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Veröffentlichungsversion / Published Version

Zeitschriftenartikel / journal article

Empfohlene Zitierung / Suggested Citation:

Harutyunyan, K. (2015). Overview of the Anti-Corruption Fight in Armenia. *Caucasus Analytical Digest*, 78, 2-5. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-89863-9>

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Overview of the Anti-Corruption Fight in Armenia

By Khachik Harutyunyan, Yerevan

Abstract:

According to the NGO Policy Forum Armenia's estimation, Armenia lost \$5.9 billion in 2013 because of corruption, and instead of a GDP of \$10.5 billion in 2013, it would have had \$16.4 billion, if only it had had a level of governance comparable to Botswana and Namibia.¹ On February 19, 2015 Armenia established a new institutional structure to fight corruption led by the Prime Minister. This new setup requires the adoption of a new, third anti-corruption strategy for Armenia. The implementation of the previous two strategies and their action plans (2003–2006 and 2009–2012) have not brought substantial changes in the fight against corruption and most importantly have not increased popular trust in the effectiveness of fighting corruption. This article will examine Armenia's experience in fighting corruption, and then discuss current obstacles to success in the context of the new institutional setup.

Overview of the Fight Against Corruption for the 2003–2012 Period

The first Anti-corruption strategy and its accompanying action plan were adopted on 6 November 2003. The Action plan was foreseen for the period of 2003–2006. This was the very first attempt of the Armenian authorities to tackle corruption in a systematic and institutionalized manner. Both the strategy and action plan lacked any concrete benchmarks to monitor the progress of the implementation: it was mainly about creating the legislative foundations necessary for effective anti-corruption policy making.² To measure the effectiveness of the 1st strategy, one can look at the results of the Corruption Perception Index of Transparency International (hereafter CPI), which so far is the most utilized international index to understand the effectiveness of measures and actions taken by countries in the fight against corruption.

During the period of 2003 to 2007, Armenia consistently received bad scores. Table 1 lays out the data behind this assertion:

Table 1: Armenia's CPI Score from 2003 to 2007

CPI	2003	2004	2005	2006
Score	3	3.1	2.9	2.9
Rank	78	82	88	93
Number of countries observed	133	145	158	163

The institutional setting created during the first strategy basically remained intact during the period of 2009–2012 (second anti-corruption strategy and action plan) and with some modifications remains in place up to now. There were two main bodies established during the first and second strategy, which were tasked to oversee the implementation of the strategy and action plan: the Anti-corruption Council and Anti-corruption Monitoring Commission. The Council was chaired by the Prime-Minister and did not have the status of a permanent body; rather it was operating on the basis of regular meetings. The Council was a high-level representative body, while the Monitoring Commission was supposed to be operating on a day-to-day basis.

Although the institutional setup was not drastically changed during the second strategy and action plan (2009–2012), both the second strategy and action plan included significant improvements and had concrete benchmarks to measure the progress of the strategy. Indicators for the evaluation of the final results for the implementation of the strategy were linked to Armenia's ranks and scores in the CPI and Control of Corruption Indicator of the World Bank. The objective was to reach 4.1 CPI scores and 0.05 scores for the Control of corruption indicator in 2012.

It remains highly controversial whether these objectives were met. The problem is that the CPI methodology changed in 2012 and scores now are within the range of 1–100 instead of 1.0–10. The score for 2012 was 34 which cannot automatically be translated to 3.4 under the old methodology. Nevertheless, it can be said with full confidence that the 4.1 score under the old CPI methodology does not correspond to a 34 score (the CPI score which Armenia was granted for 2012). Thus, it can be said that the first objective was not achieved.

Regarding the second indicator (Control of corruption, World Bank) the target was not met either. The tar-

1 Corruption in Armenia. 2014. Policy Forum Armenia. Pages 39, 41. Available at: <http://www.pf-armenia.org/sites/default/files/documents/files/PFA_Corruption_Report.pdf>

2 See OECD. Istanbul Anti-corruption Action Plan. Update about actions to implement the recommendations taken during December 2006–September 2007. Page 2. Available at: <<http://www.oecd.org/countries/armenia/41720719.pdf>>

get for 2012 was to achieve -0.05 while for 2012 Armenia received -0.53³.

The Current Institutional Setup and New Strategy: Critical Analysis

Early in 2015 the government adopted Decision no. 195-N by which the structure of the policy bodies involved in coordinating, implementing and monitoring of the recently adopted third anti-corruption strategy was changed. Now there are three main institutions: the Anti-corruption Council, the Experts Group and a Monitoring Department of Anti-corruption Programs within the staff of the Government. The Anti-corruption Council is assigned the role of main decision-maker and is chaired by Prime Minister Hovik Abrahamyan. It includes various ministers, representatives of the parliamentary opposition, the Prosecutor General, and the head of the Ethics Commission for High-level Public Officials. As for the participation of civil society, it foresees membership for two organizations, but the membership is on a rotating basis.

The composition of the Council raised doubts among members of society about the seriousness of the anti-corruption fight⁴. Moreover, of the four parliamentary opposition political parties, only one agreed to have a representative in the Council as a member. Similarly, civil society largely boycotted the Council; the only specialized civil society representative in the field—Transparency International Anticorruption Center NGO (TI Armenia)—declared that it will participate only in the capacity of an observer and not as a member.⁵

The mandate of the Expert's Group is purely technical and it acts as a professional unit to provide the necessary expertise to the Council.⁶ The Monitoring Department acts as a unit which provides technical and organizational support both to the Anti-corruption Council and the Expert's Group.

The new Council met for the first time on July 28, 2015, and among other issues decided to include the final draft version of the new Anti-corruption strategy in the agenda of the Government.⁷ The strategy and

action plan, after one year and five months of procrastination, were adopted on September 25, 2015.⁸ The Anti-corruption strategy and Action plan focus on the period of 2015–2018. The strategy chose four priority sectors to address: collection of state revenues, healthcare, education and police (only the police function connected with providing services to citizens).

At first glance, both the strategy and action plan, are well-thought out and carefully drafted. The chronic problems for the successful enforcement of anti-corruption strategies in Armenia used to be: lack of political will; lack of proper monitoring and coordination mechanisms; and lack of necessary financial and human resources.

As for the proper monitoring and coordination mechanisms, the strategy largely resolves this problem. The CPI and World Bank's Control of Corruption indicator will be again employed to measure the overall effectiveness of the strategy. Nevertheless, the issue of financial and human resources remains in place. Last but not least, the issue of political will is both the most crucial concern and priority number one: the strategy was adopted only on September 25, 2015 after more than a year of procrastination.⁹

When discussing the strategy, it is necessary to reflect on the feasibility of reducing corruption in the four priority sectors. Armenia needs to register quick progress in the fight against corruption in order to gain public trust toward the effectiveness of the effort. The need of trust is conditioned by the fact that 63 percent of respondents in 2013 mentioned that they do not believe that ordinary citizens can make a difference in the fight against corruption¹⁰ and the population of Armenia has low trust in politicians.¹¹ In other words, Armenia is one of the most apathetic societies in the world with regards to the fight against corruption.¹²

In this regard, the feasibility of making progress in the four priority sectors is highly questionable. It is

3 Worldwide Governance Indicators. World Bank. Available at: <<http://info.worldbank.org/governance/wgi/index.aspx#reports>>

4 For example, the former MP from the Heritage political party Armen Martirosyan mentioned: "when wolves become good shepherds for lambs, then we will have a real fight against corruption". See at: <<http://galatv.am/hy/analytics/108829/>>

5 See at: <<http://galatv.am/hy/analytics/108829/>>

6 On the mandate of the Expert's Group, please see the Regulation on the Manner of Operation of the Expert's Group. Available at: <<http://www.gov.am/files/councils/2.pdf>>

7 Minutes of the July 28, 2015 Anti-corruption Council's meeting. Available at: <http://gov.am/u_files/file/councils/ardzanagru_tyun.pdf>

8 See <<http://www.azatutyun.am/archive/news/latest/2031/2031.html?id=27269227>>

9 The Concept of Anti-corruption Strategy and Action Plan were adopted on April 10, 2014, while the Strategy was adopted on September 25, 2015. Thus, it is one year and five months.

10 Global Corruption Barometer. Transparency International. Available at: <<http://www.transparency.org/gcb2013/country/?country=armenia>>

11 For public trust in politicians, Armenia has 2.9 points and stands at the 76th position out of 144 countries in the Global Competitiveness Report 2014–2015. World Economic Forum. See at: <http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf> page 113

12 National Integrity System Assessment. Armenia. 2014. Main author-Khachik Harutyunyan. Transparency International Anti-corruption Center NGO. <<http://transparency.am/files/publications/1430407572-0-563326.pdf>> page 33.

impossible to have corruption free islands in a country with systematic corruption such as Armenia¹³. But it is possible to start from a sector which can create a domino effect or chain reaction. None of the four priority sectors has this potential. Even if theoretically Armenia could build a corruption-free higher education sector or healthcare system, it would neither bring quick results nor have a spreading effect on other sectors. The starting point for the anti-corruption reforms must be a sector or issue which will start a domino effect and deprive the corruption monster of its food: money.

Daron Acemoglu and James Robinson convincingly argue in *Why Nations Fail* that “poor countries are poor because those who have power make choices that creates poverty”.¹⁴ They go even further and say that the political and state leaders are making bad choices not by mistake but on purpose. The validity of this assertion can be seen in the majority of former Soviet countries, and in this sense, Armenia is not an exception but an ordinary case. The high perception of corruption correlates with lack of a promising economic situation.

Customs and Competition

To portray in an allegoric manner the recommendations in this article, let us imagine two fabled beings: the corruption monster and the integrity angel. Both beings are fed on money. The corruption monster is getting fed regularly, while the integrity angel barely has enough to survive. Thus, the monster first of all should be deprived of its food and the angel should be fed better. This strategy requires, first and foremost, focusing on sectors which initiate the flow of monetary resources: customs and anti-monopoly policy.

Neither of those two sectors received special attention and focus in the strategy, while neglecting them is obviously a wrong choice, because, according to the World Competitiveness Index 2014–2015, the most problematic factor for doing business in Armenia is corruption.¹⁵ Regarding competition and monopolies, the Bertelsmann Stiftung in its 2014 BTI country report on Armenia notes: “As things stand, Armenia lacks the necessary combination of critical laws and effective enforcement, particularly in the area of antimo-

nopoly and antitrust law”.¹⁶ Additionally, the Nations in Transit 2015 report on Armenia explicitly mentions: “Major industries and the foreign trade sector remain dominated by monopolies, creating ample opportunities for corruption”.¹⁷

Regarding customs, according to the Doing Business 2015 report on Armenia, for a standard shipment of goods, it takes exporters 16 days and 1,885 USD to export, while importers need 18 days and 2,175 USD.¹⁸ The same report mentions that Armenia, with a score of 68.81 points for trading across borders, stands at 110 in the ranking of 189 economies in the world.¹⁹ Its neighbor Georgia has 84.02 points and stands 33rd in the ranking, which is an impressive result.²⁰

The “cleaning” of those two sectors will enable small and medium enterprises to trade more and will provide incentives for getting involved in entrepreneurship. This, in turn will assist the formation of a middle class, which is a guarantee against vote buying. Under this scenario, vote buying incidents during elections will drastically decrease (depending on the size of the middle class). Fair elections will deliver more accountability from political parties and individual candidates, which in turn will result in a more accountable parliament and government.

In addition to those two sectors, there is one more sector which is indirectly linked: protection of employees by having vibrant trade unions in place. In regard to trade unions, the National Integrity System Assessment 2014 report on Armenia notes: “There are even fewer known unions of legal entities and no actually visible trade unions”.²¹ This issue is totally missing from the strategy, while it is an essential sector in countering the monopoly power of oligarchs.

Another sector which wrongfully is left out of the strategy as a priority is the judiciary. Armenia, with 2.9 points, stands at 107th place among 144 countries in

13 Ibid, page 23 and US Department of State, Country Reports for Human Rights Practices for 2014: Armenia. Available at: <<http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2014&dclid=236496#wrapper>>

14 Daron Acemoglu and James Robinson. *Why Nations Fail*. 2012. Page 83

15 Global Competitiveness Report 2014–2015. World Economic Forum. See at: <http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf> page 112

16 Bertelsmann Transformation Index 2014. Armenia country report. Bertelsmann Stiftung. Available at: <<http://www.bti-project.org/reports/country-reports/pse/arm/index.nc>>

17 See at Nations in Transit 2015. Armenia, Country Report. Freedom House. Available at: <<https://freedomhouse.org/report/nations-transit/2015/armenia>>

18 See Table 9.2. Summary of predefined stages and documents for trading across borders in Armenia at page 69. Doing Business 2015. Economy profile 2015. Armenia. World Bank Group. Available at: <<http://www.doingbusiness.org/data/exploreconomies/armenia/-/media/giawb/doing%20business/documents/profiles/country/ARM.pdf>>

19 See *ibid*, page 100.

20 See *ibid*.

21 National Integrity System Assessment. 2014. Armenia. Main Author: Khachik Harutyunyan. Transparency International Anticorruption Center NGO. Page 160. Available at: <<http://transparency.am/files/publications/1430407572-0-563326.pdf>>

its ranking for judicial independence, according to the World Competitiveness Index 2014–2015.²² Its neighboring Georgia for the same indicator stands at 65th place²³ and even Azerbaijan, which is considered as a country of the region where the political persecution of independent thinkers is an ordinary thing, stands in front of Armenia with 3.2 points and occupies the 99th position²⁴. Thus, the situation of Armenia, in regard to the judiciary is extremely bad.

Conclusions

Political will is the main prerequisite for an effective anti-corruption effort in any country. The previous two

anti-corruption strategies of Armenia failed to bring substantial results. The new strategy does not prioritize the sectors necessary for success: customs; anti-monopoly policy, the judiciary and trade unions. Instead of these for sectors, the Government prioritized four other sectors which do not have the potential to start a domino effect and clean other sectors.

The Government of Armenia should act quickly and make the anti-corruption fight in the country visible and inclusive by focusing on the sectors which must be tackled first.

About the Author

Khachik Harutyunyan (University of Zurich, Master of Advanced Studies in International Organizations) is an anti-corruption expert from Armenia. He is co-author of two fundamental studies on good governance and anti-corruption in Armenia, as well the main author of the recent fundamental study “National Integrity System Assessment 2014. Armenia”. He also is one of the co-authors of the Concept Paper on the Anti-corruption Strategy of Armenia.

Further Reading

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22 The Global Competitiveness Report 2014–2015. World Economic Forum. 2014. <http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf> page 113

23 Ibid, page 189.

24 Ibid, page 411.