

Programmatic Cooperation Framework for  
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**STRENGTHENING INSTITUTIONAL FRAMEWORKS FOR LOCAL GOVERNANCE PROGRAMME  
2015-2017**

**STUDY  
MAPPING THE OBSTACLES TO INTERMUNICIPAL  
CO-OPERATION IN ARMENIA**

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# **CONTENT**

## INTRODUCTION

### CHAPTER 1. LOCAL SELF-GOVERNMENT IN ARMENIA

#### 1.1. General frame of LSG in Armenia

- a) Administrative and Territorial System in the Soviet Period
- b) Development of Administrative and Territorial Division after Independence
- c) Short description of state territorial administration

#### 1.2. 1<sup>st</sup> Level (Municipal) of Local Self-government

- a) Number and demographic tiers
- b) Local self-government bodies, election, main powers and competences
- c) Administration and human resources (status of employees)
- d) General financing: structure of resources
- e) Municipal enterprises and ways of managing local services: PPP, public companies, privatization

### CHAPTER 2. THE LAW ON IMC IN ARMENIA

- 2.1. General legal provisions
- 2.2. Legal provisions on IMC organizations or procedures
- 2.3. Other legal possibilities

### CHAPTER 3. MUNICIPAL REFORM IN ARMENIA

- 3.1. A general debate: amalgamation or cooperation?
- 3.2. IMC in progress in Armenia
- 3.3. Special status of the capital city
- 3.4. The actors of IMC
- 3.5. Role of donors and international organizations

### CHAPTER 4. ASSESSING IMC IN ARMENIA

- 4.1. Level of equipment in basic public services
- 4.2. Domains where IMC is most needed or would be easy to implement
- 4.3. Need to create or improve the law on IMC?
- 4.4. IMC and accessibility to services or management
- 4.5. Cross-border IMC

### CHAPTER 5. PERSPECTIVES + CONDITIONS OF PROGRESS

- 5.1. Help to create a friendlier environment for IMC
- 5.2. Financial issues
- 5.3. Human resources issues
- 5.4. Need, will or pertinence to adopt an explicit national policy?

## ANNEXES

## **INTRODUCTION**

This study is part of the thematic programme “Strengthening institutional frameworks for local governance” implemented by the Centre of Expertise for Local Government Reform, Directorate General of Democracy (DG II), Council of Europe (*the Centre*) under the CoE/EU Eastern Partnership Programmatic Co-operation Framework (PCF).

The main objectives of the above mentioned programme are to support the on-going process of local government reform in the participating countries (i.e. Armenia, Georgia, Moldova, Azerbaijan, Belarus and Ukraine) by improving and streamlining the legislative frameworks, increasing the efficiency, transparency, accessibility and accountability of local authorities, by increasing the leadership capacity of their elected representatives, promoting effective provision of services to citizens, in particular through inter-municipal cooperation (IMC), support to central governments and local authorities in the improvement of financial and human resources management of local administrations based on European standards and benchmarking processes.

Inter-municipal cooperation is an important but less developed aspect of local governance in transition countries including Armenia. Local self-government system in Armenia is extremely fragmented and local government units are weak in capacities. There are many small municipalities, which can't deliver many services assigned to them by the law, on the one hand, and these municipalities don't have financial resources for putting in joint fund for services delivery together, on the other hand. That's why IMC is not developed in Armenia. Undeveloped legislation is other main reason for such situation.

Armenia started a pilot programme on municipalities' amalgamation and this issue is a priority for the Government of Armenia. But anyway IMC is remaining as an important element for the complex development of local governance in Armenia.

The audience targeted by this study are local authorities, national governments, experts, civil society and relevant NGOs working in the field of local democracy and citizens.

## **CHAPTER1. LOCAL SELF-GOVERNMENT IN ARMENIA**

### **1.1. General frame of LSG in Armenia**

Armenia is one of the oldest countries in the world. But it didn't have independency for a long time. Armenia lost its independence in 14<sup>th</sup> century and only in 1918 it became again an independent country known as the 1<sup>st</sup> Republic of Armenia (1918-1920). The 1<sup>st</sup> Republic had a short life and could only establish primary components of local self-government.

#### **a) Administrative and Territorial System in the Soviet Period**

The establishment of Soviet government system in Armenia (1922) gave rise to the formation of administrative and territorial division of the country inherent to the Soviet Union. The

administrative and territorial division of Soviet Armenia was part of a powerful system that constituted the Soviet state. According to the existing legislative acts, populated settlements were classified into urban and rural areas. Urban municipalities were considered to be the cities and towns of republican and regional significance, and rural municipalities included villages and smaller rural settlements. The territory of Armenia was divided into 37 administrative rayons (regions). Local councils together with their executive committees implemented the state government in rayons. The head of any rayon, city or village was elected from among the council elected by the population in the given administrative and territorial unit. These councils represented the local authorities and formed part of the national government.

## **b) Development of Administrative and Territorial Division after Independence**

In the aftermath of the declaration of independence (September 23, 1991) Armenia encountered unprecedented blockade and energy crisis. The state was involved in addressing a number of other crucial problems, which postponed the commencement of administrative and territorial division reforms until 1995. It was evident that, given the establishment of market relations, the implementation of old type government in the former regions will be complicated in view of different levels of their development. Maintaining the former system would force the central government to get involved in permanent and active reallocation of financial and material resources, since the establishment of market relations would further deepen the differences between the regions certainly resulting in shrinking interest on the part of local governments towards efficiency of operations and feed their desire to seize more resources from the central government. In view of these circumstances an effort was undertaken to create a new system of territorial administration through consolidation of regional units based on the logical approaches of minimizing the differences between the areas and ensuring the availability of resources adequate to reproduce public life in each of the marzes (regions).

For the newly established Armenian state the priorities were the establishment of state institutions and the introduction of public administration system. Changes taking place in the public administration system were stipulated in the Constitution of Armenia adopted upon the national referendum held on July 5, 1995. The Constitution stipulated the powers of all branches of government, the human and civil rights and obligations.

Administrative and territorial division has a special role and place in the public administration system; it is not incidental that the National Assembly adopted the Law on Administrative and Territorial Division of the Republic of Armenia as a priority among the first legislative initiatives aimed at democratization of public administration system, taking into consideration that Article 104 of the Constitution has defined the administrative and territorial units of the Republic of Armenia, i.e. marzes and municipalities.

The new system of administrative and territorial division instituted by the Constitution plays two-fold role in the building of statehood. First of all, the system of regional authorities is

established as a part of national government in accordance with the administrative and territorial administration structure, with the regional authorities performing functions inherent to national executive authorities. Secondly, the administrative and territorial structure envisages the existence of local self-government bodies.

In accordance with the Law on Administrative and Territorial Division of Armenia, the territory of Armenia has been divided into 10 marzes and the city of Yerevan, with the status of a marz. There were formed 930 municipalities: 48 urban, 871 rural and 12 district municipalities (boroughs) in Yerevan in 1996.

There have been insignificant changes during the last 20 years. There are 10 marzes and 915 municipalities operating now, including 49 urban and 866 rural ones. Yerevan became municipality in 2009 and the 12 district municipalities of Yerevan were reorganized.

### **c) Short description of state territorial administration**

The Armenian government has a two-tier structure – central government and local self-government - with most administrative powers exercised by the central government. *Marzer*, the regional units, are subdivisions of the state administration rather than a separate tier of the government system, as they lack elected officials or bodies and budgets.

Marzer are governed 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 administration (*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-municipal issues within their competence.

The regional administration employees are civil servants functioning under the Law on Civil Service.

Marzpet and regional administration have no responsibilities in case of municipalities amalgamation or IMC<sup>1</sup>.

The regional council is an advisory body, composed of the marzpet and all municipality heads from the marz. Although its competencies are not defined by law, the regional council typically discusses issues of regional policy and regional development. The marzpet may take the results of these discussions under consideration *when performing government duties*.

In Armenia, local self-government is exercised only within the unit of the municipality.

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<sup>1</sup>The term, IMC is a relationship between two or several local authorities (i.e. entities in the first level of territorial administration) having a status of legal persons, endowed with competences, powers and resources in accordance with the European Charter of Local Self-Government

So, there is a clear State territorial organization, as well as competences of the regional administration and local governments, defined by the Law on Local Self-government and the Presidential Decree. The government system is being centralized rather than a decentralized democracy with powers to effect change and deliver public services. The level of decentralization is very low.

## 2. 1<sup>st</sup>Level (Municipal) of Local Self-government

### a) Number and demographic tiers

As of January 1, 2014 the population of Armenia was 3017.1 thousand people<sup>2</sup>. The average number of population per municipality was 3297 people and 2132 people excluding Yerevan. The average territory per municipality remained unchanged from the previous year, i.e. 31.1 km<sup>2</sup>, and 30,9 km<sup>2</sup> excluding Yerevan.

The population in 49% of the Armenian municipalities is less than 1000 inhabitants and in 43% the population is 1001-5000. The local self-government units of Armenia are still highly fragmented keeping Armenia in the last places of the list of Council of Europe member states (Table 1).

**Table 1: Number of municipalities in Armenia, by marzes and selected population strata (as of January 1, 2014)<sup>3</sup>**

Marzes	Less than 500	501-1000	1001-5000	5001-10000	10001-15000	15001-50000	50001-100000	100001-1000000	Total
Aragatsotn	36	36	37	4		1			114
Ararat	4	14	69	6	1	3			97
Armavir	5	6	80	4		2			97
Gegharkunik	27	19	31	11	2	2			92
Lori	45	19	41	4	3		1		113
Kotayk	7	12	35	9	1	3			67
Shirak	41	29	44	3		1		1	119
Syunik	74	16	15	1	1	2			109
VayotsDzor	19	7	14	4					44
Tavush	12	16	30	2		2			62
Total	270	174	396	48	8	16	1	1	914

### b) Local self-government bodies, election, main powers and competences

There are 2 local self-government bodies: the local council (avagani) and the head of municipality (mayor). Local self-government bodies are elected for 4 years directly<sup>4</sup> by the population. Local self-government bodies are elected through the majority voting system in the marzes of the country, and through the proportional voting system in Yerevan.

<sup>2</sup> www.armstat.am

<sup>3</sup>Yerevan isn't taken into account.

<sup>4</sup> Only the Mayor of Yerevan can be elected directly or indirectly by the council.

In May 2011 a new election code was approved and promulgated thus rescinding the former one. Many changes have been made in the new election code, which encompass also the local self-government. For example, according to the new election code, municipality councils should consist of five members for municipalities with population of less than 1000 people, seven members in those with 1000-2000 population, nine members for 2000-4000, eleven members for 4000-10000, fifteen members for 10000-70000 and twenty-one members in communities with more than 70000 population. Yerevan local council has 65 members.

Candidates for mayor and member of avagani may be nominated by political parties by the decisions of their field (initial, local) office, while citizens who are entitled to be elected under the legislation may also run for the elected positions by self-nomination<sup>5</sup>. A political party may propose a candidate who is not a member of the given political party, for the positions of mayor and/or member of avagani.

Local self-government bodies are responsible for providing the following public services:

- water supply, sewerage,
- irrigation,
- central heating system,
- landscaping and municipality improvement,
- use and maintenance of municipality building stock, including residential and non-residential buildings, dormitories, administrative buildings and other municipality-owned structures,
- ensuring the proper maintenance of cemeteries,
- construction, maintenance and operation of roads, bridges and other engineering structures within the municipality's jurisdiction,
- operation of municipal public transport,
- waste collection and disposal,
- kindergartens,
- specialized education,
- cultural homes, libraries,
- museums,
- street lightning.

Local authorities give permission to launch the construction (designing) of new facilities, to reconstruct, reinforce, modify the exterior of the existing buildings in the municipality, for sellers of alcoholic beverages and/or tobacco in the municipality, to gambling facilities, public catering, saunas, and entertainment facilities, permission to work after 12 pm, etc. Local authorities also implement other administrative powers.

### **c) Administration and human resources (status of employees)**

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<sup>5</sup>Prior to adoption of the Election Code of Armenia in 2011, candidates for mayors and members of avaganis ran only under the principle of self-nomination. In the aftermath of the adoption of the new Election Code, the political parties were also entitled to propose their own candidates.

The municipality head represents the executive body of local government, acting on the principle of individual leadership. The head is required to submit a proposed organizational structure, as well as the number of employees, the personnel list and the salaries of the local administration and budgetary agencies to the municipality council for approval. The municipality is a legal entity, with its own seal bearing its name and the municipality or state emblem of the Republic of Armenia. The size of local administration staff is defined by the municipal council.

The main part of municipal administration is formed by municipal servants. The Law on Municipal Service establishes the major principles of municipal service, regulates the classification of positions and the service categories, as well as the relations associated with appointments to positions in the municipal service, appraisal and training of municipal servants, human resource databases, the legal status of municipal servants, the organization and administration of municipal service, and other related issues. The processes of municipal service development were more coordinated in the last years, but they are as yet far from the optimal pace of development.

#### **d) General financing: structure of resources**

The Law on the Budget System of the Republic of Armenia regulates all budgetary relations between central and municipality budgets in a system based on unified state fiscal, monetary and taxation policies. The Armenian budget system includes the state budget and municipality budgets, which follow the common procedures of developing draft budgets, classifying revenues and expenditures, accounting, reporting and implementation. The aggregate of the revenues and expenditures of the state budget and municipality budgets forms the consolidated budget of the Republic of Armenia.

The main sources of municipality budget revenue are as follows (Table 2):

- local taxes
  - property tax
  - land tax
- state duties
  - 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.
- grants from the state budget
  - equalization grants
  - subventions
  - other grants
- local duties and fees
- land and property rent



- other revenues.

**Table 2: Municipal budget revenues and their individual shares in 2011-2013 (in mln AMD)<sup>6</sup>**

	Revenues	2011		2012		2013	
		Amount	Share in total (%)	Amount	Share in total (%)	Amount	Share in total (%)
1	2	3	4	5	6	7	8
1000	<b>TOTAL REVENUES</b>	<b>87342.4</b>	<b>100</b>	<b>95515.8</b>	<b>100</b>	<b>105802.4</b>	<b>100</b>
1100	including <b>1. Taxes and duties</b>	<b>19550.7</b>	<b>22,4</b>	<b>20034.5</b>	<b>21,0</b>	<b>21121.5</b>	<b>20.0</b>
1110	including 1.1. Property taxes from real estate (including land tax)	10006.4	11,5	9536.4	10,0	9463.9	8.9
1121	1.2. Property taxes from transportation	6207.7	7,1	6761.7	7,1	7462.6	7.1
1131	1.3. Local duties	2544.4	2,9	3020.9	3,2	3492.8	3.3
1151	1.4. State duties	791.8	0,9	715.1	0,7	702.1	0.7
1160	1.5. Other tax revenues	0.4	0	0.4	0	0.1	0.0
1200	<b>2. OFFICIAL GRANTS</b>	<b>42445.8</b>	<b>48,6</b>	<b>48799.7</b>	<b>51,1</b>	<b>54799.5</b>	<b>51.8</b>
1300	<b>3. OTHER REVENUES</b>	<b>25345.9</b>	<b>29,0</b>	<b>26681.6</b>	<b>27,9</b>	<b>29881.4</b>	<b>28.2</b>
1342	including State budget allocations to local self-government bodies for funding the expenditures associated with the implementation of delegated powers	19688.1	22,5	17823.5	18,7	20644.4	19.5
1392	Receipts generated by transfers from the reserve fund of the administrative budget to fund budgets of municipalities	2739.0	3,1	5132.3	5,4	8478.2	8.0

### **e) Municipal enterprises and ways of managing local services: PPP, public companies, privatization**

There are three types of organizations in the subordination of local governments and ownership of municipalities: budgetary, non-commercial and commercial. Commercial organizations are mainly registered in urban municipalities. They are operating in sanitation cleaning, planting of greenery, waste collection and disposal and other fields.

Municipal non-commercial organizations (Table 3) mainly exist in urban and large rural municipalities. Among them are kindergartens, art, music and sport schools, etc. As of January 1, 2014, the total number of municipal non-commercial organizations was 1201, 69 more than in the previous year. The number of commercial legal entities 100% owned by

<sup>6</sup> www.minfin.am

municipalities decreased by two to make a total of 425, and the number of commercial legal entities jointly owned by the state and municipalities increased by one to make a total of 219.

**Table 3: Number of kindergartens, music and arts schools, crafts organizations and sports institutions by marzes<sup>7</sup>**

Marzes	Kindergartens	Music and arts schools	Crafts organizations	Sports institutions
Yerevan	207	49	12	55
Aragatsotn	20	8	1	7
Ararat	74	22	1	7
Armavir	56	14	2	6
Gegharkunik	42	17	3	9
Lori	61	22	4	18
Kotayk	52	24	6	16
Shirak	45	27	6	36
Syunik	52	17	4	10
VayotsDzor	18	7	1	4
Tavush	56	19	3	4
<b>Armenia, total</b>	<b>683</b>	<b>226</b>	<b>43</b>	<b>172</b>

Commercial and non-commercial organizations of municipalities are managed and deliver local services mainly by their inhabitants. But sometimes they also deliver services for neighbouring municipalities' inhabitants. Some municipalities set for the neighbouring municipalities' inhabitants a fee higher than that for own municipality inhabitants (kindergartens, music and art schools) taking into account the building maintenance expenses.

## **CHAPTER 2. THE LAW ON IMC IN ARMENIA**

### **2.1. General legal provisions**

Legislative provisions on IMC are very poor in Armenia. The Constitution of Armenia includes one provision on IMC. Article 110 provides that “Inter municipal unions<sup>8</sup> may be established in accordance with the legal procedure.” There is no special law on inter-municipal unions (IMUs). But there are some articles in the Law on Local Self-government on IMUs - consortia, municipal associations and direct contracts (Box 1). But, anyway, municipalities can't establish IMUs because the objectives and powers of IMUs haven't been defined by any law (Article 78). That's why there is no registered IMU in Armenia yet.

There is the Government Decree on November 10, 2011 Government session N 44, which approved the Municipalities Amalgamation and Inter-municipal Unions Formation Concept. The Concept includes purpose and principles, centres, bodies, responsibilities, budget, etc. of IMU. But the main attention is given to the municipalities' amalgamation than IMC.

### **2.2. Legal provisions on IMC organizations or procedures**

<sup>7</sup> www.armstat.am

<sup>8</sup> IMU is an interpretation of IMC in the legislation of Armenia (mijhamajnjajinmiavorum in Armenian)

There are some organizational and procedural provisions in the Law only related to the IMUs. IMU must be a specific institution and it would be established by signing a contract between the founder municipalities' heads, which should be approved by the respective municipality councils.

**Box 1. Fragment from the Law on Local Self-government of RoA**

**Article 16. Powers of municipality Council**

10) take decision on submitting proposal to the authorized state body on amalgamation with other municipalities as well as creation of inter-municipal unions;

11) take decision on the appointment of its representative in the inter-municipal union;

22) ratify by its decision the agreements on cooperation with other municipalities of Armenia and other countries; for the purposes of coordination of municipalities activities, as well as representation and protection of common interests, adopt decisions on becoming member of the associations created by the municipalities and payment of membership fees;

**Article 32. Powers of the Head of Municipality**

11) sign agreements of cooperation with other municipalities of Armenia and other countries and submit them for the ratification of the municipality council. He/she shall submit for the approval of the municipality council draft decisions on the creation of inter-municipal union, as well as membership to the associations created by the municipality and payment of the membership fees;

**CHAPTER 8. INTER-MUNICIPAL UNIONS**

**Article 78. The Right to Form Inter-Municipal Unions**

Local self-government bodies may form inter-municipal unions for the purposes of providing solution to some problems faced by the municipalities and decrease of expenses.

Inter-municipal unions shall have the status of legal person.

Objectives and powers of inter-municipal unions shall be defined by law.

**Article 79. Order of the Formation of Inter-Municipal Unions**

Inter-municipal unions shall be formed by the heads of municipalities through the execution of agreements, which shall be approved by the municipality councils.

**Article 80. Bodies of the Inter-Municipal Union**

For the purposes of management of inter-municipal union a council shall be formed, comprised from heads of municipalities. The inter-municipal union council shall elect from its composition the chairman of the council. Any session of the council of the inter-municipal union shall be legitimate [have quorum], if more than half of the members of the council are present at such session. Decisions are adopted by the majority vote of the members present

Municipalities shall be represented in the IMU council by the heads of municipalities. There is no provision in the Law on representation of municipalities in the executive power, as well as the financial participations paid by member municipalities.

## **2.3. Other Legal Possibilities**

### ***Municipalities Associations***

Local governments associations are established and functioning. There are 25 municipalities associations in Armenia, which include only 495 municipalities (Table 4).

The management body of municipality association is the council, which consists of mayors of member municipalities. The council will elect a chairman, a secretary and a supervisory commission from among the members. The staff is small because of the scarcity of financial resources and limited sectors of operations. Financial resources of the associations are

generated by membership fees, fees for delivered services, as well as resources allocated by donor organizations. By signing inter-municipal contracts, 17 municipality associations implement centralized management of property and land tax bases, including assessments and calculation, deliver advisory services, hold seminars and workshops.

Actually municipality associations implement one local government responsibility by direct contracts, which is the IMUs task and some of them are ready to re-establish as IMUs.

**Table 4: Territory, population and number of municipalities of Armenia, as well as municipality associations and their member municipalities by marzes**

Marzes	Area (km <sup>2</sup> )	Permanent population, 1000 people	Number of municipalities	Number of municipality associations	Number of municipalities in associations
Yerevan	223	1066.3	1	1	40
Aragatsotn	2756	133.0	114	2	33
Ararat	2090	261.4	97	4	67
Armavir	1242	267.1	97	-	-
Gegharkunik	5349	235.6	92	4	61
Lori	3799	234.7	113	4	91
Kotayk	2086	255.3	67	-	-
Shirak	2680	251.3	119	1	8
Syunik	4506	141.7	109	4	108
VayotsDzor	2308	52.2	44	1	27
Tavush	2704	128.3	62	4	60
<b>Total, Armenia</b>	<b>29743</b>	<b>3026.9</b>	<b>915</b>	<b>25</b>	<b>495</b>

### ***Corporations***

Vedi municipalities association established a “Clean Country” ltd in 2009 with the objective to implement trash removal activities in the member municipalities. This company started actual activities on January 1, 2010 and it delivers garbage removal services to Vosketap, Urtsadzor and Avshar municipalities, which are not members of the association. The members of the association include Vedi, Aralez, Goravan, Dashtakar, Yeghegnavan, Lusarat, Noyakert, Nor Kyank, Nor Ughi, Shaghap, Vanashen, Aygavan, Sisavan, Ginevet, and PokrVedi municipalities, which naturally are recipients of the service. Trash removal services are implemented in the above municipalities through 230 metal and plastic containers, plastic bags distributed to 5200 households and 326 legal entities. Trash removal in Vedi urban municipality is carried out twice a day, and once a week in rural municipalities. Garbage from the involved municipalities is collected in the garbage collection site of 5 thousand hectares allocated to the Company, which is fenced, has water, electricity supply and relevant structures. Trash removal is implemented in accordance with the scheme and timetable approved by the Manager of the company, agreed with the heads of involved municipalities. In the future, it is planned to clean other areas, which were previously used as garbage collection sites, and a trash processing plant is designed to be constructed in the currently operating site<sup>9</sup>.

### ***Agreements***

There is successful experience of managing land and property taxes bases by municipalities in a centralized manner sustained. 68 structures established by municipalities are operating on a

<sup>9</sup>Source: YuraHarutunyan, Manager of Clean Country ltd.

contractual basis (their number remains unchanged from the previous year), which cover 427 municipalities (Table 5).

There are few cases when one municipality delivers services for other municipality's inhabitants. For example, Sysian urban municipality on contractual basis delivers waste collection and disposal service for neighbouring rural municipality Uyts. Municipality Uyts pays a fee for this service, which is defined in the contract.

There are also examples of unregistered cooperation and the information on this is very scarce.

**Table 5: Structures managing property and land tax bases (as of January 2013)<sup>10</sup>**

	Marz	Municipality associations (MA)		Inter-municipal structure (IMS)		Municipalities in MA and IMS	Municipalities managing their own database only	Municipalities lacking own databases	Computers with databases installed
		N	Number of MA member municipalities	N	Number of IMS member municipalities				
1	Aragatsotn	1	9	17	48	57	57	39	75
2	Ararat	2	27	2	12	39	58	35	62
3	Armavir	0	0	1	2	2	95	1	96
4	Gegharkunik	0	0	7	30	30	62	23	69
5	Lori	3	48	5	16	64	49	59	57
6	Kotayk	0	0	1	2	2	65	1	66
7	Shirak	0	0	17	53	53	66	36	83
8	Syunik	4	100	0	0	100	9	100	13
9	VayotsDzor	3	28	1	2	30	14	26	18
10	Tavush	4	50	0	0	50	12	50	16
<b>TOTAL</b>		17	262	51	165	427	487	370	555

## CHAPTER 3. MUNICIPAL REFORM IN ARMENIA

The current situation of the municipal reform is related to the implementation of municipalities' amalgamation program of the Government in Armenia. This program is directed to the provision of full implementation of local authorities' responsibilities at the whole territory of Armenia but not to decentralization of new powers.

### 3.1 A general debate: amalgamation or cooperation?

There were discussions before approving the Municipalities Amalgamation and Inter-municipal Unions Formation Concept by the Government of Armenia in 2011. The result of these discussions is reflected in the Concept, as IMU is not an alternative but a complementary to the amalgamation. It is mentioned in the Concept that small municipalities can't cooperate, having lack of financial and other resources, only amalgamated municipalities can cooperate. There have not been serious discussions after approving the Concept. But still the Government of Armenia and particularly the Ministry of Territorial Administration and Emergency Situation keep this opinion and especially do not put the issue into discussions.

### 3.2. IMC in progress in Armenia

<sup>10</sup>[www.mta.gov.am](http://www.mta.gov.am)

There are few reports on IMC progress in Armenia, which are related mainly to the creation and development of IMUs. The leader in this issue is CFOA, which mentioned the necessity of IMUs establishment and operation in its all annual reports on monitoring the local self-government reforms in Armenia<sup>11</sup>.

There is another paper “Strategic Approaches to Further Development of Local Self-Government and Decentralization of Power”, Yerevan 2012, developed by 6 NGOs (*Communities Finance Officers of Armenia, Councillors Association of Armenia, Information Systems Development and Training Centre of Armenia, International Centre for Human Development, Union of Communities of Armenia, Urban Foundation for Sustainable Development*) in the framework of *Civil Society and Local Government Support Program – CSLGSP(USAID/Counterpart International)*. It is mentioned in this paper “Take effective measures to develop and expand inter-community cooperation, namely to support the communities that voluntarily form inter-community unions and to regulate by law the creation and operation of other forms of inter-community cooperation.” This paper is submitted to the Ministry of Territorial Administration but it was not approved.

There is no registered IMU in Armenia yet.

### **3.3. Special status of the capital city**

The capital city of Armenia – Yerevan - is a municipality. There is one tier local self-government system in Yerevan, which excludes IMC existence in the capital city.

### **3.4. The actors of IMC**

One can introduce the collective approaches only taking into account individual meetings with different representatives of the IMC actors as there were no serious discussions on IMC.

#### ***Municipal leaders***

The main part of mayors from municipalities included in the regional associations believe that IMUs can be an alternative to the municipalities’ amalgamation and it is necessary to establish such Unions.

#### ***Municipal associations***

Municipal associations rather prefer the establishment of IMC or IMU than municipalities’ amalgamation. Their representatives think that these associations are ready to change their status and became IMUs. This is related with the corporative interest of these Associations because some of them will be closed after amalgamation.

#### ***Sectorial associations (employees; ass.Of finance officers...)***

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<sup>11</sup>Local Self-government in Armenia (2011), Book 5, edited by David Tumanyan, Yerevan 2012. Local Self-government in Armenia (2012 and 2013), Book 6, edited by David Tumanyan, Yerevan 2015.

There are 4 registered sectorial associations in Armenia – Communities Finance Officers Association (CFOA), Municipalities Councillors Association of Armenia (MCAA), Municipalities Lawyers Association (MLA) and Municipal Employees Association (MEA) but actually only the first 3 Associations work.

CFOA consider parallel implementation of municipalities' amalgamation and IMUs formation. This is no alternative, but complementary issue by CFOA. Even CFOA has developed additions in the Law on Local self-government on the bases of the Concept on Municipalities Amalgamation and Inter-municipal Unions Formation (approved by the Government of Armenia in 2011) and submitted to the Ministry of Territorial Administration but that draft has not been discussed and included in the legislative process yet.

MCAA, when discusses local self-government related issues among them, sometimes have considered IMC in general also. But recently the issue has not been on the agenda of the Association.

MLA discussions show that there are different opinions on IMC.

#### ***The Government as a whole***

The Government of Armenia has approved the Concept on IMUs Formation recently and it is based on the opinion of the responsible Agency for local self-government reform – the Ministry of Territorial Administration and Emergency Situation (see below).

#### ***Ministry of Territorial Administration and Emergency Situation***

The Ministry mainly focuses attention on the amalgamation of municipalities. IMUs formation will be the target of the Ministry after amalgamation will be implemented in the whole country. The Ministry believes that first of all it is necessary to strengthen municipalities, then think about ICUs establishment. Armenia hasn't got the resources for parallel implementation of both. But amalgamation of municipalities will be continuing in coming years by using the piloting approach. The Ministry has not specified the time for the beginning of the process.

#### ***Ministry of Finance, Ministry of Economy, Line ministers***

The issue is not discussed in other ministries because it is not put on the agenda by the Ministry of Territorial Administration and Emergency Situation.

#### ***Citizens, Media***

There are no serious discussions or publications in the media. The whole attention is concentrated on amalgamation of municipalities

### **3.5. Role of donors and international organizations**

Donors and international organizations took an active part in the discussions on ICUs formation before approving the Municipalities Amalgamation and Inter-municipal Unions

Formation Concept by the Government of Armenia in 2011. USAID, UNDP, World Bank, LGI/OSI, GIZ and others believed that it was necessary to form IMUs. But after approving the Concept by the Government of Armenia they became passive in this issue. Nowadays all donors and international organizations focus their efforts to support the Government of Armenia in the municipalities amalgamation program. They plan to invest some funds in the municipalities included in the amalgamation program.

## **CHAPTER 4. ASSESSING IMC IN ARMENIA**

### **4.1. Level of equipment in basic public services**

The RA legislation (including the Constitution, the Law on Local Self-government) entitles municipalities to own and autonomously manage property. Own property of municipalities may be kindergartens, water and sewage networks, heating, garbage removal and other communal utilities and infrastructures, roads, squares, bridges, administrative buildings, educational, cultural, sports and other facilities and structures, agencies and organizations, means of transportation and other immovable and movable property located in the territory of municipalities.

The majority of municipally owned property in general and equipment of public services was built or acquired decades ago and has undergone physical and moral wear-and-tear since then. Both maintenance and operation of municipally owned property has become a complicated task. Majority of the property is in desperate need of renovation, but the resources of the municipalities are inadequate to do so, while the physical condition of the assets that are not exploited or only partially exploited gradually deteriorates. Some LSGs are in desperate need of property and various assets to implement their powers; others use what is available in an inefficient manner.

### **4.2. Domains where IMC is most needed or would be easy to implement**

IMUs are most needed in public services delivery and administrative tasks as well. The main domains are:

*Management and collection of local taxes, local duties and fees:* Recently all municipalities have the responsibility to collect local duties and fees and do it by themselves. Related to the local taxes they have the same responsibility but some municipalities have established structures by contracts and do it together. It seems there are no bases to separate tax related responsibility and it is necessary to transfer this responsibility to IMUs.

*Water supply, sewerage, irrigation and their maintenance:* Recently different institutions delivered these services – state company, JSCs, water users' companies and municipalities. It is necessary to provide a centralized management of these services at the local level for effective implementation of these services.

*Landscaping and municipality improvement:* This responsibility is the competence of local authorities but many of them cannot implement it due to the lack of appropriate resources.



Specialized organizations of IMUs may implement this responsibility in all municipalities and effectively.

*Construction, maintenance and operation of municipal and inter-municipal roads, bridges and other engineering structures are within the municipality's jurisdiction:* This responsibility is not implemented in many municipalities. But additional resources will be necessary for the real implementation of this responsibility by IMU.

*Operation of municipal and inter-municipal public transport:* Currently this responsibility is implemented by the marzpet related to the inter-municipal transport and mainly delivered by the private sector and by the local authorities' municipality transport. Specialized organizations of IMUs may deliver this service more effectively.

*Waste collection and disposal:* This responsibility is assigned to the local authorities but many of them don't deliver it. But there is a good practice in Vedy cluster of municipalities to deliver this service by a specialized company for the municipalities included in the regional association. So it can be transfer to the IMUs.

*Specialized education and sport:* This is a local authorities' responsibility but many of them have no appropriate facilities. Transferring this responsibility and facilities to the IMUs will create the possibility for all municipalities' inhabitants to receive this service.

*Social assistance and healthcare:* Recently social assistance is a central government and healthcare responsibility (few local authorities have healthcare facilities). These responsibilities can be more effectively implemented at local level but taking into account the existence of many small municipalities, it will be better to transfer these responsibilities to the IMU.

#### **4.3. Need to create or improve the law on IMC?**

It is necessary to develop a special law on IMC. There is the approved Concept by the Government of Armenia and the law must be developed on the basis of the Concept. The law may define the development of regulations for the implementation of different services.

#### **4.4. IMC and accessibility to services or management**

Accessibility to services can be provided when some services will be delivered first of all - *Construction, maintenance and operation of municipal and inter-municipal roads and bridges and operation of municipality and inter-municipal public transport.*

#### **4.5. Cross-border IMC**

Armenia has ratified the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities (ratification 31.10.2003), the Additional Protocol to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities (ratification 31.10.2003) and Protocol No. 2 to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities concerning inter-territorial co-operation (ratification 31.10.2003).

But, anyway, Cross-border cooperation is still weak in Armenia. For well-known reasons, the borders with Turkey and Azerbaijan are closed, while there are no examples of cooperation with Iran. As for cooperation with bordering regions of Georgia, it should be mentioned that in the framework of European Neighbourhood Policy and Eastern Partnership the implementation of territorial development projects in the bordering areas was launched through three pilot projects (environment protection, promotion of small and medium businesses, and tourism development). These projects involve urban municipalities of Alaverdi, Vanadzor, Tashir, Dilijan and Ijevan.

## **CHAPTER 5. PERSPECTIVES + CONDITIONS OF PROGRESS**

### **5.1. Help to create a friendlier environment for IMC**

There are no obstacles related to the IMC investment as an institution in Armenia, especially in regard with the CoE toolkit. The only problem is the absence of clear guidelines for that. There is no clear schedule when the amalgamation of municipalities will finish and when will start IMC creation.

The only work done in this direction is the re-establishment of the Armenian Social Investment Fund (ASIF) into Territorial Development Fund (TDF), whose activities will be based in the clusters of municipalities or IMC.

The Standing Commission of the Parliament on Territorial Administration and Local Self-government has not discussed the IMC issue. The Commission mainly focuses on the amalgamation of municipalities.

Political parties, both power and opposition, are passive in this issue. The main issue here is the amalgamation of municipalities again. Some parties favour and some are against the amalgamation.

The draft of the new Constitution, which the President submitted to the Parliament, includes some provisions on IMUs. That shows that IMC is in the attention of national authorities.

### **5.2. Financial issues**

Financial issues are not discussed as currently IMC is not on the agenda of the Government.

### **5.3. Human resources issues**

There were trainings on IMC implemented by NGOs before the Government approved the Concept on IMC. Nowadays municipal servants obligatorily participate in trainings, once each 3 years. IMC is in the training curriculum of municipal servants. But anyway, during and after the creation of IMC it will be necessary to organize special trainings for IMC employees.

### **5.4. Need, will or pertinence to adopt an explicit national policy?**

There is the Concept on IMC approved by the Government of Armenia and it can be considered as a national policy. It is important now to develop the draft law on IMC and an action plan with responsible agencies/officials and timetable and start its implementation. It will be better to form a consultancy expert group for facilitating the establishment of IMC. This group may include lawyers, management and financial specialists for legal, organizational and financial advice provision.

The Government must define special financial means for the creation and development of IMC by pilot projects. Donor and international organizations may play a crucial role in this matter.

Associations of local authorities and sectorial associations have great role in this issue. First of all some regional associations can be re-structured as IMUs and others support the establishment of IMUs.

## **CHAPTER 6. IMC IN THE ENERGY EFFICIENCY SECTOR**

### **6.1. National energy policies oriented on local governments**

The legislation and normative acts on energy efficiency comprise the below mentioned documents, but local governments are not actors in this field and haven't been involved in the national energy policy.

- **Law on Energy**

"The Energy Law of the Republic of Armenia" was adopted by the Armenian Parliament in April 2001, to regulate the interrelations between legal entities involved in the energy sector, electricity, heating and natural gas consumers pursuant to the law and the state bodies. Currently, the Law guarantees the market for the electricity produced by all small hydropower plants in Armenia.

- **Law on Technical Supervision in Energy System Electricity Usage Sphere**

According to the Law on Technical Supervision in Energy System Electricity Usage Sphere, approved in December 2004, the main provisions relate to rights and responsibilities of persons working in the energy system, the supervision procedure and role, the authorized state body's functions.

- **Law on Energy Efficiency and Renewable Energy**

According to the Energy Efficiency and Renewable Energy Law, approved in December 2004, the principles of Armenian policy in energy saving and renewable energy are: increasing the level of supply by indigenous renewable energy carriers to satisfy the energy demand of the economy, implementation of energy saving strategies, as well as development and enforcement of the legal and economic mechanism for the promotion of renewable energy, ensuring increasing usage of renewable energy resources as well as the application and development of new renewable energy technologies aimed at its promotion, etc.

- **Water Code**

The Water Code, which has been adopted on 4 June 2002, establishes the procedures to obtain water permit for hydro power plants. According to this Code, water permit for a hydro power plant is given for 3 years at the first, but once the plant is operational or even if it is under construction, then the permit is extended for a much longer period. The purpose of this provision is to prevent people getting a water permit and then not proceeding to construct the plant.

- **Energy Security Concept**

The Energy Security Concept of the Republic of Armenia was approved by the President in October 2013, outlining the main directions of energy security arrangements and stipulating the development of the Action Plan 2014-2020 within a short period of time. The document mentions the development of renewable energy sources and increasing energy efficiency as one of the directions of ensuring energy security in the country.

But none of these legal and normative acts contain provisions related to local governments. Local governments have no responsibilities for planning, production and supply of energy to the population. The only responsibility is street lightening.

## **6.2. Examples of IMC in energy issues in Armenia**

USAID, UNDP and EBRD have been active in the promotion of energy efficiency/public lightning projects in Armenia. Below are some examples of those projects:

The USAID-funded **Clean Energy and Water Program (CEWP)**<sup>12</sup> is a four-year project (2011-2015) designed to support Armenia in improving sustainable management of the water and energy sectors.

### **Energy efficient lighting and heating project in the Berd Sports School**

In September of 2014, The USAID CEWP, in partnership with the municipality of Berd and World Vision Armenia, completed an energy efficient lighting and heating installation project in the Sports School of Berd (total Project cost – \$29,291, estimated savings – 2,700/year).

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<sup>12</sup><http://cew.am/en/projects/renewableenergy-efficiency-projects/>

The municipality and World Vision have shared the costs for the installation of the heating system in the school's locker-rooms. The municipality of Berd will be responsible for the running and maintenance of the new energy efficient lighting and heating system. The community will now save up to 40% of their operational costs annually.

**Aparan energy efficient lighting** (completed on 26.06.2014)

Through the Aparan energy efficient lighting project (total project cost: \$11,549 USD, estimated annual cost savings: \$4,313 USD), CEWP rehabilitated the street lighting infrastructure of the town by installing nearly 100 cfl (compact fluorescent lamp) fixtures in collaboration with the municipality of Aparan. New lighting was added, and the community's remaining old, energy-intensive gas discharge lamps were replaced. The entire population of the town directly benefits from the project because the new street lighting will significantly increase their safety while also significantly reducing energy consumption and energy expenses for the community.

**Energy efficient street-lighting project in Tatul village** (completed on 23.07.2013)

The Clean Energy and Water Program (CEWP) implemented a street lighting project on the inter-community road which connects 5 neighbouring villages with each other and with the highway, as well as the central street of Tatul village (total budget: \$20,502 USD, estimated annual cost savings: \$1,640 USD). In total, 40 LED (light-emitting diodes) lamps were installed. The project was implemented in partnership with World Vision and the local municipality.

CEWP also completed **Street-lighting projects** in Ashnak village (23.07.2013), Zovasar village (23.07.2013), Darbas village (12.09.2013) and in Lernagog village (27.02.2013), energy efficient heating project in Darbas Rural Clinic (14.04.2013). CEWP, in collaboration with World Vision International and the local community, installed solar and radiant heating systems in the polyclinic of Darbas village. The polyclinic provides outpatient services to six neighbouring communities (Darbas, Shenatagh, Lor, Getatagh, Shamb, Ltsen) with a total population of 2,237 people (640 households).

**Green Urban Lighting project–UNDP<sup>13</sup>** (start date: November 2013, end date: October 2017)

Based on the Statement of Intent between Yerevan city municipality and UNDP in Armenia, the lighting retrofit in Isakov Avenue and Tairov Street of Yerevan city with 482 LED fixtures was completed successfully. The inauguration ceremony was put in the context of “Earth Hour” international environmental event, held on 27 March 2015. Annual GHG emission reduction is about 234 tCO<sub>2eq</sub>. The second demonstration project in Yerevan city with 155 LED fixtures was performed for the Zoological Garden in the frame of a larger-scale reconstruction and expansion programme implemented by the Yerevan Municipality.

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<sup>13</sup> [http://www.am.undp.org/content/armenia/en/home/operations/projects/environment\\_and\\_energy/green-urban-lighting.html](http://www.am.undp.org/content/armenia/en/home/operations/projects/environment_and_energy/green-urban-lighting.html)

The demonstration project in Alaverdi town, ongoing according to the signed tripartite Statement of Intent between UNDP (55 LED luminaries), “French-Armenian inter-professional network” NGO (15 LED luminaries) and the Municipality (pole renovation and relevant matters) is in its final stage of implementation. Annual GHG emission reduction is about 10 tCO<sub>2eq</sub>.

Consultations were conducted with the municipalities of Yerevan, Spitak, Alaverdi, Tashir, Stepanavan, Sevan, Abovyan and Hrazdan cities on their municipal plans on the improvement of the street urban lighting in their respective cities. Municipal programs for Alaverdi, Spitak, Goris and Stepanavan towns are underway. The Statements of Intents signed with the respective Municipalities include the provision “to establish a special revolving fund for financing energy efficient technologies for introduction of outdoor lighting systems”. Consequently, the template of revolving fund concept, the respective procedure and methodology for fund operation/special account management were developed and provided to the respective cities/towns.

### **Yerevan Street Lighting Project**

Armenia and the European Bank for Reconstruction and Development (EBRD) have signed the Yerevan Street Lighting Project and project support agreements on 11.05.2015 (the total project cost is estimated to be up to US\$ 7 million including technical cooperation, a sovereign loan of up to US\$ 4 million to be complemented by a grant component of up to US\$ 2 million to be funded by an international donor). The EBRD is considering financing a project aimed at the rehabilitation and modernisation of the street lighting network in the Armenian capital city, Yerevan. The key project components include 80 km of underground cabling in primary and secondary streets, the replacement of existing lighting fixtures with modern, energy efficient technology, and the installation of a central lighting-management system with automated control and energy monitoring. The proceeds of the EBRD loan will finance a pilot project to refurbish the street lighting network of 28 streets in Yerevan.

### **6.3. Position of local authorities**

Local authorities have no responsibilities on energy supply to the municipality. But many mayors said that the inhabitants of the municipality address them when there is a problem arising with energy supply. They would like to have some responsibilities in this respect (e.g. approval of local energy efficiency programmes and plans). But it is necessary to mention that local governments do not have capacities to identify, co-finance, implement and ensure the sustainability of the energy efficiency projects.

### **6.4. Perspective of municipalities to implement IMC in energy issues**

Energy supply is provided by private companies now. Street lighting is under the responsibility of local governments. It is possible to establish specialized companies under the IMC and transfer this responsibility to the IMC body. It is possible also to involve IMC bodies into the development of local energy efficiency programs and plans.

## **CONCLUSION**

So, we can say that, according to the government of Armenia, IMC is not alternative but complementary to the municipalities' amalgamation. First of all it is necessary to implement the amalgamation of municipalities, to strengthen the municipalities' capacities and then start the development of IMC.

But it will be more productive to develop a draft law on IMC and approve it now and give an opportunity to municipalities included in the pilot projects on amalgamation and those which have not been amalgamated to form IMUs.

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### **Interviews done by expert**

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2. Ashot Giloyan – Head of Local Self-government Department of the Ministry of Territorial Administration and Emergency Situation of Armenia
3. Araik Hovhannisyan – Deputy Head of the Standing Commission on Territorial Administration and Local Self-government of the Parliament of Armenia, President of the Municipal Councillors Association of Armenia, member of the Republican Party
4. Hovsep Khurshudyan – Member of the Board of the Heritage party
5. Samvel Hovsepyan – Executive Director of the Berd Municipalities Association
6. Andranik Veranyan – Executive Director of the Noyemberyan Municipalities Association