

# Armenia

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*Capital:* Yerevan  
*Population:* 3.1 million  
*GDP/capita:* US\$4,658  
*Ethnic Groups:* Armenian (97.9%),  
Yezidi (Kurd) (1.3%),  
Russian (0.5%), other (0.3%)

*The economic and social data on this page were taken from the following sources:*

**GDP/capita, Population:** *Transition Report 2006: Finance in Transition* (London, UK: European Bank for Re-construction and Development, 2006).

**Ethnic Groups:** *CIA World Fact Book 2007* (Washington, D.C.: Central Intelligence Agency, 2007).

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## Nations in Transit Ratings and Averaged Scores

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

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

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

## EXECUTIVE SUMMARY

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**A**lthough Armenia was one of the first Soviet republics to end Communist rule, the absence of an effective system of checks and balances, concentration of power in the presidency, and centralized system of government have fostered weak governance and widespread corruption. Close links between the country's political and business elites have impeded the development of transparent, democratic state institutions. Flawed elections have contributed to public cynicism toward the authorities and skepticism about the value of participating in political and civic activities. In addition, the public has lost faith in the government's political will to implement anticorruption measures. The unresolved conflict with Azerbaijan over the disputed territory of Nagorno-Karabakh remains a potential source of instability in the region and has deterred foreign investors and hampered trade diversification.

However, Armenia's progress in macroeconomic stabilization has been relatively successful. Successive governments have generally adhered to the economic reform measures prescribed by international financial institutions, ensuring continuity in macroeconomic policies and a steady improvement in economic and financial indicators; annual average real growth in gross domestic product (GDP) was almost 13 percent in 2002–2006. Nevertheless, though poverty rates are declining, the popular perception is that most Armenians have yet to benefit from these macroeconomic successes. This has contributed to disillusionment in Armenia's political and economic transition.

The flawed conduct of a referendum on constitutional change in November 2005 overshadowed the positive aspects of the amendments. These were aimed at redistributing the balance of power between Armenia's executive, legislative, and judicial branches. However, in 2006 little progress was made in shifting the balance of power, with much of the necessary legislation still only at the draft stage. Amendments to the electoral code were made with a view to reducing fraud in the 2007 parliamentary elections, but concerns remained that there would be insufficient safeguards for the filing of appeals. Moreover, the consolidation of power among the business and political elite in 2006 heightened concerns about the erosion of political pluralism in advance of the elections. The number of violent attacks against journalists increased in 2006. Activists continued to identify corruption as a serious impediment to Armenia's democratic development.

**National Democratic Governance.** A referendum in November 2005 approved changes to the Constitution that are aimed at ensuring a more even distribution of the balance of power between the president, Parliament, and judiciary. In 2006, work was under way to draft the enabling legislation for the amendments to come

into effect, but with few concrete steps taken to reduce presidential authority, the amendments had yet to notably alter the balance of power. Moreover, the fact that authorities failed to investigate allegations of fraud during the referendum raised serious doubts as to their commitment to improving governance. *Although the changes to the Constitution should eventually ensure a more even distribution of power, owing to the slow progress in approving the necessary legislation and the authorities' failure to investigate allegations of fraud, Armenia's rating for national democratic governance worsens slightly from 5.00 to 5.25.*

**Electoral Process.** The failure of authorities to ensure democratic elections has contributed to a lack of public confidence in the electoral process and slowed Armenia's progress toward a functioning democracy. In 2006, the electoral code was revised to address some of the flaws that have characterized elections. Changes included improved procedures for the tabulation and release of results and voter registration. However, government critics remained skeptical that the revised code would improve the electoral process, arguing that shortcomings in previous elections stemmed from the implementation of the electoral framework rather than the framework itself. The consolidation of power among Armenia's business and political elite was a concern in 2006 and has reduced the already low opportunity for rotation of power in the 2007 elections. *Although revisions to the electoral code have improved the legal framework for elections, their success will depend on their implementation. Moreover, the close connections between business and politics remained a defining feature of Armenia's political scene. Thus Armenia's rating for electoral process remains unchanged at 5.75.*

**Civil Society.** Nongovernmental organizations (NGOs) are becoming more active in public life but remain hampered by financial constraints and a reliance on external funding, mainly from diasporic groups. Several pieces of draft legislation were under discussion in 2006, with the participation of the NGO Professionals for Civil Society, that aim to improve the financial sustainability of civic groups. These included laws that would recognize volunteer labor and allow civil society groups to engage in entrepreneurial activity. NGOs also succeeded in freezing the passage of a new Law on Lobbying, which they argued would introduce excess regulations into the lobbying process. *Although there have been positive steps toward introducing legislation to improve the financial sustainability of civic groups, as well as the mobilization of civil society against the Law on Lobbying, the impact of these measures has yet to improve the climate for civic groups. So Armenia's rating for civil society remains at 3.50.*

**Independent Media.** The composition of a new regulatory body for the broadcast media was under discussion in 2006. Media organizations lobbied, partly successfully, for changes to Armenia's licensing legislation for distribution companies and against government proposals relating to the structure of a new regulatory body for the broadcast media. An increase in attacks on journalists in 2006, including

physical assaults, heightened concerns about a rise in violence and, more generally, government harassment against the independent media in the run-up to the 2007 parliamentary elections. *Although the media community had some success in influencing government policy in media-related areas, this was offset by the increase in violence against journalists. Therefore Armenia's rating for independent media deteriorates to 5.75.*

**Local Democratic Governance.** Although the Constitution and national legislation provide a framework for local self-government, there has been little real decentralization of authority. Constitutional amendments approved in a nationwide referendum in November 2005 provide for greater decentralization, with legislative changes to be implemented over a two-year period. Notably, these envisage the election of the mayor of Yerevan (who is currently appointed by the president) by a new municipal council. As of the end of 2006, however, this body had not yet been formed, and the necessary legislation regarding the status of the capital city had not yet been approved. Local governments remained reliant on transfers from the state budget for 60 percent of their revenues in 2006 and continued to have no authority to set local tax rates. *As the constitutional changes envisaging the decentralization of government authority had not yet come into effect in 2006, Armenia's rating for local democratic governance remains unchanged at 5.50.*

**Judicial Framework and Independence.** Although revisions to the Constitution approved in November 2005 envisage greater independence for the judiciary, little progress was made in 2006 in approving the necessary enabling legislation. According to an October assessment published by NGOs and the Apostolic Church, Armenia's largest prisons continued to fall short of international standards. In a rare setback for the government, the Constitutional Court ruled in April that the eviction of residents from properties in central Yerevan was illegal. However, it did not force the authorities to return the property or to increase the level of compensation. Moreover, the Parliament subsequently approved government-sponsored legislation enabling the authorities to confiscate private real estate where this was deemed in the interests of the public or the state. In a positive step, as of July 2006 access to the Constitutional Court was broadened to allow citizens to appeal cases directly to the court. *Despite the approval of constitutional amendments in 2005 that in theory increase the impartiality of the judiciary, little progress was made in 2006 in implementing the legislation necessary to ensure greater judicial independence. As a result, Armenia's rating for judicial framework and independence remains unchanged at 5.00.*

**Corruption.** Corruption remains a substantial obstacle to Armenia's political and economic development. The close links between the political and economic elite and the lack of effective law enforcement procedures have fostered official corruption. Government efforts to address the issue were focused on an anticorruption strategy adopted in late 2003. However, in 2006 assessments of the authorities' progress in eradicating corruption continued to report little progress. No senior

officials were prosecuted for corruption in 2006. Almost 95 percent of respondents in an April–May survey commissioned by the International Republican Institute judged corruption to be a serious problem in Armenia. *Owing to continuing doubts about the authorities' political will to make genuine inroads into reducing corruption, Armenia's rating for corruption remains unchanged at 5.75.*

**Outlook for 2007.** The parliamentary elections due in May will test the government's commitment to democratic principles in 2007. A failure to improve the electoral process would seriously undermine the government's stated commitment to the country's democratic transition and would aggravate the risks to Armenia's stability. It could also jeopardize Armenia's access to funding under international programs, such as the five-year, US\$235.65 million compact with the U.S. Millennium Challenge Corporation concluded in March 2006. The authorities will come under both domestic and international pressure to guarantee transparent elections and to allow opposition groups and journalists to operate unhindered. In addition, they will be expected to investigate fully, and prosecute where necessary, instances of election fraud. However, the difficulties faced by opposition parties in holding meetings or gaining access to broadcast media, and the consolidation of links between Armenia's business elite and the pro-president parties in 2006, suggest that prospects for a more transparent and democratic electoral process in 2007 are limited.

# MAIN REPORT

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## National Democratic Governance

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

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

A nationwide referendum on constitutional amendments to rectify the imbalance of power was held in November 2005. Most notably, the amendments included: the removal of the president’s right to dismiss the prime minister virtually at will; the election of the mayor of the capital, Yerevan, by an elected council rather than the president; and the election of the Council of Justice by members of the judiciary (rather than its appointment by the president).

However, the conduct of the referendum—including what local and international observers judged to be inflated official turnout figures and evidence of ballot box stuffing—largely overshadowed the positive aspects of the constitutional reforms. Moreover, the fact that no steps were taken in 2006 to investigate these issues or to punish those responsible raised serious doubts as to the authorities’ commitment to improving governance. This occurred despite the admission in April by one local election commission official that he had perpetrated fraud both during the referendum and in the 2003 elections.

Legislative authority is vested in the Parliament, which is empowered by the Constitution to dismiss the government by majority vote and to remove the president from office with a two-thirds majority if the Constitutional Court judges the person to be guilty of serious offenses. In actuality, however, the Parliament has little power to hold the executive to account and enjoys substantially less authority than the presidency, even after the constitutional referendum.

The government has substantial influence over the Parliament’s legislative agenda, which is a major constraint on its lawmaking capacity, and most government initiatives tend to be approved. Nevertheless, in October 2006 the Parliament rejected government-sponsored proposals relating to the composition of a new media regulatory body, on the grounds that the body would not be sufficiently independent. Although the process of drafting and amending laws is comparatively straightforward, implementation and enforcement are weak. This is likely to be one factor behind the low level of public confidence in the Parliament. According to a survey of 1,200 households, the Armenia National Voter Study, conducted for the

International Republican Institute (IRI) between April 30 and May 7, 2006, found 67 percent of respondents had “unfavorable” confidence in the Parliament.<sup>1</sup>

The effectiveness of both the government and the Parliament is impeded by their weak financial resources. Armenia has a poor tax collection record, owing in part to the scale of the shadow economy (estimates range from 33 percent to 53 percent of the official GDP in 2004, depending on the methodology used),<sup>2</sup> with many of the country’s largest businesses making tax payments that appear inconsistent with their commercial success. Although tax revenue has risen strongly in value terms in recent years (by 18.2 percent in 2006), it remains low as a share of GDP, indicating that measures to reduce tax evasion have not yet proved effective. Central government tax revenue was equivalent to just 13.5 percent of GDP in 2006, according to data from the National Statistical Service.<sup>3</sup>

A parliamentary Control Chamber is empowered by the Constitution to audit government budget performance, assess its compliance with budget targets, and evaluate its borrowing and privatization policies. The chamber submits annual reports to the Parliament and has frequently criticized the executive’s handling of public finances. However, its role as a watchdog over the government is limited owing to the legislature’s weakness relative to the executive branch. Moreover, the existence of other audit and investigative bodies within ministries creates a duplication of functions and the absence of clearly separated roles, reducing the effectiveness of the chamber as an oversight body.

The Parliament has a Web site, debates are usually open to the public and are widely reported in the media, draft legislation is generally made available to the public, and all legislation approved by the Parliament is published in an official bulletin. The Ministry of Justice’s Web site contains a database of legislation, government decisions, and Constitutional Court rulings.

The September 2003 Law on Freedom of Information obliges government bodies and public service providers to release within 30 days official information relating to their activities.<sup>4</sup> They are permitted to refuse the release of information in only a few cases, and failure to comply with the law is a criminal offense. Imperfect enforcement of the legislation and a lack of awareness among officials of the requirements of the law have hampered its effectiveness. Nevertheless, between September 2005 and October 2006, the Freedom of Information Center, an NGO, successfully challenged in court six cases of official refusals to release information. According to the center, the most often cited reason by officials for refusing to release documents is that the implementing legislation for the Law on Freedom of Information does not yet exist.

The civil service is a professional body, in theory independent of the executive and legislative branches of power, and is not subject to change after general elections. A seven-member Civil Service Council is charged with selecting staff for government agencies on a competitive basis and monitoring the performance of government officials. Critics of the council argue that because it is appointed by the president, it lacks independence and is vulnerable to political influence. Moreover, although adoption of the Law on Civil Service in 2001 was a first step toward

improving the quality of state institutions, enforcement of the legislation has been problematic.<sup>5</sup> Issues such as low wages have prevented the civil service from attracting and retaining skilled staff, although periodic wage increases are addressing this concern.

The National Police and National Security Service are responsible for Armenia's domestic security, intelligence activities, border control, and police force. Several parliamentary committees are responsible for defense and security policy, but the legislature's weakness relative to the presidency and government results in its having little control over the country's military and security services. The president is the supreme commander of the armed forces and is entitled to deploy the army without seeking parliamentary approval. The defense minister, the head of the police, and the head of the National Security Service are all presidential appointees.

Issues such as corruption in the police force and poor conditions in the armed forces, including mistreatment and hazing of conscripts, are frequently covered in the media. In the first half of 2006, the Office of the Military Prosecutor reported 19 noncombat deaths in the armed forces. In a rare setback for the Office of the Military Prosecutor, the court of cassation ruled in December 2006 that three soldiers had been wrongly convicted of murdering two of their colleagues and ordered that the case be reopened. A new national security doctrine was presented for academic discussion in 2006. Critics argued that it failed to consider issues such as migration and environment, both of which have security implications. In conjunction with this, a nine-year reform of the armed services is due to start in 2007, with the assistance of NATO.

In 2006, concerns grew at what some domestic observers and opposition parties termed the "criminalization" of Armenian society, following a number of murders and physical attacks on public figures. These included the head of the fraud investigation department of the State Tax Committee, Shahen Hovasapian, who was killed in a car bomb in September. In October, an opposition politician, Suren Abrahamian, was attacked and beaten, an assault that he attributed to his political activities. Also in October, a parliamentary deputy from the ruling Republican Party of Armenia (RPA), Hakob Hakobian, was charged with a number of offenses, including illegal weapons possession and tax evasion—a rare example of parliamentary immunity being lifted.

The ongoing territorial dispute with Azerbaijan over Nagorno-Karabakh remained a potential source of instability in 2006, when three rounds of presidential-level peace negotiations, as well as talks between the respective foreign ministers, failed to resolve the conflict. The conflict has had wide-ranging economic repercussions, preventing intra-regional economic and other development projects. In addition, the dispute has led to substantial expenditures for defense (the military received the largest share of state budget spending in January–September 2006, at 17 percent)<sup>6</sup> to the detriment of other sectors such as health care and education.

One legacy of the 1988–1994 war with Azerbaijan over the area of Nagorno-Karabakh has been that the armed forces and security services have played a large role in the country's political development. Military leaders, through the Yerkrapah

parliamentary faction of Nagorno-Karabakh veterans, were instrumental in forcing the resignation of President Levon Ter-Petrosian in 1998, having rejected his apparent willingness to negotiate a stage-by-stage resolution of the conflict with Azerbaijan. In 2005, Yerkrpah lost members to a new organization, Test of Spirit, whose founders were dissatisfied by Yerkrpah's support of Robert Kocharian's administration.

### Electoral Process

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

Armenia's constitutional and electoral framework enshrines the principle of universal and equal suffrage by secret ballot and provides for regular, free, and fair elections. Since independence, however, the authorities have failed to ensure free and fair elections, as vested interests within the political and business elites have sought to preserve their privileges. This has contributed to a lack of public confidence in the electoral process.

Political parties are regulated by the Law on Political Parties and must be registered with the Ministry of Justice. The electorate has a large number of parties to choose from, but political parties are generally driven more by personality than policy. This is reflected in the results of a poll, the Armenia National Voter Study, commissioned by the IRI.<sup>7</sup> Of the 1,200 households surveyed in April–May 2006, 59 percent said that the leader rather than the party was the deciding factor in their voting decision.

Political parties must have at least 200 members and maintain branches in at least one-third of Armenia's regions. Of the more than 110 parties registered at the time of the May 2003 parliamentary elections, only 6 exceeded the 5 percent vote threshold required to win parliamentary representation. According to the IRI Armenia National Voter Study, 9 percent of those questioned were members of a political party, while 64 percent expressed either high or medium interest in politics.

The RPA is the dominant party at both national and local levels. Headed by Prime Minister Andranik Markarian, the RPA is the leader in the three-party coalition government, controlling several ministries and the majority of subministerial posts. The other two parties are the nationalist Armenian Revolutionary Federation and the social-democratic United Labor Party, each of which has two cabinet-level positions and several subministerial posts. The Ministries of Defense, the Interior, and National Security are headed by presidential loyalists.

The United Labor Party replaced the center-right Country of Law Party in May 2006, when the party leader, Artur Baghdasarian, pulled out of the cabinet following disagreements, among other issues, over the direction of foreign policy and dissatisfaction at the government's record in addressing corruption. After withdrawing

from the government, the Country of Law Party lost the support of several of its parliamentary deputies, who rejected the party's oppositional stance and opted to continue supporting the government. Nevertheless, the party claimed some popular backing for its decision, and its emphasis on anticorruption and social justice issues could resonate with parts of the electorate in 2007.

As in other former Soviet republics, political and economic circles are closely linked in Armenia. This stems partly from inadequate party funding legislation, which leaves parties heavily reliant on private financial sources and therefore susceptible to donor influence. The immunity from prosecution enjoyed by parliamentary deputies has also encouraged business monopolists to seek election.

The founding in early 2006 of the party Prosperous Armenia by a wealthy businessman, Gagik Tsarukian, highlighted the close connections between business and politics. Tsarukian has claimed that his party offers an alternative to Armenia's longer-standing political groupings, but critics have noted his close connections to the existing political elite. As well as the political party, Tsarukian has established a charity that has distributed financial and other assistance to rural inhabitants. Armenia's legislation prohibits political parties from offering financial aid to the public. Opposition figures criticized the fact that the charity is able to operate in this way and accused Tsarukian of vote buying in advance of the 2007 elections.

The consolidation of power among groups such as these is of particular concern in the run-up to the May 2007 parliamentary elections, as it significantly reduces the already low opportunity for rotation of power and does little to increase political pluralism. Moreover, it has coincided with increased pressure on opposition parties, several of which complained of government harassment in 2006. For example, the Heritage Party, led by Raffi Hovannisian, attributed its expulsion from its offices in March to its opposition status, while the Country of Law Party experienced difficulties in renting premises in which to hold public meetings.

Direct presidential elections are held every five years; elections to the 131-member Parliament are currently held every four years, but the legislature will move to a five-year term on the expiry of its current mandate in 2007. The most recent presidential election was won by the incumbent, Robert Kocharian, who beat Stepan Demirchian in a second-round runoff on March 5, 2003, winning 67.5 percent of the vote, according to the Central Election Commission. The RPA and other pro-presidential parties won a majority of seats in the parliamentary elections on May 25, 2003, with opposition parties (namely, the nine-party Justice Alliance led by Demirchian and the National Unity Party led by Artashes Geghamian) winning just 24 seats. In 2006, the opposition parties continued the boycott of the Parliament initiated in February 2004, in protest of the conduct of the elections. The boycott has severely weakened the opposition parties' already limited ability to hold the government to account and potentially damaged their standing among the electorate.

The 2003 elections were monitored by the Organization for Security and Cooperation in Europe (OSCE) Office for Democratic Institutions and Human Rights and were found to be below international standards for democratic elec-

tions, although international monitors judged the flaws insufficient to negate the results. The referendum on constitutional change in 2005 attracted similar criticism from both domestic and international observers, who judged the official turnout figure of 65 percent to be inflated.

Turnout for the 2003 parliamentary elections was 52.2 percent, according to the Central Election Commission, down from 68.4 percent in the second round of the presidential election, indicating declining public confidence in the electoral process. Despite low public expectations for the conduct of the 2007 elections—in the Armenia National Voter Study survey, 70 percent believed that it would be neither free nor fair—72 percent said that they would definitely or probably vote in the May 2007 parliamentary elections, citing their duty to vote.

According to the OSCE, women accounted for just 15 percent of candidates on the proportional lists in the 2003 elections and only 4 percent of the majoritarian candidates. Seven women held seats in the Parliament in 2006, and the Ministry of Culture was headed by a woman. Ethnic minorities make up roughly 3 percent of Armenia's population, and their participation in the political process is correspondingly low. No ethnic minorities were represented in the Parliament in 2006.

Revisions to Armenia's electoral code were approved in December 2006. The code had already been altered in May 2005 to include, among other changes, an increase in the number of parliamentary deputies elected by proportional representation on the basis of party lists from 75 to 90—a measure that could result in fewer instances of vote buying.

Following the flawed referendum of November 2005, Artur Baghdasarian, then parliamentary Speaker, proposed that additional revisions be made to the electoral code to help reduce electoral fraud. The changes to the composition of the government in mid-2006 put the process temporarily on hold but were finally approved by the Parliament in December. These changes included improved procedures for the tabulation and release of results, identification of voters, and greater rights for representatives of ballot candidates. In addition, the opposition won an appeal to the Constitutional Court to remove the provision in the electoral code allowing judges to sit on election commissions, arguing successfully that this went against the principle of separation of powers. However, the Parliament rejected a number of other opposition-sponsored measures, such as the use of indelible ink to mark the fingers of those who have voted.

Areas of concern remain, including insufficient safeguards for the filing of election complaints and appeals. Moreover, government critics remain skeptical that the new code will improve the electoral process, arguing that in the past the shortcomings in Armenia's electoral process stemmed from the implementation of the electoral framework rather than the framework itself.

A failure to investigate electoral fraud and bring perpetrators to justice is one of the main factors behind public disillusionment with the electoral process. Moreover, in April 2006 a senior election official admitted to fraudulent practices—including forging signatures and ballot-box stuffing—in the November 2005 referendum and the 2003 presidential and parliamentary elections. However, no action had been

taken against him by the end of 2006, casting serious doubts over the authorities' commitment to ensuring free and fair elections in the future. The Parliament had earlier rejected opposition moves to establish a commission to investigate the flawed referendum.

#### Civil Society

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

The number of civil society groups in Armenia grew rapidly following the break-up of the Soviet Union. However, deteriorating socioeconomic conditions due to the war with Azerbaijan over Nagorno-Karabakh and the collapse of the country's economic base hampered their effectiveness. The result is that public participation in civil society activities has not been as high as the number of groups would suggest.

As of September 2005, there were 4,350 NGOs registered with the Ministry of Justice, of which over 1,000 were registered during the previous year. Over the past 15 years, the focus of NGO activities has moved from humanitarian assistance to democracy building and broader development programs in sectors such as education, public policy, and health care, as well as ethnic minorities and the disabled. Issues such as domestic violence and the trafficking of women, as well as campaigns to promote more active participation of women in politics, are gaining greater recognition, and domestic groups such as Choice Is Yours actively monitor the country's elections. The Apostolic Church also engages in charitable work, financed largely through diasporic donations, as do other domestic and foreign religious charities.

Most NGOs are in the capital, Yerevan, and in the northern regions that were affected by the 1988 earthquake, which began to develop civil society networks earlier than other parts of the country. NGOs in Yerevan tend to have better-developed organizational and management capacity than those in other regions, particularly in the south of the country, where civil society remains underdeveloped. Some NGOs also participate in regionwide networks.

Civil society groups are generally able to carry out their work without interference either from the government or from extremist organizations. The Ministry of Justice's registration process for organizations is relatively straightforward, although because it is centralized, it is more difficult for regional organizations to complete the process. The Law on Charity (October 2002) and the Law on Foundations (December 2002)<sup>8</sup> regulate the establishment and activities of charities and NGOs and have been judged by the International Center for Not-for-Profit Law to be in compliance with international good practices of NGO regulation, although implementation of the legislation is at times patchy.

Nonprofit organizations are subject to taxation on property, vehicles, and employee wages, and NGOs must disclose their revenue sources in order to establish their tax liability. The Law on Public Organizations (2001), under which most organizations are registered, prohibits direct income generation. Public organizations are not permitted to participate in government tenders. This has serious implications for the financial sustainability of nonprofit organizations. The establishment of limited liability companies is one way in which NGOs are able to generate income, but these are subject to taxation in the same way as businesses.

Armenia's legislative framework has not kept pace with the complexity of civil society. For example, there are no legal provisions for charitable donations, which has inhibited private sector philanthropy. In 2006, the group Professionals for Civil Society was involved in drafting legislation that would allow NGOs to engage in entrepreneurial activity. The same group has also assisted in the drafting of a Law on Volunteers, which was approved by the government in September 2006. If passed by the Parliament in 2007, as seems likely, this should benefit organizations by easing the tax burden (the tax authorities have previously judged volunteer work to be hidden employment) and by improving access to donor funding that requires in-kind contributions (which can include volunteer labor).

The financial viability of NGOs is nevertheless strengthening, owing to legislative improvements, more effective preparation of requests for funding, and improved advocacy skills. However, most civil society groups remain dependent on foreign funding. Domestic charities, such as the Hayastan All-Armenian Fund, and the U.S.-based Lincy Foundation successfully raise funds from the Armenian diaspora. The dependence of most NGOs on foreign donations has led to concerns that this practice weakens the civic sector's incentive to establish strong links with Armenian society. It has also led to public perceptions of civil society groups as businesses sponsored by foreign donors rather than civic organizations. Media coverage of civil society activity tends to be restricted to isolated initiatives and is often dependent on personal contacts. Public membership in NGOs is still low: According to the Armenian National Voter Study conducted by the IRI in April–May 2006, just 2 percent of the population were members of an NGO.<sup>9</sup>

Officials rarely canvass public opinion in meetings or through surveys. Government engagement with civil society and policy research groups has nevertheless increased in recent years, and these groups are generally able to secure access to bodies such as the Parliament. This is partly attributable to an improvement in the organizational capacity and advocacy skills of civil society groups, which have benefited from expanded training programs. For example, in 2006 civil society groups campaigned together to freeze the passage of a draft law that would have imposed onerous restrictions on their lobbying of state institutions.

Moreover, some state bodies work actively with civil society. For example, the Public Services Regulatory Commission and the Ministry of Agriculture cooperate with the Consumer Union, and the Ministry of Social Security uses program budgeting rather than line budgeting to enable NGOs to monitor it more easily. However, NGOs have complained that even though they are able to participate in

the drafting of government initiatives, this is merely to satisfy international pressure for NGO inclusion in policy making and that their opinions are not taken into consideration in final documents.

Several private policy think tanks are active in Armenia, but their influence on government policy is limited. They include the International Center for Human Development, which focuses on projects such as poverty reduction, regional integration, and good governance; and the Armenian Center for National and International Studies and the Armenia International Policy Research Group, which concentrate on foreign and domestic public policy issues.

Armenia's Constitution guarantees the right to establish and join trade unions, although this right can be restricted for those serving in the armed forces and law enforcement agencies. The Confederation of Labor Unions unites about 25 individual unions, but most of these are inactive and have limited power to guarantee workers' rights. Private sector employees enjoy little protection against dismissal. This, combined with the high rate of unemployment, has meant that strikes in private enterprises are rare. Strikes in the public sector are more common, over issues such as wage increases or payment of back wages. The Union of Industrialists and Entrepreneurs represents the interests of Armenia's largest businesses.

A shortage of budget funding has led to the deterioration of education standards. Students report that bribery is frequently needed to secure a university place and to obtain good marks. State control over universities has strengthened since November 2005, as half of the members of their governing boards are now appointed by the government. For example, in May 2006 the government's preferred candidate was appointed rector of Yerevan State University, the country's most prestigious advanced education institution. In 2006, moreover, the RPA stepped up the recruitment of teachers as party members, which raises concerns about the politicization of the education system.

#### Independent Media

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

Press freedoms are guaranteed in Article 27 of the Constitution. However, in practice these freedoms have come under threat in recent years. Although the government has adopted some progressive legislation, implementation has been inconsistent. Moreover, pluralism remains confined largely to the independent print media, which enjoy much less influence than the predominantly pro-government broadcast media.

Several assaults against journalists in 2006 highlighted the difficult conditions faced by the independent media. These included, in September, an assault on the chief editor of the newspaper *Iravunk*, Hovhannes Galajian, who attributed the

attack to his investigative reporting of criminal activity in Yerevan. In another case, a freelance journalist was threatened and abused. In addition, the sentencing to a four-year prison term of Arman Babajanian, editor of the opposition *Zhamanak Yerevan* daily, following his conviction on charges of document fraud to avoid military service, was attributed by colleagues to his journalist activities. According to the human rights ombudsman, a two-to-three-year sentence would normally be given. The media community was concerned that violence against journalists would increase in the run-up to the 2007 parliamentary elections.

Armenia's libel laws have created a difficult environment for investigative journalists, particularly as public officials enjoy a higher standard of protection than other citizens. Libel is classified as a criminal offense punishable by a fine (except for repeated cases, where a one-year prison sentence may be imposed). Moreover, Armenia's criminal code sets a higher level of protection for public officials. Although no libel cases were brought against journalists in 2006, this could be explained by the fact that self-censorship is widespread, particularly where issues of corruption are concerned.

According to the Yerevan Press Club, as of November 2006 there were 45 television companies in Armenia broadcasting on 50 channels. Four of these were broadcast nationally. There were also 16 cable television channels—again, 4 have national coverage—and 16 radio companies broadcasting on 23 channels. The majority of broadcast media are privately owned.

Despite the large number of outlets, Armenia's broadcast media do not offer a plurality of views. In a monitoring survey released in December 2005, the Yerevan Press Club found that the five largest television channels focus on the daily activities of the president and government, other political figures, state structures, and prominent businessmen. The state-run Armenian Public Television is the country's most influential media outlet, but despite its status as a public service broadcaster, its output remains biased in favor of the authorities.

The private company Yerkir Media established in 2004, although connected to the Armenian Revolutionary Federation (a government party), often provides critical coverage of the government in its news reports. Another private company, Armenia TV, broadcasts a range of entertainment programs and political interviews as well as news coverage from CNN. Shant provides reliable business and news coverage, while among regional media, TsaiK TV is notable for its news reporting.

Although broadcast media remained dependent on private financing in 2006, advertising revenue is rising—encouraged by the introduction of a television rating system, first in Yerevan in January 2006 and then nationwide in June. This could ease media dependence on private sponsorship and thereby improve objectivity.

In November 2006, Armenia had 8 daily national newspapers and around 47 non-dailies, of which 17 had national coverage, according to the Yerevan Press Club. The newspapers offer a plurality of views, but their low circulation presents them with serious financial constraints. *Iravunk* (the paper of the Union of Constitutional Rights party), which appears twice a week, has the highest circulation at between 9,000 and 14,000 copies, while the state-owned national daily *Hayastani Hanrapetut*

*tyun* has around 6,000. Most newspapers are dependent on private sponsors, often with vested political or economic interests, and this affects their objectivity.

The composition of the broadcast media regulatory bodies remains a cause for concern. Currently, the Council of Public TV and Radio Company and the National Commission on Television and Radio oversee the broadcast media. The president appoints the members of both bodies, raising significant concerns about their objectivity. The revised Constitution, adopted in a referendum in November 2005, appears to provide for one regulatory body responsible for both private and public broadcast media, with half of its members to be appointed by the president and half by the Parliament.

The OSCE has argued that this change (which had not yet come into effect in 2006) is insufficient to ensure the impartiality or diversity of the regulatory body, particularly when, as in 2006, the parliamentary majority was supportive of the president. Pressure from the opposition and media organizations prevented the Parliament from approving the government's proposals for the composition of the new body in October 2006. Journalists had argued that the proposed structure would not guarantee the body's independence and that it would have been several years before its composition changed, thereby ensuring continuing presidential influence.

Amendments to the 2004 Law on Postal Communication, adopted in late 2005, threaten the dissemination of information by requiring all distributors of print periodicals to pay for a license. Media organizations lobbied in 2006 to amend the law, fearing that it could force many distributors into bankruptcy, thereby reinforcing the position of the Haymamul agency. (Although privatized, this agency is run by a government-appointed director and enjoys a near monopoly over the distribution of newspapers.) In 2006, the government agreed to reduce the licensing fee from 5 million dram (US\$12,000) to 500,000 dram, but media organizations continued to lobby for the complete removal of the requirement.

The transition from analog to digital broadcasting has raised concerns about government influence over broadcast media. A Law on Digitalization was under discussion in 2006. As part of the process, it was envisaged that as of the end of 2006, no new broadcasting licenses under the analog system will be issued, in effect preserving the status quo. Moreover, the government intends to provide budgetary support to assist two digital broadcast outlets, which could compromise their objectivity.

Compared with print and broadcast media, the Internet offers a greater diversity of opinions. There were no known instances of government attempts to control access to the Internet or to influence the content of Web sites in 2006. Development of and access to Internet services continued to be hampered by a lack of competition in the sector, in part because all Internet service providers in Armenia (about 10 were functioning in 2006) were dependent on a monopoly provider, Armentel, for connection to outside services. However, competition should increase following Armentel's loss of this monopoly in December 2006; as of November, Armentel had a new majority owner, the Russian company Vimpelcom, which bought out the 90 percent stake previously owned by Hellenic Telecommunications Organiza-

tion (Greece). About 5 percent of the population used the Internet in September 2005, according to the International Telecommunication Union.

#### Local Democratic Governance

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

Armenia's Constitution and national legislation—including the 2002 Law on Local Self-Government—provide a framework for local self-government, but in practice the authority and activities of the local administrations are circumscribed by a lack of financial resources and extensive central government control over local issues.

Chapter 7 of the Constitution covers issues relating to territorial local self-government. Armenia has a two-tiered administrative structure. The country is divided into 10 regions, which are subdivided into 930 communities. Governors appointed by the central government administer the 10 regions and in turn appoint their own staff. Regional governors are responsible for administering policy in a wide range of fields (including finances, public utilities, and urban development), coordinating the activities of regional agencies of state administration, mediating between the central and local governments, and regulating intercommunity issues. The Ministry of Territorial Administration exercises control over the regional governors.

Constitutional amendments approved in November 2005 provide for greater decentralization of authority, with the legislative changes to be implemented over a two-year period. Notably, these provide for the election of the mayor of Yerevan (who is currently appointed by the president) by a new municipal council. As of late 2006, however, this body had not yet been formed, the mayor remained accountable to the president, and the necessary legislation regarding the status of Yerevan had not yet been approved. Furthermore, the procedure by which the mayor would be elected remained unclear.

The Council of Elders (the representative body for communities) is responsible for approving community budgets and supervising their implementation. However, the central government has authority over budgetary loans, credits, and guarantees and establishes procedures for the collection and distribution of local taxes. Moreover, local governments are given little opportunity to participate in the drafting of legislation, and once laws have been approved, implementation programs are often lacking.

Land and property taxes, and revenue from state duties, are the main sources of local tax revenue, but even these must be collected by regional branches of the state treasury. Local authorities have no powers to set tax rates, which are decided by the central government. They are therefore heavily dependent on financial transfers from the state budget, which provided 60 percent of total local budget revenue in 2006.<sup>10</sup> Disbursement delays are common, limiting the capacity of local

governments to meet their spending requirements, draft long-term development programs, or ensure the timely payment of staff salaries. The distribution of financial resources from central to local government is uneven and poorly targeted, with little account taken of variations in regional development needs.

Community heads (equivalent to a mayor) are accountable to Councils of Elders made up of 5 to 15 members. These are chosen for three-year terms on the basis of universal, equal, and direct suffrage by secret ballot. As of 2006, the community head can be dismissed only by the regional governor following a court decision; previously, the governor was able to dismiss the community head following an application to the central government. Some community heads would have preferred to remove the regional governor entirely from the process.

The autonomy of local governments is further circumscribed by the powers of regional governors, who often use administrative resources as a means to influence local authorities. In theory, local authorities have the courts to protect their powers and defend the rights of the local community, but because of the judiciary's dependence on the executive, its impartiality in such cases is questionable.

Local governments have the right to form associations to protect and promote their interests. As of 2006, there were three main local government associations: the Community Union of Armenia, the Union of Yerevan Elders, and the Community Finance Officers Association. International organizations are working with local government associations to strengthen the capacity of local government (for example, through more effective budget mechanisms and increased decentralization). One such project is the Armenia Local Government Program, funded by the U.S. Agency for International Development.

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

NGOs are becoming increasingly active in monitoring local government activity. In March 2006, the Armenia branch of the U.S. organization Counterpart International signed its first contract with local NGOs under a Local Initiative Grant program, providing funds for projects such as monitoring municipal budgets and local advocacy.

Political parties do not play a major role in local elections, although they are entitled to nominate candidates. More commonly, citizens are nominated as independent candidates through civil initiatives, but they can state their party affiliation on the ballot. The most recent local elections were held in September–October 2005. As in previous years, the opposition largely boycotted the elections, regarding the process as deeply flawed. Although the elections were to a certain extent competitive, in that multiple candidates took part, these tended to be rival pro-

government figures vying for influence over local resources. Reports of vote buying and indirect bribery of voters by candidates with promises to repair local infrastructure remained a defining feature of the 2005 local elections.

Assessments of the elections varied. A local election-monitoring group, Choice Is Yours, reported that candidates had been hindered during the campaign and that voters lists remained inaccurate. A small observation mission sent by the Council of Europe judged that the electoral process and voters lists had improved compared with previous elections and stated, “The local elections were generally in keeping with the Council of Europe’s electoral standards. The electoral process was generally satisfactory.”

#### Judicial Framework and Independence

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

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

Revisions to the Constitution, approved in a referendum in November 2005, envisage greater independence for the judiciary. However, little progress was made in 2006 in enacting the legislative and other measures necessary to guarantee increased judicial independence. Under the revised document, responsibility for appointing the Council of Justice (which has a supervisory and disciplinary role) passes to the General Assembly of Judges. The president and the Parliament will each appoint two legal scholars to the Council of Justice; previously, the president appointed the entire council. Critics of the changes have argued that even though the president loses the right to appoint the Council of Justice, he retains some control over judicial appointments.

One positive aspect of the reforms is that access to the Constitutional Court has been broadened to enable ordinary citizens to appeal. Previously only the president, one-third of Parliament, ballot candidates, and, in limited cases, the government, were permitted to appeal. As of July 1, 2006, citizens have been entitled to appeal to the court, provided they have exhausted all other legal channels. By late August, the court had accepted for consideration 109 appeals out of 288 lodged by citizens.

Armenia’s judicial system provides for the presumption of innocence, the right of persons not to incriminate themselves, and access to a public hearing by a fair and impartial court. Police officials are permitted to keep suspects in custody for up to 72 hours before filing criminal charges, and a court decision is required to turn detention into an arrest. However, prosecutors’ requests for arrests are seldom

refused, bail is infrequently granted, and acquittals are rare. Of more than 1,500 criminal suspects brought before Armenia's courts in the first half of 2006, only 4 were acquitted. Judges tend to show greater independence when journalists or NGOs are present.

Since September 2006, the Chamber of Advocates (the sole professional legal association in Armenia) has maintained a Web site offering advice for those seeking legal aid. In 2006, however, witnesses continued to have no right to legal counsel while being questioned in police custody. The legal requirement stating that only the courts are permitted to authorize searches is often violated. Although Armenia's procedural justice code sets a one-year maximum for criminal inquiries, delays in the criminal justice system are common, owing in part to a shortage of qualified judges.

The Civil Society Monitoring Board ensures civil supervision of the prison service, which is under the control of the Ministry of Justice. The treatment of detainees continued to provoke concern in 2006. According to a report released in October 2006 by representatives from NGOs and the Apostolic Church, Armenia's main prisons continued to fall short of international standards in 2005, with prisoners being poorly fed and lacking access to health care—assertions denied by the Ministry of Justice. The authors of the report nevertheless concluded that the Ministry of Justice had implemented some of the recommendations from their 2004 assessment.

Mistreatment of prisoners was also a problem, and in 2006 citizens continued to report the use of torture and psychological pressure to extract testimonies that were later used in court. Victims of abuse are often reluctant to press charges for fear of the consequences. Of more than 2,000 cases referred to the ombudsman between February and October 2006, most related to the prison system and the abuse of property rights. The World Bank is funding judicial reform projects, including the renovation of court infrastructure, with a view to increasing the efficiency of judicial services.

The Armenian Constitution and laws guarantee freedom of religion but also provide for the legal authority of the Armenian Apostolic Church, which enjoys a privileged status. As such, the church uses its influence over the government to press for restrictions on other religious groups. Under the terms of its membership in the Council of Europe, Armenia is committed to ensuring freedom from discrimination for nontraditional religious groups, of which 56 were officially registered as of September 2006. There were no reports of any religious groups being refused registration in 2006.

The July 2004 Law on Alternative Military Service provides for civilian service (since January 2006, evasion has been deemed a criminal offense), but those choosing the civilian option must serve for 42 months—almost twice as long as those performing out military service. The legislation permits every male to opt for alternative service, not just those objecting on religious grounds. As of September 2006, 25 Jehovah's Witnesses were in prison for refusing to perform the alternative service on the grounds that it was overseen by the military.

Chapter 2 of the Constitution guarantees intellectual property rights and the right to own and inherit property. Noncitizens are prohibited from owning land, except under special circumstances. The Constitution states that no one can arbitrarily deprive a citizen of his or her property. However, in 2006 the eviction of some residents from central Yerevan to make way for the development of new commercial and residential property and streets prompted criticism from local lawyers, NGOs, and opposition politicians that citizens' property rights were not being respected. The ombudsman took the case to the Constitutional Court, which in a rare setback for the government ruled in April that the evictions were illegal. However, it did not obligate the municipal authorities to return the property or to increase compensation for those evicted.

Moreover, in November 2006 the Parliament approved legislation that enables the government to confiscate private real estate for use by property developers where this is deemed to be in the public or state interest. Although the eminent domain legislation provides for financial compensation (equivalent to market value) to those forced to leave their property, critics have argued that it violates citizens' property rights. With respect to business rights, a lack of training for judges in commercial issues has left many investors disillusioned with the court system as a viable legal recourse.

The Constitution enshrines the freedom of assembly, but this has not been fully observed. Amendments to the April 2004 Law on Demonstrations enacted in 2005 limit the right of law enforcement bodies to disperse demonstrations only if they pose a threat to public and state security, rather than simply for violations of the law, as in the original document. The authorities retain discretionary powers to restrict demonstrations, however. Moreover, in 2006 several opposition parties reported they had faced difficulties in holding public meetings because of governmental pressure from authorities who refused to allow them to rent out meeting rooms.

Under the revised Constitution, the Parliament assumed the right to appoint the ombudsman. Although this in theory was a positive step, the way in which the election was organized—with the incumbent, Larisa Alaverdian, having to step down from office in January 2006, one month before the election of her successor, and a presidential ad hoc commission overseeing the office in the interim—raised questions as to the authorities' commitment to the independence of the Office of the Human Rights Ombudsman. Nevertheless, in 2006 the new ombudsman, Artun Harutiunian, successfully challenged government decisions in several areas, including breaches of the Law on Freedom of Information.

Under Armenia's criminal code, adopted by the Parliament in April 2003, abolished capital punishment and made life imprisonment the maximum sentence. Prisoners receiving the life sentence are entitled to apply for parole after 20 years, compared with the maximum prison sentence under the previous criminal code of 15 years. In 2006, the maximum prison sentence (other than life) was 15 years.

## Corruption

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

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

The focus of the government's anticorruption policy in 2006 was a three-year strategy adopted in late 2003 that sets out measures to combat corruption in the political sphere, the state bureaucracy, law enforcement agencies, and the judiciary. The Council for Combating Corruption was inaugurated in June 2004, headed by the prime minister and other high-ranking officials; a coordinating committee oversees implementation of the strategy. The government was due to approve a new anticorruption program in 2006, but this had not materialized by the end of the year.

Assessments of the authorities' progress in addressing corruption have generally been negative. In October 2006, the Center for Regional Development/Transparency International Armenia published an evaluation of the government's anticorruption policy over the previous three years.<sup>11</sup> Negative conclusions included the absence of political will, lack of institutional autonomy among the country's anticorruption institutions, poor law enforcement, and the low level of public participation in policy making. In a 2005 survey of 1,500 households (published in 2006), the areas considered most corrupt were the police, courts, and the prosecution system.<sup>12</sup> Concerns raised in a report on Armenia's anticorruption initiatives by the Council of Europe's Group of States Against Corruption, released in March 2006, included the wide scope of people enjoying immunity from prosecution and the lack of protection for witnesses, victims of corruption, and whistle-blowers.<sup>13</sup> Armenia was due to respond to the report's 24 recommendations by May 2007.

Armenia's score in the Transparency International 2006 Corruption Perceptions Index was unchanged from 2005, at 2.9 (with 10 being the least corrupt). Although Armenia received the second-best score (behind Moldova) of all members of the Commonwealth of Independent States (CIS), its failure to improve the score adds justification to the skepticism among local and international observers that the government's anticorruption strategy has not been effective.

The state's formal involvement in the economy is low in comparison with that in other transition countries, with privatization of most enterprises largely complete. The European Bank for Reconstruction and Development estimates that the public sector contributed 25 percent to GDP in 2006.<sup>14</sup> However, despite constitutional provisions explicitly banning parliamentary deputies and government members from engaging in business interests, public officials in practice encounter few limitations to economic participation and have extensive business interests.

Armenia's financial disclosure laws are insufficient to combat corruption. Although the 2001 Law on Declaration of Income and Assets was broadened in

2006 and now requires all government officials and civil servants to annually declare revenue and property belonging to them and their families, the law does not require tax authorities to verify financial statements. The authorities have limited powers of investigation and can impose only relatively lenient fines for reporting false information. Moreover, gaps in the legislation enable government officials to register property in the names of relatives. Few officials have been punished for corrupt practices. In addition, official attitudes toward anticorruption activists are often dismissive.

The Civil Service Council advertises employment vacancies on its Web site. Despite progressive salary raises since mid-2003, average monthly civil service wages, at 84,000 dram (US\$220) in September 2006,<sup>15</sup> are still insufficient to attract and retain high-caliber staff or deter them from seeking bribes. A focus on inspections and audits as the main tools of legislation enforcement has increased the opportunity for bribe taking in the civil service. Bribery is also commonplace when dealing with traffic police, universities, health care, and other areas where official salaries are low.

Law enforcement bodies identified 371 corruption-related crimes in 2005, prosecuting 97 state officials as a result, with the most senior being an official from the Ministry of Finance who was sentenced to seven years in prison. However, in 2006 no top-level officials were prosecuted for corruption-related crimes.

Armenia's business-related legislation is relatively sound. The country performed well in the Heritage Foundation/*Wall Street Journal* 2006 Index of Economic Freedom, scoring 2.26 and ranking Armenia 27th out of 157 countries surveyed. (Armenia and the Kyrgyz Republic were the only members of the CIS to be rated "Mostly Free.") However, weak implementation of the legislation has increased the opportunities for official corruption. There is a perception that it is difficult to run a successful business legally or without personal connections to public officials. The situation is exacerbated by the absence of an independent judiciary, and judges are reported to be susceptible to bribery in exchange for a favorable ruling in disputes.

Armenia also ranked favorably in the World Bank's annual survey report *Doing Business*, which measures aspects of the regulatory framework to assess the relative ease of conducting business operations. In the 2007 report, released in September 2006, Armenia ranked 34th out of 175 countries, the highest of the CIS members. The low quality of the tax and customs administration was the main weakness identified in the survey. Tax collection methods are outdated and time-consuming, and businesses spend up to 1,000 hours a year on completing tax payment formalities. The complexity of the tax and customs system provides ample opportunity for corruption. According to another survey carried out by the World Bank, companies noted that there had been no reduction in the amount and frequency of bribes paid to these institutions between 2002 and 2005. A study conducted by the Foundation for Small and Medium Business, released in May 2006, found that businesses encountered most corruption when registering property rights, requesting construction permits, and clearing customs.<sup>16</sup>

The lack of independent media has precluded unbiased press coverage of official corruption. As long as most print media are sponsored by wealthy business individuals, they have little incentive to draw attention to the scale of corruption in a system where they play a part. Moreover, attempts to expose official corruption carry risks for the media. Journalists attributed some of the attacks on reporters in 2006 to their attempts to expose corruption.

According to the Armenia National Voter Study conducted for the IRI in April–May 2006, 70 percent of those questioned said that wrongdoing or corruption by the authorities was a very serious problem in Armenia, with a further 25 percent judging it a rather serious problem.<sup>17</sup> Despite this overwhelmingly negative assessment, only 13 percent of those surveyed considered corruption to be one of the top issues facing them. This suggests that the majority of people perceive corruption to be too deeply entrenched to be eradicated.

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