

REPUBLIC OF ARMENIA ANTI-CORRUPTION STRATEGY AND IMPLEMENTATION ACTION PLAN

Introduction

In light of the special importance of fighting corruption, a Steering Committee to coordinate the anti-corruption program efforts of the Republic of Armenia (RoA) Government was established under Decree 44 of the RoA Prime Minister dated January 22, 2001.

In 2001, the Anti-Corruption Strategy Concept Paper of the RoA Government was endorsed by the international community, which resulted in a World Bank grant to devise the RoA Anti-Corruption Strategy.

Being well-aware of the threats posed by corruption, the authorities of Armenia have undertaken a number of measures aimed against corruption over the recent years. As a result of reforms accomplished in a number of areas (public administration, the tax system, and the banking sector), significant advances are to be found. In particular, dozens of legal acts with an anti-corruption focus have been adopted, new infrastructures carrying anti-corruption elements have been implemented, such as civil service, public procurement, inspections and audits, disclosure of assets and income of public officials, licensing, state registration of legal entities, and the new scheme of notaries. Moreover, regulations have been enacted on special types of public service (such as police, military, customs, tax, and diplomatic services).

The goal of the Anti-Corruption Strategy is to overcome poverty, to eliminate its root causes and the conditions conducive of its proliferation, to build a sound moral and psychological environment in the Republic, which, in turn, will power the attainment of sustainable democratic institutions, a civil society, and a state based on the rule of law, the enhancement of free economic competition, economic development, and poverty reduction.

This paper provides a definition of poverty, its causes, and the priorities in the fight against corruption. Under this Program, the approach to fighting corruption is a systemic one, yet a number of essential priorities in the fight against corruption have been highlighted.

There is an emphasis on the participation of the public at large in the fight against corruption, the role of all the stakeholders, including governmental and non-governmental actors, NGOs, and all the political forces in monitoring this process, bearing in mind that corruption is a common challenge faced by not only the authorities, but the public at large. Among the specific objectives set for Armenia are the development of a political culture among the majority of the public, the enhancement of an independent judiciary, the reformation of the consumer attitudes of certain segments of society, and the principles of equality of all before the law and the inevitability of punishment.

The RoA Government hopes that the Strategy will be discussed widely and that all efforts will be undertaken in order to ensure the direct engagement of all the segments of society in its implementation and the monitoring thereof.

CHAPTER I. Definition of Corruption, Its Underlying Causes, and Key Tools and Priorities to Fight Corruption

1. Definition and Causes of Corruption in Armenia

Corruption is the abuse of official power in various [active and inactive] ways in pursuit of a personal interest or other pecuniary ends. Corruption, as abuse of entrusted power, can be expressed in various ways and "shades", among which are bribery-the receiving of bribes, mediation for a bribe, extortion of a bribe, patronage, abuse of official position or ties, abuse or excess of official powers, official fraud, the abuse of official position to extract and waste public assets, and other acts of official abuse.

Corruption is viewed at two dimensions:

1. "Upper" corruption (abuse of political or public authority) takes place when politicians or senior officials abuse the political authority vested in them in the enactment of political decisions in pursuit of a personal gain or interest; and
2. "Lower" corruption (administrative corruption) is that typical of middle and lower-level officials, who deal with citizens on a daily basis.

It is pivotal to distinguish between these two dimensions of corruption in order to explore the public perception of corruption and to steer the fight against them, because the second dimension is often perceived as "a fee paid to expedite the delivery of services", rather than corruption.

The Corruption Perception Index (CPI) developed by the international non-governmental organization "Transparency International", which encompasses and indicates findings of 17 public opinion polls among businesses and the academia, as well as the perception of corruption by risk assessment experts, covered 133 countries for 2003. Its calculation focuses primarily around corruption in the public administration system, while political and administrative types of corruption are not distinguished. Nevertheless, the CPI, first and foremost, encourages the public to pay greater attention to the phenomenon of corruption and intensifies pressure in terms of anti-corruption measures, which is intended to improve the standing of a country, as indicated by the CPI.

Analyses have indicated that Armenia is number 78 in terms of the perception of corruption index, a place it shares with four other countries. Nevertheless, in comparison with CIS and Eastern Europe countries, Armenia is assessed to be in a more favorable condition than countries like Romania, the Russian Federation, Ukraine, and others. In fact, there are only four countries of the former USSR, which are perceived to have a lower prevalence of corruption than Armenia (see the table below).

Table: Corruption Perception Index (CPI)⁰. 2003¹.

#	COUNTRY RATING ¹	COUNTRY ²	CORRUPTION PERCEPTION INDEX (CPI) ³
1.	29	Slovenia	5.9
2.	33	Estonia	5.5
3.	40	Hungary	4.8
4.	41	Lithuania	4.7
5.	53	Belarus	4.2
6.	54	Bulgaria	3.9
7.	54	The Czech Republic	3.9
8.	57	Latvia	3.8
9.	59	Croatia	3.7
10.	59	Slovakia	3.7
11.	64	Poland	3.6
12.	70	Bosnia and Herzegovina	3.3
13.	78	Armenia	3.0
14.	83	Romania	2.8
15.	86	The Russian Federation	2.7
16.	92	Albania	2.5
17.	100	Kazakhstan	2.4
18.	100	Moldova	2.4
19.	100	Uzbekistan	2.4
20.	106	Ukraine	2.3
21.	118	Kyrgyzstan	2.1
22.	124	Azerbaijan	1.8
23.	124	Georgia	1.8
24.	124	Tajikistan	1.8

In 2002, the office of "Transparency International" in Armenia, under the financial support of the United Kingdom, the US Agency for International Development, and the OSCE Yerevan Office, conducted a public opinion poll on "The Prevalence and Incidence of Corruption in Armenia". According to the findings of this survey, representatives of all the respondent categories perceive corruption as an essential problem in Armenia. They do not associate the emergence of corruption with the gaining of independence by Armenia. The majority of the respondents perceive corruption as bribery and abuse of position.

Over the last several years, there have been signs of a decline in the level of corruption in Armenia. In particular, World Bank and EBRD surveys among businesses in 1999 and 2002 have found that in 2002, compared to 1999, the incidence of corruption in Armenia had significantly declined both in absolute terms and in comparison with the position of Armenia vis-à-vis other countries covered by similar surveys.

The survey disclosed findings of two specific types of observations related to corruption: (i) the magnitude of the "bribe tax" paid to various public officials by businesses in the conduct of their activities; and (ii) the magnitude of the "cost of time" spent by business leadership with public agencies in the conduct of their activities, as well as the change in these indicators over time.

A primary prerequisite for fighting the multi-pronged phenomenon of corruption in Armenia is to determine the exact peculiarities of corruption, its proliferation factors, and its volume.

The country inherited a gigantic bureaucratic machinery from the Soviet system. Despite cuts, the bureaucratic apparatus is capable of quickly reviving and growing in numbers, because the functions of public agencies have not been decisively streamlined and separated. Civil service reforms are still underway.

Among the "birth" causes of corruption in the public sector, one must highlight the disproportion between the salaries, bonuses, and social protection schemes enjoyed by public servants, on the one hand, and their functions and duties, on the other, as well as their inadequate professionalism and the below-required level of risk of potential punishment for corruption.

In countries with transition economies, the following common features of corruption are to be found:

- The lack or poor efficiency of a fight against the quick penetration or entrenchment of corruption activity into the process of reform in all the sectors;
- The "double standard" in the enforcement of laws, the inadequacy of legislative solutions, and the ineffectiveness of the associated administration;
- The drive of public officials to seek additional sources of income, which is due to the low level of their salaries and the overall lack of social protection; and
- The perception of corruption by the public as either an entrenched business habit or the most effective means of "taking care of" certain issues.

As a result of this, corruption obliterates the desirable outcome of reform and poses perpetual social tension. In both Armenia and other post-Soviet countries, the emergence of the oligarchy has been based upon the dominance of narrow group interests over the broader public interest throughout the development of new regulatory practices in the economic sector, and the ensuing economic monopolies or lucrative profits.

Examples of corruption can be found in the area of privatization: in Armenia, as in other countries in transition, privatization enabled some to gain ownership over enormous assets in return for much smaller investments.

Another possible cause of corruption is due to the excessive size of the government apparatus and the poor quality of public services. Despite that public administration reforms have implied measures to optimize the public apparatus, to reduce the number of staff, and to increase salaries, these efforts are yet to be enhanced.

One of the developments found in Armenia is the accumulation of capital by means of operating in the "grey" economy. As a rule, the "grey" economy operates exclusively in an environment of corrupt "legal affairs". The "grey" economy may turn the following into profitable ventures:

- a) The administration of public finance in various ways;
- b) The privatization process;
- c) The monopoly services and service sectors (energy, utilities, telecommunications, and the like) caused by natural (technology-driven) reasons;
- d) Institutional and other monopolies, especially in imports, such as oil produce, wheat, flour, basic foodstuffs, and the like; and
- e) Corruption in the form of law-enforcement agencies exceeding the powers vested in them by law (such as patronage, bribery, and the like).

A robust civil society is an essential tool for scrutinizing the actions of public authorities and preventing corruption. The totalitarian heritage of the Soviet era and the weak disposition of civil society have hindered the scrutiny of public establishments by society. Following the acquisition of independence, some development has been noted in certain civil society components, such as the free media and non-governmental organizations.

In some areas of the Armenian public administration system, the risk of corruption is higher than in others. This assertion mainly refers to public services that imply frequent contacts between public servants and the people, as well as areas in which public servants enjoy a rather high margin of discretion to affect economic matters. There is a particularly dire need for corruption prevention measures in the following areas:

- The economy;
- Tax and customs services;
- The judiciary and the law-enforcement system; and
- Education and healthcare.

Thus, the causes of corruption in Armenia are the following:

- Distracted perceptions of the significance, role, and functions of the state;
- Infringements upon a predominant attribute of a legal state, i.e. the rule of law;
- The incomplete separation of executive, legislative, and judicial powers;
- The public apparatus, which is socially and financially vulnerable, yet inflated in size, and renders public administration inefficient;
- The unbearable scale of the "grey" economy;
- The imperfection of democratic institutions;
- The inefficient and inaccessible representation of political and economic strategies to the public in the development of a new societal system;
- The underestimation of the anti-corruption element in the legislative process;
- The inadequacy of the law-enforcement system and judiciary in detecting corruption crimes and punishing corrupt entities, as well as breaches of the principle of inevitability of punishment;
- Inadequacy of mechanisms to protect human and citizen rights, the legislation, and social justice;
- Poor oversight and scrutiny over the performance of public administration functions; and
- The passive or selective engagement of the mass media in [covering] social and political events.

2. Indispensable Tools to Fight Corruption

The creation of a fair public administration system based on the rule of law—a system of complementary institutions, laws, regulations, and values, is a necessary prerequisite for preventing corruption. The executive, legislative, and judicial authorities, public service, control entities and audit institutions, the mass media, the private sector, procurement, and local self-governance systems should be based upon the principles of fair governance.

The detection of corruption and the enforcement of appropriate liability are essential for the success of the Anti-Corruption Strategy. The confidence of the public in the Government and the ability of the latter to overcome corruption will always depend on the extent to which laws and the inevitability of liability are enforced. The enforcement of liability schemes to overcome corruption implies consistent and harmonized efforts on the part of the law-enforcement agencies to attain the common goal of detecting and condemning corruption.

Public awareness is a pivotal element of the fight against corruption. In order to implement an effective anti-corruption strategy, it is essential for the public to contribute to overcoming corruption. The civil society will certainly be involved in the measures undertaken by the Government to overcome corruption. They will become aware, and there will be a change in both the attitude of the public towards the state and the ways in which access to public services is enjoyed.

Any anti-corruption initiative will focus primarily on disallowing or preventing any abuse of official position either for a personal gain or in pursuit of other pecuniary ends. Regulations, codes of ethics, and codes of conduct for public officials may serve as effective tools in the attainment of the aforementioned objectives.

Publicity about an open process for punishing public servants and increased public awareness on cases of such punishment may be helpful in overcoming corruption. The lack of both public discourse on policy-making issues and transparent decision-making procedures results in the public becoming isolated from governance. Conferences and meetings should regularly be held to engage the public in policy-making initiatives by means of both direct meetings with representational groups and the use of advanced technology. This would not only reduce corruption in policy-making, but also enhance the efficiency and quality of policies.

In Armenia, the principle of supervision over public agencies and finance needs improvement. Alongside with exacerbating sanctions, it is necessary to improve the schemes for detecting and preventing corrupt activities. There is a need for a significant improvement in supervision and control agencies, which are vital links in the internal and external audit chain. The National Assembly Chamber of Control should be a key entity exercising financial controls; nevertheless, as an external auditor, it should play an important role detecting and preventing corruption.

Another central measure in the fight against corruption is to ensure the rule of law and the equality of all before the law. The shortcomings and the lack of clarity in the existing legislation, as well as its inconsistencies and discrepancies leave gaps in their enforcement by administrative, law-enforcement, and judicial authorities. In order to eliminate gaps and inconsistencies conducive of corruption, it is necessary to initiate an improvement of legislation to harmonize it with the provisions of the RoA Constitution, with an emphasis on separating the functions of public authorities from those of other agencies and precluding any ambiguous construal of the laws (especially those affecting the economic sphere).

The process of enforcing laws would be contingent upon an improved legislative culture and enhanced mechanisms of enforcement.

The adoption of the RoA Law on Legal Acts has been essential in streamlining the legislative framework, as it defined the types of legal acts and regulated the process of legislative drafting, expertise, adoption, and enforcement. However, the processes of adopting laws, sub-legislation, and decisions of public agencies are yet to incorporate appropriate mechanisms for stakeholders to be adequately engaged therein. To this end, the participation of non-governmental organizations at the stage of drafting legal acts is especially important.

The adoption of a Law on Lobbying and the harmonization of existing laws with the international standards would be conducive of streamlining the legislative process.

The accession of the Republic of Armenia to a number of international instruments is an important factor for efficiently organizing the fight against corruption and streamlining the

legislative framework. The Armenian Government emphasizes the importance of acceding to the provisions of vital international instruments adopted by various international organizations, including:

- The Anti-Corruption Action Plan adopted by the Council of Europe (CoE) Committee of Ministers in 1996;
- The Final Declaration and Action Plan adopted during the Summit of Heads of CoE Member States or Governments, which took place in Strasbourg on October 10 and 11, 1997;
- The 20 Guiding Principles for the Fight against Corruption adopted by the CoE Committee of Ministers on November 6, 1997;
- The UN Convention against Transnational Organized Crime;
- Conventions on seeking, seizing, and confiscating criminal proceeds;
- 1999 January 17 Criminal Law Convention on Corruption and Civil Law Convention on Corruption;
- Recommendations adopted by Conferences of CoE Ministers of Justice (La Valletta 1994, and Prague 1997), and the creation of a special group of states against corruption (GRECO).

3. Priorities in the Fight against Corruption

The danger posed to society by corruption is extremely high. Considering the threat of corruption penetrating into virtually all the areas of life, thereby jeopardizing the normal operation of public agencies and the standing of a state, the authorities, the non-governmental sector, and the civil society must come together to fight corruption.

The fight against corruption encompasses three main priorities:

1. Raising public awareness of the danger posed to society by corruption and its consequences;
2. Preventing corruption; and
3. Ensuring the rule of law in order to protect the rights and legitimate interests of individuals.

Under the first priority, it is necessary to highlight the elaboration of an anti-corruption strategy, public awareness, the consolidation of civil society institutions in the fight against corruption, and the role of the independent mass media.

Under the second priority, one should focus on the importance of the political will of the authorities, improvements in the public administration system, ensuring public participation in governance, intervention of the state in the societal process, and adherence to codes of conduct by public officials.

Under the third priority, it is necessary to emphasize the role of a strong and independent judiciary, the importance of streamlining and clarifying the legislative framework, ensuring flawless enforcement of laws, protecting human rights, and implementing the human rights' defender (ombudsman) institution.

3.1. Raising Public Awareness of the Danger Posed to Society by Corruption and Its Consequences

In order for the public to become aware of the danger posed to society by corruption and its consequences, there must, first and foremost, be an anti-corruption strategy in place. The public should be able to mobilize its resources in this fight. The mass media can play an important role in carrying the ideas enshrined in the Anti-Corruption Strategy to the public at large. In order for the Anti-Corruption Strategy to be implemented, the civil society and the mass media should become engaged in raising the anti-corruption awareness of the public. As a rather effective measure, it is necessary to organize TV and radio discussions between public servants, the political opposition, the non-governmental organizations, and citizens, during which specific cases of corruption will be invoked to discuss the systemic flaws of the sector in question and the ways in which the problems can be solved.

Civil society institutions have a valuable role to play in the fight against corruption. In Armenia, civil society is still under development. However, even in the current stage of development, civil society is capable of actively participating in the fight against corruption. In this area, one of the priorities of the authorities is to instill intolerance for corruption in society and to equip the public with at least the basic knowledge.

Democratic traditions imply the necessity of civil society participation in the governance of the state. In addition to exercising constitutional rights, such as the right to elect and to be elected and the right to affect important decisions in the life of the state through referenda, civil society can, through its stakeholders, participate directly in the development of both policies and legislative and sub-legislative acts by means of conferences, discussions, meetings, parliamentary hearings, and structured lobbying. Parliamentary hearings are the best way in which civil society can contribute to addressing vital concerns of the state. Organized lobbying is typical of advanced civil societies.

The civil society should participate in the anti-corruption struggle primarily by means of advocacy against corruption, which is related to the role of the mass media in delivering impartial and fair information to the public concerning corruption cases. On this background, it is important to adopt a new Law on the Mass Media and a Code of Conduct for Journalists, which would clarify the rights and responsibilities of journalists, as well as the consequences of reporting unverified and inaccurate information.

The success of the Anti-Corruption Strategy will depend on the ability of the civil society (parties, NGOs, trade unions) to monitor its implementation. Several prerequisites have to be in place for the Anti-Corruption Strategy to be monitored, including:

- Capacity to create a corruption monitoring group made up of civil society representatives (for instance, by means of a Presidential Decree, or in other ways);
- Professionalism, competence, personal integrity, and psychological traits of those conducting the monitoring;
- A developed set of indicators necessary for accurate evaluation; and
- Special training programs planned and conducted for the members of the monitoring group.

3.2. Preventing Corruption

Further optimization of the public administration system is an important measure for preventing corruption. Arrangements supporting the unconditional enforcement of laws will also play an important role in prevention.

The following measures are essential in terms of reducing corruption and bureaucratic red-tape in the public administration system:

- Enhancing the quality of delivery of, and access to, public services;
- Clarifying public service delivery arrangements, developing structural models of administration, and introducing legislative grounds;
- Devising a concept paper on the delivery of public services;
- Strengthening reporting and accountability of public administration institutions;
- Streamlining arrangements both for the budgetary financing of agencies, inspectorates, and public non-commercial organizations under respective ministries, and for the collection of service duties and fees to the budget, in line with the types of public services rendered;
- Developing fair remuneration and social security schemes in line with the types and peculiarities of public services; and
- Optimization and rationalization of the decision-making process and governance structures, as a basis for a transition to a two-tier model of governance in the executive branch.

The separation of functions of audit bodies in the public administration system and the elimination of overlapping functions, together with the implementation of a new system of reporting and accountability, will serve as sound bases for both improving the performance of external audit bodies and implementing conditions for improving internal audit, i.e. audit over the work of public servants. Under the support of the World Bank, studies are now being undertaken to reform internal and external audit and supervision systems. In the sphere of preventing corruption, necessary measures will be undertaken to develop and strengthen internal and external audit systems of the state, including the following:

- Raising the efficiency of audit functions of central government by means of eliminating overlapping functions;
- Streamlining internal audits of the executive government and the internal audit systems and functions of local self-government bodies; and
- Harmonizing public finance audit practices with the international standards.

Increased public awareness and better legal awareness are crucial preventive elements in the fight against corruption, which will further strengthen public confidence in the state. Delivery of information, alongside with the optimization of functions and measurements of public agencies and the implementation of a professional service, can make public services much more accessible and enable wider participation of the citizens in political decision-making.

To this end, it is necessary to accomplish the following:

- To enhance and reconsider the operation of public relations offices under the staff of ministries, agencies, and various services, especially in ministries that are engaged in the

delivery of public services, such as the ministries of education, social security, healthcare, energy, police, and the like;

- To create an inter-ministerial information network that would raise the awareness of all the ministries and other agencies delivering public services about each other's functions and the scope of issues addressed by each entity. This would be helpful in avoiding bureaucratic red-tape;
- To adopt the sub-legislation referred to in the Law on Freedom of Information and to define rules and procedures on access to information;
- To improve the rules governing the relationship between public officials and citizens and the procedures associated with access to information. They should describe the specific measures that will be undertaken in the event an applicant does not receive a timely and thorough response. At the initial stage, it will be carried out only in some of the public service sectors-as a pilot project;
- To maximize public awareness on the rights of citizens to protest and to revise legislation on how public servants should process citizen appeals, in order to reduce the one-month period currently established for responding to appeals or complaints of citizens.

In addition to the aforementioned measures, it will be very important for public agencies to publicize their annual reports, to create web sites, and to introduce open electronic databases.

3.3. Ensuring the Rule of Law in Order to Protect the Rights and Legitimate Interests of Individuals

As an essential prerequisite for ensuring the rule of law and protecting the rights and legitimate interests of individuals, it is necessary to streamline legislation, i.e. to remove discrepancies between legislative and sub-legislative acts and to eliminate ambiguous provisions conducive of corruption. In the fight against corruption, it is highly important to achieve unequivocal enforcement of the principle of the rule of law and that of equality of all before the law. Collaboration with international organizations and membership in the Council of Europe imply the harmonization of domestic legislation with international standards.

At the law-making stage, it is important to carry out specific anti-corruption expertise of draft laws, policy guidelines, and other legal acts in the economic, social, and governance spheres, to ensure the participation of civil society institutions in public discussions, parliamentary hearings, seminars, and conferences, and to publish draft laws and sub-legislative acts in the web sites of the National Assembly and the Government, as well as in the mass media.

A vital aspect of effectiveness is the enforcement of laws, because a genuine democracy implies not only the existence, but also the carrying out of laws. In order to ensure the enforcement of legal acts, it is necessary to make the public aware of adopted legal acts by means of various information resources, including electronic ones. Throughout this process, it is important to monitor the fulfillment of legislative acts and to develop and implement effective arrangements to this end.

CHAPTER II. Economic Sector Concerns

In the fight against corruption, it is crucial for the state to retain the role of a regulator in the economy. The development of a productive economic system is a key aspect of the fight against corruption.

A basic guarantee for the development of a productive economic system is the protection of owners. The state should be able to guarantee the free development of and equal legal protection for all forms of ownership, the freedom of economic activity, and free economic competition. In the light of the fight against corruption, economic reforms should be aimed at creating an equitable competitive environment for businesses and exploring and downsizing the "grey" sector of the economy. The "grey" part enfeebles the economic potential of the state.

In order to overcome corruption and to downsize the "grey" sector, it is necessary, in the frameworks of the existing system, to streamline and fortify arrangements for fighting the acquisition of assets and income by means of unlawful transactions, and to curb the volume of cash transactions, which implies the adoption of a Law on Settlement Systems.

Following the adoption of the RoA Law on the Protection of Economic Competition in 2000, the strictly procedural provisions of this Law still have not been enforced in full, and significant results have not been reported in this field over the short amount of time that has elapsed.

In order to build an environment supporting competition under equal conditions, the national policies on competition should:

- Clarify the functions of the Commission to adopt general and specific regulatory acts concerning this sector;
- Lay down specific cases in which the Commission may apply liability measures; and
- Broaden the powers of the Commission to collect information.

Tax System

In order to prevent and constrain corruption in the tax sector, it is necessary to eliminate the tax privileges granted by law, to achieve utmost streamlining of the existing tax system, to revise the taxation system of non-residents and organizations with foreign investments, to alleviate the indirect tax burden, to enhance tax and customs administration and to streamline control and supervision thereof, and to develop and publicize methodological guidelines on taxpayer rights and responsibilities.

It is especially important to improve the professionalism, competence, accountability, and social security of tax servants, and to require that they abide by a code of ethics. It is also necessary to implement a social security card system to widen the scope of application of the financial disclosure scheme, to cover citizens, which can serve as a guarantee for the payment of tax obligations.

Customs System

The customs system is an important source of fiscal revenue. It plays a significant role in the protection of the domestic market and the regulation of trade. Administrative intervention in the declaration of customs value still remains significant. It is especially important to improve the professionalism, competence, accountability, and social security of customs servants, to require that they abide by a code of ethics, and to put in place effective procedures for both raising citizen awareness and making complaints. The Customs Code should be amended to rule out any

possibility of either ambiguous construal thereof in abuse of the law or flawed provisions. Post-clearance controls should be exercised over the goods crossing the customs border and the pertinent documents containing information that is of interest to the customs authorities. A disciplinary code for the customs service should be adopted. Customs formalities for imports of goods by natural persons should be simplified and streamlined. The hardware and software capacity for efficient customs control should be improved.

Healthcare Sector

Unofficial payments constitute a major obstacle to healthcare sector reforms, because they create rather a large area beyond financial control. Patients pay to private persons, rather than organizations or the budgetary system, which halts any improvement in the healthcare sector.

Anti-corruption measures in the healthcare sector should include institutional reforms and restructuring of the existing institutional, administrative, and management systems. The following measures are proposed for the healthcare sector:

- To promote the fair and competitive market-driven development of the private sector;
- To take into account the peculiarities of each medical institution during the process of privatization in healthcare organizations;
- To continue providing healthcare and medical services to socially-vulnerable individuals in the frameworks of government-subsidized programs, by means of special acts intended to clearly regulate this sphere;
- To reform the system under which government contracts are placed with healthcare institutions to introduce competitive recruitment by types of disease and by location, and to define qualitative and technical guidelines for the delivery of health services;
- To enhance the guarantees of mutual fulfillment of obligations between the state and healthcare institutions by means of defining transparent mechanisms and powers for a system of checks and balances;
- To adopt a law on health insurance, which will downsize the amount of cash used to pay for health services and, therefore, reduce the potential for corruption;
- To concentrate government measures predominantly on preventive health programs, which will spare voluminous costs for the state;
- To enhance the role of medical associations in the development and implementation of health sector policies. The involvement of medical associations in health sector policy development and implementation in a way in which it is done in developed countries can be of great help in boosting system efficacy;
- To adopt a law on healthcare, which will put in place arrangements for healthcare quality management and control; and
- To improve the health information system by means of introducing a shared computer information network.

Education Sector

As a consequence of shortfalls in government funding, the education system has appeared in an unfavorable condition. Comprehensive measures are urgently needed in this sector, which will have a positive impact on the corruption that exists there.

The incidence of corruption is rather high in the higher and post-higher education systems. Here, the main links in the "corruption chain" include:

- The admission exams;
- Recurrent exams;
- Graduation exams;
- Admission to post-higher programs (Master's programs, post-graduate studies, and the like); and
- Procedures of university licensing.

In order to eliminate the occurrence of corruption in these areas, a number of preventive-administrative measures will be undertaken in addition to legislative amendments.

In the education sector, it is recommended:

1. To augment the autonomy of educational institutions. From a governance standpoint, the appointment of the head of an educational institution is a crucial matter, which should be carried out in the manner established for schools governed by trustee boards;
2. To create a transparent, lawful, and reasoned payment system in public educational institutions;
3. To replace the present university admission procedure with a system of "assessment centers", to retain their centralized nature in broad terms, and to minimize the impact of the human factor in the admission system;
4. To eliminate all types of direct privileges (medals or advantages for those who graduate from associated high schools) and to have an equal starting point for all those who apply for admission;
5. To allocate a portion of government-subsidized university and vocational education scholarships to representatives of the vulnerable segments of society, and to base government-subsidized scholarships primarily upon the social status of an applicant;
6. To create equal conditions for the activities of public and non-public accredited universities and to require that government-subsidized scholarships also be provided in non-public accredited schools;
7. To apply administrative preventive measures within the university system, which will minimize the existing faulty practices; and
8. To implement the idea of "organization-subsidized scholarships", which can serve as a bridge between organizations and the education system and facilitate the provision of adequate finance

to the education system (the cooperation between the Finance and Banking College, the Central Bank of the RoA, and the large banks of Armenia is an example of this scheme).

In the context of the aforementioned measures, the salaries and social security of pedagogues will be key.

In order to prevent any corrupt relationship in the economic sector, it is necessary to support the development and sustainability of industry professional associations. In order to preclude double "black" accounting and reporting in organizations and to secure credible and transparent information on their financial status, it is necessary to facilitate the development of audit practices and institutions.

The adoption of a new RoA Law on Bankruptcy will be important in order to prevent fake and premeditated bankruptcies, as it will simplify bankruptcy proceedings and lay down expedited bankruptcy procedures. Moreover, the rights and proprietary liability schemes of liquidators, judges, creditors, and debtors will be clearly defined. To this end, provisions on this already exist in the new Criminal Code of the Republic of Armenia. In order to protect debtor interests, the Law will lay down the obligation of the debtor to go to a court requesting to confirm its insolvency. In terms of ensuring fully-fledged oversight of bankruptcy proceedings, it will be essential to lay down a comprehensive list of the powers of the meeting of creditors. In order to prevent abuse during bankruptcy proceedings, a controlled process for management and sale of property will be laid down.

It is necessary to ensure the practical enforcement of the simplified system of organization incorporation and registration (the "one-stop shop" principle encompassing state registration, business name registration, granting of a tax code, and the like), which has already been introduced. In this area, it is also important, in terms of reducing the length of time established for registration procedures, to create a shared information network in the whole of the state register, which will facilitate and improve general oversight of the system.

The consolidation of licensing procedures is another concern. In this area, one of the priorities is to enforce the RoA Law on Licensing, as well as to render the licensing process transparent, to minimize the number of activities for which licensing is required, to minimize discretion in the actions of public officials, and to develop institutional measures to generate feedback for supervision.

The existence of an inequitable competitive environment in the economy obstructs the free movement of capital. Corruption, which fosters unfair competition, hinders not only foreign, but also domestic investment. As an aspect of the public policies on competition, the activities of natural monopolies should be regulated in order to develop a level playing field for competition.

Public Finance, Assets, and Privatization Concerns

A transparent system of supervision and reporting will be created in the areas of public procurement and budgetary spending.

In order to boost the efficiency of budgetary and public procurement systems, it is necessary to implement a comprehensive information system on the execution of community budgets, which will facilitate the effectiveness of subsidies.

It is necessary to harmonize the accounting systems of budgetary organizations with the

international practices and standards of budgetary accounting.

Public expenditures will be defined in accordance with long-term programs and branches, baseline targets for public expenditures will be determined, and amendments will be made to the budgetary classification system. In effect, it will be necessary to strengthen supervision of cash flows, budgetary disbursement procedures, and the efficiency of expenditure execution of budgetary institutions.

In order to ensure the publicity and transparency of public procurement, detailed information on the essential consumables procured for central and local governments, the nomenclature of services, technical specifications, electronic contracting and bidding, and all the cases of complaints to the authorized agency and reactions to such appeals will be published in the official procurement gazette and the web site of the Procurement Agency. To prevent any conflict of interest, the nomenclature of goods (and works and services) performed under public procurement contracts will be broadened, and the list of entities that are ineligible for procurement will include organizations that have a track record of either failing to honor or only partially honoring their commitments under previous public procurement contracts.

In order to avoid from possible abuse in the privatization process, to reduce the risk of corruption, and to ensure transparency and publicity, it is necessary to implement procedures of privatization by means of a "privatization shop", to privatize or sell public property predominantly by means of auctions and competitive bids, and to engage respective industry professional associations in the privatization process in the manner provided by law.

CHAPTER III. Political Corruption

The prevention of corruption in the political system is a cornerstone of the struggle against corruption. The newly-adopted RoA Law on Parties will be key in preventing political corruption, as it will regulate the minimum membership requirements on parties, provisions on territorial subsidiaries, funding, the submission of detailed annual financial reports on the incomes and expenditures of parties, their publication in the mass media, and clear-cut criteria on state budget allocations to parties.

Improvement of the electoral system is essential in overcoming political corruption. In order to harmonize the holding of elections in the Republic with the relevant international standards, it is important to regulate the preparation of voter lists and their regular updating by communities, to strengthen the institution of observers, especially training for local observers, and to implement an optimum scheme for the formation of electoral commissions. Drafting a code of conduct on elections, observers, and organizers is also vital.

Local self-government, as a service-delivery system that is the closest to the public, shapes the public opinion on not only local self-government, but also the state as a whole. Anti-corruption measures in local self-government bodies could include the institutionalization of civil society monitoring, the achievement of transparency in both the activities of local self-government bodies and local budgeting and expenditure financial reporting, and the organization of local media shows and discussions on budget execution.

It is also important to raise the level of personal responsibility of local self-government heads, to develop a code of ethics for community heads and community council members, and to adopt a law on municipal service, which will facilitate the staffing of communities with professionals. Access to services and anti-corruption measures will benefit greatly from a better regulation of municipal services.

CHAPTER IV. Public Administration

Public administration reforms have now been enacted in the form of a Government Action Plan, which has incorporated provisions that have a principal anti-corruption focus. The proliferation of corruption is, among other things, usually due to the lack of a civil service system in public administration and the pursuit of an inappropriate human resource policy. The adoption of a Civil Service Law by the RoA National Assembly in 2001 and the implementation of its provisions have enabled some first steps in this area to overcome corruption, which, however, should be monitored to detect shortcomings that need to be overcome in order to improve the whole civil service system. The essential priorities of the reform include the optimization of public institutional structures, the harmonization of the public functions with the potential of the state, and the development of transparency, publicity, professionalism in governance decision-making, competent services, and streamlined audit systems.

Structural, administrative, and functional redistribution over the course of public administration reforms, the optimization of the governance system, the unification of ministry governance structures, the enforcement and honoring of a code of ethics regulating the behavior of civil servants, the public monitoring of civil servant attestation procedures, the transparency and public monitoring of competitive selection procedures, the separation of the functions of audit entities and the elimination of overlaps, the implementation of a reporting system, restrictions on senior public officials either being elected to managerial positions or becoming large shareholders in private organizations of their relevant sector, and requiring that they submit annual reports will reduce corruption and red-tape.

In the fight against corruption, the development of the public administration system requires to enhance the publicity, transparency, and accountability of public agencies, and to engage the civil society and to ensure its participation in the delivery of public services and the decision-making process. Institutional prerequisites need to be put in place to this end, to include the streamlining of public service (by types-education, healthcare, culture, and the like) delivery arrangements, the development of respective legislative grounds, the enhancement of the quality of services, and the undertaking of good governance arrangements.

In this respect, it is necessary to expedite the adoption of the RoA Law on Civil Status Acts, which will clarify and simplify the registration procedures of civil status acts, the rights and responsibilities of registering officials, and define an exhaustive list of documents required for registration, specific deadlines for each procedure, and precise arrangements for holding officials liable for unlawful refusals and abuse.

The drafting of a RoA Law on Public Services will bring together a set of consolidated criteria on public service and support a dynamic flow of links and human resources between services, thereby minimizing the impact of lower-level officials on decision-making.

In line with the peculiarities of certain types of public service, the adoption of a public servant remuneration strategy within the shortest possible timeframe, their training, and the contemplation of social guarantees will support an improvement in the quality of public services, a reduction in the number of citizen complaints, and a decline in bureaucratic red-tape and corruption.

The decentralization of public services will enable increased access to services, clarify the role of specific public agencies, provide supervision arrangements, and specify who is accountable.

In the light of rationalizing the structure of government in line with improving decision-making

and governance structures, the sustainability of public service reforms will be ensured, and both the scope of activities and staffing of public non-commercial organizations rendering public services will be optimized.

In respect of the optimization of functions and magnitudes of governance agencies and the implementation of professional service, it will be important to train respective civil servants of public agencies and to introduce a civil service model in local self-government staff and the budgetary organizations of communities.

Issues emerging between administrative authorities, citizens, and legal entities of the Republic of Armenia, including those concerning the adoption, amendment, nullification, complaints concerning, and execution of administrative acts, are still not fully regulated, which has a negative impact on the fully-fledged exercise of the rights legitimate interests of citizens and legal entities in the course of administrative affairs. To this end, it is necessary to expedite the adoption of the RoA Law on Administration Basics and Administration, which will regulate the aforementioned relations in a comprehensive and multilateral way.

Implementing arrangements for public complaints is key to detecting shortcomings in the public administration system and fighting corruption. It can be helpful in strengthening confidence in public institutions and serve as a tool for ensuring the participation of the public in the fight against corruption.

The review of citizen applications and complaints by a human rights' defender (an ombudsman) will also be helpful in terms of enhancing the accountability of civil servants and the efficiency of public administration bodies. The Law on the Human Rights' Defender will, among others things, provide arrangements for civil society feedback concerning the annual report of the Human Rights' Defender.

CHAPTER V. Law-Enforcement Agencies

The fight against corruption-as a criminal phenomenon, will be carried out by the police, the national security authorities, the prosecution office, and the courts. In the fight against corruption, further reforms of the law-enforcement agencies will be priorities of the anti-corruption policy. In order to boost the efficiency of this struggle, it is necessary:

- To accomplish structural and institutional reforms;
- To improve the material and technical capacity of law-enforcement agencies and to implement new information technologies;
- To organize regular training courses on the peculiarities of prevention, detection, and investigation of corruption to improve the competence of law-enforcement personnel; and
- To develop a code of conduct for law-enforcement personnel in order to regulate the performance of their official duties, the cases in which they exceed the authority vested in them, and restrictions on their service.

The overall social situation that prevails in the country has an impact on the law-enforcement personnel, as well. In order to reduce the incidence of corruption in law-enforcement agencies, it is necessary to devise a specific action plan and a timetable to increase the remuneration and social security of law-enforcement personnel.

The new Criminal Code of the Republic of Armenia, which was adopted on April 18 2003 and enacted on August 1 2003, is key in the detection of corruption crimes. The new Code has attempted at, among other things, regulating and simplifying the definitions of corruption and related crimes, and to harmonize the criminal sanctions or sentences with the nature of the corruption crimes and the degree of danger involved and to make them more effective, in order both to rule out any abuse in the enforcement of the law and to have punishment that facilitates prevention. To this end, it is necessary to make amendments to the RoA Criminal Procedure Code to harmonize it with the provisions of the newly-adopted Criminal Code of the RoA and to remove the various inconsistencies that exist.

The adoption of a Law on Operations and Intelligence Activities will also be very important, as it would enhance the effectiveness of the fight against corruption crimes. It would, in effect, regulate a set of issues, which have not been regulated yet. It would also clarify the separation of functions between various law-enforcement agencies in relation to various types of operations and intelligence activities, and the ways in which such agencies should collaborate with one another in the fight against crime.

The RoA Law on Police Service and the RoA Law on Service in National Security Agencies have already been adopted and enacted, which are extremely important anti-corruption legal instruments, because they have attempted at clearly defining and regulating the terms and conditions of taking up service, the rights, responsibilities, liability, legal, and social guarantees of servants in relation to the service.

CHAPTER VI The Judiciary

In order to prevent corruption in the judiciary and to ensure judicial impartiality, it is highly important to introduce the internationally-practiced schemes for the distribution of cases, such as the alphabetical, "lottery draw", or automatic ones.

An independent judiciary is a key instrument in the fight against corruption. It is necessary to carry on with the reforms in the judiciary, so as to accomplish its full harmonization with the international standards.

The existing legislation still has not regulated the terms of office of court chairmen. The international practice implies specific terms of office for court chairmen. It is necessary to set a five-year term of office for court chairmen, provided that the same person cannot be appointed as a court chairman more than two times in a row.

In the fight against corruption, it is essential to adopt a law on administration basics and administrative proceedings and a law on administrative procedure, as safeguards of human rights and fundamental freedoms, which will allow individuals to undertake more simplified proceedings (including judicial ones) in pursuit of remedies against violations of their rights and the actions and decisions of central and local governments and their officials.

It is also important to adopt a new Code on Administrative Infringements. The present Code is imperfect, which, coupled with the non-enforcement of a number of its provisions, result in corruption-related abuse.

In order to ensure the transparency and accessibility of the judiciary, the web site of the RoA Cassation Court should be updated to publicize decisions and verdicts of judges in all instances, which will facilitate the achievement of consistency in the jurisprudence. Furthermore, the institution of media spokesmen should be introduced in courts.

Training of judges and improvement of their social status are important factors in the fight against corruption. It is important to make efficient use of the capacity of the Training Center under the Staff of the Council of Court Chairmen. In this respect, it is necessary to train judges of first instance courts, criminal and military appellate courts, and the criminal and military chambers of the cassation court the peculiarities of investigating corruption crimes and to raise the salaries of judges. In this respect, a number of measures have already been undertaken.

The implementation of unified judicial administration will help eliminate delays in trials. In this area, it is important to develop a unified regulation on judicial administration and to provide the courts with the necessary technical capacity.

Strengthening witness protection is also important in terms of fighting corruption. The international experience confirms that it can serve as an effective tool in detecting and preventing crime. Despite that the present Criminal Procedure Code requires to protect the parties in a trial, it is still inadequate witness protection. Therefore, it is necessary to introduce a new procedure of witness protection and the underlying arrangements and to define clearly which entity will carry out the protection and who will make up a new "biography" for them, provide security, transportation, funding, future employment, healthcare, and mail contacts.

Compulsory execution of judicial acts is an important stage of judicial proceedings. As opposed to civil service, compulsory execution of judicial acts is a special type of service, which is covered by the Law on the Service of Compulsory Execution of Judicial Acts. The Law will

serve as a basis for achieving a system supporting the stability and development of this service. The Law contemplates appropriate social and legal guarantees for the bailiffs.

It is necessary to improve the performance of the penitentiary service. To this end, it is necessary to expedite the adoption of the RoA Law on Penitentiary Service and the Penitentiary Code of the RoA, which will regulate matters pertaining to the penitentiary and define the rights and responsibilities of stakeholders. The development of a comprehensive set of related sub-legislative acts would clarify the procedures in this sphere and the rights and responsibilities of officials and inmates. It is necessary to improve the arrangements for recruitment, promotion, retirement, and training of penitentiary staff and to ensure utmost transparency.

Another important aspect of fighting corruption in the judiciary has to do with developing the independence of advocates. The adoption of a new Law on Advocate Activities would clarify and enhance disciplinary responsibility of practicing lawyers and endorse a code of conduct for them.

Mediation courts represent an alternative to the regular judiciary. According to the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards, decisions of mediation courts are subject to enforcement in foreign states, as well. Therefore, it would be appropriate to harmonize the Armenian legislation on mediation courts with the requirements of the UN Convention.

CHAPTER VII Conclusive Provisions

The Anti-Corruption Strategy implies the accomplishment of comprehensive and sequential measures by the state and society in order to eliminate (reduce) the causes and conditions giving rise to and nourishing corruption. Taking into account that corruption, unless continuously challenged, can proliferate and adapt to the surroundings, it is necessary for policies in this area to be highlighted as priorities for the state. Therefore, attention should be paid to not only implementing arrangements that can reduce corruption in the short run, but also pursuing a systemic anti-corruption policy-as a central and perpetual function of the state. The development and implementation of programs should be based on a proper understanding of the nature of corruption, exploration and analysis of the causes of failure in the fight against corruption, an assessment of the prerequisites and restrictions, and clear-cut and effective methods and principles.

The fight against corruption does not, however, imply either one-time action or a series of actions. Rather, it demands a continuous chain of events (as provided in this Strategy), which can look upon the struggle as an urgent issue on the policy agenda and a priority among the functions performed by the state.

Societal relations evolve constantly and dynamically, and measures that may be effective and topical today may turn out to be outdated and untimely tomorrow. Moreover, the emergence of a new environment and new relations may raise the need for applying new and untested techniques and methods for fighting corruption.

In summary, the Anti-Corruption Strategy text should end by reiterating the firm principles that must underlie the tools, techniques, and priorities of anti-corruption initiatives. They include:

- The rule of law and impartiality;
- Consistency and continuity; and
- Publicity and transparency.

⁰¹Source "The Corruption Perception Index 2003", Transparency International. The main prerequisite for calculating the CPI for a country is the availability of at least three independent sources. To this end, Armenia was not covered by the survey in 2002, as opposed to 2003.

¹Indicates the place of the country among the 133 countries covered.

²For the sake of a comparison, only former Socialist countries are presented.

³For the sake of a comparison, only former Socialist countries are presented.

