U4 Helpdesk Answer

Armenia: Overview of corruption and anti-corruption

Since the 2018 Velvet Revolution, Armenia has made significant progress in its measures to counter corruption. The government of Armenia has introduced an ambitious reform programme and has attempted to overhaul the legal and institutional framework for safeguarding integrity.

Armenia also implemented sector specific reforms in areas such as the judiciary, public procurement and the armed forces. While critics have questioned both the quality and pace of reforms, and there is undoubtedly much work to still be done, evidence suggests that Armenia is on a positive trajectory.

However, progress has recently slowed due to several factors, including the geopolitical context, threats to Armenia's national security, growing political polarisation and pushback from pre-revolutionary elites.

18 April 2022

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Please provide an overview of corruption and anti-corruption efforts in Armenia.

Contents

Background

Since the dissolution of the Soviet Union and its emergence as an independent state, Armenia has gone through significant political turmoil and transformation. The post-communist era has been marked by armed conflict with Azerbaijan and by the economic transformation and upheaval caused by sudden and rapid mass privatisation.

The turmoil of the 1990s enabled leaders such as former president Robert Kocharyan and, later, Serzh Sargsyan to dominate Armenian institutions and cement their influence over Armenia's political and economic structures (International Center for Transitional Justice, n.d.). During these presidencies, corruption was considered by some

MAIN POINTS

— In recent years, Armenia has adopted a range of legal reforms, including new laws that aim to strengthen Armenia's asset recovery regime, new whistleblower protection legislation and new legally binding integrity principles for civil servants.

— Armenia has also reformed its institutional framework for countering corruption with the creation of an anti-corruption commission, a specialised anti-corruption court and a new department for asset recovery in the prosecutor general's office.

— It is as yet too early to conclude whether these steps will result in a sustained reduction of corrupt activity.

— Initial data seem to suggest that Armenia has experienced a reduction in perceived corruption, but critics point to several remaining gaps in the framework for preventing and countering corruption.

— For instance, observers point out that there are still needs for significant reforms in Armenia's framework for asset recovery; and steps can still be taken to strengthen integrity in the judiciary.

observers to be an entrenched problem, involving the very highest level of government (Shahnazarian 2019; Stöber 2020: 24), while Armenia's institutional framework for preventing and curbing

corruption was generally seen as inadequate (see OECD 2011).

Until recently, the political economy of Armenia could best be described as an "oligarchic system" in which a handful of selected individuals obtained export and import licences and, consequently, were able to dominate the Armenian economy (Stöber 2020: 24). This system of corruption was consolidated during the late 2000s and oligarchs began to cement their influence across the various branches of government (Stöber 2020: 25)

After having spent two five-year terms as president, ex-president Serzh Sargsyan sought to continue his time in power as prime minister in 2018 (Ohanyan 2018). To prolong his term, the then president Sargsyan announced a constitutional referendum in 2015 that would strengthen the prime minister's office.

The controversial referendum that took place on 6 December 2015 was marred by reports of electoral manipulation (BBC 2015). Following the success of the referendum, a reform process was initiated that continued until April 2018 to switch from a semi-presidential model to a parliamentary system, as a result of which the highest political official became the prime minister rather than the president. Previously, the president was elected by popular vote but, as a result of the reforms, the position was elected by parliament and enjoyed only symbolic, ceremonial powers. In 2018, Sargsyan announced that he intended to continue his term by seeking the office of prime minister after the end of his term as president (Stöber 2020: 26). The move was widely regarded as little more than a power grab, and provoked the anger of many Armenians, who took to the streets in protests.

The protests grew in size and scope, and popular opposition ultimately led Sargsyan to step down on the 23 April 2018, only six days after being elected prime minister by the National Assembly. In May

2018, opposition politician and activist Nikol Pashinyan was elected to the office of prime minister by the National Assembly, and he subsequently won the snap parliamentary elections in December 2018 (Grigoryan 2021). The collective mobilisation and ensuing political changes have since been dubbed the Velvet Revolution (Lanskoy and Suthers 2019).

Observers have pointed to state capture and systemic corruption as key drivers of the popular anger that eventually resulted in the Velvet Revolution (Shahnazarian 2019). OECD monitoring reports from around the time of the revolution had noted drily that "genuine resolve to address widespread corruption has been lacking" (OECD 2018: 9).

The political ruptures generated by the Velvet Revolution provided a window of opportunity for progress in anti-corruption efforts. Indeed, in the months and years following the Velvet Revolution, Armenia has worked towards a comprehensive institutional overhaul, opened up more space for civil society, worked towards transitional justice and strengthened Armenia's integrity framework and the rule of law (BTI 2022).

Armenia has also initiated numerous sectoral reforms and has begun a campaign to prosecute those who were implicated in corruption during the previous regime (Hetq 2018). In the wake of the revolution, the government drafted an anti-corruption strategy that set out a workplan for reforming anti-corruption institutions and legal framework. This has included establishing the

Corruption Prevention Commission,[1] creating specialised units for asset recovery as well as dedicated anti-corruption prosecutors (see section on institutional and legal framework).

Armenia has also reformed its framework for resolving civil servants' conflicts of interest, tackling economic crime, protecting whistleblowers and improved electronic measures to ensure more open procurement (OECD 2018: 9).

Nevertheless, the Armenian reform process has not been without its critics. It has been argued that "reforms have been patchy and have had no serious impact" (BTI 2022), that "advances cannot be described as large-scale institutional change" (Mejlumyan 2021). In a 2019 monitoring report, OECD noted that 14 of its 23 recommendations had yet to be satisfactorily implemented (OECD 2019: 6-7). These included slow progress in areas such as "public awareness and education", "access to information" and "anti-corruption policy and coordination institutions" (OECD 2019: 6-7).

Others have claimed that decision-making in post-revolutionary Armenia has continued to be heavily centralised and reform packages insufficient. According to Grigoryan (2021), Armenia's new post-revolution government allegedly maintained some electoral benefits that stemmed from the 2015 constitutional amendments driven through under President Sargsyan. The new administration failed to produce the necessary constitutional reform that would establish more robust checks and balances in the political process (Grigoryan 2021). Many of the necessary initiatives that would strengthen integrity systems remain ongoing, and while the new government did consult with anti-

corruption campaigners, it often failed to put the recommendations it received into practice in a timely manner (Grigoryan 2021). This issue was particularly clear around promised reforms to the judiciary and elements of the security sector (Grigoryan 2021).

Reforms also met significant resistance on social media from networks and accounts tied to former presidents Kocharyan and Sargsyan (Grigoryan 2021). These accounts and networks have attempted to portray the institutional changes as attempts by "western agents" or agents of "Soros" to undermine national security and stability (Barseghyan et al. 2021: 7).

On the other hand, the Armenian government has also been commended for taking a gradual and calculated approach to reform (Feldman & Alibašić 2019), which sought to strengthen those elements and institutions in the government that promoted integrity and provided some resilience to corruption prior to the revolution (Feldman & Alibašić 2019). It is also worth noting that 60% of Armenians felt "that things were going in the right direction" in their country in May 2019 (International Republic Institute 2019:5).

On the economic front, the country experienced a rapidly improving business environment, resulting in some significant economic gains. From 2017 to 2019, the average annual GDP growth rate stood at 6.8% (World Bank 2021). These impressive numbers were largely driven by rises in private consumption and increases in investment (World Bank 2021).

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[1] The Corruption Prevention Commission (CPC) was established in November 2019 based on the Law on the CPC, which was adopted by the National Assembly before Velvet Revolution in June 2017. It is the legal successor of the Ethics Commission of High-Ranking Officials, which was established in 2012, though it enjoys considerably more powers and functions than its predecessor.

However, in recent years progress has been disrupted by a string of shocks that tested the resilience of the democratisation process. In 2020, Armenia was struck by both the COVID-19 pandemic and Azerbaijan's invasion of Nagorno-Karabakh. The latter shock and the fallout from the latest phase of the conflict, in particular, has become a defining political issue for Armenia (Freedom House 2022).

This iteration of the longest running conflict in the former Soviet space resulted in more than 7,000 casualties, a significant humanitarian crisis in Artsakh (Crisis Group 2022). After six weeks of armed conflict, the hostilities between Azerbaijan and Armenia were paused after a Russia-brokered ceasefire, which was underpinned by the deployment of Russian peacekeeping forces to the conflict zone. The ceasefire and the actual status of Nagorno-Karabakh remains unstable (Kocera 2020). In March 2022, Russian peacekeepers reported that Azerbaijani troops were mobilising in violation of the agreement, indicating that the ceasefire remains fragile (Reuters 2022).

This combination of military defeat and public health crisis have cost Armenia dearly, both economically and politically.

Economically, the war and the pandemic have extracted a heavy economic price, having caused an economic contraction of 7.4% and a growth in the national poverty rate (World Bank 2021). Despite this, the World Bank estimates that Armenia's recovery will continue despite inflationary pressures and geopolitical risks (World Bank 2021).

Outrage over the concessions to Azerbaijan led to widespread unrest and greater political polarisation inside Armenia, putting the political project of the post-revolutionary government into question (Freedom House 2022). In the aftermath of Armenia's defeat to Azerbaijan, the government witnessed mass protests by political supporters of

former presidents Kocharyan and Sargsyan (Grigoryan 2021), and a concerted anti-government campaign on social media networks that reportedly included elements of disinformation (Barseghyan et al. 2021: 6).

Politically, therefore, these events seemed to provide some of those who were ousted in the 2018 protests an opportunity to revive their political careers (Grigoryan 2021). However, in June 2021, snap parliamentary elections were held, in which Nikol Pashinyan and his Civil Contract Party were given a renewed popular mandate, with over 50% of the vote (AFP 2021b). However, this was a noticeable drop from the significant support Pashinyan received in the December 2018 elections, when his faction received more than 70% of votes.

Armenian international relations remain complex and place considerable constraints on Armenia's strategic and political autonomy. Bordering two historical adversaries, Turkey and Azerbaijan, Armenia continues to be a part of the Collective Security Treaty Organisation, and relies, in large part, on Russia for guarantees of its security (Chausovsky 2022).

Russia thus continues to wield significant influence in Armenia, which, in the view of western analysts like Popescu (2020), often comes at the expense of Armenia's longer term strategic interests. While Armenia may be a "captive ally" of Russia, Russia remains Armenia's only viable option in the Turkish-Russian strategic rivalry in the Caucasus (Chausovsky 2022). An indicative case was in 2013, when Armenia's government decided to not to finalise a deep and comprehensive free trade agreement with the European Union, allegedly due to Russian pressure and a threat that Gazprom would raise gas prices (Stöber 2020: 26). However, a less ambitious agreement, a so-called comprehensive enhanced partnership agreement, was signed in 2017.

According to some observers, the Velvet Revolution unnerved the Kremlin, which might have intervened had the Russians not been preoccupied with other matters at the time and had Moscow not taken its grip over Armenian affairs for granted (Baev 2019). Baev (2019) also claims that the Kremlin has sought to frustrate the anti-corruption reforms and democratising instincts to keep Yerevan firmly under its influence, including through the use of what is increasingly referred to as "strategic corruption".[2] This dynamic geopolitical situation has potentially serious implications for the post-revolutionary political project and, by extension, anti-corruption efforts.

Extent of corruption

While corruption remains a pervasive and stubborn issue, Armenia has made substantial improvements in international anti-corruption rankings.

On the 2021 Corruptions Perceptions Index (CPI), Armenia has a score of 49/100, earning it a rank of 58 out of 180 countries (Transparency International 2022). The score of 49 is a considerable improvement over its score of 35 in 2018 (Transparency International 2022). Such an increase indicates that Armenia is perceived to have made impressive progress in tackling public sector corruption since the Velvet Revolution. However, Armenia's score on the CPI has not changed since 2020.

Similarly, on the World Bank's Worldwide Governance Indicators, Armenia has a Control of Corruption score of 0.03 (on a scale of -2.5 to 2.5), whereas the country had a score of -0.5 prior to the

Velvet Revolution. A similar trend can be identified in the evolution of the country's score on the indicator for Voice and Accountability, where Armenia had a score of 0.04 in 2020 and -0.54 in 2018. A slightly more muted but still encouraging trend can be seen in Armenia's 2020 score of -0.08 for the Rule of Law indicator. In comparison, the country scored -0.39 in 2018.

According to a poll by the International Republican Institute in 2019, 30% of Armenians believed that the biggest success of the incumbent government was decreased corruption. In the same survey, 58% of respondents reported believing that the situation with regards to corruption was getting either "somewhat" or "much" better (International Republican Institute 2019: 51).

On the Organised Crime Index, which measures state resilience to the penetration of illicit markets, Armenia has a resilience score of 4.71 earning it the top place in the Caucasus alongside Georgia (Global Initiative 2021).

Forms of corruption

Grand corruption and kleptocracy

Under previous administrations, Armenia's government arguably exhibited kleptocratic tendencies. Analysts have argued that powerful political-economic patronage networks were embedded in state institutions and dominated Armenia's political economy with an eye to extract the maximum amount of wealth for their private benefit (Kopalyan 2020; Shahnazarian 2019). Elite

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[2] According to Zelikow et al. (2020), strategic corruption is the use of corrupt means to increase influence and shape the political environment in a targeted country. In its most organised form, "corrupt inducements are wielded against a

target country by foreigners as a part of their own country's national strategy" (Zelikow et al. 2020).

patronage networks engaged in illicit enrichment through various kickbacks, embezzlement and tax evasion schemes (Kopalyan 2020). Politically connected oligarchs leveraged their influence to obtain monopoly-like status in their respective industries, causing significant economic inefficiencies as a result (Kopalyan 2020; OECD 2018: 9).

In recent years, as part of the transitional justice project, there has been a concerted effort by prosecutors to arrest and prosecute kleptocratic networks connected to previous regimes (Kopalyan 2020; Stöber 2020: 22). This has led to details emerging of historic cases of grand corruption involving figures from the former administration.

In one of these cases, Sargsyan stands accused, together with several senior ex-officials, of coordinating a kickback scheme in which they secured government contracts for a fuel importer as part of a farming fuel subsidy programme that provided cheap diesel fuel to farmers (Mamulyan 2020). Serzh Sargsyan's two brothers were allegedly also regularly involved in various corrupt schemes. Aleksandr (Sashik) Sargsyan, one of the brothers of former president Serzh Sargsyan, reportedly earned the nickname "hisun/hisun" (50/50) due to demanding kickbacks as high as 50% in return for securing contracts (Shahnazarian 2019). He stands accused of money laundering, extortion and illicit enrichment, while the other brother, Lyova Sargsyan is alleged to have embezzled large sums of money from large-scale construction projects that he secured through a major bribery scheme (Kopalyan 2020). Many of these schemes are believed to have been enabled by high-level civil servants (Kopalyan 2020).

A wider network of corruption included a former general and member of parliament, Mihran Poghosyan, who was involved in several suspect commercial activities and obtained a monopoly over the importation of bananas and tropical fruits (Aghalaryan and Baghdasaryan 2016). Mihran Poghosyan also became known as the Master of Offshores due to his vast wealth accumulated in opaque circumstances and held abroad in secretive jurisdictions (Aghalaryan and Baghdasaryan 2016). After the scandal of his offshore affairs was disclosed in 2016, Mihran Poghosyan was forced to resign from the position of the head of the Service of the Compulsory Execution of Judicial Acts, yet he was elected as an MP in 2017. Since the revolution, Poghosyan has been charged with abuse of power, in addition to embezzlement and tax evasion (Kopalyan 2020). However, Poghosyan left Armenia in March 2019 and is currently residing in Russia, from where he maintains active business interests in Armenia and the UK. According to information provided by TI Armenia, Russia has denied Armenia's appeal for extradition to Armenia and has granted Poghosyan political asylum.

Another high-level figure known to have been involved in corruption was Sargsyan's head of security, Vachagan Ghazaryan, who was arrested in 2018 on charges of "illegal enrichment" and paid almost US$6 million in damages to the government of Armenia in 2020 (Kopalyan 2020). The case of the former minister of finance, Gagik Khachatryan, is also worth highlighting as emblematic of grand corruption in Armenia. Khachatryan was arrested in 2020, accused of having accepted at least US$22.4 million in bribes to keep a business conglomerate out of the State Revenue Committee's scrutiny during his time in office (Hetq 2020b). According to information provided by TI Armenia, the trial against Ghazaryan is yet to start, and he is believed to have been released on bail in October 2020. TI Armenia further noted that tracking the status and outcome of investigations against figures associated with the former regime is difficult due to a dearth of publicly available information published by the authorities.

Petty corruption

In the past, grand corruption was often linked to petty and bureaucratic corruption, as lower-level officials often received protection or favours in return for passing a proportion of their bribes up the chain of command. Government jobs could often be bought at steep prices, requiring government officials to keep the flow of bribes going (Stöber 2020: 24)

It is difficult to determine to what extent petty corruption persists in Armenia and how it has been impacted by the series of changes that have come in the wake of the revolution. However, survey data indicates that petty corruption, such as bribery, remains an issue despite positive developments elsewhere.

According to the 2016 edition of the Global Corruption Barometer (2016: 20), 24% of Armenians reported having paid a bribe in the previous 12 months to access a basic service. In a similar survey conducted in 2019 by the International Republican Institute, 69% of respondents reported that they had provided a gift or paid a bribe within the last 12 months. When asked about the frequency of such illicit payments, 23% replied that they had paid "less frequently than monthly", and 4% replied that they had paid on a monthly basis. A handful of respondents (less than 1%) reported paying illicit fees on a daily or weekly basis (International Republican Institute 2019: 49). While citizens seem to have encountered demands for bribes more frequently between 2016 and 2019, more recent survey data would be required to take stock of progress since the revolution.

At the same time, businesses are unlikely to record bribery as an issue. According to the World Bank's Enterprise Survey (2020), which surveyed 546 companies, only 1.4% of firms operating in Armenia have experienced at least one bribe request. While this figure seems improbably low, it

is substantially better than the global average of 16.3%. At the same time, the data suggests that firms still pay facilitation payments (the World Bank uses the term "gifts") in relation to obtaining operating and import licences, with 8.5% of companies having provided gifts in return for import licences and 9.7% for operating licences (World Bank Enterprise Survey 2020). Thus, while corporate bribery rates may appear low according to existing data, facilitation payments seem to still be widespread practice.

Sectors vulnerable to corruption

Judiciary

The judiciary is among the least trusted institutions in Armenia According to a survey by the International Republicans Institute (2019: 26), the courts, the prosecutor's office and the constitutional court are the three least trusted institutions in the country, with less than 36% of Armenians saying they trust the court system.

According to these polls, in May 2019, more Armenians believed that the judicial system was "probably not" or "definitely not" independent than believed the judicial system to be "definitely independent" or "somewhat independent" (International Republic Institute 2019: 31). The primary two reasons why many respondents doubted the independence of the judicial system appeared to be, first that "the system is not protected against external influence" and second that "the system is corrupt" (51% and 41% agreed with these statements, respectively) (International Republic Institute 2019).

After the Velvet Revolution, judicial reform was a top priority for Armenia, and the government introduced the 2019-2023 Strategy for Judicial and Legal Reforms. The reform strategy is considered a combination of transitional justice and top-down legal reform packages meant to overhaul powerful networks that wielded enormous power over the judiciary prior to the 2018 Revolution (Mejlumyan 2021).

In the years after the revolution, a power struggle reportedly unfolded over appointments to the constitutional court and mandates to take decisions on cases related to corruption involving the former regime (Giragosian 2019: 4). Thus, in the judicial realm, reform attempts were initially quite confrontational (De Waal 2020). For instance, in 2019, Armenia's minister of justice took steps to remove the constitutional court chairman, who, according to the minister of justice, had ties to former president Kocharian's defence lawyers and was a member of the former ruling party (Giragosian 2019: 4).

The executive also attempted to apply pressure to compel judges and high-ranking judiciary officials, deemed to be blocking reforms, to resign. Such moves provoked some concern from international organisations such as the Council of Europe's advisory body on legal matters (De Waal 2020). However, in June 2020, Armenia's National Assembly instituted a new constitutional amendment that removed the exceptions for a 12-year limit for judges sitting in the constitutional court (Freedom House 2022). The move resulted in three judges – who some believed were shielding members of the former regime – retiring due to their limits having expired (Freedom House 2022). This has been seen by some analysts as a positive step as previous policy proposals to limit the influence of potentially corrupt judges were viewed by observers as having the potential to limit judicial independence (Freedom House 2022). The three judges in question appealed to the European Court

of Human Rights against their removal, but the court ruled that their request was outside of the scope of its remit as "did not involve a risk of serious and irreparable harm of a core right under the European Convention on Human Rights" (ECHR 2020).

When it comes to judicial reforms, some overall progress has indeed been made, but GRECO (2021: 6) has noted that further steps are required, such as continued reforms to personnel management procedures of senior judiciary staff and judges. The direct influence of the executive in judicial appointments should also be reduced, according to GRECO (2021: 6). Moreover, the nature of the sanctions procedures against judges could be reviewed to ensure that disciplinary proceedings do not become a form of politically motivated retaliation GRECO (2021: 7).

GRECO notes that of the 18 recommendations made in 2014 during Armenia's 4th Round Evaluation Report, 7 had been addressed satisfactorily by 2021 (GRECO 2021: 13). Overall, the interim compliance report concludes that, as of September 2021, Armenia's compliance with recommendations remain "globally unsatisfactory" (GRECO 2021: 13).

On one hand, Armenia has introduced a new judicial code that provides appeals mechanisms for judicial staff that have been dismissed or whose examinations have been refused, but a strong mechanism for safeguarding against interference from the executive is still pending (GRECO 2021: 7). The role of the Ministry of Justice in disciplinary procedures against high-level officials continues to be significant and limits the independence of the judiciary (GRECO 2021: 8). In terms of corruption prevention approaches, the government of Armenia has introduced mandatory integrity training for judges, but more could be done to assist judges resolve ethical issues and potential conflicts of interest (including counselling options).

Security sector

In general, Armenia's security sector is widely respected, and evidence suggests that the army and security services enjoy a high degree of public support. For instance, in a 2019 poll, 91% of Armenians expressed a favourable view of the army (IRI 2019: 26).

Nevertheless, some governance issues remain in the country's security sector and Armenia's defence institutions operate under limited oversight mechanisms and a regulatory framework that enables a high degree of discretion (TI Security and Defence 2020: 2). Until 2018, strategic and doctrinal questions were approved largely without public input and with limited external controls (TI Security and Defence 2020: 4). While reforms have expanded the role of the National Assembly in oversight and monitoring of budget execution in the armed forces, there are several remaining risks.

These are particularly present in the area of defence procurement. The procurement of armaments, for instance, is inaccessible to the National Assembly's Standing Committee on Defence and Security, which prevents parliamentary oversight (TI Security and Defence 2020: 4). This is significant in a country where military expenditure makes up a very large proportion of overall government spending in Armenia: 16.7% in 2020 (TI Security and Defence 2020: 4).

Secondly, the Armenian army has been plagued by corruption challenges both prior to and after the revolution. According to a report by the Armenian chapter of Transparency International, the armed forces have historically been exposed to a series of financial and management corruption risks due to limited appointment criteria, a lack of procurement transparency and the politically exposed nature of some senior officers (TIAC 2014: 10). In 2014, TIAC pointed out that corruption issues in armed forces had an impact on operational efficiency (TIAC 2014: 14). Indeed, following the outcome of the war in Artsakh, several questions related to the role of corruption in undermining the effectiveness of the armed forces came to the fore. In particular, critics pointed out that the lack of transparency in defence procurement contracts poses risks of embezzlement and that corruption at senior levels in the defence establishment was one factor in the military defeat to Azerbaijan (AFP 2021).

In September 2021, the former defence minister of Armenia was detained by the intelligence services for embezzling US$4.7 million during weapons procurement (AFP 2021). The case is believed to be one of several: in 2020 the Office of the Military Prosecutor announced that it had registered a total of 154 corruption cases within the armed forces over a number of years, resulting in an estimated US$25 million loss for the armed forces (Hetq 2020b).

Public procurement

Public procurement has long been identified as an area vulnerable to corruption in Armenia (Armenian Lawyers Association 2021: 7). In one example from 2012, the government contracted a construction company to upgrade 550 kilometres of highway intended to considerably improve transportation links between Armenia and Iran in the south and Georgia in the north. However, as of 2018, only 31 kilometres had been finalised (Stöber 2020: 31). When prosecutors opened an investigation, they found that a substantial amount of money had been embezzled, and that a Spanish construction company had been awarded the equivalent of €250 million for building only 90 kilometres of road (Stöber 2020: 32).

E-procurement was first introduced in Armenia in 2011, and the system was radically improved in 2016 when Armenia introduced a new law on public procurement. The law aimed to introduce

more transparency into the public procurement process by publishing procurement data (OECD 2018: 12).

While this has been regarded as a significant step in the right direction, some issues remain in the public procurement area. These include the lack of an independent mechanism for validating ownership data and checking for potential conflicts of interest in the declarations of bidders, which, in practice, enables them to evade oversight and due diligence requirements (Armenian Lawyers Association 2021: 7). While Armenia has a central company register, it is not freely accessible to the public, and it does not contain information on all types of companies (Armenian Lawyers Association 2021: 7). Another practice in the past to circumvent competitive procurement procedures is the tailoring of tenders (such as the requirements or technical specifications) to pre-select companies' preferences (Armenian Lawyers Association 2021: 7).

According to information provided by TI Armenia, the Armenian law on procurement was amended at the beginning of 2022. Some of the amendments remove Armenia's extra-judicial system of procurement appeals. Observers are sceptical that this result in positive developments given that there are currently very few judges who specialise in procurement cases.

Moreover, according to information provided by TI Armenia, the Ministry of Finance is planning radical and comprehensive improvement of Armenia's electronic procurement system by the end of 2023.

Natural resources

The metal mining industry plays a fairly important role in Armenia, with metals making up some 39% of the country's export in 2019. Among the most important metals are copper, gold and molybdenum (EITI 2020).

Armenia is a part of the Extractive Industries Transparency Initiative (EITI) and has shown "satisfactory progress" towards the EITI standards, which includes areas such as beneficial ownership disclosure and open contracting (EITI 2020).

Although Armenia has instituted measures to enhance transparency in mining, corruption risks in the sector are still substantial enough to be of concern. There are a number of questions around beneficial ownership, and critics have claimed that offshore entities have managed to circumvent transparency regulations that are part of the EITI requirements by working via third parties (Grigoryan 2019). In at least one case, state-owned enterprises have sold off their mining branches at prices that appear quite favourable to the purchasers and well below official valuations (Grigoryan 2019). In one known case, journalists uncovered a politician in the opposition Prosperous Armenia Party owning a majority stake in a gold mine. Although claiming not to have any conflicts of interest, the politician in question has worked in favour of protectionist policies that would appear to benefit his commercial interests (Stöber 2020: 29).

This may not have been the only case in which a politician had conflicts of interest in their mining concerns. Protests have been directed against mining contracts operated by companies registered in secrecy jurisdictions believed to have members of the former regime as significant shareholders (Stöber 2020: 32).

Legal and institutional anti-corruption framework

Legal anti-corruption framework

Penal code

The penal code of Armenia outlaws active and passive bribery. Offences can result in either fines, short-term detention or longer prison sentences, depending on the gravity of the offence and the size of the bribe (Khudoyan and Hovhannisyan 2022). In most cases, facilitation payments are considered bribes. Bribery through third parties is also covered by the criminal code (Khudoyan and Hovhannisyan 2022).

One shortcoming of Armenia's existing penal code is that it currently does not hold all legal entities liable for corruption offences such as bribery. This, however, has been addressed via a series of amendments to the penal code that were adopted by the National Assembly in May 2021 and are scheduled to enter into force in July 2022 (Khudoyan and Hovhannisyan 2022).

Law on protection of whistleblowers

The Armenian law on whistleblowers (2017) sets out the rights of whistleblowers and the obligations of public institutions to protect individuals who report acts of corruption. The law stipulates the creation of an anonymous whistleblowing platform, the Unified Electronic Platform for Whistleblowing, which was created in 2019. According to TI Armenia, the platform is run by the Armenian Ministry of Justice, and the prosecutor is tasked with following up on cases entered into the platform.

However, some shortcomings have been identified in the law, especially as it does not adequately address whistleblower protection in the private sector (Armenian Lawyers Association 2021: 7).

TI Armenia also has published some more in-depth analysis guidance and analysis on Armenia's whistleblowing system, including the Whistleblower's Guide (2019), and whistleblowing is a focus area in the organisation's 2021 report Integrity Institutional System in RA Public Administration.

Law on forfeiture of illegal assets

The law on forfeiture of illegal assets (2020) was adopted in the wake of the Velvet Revolution as recovering wealth misappropriated by former regimes became a top policy priority and it became clear that the country's criminal code was ill-equipped to effectively prosecute criminal cases against high-ranking officials from the previous regime.

This law is the first in Armenia's asset recovery reform and enables Armenian authorities to investigate unexplained wealth and confiscate stolen assets. According to the Armenian Lawyers Association (2021: 8), there are a number of shortcomings to the current asset recovery procedures that hinder the return of stolen assets. These include the legal mandate for international legal cooperation given the lack of mutual legal assistance treaties (Armenian Lawyers Association 2021: 12). The draft law on legal assistance in criminal cases would provide stronger legislation for international cooperation in law enforcement, strengthening Armenia's ability to return illicit assets stored in third countries (Armenian Lawyers Association 2021: 12). TI Armenia has also published an in-depth analysis of the country's asset recovery regime.

Law on public service

The law on public service (2020) sets out the principles to which civil servants are expected to adhere as well as the rights and duties of civil servants. The law has a number of sections on the integrity of civil servants, requiring them to abide by a binding code of conduct. The sanctions for violating the code of conduct are also specified in the law. Additionally, the law requires some civil servants to declare their income, property, expenditures and interests to the Corruption Prevention Commission (Law on Public Service 2020).

Freedom of information law

Armenia's freedom of information law stems from 2003 and governs the procedures by which citizens can obtain information from state and government institutions. The law also sets out the standard procedures for publication of government documents and specifies the criteria for access to information. It also clarifies the rules for what information is to remain secret (Freedom of Information Law 2003).

Armenia's right to information regime is considered reasonably fit for purpose due to its relatively broad scope and the existence of an appeals mechanism. It has therefore received a Right of Access score of 4 out 6 on the Global Right to Information Rating and a "scope" score (covering the scope of the information covered by freedom of information law) of 28 out of 30 (RTI 2011).

Law on political parties

The law on political parties (2016) regulates a number of legal issues related to political parties during non-electoral periods. From a specific anti-corruption perspective, some of its provisions concern political financing, including regulations on donations, property and campaign finance audits (Law on Political Parties 2016). The Law on Political Parties Part 4 Article 24 prohibits donations to political parties from foreign states, all legal persons whether national or foreign, state budgets, state-owned enterprises and anonymous donors.

The law has a number of shortcomings, such as allowing anonymous donations if such donations go to individual candidates and not parties and only placing limits on donations during campaign periods (EuroPAM, n.d.). At the same time, however, the law places limits on spending on candidates and parties and requires political candidates to report their finances (EuroPAM, n.d.).

During elections, Armenia's party finance regime is regulated by the electoral code, according to TI Armenia. The code requires political parties to open designated funds prior to elections. These designated funds encompass donations from parties, candidates and voters.

Institutional anti-corruption framework

Armenia's institutional anti-corruption framework is a specialised multi-agency model, where tasks such as corruption prevention, investigation, prosecution and asset recovery fall upon different agencies. Because this institutional framework was created quite recently, only limited information is available on whether this multi-agency approach is working effectively or whether there are coordination challenges between the various bodies.

Corruption Prevention Commission

Established in 2019, the Corruption Prevention Commission (CPC), was created after the adoption of the 2017 law on the corruption prevention

commission (Armenian Lawyers Association 2021: 6).

The CPC is tasked with monitoring public officials' financial disclosures. It has the power to impose certain sanctions for officials who do not comply with declaration requirements (Freedom House 2022; Armenian Lawyers Association 2021: 7). The CPC undertakes so-called declaration analysis, which reveals potential inconsistencies or inaccuracies in the financial declaration provided to the CPC. Upon discovering inconsistencies, the CPC can initiate proceedings to investigate potential incidences of corruption (CPC, n.d.).

Additionally, the CPC undertakes anti-corruption education and training (Armenian Lawyers Association 2021: 6).

In general, the CPC has been strengthened substantially since 2019. However, critics have found gaps in the income declaration framework for officials, due to officials in certain high-risk areas such as policing, customs and healthcare not being subject to all declaration obligations (Armenian Lawyers Association 2021: 7). In practice, many officials can also register their assets as belonging to family members outside their household, thus escaping any unwelcome scrutiny of their financial interests (Armenian Lawyers Association 2021: 7).

Overall, the CPC can be described as a corruption prevention body with no mandate to prosecute corruption (Eurasianet 2021). For this, the CPC relies on the Anti-Corruption Committee.

Anti-Corruption Committee

Armenia's AAnti-Corruption Committee **(ACC)** was officially established in 2021 after the law on the Anti-Corruption Committee. It is a specialised law enforcement agency that investigates corruption cases and refers them to prosecutors.

The ACC has taken over many of the powers previously ascribed to the now dissolved Special Investigation Service, which also investigated offences not necessarily related to corruption (Harutyunyan 2020).

Because it was established so recently, the Anti-Corruption Committee's effectiveness in countering corruption has not yet been evaluated thoroughly, nor has the committee published any reports on its actions. However, the committee has come into focus as a potential beneficiary of international assistance and has initiated a partnership with the Organisation for Security and Cooperation in Europe (OSCE) and the Swiss Development Cooperation (SDC), who are providing technical training to the ACC in investigating cases of corruption and economic crime (SDC 2022). The International Center for Asset Recovery (ICAR, 2022) at the Basel Institute for Governance is also working with the ACC to build capacity in the area of asset recovery.

Anti-corruption court

At the beginning of 2021, Armenia announced plans to establish a specialised anti-corruption court. In April 2021, the Armenian National Assembly voted in favour of a bill that established a specialised anti-corruption court. According to the judicial code, the anti-corruption court shall have 15 judges, and the selection process is ongoing (Gazanchyan 2021). Once fully operational, it will consist of specialised judges and support staff, which, according to the government of Armenia could lead to a more effective prosecution of corruption-related offences (Nalbandian 2019). Recruitment and vetting of specialist judges and support staff appears to be the largest theme surrounding the court (Nalbandian 2019). In 2022, the Corruption Prevention Commission announced a competition for international experts to support

due diligence and integrity screening of judges and staff (CPC 2022).

Department for the Confiscation of Property of Illegal Origin

The Department for the Confiscation of Property of Illegal Origin was established in 2020 following the law on forfeiture of illegal assets. The department falls under the Office of the Prosecutor General, and is tasked with investigating potentially illicitly obtained wealth and to seize property acquired via corrupt or illicit means (Armenian Prosecutor General, n.d.).

It can initiate an investigation by issuing an unexplained wealth order when the subject of investigation fails to prove that the assets in question were acquired through licit and legal means (Armenian Lawyers Association 2021: 63). This also means that assets can be seized without an actual conviction.

According to information provided by TI Armenia, more than 300 cases are currently under investigation, and as yet only three have been sent to court, though as of April 2022 no trials had begun.

Financial intelligence unit

The Financial Monitoring Center (FMC) is Armenia's financial intelligence unit. A unit in the Central Bank of Armenia, FMC collects and analyses intelligence on financial crime and refers cases of violations of Armenia's law on combating money laundering and terrorism financing. The FMC also participates in international organs such as the Egmont Group and in intelligence cooperation externally (FMC, n.d.)

During a 2015 evaluation of Armenia, the Council of Europe's Committee of Experts on the

Evaluation of Anti-Money Laundering and the Financing of Terrorism (MoneyVAL) concluded that Armenia's framework for anti-money laundering and countering the financing of terrorism (AML-CFT) was largely fit for purpose (MoneyVAL 2015: 1). Moreover, the risk level of Armenia was limited. However, the report also mentioned that the Armenian capabilities for confiscating the proceeds of crime was limited, and that asset seizure was not an active policy objective (MoneyVal 2015: 2).

Armenian audit chamber

The Armenian audit chamber (ARMSAI) is Armenia's supreme audit institution, and conducts various audits, including financial, compliance and performance audits of the state's funds and public finances. ARMSAI submits its reports on state budget execution to Armenia's National Assembly (Armenian Audit Chamber 2018).

ARMSAI also engages in international cooperation and recently signed a technical assistance agreement with the Swedish National Audit Office (Armenian Audit Chamber 2021)

Other stakeholders

Media

Armenia currently ranks 63 in the World Press Freedom Index (Reporters Without Borders 2021). The space for media and general freedom of expression has grown in recent years. High-quality journalism is growing, particularly online, and plays an important role in measures to counter corruption (Reporters Without Borders 2021).

Nevertheless, some serious challenges remain. The media landscape remains polarised between

different Armenian political factions, with many media outlets advancing the political viewpoints and interests of their owners (Reporters Without Borders 2021).

The war between Armenia and Azerbaijan led to increased polarisation in the media landscape. In one case, two journalists from Radio Free Europe/Radio Liberty were attacked by anti-government demonstrators (Committee to Protect Journalists 2021). Reporters Without Borders is also concerned that excesses in measures to counter disinformation could result in a closed media space and increased restrictions (Reporters Without Borders 2021).

Civil society

Since 2018, Armenia has seen its civil space open up considerably. Generally, the right to freedom of assembly is guaranteed in Armenia, though Freedom House (2022) claims that it is "inconsistently upheld in practice".

Throughout the 2000s, Armenian civil society became increasingly active, more nationally rooted and saw rising support from the Armenian public. Over the years, the sector came to develop in an increasingly professional manner, enabling large-scale civil society mobilisation of the kind seen in 2018 (Stefes and Paturyan 2021: 10). Civil society organisations now play a central role in advocating reforms that improve the quality of governance and in continuing to hold the post-revolutionary regime to account for its reform promises (Stefes and Paturyan 2021: 9). Particular areas of civil society research and advocacy are judicial reform, public administration reform, beneficial ownership transparency and public financial management with a focus on procurement.

While some civil society activists entered government positions after the Velvet Revolution,

significant parts of Armenian civil society stayed outside formal politics, and therefore may be able to perform both advocacy and watchdog functions from outside the political system (Stefes and Paturyan 2021: 10)

Prior to the revolution, civil society also played an important role in creating some form of accountability structures in a context of limited control mechanisms, even if the former government was able to keep most civil society organisations at an arm's length (Stefes and Paturyan 2021: 9).

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