exist:

- The public administration system does not yet fully comply with EU standards (transparency, anti-corruption, active role of civil society, accountability, tenders for new positions in government structures). There is no comprehensive public administration reform strategy currently in place.
- Public administration reform is mainly implemented with the help of international actors (World Bank, European Union, USAID, Asian Development Bank) - true political will and state ownership is not evident.

<sup>1</sup> Based on input and analyses of information collected by ECEAP local civil society/area experts

<sup>2</sup> Detailed comprehensive analysis report is available at request

- Because of low level of transparency, the reforms are not well understood by public. Social aspects and impact of public administration reform have not been taken into consideration/explained, which creates a negative opinion among the public.
- There is still widespread corruption in Armenia. Often fight against corruption is in a formal character, in particular, it has failed to distinguish and separate government agencies from their connection to business activities. Besides the governing bodies, most of the citizens are also involved in the processes that involve corruption and consider it unfortunately as acceptable practices. Neither the civil society nor the enterprises are sufficiently informed about anti-corruption measures.
- Significant gender imbalance still exists in decision making positions in governmental bodies.

### Key recommendations

- A tripartite format of task force composed of the government, civil society organizations and (advisers from) international structures to design and implement public administration reform should be established by Government of Armenia.
- Institutional analysis should be carried out to assess real effectiveness of public governance. Such analysis would help to measure the efficiency of reforms (why reforms have not been successful so far), to define systematic weaknesses in public administration and corruption-related matters, as well as to understand how to establish functioning cooperation with civil society.
- Legislative basis should be enhanced for the development of effective management system (a new law on Public Administration needs to be designed).
- The processes of decentralization and local self-government reform needs to have particular focus on increasing transparency and accountability of local self-governance bodies, clarification of control procedures, compliance with the mandatory legislative requirement for the four-year community development programme, increasing the financial independence and autonomy of communities.
- Anti-corruption efforts need to be taken to next level: transparency of public administration bodies needs to be increased for example via setting up mandatory accountability with quarterly reports requirement on all areas activities, and by involving civil society in decision making and monitoring processes. Also, specialized Government body should be set-up to coordinate the development of e-government systems.

- For improving gender balance in the local self-governments, special measures ensuring women's access to be elected need to be taken (for example 30% requirement or so-called zipper system for party lists in local elections).

### **Main expectations from local experts and civil society representatives to international actors**

- Insist on tripartite cooperation format to be established for addressing current shortcomings in public administration reform process. This would ensure active involvement of government agencies, international structures and civil society (particularly, at expert community level). This should be formed jointly on the basis of clear responsibilities to be taken on by the government, (conditionality based) support from international organizations (particularly EU), and the civil society.
- Prove the lack of efficient management in public administration reform process via special joint study conducted with international and local experts to reveal the significant shortcomings of implemented reforms (even using basic SWOT Analyse methodology - Strengths, Weaknesses, Opportunities and Threats)
- Initiate thorough stock-taking reality check on corruption to come up with more specific recommendations for more efficient fight with corruption/ better planning of Government anti- corruption measures (for example with Transparency International or other anti-corruption specialists from EU).
- Help with qualitative assessment and development of action plan for Armenian Government on women's participation at all levels of public administration, as well as their involvement in improving the efficiency of public administration through reforms.
- Pay attention on importance of proper coordination of local and international human and financial resources and eliminate duplication of functions and tasks by many structures.
- Enhance efforts to implement pilot projects to strengthen selected communities in ongoing process of territorial reform in rural areas.
- Focus on rural areas when organizing trainings, experts' consultations and round tables, particularly in small cities and villages to raise the awareness of people and encourage participation of local communities in decision making and monitoring processes of public administration reform in Armenia.

## ECEAP Commentary:

- Public Administration reform is conducted in Armenia, but it seems that main changes so far are bureaucratic realignment of structural units in Government, without much increase in effectiveness of public administration system. There seems to be need for more democratic oversight from parliament and wider public for evaluating changes taking place.
- As local contributors to the report point out, young professionals are not always feeling welcome in the system of public administration. Instead, relatives and friends of high rank officials occupy important positions with no responsibility for the results or efficiency of their work. This fact, in turn, discourages young people that the knowledge they acquire in universities and colleges is appreciated in real life. It is necessary to introduce clear standards of performance of public servants' professional skills, as well as the degree of performance of their duties. Eliminate the high-quality personnel deficit that has a direct impact on the development of public administration and economy. To ensure the inflow of highly qualified professionals to the public administration system, it is necessary to develop and apply clear mechanisms of incentives and encouragement to increase progress and income.
- Despite the provisions proclaimed by the government on the e-governance system, there is no basis and proper infrastructure for its implementation in the state and local level. At the same time e-government solutions are one of the main ways to increase transparency of the government, which helps to simplify bureaucratic procedures and fight corruption. There seems to be the need to increase investments in e-governance infrastructure as well as in schooling officials to use e-government solutions. There is need to establish a specialized Armenian Government body that will coordinate the development of public administration and local self-government electronic systems based on a common vision. To help government and local IT systems work together it is recommended to establish interoperability platform for state and local ICT systems.
- Although Armenian Government has taken since 1999 impressive number of measures in fight against corruption, there seems to be little effect achieved in real life as the report shows that it is still pervasive problem in Armenia. It seems that change of key personnel in Government structures is needed to remedy this problem.

# **PUBLIC ADMINISTRATION REFORM IN ARMENIA: REMAINING GAPS AND NEEDS**

## **I. Overview of current administrative reforms**

The Republic of Armenia has consistently reformed the public administration system. Overall approaches and rules in the field of public administration in Armenia were formulated based on already existing criteria in EU member states. There is a Ministry of International Economic Integration and Reforms and a Centre for Strategic Initiatives under the Government of Armenia. Both are responsible for public sector a reform; however, the general strategy is still missing due to the lack of professionalism and proper competence. Reforms of the public administration system have been implemented in three main directions: a) structural and functional transformation of public administration system; b) civil service development and c) reforms in financial management system.

In general, the public administration reform in Armenia has been implemented since 1999. The main goals of the reforms have been: improvement of public administration and further development of accountable, effective, transparent and specialized civil service, and ensuring efficiency in combating corruption strengthening international cooperation in combating corruption.

Taking into account the provisions of the Armenia-EU agreement signed in 2017, targeted values of selected indicators for improving public administration have now been set. According to the authors of report, the targeted values might be realistically achievable in the next 10–15 years, if the Armenian authorities ensure sufficient political will, consistency and intention. Achievement of these targeted values is essentially linked to the activeness and effectiveness of planned reforms in public administration and judicial systems, as well as the full implementation of the anti-corruption strategy.

## **II. Results of administrative reforms**

### **1. General results of administrative reforms**

The implementation of reforms in public administration system of the Republic of Armenia has provided the following significant results. As a result of functional analysis that was carried out in public administration bodies, repetitive, unnecessary, non-specific functions were revealed and corrected. Relevant managerial institutions have been established in public administration and local self-governing bodies whose functions were separated from the functions of the head of the state body. Inspection boards, which are specialized in providing services, regulatory and supervisory and inspection functions, have been formed at the ministries. Many institutions operating

under the auspices of ministries, government agencies, were reorganized into state non-profit organizations, with their separation from administrative functions. The structure of the ministries' management was unified. The new statutes of ministries were approved with full compliance of strategic tasks and functions of laws and other legislative acts.

Modern developments are aimed at making public administration more flexible, effective, less costly, and human-centred. One of these elements is the "one-stop shop" service for citizens as a result of reforms in providing better public service. There has been introduction of electronic services.

Public governance reform has their immediate impact on government's macroeconomic policies, on public discussion, adoption, implementation, monitoring and oversight of its' constituents. At the same time, continuous nature of reforms in public administration and state regulation of national economy, as well as the existing challenges are taken into account. They are regulated by relevant laws and regulations. The right to carry out economic policy is given to state agencies, state non-profit organizations and government agencies, monitoring and oversight functions are given to state inspectorates and law enforcement agencies.

## **2. Results in Local Self-Governance reforms**

The new Law on Local Self-Government has been adopted as well as the new Law on Financial Equalization. The revenue base of Local Self-Governments has been expanded, new taxes have been established - hotel tax and parking tax. Classification of community service positions, class rankings, competition, attestation mechanisms have been clarified. The program of measures to develop the local self-government sector has been elaborated and adopted.

The consolidation of communities (territorial reform) has been accompanied by controversial tendencies in Armenia. The next task of optimization of the administrative division is the formation of inter-community associations, one primary goal of which is to support communities with scarce economic, financial and human resources.

## **3. Results and gaps regarding anti-corruption measures**

In Armenia, the third and current anti-corruption strategy for 2015–2018 was approved in September 2015. Overall, more than 50 laws and regulations have been adopted as components of anti-corruption measures included in the consecutive anti-corruption programmes; the main anti-corruption bodies have been established, international anti-corruption agreements were signed and ratified, Government has

also established several organizations involved in international cooperation related to fighting against corruption.

Nevertheless, undertaken measures have not given anticipated result, because besides the governing bodies, most of the citizens are also involved in the processes that involve corruption and consider it unfortunately as every day and acceptable practices. The effectiveness of anti-corruption is low, because in some cases the fight against corruption is in a formal character. In particular, it has failed to distinguish and separate government agencies from their connection to business activities. Despite the adoption of the Law on Alarming Corruption, neither the civil society nor the enterprises are sufficiently informed about it or have taken it into account. Transparency International's studies in the fight against corruption in Armenia are not adequately considered.

#### **4. Unresolved issues and challenges of effectiveness of public administration system**

**a) Lack of comprehensive public administration reform strategy.** It is not clear yet what government structure is responsible for raising the effectiveness of the public administration system. It is noteworthy that there is no single opinion on the level effectiveness of governing system, least of all on measures to increase it. In general, the public administration system does not yet fully comply with EU requirements (transparency, anti-corruption, active role of civil society, accountability, tenders for new positions in government structures). There is no comprehensive public administration reform strategy currently in place. There is a lack of responsibility, lack of providing adequate information on various aspects of reforms, particularly, on how much financial resources are spent and how efficiently financial resources are used.

**b) Personnel and e-governance problems.** Young professionals are not always feeling welcome in the system of public administration. Instead, relatives and friends of high rank officials may occupy important positions with no responsibility for the results or efficiency of their work. This fact, in turn, discourages young people that the knowledge they acquire in universities and colleges is appreciated in real life.

Despite the provisions proclaimed by the government on the **e-governance system**, there is no basis and proper infrastructure for its implementation in the provinces and remote communities.

**c) Role of international actors.** Public administration reform is mainly implemented with the help of international actors (World Bank, European Union, USAID, Asian Development Bank), but, as a rule, it does not take into account the local peculiarities, as well as the opinions of civil society and experts. So far, there has

been no substantive and comprehensive analysis of the public administration system and its reforms. Social aspects of public administration reform have not been taken into consideration, which creates a negative opinion among the public.

**d) Gender imbalance.** The representation of women in the National Assembly of the Republic of Armenia remains low. In the Electoral Code, a 20% gender quota on party lists submitted to the proportional electoral system was fixed in 2011, however, as a result of the elections women's participation was only 11%. The representation of women in Local Self-Government bodies also remains low, only few community leaders are women. Gender imbalance is maintained also at high levels of executive power. In 2015–2016 of the 18 ministers, only three were women (16.7%). Currently, only one of the 18 ministers is a woman.

### III. Recommendations for further actions and policies

Public administration reforms should be aimed at ensuring the development of the whole system, leading state institutions and separate organizations or subdivisions to identify ways and methods of increasing their effectiveness. Accordingly, structural reforms should be based on the study of the components of the internal environment, but also of external institutions and relationships, and the relationship between the state and the civil society.

a) Institutional analysis. There is need to apply institutional analysis on the issue of the effectiveness of public governance, which requires a study and evaluation of the capabilities of various state institutions. This analysis can help to assess the efficiency of reforms, to find out the weaknesses in public administration and issues related to corruption, as well as the areas of cooperation with civil society. Anticipated results are the drawbacks, weaknesses and threats, major obstacles for conducting efficient administrative reform. Up to date most of the reforms are made as "copy-paste" from other countries, without careful consideration of local peculiarities and, possibly, advantages, too. In order to make reforms more efficient and people-oriented, local experts need to be involved in relevant fields in close cooperation with international experts.

b) Tripartite format of task force. A strong linkage needs to be established between the government and experts, professional representatives of civil society, non-governmental organizations and international actors to increase the efficiency of reforms with proper comprehensive public administration reform strategy.

To increase the effectiveness of the public administration reforms it is necessary to establish a tripartite format of task force by Government of Armenia composed of the government, civil society organizations and international structures to design and

implement public administration reforms. Joint task force should discuss and approve the comprehensive public administration reform strategy and present it to the Parliament of Armenia. The Ministry of International Economic Integration and Reforms should take the responsibility of primary actor and involve civil society to participate in the overall process of reforms. At certain stages the task force needs to make assessment of efficiency of using financial, human, and other resources during the implementation of reforms and assessment reports should be made available to the public. International actors should be asked to provide consultancy, technical support, trainings, workshops, as well as some funding. Result based management and planning of future activities are important tools for establishing clear criteria for evaluating success of reform process. Cost versus benefits analysis should be required for measuring the efficiency. All steps of reforms need to be transparent and properly monitored by media and civil society representatives.

c) Improvement of legislation. At this stage of reform of the public administration system, it is important to elaborate legislative basis for the development of effective management system. In particular, the legislative support activities, including laws and sub-legislative acts, the digitalization of public administration and local self-governance systems are highlighted in transition to parliamentary governance. There are two laws that are regulating central government activities (on Government Structure, and on Government of Armenia) that need to be unified in one law – the Law on Local Self-Governance, Law on Financial equalization and others need to be examined in order to avoid contradictions. Finally, it is recommended that a new law on Public Administration needs to be designed and adopted.

d) Decentralization and democratization of Armenia's Local Self-Government system. Effective policy of decentralization and development of Armenia's Local Self-Government system requires that the Armenian government takes the following steps: consistent application of international experience in the field of local self-government, including the Council of Europe's of Local Self-Government European Charter; strengthening local self-governance through legislative improvements and enforcement of institutional reforms.

Increasing transparency and accountability of local self-governance bodies, clarification of control procedures, compliance with the mandatory legislative requirement for the four-year community development programme, increasing the financial independence and autonomy of communities.

Ensuring adequacy of mandatory and delegated powers of Local Self-Governments and financial resources required for their implementation, introducing a new financial alignment system. Increasing the legitimacy, efficiency, transparency, publicity and accountability of financial management of communities.

Capacity building of local self-government bodies is needed for the introduction of information technologies. To increase their financial independence, trainings and further education is needed to boost the awareness of people in local communities on mentioned issues.

e) Fight against corruption. In the fight against corruption the following measures should be taken:

- Transparency. Increase accountability and transparency of public administration bodies, as well as improve feedback between them and citizens and economic entities, also to minimize unnecessary contacts of citizens with public administration bodies in everyday life. The government shall be more accountable and present quarterly reports on all areas activities, civil society should be involved in decision making and monitoring processes.
- Costs reduction. Reduce the costs of the public administration system and abandon repetitive or ineffective functions in public administration bodies. Expand the quality of services provided to citizens and investors through a “single window” (one stop shop) principle.
- Implementing electronic systems. Establish a specialized Armenian Government body that will coordinate the development of public administration and local self-government electronic systems based on a common vision. Establish interoperability platform for state and local ICT systems.
- Development of high-quality personnel. Introduce clear standards of performance of public servants’ professional skills, as well as the degree of performance of their duties. Eliminate the high-quality personnel deficit that has a direct impact on the development of public administration and economy. To ensure the inflow of highly qualified professionals to the public administration system, it is necessary to develop and apply clear mechanisms of incentives and encouragement to increase progress and income.
- Further analyses. To conduct joint study with the local Transparency International office in Yerevan to come up with more specific recommendations.

f) Improvement of gender balance. For improving gender balance in the Local Self-Governments, more efficient special measures need to be set up – for example the 30% gender quota on party lists in local elections should be established. The national gender equality commission should be re-established under the Prime Minister and in the work of this commission more experts and representatives of Local Self-Governments should be included. For improving gender balance also a strategic plan for achieving gender equality is needed and local gender equality commissions

should be established. Also, should be implemented financing of political parties that have adopted gender equality working plans and to support work of the female Members of Parliament, as well as to support Local Self-Governments in their work of achieving gender balance.

#### **IV. What is needed from international actors**

a) Insist on tripartite cooperation format to be established for addressing current shortcomings in public administration reform process. This would ensure active involvement of government agencies, international structures and civil society (particularly, at expert community level). This should be formed jointly on the basis of clear responsibilities to be taken on by the government, (conditionality based) support from international organizations (particularly EU), and the civil society.

b) Prove the lack of efficient management in public administration reform process via special joint study conducted with international and local experts to reveal the significant shortcomings of implemented reforms (even using basic SWOT Analyse methodology - Strengths, Weaknesses, Opportunities and Threats)

c) Initiate thorough stock-taking reality check on corruption to come up with more specific recommendations for more efficient fight with corruption/ better planning of Government anti- corruption measures (for example with Transparency International or other anti-corruption specialists from EU).

d) Help with assessment and action plan for Armenian Government on women's participation at all levels of public administration, as well as their involvement in improving the efficiency of public administration through reforms.

e) Pay attention on importance of proper coordination of local and international human and financial resources and eliminate duplication of functions and tasks by many structures.

f) Enhance efforts to implement pilot projects to strengthen selected communities in ongoing process of territorial reform in rural areas.

g) Focus on rural areas when organizing trainings, experts' consultations and round tables, particularly in small cities and villages to raise the awareness of people and encourage participation of local communities in decision making and monitoring processes of public administration reform in Armenia.