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C O R R

R I S K S

CORRUPTION  
RISKS

ASSESSMENT  
IN DEFENCE  
ESTABLISHMENTS  
IN ARMENIA



TRANSPARENCY INTERNATIONAL  
anticorruption center



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## CORRUPTION RISKS ASSESSMENT IN DEFENCE ESTABLISHMENTS IN ARMENIA

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# ABBREVIATIONS

CSO	Civil society organization
GRECO	Group of States against Corruption
NA	National Assembly
OECD	Organization for Economic Cooperation and Development
RA	Republic of Armenia
TI	Transparency International
TI-DSP	Transparency International Defence and Security Programme
TIAC	Transparency International Anticorruption Center
UN	United Nations

# INTRODUCTION

Transparency International is a leading global organization establishing integrity and fighting corruption in more than 90 countries around the world. Among other initiatives TI carries out Defense and Security Program (TI-DSP), working with governments, defense companies, international organizations and civil society to promote integrity of and reduce corruption in defense establishments.

TI-DSP has developed a system for assessment of corruption risks in defence establishments – Government Defence Anti-corruption Index, – which allows to assess the existing procedures and processes in this sector, compare those with experiences of other countries as well as make comparisons across time in order to identify positive and negative trends in the defence of the country. This assessment method may serve as an effective tool for the monitoring of and improving the anti-corruption policies in the defence and security sector.

The mentioned research has been conducted in 82 countries worldwide and the results have been mapped accordingly.<sup>1</sup>

1. <http://government.defenceindex.org/>

This publication summarizes Transparency International Anticorruption Center's (TIAC) study conducted in accordance with the TI-DSP methodology with assistance of respective experts.

TIAC hopes that this study will assist the Republic of Armenia Ministry of Defence in its programs and initiatives aimed at promotion of integrity of governance.

# COUNTRY PROFILE

## Historical and current political context

Following a referendum held on September 21, 1991, Armenia was declared an independent state. In 1988-1994 Armenia was involved in an armed conflict with Azerbaijan over the Nagorno-Karabakh territory. In May 1994, a cease-fire agreement was signed between Armenia, Nagorno-Karabagh and Azerbaijan. Besides Nagorno-Karabakh, Armenian forces also control over 7 territories surrounding it. In spite of the cease-fire, clashes and casualties in the former conflict zone are regularly reported and the two countries are still technically at war.

In 1998, the acting President of Armenia Levon Ter-Petrosyan was forced to resign by the military amid talks on giving up control over certain territories surrounding Nagorno-Karabakh. On October 27, 1999, the former Defence Minister of Armenia, by then the Prime-Minister (who was believed to be one of the key persons in winning the Nagorno-Karabakh war), the Chairman of the National Assembly and 6 Members of Parliament were assassinated in the Armenian Parliament.

In 2008, the head of the Republican Party of Armenia, former Defence Minister Serzh Sargsyan was elected the President of Armenia, amid talks of substantial vote-rigging, reflected in reports of international and local organizations. Following the elections, mass protests broke out in Yerevan. On March 1, 2008, in order to regain the control over the people, the ruling authorities engaged the army, which led to clashes and death of 10 people.

In May 2012, the Republican Party of Armenia won 52.7 percent of seats in the Parliament. Several former high-ranking military officials presently hold seats in Parliament and strongly support the government.

Armenia is a member of the Organization of Collective Security Treaty (OCST) and the Cooperation of Independent States (CIS). In September 2013, Republic of Armenia president declared about joining the Customs Union with Russia, Belarus and Kazakhstan putting the start of an accelerated process of becoming a member of Eurasia Economic Union.

## The role of the military in the country

Due to the victory gained in the Nagorno-Karabakh war, the Armenian army has been long considered as sacred and any criticism has been a taboo. Following the army's engagement in gaining control during the March 1 disorder, civil society representatives began to criticize the military. The army was condemned for its non-transparent operation and for non-combat deaths. Though a number of pro-government politicians blame the critics for undermining public trust in the army, the civil society is persistent in its demands for reforming the armed forces.

## The role of corruption in the country as a whole

In 2013, Transparency International's Corruption Perception Index ranked Armenia in 94th place of 175 countries. According to reports of a number of civil society organizations<sup>2</sup> corruption is widespread phenomenon in Armenia. Corruption is also acknowledged by the leadership of the country, though no major steps are taken to eradicate it.

## Military involvement in corruption

In 2010-2013, a number of corruption scandals involving high-ranking officials broke out. Some of the latter were removed from the armed forces, but later on were returned to their respective positions. Reports of civil society organizations<sup>3</sup> consider corruption in the army an important issue and criticize the authorities for lacking a genuine will to fight this crime.

2. Transparency International,  
Transparency International  
Anticorruption Center, Helsinki Citizens'  
Assembly Office in Vanadzor, Policy  
Forum Armenia,

3. Helsinki Citizens Assembly Office in  
Vanadzor

# METHODOLOGY

Government Defence Anti-corruption Index was developed to analyze the major areas of risks in the defence and security sector - political, financial, personnel, operations and procurement. Corruption risks in these areas were assessed with the use of a questionnaire of 77 questions.

In Armenia, the study was conducted from November 2013 till May 2014. First, responses to questions were developed by an independent expert. For this purpose he has used legal acts, reports of international and local organizations, mass media publications and anonymous interviews. Some of the answers were verified through making official inquiries to RA Ministry of Defence. Based on model answers developed by TI-DSP, research findings were scored on a scale of 0-4, which indicate the following:

4

**High transparency:** strong, institutionalised activity to address corruption risks.

3

**Generally high transparency:** activity to address corruption risks, but with shortcomings.

2

**Moderate transparency:** activity to address corruption risk with significant shortcomings.

1

**Generally low transparency:** weak activity to address corruption risk.

0

**Low transparency:** very weak or no activity to address corruption risk.



Questions and answers were shared with two independent peer reviewers, who provided their agreement or disagreement with the scores, added comments and reference sources as well as proposed changes to scores with respective justifications. In parallel, responses were submitted to RA Ministry of Defence for getting official commentary of the authorized government establishment.

Analysis of the independent expert and comments of peer reviewers and the Ministry of Defence were examined by TIAC team and remarked when relevant. Afterwards, the results were verified by TI-DSP experts in accordance with standards of the global study.

Based on responses to questions and the respective percentage of scores, the country was classified within the bands A-F in accordance with the following principles:

Band	Lower score %	Higher score %	Corruption risks
<b>A</b>	83.3	100	very low
<b>B</b>	66.7	83.2	low
<b>C</b>	50.0	66.6	moderate
<b>D</b>	33.3	49.9	high <sup>4</sup>
<b>E</b>	16.7	33.2	very high
<b>F</b>	0	16.6	critical

4. Band (D) was divided into two groups (D+) and (D-) because of a large number of countries appeared in it.

# SUMMARY OF FINDINGS

Regarding **political risk**, the government acknowledges corruption as a problem and carries out some activities aimed at fighting it, and it acknowledges that there is corruption in the military. Though certain cases of fighting low-level corruption have been recorded, citizens still do not feel that corruption is declining. Investigations of several corruption scandals involving high-ranked officials are in gridlock. There is a practice of firing officials engaged in corruption, instead of holding them liable for their alleged crimes. Moreover, such officials may return to the ministry at a later date. Some cooperation between civil society and the Ministry of Defence is reported, but civil society organizations claim that it is not effective. Secrecy is a major obstacle in relations between society and the military. Civil society organizations claim that the levels of secrecy are mostly unjustified, though some recent developments indicate that in some cases the Ministry of Defence is reducing its secrecy. Parliament is not capable of exercising effective overview of defence sector due to lack of relevant legal provisions, as well as due to lack of political will. Armenia has ratified the UN Convention Against Corruption and Council of Europe anti-corruption treaties, and formally complies with the provisions of these instruments.

In terms of **finance corruption risks**, most procurement items for defence needs were made public starting in 2013. However, no information on the percentage of secret spending is available. The parliament does not receive an audit of secret items. The secret items are reported to be debated in the parliamentary commission on defence, national security and internal affairs, in a closed session, and no details of such debates are available.

With regard to **personnel corruption risk**, no clear criteria for appointments in military service exist. No evidence was found that regular evaluation of corruption risks in the Ministry of Defence positions are conducted. No opportunity for rotation is provided for officers in positions at a high risk of corruption. Civil service officers are appointed through competition, but regulations do not allow for differentiation of positions based on corruption risks. Corruption is

illegal, but a few actions are taken to enforce anti-corruption policies. Whistleblowing is discouraged in Armenia and no mechanisms exist for the protection of whistleblowers.

In terms of **corruption risk on operations**, there is no provision regulating anti-corruption issues related to commanders and soldiers. There is also no evidence of any anti-corruption monitoring during deployment.

With regard to **procurement corruption risks**, the assessment found that 4 percent of procurements for which there is publicly available information are single sourced. Given the high level of secret procurement, this number may be higher. No policies exist to control agents and brokers. Though there is no evidence that Armenia signs offset agreements, there is also no evidence that offsets are provided for in legislation. No anti-corruption requirements are demanded of bidding companies. Armenia is believed to be influenced by partner nations, primarily Russia, in its arms procurement decisions.

Corruption risks area	Score	Percentage
Political	24	26%
Financial	10	23%
Personnel	35	49%
Operations	4	20%
Procurement	26	38%
<b>Total</b>	<b>99</b>	<b>33.45%</b>

Armenia is placed in Band (D-), where corruption risks are high.

## POLITICAL – 26%

Defence & Security Policy	Legislative scrutiny	0
	Defence committee	1
	Defence policy debated	2
	CSO engagement	1
	International Anti-corruption Instruments	2
	Public Debate	1
	Anti-corruption Policy	0
	Anti-corruption Institutions	1
	Public Trust	1
	Risk Assessment	1
Defence Budgets	Acquisition Planning	1
	Budget Transparency and Detail	1
	Budget Scrutiny	1
	Budget Publicly Available	0
	Defence Income	0
	Internal Audit	1
Other Political Areas	External Audit	1
	Natural Resources	4
	Organized Crime Links	1
	Organized Crime Policing	1
	Intelligence Services Oversight	1
	Intelligence Services Recruitment	1
Export Controls	1	

## FINANCE – 23%

Asset Disposals	Asset Disposal Controls	1
	Asset Disposal Scrutiny	1
Secret Budgets	Percentage Secret Spending	0
	Legislative Access to Information	2
	Secret Program Auditing	0
	Off-budget Spending in Law	1
	Off-budget Spending in Practice	2
	Information Classification	1
	Links to Business	Military Owned Businesses Exist
	Military Owned Businesses Scrutiny	0
	Unauthorized Private Enterprise	2

## PERSONNEL - 49%

Leadership	Public Commitment	4
	Measures for Corrupt Personnel	2
	Whistleblowing	0
	Special Attention to Sensitive Personnel	0
Payroll and Recruitment	Numbers of Personnel Known	2
	Pay Rates Openly Published	4
	Well-established Payment System	4
	Objective Appointments	1
	Objective Promotions	2
Conscription	Bribery to Avoid Compulsory Conscription	3
	Bribery for Preferred Postings	1
Salary Chain	Ghost Soldiers	3
	Chains of Command and Payment	3
Values, Standard, Other	Code of Conduct Coverage	2
	Code of Conduct Breaches Addressed	1
	Anti-corruption Training	1
	Prosecution Outcomes Transparent	0
	Facilitation Payments	2

## OPS - 20%

Controls in the Field	Military Doctrine	0
	Operational Training	0
	Anti-corruption Monitoring	0
	Controls on Contracting	0
	Private Military Contractors	4

## PROCUREMENT – 38%

Government Policy	Legislation	1
	Transparent Procurement Cycle	1
	Oversight Mechanisms	3
	Purchases Disclosed	1
	Standards Expected of Companies	1
Capability Gap	Strategy Drives Requirements	1
	Requirements Quantified	2
Tendering	Open Competition v. Single Sourcing	2
	Tender Board Controls	2
	Anti-collusion Controls	1
Contract Delivery/Support	Procurement Staff Training	2
	Complaint Mechanisms for Firms	3
	Sanctions for Corruption	1
Offsets	Due Diligence	-
	Transparency	-
	Competition Regulation	-
Other	Controls of Agents	0
	Transparency of Financing Packages	4
	Subsidiaries/Sub-contractors	0
	Political Influence	1

# SUMMARY OF RESEARCH

## POLITICAL AREA

1. Is there formal provision for effective and independent legislative scrutiny of defence policy?:

### Legislative Scrutiny

0 1 2 3 4

#### Sources

1. Constitution of Armenia (with amendments), <http://concourt.am/armenian/constitutions/index.htm>, adopted on 05.07.1995, amended on 27.11.2005;
2. Law on Defence, <http://www.parliament.am/legislation.php?sel=show&ID=3420&lang=arm>, adopted on 27.11.2008;
3. “Chinese Arsenal of Armenia”, PanARMENIAN.Net Online News and Analytical Agency, <http://www.panarmenian.net/rus/details/168967>, 24.08.2013;
4. “Armenia has Sufficiently Increased Arms Procurements”, Radio Liberty Armenia, <http://www.azatutyun.am/content/article/25094613.html>, 03.09.2013;
5. UN Register of Conventional Arms, <http://www.un-register.org/HeavyWeapons/index.aspx?Col=AM&year=2010&Cat=&type=2>, last accessed on 23.12.2013;
6. “Buffalo Meat was not Dangerous”, Hetq Online Newspaper, <http://hetq.am/arm/news/16616/gomeshi-misn-anvtang-e-exel.html>, 14.07.2012;
7. Records of the National Assembly Sessions of 2012-2013, <http://parliament.am/transcript.php?lang=arm>, last accessed on 23.12.2013;
8. “The President Serzh Sargsyan is Dissatisfied”, <https://www.youtube.com/watch?v=DUZNMmkqpsg>, 15.09.2012.

#### Comments

The only authority that the National Assembly has to exercise control over the defence sector is the budgeting authority. The records of



the National Assembly sessions held in 2012-2013 show that no military procurement has been a subject of discussion in the National Assembly. Meanwhile, Radio Liberty Armenia reports that the Armenian Prime Minister and the Minister of Defence stated that procurement of armaments was increased during the last three years. According to the website [www.panarmenian.net](http://www.panarmenian.net) (as reported on 9.09.2013), Armenia has purchased weapons from China. The UN conventional arms register provides information on importing 16 missile systems and 2 military aircrafts during 2010. This issue has not been discussed in the National Assembly either. A number of corruption cases directly associated with the armed forces were reported in 2012-2013 (in particular, the so-called “buffalo meat” case). The President of Armenia as well mentioned corruption cases in his speech at the session of the Government held on 15.09.2012. The study of records of the National Assembly sessions of 2012-2013 show that these issues have never been debated in the National Assembly, During the mentioned period the Minister of Defence has never delivered a speech to the National Assembly and the members of the National Assembly only addressed two questions to the Minister, one related to issues of confidence-building towards armed forces, and the other related to the aid for victims of the explosion of April 7, 2013 in the Yuri military base.

**Peer Reviewer 1:** Firstly, the question relates to control of legislative authorities over defence policy in general, but the comment relates to arms procurement only. The entire budgeting process, including drafting, planning and execution is classified as state secret and no legislation regulates participation of members of the National Assembly (MPs) in the budgeting process. The questions of whether any MP may participate in defence budget hearings and how classified information protection is conducted in such cases are not regulated in the legislation. There is a practice of omitting the defence budget when submitting reports to the National Assembly on both budget and program implementation. Secondly, Wikileaks reported Armenia buying arms from Bulgaria and reselling them to Iran. Later Iran sold these arms to Iraq and the latter used it against US soldiers. Ministry of Defence did not officially refute this information.[http://www.1in.am/arm/armenia\\_foreignpolicy\\_8501.html](http://www.1in.am/arm/armenia_foreignpolicy_8501.html)

**Peer Reviewer 2:** I agree with the score and want to add a comment. The legislation and the Constitution do not provide for effective scrutiny mechanisms over the executive and the armed forces. The existing

mechanisms are very limited. The only mechanism provided is for the National Assembly groups and factions to address questions to the executive. Such questions do not result in any legal consequence. Their influence can only be moral, which is not sufficient in cases like these.

**TIAC:** Budgeting authority refers to budget endorsement and oversight. It is also important to highlight that there are concerns that the defence forces are used for political purposes, such as controlling soldiers' vote during elections and using the military when controlling internal affairs. In 2008, after the allegedly rigged Presidential elections, the armed forces were used against peaceful protestors, and this was later legalized through an amendment to the Law on Emergencies, in violation of the Armenian Constitution, Article 55 Paragraph 13, which states that the President "in the event of an armed attack against the Republic, an imminent danger thereof or declaration of war, shall declare a martial law, may call for a general or partial mobilization, and shall decide on the use of the armed forces."

**Country Assessor:** I agree with Peer Reviewer 2's comment, but the issue of MPs' questions has been discussed in the answer to the question. In particular, it was mentioned that MPs did not address any urgent issues. As to Peer Reviewer 1's comments, the answer clearly states that the National Assembly has no other legal authority except that of budgeting. Participation in hearings on the defence budget is governed by the Law on Rules of Procedure of the National Assembly, which provides that any member of the National Assembly may participate in defence budget hearings. The issue of the classification of information is governed by the Law on State and Service Secrets, without any specifics for MPs.

## 2. Does the country have an identifiable and effective parliamentary defence and security committee (or similar such organization) to exercise oversight?

### Sources

1. Law on Rules of Procedure of the National Assembly, <http://www.parliament.am/legislation.php?sel=show&ID=38&lang=eng>, adopted on 20.02.2002, last accessed on 23.12.2013;
2. Agendas of Sessions of the National Assembly Standing Committee on Defence, National Security and Internal Affairs, <http://parliament.am>.

## Defence Committee

0 1 2 3 4

am/committees.php?do=show&ID=111168&lang=arm, last accessed on 23.12.2013;

3. “Seyran Saroyan: Let’s Say We Sell Ishkhan’s House and Enjoy the Outcome: What’s Next?”, Aravot Daily, <http://www.aravot.am/2013/11/12/404828/>, 12.11.2013;

4. “Manvel Grigoryan on Supporting the President: Who Said that the Decision was Made Today?”, NEWS.am Information-Analytical Agency, <http://news.am/arm/news/134583.html>, 31.12.2012;

5. Website of the National Assembly of RA, [www.parliament.am](http://www.parliament.am).

### Comments

The Armenian National Assembly has a Standing Committee on Defence, National Security and Internal Affairs, which is in charge of debating draft legislation and other issues and submitting conclusions to the National Assembly. Besides this, the Committee also discusses budget items containing state and service secrets. Thus, the decisions on secret procurements are made by the committee in closed session, and not by the National Assembly. The study of the National Assembly website shows that during 2012 the committee held only 6 sessions, where mostly procedural issues were discussed. The parliamentary hearings held in the committee related to the issues of human rights in the army and traffic safety. In 2013 the committee held 12 sessions, where discussions on defence policy were not recorded either. During 2012-2013 discussions of development and execution of the budget, the Committee issued exclusively positive opinions. Based on the study of biographies of Committee members posted on the National Assembly website the vast majority of committee members do not have parliamentary control experience. Members of the committee Rustam Gasparyan, Sedrak Saroyan, Manvel Grigoryan, Araquel Movsisyan and Gagik Jhangiryan have some service experience in the armed forces. But Sedrak Saroyan, Manvel Grigoryan, Araquel Movsisyan, former high-ranking officials in the armed forces, have demonstrated a pro-government approach, which was identified in interviews to [www.news.am](http://www.news.am) and [www.aravot.am](http://www.aravot.am).

**Peer Reviewer 1:** The official information does not disclose who is the Ministry of Defence representative that presents the budget execution report and the draft budget. This means that it is even questionable whether such hearings were taken place at all.

**Peer Reviewer 2:** I do not agree with the score. The evidence provided in the response does not merit a score of 1. The situation is in fact even worse. The debates in the National Assembly and the decisions adopted identify that the National Assembly was turned into an adjunct body of the executive led by the President, giving approval to any of its legal initiatives. Such situation is stipulated by the Armenia Republican Party, which is led by the President and holds the majority of seats in the National Assembly. As of today, there has not been any case of even slight criticism of the executive and its leader by the Republican Party. This means that the National Assembly is not capable of expressing independent political will and conduct. Hence, I suggest a score of 0.

**Ministry of Defence:** The answers to the 1st and 2nd questions are provided in the relevant articles of the Constitution and the Law on Rules of Procedure of the National Assembly, which we do not find expedient to address. The statement that “the National Assembly is authorized to exercise oversight only through budgeting” does not take into account that legislative authority is vested in the National Assembly, which means that all laws in Armenia, including defence sector legislation are adopted by the National Assembly. This is a classical model of control over the defence sector by the legislative. Another model of control is public hearings organized in the National Assembly. During 2013 the Standing Committee on Defence, National Security and Internal Affairs, in cooperation with the OSCE Office in Yerevan and the Geneva Center for Democratic Control of Armed Forces organized hearings on human rights, transparency of defence governance and army-society relationships, in which the Minister of Defence participated and responded to the questions of CSOs. As to the evaluation of the qualifications of members of the standing committee, this issue does not lie within the jurisdiction of the Ministry of Defence and may be clarified with the National Assembly.

**Country Assessor:** According to the model answer guidance, scoring 0 would mean that no committee exists. Meanwhile, there is a committee in place, even if it is ineffective.

## Defence Policy Debated

0 1 **2** 3 4

### 3. Is the country's national defence policy debated and publicly available?

#### Sources

1. "Debates on Military Doctrine Engage Experts and the Civil Society", Armenpress Armenian News Agency, <http://armenpress.am/arm/print/441973/>, 24.10.2007;
2. "Draft Armenian Military Doctrine was Discussed in the National Assembly Standing Committee on Defence, National Security and Internal Affairs", Armenpress Armenian News Agency, <http://armenpress.am/arm/print/437052/>, 14.12.2007;
3. Records of the National Assembly Sessions, [www.parliament.am](http://www.parliament.am);
4. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

#### Comments

The National Security Concept of the Republic of Armenia was approved by the President on February 7, 2007, and the military doctrine was approved by the President on January 8, 2008. Both documents are publicly available. The documents have been debated with both scientific institutions and non-governmental organizations. As "Armenpress" reported, the military doctrine has been debated only in the relevant parliamentary committee. There are no press reports referring to active debates over military doctrine. According to the Interviewee1 and Armenpress Armenian News Agency, the National Assembly per se has not been involved in drafting and discussing the documents. Review of records of the National Assembly sessions shows that since the day of approval of the military doctrine on 07.02.2007 and national security concept on 08.01.2008, the National Assembly has never discussed provisions or revisions of these documents.

**Peer Reviewer 2:** I do not agree with the score. Speeches delivered during the public debate on national security concept (strategy) in the National Assembly identify that no serious discussion took place. The speakers did not express professional opinions, but were mostly praising the strategy. Opinions expressed by a few oppositional MPs are not practical from the professional point of view ([http://www.parliament.am/news.php?do=view&cat\\_id=2&day=01&month=12&year=2006&NewsID=2155&lang=arm](http://www.parliament.am/news.php?do=view&cat_id=2&day=01&month=12&year=2006&NewsID=2155&lang=arm)). At the same time, discussions held in the mentioned format and content

that actually are imitative are not enough for raising public awareness about these documents. For ensuring their publicity there is a need to conduct persistent advocacy and awareness raising work among the public, which has not been and is not being done. Therefore, I propose scoring 1.

**Ministry of Defence:** The report identifies that the national security strategy and the military doctrine are publicly available. Before approval by the President, both documents have been debated with scientific institutions, CSOs and the National Assembly Standing Committee on Defence, National Security and Internal Affairs. The fact that the media (more specifically Armenpress) lacks reports on active debates of those documents does not mean that there were no active debates. Even if the debates were not active, the Ministry of Defence has no authority to present any opinion as to why civil society organizations and the National Assembly members did not have a due participation in debates.

**Country Assessor:** In general, I agree with Peer Reviewer 2, but the model answers identify that scoring 1 will mean that the doctrine and the strategy are not published. Therefore, I propose to leave the score unchanged.

**4. Do defence and security institutions have a policy, or evidence, of openness towards civil society organisations (CSOs) when dealing with issues of corruption? If no, is there precedent for CSO involvement in general government anti-corruption initiatives?**

**CSO Engagement**

0 1 2 3 4

#### Sources

1. "Thinking about Surrendering "Maroz"<sup>5</sup>, Armenian Times Daily, <http://armtimes.com/hy/read/24553>, 26.04.2011;
2. "Margarita Khachatryan Regrets Trusting Military Prosecutor Gevorg Kostanyan", Aravot Daily, <http://www.aravot.am/2013/07/04/262093/>, 04.07.2013;
3. "Comment on November 8 Defence Minister Seyran Ohanyan's Interview to Public Television", Official Website of the Ministry of Defence, <http://www.mil.am/old-1299195519/page/74>, 11.09.2010;
4. "Lottery Draft: I've Always been Lucky, I will Get the Military Unit I

5. A nickname literally meaning "frost", which is used for describing someone very harsh and influential.

Want”, Panorama.am Online Daily Press, <http://www.panorama.am/am/comments/2013/12/18/muster/>, 18.12.2013.

### Comments

The Ministry of Defence has declared on a number of occasions that it conducts transparent policy, which presumes cooperation with the non-governmental sector. According to press releases by the Ministry of Defence the Public Council at the Ministry of Defence is actively engaged in recruitment issues. There is also a hotline for reporting abuses in the conscription process. Though the Public Council is pointed to as a model of cooperation with civil society, some members of it are not trusted by the public. Thus, as [www.tert.am](http://www.tert.am) reports, Gegham Harutyunyan, the head of the public council, did not report to the Minister the issue of low-quality meat after he discovered it. Another member, Mrs. Margarita Khachatryan, as reported by [www.armtimes.am](http://www.armtimes.am) media, allegedly experiences a lack of trust from society for being sponsored by the Ministry of Defence, in particular by some deputy ministers. There are no reports in the media that the Ministry has discussed corruption scandals in 2012-2013 with CSOs. The Ministry of Defence also does not discuss with CSOs issues related to procurement and budget abuses. Helsinki Citizens’ Assembly Office in Vanadzor has filed a petition on clarification of some non-defence procurement related issues, but it was denied the answer.

**Peer Reviewer 1:** Presently Helsinki Citizens’ Assembly Office in Vanadzor filed a claim against the Ministry of Defence for denial of information on procurement. The case is currently in the Republic of Armenia Administrative Court.

**Peer Reviewer 2:** I do not agree with the score. The evidence in the answer suggests that the score should be 0.

**Ministry of Defence:** The Ministry of Defence conducts open and transparent policy seeking cooperation with civil society organizations, whether their attitude is supportive or critical of the Ministry of Defence<sup>6</sup>. The public council adjunct to the Ministry of Defence effectively performs the function of civic control over the armed forces, the outcomes of which are publicly available. Thus, references to the gossips of the boulevard press<sup>7</sup> without due justification should not result in negative assessment of an institution’s performance. The public council is only one of many forms of cooperation with civil

6. A consultative entity established with the order of the Minister of Defence that engages civil society representatives.

7. Non-professional media that reports events based on gossips.

society. Local CSOs, under the auspices of international organizations (OSCE, UN agencies, Counterpart International, etc.) implement numerous projects aimed at securing of public participation in defence reforms and realizing the principle of civic oversight of armed forces.

**TIAC:** Initially it was scored 2, but we also agree that it should be 0. Margarita Khachatryan is distrusted for collaboration with the government and is accused of exerting pressure on soldiers.

**Country Assessor:** I do not agree with the Ministry of Defence comments. The assessment is backed with references to Armenian media, while the Ministry of Defence comment does not contain any material fact. Also, the fact that international organizations arranged some seminars in Armenia does not mean that cooperation between the Ministry of Defence and the CSOs exists. Agree with Peer Reviewer 2. The score is revised.

**5. Has the country signed up to international anti-corruption instruments such as, but not exclusively or necessarily, UNCAC and the OECD Convention? (In your answer, please specify which.)**

#### Sources

1. United Nations Convention against Corruption: Status, United Nations Treaty Collection, [https://treaties.un.org/Pages/ViewDetails.aspx?mtdsg\\_no=XVIII-14&chapter=18&lang=env](https://treaties.un.org/Pages/ViewDetails.aspx?mtdsg_no=XVIII-14&chapter=18&lang=env), last accessed on 23.12.2013;
2. Council of Europe Criminal Law Convention on Corruption: Status, Council of Europe Treaty Office, <http://www.conventions.coe.int/Treaty/Commun/ChercheSig.asp?NT=173&CM=8&DF=14/11/2013&CL=ENG>, last accessed on 23.12.2013;
3. Council of Europe Civil Law Convention on Corruption: Status, Council of Europe Treaty Office, <http://www.conventions.coe.int/Treaty/Commun/ChercheSig.asp?NT=174&CM=8&DF=14/11/2013&CL=ENG>, last accessed on 23.12.2013;
4. OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions: Ratification Status as of 8 April 2014, [http://www.oecd.org/daf/anti-bribery/WGBRatificationStatus\\_May2014.pdf](http://www.oecd.org/daf/anti-bribery/WGBRatificationStatus_May2014.pdf), last accessed on 22.06.2014;
5. Evaluation Report on Armenia on “Incriminations (ETS 173 and 191,

### International Anti-corruption Instruments

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GPC 2” Greco Third Evaluation Round, [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3\(2010\)4\\_Armenia\\_One\\_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3(2010)4_Armenia_One_EN.pdf), last accessed on 23.12.2013;

6. Armenia: Report on Observance of Standards and Codes – FATF Recommendations for Anti-Money Laundering and Combating the Fighting of Terrorism, International Monetary Fund, <http://www.imf.org/external/pubs/ft/scr/2010/cr1008.pdf>, last accessed on 23.12.2013;

7. Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime: Status, Council of Europe Treaty Office, <http://www.conventions.coe.int/Treaty/Commun/ChercheSig.asp?NT=141&CM=8&DF=05/12/2013&CL=ENG>, last accessed on 23.12.2013;

8. Mutual Evaluation Report – Executive Summary: Anti-Money Laundering and Combating the Financing of Terrorism: Armenia, 22.09.2009, Committee of experts on the evaluation of anti-money Laundering measures and the financing of terrorism (MONEYVAL), [http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL\(2009\)25Summ-ARM3\\_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL(2009)25Summ-ARM3_en.pdf), last accessed on 23.12.2013;

9. Articles of the United Nations Convention against Corruption on Asset Recovery: Analysis of Reported Compliance and Policy Recommendations, Conference of the States Parties to the United Nations Convention against Corruption, Third session, 9-13.11.2009, <http://www.unodc.org/documents/treaties/UNCAC/COSP/session3/V0987578e.pdf>, last accessed on 23.12.2013;

10. “Overview of Corruption and Anti-corruption in Armenia”, report of Transparency International, [http://www.transparency.org/files/content/corruptionqas/Overview\\_of\\_corruption\\_in\\_Armenia\\_1.pdf](http://www.transparency.org/files/content/corruptionqas/Overview_of_corruption_in_Armenia_1.pdf), 23.08.2013, last accessed on 23.12.2013;

11. “Policy Forum Armenia: Corruption in Armenia”, Policy Forum Armenia CSO, [http://www.pf-armenia.org/sites/default/files/documents/files/PFA\\_Corruption\\_Report.pdf](http://www.pf-armenia.org/sites/default/files/documents/files/PFA_Corruption_Report.pdf), October, 2013; last accessed on 23.12.2013.

### Comments

On May 19, 2005 Armenia signed and on March 8, 2007 ratified the UN Convention on Corruption. On May 15, 2003 Armenia signed and on January 9, 2006 ratified the Council of Europe Criminal Law Convention on Corruption. On February 17, 2004 Armenia signed

and on January 7, 2005 ratified the Council of Europe Civil Law Convention on Corruption. Armenia has not signed OECD Convention on Corruption. In 2003 Armenia joined the OECD Central Asia and Eastern Europe anti-corruption network. Armenia is also a member of the Council of Europe's GRECO, in the framework of which the third round evaluation report was published on December 3, 2010. The relevant report was published on December 17, 2012. As mentioned in its evaluation report, Armenian legislation overall complies with Council of Europe and international standards, reporting only problems with the financing of political parties. Active, passive bribery, and bribing international and foreign officials are criminalized in Armenia. In 2001 Armenia signed and in 2003 ratified the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime. In 2008 the new Law on Fighting Money Laundering and Terrorism Financing was adopted. Reports of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) and Financial Action Task Force (FATF) identify, that the Armenian legislation in money laundering area overall complies with international standards. In spite of the mentioned, Transparency International and Policy Forum Armenia 2013 reports evidence that Armenia lacks political will in fighting corruption.

**Peer Reviewer 2:** I agree with the score. However, the question relates merely to the fact of joining the international treaties by Armenia. As to fighting corruption, I totally support the conclusions made by Transparency International and Policy Forum Armenia.

**Ministry of Defence:** No objections to the information related to provided documents. But the reasons for the statements made in Transparency International and Policy Forum Armenia reports (about the lack of political will to fight corruption) need to be clarified. It is unclear how these organizations came to this conclusion and how they are measuring political will. Joining the Building Integrity Initiative in 2013, the translation of best practices and questionnaires for self-assessment, the launch of the self-assessment process and the Ministry of Defence's active participation in an Open Government Partnership initiative are all good indicators of political will, as the Ministry of Defence was not forced to join these initiatives. Hence, joining those initiatives was manifestation of the political will. Responses should have taken into account this fact, however they did not given the prevailing subjective opinions.

**TIAC:** The OECD Convention on Corruption refers to the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions. In December 2010 the third round evaluation report of the GRECO report was adopted by GRECO's plenary session and was actually published on April 11, 2011.

## Public Debate

0 1 2 3 4

**6. Is there evidence of regular, active public debate on issues of defence? If yes, does the government participate in this debate?**

### Sources

1. "Human Rights Activists Met David Tonoyan", Radio Liberty Armenia, <http://www.azatutyun.am/content/article/24367349.html>, 21.10.2011;
2. "For Protecting Deputy Minister Tonoyan", Hraparak Daily, <https://ilur.am/news/view/10935.html>, 27.10.2011;
3. "Complementary Legal Consultation Related to Draft and Military Service", Radio Liberty Armenia, <http://www.azatutyun.am/archive/news/20130314/2031/2031.html?id=24928521>, 04.03.2013.

### Comments

Discussions between civil society organizations and the Ministry of Defence are in most cases organized by international organizations. The Standing Committee on Defence, National Security and Internal Affairs hosted several discussions dedicated to the issue of human rights in the army. As Radio Liberty Armenia reported, in 2011 the first Deputy Minister of Defence David Tonoyan initiated a meeting with "The Army in Reality" initiative. Following this, the media outlet "iLur" reported pressures exerted on Deputy Minister Tonoyan, related to that meeting. The media reports identify that the Ministry of Defence has never initiated discussions of procurement issues with CSOs. Helsinki Citizens' Assembly Office in Vanadzor filed a number of petitions related to procurement issues, raising concerns about its unreasonable confidentiality. However, the Ministry of Defence has never entered into a dialogue with CSOs. The Ministry of Defence actively cooperates with CSOs on issues related to military drafting. Particularly, according to Radio Liberty Armenia, CSOs will conduct complimentary consultations for draftees. But there is no evidence that the General Staff is involved in such discussions.

**Peer Reviewer 1:** In 2013, the National Assembly Standing Committee on Defence, National Security and Internal Affairs has organized a number of discussions related to transparency, accountability and human rights in the armed forces. Discussions and public hearings were organized with the support of the Geneva Center of Democratic Control of the Armed Forces. The Minister of Defence and other Ministry of Defence officials also participated in these discussions. It is hard to unequivocally evaluate the impact of such discussions on defence policy, as the Armed Forces General Staff is left out of these processes. Please see the following links:

1. [http://www.parliament.am/news.php?do=view&cat\\_id=2&day=15&month=04&year=2013&NewsID=5830&lang=arm](http://www.parliament.am/news.php?do=view&cat_id=2&day=15&month=04&year=2013&NewsID=5830&lang=arm;);
2. [http://www.parliament.am/news.php?do=view&cat\\_id=2&day=27&month=06&year=2013&NewsID=6011&lang=arm](http://www.parliament.am/news.php?do=view&cat_id=2&day=27&month=06&year=2013&NewsID=6011&lang=arm;);
3. [http://www.parliament.am/committees.php?do=show&ID=111168&showdoc=2135&lang=arm](http://www.parliament.am/committees.php?do=show&ID=111168&showdoc=2135&lang=arm;);
4. [http://www.parliament.am/committees.php?do=show&ID=111168&showdoc=2136&lang=arm](http://www.parliament.am/committees.php?do=show&ID=111168&showdoc=2136&lang=arm;);
5. [http://www.parliament.am/news.php?do=view&cat\\_id=2&day=16&month=04&year=2013&NewsID=5832&lang=arm](http://www.parliament.am/news.php?do=view&cat_id=2&day=16&month=04&year=2013&NewsID=5832&lang=arm;);
6. [http://www.parliament.am/news.php?do=view&cat\\_id=2&day=26&month=06&year=2013&NewsID=6008&lang=arm](http://www.parliament.am/news.php?do=view&cat_id=2&day=26&month=06&year=2013&NewsID=6008&lang=arm;).

**Peer Reviewer 2:** I agree with the score, but would like to comment, that this will be true if we limit ourselves with the formal aspect. Meanwhile, an in-depth view reveals that the Ministry of Defence organizes such events to imitate transparency of its work, meanwhile throughout years the problems related to drafting or reasons of emergencies have not been eradicated even partially. Obvious proof is the great number of non-combat deaths during the last and the current year.

**Ministry of Defence:** The cooperation with civil society institutions in various formats (international organizations, civil council or parliament) have been presented above and there is no reason to re-iterate them. Every cooperation project proposal is discussed in detail and the decision about cooperation is made based on the Ministry of Defence needs at the given moment, though it should be mentioned that state authorities, including the Ministry of Defence are not obliged to unreservedly accept all proposals for cooperation. As

to the Helsinki Citizens' Assembly Office in Vanadzor statement that information was not granted, the Ministry of Defence rejects requests for information if said information contained classified information provided by the Law on State and Service Secret and its provision is banned by the law. The statement that General Staff is excluded from cooperative activities with CSOs is also groundless. A number of CSO projects related to drafting, development of new models of military commissions and their compliance with human rights standards, as well as military-medical issues, mentioned in the same report, are within the jurisdiction of the General Staff and the coordination of these projects is realized by the General Staff units. The statement that the first Deputy Minister was faced pressure after the meeting members of the "Army in Reality" initiative is not true.

**TIAC:** Discussions with the Ministry of Defence are also organized by civil society organizations.

**Country Assessor:** I agree with Peer Reviewer 2's position, but if scored 0, according to model answers that will mean that no discussions are organized at all. I believe this position is reflected in answers to other questions. As to Peer Reviewer 1's comment, I agree that the General Staff is excluded from the discussions. The answer has been modified.

I do not agree with the Ministry of Defence comments. No published policy exists for discussion of CSOs cooperation proposals. If it were true, the Ministry of Defence could at least publish such proposals and the result of discussions. Media reports also do not identify that the Ministry of Defence discusses every proposal of cooperation. As to General Staff's involvement in works with the civil society, no media reports witness that the General Staff initiated meeting or discussions with CSO on broad range of issues. As to the statement, that pressures on Davit Tonoyan have never been exercised, the comment is backed with the reference to media. The mentioned meeting with the initiative was the first and the last one that caused doubts that such pressures really took place. At the same time, the Ministry of Defence did not provide for any material fact to prove whether alleged pressures were true or not.

## 7. Does the country have an openly stated and actively implemented anti-corruption policy for the defence sector?

## Anti-corruption Policy

0 1 2 3 4

### Sources

1. “Policy Forum Armenia: Corruption in Armenia”, Policy Forum Armenia CSO, [http://www.pf-armenia.org/sites/default/files/documents/files/PFA\\_Corruption\\_Report.pdf](http://www.pf-armenia.org/sites/default/files/documents/files/PFA_Corruption_Report.pdf), October 2013, last accessed on 23.12.2013;
2. Republic of Armenia Government decree N1272-N from 08.10.2009 “On Approving Anti-Corruption Strategy and Action Plan for 2009-2012”, <http://www.gov.am/files/docs/437.pdf>;
3. Report on 2011 Monitoring of Anti-Corruption Strategy 2009-2012 Action Plan, <http://www.gov.am/files/docs/915.pdf>;
4. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The country does not have a defence-related anti-corruption strategy. The 2009-2012 anti-corruption strategy is in effect, the last evaluation of performance of which was conducted in 2011. Nothing related to defence sector is mentioned either in the action plan defence or in the evaluation report. According to Interviewee 1, in 2013 the Ministry of Defence initiated a self-assessment for anti-corruption purposes, which will be finalized by the end of 2013. According to the interviewee, the discovered risks have not been published. There is no information on undertaken measures aimed at reducing discovered corruption risks. Also, no policy or any other document on systematic and regular implementation of anti-corruption measures is available. Though the government considers corruption as a serious issue in armed forces, there is no evidence of effective investigation of corruption scandals. Moreover, persons fired for corruption soon return to armed forces and occupy positions.

**Peer Reviewer 1:** I would like to add a source: Website of Control Chamber of the Republic of Armenia, [www.coc.am](http://www.coc.am).

**Peer Reviewer 2:** I do not agree with the score. The evidence referred to in the answer suggest that there is no anti-corruption policy. Therefore, I suggest scoring 0.

Ministry of Defence: No defence related anti-corruption strategy has been drafted. When joining NATO Building Integrity Initiative the Ministry of Defence drafted an action plan for 2014, according to which self-assessment should be completed by the end of 2014. Upon completion of self-assessment, a building integrity plan shall be drafted (with support of NATO experts), which will include actions, responsible persons, expected results and timeframe.

**TIAC:** The anti-corruption strategy document is called Republic of Armenia Anti-corruption Strategy and Its Implementation Action Plan for 2009-2012 (completed on December 31, 2013). There is an evaluation report developed by the Government but it has not been published. As there was no activity included in the Strategy and Its Implementation Action Plan, hence there is nothing in the evaluation report.

**Country Assessor:** I do not agree with the Peer Reviewer 2. The government acknowledges the problem of corruption, though there is no serious action behind it. According to model answers, this should be scored 1.

## Anti-corruption Institutions

0 1 2 3 4

### 8. Are there independent, well-resourced, and effective institutions within defence and security tasked with building integrity and countering corruption?

#### Sources

1. Law on Internal Audit, <http://www.arlis.am/documentview.aspx?docID=65056>, adopted on 22.12.2010;
2. Website of the Ministry of Finances, Internal Audit System, <http://www.mfe.am/index.php?cat=150&lang=1>;
3. “Armed Forces Colonel Arrested while Taking Bribe”, Hetq Online Newspaper, <http://hetq.am/arm/news/29230/kasharq-stanalu-pahin-dzerbakalvel-e-hh-zu-gndapety.html>, 10.09.2013.

#### Comments

The internal audit department operates under the remit of the Ministry of Defence, and its goal is to uncover risks in the Ministry’s activities and to submit its conclusions on the reliability of the protection of assets from abuse and losses. Internal auditors take the relevant qualification exams. According to the interviewee, internal auditors are

supplied with the necessary logistical support. Other departments are also obliged to cooperate with the internal audit department. Overall, during 2012 the internal audit department reported 13 cases of abuses, which were transferred to the relevant authorities. The internal audit results for the Ministry of Defence are not publicly available. The other department in charge of fighting corruption is the Investigative Service and the Military Police. During 2011-2013 there were some arrests in the Ministry of Defence, related to corruption cases. According to the interviewee, the effectiveness of these departments is low as they operate within the structure of the Ministry of Defence, which impairs the independence of investigators in investigating crimes related to high-ranking officials.

**Peer Reviewer 1:** See comment to question 7.

**Peer Reviewer 2:** I do not agree with the score. The evidence mentioned in the answer suggests that anti-corruption units are less effective. Therefore, I suggest scoring 1.

**Ministry of Defence:** Firstly, the Investigative Service is a separate body in the Ministry of Defence system, which investigates crimes outlined in the Criminal Procedure Code. Operations of this department are guided by the Constitution, Criminal Procedure Code, other legal acts, its statutes as well as international agreements of the Republic of Armenia, meeting the principles of human and civil rights and freedoms, respect for honour and dignity, humanism and publicity.

The legislation provides for guarantees for independence of Investigative Service, such as the following:

1. The Investigative Service is created, restructured and terminated by the government. The government also approves its charter, structure and number of employees;
2. The Investigative Service is managed by the head of department, who is appointed by the President without anyone's mediation or submission;
3. The head of Investigative Service reports only to the Minister of Defence.

Investigative Service pursues goals of implementation of the criminal justice policy and law enforcement and prevention and detection of



crime aimed at ensuring the military discipline, improving the legal framework and enhancing the competence of armed forces. Due to the comprehensive, complete and objective investigation this department fights against manifestations of crime, including corruption. Control over the Investigative Service is conducted by the Central Military Prosecutor's office, which acts within the Prosecutor's General office.

In present, the draft Law on Investigation Committee is on the National Assembly agenda. The draft law will unite all investigative authorities in Armenia under a single roof and improve the effectiveness of pre-investigation. Investigation Committee is prescribed to act publicly, ensure external and internal independence of investigative bodies, judicial independence and unity of the status of investigators.

Secondly, relating to the sources of the comments, it is necessary to mention that the Ministry of Defence internal audit department does not have its own website.

The provision that "...the goal of the internal audit is discovering risks in Ministry of Defence activity and providing a conclusion on the reliability of the protection of assets from abuse and losses" is taken from the Republic of Armenia Minister of Finance order N 143-N from 17.02.2012 Chapter 11 on Fight against Fraud and Anti-corruption Activities, which however does not vest such authority with the internal audit. Instead it mentions that the "Internal audit is not responsible for the fight against fraud and anti-corruption activities (such as prevention, detection, investigation, etc.), but it may play some role in this regard. Internal audit department's discoveries of reliability of protection of actives against loss, abuse and damages well as consultations in respect with fight against fraud and anti-corruption activities are useful for the organization. Internal auditors should master the necessary knowledge, skills and other abilities for discovering elements of fraud that may significantly support the organization in performing its functions."

Ministry of Defence internal audit goals are stated in the Ministry of Defence's internal audit department's charter.

It is not true that "Overall, during 2012 internal audit department reported 1 case of fraud, 11 cases of abuse, 1 case of squandering, which were all referred to law enforcement authorities. The internal audit conclusion for Ministry of Defence is not available" - the sources

of this information could not be identified. Internal audit report, according to Article 12 of the Law on Internal Audits submitted to the head of agency, as well as to the internal audit's secretariat and the authorized agency. So far, all reports have been submitted in compliance with the legislation.

**Country Assessor:** I do not agree with the Peer Reviewer 2. According to Model answers scoring 1 will mean that there is no such institution. An internal audit department exists.

### 9. Does the public trust the institutions of defence and security to tackle the issue of bribery and corruption in their establishments?

## Public Trust

0 1 2 3 4

#### Sources

1. "Ministry of Defence: All Efforts are Directed to Fight Corruption", NEWS.am Information-Analytical Agency, <http://news.am/arm/news/136446.html>, 18.01.2013;
2. "Armed Forces Colonel Arrested while Taking Bribe", Hetq Online Newspaper, <http://hetq.am/arm/news/29230/kasharq-stanalu-pahindzerbakalvel-e-hh-zu-gndapety.html>, 10.09.2013;
3. Armenia: an Opportunity for Statesmanship, Europe Report N°217, International Crisis Group Report, <http://www.crisisgroup.org/~media/Files/europe/caucasus/armenia/217-armenia-an-opportunity-for-statesmanship.pdf>, 25.06.2012;
4. "Policy Forum Armenia: Corruption in Armenia", Policy Forum Armenia CSO, [http://www.pf-armenia.org/sites/default/files/documents/files/PFA\\_Corruption\\_Report.pdf](http://www.pf-armenia.org/sites/default/files/documents/files/PFA_Corruption_Report.pdf), October 2013;
5. "Criminal Component of Army Capability", Chorrord Ishkhanutiun Newspaper, <http://www.chi.am/index.cfm?objectID=80F51EE0-8DC0-11E0-9A42005056A30FF7&year=2010&month=9&legacyURL=100908/10090801>, 08.09.2010;
6. "Overview of Corruption and Anti-corruption in Armenia", Report of Transparency International, [http://www.transparency.org/files/content/corruptionqas/Overview\\_of\\_corruption\\_in\\_Armenia\\_1.pdf](http://www.transparency.org/files/content/corruptionqas/Overview_of_corruption_in_Armenia_1.pdf), 23.08.2013, last accessed on 23.12.2013;

**Comments**

The Ministry of Defence has mentioned many times its determination to fight corruption within its structure. During the last two years one high ranking official was arrested for bribery, as [www.hetq.am](http://www.hetq.am) reports. Also, seminars on anti-corruption issues have been organized. Other anti-corruption events have been organized in which CSO representatives participated. At the same time, International Crisis Group, Transparency International and Policy Forum Armenia reports and media coverage mention that society does not believe in the Ministry of Defence's determination to fight corruption.

**Peer Reviewer 2:** I do not agree with the score. The evidence in the answer suggests that there is no trust. Therefore, I suggest scoring 0.

**Ministry of Defence:** Sociological surveys identify that the majority of citizens trust in the defence institutions to fight corruption. Research of petitions submitted to the Civil Council also identifies that citizens believe the Civil Council is an effective mechanism for the solution of their problems. In order to have complete picture on trust a nationwide sociological survey should be conducted, which has not been conducted yet.

**Country Assessor:** According to the model answers, a score of 1 should be awarded when the perception of society is that public officials accept that there is a problem with corruption but do nothing in this regard. I believe the analysis shows this.

**TIAC:** The Transparency International report referenced does not relate to the Defence sector. According to the Global Corruption Barometer 2013, 47% of respondents in Armenia felt that the military was corrupt/extremely corrupt, which is the 9th worst score among 12 studied institutions.

**Risk Assessment**

0 1 2 3 4

**10. Are there regular assessments by the defence ministry or another government agency of the areas of greatest corruption risk for ministry and armed forces personnel and do they put in place measures for mitigating such risks?**

**Sources**

1. "Overview of Corruption and Anti-corruption in Armenia", Report of Transparency International, <http://www.transparency.org/files/content/>

corruptionqas/Overview\_of\_corruption\_in\_Armenia\_1.pdf, 23.08.2013, last accessed on 23.12.2013;

2. “Defence Related Building Integrity Action Plan shall be Drafted”, Armenpress Armenian News Agency, <http://armenpress.am/arm/news/740587/hh-pashtpanakan-olortum-barevarqutyanyan-plan-kmshakvi.html>, 19.11.2013;

3. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

Though the Ministry of Defence has declared a zero tolerance policy towards corruption, taking some steps in reducing corruption risks, as of 2013 there was no comprehensive evaluation of corruption risks in the Ministry of Defence. In 2013 the Ministry of Defence initiated self-assessment of corruption risks but there is no evidence that this will be regularly conducted. According to the Interviewee 1, who works in position dealing with international cooperation, the Ministry of Defence has not conducted an evaluation of positions bearing high level corruption risks either. Relating to anti-corruption strategy implementation, it was mentioned, that there is no specific body responsible for its implementation, evaluation and proposing new measures.

**Peer Reviewer 1:** HR policy implemented in the Ministry of Defence raises corruption-related concerns. No promotion criteria is stated. In recent years tendency to refuse the military service is obvious among officers, which is a result of corruption risks in the armed forces. This question was discussed in sessions of the National Assembly Standing Committee on Defence, National Security and Internal Affairs, with the participation of the Minister of Defence. See comments on Question 6.

**Peer Reviewer 2:** I do not agree with the score. The evidence in the answer suggests that there is no anti-corruption policy. Therefore, I suggest scoring 0.

**Ministry of Defence:** The term “greatest corruption risk” needs to be clarified. As mentioned above, the internal audit department has the authority in fighting corruption. Some authority in this area is exercised by the military police (the status and authority of the military police is provided for in the Law on Military Police) and the

Chamber of Control (the information on the activity of the latter may be found on its website). As to regularity of self-assessment within the framework of the Building Integrity initiative, no regularity is foreseen for self-assessment. But it is also possible that after summarizing the self-assessment results the Building Integrity action plan includes periodic complete or partial self-assessments of the defence sector.

**Country Assessor:** The Peer Reviewer 2 has not backed his proposal with any material fact. The answer is in line with score 1, therefore, I do not agree with the Peer Reviewer 2. As to Peer Reviewer 1's position, the question relates to evaluation of risk-exposed positions.

**TI-DSP:** We suggest rather score 1, as the assessor states that there is a partial assessment of risk, but there is no regular schedule for risk assessment.

## Acquisition Planning

**11. Does the country have a process for acquisition planning that involves clear oversight, and is it publicly available?**

0 1 2 3 4

### Sources

1. Law on Procurement, <http://www.arlis.am/documentview.aspx?docID=64473>, adopted on 22.12.2010;
2. Ministry of Finance, the Procurement System in the RA, <http://gnumner.am/en/category/35/1.html>;
3. RA Government decree N168-N "On Organization of Procurement Process" from 10.02.2011, <http://www.mil.am/files/Kar-voroshum-168-N.pdf>;
4. RA Government decree N1616-N from 20.12.2012 "On Implementation of State Budget", Appendix 12, <https://www.e-gov.am/gov-decrees/item/22330/>;
5. Records of the RA National Assembly Sessions, [www.parliament.am](http://www.parliament.am);
6. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

Procurement legislation provides, that procurement plans shall be published, except of procurements containing confidential information. Though procurement lists are published in the Republic of Armenia Government decree N1616-N dated 20.12.2012, research of the state

procurement system web page shows that procurement plans for the Ministry of Defence are not available. The control over procurement plans are executed only by the Executive. The National Assembly has no authority in controlling the procurement plans. Research of records of 2012-2013 Parliament sessions shows, that the members of the National Assembly have never raised questions on the reasonableness of the procurement of any item.

**Ministry of Defence:** Publication of the procurement plan, was identified as a purchaser's function by the Government decree N372-N from 18.04.2013, stipulated by which the purchaser approves the procurement plan by February 1 of each year and within 5 business days undertakes measures to publicize it by the procedure identified by the Minister of Finance. As the mentioned order of the Minister of Finance identifying publication procedure entered into force on June 11, 2013, chronologically it was not possible to implement it. In spite of that the Ministry of Defence's procurement list except for classified information was published in the respective Appendix of the Government decree N1616-N from 20.12.2012, posted on the respective websites.

It's worth mentioning that by the Government decree N950-N from 05.09.2013, an amendment was made to the order on "Organization of Procurement Procedure" identified by the Government decree N168-N from 10.02.2011. According to the amendment "the procurement plan form, the filling procedure, the breakdown of items according to digital codes for each group and classifications is adopted by the Ministry of Finance. The form and filling procedure of the procurement plan was identified by the Minister of Finance's order N896-N from 10.10.2013.

Nevertheless, while purchasing any item included in the procurement plan, the procurement announcements, calls for tenders, statements about signing of contracts or signed contracts were published in the official procurement bulletin as prescribed by procurement legislation.

## Budget Transparency and Detail

0 1 2 3 4

**12. Is the defence budget transparent, showing key items of expenditure? This would include comprehensive information on military R&D, training, construction, personnel expenditures, acquisitions, disposal of assets, and maintenance.**

### Sources

1. “Capabilities of Democratic, Civil and Social Oversight over Armed Forces in Armenia”, report of Helsinki Citizens’ Assembly Office in Vanadzor CSO, <http://hcav.am/wp-content/uploads/2012/04/Report.pdf>, Vanadzor, 2012;
2. Republic of Armenia Government decree N1616-N from 20.12.2012 “On Implementation of State Budget”, <https://www.e-gov.am/gov-decrees/item/22330/>;
3. Republic of Armenia Government decree N740-N from 04.07.2013 “On Approving 2014-2016 Mid-term Expenditure Program”, [https://e-gov.am/u\\_files/file/decrees/kar/2013/07/13\\_740.pdf](https://e-gov.am/u_files/file/decrees/kar/2013/07/13_740.pdf);
4. Republic of Armenia 2013 Interactive Budget, <https://www.e-gov.am/interactive-budget/>;
5. “Stationary Procurement in Armenian Ministries in 2009-2011”, report of Freedom of Information Center CSO, [http://www.foi.am/u\\_files/file/Grenakan.pdf](http://www.foi.am/u_files/file/Grenakan.pdf), 2012.

### Comments

Appendix 12, of the Republic of Armenia Government decree N1616-N from 20.12.2012 lists services and items subject to procurement by the Ministry of Defence. The Law on State Budget identifies only the main directions of expenditure for defence needs. In spite of the fact that high ranking officials mentioned unprecedented increases in arms procurement, the budget does not contain any information on such procurements. The public mid-term expenditure program adopted by the Government decree N740-N from 04.07.2013 identifies that expenditure for the Ministry of Defence needs are classified and the information on it is not included. The 2013 interactive budget identifies, that 0.7 per cent of all defence related expenditures are assigned for R&D works, but the details of this are not published.

Ministry of Defence: In addition, it should be mentioned that funding of the state order of scientific-research and experimental-construction works for military needs is conducted through means provided by “Special Scientific-Research and Experimental-Construction Works”

program within the framework of “Scientific and Scientific-Technical Targeted Program Research” project under Law on State Budget Appendix 1 part 02, group 04, class 01 concerning functional classification of budget expenditures.

The nominal list of the above-mentioned works is classified as state secret identified by Paragraph 1 of Republic of Armenia Government decree N173 from 13.03.1998.

**12A. Is there a legislative committee (or other appropriate body) responsible for defence budget scrutiny and analysis in an effective way, and is this body provided with detailed, extensive, and timely information on the defence budget?**

## Budget Scrutiny

0 1 2 3 4

### Sources

1. Law on Rules of the Procedure of the National Assembly, <http://www.parliament.am/legislation.php?sel=show&ID=38&lang=eng>, adopted on 20.02.2002, last accessed on 23.12.2013;
2. Agendas of the National Assembly Standing Committee on Defence, Internal Affairs and National Security Sessions, [http://parliament.am/committees.php?do=show&ID=111168&month=all&year=2013&cat\\_id=agendas&lang=arm](http://parliament.am/committees.php?do=show&ID=111168&month=all&year=2013&cat_id=agendas&lang=arm);
3. Records of the National Assembly Standing Committee on Defence, National Security and Internal Affairs Sessions, [http://parliament.am/committees.php?do=show&ID=111168&month=all&year=2013&cat\\_id=registers&lang=arm](http://parliament.am/committees.php?do=show&ID=111168&month=all&year=2013&cat_id=registers&lang=arm);
4. Records of the National Assembly Sessions, <http://parliament.am/transcript.php?lang=arm>.

### Comments

According to the Law on Rules of Procedure of the National Assembly, the Standing Committee on Defence, Internal Affairs and National Security, in joint session with the Standing Committee on Finance and Budgeting, holds hearings on the budget allocations containing confidential information. According to the rules, the Committee on Defence, Internal Affairs and National Security only presents its respective conclusion to the National Assembly. Research of the records of the sessions held in 2010-2013 shows that there was no discrepancy over budgeting issues between the executive and the



legislative. Since the hearings on the budget in the committee are non-public, no information may be obtained on how detailed the budget lines are presented.

**Ministry of Defence:** The defence budget is drafted according to the timetable approved by the Prime Minister’s decision adopted in compliance with the Law on Republic of Armenia Budget System Article 21, Paragraph 1 as well as in conformity with the methodological guidelines of the Ministry of Finance on ”Drafting Mid-term Expenditure Programs by Legislative, Executive and Judicial Authorities, Prosecutor’s Office as well as Other Agencies Formed by the Law and Submitting Those to the Ministry of Finance”.

The budgeting, including hearings in the National Assembly committee on defence, national security and internal affairs and the budget and finance committee reflects the procedures and practices formed for the entire public sector.

## Budget Publicly Available

0 1 2 3 4

**12B. Is the approved defence budget made publicly available? In practice, can citizens, civil society, and the media obtain detailed information on the defence budget?**

### Sources

1. “Capabilities of Democratic, Civil and Social Oversight of the Armed Forces in Armenia”, report of Helsinki Citizens’ Assembly Office in VanadzorCSO, <http://hcav.am/wp-content/uploads/2012/04/Report.pdf>, Vanadzor, 2012;
2. Republic of Armenia Government decree N1616-N from 20.12.2012 “On Implementation of State Budget”, <https://www.e-gov.am/gov-decrees/item/22330/>;
3. Republic of Armenia Government decree N740-N from 04.07.2013 “On Approving 2014-2016 Mid-Term Expenditure Program”, [https://e-gov.am/u\\_files/file/decrees/kar/2013/07/13\\_740.pdf](https://e-gov.am/u_files/file/decrees/kar/2013/07/13_740.pdf);
4. Republic of Armenia 2013 Interactive Budget, <https://www.e-gov.am/interactive-budget/>;
5. “Stationary Procurement in Armenian Ministries in 2009-2011”, report of Freedom of Information Center CSO, [http://www.foi.am/u\\_files/file/Grenakan.pdf](http://www.foi.am/u_files/file/Grenakan.pdf), 2012.

**Comments**

The approved defence budget contains information on the main directions of expenditures, so the National Assembly does not actually see the items included in the budget. Appendix 12 of the Republic of Armenia Government decision N1616-N from 20.12.2012, contains information on non-military procurements. The information on military procurements is not publicly available.

**13. Are sources of defence income other than from central government allocation (from equipment sales or property disposal, for example) published and scrutinised?**

**Defence Income**

0 1 2 3 4

**Sources**

1. Law of the Republic of Armenia on Citizens who Failed to Complete Compulsory Military Service through Violation of the Established Procedure, <http://www.parliament.am/legislation.php?sel=show&ID=1886&lang=eng>; adopted on 17.12.2003;
2. Reports on Off-budget Resources Expenditures, Ministry of Finance of the RA; <http://mfe.am/index.php?cat=83&lang=1>;
3. “Armenian Defence Ministry New Building is Open”, Panarmenian Media Association, <http://mediaforum.nt.am/armtoday.php?year=2008&month=09&day=21&LangID=4>, 21.09.2008;
4. Official Website of the Ministry of Finance, [www.mfe.am](http://www.mfe.am);
5. Law of the Republic of Armenia on the Budgetary System of the Republic of Armenia, [http://www.parliament.am/law\\_docs/210797HO137eng.pdf](http://www.parliament.am/law_docs/210797HO137eng.pdf), adopted on 24.06.1997.

**Comments**

Information on off-budget assets (assets which are not stipulated by the budget) of the Ministry of Defence is not available. The RA law On Budget System (Paragraph 9, Article 15) adopted on 24.06.1997, states that ministries have right to have off-budget accounts if the Government permits it. However, it was impossible to find any government decree related to opening of an off-budget account by Ministry of Defence. The website of the Ministry of Finance does not contain any information on the off budget income and expenses of the Ministry of Defence. Meanwhile, several media reports (particularly, Pan-Armenian Media Association) reveal the new premises of the Armenian Ministry of Defence were built completely by off-budget

assets (over 13 billion AMD). As to off-budget income, the persons subject to Law of the Republic of Armenia on Citizens who Failed to Complete Compulsory Military Service through Violation of the Established Procedure should pay a stated amount of money to the off-budget account of the Ministry of Defence for exemption from service in the army. No information on the amount of such payments and its spending is available.

**Peer Reviewer 1:** The acting President of Armenia Serzh Sargsyan (previously the Minister of Defence), his former Deputy Minister Arthur Aghabekyan and the Head of the Ministry of Defence's Legal department Sedrak Sedrakyan established "Martik" (Fighter) foundation, which raised funds from the salaries of Ministry of Defence employees. The funds were foreseen to be used to address some social problems faced by military officers. Helsinki Citizens' Assembly Office in Vanadzor CSO asked the Ministry of Justice to provide them with the financial report of the foundation, but this request was rejected. The VOHA also filed a claim with the Administrative Court, but the claim was rejected. See more on <http://hcav.am//events/հքա-վանաձորի-գրասենյակն-ընդդեմ-հի-արդ/>.

Another source of financial investment in the defence sector is the financial support provided in the framework of NATO-Armenia Individual Partnership Action Plans. In the framework of this cooperation on December 19, 2013, the US was reported to have donated 1.5 billion USD to support Armenian peacekeeping forces. No information on the financial support from NATO could be found. See <http://www.natoinfo.am/am/news/150/>.

**Ministry of Defence:** The off-budget activities of the Ministry of Defence are conducted through the bank accounts of the "Hayreniq" (Motherland) foundation, which was registered on August 16, 2004. Financial reports of the foundation are published on the website [www.azdarar.am](http://www.azdarar.am) as prescribed by law. Off-budget income is generated from the following sources: 1. amount of money paid by draft dodgers, in accordance with the legislation, 2. sale of items unfit for use defined by order; 3. rent fees of military-owned properties.

The mentioned incomes are registered in the Ministry of Finance central treasury's special account. Expenditure planning, budgeting of off-balance assets and budget implementation fully complies with

the Armenian budgeting system requirements. No other sources and services generating off-budget incomes are provided for the Ministry of Defence. Neither theoretically nor in practice Ministry of Defence does have mechanisms and opportunities for other financial assets. Transactions through the mentioned banking accounts are conducted with terms and order provided for legal entities in Armenia.

**Country Assessor:** I do not agree with the Ministry of Defence comments. Though the legislation says that transactions with off-budget resources should be recorded in the Finance Ministry accounts, no information on such recordings is available. As mentioned in the comment, there is a fact of off-budget resources expenditure for the new Ministry of Defence premises, yet such information is also missing from the Ministry of Finance accounts. Thus, it is unclear whether off-budget expenditures are recorded or not.

**14. Is there an effective internal audit process for defence ministry expenditure (that is, for example, transparent, conducted by appropriately skilled individuals and subject to parliamentary oversight)?**

## Internal Audit

0 1 2 3 4

### Sources

1. “Public Financial Management: International Trends: Priorities in Armenia”, presentation of Jens Kromann Kristensen, senior public specialist at the World Bank, <http://www.slideserve.com/Jims/public-financial-management-international-trends-priorities-in-armenia>, 2010;
2. “Armenian CSOs Note “Formal” Commitment of Authorities to Open Government Initiative”, ArmeniaNow.com Online Weekly, [http://armenianow.com/hy/society/49250/armenia\\_open\\_governance](http://armenianow.com/hy/society/49250/armenia_open_governance), 16.10.2013;
3. Law on Internal Audit, <http://www.arlis.am/documentview.aspx?docID=65056>, adopted on 22.12.2010;
4. Official Website of the Ministry of Finance, [www.mfe.am](http://www.mfe.am);
5. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The internal audit department in the Armenian Ministry of Defence was formed in accordance with the Law on Internal Audit. According to the

law, only qualified persons may serve as auditors in the Internal Audit Department. The World Bank public sector specialist Yans Croman Christensen mentioned in his presentation on internal audit system in general (including the internal audit of the Ministry of Defence) that internal auditors are not independent, as they are subordinated to the head of the agency, which hampers his/her independence and impairs his/her effectiveness. As to the publicity of the internal audit, no audit reports for the Ministry of Defence could be found. The National Assembly also does not exercise control over the internal audit process, as the law does not provide a provision granting the National Assembly with the power to exercise control over the internal audit.

Ministry of Defence: In response to Yans Croman Christensen's statement we would like to mention that according to Paragraph 2, Article 2 of the Law on Internal Audit "public sector internal audit is an independent compliance and consultation mechanism, which is aimed at enhancing effectiveness of the organization. The internal audit department acts according to strategic and annual plans through confirmation and consultation provided to the organization's management." As to the statement that internal audit reports are not available, no request for providing the audit report has ever been received by the Ministry of Defence's internal audit department. It should be mentioned that the Ministry of Defence's internal audit department will not provide reports which contain classified information. Regarding control over audit units, the internal audit department is controlled by the Authorized body (Minister of Defence decree N143-N from 17.02.2012, Chapter 94, Guideline 6330, "External Audit", Paragraph 365) and the National Assembly Chamber of Control (Minister of Defence's order N1096-N from 12.12.2012, Paragraph 80 on that "Internal Audit department is obliged to assist agencies, which conduct inspection and external audit, including the Chamber of Control.)

## External Audit 15. Is there effective and transparent external auditing of military defence expenditure?

0 1 2 3 4

### Sources

1. Law on the RA Control Chamber, <http://www.parliament.am/legislation.php?sel=show&ID=2835>, adopted on 25.12.2006;
2. "Meeting at the President's Office", <https://www.youtube.com/watch?v=QH3t7SllgP4>, 29.06.2013;

3. “Scandal Revealed in Some Areas: Annual Report of the Control Chamber”, <http://topnews.mediamall.am/?id=34868>, 13.06.2013;
4. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

According to Armenian legislation, the control over budget expenditure is exercised by the Chamber of Control, the head of which is appointed by the National Assembly. According to the Interviewee 1, the Chamber of Control conducts regular inspections in the Ministry of Defence. But no information on inspections of the Ministry of Defence or the results of such inspections is published. According to the legislation, the conclusion of the Chamber of Control which contains confidential information is presented in closed joint sessions of the Standing Committee on Defence, Internal Affairs and National Security and the finance and budgeting committee. The head of the Committee on Defence, National Security and Internal Affairs only provides information to the National Assembly whether the conclusion of the Chamber of Control was positive or negative. In June 2013 the Chamber of Control published its report on the 2012 budget execution, mentioning “rampant” abuses in the procurement sector. The report was actively debated, the President also held consultations on it. But no information on particular abuses in defence sector, as well as on measures undertaken to handle such abuses, was published.

**Peer Reviewer 1:** No inspections by Chamber of Control are conducted in the defence sector.

**Country Assessor:** Actually, according to the interviewee and based on my own experience, the Chamber of Control conducts inspections, the results of which are not publicly available.

**16. Is there evidence that the country’s defence institutions have controlling or financial interests in businesses associated with the country’s natural resource exploitation and, if so, are these interests publicly stated and subject to scrutiny?**

**Natural Resources**

0 1 2 3 4

### Sources

1. Natural Resources of Armenia: Armenian Development Agency, <http://www.ada.am/eng/about-armenia/general-info/natural-resources/>;

2. Official Website of State Property Management Department at the Government of Armenia, [www.spm.am](http://www.spm.am);
3. “Rate for Mishik”, Armenian Times Daily, <http://www.armtimes.com/hy/read/42687>, 07.06.2013;
4. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

According to reports, Armenia is rich in metals, particularly in steel, copper, molybdenum, zinc, gold, silver, aluminium and other precious metals, and also in building materials. The exploitation of these mines is conducted by business entities. According to the Mining Code, the license to use the mineral deposits can only be granted to legal entities. Thus, the government, including defence institutions, may not be granted the right to exploit natural resources. The research of publicly available information showed, that the Ministry of Defence does not own any mining companies. No media publications showing the contrary are available.

**TIAC:** In 2013 the newspaper “Armenian Times” reported the sale of “DzoraHEK” CJSC hydropower station assets controlled by the Ministry of Defence to “Dzoraget” CJSC, believed to belong to the President’s son-in-law.

## Organized Crime Links

0 1 2 3 4

**17. Is there evidence, for example through media investigations or prosecution reports, of a penetration of organised crime into the defence and security sector? If no, is there evidence that the government is alert and prepared for this risk?**

### Sources

1. “The Officer Exacting Money from Soldiers is Arrested”, Lragir.am Online Newspaper, <http://www.lragir.am/index/arm/0/right/view/39645>, 14.10.2010;
2. “The National Assembly Defence Committee Head Concerned with Ceasing Criminal Proceedings against Exacting Officer”, Radio Liberty Armenia, <http://www.azatutyun.am/content/article/2297590.html>, 04.02.2011.

### Comments

The Armenian Ministry of Defence has mentioned on many occasions its determination to fight crime in the army. For this purpose, some steps have been taken, including the operation of a hotline. At the same time there are some criminal cases taking place in the army, which are sponsored by high-ranking officials. E.g, at the end of 2010, the press reported about the arrest of two officers on charges of extortion, alleged to be conducted under the patronage of the commander of the military unit. However, eventually, criminal proceedings have since been halted.

**Ministry of Defence:** No information is available on organized crime in the armed forces during its 22 years of existence. Distinct cases of violations should not be qualified as organized crime. Every case of violation is subject to detailed examination by respective authorities. There is pre-investigation and investigation, followed by comprehensive measures taken by commanders and law enforcement bodies to prevent similar violations in future. Military officers charged with violations are held liable, in accordance with nature of those.

## Organized Crime Policing

0 1 2 3 4

### 18. Is there policing to investigate corruption and organised crime within the defence services and is there evidence of the effectiveness of this policing?

#### Sources

1. “The Officer Exacting Money from Soldiers is Arrested”, Lragir.am Online Newspaper, <http://www.lragir.am/index/arm/0/right/view/39645>, 14.10.2010;
2. “The National Assembly Defence Committee Head Concerned with Ceasing Criminal Proceedings against Extorting Officer”, Radio Liberty Armenia, <http://www.azatutyun.am/content/article/2297590.html>, 04.02.2011;
3. “Surrealistic Images from Peacekeeping Brigade Daily Life”, Hraparak Daily, <http://www.hraparak.am/news/view/37768.html>, 02.08.2013;
4. “The President is Dissatisfied”, meeting of Armenian President with members of Government, <https://www.youtube.com/watch?v=DUZNmmkqpsg>, 05.09.2012;
5. “Some Transparency Enhancing Steps have been Taken”, 168.am Online Weekly, <http://archive.168.am/am/articles/23485-pr>, 24.06.2010.



### Comments

The Ministry of Defence has declared a zero tolerance policy towards crime and corruption. Measures aimed at the prevention of abuses by officers in the armed forces have been undertaken. The military police and the Investigative Service have the authority to fight corruption. At the same time the media reported some officers enjoying impunity. Particularly, an officer charged with extortion avoided punishment (see source 1 above). The head of the National Assembly's Standing Committee on Defence, National Security and Internal Affairs expressed his dissatisfaction with this. It was also a practice to fire persons accused of corruption, instead of holding them to account. The President mentioned this practice in his speech in the National Assembly's session on September 5, 2012.

**Peer Reviewer 1:** The media has frequently reported on high-ranking military officials running businesses.

**Peer Reviewer 2:** I do not agree with the score. The statements brought in the report identify that there is no anti-corruption policy at all. Therefore, I suggest scoring 0.

**Ministry of Defence:** Defence forces continue principled struggle towards prevention of corruption and organized crime, identification and eradication of causes of and conditions leading to corruption. In this respect, the Ministry of Defence's senior management implemented and implements number of important projects, among which are:

1. The Defence Minister and the Head of General Staff declared their determination to strengthen building integrity and the implementation of anti-corruption measures (communications, consultations, collective meetings and moral preaches),
2. Enforcing transparency, democratic control over the armed forces, the implementation of human rights undertaken by international treaties,
3. Wide discussion on "Building Integrity and reducing corruption in defence" collection of best practices and "self-assessment tool" document and execution of actions scheduled for their implementation;
4. Lottery draft and overview of the recruitment process by draftees' parents and law-enforcement bodies;
5. Criminal proceedings were initiated against officers charged for

- abuse of power, guilty officers were subject to criminal liability;
6. Proceedings were adopted, which enable defence and military officers to report corruption;
  7. Installation of postal boxes in military units for letters addressed to the Minister of Defence;
  8. Installation of military police points in the military units, in accordance with the order on “Enforcing Cooperation between the Military Commanders and Military Law Enforcement Bodies”;
  9. Hotlines for connecting senior military commanders, Military Police and the Military Prosecutor’s Office;
  10. Reception of military officers and citizens by officials;
  11. Anonymous sociological survey among military officers;
  12. Private conversations with military officers.

**Country Assessor:** Scoring 0, according to model answers will mean that no policing function is implemented at all. I agree with Peer Reviewer 2 in part that such function is discriminatively implemented, but it still exists, so a score of 1 should be awarded according to the model answers. As to Peer Reviewer 1’s position, the possession of businesses by general will be addressed below.

**19. Are the policies, administration, and budgets of the intelligence services subject to effective, properly resourced, and independent oversight?**

**Intelligence  
Services  
Oversight**

0 1 2 3 4

#### Sources

1. Law on Defence, <http://www.parliament.am/legislation.php?sel=show&ID=3420&lang=arm>, adopted on 27.11.2008;
2. Law on Rules of the Procedure of the National Assembly, <http://www.parliament.am/legislation.php?sel=show&ID=38&lang=eng>, adopted on 20.02.2002, last accessed on 23.12.2013;
3. 2013 Interactive Budget, <https://www.e-gov.am/interactive-budget/>;
4. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

#### Comments

Intelligence expenditure, which are allocated from the state budget, are subject to the control of the National Assembly Standing Committee

on Defence, National Security and Internal Affairs. According to the National Assembly's rules of procedures, budgets containing State and Service Secret are discussed only in the mentioned committee. Parliament does not hold hearing on the intelligence budget. The National Assembly records of 2010-2013 reveal that intelligence budgets were approved as containing classified information. The legislation also does not provide for independent control over intelligence management and practice. Moreover, the operation of the intelligence services, including the statute of the General Staff Intelligence Department, is confidential. Intelligence related issues, according to the National Assembly records, have never been discussed in the National Assembly as well as in the respective committee. According to the interviewee, the control over intelligence is conducted exclusively by the President, the Minister of Defence and the Chief of General Staff.

**Ministry of Defence:** The Ministry of Defence and Armed Forces General Staff do not have special intelligence services. The intelligence department is a structure within the General Staff.

## Intelligence Services Recruitment

**20. Are senior positions within the intelligence services filled on the basis of objective selection criteria, and are appointees subject to investigation of their suitability and prior conduct?**

0 1 2 3 4

### Sources

1. Law on Defence, <http://www.parliament.am/legislation.php?sel=show&ID=3420&lang=arm>, adopted on 27.11.2008;
2. Law on Passing Military Service, <http://www.parliament.am/legislation.php?sel=show&ID=1317&lang=arm>, adopted on 03.07.2002;
3. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The Law on Passing Military Service does not provide for special criteria and procedures for appointment in the intelligence services. Senior commander positions are appointed by the President. There is no provision on the criteria which should be applied by the President when appointing. According to the interviewee, persons are appointed to senior intelligence positions if they have experience in intelligence. However, public sources do not have any information on the above-mentioned. Particularly, the Ministry of Defence website does not

contain information on biographies of intelligence department's top and middle-level positions. The Presidential decrees on appointing senior intelligence officials are not discussed with any authority (including the National Assembly), therefore, there is no procedure of compliance or background checking. According to the interviewee, no such practice exists.

**Ministry of Defence:** According to the Law on Passing Military Service”, Article 15, Paragraph 2, military positions in the Armed Forces are divided into commander and non-commander positions, while the commander ones are divided into top commander and senior commander positions. The list of top commander and top officer positions are approved by the President.

Paragraph 3 of the same Article provides for the requirements to the candidates to top and senior commander positions. Particularly, a person may be appointed to top level commander position if he/she has at least three years of experience in senior commander position or top-level officer position and has a rank no lower than one similar to colonel, or before appointment has for at least three years occupied positions in other state institutions similar to senior commander or top-level officer position and has a rank no lower than one similar to colonel.

A person may be appointed to senior commander position, if he has at least three years of experience in a middle-level commander or senior officer position, or before appointment has for at least three years occupied positions in other state institutions similar to middle level commander or senior officer position and has a higher military (professional) education.

According to the legislation, recruitment of military servants takes into consideration conformity of qualifications of the applicant to the provided requirements (applicant's professional and official capacities, psychological qualities, health and other conditions set forth by law). A military officer is appointed to a major or related position corresponding to military profession according to his/her working experience, while appointment to a military professional position shall be preceded by a respective training.

As mentioned above, no special intelligence services exist in the Ministry of Defence and Armed Forces General Staff. There is an

Intelligence Department, which recruits personnel based on general criteria mentioned above. As to the access of biographies, no biography of a high or mid-level official of a unit is uploaded to the website. The website contains only biographies of high-ranking officials of the Ministry of Defence and Armed Forces General Staff as well as brief information about the heads of departments (including the Intelligence Department) and units, such as the name, rank and position Deputy Ministers.

## Export Controls

0 1 2 3 4

**21. Does the government have a transparent and well-scrutinised process for arms control decisions that align with international protocols? (Please specify which protocols apply.)**

### Sources

1. “Wikileaks: Armenia Threatened with Sanctions after Iran Arms Deal”, Export Law Blog, <http://www.exportlawblog.com/archives/2609>, 29.11.2010;
2. “Wikileaks: Armenia Sent Iran Arms Used to Kill US Troops”, the Washington Times, <http://www.washingtontimes.com/news/2010/nov/29/wikileaks-armenia-sent-iran-arms-used-to-kill-us-t/?page=all>, 29.11.2010;
3. The Report of the Republic of Armenia on Implementation of United Nations Security Council Resolution 1540(2004), OSCE, <http://www.osce.org/fsc/75185>, 27-28.01.2011;
4. Armenia: Guns, Facts, Figures and the Law, US Embassy Diplomatic Cables from Wikileaks, GunPolicy.org Website, <http://www.gunpolicy.org/firearms/region/armenia>, 30.08.2011;
5. Law on Licensing, <http://www.parliament.am/legislation.php?sel=show&ID=1719&lang=eng>, adopted on 30.05.2001;
6. Official Website of the Ministry of Defence, [www.mil.am](http://www.mil.am);
7. “MFA Spokesperson Tigran Balayan’s Reply to “Armenpress” Media Question”, Aravot Daily, <http://www.aravot.am/2013/04/15/231025/>, 15.04.2013;
8. UN Security Council Resolution 1973(2011), [http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s\\_2013\\_99.pdf](http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2013_99.pdf).

**Comments**

Armenia supports the UN SC 1540 resolution. Armenia also joined a Non-Proliferation Treaty, the Treaty on Biological Arms, as well as Treaty on Chemical Arms. Armenia is not a member of the Wassenaar Treaty, Dual Use Items Export Control Regime, as well as any other export control regime. Arms and dual-use export control lists, which are approved by the government, are based on Wassenaar Treaty and Dual-Use Items Export Control lists. Armenia has not signed the Arms Trade Treaty. In 2010-2011 Armenia performed export control legislation reform, which, according to international experts, brought Armenian legislation in full compliance with international standards. Prior to this, Washington Post reported Armenia selling arms to Iran, which was subsequently used against US armed forces. In spite of the reforms, Armenian export control system lacks transparency (no obligation of publication of permitted exports/imports could be found). No information on exporting entities is available on the Ministry of Defence's website either. A report delivered by an expert group set up under UNSC1973(2011) resolution stated that a company incorporated in Armenia illegally supplied Libya with arms. This fact has been confirmed also by the Ministry of Foreign Affairs' spokesman Tigran Balayan in his interview to "Aravot" Daily.

## FINANCIAL AREA

### Asset Disposal Controls

0 1 2 3 4

22. How effective are controls over the disposal of assets, and is information on these disposals, and the proceeds of their sale, transparent?

#### Sources

1. Armenian Government decree N882-N of 13.06.2003, <http://www.arlis.am/>;
2. Official Website Service Department for Public Notices of the Republic of Armenia of State Register Agency of Legal Entities of the Republic of Armenia, [www.azdarar.am](http://www.azdarar.am);
3. “Ministry of Defence Sells and Buys Assets to and from Generals”, Tert.am Ltd., <http://www.tert.am/am/news/2010/09/17/zhamanak/?sw,17.09.2010>;
4. “Rate for Mishik”, Armenian Times Daily, <http://www.armtimes.com/hy/read/42687>, 08.06.2013;
5. Official website of the State Property Management Department, [www.spm.am](http://www.spm.am).

#### Comments

Asset disposal issues are controlled by the Government. Issues related to asset disposals are governed by the Government decree N882-N from 13.06.2003. According to the mentioned decree, the Government, upon the presentation of the State Property Management Department and with the consent of the relevant agency, adopts a decision on the disposal of assets. The asset disposal is conducted through auction, tender or sales. In case of sales, the Government also approves the name of the buyer and the price. The information on disposal is published on [www.azdarar.am](http://www.azdarar.am), as well as on the website of the State Property Management Department. There is no information available on contracts concerning asset disposal on the web page of the State Property Management Department.

**Peer Reviewer 2:** I do not agree with the scoring. The statements brought in the report reveal that no transparency and controls exist. Therefore I suggest scoring 0.

**Country Assessor:** I do not agree with the Peer Reviewer 2. The proposal is not backed with any material fact.

**TI-DSP:** We suggest scoring 1 in accordance with model answers.

**23. Is independent and transparent scrutiny of asset disposals conducted by defence establishments, and are the reports of such scrutiny publicly available?**

## Asset Disposal Scrutiny

0 1 2 3 4

### Sources

1. Armenian Government decree N882-Nof 13.06.2003, <http://www.arlis.am/>;
2. Official Website of the Ministry of Defence, [www.mil.am](http://www.mil.am);
3. Official Website of State Property Management Department at the Government of Republic of Armenia, <http://spm.am/am/>.

### Comments

The Ministry of Defence does not exercise control over asset disposals and asset disposal reports have never been published. Such control is exercised by the Chamber of Control. But the latter has never published asset disposal reports relating to the Ministry of Defence, which casts doubt on its effectiveness.

**Peer Reviewer 2:** I do not agree with the scoring. The statements brought in the report reveal that no transparency and control exists. Therefore I suggest scoring 0.

**Ministry of Defence:** Asset disposals (written-off automobiles, premises and devices) by the Ministry of Defence departments are controlled by committees. Control department represented on this committee takes part in alienation and control of automobiles and the records of the committees are not classified.

**TIAC:** These records are not classified, but are not published either: It is likely that they will be provided upon request.

**TI-DSP:** We suggest score of 1 as the control is exercised by the Chamber of Control.



## Percentage Secret Spending

0 1 2 3 4

**24. What percentage of defence and security expenditure in the budget year is dedicated to spending on secret items relating to national security and the intelligence services?**

### Sources

1. “Capabilities of Democratic, Civil and Social Oversight over Armed Forces in Armenia”, report of Helsinki Citizens’ Assembly Office in Vanadzor CSO, <http://hcav.am/wp-content/uploads/2012/04/Report.pdf>, Vanadzor, 2012;
2. Armenia: Flying Blind with \$400 Million Defence Budget, EURASIANET.org, <http://www.eurasianet.org/node/64489>, 10.11.2011;
3. 2013 Interactive Budget, <https://www.e-gov.am/interactive-budget/>.

### Comments

The information on correlation between total defence budget spending and national security and intelligence budget spending is not available. The arms part of the defence budget is totally confidential. The non-military part of the budget is listed in the Republic of Armenia Government decree N1616-N from 20.12.2012, Appendix 12. However, the mentioned decree does not have any information on items purchased for military needs and intelligence budget expenditures. The 2013 interactive budget shows that approximately 0.7 per cent of total defence budget was allocated for R&D.

**Ministry of Defence:** Since national security and intelligence related procurements contain classified information, they are not published.

## Legislative Access to Information

0 1 2 3 4

**25. Is the legislature (or the appropriate legislative committee or members of the legislature) given full information for the budget year on the spending of all secret items relating to national security and military intelligence?**

### Sources

1. Law on Rules of the Procedure of the National Assembly, <http://www.parliament.am/legislation.php?sel=show&ID=38&lang=eng>, adopted on 20.02.2002, last accessed on 23.12.2013;
2. Records of the National Assembly Sessions, <http://parliament.am/transcript.php?AgendaID=2518&day=11&month=11&year=2013&lang=arm#11.11.2013>;

### 3. 2013 Interactive Budget,

[https://www.e-gov.am/interactive-budget/.php?AgendaID=2518&day=11&month=11&year=2013&lang=arm#11.11.2013;](https://www.e-gov.am/interactive-budget/.php?AgendaID=2518&day=11&month=11&year=2013&lang=arm#11.11.2013)

#### Comments

According to the National Assembly's rules of procedure, the confidential expenditures are debated in a joint session of the defence, national security and internal affairs and the budget and finance standing committees, where other members of the National Assembly may participate. Since national security and military intelligence related expenditures are classified, the mentioned committees hold hearings on them. Research into the budget formation has revealed that members of the National Assembly are only presented with the total amount of expenditure and the general destination of expenditure, without mentioning the goods and services subject to procurement. At the same time, the confidential budget is presented to the members of the National Assembly, as mentioned by Hrant Bagratyan, opposition member of the Armenian the National Assembly, argued at one of sessions of the National Assembly in 2013 that Ministry of Defence budget expenditures are submitted to MPs in closed envelopes.

**26. Are audit reports of the annual accounts of the security sector (the military, police, and intelligence services) and other secret programs provided to the legislature (or relevant committee) and are they subsequently subject to parliamentary debate?**

**Secret Program Auditing**

**0** 1 2 3 4

#### Sources

1. Law on Rules of the Procedure of the National Assembly, <http://www.parliament.am/legislation.php?sel=show&ID=38&lang=eng>, adopted on 20.02.2002, last accessed on 23.12.2013;
2. Official Website of the Control Chamber, [www.coc.am](http://www.coc.am);
3. Records of the National Assembly Sessions, <http://parliament.am/transcript.php?AgendaID=2518&day=11&month=11&year=2013&lang=arm#11.11.2013>.

#### Comments

According to the National Assembly's rules of procedure, annual reports on defence and intelligence budget expenditures, which are

classified as secret, are debated in closed joint session of Standing Committee on Defence, National Security and Internal Affairs and Standing Committee on Financial-Credit and Budgetary Affairs, where other members of the National Assembly may participate. There is no information on whether the information is presented completely. Annual audit reports are not presented to the National Assembly and they have never been discussed there. The National Assembly sessions records also show that heads of the committees have never discussed audit reports by the Chamber of Control in the Parliament.

**TI-DSP:** If audit reports are not presented at all, this would suggest changing the score of 1 of 0 according to the model answers.

## Off-budget Spending in Law

0 1 2 3 4

**27. Off-budget military expenditures are those that are not formally authorised within a country's official defence budget, often considered to operate through the 'back-door'. In law, are off-budget military expenditures permitted, and if so, are they exceptional occurrences that are well-controlled?**

### Sources

1. Republic of Armenia Government decree N17 of 14.01.1999 "On Approving the Order of Control, Registration and Service of Off-budget Resources Generated from Donations to Government Agencies or Other Benevolent Activities", [www.arlis.am](http://www.arlis.am);
2. "Defence Ministry New Building Complex Officially Opened", Armenpress Armenian News Agency, <http://armenpress.am/arm/print/460081/>, 22.09.2008;
3. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm>, adopted on 22.12.2010.

### Comments

Armenian ministries, including the Ministry of Defence are allowed to hold off-budget accounts, subject to approval by the Government. The order of such approval is provided for in Government decree N17 14.01.1999. According to the Law on Procurement the Ministry plans off-budget procurements on its own. The reports on use of off-budget means are sent to the Ministry of Finance. Ministry of Finance website makes clear that the Ministry of Defence possesses off-budget accounts and some transactions on of this account were reported in 2008. The Law on Draft Dodgers provides that persons

released from punishment shall pay a stated amount to the Ministry of Defence off-budget account. This proves the existence of off-budget accounts. Reliable information on off-budget expenses is not available. Particularly, Armenpress media reported, that the new premises of the Ministry of Defence were built using off-budget expenses, but no report on such expenditures exist. Available reports do not allow the identification of off-budget expenditures.

**Peer Reviewer 2:** I do not agree with the score. The statements brought in the report reveal that no control exists. Thus, I suggest scoring 0.

**Ministry of Defence:** For comments see comments to answer to question 13.

**TI-DSP Comments:** Score 1 seems more appropriate if there is some record of the expenditure but it is incomplete or unreliable.

**28. In practice, are there any off-budget military expenditures? If so, does evidence suggest this involves illicit economic activity?**

**Off-budget Spending in Practice**

0 1 **2** 3 4

#### Sources

1. “Defence Ministry New Building Complex Officially Opened”, Armenpress Armenian News Agency, <http://armenpress.am/arm/print/460081/>, 22.09.2008;
2. “Armenia: Forcing the Peace”, Gagik Avagyan, <http://www.saferworld.org.uk/downloads/pubdocs/ArmedArmenia.pdf>;
3. Official Website of the Ministry of Finance, <http://www.mfe.am/>.

#### Comments

Armenpress media reported that the new premises of the Ministry of Defence have been built using off-budget expenditure. The Law on Draft Dodgers provides that persons released from responsibility shall pay the stated sum to an Ministry of Defence off-budget account, which shall be spent for defence needs. This provides evidence that off-budget spending is a common practice in Armenia. In addition, Gagik Avagyan in his book published on [www.safeworld.org.uk](http://www.safeworld.org.uk) website mentions, that defence expenses provided for in the budget do not reflect the real state of issues. According to him, under the auspices of the Ministry of Defence, a number of profitable businesses are

run, the part of revenues from which are used for arms procurement. At the same time, there is no evidence on media that off-budget resources are used for illegal economic activities or received through illegal practices.

**Ministry of Defence:** There are no military off-budget expenditures. The comment of question 13 addresses the sources of generating off-budget incomes and its expenditure.

**TIAC:** It is perceived that there are off-budget sources and such expenses as those allocated for the tombs of soldiers (<https://www.e-gov.am/transparent/page=1;yr=2012;min=17/>) are taken from those sources. Such doubts arise also due to the fact that it is not possible to control defence sector expenditure.

## Information Classification

0 1 2 3 4

**29. In law, are mechanisms for classifying information on the grounds of protecting national security subject to effective scrutiny?**

### Sources

1. “Arthur Sakunts on the Claim in the Constitutional Court: “Secret, What is Secret?”, Aravot Daily, <http://www.aravot.am/2011/12/02/285772/>, 02.12.2011;
2. “Without Unnecessary State Secrets”, Armenian Times Daily, <http://www.armtimes.com/39889>, 08.02.2013;
3. “Names of Test Drafters are State Secret”, 1in.am Armenian News & Analyses, [http://www.1in.am/arm/press\\_parmenia\\_193964.html](http://www.1in.am/arm/press_parmenia_193964.html), 25.06.2013;
4. The Law on State and Service Secret, <http://parliament.am/legislation.php?sel=show&ID=1654&lang=arm>, adopted on 03.12.1996;
5. “Capabilities of Democratic, Civil and Social Oversight over Armed Forces in Armenia”, report of Helsinki Citizens’ Assembly Office in Vanadzor CSO, <http://hcav.am/wp-content/uploads/2012/04/Report.pdf>, Vanadzor, 2012.

### Comments

Issues related to classified information are governed by the Law on State and Service Secret. According to the law, the information is classified as secret if it relates to certain spheres prescribed by the law. The classified information is protected by the government and dissemination of it may cause serious harm to national security.

According to Article 11, classification of information should be reasoned. The Government approves the list of classified information, with the name of the agencies in charge of its ownership. The heads of these agencies draft enhanced lists of classified information. The law does not provide for classification reasoning procedures, or control over it. The media outlet [www.aravot.am](http://www.aravot.am), “1-in Iratvakan” regularly reports cases of unjustified classification.

**Ministry of Defence:** The Law on State and Service Secret regulates issues related to the classification of information regarding certain areas with a view to protect national security interests , declassification and protection of classified information, identifies the notion of “state and service secrets,” levels of confidentiality, legal bases for protection, declassification of the classified information as well as the liabilities of government agencies in the protection of classified information.. Article 8 provides for the authority of the government agencies, local self-government bodies and state officials in the area of the protection of classified information. Provision 4 of the mentioned Article states that the executive, territorial administration and local self-government bodies implement projects and undertake relevant measures to protect classified information in entities under their subordination.

**TIAC:** However, classification itself is confidential, so even if an information request is refused based on its classification, it cannot be proved to the inquirer as the proving act itself is considered to be secret.

**30. Do national defence and security institutions have beneficial ownership of commercial businesses? If so, how transparent are details of the operations and finances of such businesses?**

**Military Owned  
Businesses  
Exist**

0 1 2 3 4

#### Sources

1. “Semi-annual Analysis of Financial Results of Enterprises with State Participation”, [www.spm.am](http://www.spm.am);
2. “BAMO” Owes Defence Ministry 20 Million Dollars”, Armenian Times Daily, <http://www.armtimes.com/hy/read/32272>, 17.03.2012;
3. “Rate for Mishik”, Armenian Times Daily, <http://www.armtimes.com/hy/read/42687>,07.06.2013;
4. “Armenia: Forcing the Peace”, Gagik Avagyan, [www.safeworld.org.uk](http://www.safeworld.org.uk), last accessed on 25.12.2013.

### Comments

The Armenian Ministry of Defence controls several business entities. In 2013 a media outlet reported the sale of “DzoraHEK” CJSC assets to “Dzoraget” CJSC, which is believed to belong to the President’s son-in-law. “DzoraHEK” is known as the jewel of Armenian hydroelectricity and is famous for producing low-cost energy. In 2007, “DzoraHEK” was put under Ministry of Defence control. In 2011, DzoraHEK” CJSC was liquidated. Reports on activity of DzoraHEK” CJSC are not available. In 2012 the media reported the purchase of 100 per cent shares of “Automatica” CJSC by the Ministry of Defence. As of June, 2013, the Ministry of Defence held shares in 11 companies, including: “65 Military Factory”, “Automatica” CJSC, “Garni-Ler GAM” OJSC, “Charentsavani Hastotsashinakan Gorcaran” CJSC, “Armenikum” CJSC, “Laser techniques” CJSC, “Henaket” CJSC, “Zinar” CJSC. The mentioned companies produce military items, as well as printing materials, military uniform items and catering services. No financial data is available on the mentioned companies. In 2012 the media also reported that the Ministry of Defence will control an events stadium in Yerevan. Also, according to [www.safeworld.org.uk](http://www.safeworld.org.uk), a number of profitable businesses, such as sales of petroleum and cigarettes, are run under the auspices of the Ministry of Defence. Information on the economic activity of the above-mentioned businesses is not available.

**Ministry of Defence:** Republic of Armenia Government by its decree N1660-N from 16.12.2010 permitted the Ministry of Defence’s (which administered DzoraHEK CJSC shares) disposal of “DzoraHEK” CJSC assets to “DzoraHidro” LLC. By the Republic of Armenia Government decree N 546-A of 05.05.2011 “DzoraHEK” CJSC was liquidated. No private businesses are run under the auspices of the Ministry of Defence. According to the Government decrees, the Ministry of Defence governs 12 joint stock companies, 8 of which act in the sphere of armament and military equipment treatment, production, repair, modernization and technical maintenance. Another 4 companies provide services to the Ministry of Defence and other companies. Four of the mentioned companies, according to their charters, have Boards, members of which have been appointed by the decision of the meeting of shareholders, by the principle of keeping the proportionality with the state shares. The Ministry of Defence governs 80 % of shares of “Automatica” CJSC, and not 100 %, as mentioned in the report.

According to the Law on Joint Stock Companies, Article 83, the Company may pay remuneration to its Board members or reimburse

expenses related to their functions. However, Board members of the mentioned companies, including representatives of the Ministry of Defence, act without remuneration, in addition to their functions in the Ministry of Defence, taking into account the financial-economic indices of the companies.

According to Article 96 of the Law on Joint Stock Companies, open joint stock companies should publish their financial reports on the website [www.azdarar.am](http://www.azdarar.am). Only 2 of the above mentioned 12 companies are open joint stock companies. According to Article 94 of the Law on Joint Stock Companies, before publishing, the annual financial reports, annual audit balance sheet, statements on profits and losses shall be approved by an independent auditor having no common asset interests with the company and its shareholders before publishing it. Since the companies are in bad financial condition, the reports have not been audited.

### **31. Are military-owned businesses subject to transparent independent scrutiny at a recognised international standard?**

#### **Sources**

1. Law on Joint Stock Companies, <http://parliament.am/legislation.php?sel=show&ID=1276&lang=eng>, adopted on 27.10.2001;
2. Official Website of State Property Management Department, first semi-annual report on financial analysis of trade entities under auspices of government agencies, [www.spm.am](http://www.spm.am);
3. Official Website Service Department for Public Notices of the Republic of Armenia of State Register Agency of Legal Entities of the Republic of Armenia, [www.azdarar.am](http://www.azdarar.am);
4. Report on Oversight over Controlling Committees in Trade Enterprises with 50 percent and more state participation, [https://www.e-gov.am/u\\_files/file/decrees/arc\\_voroshum/2012/12/qax50-15.pdf](https://www.e-gov.am/u_files/file/decrees/arc_voroshum/2012/12/qax50-15.pdf);
5. Extract from Republic of Armenia Government Record Decision N50 of 13.12.2012, [www.arlis.am](http://www.arlis.am);
6. “Charentsavani Hastotsashinakan Gorcaran” OJSC 2011 corporate governance declaration, <http://www.azdarar.am/announcements/cat/45/00009693/>;
7. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

## **Military Owned Business Scrutiny**

**0** 1 2 3 4



### Comments

As of June, 2013 the Ministry of Defence held shares in 11 companies. Transparency and accountability of companies is governed by the Law on Joint Stock Companies, Article 96, according to which the open joint stock company should publish its annual reports, balance sheet and income statement, as well as other information as required by the legislation on the website [www.azdarar.am](http://www.azdarar.am). Since the only open joint stock companies, in which the Ministry of Defence holds shares, are “Garni Ler GAM” and “Charentsavani Hastotsashinakan Gorcaran,” research was conducted in relation with those only. Investigation of the website [www.azdarar.am](http://www.azdarar.am) did not identify any financial data on these companies. As to other companies, the financial data on them is also not available. None of the mentioned companies has a website. According to the Republic of Armenia Government protocol decision N50 of session of 13.12.2012, in some companies, inspections and checks were conducted and several violations were detected, however the mentioned document does not contain any other information. According to corporate governance declaration of “Charentsavani Hastotsashinakan Gorcaran”, external audit was conducted in the company, but the audit report is not available.

**Peer Reviewer 2:** I do not agree with the score. The statements and the analysis reveal that no transparency and control exists. Therefore, I suggest scoring 0.

**Ministry of Defence:** No military-owned businesses exist.

**TIAC:** Information about the ownership of joint stock companies is not public.

**Country Assessor:** Agree, the score is reviewed.

## Unauthorized Private Enterprise

0 1 2 3 4

**32. Is there evidence of unauthorised private enterprise by military or other defence ministry employees? If so, what is the government’s reaction to such enterprise?**

### Sources

1. Law on Public Service, <http://www.parliament.am/legislation.php?sel=show&ID=4225&lang=arm>, adopted on 26.05.2011;
2. “Why Generals are Silent”, Armenian Times Daily, <http://www>.

armtimes.com/21000, 19.10.2008;

3. “The Generals Here are Peaceful”, Lragir.am Online Newspaper, <http://www.lragir.am/index/arm/0/comments/view/52266>, 26.08.2011;

4. “Charentsavani Hastotsashinakan Gorcaran” OJSC 2011 Corporate Governance Declaration, <http://www.azdarar.am/announcements/cat/45/00009693/>.

### Comments

According to the Law on Public Service Article 24 Paragraph 1, public officers are not allowed to conduct business activity or occupy any other paid position. A similar provision is also provided for in the Law on Passing Military Service,” Article 1, Paragraph 3, Provision 7. In spite of this, some Ministry of Defence officials occupy positions in companies controlled by the Ministry of Defence. For example, according to 2011 corporate governance declaration, of “Charentsavani Hastotsashinakan Gorcaran,” OJSC, 5 Ministry of Defence officials are members of the board of the company. Information on whether they are paid for this is not available. Also, [www.lragir.am](http://www.lragir.am) and the Armenian Times reported several businesses belonging to the Ministry of Defence high-ranking officials. The Armenian Times reported that deputy chief of general staff Haykaz Baghmanyanyan owns businesses in wood processing and transportation services, for example. Though the government condemns public and high ranking officials’ engagement in businesses, no particular steps against their involvement are taken.

**Ministry of Defence:** No information on the facts brought in the report is available.

**TIAC:** We are not aware of any measures that the government takes to prevent engagement of defence officials in business enterprises, though the Law on Public Service and Law on Civil Service prohibit engagement in entrepreneurial activities. We would suggest to lower the score to 1.

## PERSONNEL

### Public Commitment

0 1 2 3 4

**34. Do the Defence Ministry, Defence Minister, Chiefs of Defence, and Single Service Chiefs publicly commit—through, for example, speeches, media interviews, or political mandates—to anti-corruption and integrity measures?**

#### Sources

1. “Defence Ministry: All Efforts are Made to Fight Corruption”, mediamall.am Website, <http://topnews.mediamall.am/?id=9334%D5%BE>, 18.01.2013;
2. “Defence Minister Fights Corruption”, Panorama.am Online Daily Press, <http://www.panorama.am/am/society/2011/03/09/jamanak/%D5%BE>, 09.03.2011;
3. “Building Integrity Concept Implementation in Defence Ministry and International Practice”, Hetq Online Newspaper, <http://hetq.am/arm/news/30876/barevarqutyamrapndmanhayecakargi-nerdrumy-hh-pashtpanutyam-nakhararutyunum-ev-mijazgayin-pordzy.html>, 20.11.2013;
4. “Armenian Defence Ministry Joined NATO Building Integrity Initiative”, 1in.am Armenian News & Analyses, <http://www.1in.am/205367.html%D5%BE>, 09.08.2013;
5. “Resignation from Army and Criminal Liability for Briber”, Azg Daily, <http://www.azg.am/AM/2009052612%D5%BE>, 26.05.2009.

#### Comments

The Minister of Defence in the face of the Minister of Defence and the deputy ministers have numerous times stated the importance of tackling corruption in armed forces. The Minister of Defence in his press conference on 18.01.2013 said that all efforts will be made to eradicate corruption in the armed forces. According to the Minister, since 2013, the draft procedure has been implemented based on lottery, which will reduce corruption risks. In November 2013, international seminar on anti-corruption issues in the army was organized in the Ministry of Defence, where high-ranking Ministry of Defence officials participated.

**Peer Reviewer 2:** I agree with the score, but would like to comment that although they admit it, nothing is done in practice to fight corruption.

**Ministry of Defence:** Corruption has always been a matter of concern and it is obvious that high-ranking officials in the Ministry of Defence acknowledge the necessity of fighting corruption in this agency, which is directly responsible for territorial integrity, and border security, the operational readiness of the army and the effective cooperation with the international partners. The Minister of Defence, in his speeches, has always stressed necessity to fight corruption, and attached much importance to this subject. The recently-held draft was transparent, a testament to the Ministry of Defence's determination. The experience showed that the draft based on the lottery system decreased corruption risks and enhanced trust towards the Ministry of Defence.

**Country Assessor:** I agree with Peer Reviewer 2, but this is reflected in answers to other questions.

**35. Are there effective measures in place for personnel found to have taken part in forms of bribery and corruption, and is there public evidence that these measures are being carried out?**

**Measures for  
Corrupt  
Personnel**

0 1 **2** 3 4

#### Sources

1. Criminal Code of the RA, <http://www.parliament.am/legislation.php?sel=show&ID=1349&lang=eng>, adopted on 18.04.2003;
2. "I was very Surprised, as this was an Unprecedented Case", [www.report.am](http://report.am) website, <http://report.am/am/news/society-41/hrayr-karaprtyan-vazgen-sargsyan-zoramas>, 04.02.2011;
3. "Surrealistic Images from Peacekeeping Brigade Daily Life", [Hraparak Daily](http://www.hraparak.am), <http://www.hraparak.am/news/view/37768.html%D5%BE>, 02.08.2013;
4. "Deputy Head of Defence Ministry Military Officers' Social Security Department Arrested", [aysor.am](http://www.aysor.am) News Website, <http://www.aysor.am/am/news/2013/09/10/davit-davtyan/%D5%BE>, 10.09.2013;
5. "Ministry of Defence Official Arrested Charged for being Bribed", [Panorama.am](http://www.panorama.am) Online Daily Press, <http://www.panorama.am/am/law/2011/08/24/corruption/%D5%BE>, 24.08.2011;
6. "No Way against "Rozh"", Helsinki Citizens' Assembly Office in Vanadzor CSO, <http://hcav.am/events/%D5%BE%D5%A1%D5%AC%D5%A5%D6%80%D5%AB-%D5%A1%D5%A2%D6%80%D5%A1%D5%B0%D5%A1%D5%B4%D5%B5%D5%A1%D5%B6%D5%B6-%D5%A8%D5%B6%D5%A4%D5%A4%D5%A5%D5%B4-%C2%AB%D5%A1%D5%BA%D5%A1%D5%B0%D5%B8%D5%BE-%D5%BF%D5%A1/>, 01.11.2010.

### Comments

Armenian legislation provides for criminal liability for bribery and abuse of authority. According to [www.panorama.am](http://www.panorama.am) and [www.aysor.am](http://www.aysor.am), in 2011-2013 a number of criminal proceedings have been initiated against several Ministry of Defence officials for corruption. There is certain evidence on the ineffectiveness of the applied sanctions against crimes. In 2011, the criminal proceedings of the widely publicized “Rozh<sup>8</sup> Case,” initiated for extortion of money under the patronage of the head of military commander, were suspended. This caused dissatisfaction with the Chair of the National Assembly Standing Committee Defence, National Security and Internal Affairs. Meanwhile, according to Helsinki Citizens’ Assembly Office in Vanadzor, the Ministry of Defence Investigative Service initially has claimed that it is going to detect the crime. Another corruption scandal relates to the commander of peacekeeping brigade. As the “Hraparak” media outlet reports, criminal proceedings were initiated against the commander for bribery, but were closed as some of the witnesses have changed their testimonies.

8 ‘Rozh’ is translated from Russian as ‘ugly face’

**Peer Reviewer 2:** I disagree with the score. The facts and statements in the report reveal that no transparency and controls exist. Suggested score 0.

**TIAC:** We also feel that the evidence is not strong enough to grade it a score of ‘2’ and suggest, at least, a score of 1.

**Country Assessor:** I do not agree with 0 score, as according to model answers 0 shall mean that no one has ever been held liable and no liability measures existed.

**TI-DSP:** Based on the model answer, a score of 2 is appropriate because there are formal mechanisms in place, even if they are poorly enforced.

## Whistleblowing

0 1 2 3 4

**36. Is whistleblowing encouraged by the government, and are whistle-blowers in military and defence ministries afforded adequate protection from reprisal for reporting evidence of corruption, in both law and practice?**

### Sources

1. Law on Public Service, <http://www.parliament.am/legislation.php?sel=show&ID=4225&lang=arm>, adopted on 26.05.2011;

2. Republic of Armenia Government decree N1816-N of 15.12.2011 “On Reporting Illegal, Including Corruption Activity of Other Public Officers, revealed while Performing Official Duties by Public Officer and on Approving the Order of Enforcing Security of Reporting Public Officials”, <https://www.e-gov.am/gov-decrees/item/20681/>;
3. Global Integrity 2011 report for Armenia, [https://www.globalintegrity.org/global/the-global-integrity-report-2011/armenia](https://www.globalintegrity.org/global/the-global-integrity-report-2011/armenia;);
4. “Overview of Corruption and Anti-corruption in Armenia,” report of Transparency International on Armenia, [http://www.transparency.org/files/content/corruptionqas/Overview\\_of\\_corruption\\_in\\_Armenia\\_1.pdf](http://www.transparency.org/files/content/corruptionqas/Overview_of_corruption_in_Armenia_1.pdf), 23.08.2013, last accessed on 23.12.2013;
5. Armenia Country Profile, Business Anti-corruption Portal, <http://www.business-anti-corruption.com/country-profiles/europe-central-asia/armenia/initiatives/public-anti-corruption-initiatives.aspx>, last accessed on 25.12.2013;
6. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The obligation to report corruption is provided for in the Law on Public Service. Though no special obligation is given to Ministry of Defence personnel, but the Law on Public Service covers both civilian and military Ministry of Defence personnel. Protection of reporting officers is provided for by the Government decree. The Global Integrity Index evaluated protection of whistleblowers as “very weak” in 2011. According to the Transparency International report listed, 2/3 of interviewees say he/she would not report on his fellow citizens’ corruption. According to interviewee, officers do not take courses on whistleblowing. There is no legislation and mechanisms which should regulate issues relating to whistleblowing. In addition, according to interviewee, civilians and military officers are reluctant to submit a report because of concerns about their protection.

**Ministry of Defence:** The whistleblowing program is being considered for inclusion in the Building Integrity action plan.

## Special Attention to Sensitive Personnel

0 1 2 3 4

37. Is special attention paid to the selection, time in post, and oversight of personnel in sensitive positions, including officials and personnel in defence procurement, contracting, financial management, and commercial management?

### Sources

1. Law on Passing Military Service, <http://www.parliament.am/legislation.php?sel=show&ID=1317&lang=arm>, adopted on 03.07.2002;
2. Law on Special Civil Service, <http://www.parliament.am/legislation.php?sel=show&ID=3156>, adopted on 28.11.2007;
3. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

According to the interviewee, the Ministry of Defence has not identified positions that are highly exposed to corruption risk. No information on such positions is available on the Ministry of Defence website. There is no particular approach towards these positions. The appointment of positions in the Armenian Ministry of Defence is governed by the Law on Special Civil Service (civilian) and by the Law on Passing Military Service (military). The law does not provide for opportunity to differentiate between roles when making appointments. According to the Law on Special Civil Service, the civil servant is to remain in office until 65, and is not subject to dismissal before that term. Thus, there is no rotation and the civil servant stays within his/her specific role unless he/she resigns or removed from service. This is also witnessed by the fact that high-ranking officials in the areas of finance and procurement occupy the same position for more than 10 years. The only restriction that civilians face is that an officer is restricted from working in a company that was under the officer's control during the last year while he was on duty. The restriction relates only to cases in which the officer was in control of the company, and not general involvement in transactions.

**Ministry of Defence:** Issues related to appointments for positions and terms of office are governed by the Law on Passing Military Service, on the part of the military, and by the Law on Special Civil Service, on the part of civilian personnel. Articles 16-19 of the Law on Passing Military Service govern issues related to the first appointment to a position, promotion, and appointment to a lower position. Chapter 4 prescribes qualification procedures related to the recruitment

of contractual and compulsory military servicemen, comprehensive and objective evaluation of their professional skills, assessment of conformity to the occupied positions and promotion perspectives as well as the identification of citizens in reserve.

The Law on Special Civil Service provides for competitive and non-competitive order of filling the vacant positions of special civil service in the Ministry of Defence. Articles 20 and 21 of the law provide for process of attestation and training of Ministry of Defence civil servants. Civil servants shall pass through ordinary attestation once in 3 years, while an extraordinary attestation shall be held not earlier before the last ordinary one. At the same time, once in 3 years each civil servant should pass a mandatory training that may also be held by the initiative of the civil servant or the head of the staff to raise awareness on the rights and responsibilities related to the given position of the special civil service, improve professional knowledge and work skills in respect with concrete requirements of the position or in the case of changes of those requirements.

**TI-DSP:** The score remains 0 despite the Ministry of Defence comments, because according to model answers, to score a 1 or higher the Ministry of Defence must show specific attention to at-risk roles, while the Ministry of Defence comments relate to personnel generally.

### 38. Is the number of civilian and military personnel accurately known and publicly available?

## Numbers of Personnel Known

0 1 2 3 4

#### Sources

1. “Number of Civil Servants by 2012”, Website of the Civil Service Council of the RA, <http://www.csc.am/documents/statistics/10.pdf>, last accessed on 25.12.2012;
2. “Issue of Raising Salaries for Defence Sector Employees was Debated in the Parliament”, [www.armnewstv.am](http://www.armnewstv.am) website, <http://www.armnewstv.am/1382972753%D5%BE>, 28.10.2013;
3. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

#### Comments

According to the interviewee, the number of military officers is confidential and is not available. As [www.armnewstv.am](http://www.armnewstv.am) reported,



on October 28, 2013, during a debate in the standing committee on defence, national security and internal affairs, the deputy speaker of the Parliament interfered and did not allow the number of military officers to be stated, claiming that it was confidential information. According to the Civil Service Council website, there are 399 civilians employed in the Ministry of Defence. No media report doubts this number.

**Ministry of Defence:** The Law on Defence, Article 5, provides that the President must approve the structure (number) of the armed forces. This number is secret and is not subject to publishing. Article 9 of the Law on Special Civil Service provides that the list of positions of special civil servants in the Ministry of Defence is approved/modified by the Civil Service council upon presentation by the Minister of Defence. The list of special civil service employees is approved/modified by head of the respective body within 15 days after the approval of the list of special civil servant positions.

## Pay Rates Openly Published

### 39. Are pay rates and allowances for civilian and military personnel openly published?

#### Sources

0 1 2 3 4

1. Republic of Armenia Government decree N1554-N from 13.12.2007, <https://www.e-gov.am/gov-decrees/item/10349/>;
2. Law on Remuneration of State Servicemen, [http://www.parliament.am/legislation.php?sel=show&ID=1322&lang=arm](http://www.parliament.am/legislation.php?sel=show&ID=1322&lang=arm;);
3. Republic of Armenia Government decree N325-N from 25.03.2010, <https://www.e-gov.am/gov-decrees/item/17656/>;
4. “Capabilities of Democratic, Civil and Social Oversight over Armed Forces in Armenia”, report of Helsinki Citizens’ Assembly Office in VanadzorCSO, <http://hcav.am/wp-content/uploads/2012/04/Report.pdf>, Vanadzor, 2012;
5. “No Increase for Officers’ Salaries has Occurred during Last 3 Years”, Haykakan Varkats Daily, <http://www.armversion.am/2012/05/16/%D5%BE%D5%A1%D5%A2%D5%B7%D5%A5-%D5%A9%D5%B8%D5%B2-%D5%A3%D5%A1%D5%B6-%D5%AD%D5%B4%D5%A2%D5%A1%D5%A3%D6%80%D5%A1%D5%AF%D5%A1%D5%B6/>, 05.12.2012;
6. Republic of Armenia Government decree N479-Nof 21.04.2011, <https://www.e-gov.am/gov-decrees/item/19404/>,

7. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The remuneration of civilians and military officers consists of position rate, rank rate and other additional payments for experience. The information on military and civilian position rate is publicly available. Information on additional payments for military officers is not available on the website, though according to the interviewee, they are paid every month. Existence of additional payments proved by the fact that the comparison of the total amount paid to officers, as provided in the publicly available information and reported in the media outlet “Armenian Version,” confirms that the average amount paid to the officers differs from the one indicated in the official sources. Information on additional payments for civilian officers is also publicly available.

**Ministry of Defence:** All pay rates for military officers are public and provided for in Republic of Armenia Government decree N778 of 27.11.2000, N1554-N from 13.12.2007 and N479-N from 21.04.2011. All allowances are provided for in Republic of Armenia Government Appendix N 1, decree N479-N from 21.04.2011, which is available on the Government website and [www.arlis.am](http://www.arlis.am).

**Country Assessor:** I agree with the Ministry of Defence comment and have revised the score.

**40. Do personnel receive the correct pay on time, and is the system of payment well-established, routine, and published?**

**Well-established Payment System**

### Sources

1. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

0 1 2 3 4

### Comments

According to the interviewee, no cases of delayed salary payment have been recorded. Remuneration is paid regularly and is not subject to any discretionary authority. A search of media has not revealed any reports of delays.

## Objective Appointments

0 1 2 3 4

**41. Is there an established, independent, transparent, and objective appointment system for the selection of military personnel at middle and top management level?**

### Sources

1. Law on Passing Military Service, <http://www.parliament.am/legislation.php?sel=show&ID=1317&lang=arm>, adopted on 03.07.2002;
2. Official Website of the Ministry of Defence, [www.mil.am](http://www.mil.am);
3. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

According to the interviewee, no appointment system for both mid-level and top management positions exists. The announcement on vacancies is not published and military officers are not informed on new vacancies and the necessary qualification criteria. This is witnessed by the research of Ministry of Defence website. According to the interviewee, military positions do not have terms of reference in which required qualifications and duties are outlined. According to the interviewee, if there is a vacancy, a particular officer is informed in an informal manner; later he is introduced to the Minister of Defence for appointment.

**Ministry of Defence:** The system of appointment to top and mid-level management positions has been addressed in our comments to question 20. The orders of the Minister of Defence N571 from May 29, 2013, and N1191 from October 25, 2013, approve terms of reference for officers of the Ministry of Defence Military Aviation Institution after Marshal A.Khanperyants. Those include organizational, leadership and managerial functions necessary for these positions, decision-making authorities as well as requirements for the knowledge, skills and capacities for those positions. In order to increase transparency, vacancies in this institution shall be filled based on competition. The announcement of vacancies is published on the Ministry of Defence website, as well as in “Hay Zinvor” newspaper. In the future, the Minister shall decide which positions shall be filled in the order prescribed above.

**TI-DSP:** We suggest scoring 1, based on the Ministry of Defence’s description and citation of existing laws, combined with the assessor’s inability to find the information on the Ministry of Defence website. This

score is guided by the most appropriate model answer: “It is stated that a system for appointments exists; however, it is not published. There is strong evidence of appointment based not purely on merit.”

**42. Are personnel promoted through an objective, meritocratic process? Such a process would include promotion boards outside of the command chain, strong formal appraisal processes, and independent oversight.**

## Objective Promotions

0 1 **2** 3 4

### Sources

1. Law on Special Civil Service, <http://www.parliament.am/legislation.php?sel=show&ID=3156>, adopted on 28.11.2007;
2. Law on Passing Military Service, <http://www.parliament.am/legislation.php?sel=show&ID=1317&lang=arm>, adopted on 03.07.2002;
3. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The law states that the promotion of civil servants shall be performed through competition. According to the law, any person qualified may participate in competition for a role. During the competition the board evaluates the person’s qualifications. The board includes members of the relevant department, as well as other departments. According to the interviewee, the control over this system exists only when an appeal occurs. If an appeal does not occur, no authority conducts control over the activity of promotion boards.

No information is available regarding the promotion procedure of military officers.

**Ministry of Defence:** The promotion process is governed by Articles 15, 17 and 27 of the Law on Passing Military Service. In order to organize the selection, qualification promotion process of the personnel of the armed forces, the Armenian Minister of Defence, by order N443 of 05.05.2012, approved a general description of terms of reference, on which terms of reference for each position shall be drafted. Also, the form of officer evaluation has been drafted and was adopted by the order N652 of 03.06.2011. When appointing to a high position, preference is given to skilled and knowledgeable military officers, which is what the commission bases its conclusion on. In

case the military officer is in the reserve he/she can be appointed to a higher position after passing the respective training.

## Bribery to Avoid Compulsory Conscription

0 1 2 **3** 4

**43. Where compulsory conscription occurs, is there a policy of not accepting bribes for avoiding conscription? Are there appropriate procedures in place to deal with such bribery, and are they applied?**

### Sources

1. Criminal Code of the RA, <http://www.parliament.am/legislation.php?sel=show&ID=1349&lang=eng>, adopted on 18.04.2003;
2. “Ministry of Defence Military Hospital Psychiatry Section Head Arrested for Bribe in 2000 Dollars”, NEWS.am Information-Analytical Agency, <http://news.am/arm/news/78320.html%D5%BE>, 18.10.2011;
3. “Seyran Ohanyan: We did Everything to Eradicate Draft Corruption”, Aravot Daily, <http://www.aravot.am/2013/03/08/212343/>, 18.09.2013;
4. “Lottery draft: I’ve always been Lucky, I will Get the Military Unit I Want”, Panorama.am Online Daily Press, 18.12.2013;
5. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

Bribery is criminalized in Armenia. According to [www.news.am](http://www.news.am) and the “Aravot” Daily, between 2009 and 2011 several officers have been arrested for bribery to avoid compulsory service. According to “Aravot”, the Ministry of Defence has stressed many times that the military draft contains a high corruption risk and has underlined the need to undertake relevant measures to prevent corruption in the draft. Draft commissions have been raised as a way of avoiding corruption risk in the draft. Avoiding the draft is usually done through medical commissions. Measures that have been undertaken include changing all members of the commissions, double checking previously inspected draftees, and subordinating the commissions to be under direct control of the Minister of Defence and the Minister of Healthcare. According to the interviewee, the draftees who have not been conscripted due to health conditions are subject to double inspection during the next military draft.

**Peer Reviewer 2:** I do not agree with the score. The statements and analysis in the report reveal that the situation is worse. Suggested score 2

**Country Assessor:** I do not agree with a score of 2, as media reports do not indicate reason for such scoring.

**TI-DSP:** We agree with the assessor that 3 is the best score, based on the model answers and the comments provided.

**44. With regard to compulsory or voluntary conscription, is there a policy of refusing bribes to gain preferred postings in the recruitment process? Are there appropriate procedures in place to deal with such bribery, and are they applied?**

**Bribery for Preferred Postings**

0 1 2 3 4

#### Sources

1. “Armenian Armed Forces Lieutenant-Colonel Arrested for Bribe”, Noyan Tapan Co Ltd, <http://www.nt.am/am/news/11252/ht%3Ctp://?hayworld>, 11.09.2011;
2. “Lottery for Deciding the Posting of Military Academy Graduates was Held”, [www.razm.infoWebsite](http://www.razm.infoWebsite), <http://razm.info/15967>, 25.07.2013;
3. “This Year Posting of Draftees shall be Decided through Lottery”, [1in.am](http://www.1in.am) Armenian News & Analyses, <http://www.1in.am/233915.html>, 29.11.2013;
4. “Rozh-2”, Hraparak Daily, <https://ilur.am/news/view/5375.html>, 23.03.2011;
5. “Surrealistic Images from Peacekeeping Brigade Daily Life”, Hraparak Daily, <http://www.hraparak.am/news/view/37768.html>, 02.08.2013;
6. “Seyran Ohanyan: We Did Everything to Eradicate Draft Corruption”, Aravot Daily, <http://www.aravot.am/2013/03/08/212343/>, 18.09.2013;
7. “Lottery draft: I’ve Always been Lucky, I will Get the Military Unit I Want”, [Panorama.am](http://www.panorama.am) Online Daily Press, <http://www.panorama.am/am/comments/2013/12/18/muster/>, 18.12.2013.

#### Comments

Bribery is criminalized in Armenia. The Armenian government has stressed its determination to fight corruption related to military drafts. In 2011, the “Noyan Tapan” media outlet reported that a lieutenant-colonel was arrested for bribery, for example. Since 2013, to reduce corruption risks in military drafts postings are chosen based on lottery, according to [1in.am](http://www.1in.am) Armenian News & Analyses media. The lottery principle covers both draftees and graduates of military academies. At the same time, media reported corruption in a peacekeeping brigade

related to postings in Afghanistan. The report mentions that the criteria for service in Afghanistan are not clear. Some of the officers who had allegedly been chosen for the service in Afghanistan were not sufficiently qualified in terms of discipline, physical and other preparation.

**Peer Reviewer 2:** I do not agree with the score. The statements included in this answer, as well as in other questions, reveal that corruption is common in the Ministry of Defence. Punishing individuals cannot be considered a full anti-corruption policy. Therefore, I suggest a score of 0.

**Country Assessor:** I do not agree to scoring 0, because according to the model answer, a score of 0 means that no legislation against bribery exists at all.

**TI-DSP:** Score is changed to 1 to balance between peer reviewer and assessor comments and in line with the model answers.

## Ghost Soldiers 45. Is there evidence of ‘ghost soldiers’, or non-existent soldiers on the payroll?

0 1 2 **3** 4

### Sources

1. A scan of national media did not reveal relevant stories;
2. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

No media reports on “ghost soldiers” are available. According to the interviewee, salary payments are controlled by a central apparatus and central military units, and are paid directly to bank accounts, which limits the possibility of ghost-soldiers. Salary payments to certain distant military units, however, are paid in cash. Though no media reports on abuses in this sphere exist, cash payments in remote military units and absence of clear information about the number of servicemen in those units indicates certain corruption risks. Ministry of Defence: Surprise inspections of military units did not reveal the existence of “ghost soldiers.”

#### 46. Are chains of command separate from chains of payment?

### Chains of Command and Payment

0 1 2 **3** 4

#### Sources

1. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

#### Comments

According to the interviewee, payment of salaries is not subject to the discretionary authority of a commander. Salary lists are sent to the financial desk, where the amount of money subject to payment is calculated. According to the interviewee, the commander may not have an impact on the salary payment. However, this is not a published policy and there is no legal act on this.

**Ministry of Defence:** Military officers are paid allowances, as well as additional payments and bonuses (they are not paid salaries). This practice is based on the Labour Code, as well as on the Law on Remuneration of State Officials adopted on December 12, 2013.

Allowances are the main means for ensuring the material security of military officers and motivation to perform their service duties. Payment of allowances is conducted in compliance with the principles and conditions of the Law on Remuneration of State Officials. Allowances for military personnel are based on the position rates (corresponding to the military rank, military position, classification and experience), additional payments, and bonuses.

Position rate for contractual and compulsory servicemen is calculated as a product of coefficients of military personnel rates and the basic salary of state officials' remuneration, in accordance with the Law on Remuneration of State Officials. The basic salary of remuneration is determined per year with the Law on State Budget.

There is a ranking table for calculation of minimum and maximum position rates for each group of the contractual military servicemen, which includes coefficients of calculation of position rates. Every ranking table is based on position rate levels, each of those defining a coefficient against the basic salary.

If the person is appointed for the first time, his remuneration is calculated based on the rate of his position and his years of experience. In case of promotion or demotion, the officer's



remuneration is calculated based on the new position group rate and his years of experience.

The military officer is provided with an ordinary increase of 'position rate' based on his years of experience. Ordinary growth is expected to follow the following scheme: 1. a unit increase for 1-7 levels of position rate; 2. first level is for 2 years of experience; 3. second level is for 2-5 years of experience; 4. after 5 years of experience, for each 5-year period 3-7 levels are used. Increase beyond these levels is based on further completion of years of experience, starting from the 1st day to the completion of such a period.

Additional payments are non-constant components of remuneration and are calculated based on the position of the individual. Additional payment is made for performing works in peaceful conditions which are related to threats to life or health, for commanding to another territory, and for working with classified documents. Additional payments are calculated as percentages. Bonuses are lump-sum payments, which are paid for good performance.

Military servants' official position rates are maintained according to the Law on Passing Military Service Article 21, Paragraph 1, Point 1 in case of staffing measures, Points 3-4, Point 8 in case of entering military academy or being left at the discretion of state authorised bodies' staff (manpower) upon return, as well as for the defined term of leave (with the exception of child care).

The position rate of the students graduated from military academy, who are contractual military servants holding junior officer's "lieutenant" rank and have not yet been appointed to a position and the students graduated from military medical academy, who are contractual military servants holding junior officer's "lieutenant" rank while taking internship is calculated based on officer personnel's minimum group 2-nd level coefficient.

For military officers who are completing a residency and have been appointed to a position, their position rate is calculated based on last position.

Financial assistance is calculated for military officers who have resigned from their position because of health conditions, termination of contract, liquidation of the military unit or because they have

reached the age limit for military service. This is based on the following rate: 1. for officers with 3-10 years of experience, in amount of 5 times the minimal salary; 2. for officers with 10-15 years of experience, in amount of 10 times the minimal salary; 3. for officers with 15-20 years of experience, in amount of 15 times the minimal salary; 4. for officers with 20 years of experience, in amount of 25 times the minimal salary. In the case of an officer resigning before achieving 3 years of service because of health condition, he will be paid aid of 3 times the minimal salary.

Financial assistance is calculated in the size stipulated by RA Government for the compulsory military servants who are prematurely exempted from military service when the due time for compulsory military service stipulated by law is expired; as well as when they are recognized unfit for military service due to health conditions or due to particular situation in the family, and for the military servants of the same rank whose father and mother are deceased (including the one having a status of a single mother) is calculated a sum 20 times the assistance size stipulated by RA Government. The time period of compulsory military service for the contractual servicemen is calculated within respective experience of contractual service giving right for financial assistance, as prescribed in Paragraph 8 of the law.

In case the military servant is convicted and sentenced by the court, is deprived of the military rank or is subject to disciplinary penalties and is dismissed from the military service but later is acquitted by the order prescribed by the law, he/she may exercise his/her right to receive financial assistance. The financial assistance is calculated based on his/her military experience as of the day of his dismissal from military service, if he/she has not applied to restore military service. In the mentioned case for the person, prior to dismissal from the military service identified in Paragraph 8 of the given Article, the term of the military service, is considered uninterrupted.

In case a person, who restored contractual military service after prior dismissal from compulsory military service, defined by Paragraph 8 of the given Article, once again is dismissed from military service, receives financial assistance based on his whole experience of military service (without compulsory military service calculation) as of the dismissal day and the whole experience of contractual military service, considering the difference of multiples of financial assistance

calculated for certain periods of time. Moreover, the sum of multiples of financial assistance currently calculated and previously calculated cannot exceed the multiple amount defined for the whole experience of military service defined for the given group. In case the military servant is dismissed from contractual military service based on other grounds than the ones mentioned in Paragraph 8 of the given Article, and is later restored contractual military service and again dismissed based on the provisions of Paragraph 8, the financial assistance is calculated based on the latest contract period of the military service.

Should they move to a new location of military service once a year financial assistance is stipulated for contractual and compulsory military officers.

1. In case the distance between the former and current service locations is 50-100 km the financial assistance is calculated in the amount of 25% of the position rate
2. In case the distance between the former and current service locations is 100 km and more the financial assistance is calculated in the amount of 50% of the position rate

In case the military officer moves to the new service location with the family (in cases prescribed by Paragraph 27 of the given Article) the financial assistance provided for each member of his/her family is calculated in the amount of 10% of the sum provided by Provision 1 and Provision 2 of the given Article's paragraph 13.

Once in a year financial assistance is stipulated for contractual and compulsory military officers in the amount of position rate in the following cases: 1. Marriage of the military servant; 2. Loss or damage of military servant's property because of natural disaster; 3. Long-lasting illness of military servant or his/her family member; 4. Death of the military servant's family member.

Lump sum payment is also provided to former military servants who receive pension for disability as well as to the families of military servants who fell victim (die) during the military service in the measure provided by the Armenian government.

**47. Is there a Code of Conduct for all military and civilian personnel that includes, but is not limited to, guidance with respect to bribery, gifts and hospitality, conflicts of interest, and post-separation activities?**

## Code of Conduct Coverage

0 1 **2** 3 4

### Sources

1. Law on Approving Internal Service Code, <http://www.parliament.am/legislation.php?sel=show&ID=2204&lang=arm>, adopted on 03.12.1996;
2. Republic of Armenia Government decree N48 of 17.02.1993 “On Order of Transferring to the State the Gifts Received while Performing Official Duties”, [www.arlis.am](http://www.arlis.am);
3. Order of Defence Minister N573-N from 26.05.2008 “On Approving Code of Ethics for Civil Servants”, [www.arlis.am](http://www.arlis.am);
4. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The Rules of Ethics for civil servants do not contain any standard behaviour for receiving presents connected with their duties. Such issues are governed by the Armenian government decree “On Order of Transferring to the State the Presents Received while on Duty,” adopted in 1993, according to which the presents received while on duty should be transferred to the state. According to the interviewee, most civilian officers are not familiar with the decree. Some provisions on conflict of interests are contained in the Code of Ethics, but they are not properly detailed. As to post-work restrictions imposed on civil officers, the legislation states that civil servants are forbidden to work in a company which was controlled by them while in duty.

As to military officers: their ethical issues are governed by code on internal service, which does not contain provisions on conflict of interest, or restrictions on occupying positions after resigning.

**Ministry of Defence:** Rules of ethics for civil servants in the Ministry of Defence are governed by the order of the Minister of Defence N573-N from 14.05.2008, based on Article 4 of the Law on Special Civil Service. Rules of honour for military officers are governed by the order of the Minister of Defence N992-N of 20.09.2012, based on Paragraph 1, Article 13 of the Law on Disciplinary Regulations of the Republic of Armenia Armed Forces. The breach of rules of honour

is considered a disciplinary violation. Regarding bribes, gifts or other assets received by military or civil servants, such issues are regulated by the Criminal Code Articles 311, 312 and 313 and the Armenian Government decree N48 from 17.02.1993 “On the Order of Return of Officially Received Gifts to the State”.

**TIAC:** Respective Codes of Conduct of Military and civilian personnel are also regulated by the Law on Public Service, particularly Article 29 on the ban of gifts. Conflicts of interest are regulated only for high-ranking officials and are prescribed by Articles 30 and 31 on management of conflict of interest situations, within the same law.

## Code of Conduct Breaches Addressed

0 1 2 3 4

**48. Is there evidence that breaches of the Code of Conduct are effectively addressed, and are the results of prosecutions made publicly available?**

### Sources

1. “Today We Need Less Casualties and not More”, Iravunq Newspaper, <http://www.lragir.am/index/arm/0/right/view/84934>, 29.06.2013;
2. Official Website of the Ministry of Defence, [www.mil.am](http://www.mil.am);
3. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

According to the interviewee, the Code of Ethics for civilian officers is not precise and no special attention is paid to it during training of civil servants. Research of the Ministry of Defence official website identified that information on investigations related to civil servants is not published. As to investigations relating to military officers, “www.lragir.am” media reports that on June 29, 2013, during parliamentary hearings, the Minister of Defence stressed that there is no necessity to publish all the results of investigations regarding military officers.

**Ministry of Defence:** Violations of Code of Ethics are addressed in all cases. Such violations are investigated and the results are reflected in relevant order. The armed forces staff are informed of cases when someone is subject to liability for disciplinary violations.

**49. Does regular anti-corruption training take place for military and civilian personnel?****Anti-corruption Training**0 **1** 2 3 4**Sources**

1. “Building Integrity Concept Implementation in the RA Ministry of Defence and International Practice”, Hetq Online Newspaper, <http://hetq.am/arm/news/30876/barevarqutyam-amrapndman-hayecakargi-nerdrumy-hh-pashtpanutyam-nakhararutyunum-ev-mijazgayin-pordzy.html>, 20.11.2013;
2. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

**Comments**

The law does not provide a requirement for regular training for military officers. According to the interviewee, there is no legal act in place to identify the periodic nature and procedure of such trainings. Trainings are not conducted in practice, either. As to civil servants, the law provides a requirement for passing trainings once in three year, but these trainings do not include anti-corruption topics. At the same time, however, the Ministry of Justice Legal Institute organizes regular seminars for public officials on anti-corruption topics.

**Ministry of Defence:** No comment. A Building Integrity Action Plan shall provide for such trainings. The Ministry of Justice Law Institute shall host Ministry of Defence officials, as well as military academy professors, an agreement between Transparency International Chapter in UK and UK Ministry of Defence has been reached, and in this framework, in 2014, it is planned that a Ministry of Defence representative shall be commanded to the UK for trainings. This project is put together with the aim of drafting curriculum for anti-corruption courses in the framework of Building Integrity Action Plan.

**50. Is there a policy to make public outcomes of the prosecution of defence services personnel for corrupt activities, and is there evidence of effective prosecutions in recent years?****Prosecution Outcomes Transparent**0 **1** 2 3 4**Sources**

1. “I Was Very Surprised, as this was Unprecedented Case”, [www.report.am](http://report.am) website, <http://report.am/am/news/society-41/hrayr-karaprtyan-vazgen-sargsyan-zoramas,04.02.2011>;

2. “Surrealistic Images from Peacekeeping Brigade Daily Life”, Hraparak Daily, <http://www.hraparak.am/news/view/37768.html%D5%BE,02.08.2013;>
3. “Deputy Head of Defence Ministry Military Officers’ Social Security Department Arrested”, aysor.am News, <http://www.aysor.am/am/news/2013/09/10/davit-davtyan/%D5%BE,10.09.2013;>
4. “Ministry of Defence Official Arrested Charged for Being Bribed”, Panorama.am Online Daily Press, <http://www.panorama.am/am/law/2011/08/24/corruption/%D5%BE,24.08.2011;>
5. “No Games with “Rozh””, Helsinki Citizens’ Assembly Office in Vanadzor CSO, <http://hcav.am/events/%D5%BE%D5%A1%D5%AC%D5%A5%D6%80%D5%AB-%D5%A1%D5%A2%D6%80%D5%A1%D5%B0%D5%A1%D5%B4%D5%B5%D5%A1%D5%B6%D5%B6-%D5%A8%D5%B6%D5%A4%D5%A4%D5%A5%D5%B4-%C2%AB%D5%A1%D5%BA%D5%A1%D5%B0%D5%B8%D5%BE-%D5%BF%D5%A1/,01.11.2010;>
6. “Today We Need Less Casualties and not More”, Iravunq Newspaper, <http://www.iragir.am/index/arm/0/right/view/84934,29.06.2013;>
7. “Overview of Corruption and Anti-Corruption in Armenia”, Report of Transparency International, [http://www.transparency.org/files/content/corruptionqas/Overview\\_of\\_corruption\\_in\\_Armenia\\_1.pdf,23.08.2013,](http://www.transparency.org/files/content/corruptionqas/Overview_of_corruption_in_Armenia_1.pdf,23.08.2013,) last accessed on 23.12.2013.

### Comments

In 2009-2013 “Hraparak”, [www.panorama.am](http://www.panorama.am) and [www.aysor.am](http://www.aysor.am) media outlets reported criminal proceedings initiated against several Ministry of Defence officials charged for corruption. Corruption-related crimes are mainly reported by media outlets. According to the “Iravunq” media outlet, the Minister of Defence stressed that results of investigations should be published to the extent requested by the society. Some corruption investigations, in spite of initiating criminal proceedings, appear to have been ceased without due reasoning. As an example, the widely publicized “Rozh” case was allegedly closed, which caused dissatisfaction of the head of parliamentary committee on defence, national security and internal affairs. According to Transparency International report, the general public does not believe that the Government is determined to fight corruption effectively.

**Peer Reviewer 2:** I do not agree with the score. The statements brought in the report are sufficient to conclude that no anti-corruption policy is implemented. Suggest scoring 0.

**Ministry of Defence:** Publication of outcomes of prosecution is not required by the legislation and is subject to clarification. If such publication is necessary for prevention purposes, this suggestion may be considered.

**Country Assessor:** I agree with Peer Reviewer 1 and have amended the score.

### 51. Are there effective measures in place to discourage facilitation payments (which are illegal in almost all countries)?

## Facilitation Payments

0 1 **2** 3 4

#### Sources

1. “Policy Forum Armenia: Corruption in Armenia”, Policy Forum Armenia CSO, [http://www.pf-armenia.org/sites/default/files/documents/files/PFA\\_Corruption\\_Report.pdf](http://www.pf-armenia.org/sites/default/files/documents/files/PFA_Corruption_Report.pdf), October 2013;
2. “Overview of Corruption and Anti-Corruption in Armenia”, report of Transparency International, [http://www.transparency.org/files/content/corruptionqas/Overview\\_of\\_corruption\\_in\\_Armenia\\_1.pdf](http://www.transparency.org/files/content/corruptionqas/Overview_of_corruption_in_Armenia_1.pdf), 23.08.2013, last accessed on 23.12.2013;
3. Law on Public Service, <http://www.parliament.am/legislation.php?sel=show&ID=4225&lang=arm>, adopted on 26.05.2011;
4. “Deputy Head of Defence Ministry Military Officers’ Social Security Department Arrested”, 7or.am Online News Agency, <http://www.7or.am/am/news/view/56503/>, 10.09.2013.

#### Comments

According to legislation, Military officers and special civil servants do not have the right to take remuneration other than prescribed by law. “Facilitation payments” are considered bribes according to the Criminal Code and the legislation imposes criminal liability for it. The government has repeatedly stressed a zero tolerance policy towards corruption. As an example, in September 2013, the deputy head of the Social Security Department of the Ministry of Defence was arrested for allegedly requesting a bribe of USD 1000 for expediting the granting of privilege<sup>9</sup>. In spite of the provisions in effect and this example, though, Policy Forum Armenia and Transparency International reports identify that facilitation fees in Armenia in general, and in defence sector in particular, are a common practice.

9. Privilege is a type of social benefit legally available for some groups. As granting privilege goes through certain process, which may take some time, officials in some cases receive bribes for expediting the process of granting the privilege.



**Peer Reviewer 2:** I do not agree with the score. The statements brought in the report are sufficient to conclude that no anti-corruption policy, including against facilitation payments, is implemented. Thus it cannot be effective. Suggest scoring 0.

**Country Assessor:** I do not agree with scoring 0, because according to the model answers, '0' shall mean that facilitation payments are allowed in the legislation and they are officially stipulated.

## OPERATIONS

**52. Do the armed forces have military doctrine addressing corruption as a strategic issue on operations?**

### Military Doctrine

0 1 2 3 4

#### Sources

1. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

#### Comments

The Ministry of Defence has repeatedly stressed a zero tolerance policy towards corruption. But no document with a comprehensive evaluation of corruption risks in defence sector and armed forces and relevant measures has been published. According to the interviewee, there is no document evaluating and analysing of corruption risks while deployed or in operation, or identifying measures for reducing such risks.

**Ministry of Defence:** The existing gap will be filled after the adoption of the Building Integrity Action Plan.

**53. Is there training in corruption issues for commanders at all levels in order to ensure that these commanders are clear on the corruption issues they may face during deployment? If so, is there evidence that they apply this knowledge in the field?**

### Operational Training

0 1 2 3 4

#### Sources

1. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

#### Comments

According to the interviewee, no training for military commanders is required by the legislation.

**Ministry of Defence:** The issue is regularly discussed during meetings and consultations with the Minister of Defence, but no training requirement is provided. The gap shall be filled after adopting Building Integrity Action Plan.

## Anti-corruption Monitoring

0 1 2 3 4

**54. Are trained professionals regularly deployed to monitor corruption risk in the field (whether deployed on operations or peacekeeping missions)?**

### Sources

1. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

According to the interviewee, there are no procedures for deploying trained specialists to areas of operation for the purpose of monitoring of corruption risks.

**Ministry of Defence:** Internal Audit and Control Department officers are regularly commanded to military units for monitoring. Commanding monitors to peacekeeping units stationed abroad is not reasonable, as Armenian peacekeepers operate under control of foreign troops in a small number, and do not have functions containing corruption risks.

**TI-DSP:** The score should stay the same. The Ministry of Defence reviewer's first point does not address military units specifically on operations.

## Controls on Contracting

0 1 2 3 4

**55. Are there guidelines, and staff training, on addressing corruption risks in contracting whilst on deployed operations or peacekeeping missions?**

### Sources

1. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

Armenian peacekeepers participated in missions in Afghanistan, Kosovo and Iraq. In all of these cases Armenian troops were under command of other countries, which procured all necessary equipment. Armenia did not procure anything for its troops in deployment. Armenian procurement legislation only governs issues related to procurements within national borders. Thus, contracting abroad is not regulated in Armenia.

**56. Are private military contractors employed and if so, are they subject to a similar level of scrutiny as for the armed forces?**

## Private Military Contractors

### Sources

0 1 2 3 4

1. Law on Defence, <http://www.parliament.am/legislation.php?sel=show&ID=3420&lang=arm>, adopted on 27.11.2008;
2. Law on Private Guarding Activity, <http://www.parliament.am/legislation.php?sel=show&ID=4421&lang=arm>, adopted on 09.02. 2012;
3. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The composition of defence structures is defined by the Law on Defence. According to the Law on Defence, defence is the remit of the armed forces. Relevant units of national security, police and civil protection forces may only be engaged in defence in a period of martial law. The law prohibits engaging other types of units in defence activities. Private security issues are regulated by Law on Private Guarding Activity, adopted in 2012. According to this law, private guarding services may be rendered only to legal entities. According to the interviewee, private guarding entities are not engaged in defence. A scan of media reports on the subject did not find cases of engaging private guarding entities in defence activities.

## PROCUREMENT

### Legislation

0 1 2 3 4

**57. Does the country have legislation covering defence and security procurement with clauses specific to corruption risks, and are any items exempt from these laws?**

#### Sources

1. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm>, adopted on 22.12.2010;
2. “Law on Military Industrial Complex will be Adopted”, Armeff News Website, [http://armef.com/news/category/comment/article/article\\_1383482073](http://armef.com/news/category/comment/article/article_1383482073), 03.11.2013;
3. Draft Law on Military Industrial Complex, <http://www.mil.am/files/iravakan%20akt2PN-3.pdf>;
4. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

#### Comments

No special legislation on procurement for defence and national security exists in Armenia. Defence procurement is governed by general procurement legislation, which does not provide for any specific measures for defence purchases. According to the Law on Procurement, if the procurement contains classified information, it is conducted through ‘limited procedures.’ According to the interviewee, defence procurement is conducted through such ‘limited procedures.’ This legislation has few provisions that govern corruption-related issues. Since defence-related procurements are secret, there is no evidence that all defence and security procurements are conducted in compliance with the legislation. According to Armeffnews website, the Government approved a draft Law on the Military Industrial Complex to the National Assembly in October 2013, which shall govern issues related to defence procurement.

**Ministry of Defence:** No specific regulations on procurement is provided for defence procurements, so procurement for defence needs is governed by general procurement legislation. If the procurement contains classified information, such procurement shall be performed through ‘limited procedures’(Article 19 of the respective law) or by signing closed framework agreements. The order of implementation of

closed framework agreements has been adopted by the Government decree N1259-N from 20.09.2012.

**TI-DSP:** We suggest score of 1 as the legislation has some measures addressing corruption.

**58. Is the defence procurement cycle process, from assessment of needs, through contract implementation and sign-off, all the way to asset disposal, disclosed to the public?**

## Transparent Procurement Cycle

0 1 2 3 4

### Sources

1. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm> adopted on 22.12.2010;
2. “Capabilities of Democratic, Civil and Social Oversight over Armed Forces in Armenia”, report of Helsinki Citizens’ Assembly Office in Vanadzor CSO, <http://hcav.am/wp-content/uploads/2012/04/Report.pdf>, Vanadzor, 2012;
3. “Stationary Procurement in Armenian Ministries in 2009-2011”, report of Freedom of Information Center CSO, [http://www.foi.am/u\\_files/file/Grenakan.pdf](http://www.foi.am/u_files/file/Grenakan.pdf), 2012;
4. 2013 Interactive Budget, <https://www.e-gov.am/interactive-budget/>;
5. System of State Procurement, <http://gnumner.am/am/category/136/1.html>;
6. Armenian Government decree N740-N of 04.07.2013 “On Approving 2014-2016 Mid-term Expenditure Program”, [https://e-gov.am/u\\_files/file/decrees/kar/2013/07/13\\_740.pdf](https://e-gov.am/u_files/file/decrees/kar/2013/07/13_740.pdf);
7. Official Website of the Ministry of Defence, [www.mil.am](http://www.mil.am).

### Comments

According to a 2012 report by the Helsinki Citizens’ Assembly Office in Vanadzor, all defence procurements are classified and are not publicly available. This statement refers to both military and non-military items of the budget. As of 2013, no information on Ministry of Defence needs assessments has been made available on the Ministry of Defence website, nor has it been in the 2014-2016 mid-term expenditure plans. Information on contracts signed within the framework of open procedures was published on the official website of the state procurement system in 2013. No information on contracts

signed in the framework of other procedures is available. Neither the Ministry of Defence website nor Armenian state procurement system website contain information on contract implementation and asset disposals. According to the interviewee, information on contract implementation is published only when a person violates his/her contractual obligations.

**Ministry of Defence:** The first part of the comment contradicts to the second part, as the first part claims all procurements by the Defence Ministry are secret, meanwhile the second part speaks about open procedures implemented by the Defence Ministry.

It should be mentioned that the Ministry of Defence performs nearly all types of procurement procedures provided for in Article 17 of RA Law on Procurement (hereinafter Law) and announcements (reports) on contracts signed as a result of procurement are published in the Official Bulletin of Procurement in the manner prescribed by Article 10 of the law. Their forms are approved by Finance Minister's Order N 667 from 02.08.2013. Such announcements contain full information on signed contracts. In case the information on the procurement is classified and contained state or service secret, it is not published and is sent to the authorized body – Ministry of Finance by the order prescribed by law (Article 8 of the Law on Procurement).

As to control over contract implementation: the relevant division is responsible for this function, according to Paragraph 17 of the Order. No requirement to publish the information on contract implementation is prescribed by the legislation. In cases when the party violates provisions of the contract, punishment measures shall be applied to him. No requirement to publish information on applied punishments exists. In case of a contract being liquidated unilaterally, all relevant documents are sent to the “Procurement Support Center” SNCO, in order to initiate the procedure of including them in the black list. This information is posted on the website. This means that all other contracts have been implemented in accordance with the contract terms.

**TIAC:** Our monitoring has revealed that in addition to the open contracts, information about other types of procurement is also published. However, data is posted on different websites and is likely incomplete, as it is different from the statistics summarized on an

annual basis. According to our observation, the public is not informed about the quality of implementation of the terms of contract, provision and accepting of goods and services, and payments and fines/penalties. One may be informed about problems in the procurement process using the ‘black list’ of organizations, or through a complaint process in cases where there is a dispute regarding implementation of the terms of the contract.

**Country Assessor:** The statement that procurements are not public was taken from Helsinki Citizens’ Assembly Office in Vanadzor report. It related to the situation before 2012, and was true then. Starting from 2013 the situation changed.

**TI-DSP:** We suggest the score of 2, as the defence procurement cycle appears to be disclosed in summary form to the public.

### 59. Are defence procurement oversight mechanisms in place and are these oversight mechanisms active and transparent?

## Oversight Mechanisms

0 1 2 **3** 4

#### Sources

1. “Istanbul Anti-corruption Action Plan: the second round of monitoring: Armenia: Progress report”, OECD report, <http://www.oecd.org/corruption/acn/49910824.pdf>, 20.02.2012, last accessed on 23.12.2013;
2. “Anti-corruption reforms in Eastern Europe and Central Asia: Progress and Challenges, 2009-2013”, OECD report, <http://books.google.am/books?id=zQZuAAAAQBAJ&pg=PA130&lpg=PA130&dq=Procurement+reform+Armenia&source=bl&ots=8wVOrfEnZI&sig=s8y4bCV0awDI9kGRXziZhw9bhoQ&hl=ru&sa=X&ei=B8-7UuPFGauh7Aak-ICQBA&ved=0CG0Q6AEwBw#v=onepage&q=Procurement%20reform%20Armenia&f=false>, 2013, last accessed on 23.12.2013;
3. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm>, adopted on 22.12.2010;
4. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

#### Comments

Procurement legislation provides for control over procurement procedures if there is an appeal by a participant against procurement



officials. According to the Law on Procurement, a Procurement Appeal Commission, an independent body, is formed when an appeal is submitted. A representative from a CSO is also included in the committee. According to the OECD report, the effectiveness of an appeal committee is stipulated by the fact that a participant is entitled to appeal against any decision of a procurement officer and the evaluation committee, and they can challenge the decision on what form of procurement is used. From 2011-2013, according to a report of the state procurement system, 19 appeals were submitted to the Ministry of Defence Procurement Appeal Council, 11 of which were approved and 4 which were dismissed. Decisions of the Procurement Appeal Commission are published on the website. The media has not reported that the Procurement Appeal Commission is ineffective.

**Ministry of Defence:** Not only defence procurement oversight mechanisms, but also general procurement oversight mechanisms are effective in Armenia, and enable the protection of procurement participants' rights in any stage of procurement. Issues related to appealing against procurement officers' decisions, and information on the Procurement Appeal Commission, are covered in the Law on Procurement Section 6 as well as chapters 10 and 11 of the Rules of Procedure. Besides the above mentioned oversight mechanism, participants may file a claim to the court at any time, thus protecting his or her rights. The Staff Control Department of the Ministry of Defence also performs regular checks of procurement process of separate items, prices and compliance with requested products. The Defence Minister with his N606 order of 2011 ordered a compliance check of delivered goods to see if they meet requested technical characteristics. If inconsistencies are discovered, the supplier shall be subject to punishments provided in the contract.

**TIAC:** According to our observations, the oversight mechanisms are not transparent and effective as there is no public participation or any reporting about the inspections, except for the reports of the Chamber of Control. We would suggest a grade of no more than 3.

**TI-DSP:** We suggest lowering the score to 3 because the appeals process is the only form of control included in the assessor's comments. It could be raised to 4 only if the assessor confirmed the Ministry of Defence comment that the Ministry of Defence performs regular compliance and price checks.

**Country Assessor:** Agree with scoring 3. Thought the checks mentioned by Ministry of Defence are indeed conducted, they are not aimed at protecting rights of the bidders. No mechanism for overview of procurement procedures besides appealing exists.

## 60. Are actual and potential defence purchases made public?

### Purchases Disclosed

0 1 2 3 4

#### Sources

1. “Capabilities of Democratic, Civil and Social Oversight over Armed Forces in Armenia”, report of Helsinki Citizens’ Assembly Office in Vanadzor CSO, <http://hcav.am/wp-content/uploads/2012/04/Report.pdf>, Vanadzor, 2012;
2. Website of Ministry of Finance Procurement System, <http://gnumner.am/am/category/35/1.html>;
3. Armenian Government decree N740-N of 04.07.2013 “On Approving 2014-2016 Mid-term Expenditure Program”, [https://e-gov.am/u\\_files/file/decrees/kar/2013/07/13\\_740.pdf](https://e-gov.am/u_files/file/decrees/kar/2013/07/13_740.pdf);
4. Appendix 12 of Armenian Government decree N1616-N from 20.12.2012 “On Implementation of State Budget”, <https://www.e-gov.am/gov-decrees/item/22330/>;

#### Comments

The Ministry of Defence’s current procurements are listed in the Armenian Government decree N1616-N, Appendix 12 from 20.12.2012. According to the interviewee, only defence purchases, i.e. weapons and items of military use, are not made publicly available, and defence procurements comprise around 20% of all national procurement.

With regard to potential expenditures, i.e. expenditures to be conducted in further budget years, the 2014-2016 mid-term expenditure plan does not contain any information on potential procurements.

**Ministry of Defence:** Yes, they are publicly available, with the exception of classified procurements. All information on procurement is published in procurement official bulletin, as provided for in Article 10 and 24 of the Law and Paragraph 15 of the Rules of Electronic Procurements, approved by the Government decree N1370-N from 05.12.2013.

**TI-DSP:** Suggested score is 1 given that the general procurement information is made public, but defence procurement is not.

## Standards Expected of Companies

0 1 2 3 4

**61. What procedures and standards are companies required to have – such as compliance programmes and business conduct programmes – in order to be able to bid for work for the Ministry of Defence or armed forces?**

### Sources

1. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm>, adopted on 22.12.2010;
2. Republic of Armenia Government decree N168-N from 10.02.2011 “On Organization of Procurement Process”, <https://www.e-gov.am/gov-decrees/item/19111/>;
3. Armenian Government decree N1481-N from 20.10.2011 “On Clearance Order of Possible Procurement Participants”, <https://www.e-gov.am/gov-decrees/item/20370/>;
4. Official Website of State Procurement System, [www.gnumner.am](http://www.gnumner.am);
5. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

Procurement legislation provides that entities led by an executive who has been convicted for corruption within last 3 years may not bid. According to the interviewee, procurement participants are only required to submit a declaration confirming this. No requirement on anti-corruption compliance programs are contained in the legislation. Research of invitations to bidding published on State Procurement System website identifies that no compliance program requirement exists.

There is a punishment in place to prevent those convicted of corruption and other crimes from bidding, but the government does not require compliance programs from bidding companies.

**Ministry of Defence:** No business conduct rules exist as such, therefore they cannot be included in an invitation to bid. Sample invitations to bid are approved by the authorized body - Minister of Finance.

According to Law on Procurement Article 5, Paragraph 1, Point 3, entities managed by an executive who has been convicted for within the last three years may not participate in the tender, except when the punishment has been served in accordance with the law.

Law on Procurement Paragraph 79 of the order states that the criteria “right to participate” shall be evaluated as follows: the person shall have right to participate in tender, if relevant declaration is submitted according to Article 5 Paragraph 1 of the law; 2. no other documents except of the declaration may be requested from the participant. Thus, legislation explicitly forbids the procurement officer to request any additional document (except for the submitted written declaration) from the procurement participant, according to Article 5, Paragraph 1. According to Paragraph 87 of the “Rules of procedure on procurement organization” RA Government decree N168, dated on 10.02.2011, the procurement coordinator or the evaluation committee may check the information submitted using information of official sources or the written conclusion of respective authorities.

**TIAC:** Additionally, bidding organizations shall not be recognized as bankrupt by the court, shall not have debts to tax and social security services, and shall not be included in the “black” lists of participants that do not have the right to participate in the procurement process.

## 62. Are procurement requirements derived from an open, well-audited national defence and security strategy?

### Sources

1. Law on Rules of Procedure of the National Assembly, <http://www.parliament.am/legislation.php?sel=show&ID=38&lang=eng>, adopted on 20.02.2002, last accessed on 23.12.2013;
2. Armenian Government decree N740-N from 04.07.2013 “On Approving 2014-2016 Mid-term Expenditure Program”, [https://e-gov.am/u\\_files/file/decrees/kar/2013/07/13\\_740.pdf](https://e-gov.am/u_files/file/decrees/kar/2013/07/13_740.pdf);
3. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

According to the interviewee, Ministry of Defence procurements are

## Strategy Drives Requirements

0 1 2 3 4

planned in accordance to its action plan. Research of public sources, however, find that the Ministry of Defence Action Plan is not published. No information on priorities of the Armenian Ministry of Defence is published in the 2014-2016 midterm expenditures program. According to the interviewee, when planning programs, the national security strategy is often referred to, but no control over its reasoning has ever been exercised.

## Requirements Quantified

### 63. Are defence purchases based on clearly identified and quantified requirements?

0 1 **2** 3 4

#### Sources

1. Appendix 12 of Armenian Government decree N1616-N from 20.12.2012 “On Implementation of State Budget”, <https://www.e-gov.am/gov-decrees/item/22330/>;
2. “What Changed in State Procurement Area”, [www.mediamall.am/Website](http://topnews.mediamall.am/Website), <http://topnews.mediamall.am/?id=54376%D5%BE>, 25.10.2013;
3. “Fighting Corruption in Transition Economies: Fighting Corruption in Armenia”, OECD report, [http://books.google.am/books?id=tLFrb9r2TAKC&pg=PA69&lpg=PA69&dq=technical+specifications+procurement+corruption+Armenia&source=bl&ots=FmCHViExt2&sig=Rr\\_wVHudEcYOYurw78Kg7lvqaS4&hl=en&sa=X&ei=1\\_S7UuW8L4Lx4gTNRlDYDw&ved=0CCYQ6AEwAQ#v=onepage&q=technical%20specifications%20procurement%20corruption%20Armenia&f=false](http://books.google.am/books?id=tLFrb9r2TAKC&pg=PA69&lpg=PA69&dq=technical+specifications+procurement+corruption+Armenia&source=bl&ots=FmCHViExt2&sig=Rr_wVHudEcYOYurw78Kg7lvqaS4&hl=en&sa=X&ei=1_S7UuW8L4Lx4gTNRlDYDw&ved=0CCYQ6AEwAQ#v=onepage&q=technical%20specifications%20procurement%20corruption%20Armenia&f=false);
4. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

#### Comments

Research of the Armenian government decree N1616-N from 20.12.2012, Appendix 12, identifies that the quantity of each item is listed and publicly available. The Ministry of Defence may not, on its own initiative, procure more items than listed in the decree. According to the interviewee, the vagueness of technical characteristics required in procurement has long been considered as containing corruption risks. According to [www.mediamall.am](http://www.mediamall.am), the Deputy Minister of Finance stated on October 25, 2013, that the Armenian Government has approved technical characteristics of certain procurement items, which reduces the corruption risk. Still, according to the interviewee, the

issue of clarity on technical characteristics is not completely solved and it still contains corruption risks.

**Ministry of Defence:** When planning procurement the Defence Ministry clearly identifies the number of items and the sum allocated in the budget for each item. The technical characteristics are drafted in accordance with Article 12 of the law. As provided for in Government decree N441 from 18.04.2013, technical requirements have been drafted based on technical characteristics of items that the Defence Ministry acquired in previous years. Presently the list provided in N441 decree is enhanced, and the technical characteristics have been made clearer.

**TIAC:** In fact, with regard to justification and approval, a state institution may purchase additional items and items with other technical specifications. In practice, in the last quarter of the year, there are often controversial purchases taking place (e.g. Ministry of Finance allegedly purchased gold watches for its employees); however, there is not similar information regarding the Ministry of Defence.

**64. Is defence procurement generally conducted as open competition or is there a significant element of single-sourcing (that is, without competition)?**

**Open Competition v. Single-Sourcing**

**Sources**

1. "Today We Need Less Casualties", Iravunq Newspaper, <http://www.lragir.am/index/arm/0/right/view/84934>, 29.06.2013;
2. Procurement System in the Republic of Armenia Website, Annual Reports for 2013, <http://gnumner.am/am/category/199/1.html>, last accessed on May, 2014;
3. Electronic Government of the Republic of Armenia website ,single source procurements of Ministry of Defence, <https://www.e-gov.am/transparent/page=1;yr=2013;min=104013/>, last accessed in May 2014;
4. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

0 1 **2** 3 4

**Comments**

According to the Procurement System in the Republic of Armenia website and reports for the first nine months of 2013, in 2013 the Ministry of Defence conducted over 50 open procurement procedures,

with a total amount of 3.130.344.666 AMD. According to Electronic Government of the Republic of Armenia website, in 2013 the Ministry of Defence conducted over 51 single source procurements with the amount of 60.140.000 AMD. Thus, portion of single source procurements is not more than 2 per cent of total procurements.

**TIAC:** TIAC monitoring indicates that about 54% of overall procurement in 2013 has been conducted by ‘negotiations without announcement’ (single-source method). Ministry of Defence conducted open competitive procurement for 3.1 billion AMD (about 25% of all open procurement) and single-source procurement for 1.5 billion AMD, meaning that the volumes of single-source procurement (available on e-gov.am) were twice lower than those of open competitive procurement. Numbers of contracts for single-source procurement are not available.

As there is a considerable volume of single source procurement we would suggest to grade it 2.

Additionally, within 172 rejections in open competition in 2013, 49 (28% of companies) were rejected by the Ministry of Defence, hence limiting the competition.

**TI-DSP:** Score is changed to 2 based on TIAC comments.

## Tender Board Controls

0 1 **2** 3 4

**65. Are tender boards subject to regulations and codes of conduct and are their decisions subject to independent audit to ensure due process and fairness?**

### Sources

1. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm> adopted on 22.12.2010;
2. Republic of Armenia Government decree N168-N from 10.02.2011 “On Organization of Procurement Process”, <http://www.mil.am/files/Kar-voroshum-168-N.pdf>;
3. System of Public Procurements of Armenia, [www.gnumner.am](http://www.gnumner.am);
4. “Istanbul Anti-corruption Action Plan: the second round of monitoring: Armenia: Progress report”, OECD report, <http://www.oecd.org/corruption/acn/49910824.pdf>, 20.02.2012, last accessed on 23.12.2013;

5. Anti-corruption reforms in Eastern Europe and Central Asia: Progress and Challenges, 2009-2013, OECD report, <http://books.google.am/books?id=zQZuAAAAQBAJ&pg=PA130&lpg=PA130&dq=Procurement+reform+Armenia&source=bl&ots=8wVOrfEnZI&sig=s8y4bCV0awDI9kGRXziZhw9bhoQ&hl=ru&sa=X&ei=B8-7UuPFGauh7Aak-ICQBA&ved=0CG0Q6AEwBw#v=onepage&q=Procurement%20reform%20Armenia&f=false>, 2013;
6. “Are Public Procurements Transparent?”, Public Radio of Armenia, 11.07.2012;
7. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

Members of the evaluating committee, according to the Armenian Government decree N168-N from 10.02.2011, may not be affiliated to potential participants in the procurement process. This is the only provision provided for the members of evaluation committees. No Code of Conduct is adopted for members of committees. To exercise control over members of the committee, the law provides for Procurement Appeal Commission which, according to the OECD 2013 report, is independent. Records of sessions of the evaluation committee are published on State Procurement System website, although the records may not be complete. According to the interviewee, the Ministry of Finance conducts regular checks of published records. Despite this, Armenian Public Radio reports that the State Procurement System is still not transparent and not available for businessmen.

**Peer reviewer 2:** I do not agree with the score. The ability of businessmen to access information should be considered more relevant for scoring, since they deal with procurement system every day, and therefore they are more informed. Suggested score 2

**Ministry of Defence:** No codes of conduct for evaluation committee members exists. “Rules of procedure on procurement organization” RA Government decree N168 provides for rights and responsibilities of members of the committee, which may be considered as a Code of Conduct. For example, a member of the committee should have the qualifications and knowledge to evaluate the participants’ qualifications and offers. If the representatives of the procurement do not have the necessary qualifications, an expert may be invited to assist the committee. Members of the committee and the expert



may not participate in the work of the committee if they are affiliated with the participants of the tender. In this regard each member of the committee and invited experts sign a declaration on the absence of conflict of interests (Paragraph 19 of the “Rules of Procedure on Procurement Organization” RA Government decree N168). Selection of members of the committee in the Ministry of Defence is based on the above mentioned criteria.

As to control over evaluating committees, the Procurement Appeal Commission is in place, which is an independent body. Any participant may file petition to the appeal committee.

**TIAC:** Though there is a requirement for a declaration on the absence of conflicts of interest, it is not possible to check and control. As a matter of fact, the members of evaluation commissions are public officials, whose conduct is regulated by the norms of ethics, stipulated by Article 28 and the ban on gifts prescribed by Article 29 of Armenian Law on Public Service, as well as other related laws (e.g. Armenian Law on Civil Service, Armenian Law on Municipal Service). The conduct of the heads of institutions in charge of approval of electronic procurement is additionally regulated for conflicts of interest by Articles 30 and 31 of the Armenian Law on Public Service. Our monitoring revealed that not all the records are posted on respective websites.

## Anti-collusion Controls

0 1 2 3 4

**66. Does the country have legislation in place to discourage and punish collusion between bidders for defence and security contracts?**

### Sources

1. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=armadopted> on 22.12.2010;
2. State Procurement System, [www.gnumner.am](http://www.gnumner.am);
3. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The Law on Procurement states that the person with behaviour that is not in line with anti-trust regulations is blacklisted and forbidden from participating in further procurements. The list of such entities is

published on the website of the public procurement system. No special provision for such behaviour in defence procurements exists. According to the interviewee, however, the anti-trust provision is not implemented. This is also proved by the fact that the Ministry of Defence website does not contain any information on blacklisted companies, and the website of the State Procurement System does not contain information on entities blacklisted for anti-trust conduct.

**Ministry of Defence:** According to Law on Procurement Article 5, Paragraph 1, Point 4, sub-point d), blacklisted entities have no right to participate in a tender. An entity may be blacklisted if, during the year preceding the bid submission in a manner prescribed by law, the bidder was convicted by a decision for anti-competitive behaviour during procurement process, such as collusion or abuse of dominant position. Pursuant to RA legislation the State Commission for the Protection of Economic Competition discusses and provides conclusion on such issues. According to Article 25, Paragraph 2, Point 2 in the procurement process the tendering entity in the Defence Ministry is requested to submit in the bid a statement verifying about the absence of abuse of dominant position and collusion. Upon detection of cases described within the guidelines prescribed by the State Commission for the Protection of Economic Competition decision N317-A from 25.07. 2011, the procuring entity shall send the relevant information to the above-mentioned commission within 5 business days. In accordance with Law on Procurement Article 2, the Authorized Body cooperates with other relevant bodies in order to identify cases of infringement of legislation on protection of economic competition in the procurement process, including collusion and abuse of dominant position.

**67. Are procurement staff, in particular project and contract managers, specifically trained and empowered to ensure that defence contractors meet their obligations on reporting and delivery?**

**Procurement Staff Training**

0 1 **2** 3 4

#### Sources

1. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm>, adopted on 22.12.2010;
2. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

Article 15 of the Law on Procurement states that procurement staff should be qualified and included in the list of qualified procurement specialists. For this, they must pass exams. According to the interviewee, there is no training requirement for project managers and contract managers. According to the interviewee, procurement positions are often filled with people who do not have relevant background and experience. Also, according to the interviewee, exams and tests are designed in a way that do not allow a full evaluation of knowledge and skills of the employee. In most cases the employees pass the tests, and no case of failure has been recorded. The interviewee also mentioned that in some cases high-ranking officials influence the process of contract implementation.

**Ministry of Defence:** All procurement officers have undergone relevant trainings, passed exams and are included in the list of qualified specialists drafted by the authorized agency, in accordance with Law on Procurement, Article 15 Paragraph 5.

**TIAC:** Twelve people from defence sector have been qualified for procurement assessment, however given the fact that 11 of the 19 complaints have been confirmed as accurate by the Appeal Council, one may question the quality of training and professionalism, or the intention of procurement officers.

**Country Assessor:** I partially agree with Ministry of Defence position. The score has been reviewed.

## Complaint Mechanisms for Firms

0 1 2 **3** 4

**68. Are there mechanisms in place to allow companies to complain about perceived malpractice in procurement, and are companies protected from discrimination when they use these mechanisms?**

### Sources

1. Istanbul Anti-corruption Action Plan: the second round of monitoring: Armenia: Progress report, OECD report, <http://www.oecd.org/corruption/acn/49910824.pdf>, 20.02.2012, last accessed on 23.12.2013;
2. Anti-corruption reforms in Eastern Europe and Central Asia: Progress and Challenges, 2009-2013, OECD report, <http://books.google.am/books?id=zQZuAAAAQBAJ&pg=PA130&lpg=PA130&dq=Procurement+>

reform+Armenia&source=bl&ots=8wVOrfEnZI&sig=s8y4bCV0awDI9kGRXziZhw9bhoQ&hl=ru&sa=X&ei=B8-7UuPFGauh7Aak-ICQBA&ved=0CG0Q6AEwBw#v=onepage&q=Procurement%20reform%20Armenia&f=false, 2013;

3. “Are State Procurements Transparent?”, Public Radio of Armenia, 11.07.2012.

### **Comments**

Legislation on procurement provides that procurement participants may appeal against any activity of the procuring entity to the Procurement Appeal Council. According to OECD 2013 report, the Appeal Council is an independent body. Besides officials from government agencies, it includes members of non-governmental organizations. Decisions of Appeal Council are transparent and are published on the website of State Procurement System. The law does not provide for special provisions on protecting companies, which have exercised their right to appeal. During 2011-2013 there were 19 appeals against Ministry of Defence decisions, 10 of which have been granted relief, 4 were dismissed and 3 were rejected. But according to the interviewee, the participants avoid appealing as some issues may raise during their further operation. The Armenian Public Radio also reports that businessmen do not trust new procurement system.

**Peer Reviewer 2:** I do not agree with the score. The position of tender participants should be decisive for scoring, since they point to an urgent issue: they avoid appealing, because they are concerned that problems may arise during further operations. Given the small number of appeals it may seem that the situation is satisfactory, while in fact we deal with a systemic problem, in conditions of which participants face pressures and threats. Thus, I suggest scoring 1.

**Ministry of Defence:** According to Article 45 of the law, any entity has right to appeal against decisions of evaluating committee and the procuring entity to the Procurement Appeal Council or to the court.

**TIAC:** Out of 73 members of the Procurement Complaint Council only 3 represent civil society organizations, though in a commission convened for hearing of individual complaints there must be one representative of a CSO. Out of the engaged CSOs, only the Freedom of Information Center CSO is publicly known, while the names of the “Institute for Development of Legal Culture” and “Mehrabyan Scientific-Educational Center” are not known to the general public. An example

of ‘problems during further works’ is “Ashot Avoyan” Ltd, which has appealed the decisions of the evaluation commission twice, and in 2013 appeared in the “black” list of organizations, meaning that it lost the right to participate in the procurement process.

**Country Assessor:** I do not agree with scoring 1, since, according to the model answers, the comments indicate that no such mechanism exists.

## Sanctions for Corruption

**69. What sanctions are used to punish the corrupt activities of a supplier?**

0 1 2 3 4

### Sources

1. Criminal Code of the RA, <http://www.parliament.am/legislation.php?sel=show&ID=1349&lang=eng>, adopted on 18.04.2003;
2. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm>, adopted on 22.12.2010
3. Official Website of Public Procurement System of Armenia, [www.gnumner.am](http://www.gnumner.am);
4. “Kapan Meat Factory Director Charged related to “Buffalo meat” Case”, Hetq Online Newspaper, <http://hetq.am/arm/news/19219/gomeshi-msi-gortsov-mexadryaly-kapani-msi-kombinati-tnorenn-e.html>, 05.10.2013;
5. “High-ranking Military Official Arrested Related to “Buffalo Meat” Case”, Hetq online Newspaper, <http://hetq.am/arm/news/24788/gomeshi-msi-gortsov-bardzrastitchan-zinvorakan-e-dzerbakalvel.html>, 25.03.2013;
6. “Investigation of “Buffalo Meat” Case is in Deadlock”, Hayeli Club, <https://hayeli.am/article/120624/>, 09.10.2012;
7. “Criminal Proceedings in “Buffalo Meat” Case are Likely to be Closed”, 168.am Online Weekly, <http://168.am/2013/11/06/296614.html>, 06.11.2013;
8. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The Criminal Code of Armenia imposes criminal liability for bribery. The Law on Procurement provides that a company whose executive

has been convicted for corruption in the three years before submitting the application may not be qualified for procurement procedures. But according to the interviewee, no procedures exist for punishing the companies previously engaged in corruption. No executive of a company has been convicted for active bribery during the last 10 years. The widely known “buffalo meat” case is evidence that punishing suppliers is not effective. According to “Hetq” media, a the person charged with corruption, the director of Kapan meat factory, is known and highly influential. To “Hayeli” media, this is the reason that there is no progress in the case. While according to “168 Zham” media, investigators are prepared to close the case down.

**TIAC:** General-lieutenant Arshaluys Paytyan, who was allegedly responsible for the issue, was removed from his position of Deputy Head of Armed Forces’ General in 2012. He is not known to have been held liable for this, and in April 2014 was appointed as an Advisor to the Minister of Defence.

Additionally, a loophole exists: the head of an organization that appears in the “black” list may register another organization and continue participating in the public procurement process.

**70. When negotiating offset contracts, does the government specifically address corruption risk by imposing anti-corruption due diligence requirements on contractors? Does the government follow up on offset contract performance and perform audits to check performance and integrity?**

**Due Diligence**

Not Applicable

### Sources

1. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm>, adopted on 22.12.2010
2. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The Law on Procurement does not regulate offset contracts issues. No legal act governs offset contracts in Armenia. According to the interviewee, Armenia has never signed offset contracts. The Ministry of Defence, according to the interviewee, is not familiar with “offset contract” concept. Public sources also did not reveal cases of signing offset contracts.

## Transparency 71. Does the government require high standards of transparency of all offset contracts and programmes?

Not Applicable

### Sources

1. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm> adopted on 22.12.2010;
2. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The Law on Procurement does not regulate offset contracts issues. No legislation governing offset contracts exists in Armenia. According to the interviewee, Armenia has never signed offset contracts. The Ministry of Defence, according to the interviewee, is not familiar with “offset contract” concept. Public sources also did not reveal cases of signing offset contracts.

## Competition Regulation 72. Are offset contracts subject to the same level of competition regulation as the main contract?

Not Applicable

### Sources

1. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm>, adopted on 22.12.2010;
2. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

The Law on Procurement does not regulate offset contracts issues. No legislation governing offset contracts exists in Armenia. According to the interviewee, Armenia has never signed offset contracts. The Ministry of Defence, according to the interviewee, is not familiar with “offset contract” concept. Public sources also did not reveal cases signing offset contracts.

**Ministry of Defence:** for answers 70, 71, and 72: offsets are not provided for by the legislation.

### 73. How strongly does the government control the company's use of agents and intermediaries in the procurement cycle?

## Controls of Agents

0 1 2 3 4

#### Sources

1. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm>, adopted on 22.12.2010;
2. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

#### Comments

The Law on Procurement does not regulate issues related to control over agents and intermediaries. According to the interviewee, participation of intermediaries and agents in procurement is a common practice, and there is no special approach towards them.

**Ministry of Defence:** The law does not provide for special provisions governing issues related to control over agents and intermediaries.

**TIAC:** It may be relevant to note that our monitoring indicates that recently there have emerged more non-resident companies with Armenian stockholders.

### 74. Are all principal aspects of the financing package, including payment timelines, interest rates, commercial loans or export credit agreements (and others, as applicable), publicly available prior to the signing of procurement contracts?

## Transparency of Financing Packages

0 1 2 3 4

#### Sources

1. Invitation to bidding in “HHPNNTAD-BYTSZB-12/2” open procedure, <http://gnumner.am/am/home.html>;
2. Official Website of the State Procurement System of Armenia, [www.gnumner.am](http://www.gnumner.am);
3. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

#### Comments

According to the interviewee, all principal aspects of financial package, including payment timelines, payment conditions, and conditions for delivery of goods and services, are included in the draft agreement



prior to the signing of procurement contract. The draft agreement is an integral part of the invitation.

Research on the randomly chosen “HHPNNTAD-BYTSZB-12/2” open procedure invitation revealed that all the principal aspects of financial packages are included in the draft agreement. According to the interviewee, the signed contract fully complies with the draft which is included in the invitation. Media has not reported any inconsistency between signed procurement contract and the draft presented in the invitation.

## Subsidiaries/ Sub-contractors

0 1 2 3 4

**75. Does the government formally require that the main contractor ensures subsidiaries and sub-contractors adopt anti-corruption programmes, and is there evidence that this is enforced?**

### Sources

1. Law on Procurement, <http://www.parliament.am/legislation.php?sel=show&ID=3985&lang=arm>, adopted on 22.12.2010;
2. Interview with Interviewee 1: Ministry of Defence senior official in foreign policy and reforms area, Yerevan, 17-20.12.2013.

### Comments

Procurement legislation does not provide any requirements that subsidiaries and sub-contractors adopt anti-corruption programs. According to the interviewee, no such requirement is included in the invitation either.

## Political Influence

0 1 2 3 4

**76. How common is it for defence acquisition decisions to be based on political influence by selling nations?**

### Sources

1. UN Register of Conventional Arms, <http://www.un-register.org/HeavyWeapons/Index.aspx>, last accessed on 23.12.2013.
2. “Chinese Arsenal of Armenia”, PanARMENIAN.Net Online News and Analytical Agency, <http://www.panarmenian.net/rus/details/168967/>, 24.08.2013;
3. “Procurement of Chinese Weapons is a Good Message for Russia”,

Iragir.am Online Newspaper, <http://www.lragir.am/index/rus/0/politics/view/31873>, 20.08. 2013;

4. Interview with Interviewee 2: Ministry of Defence senior official in procurement area, Yerevan, 17-20.12.2013.

### **Comments**

Relations between Russia and Armenia are described as a strategic partnership. [www.lragir.am](http://www.lragir.am) reports that Russia plays an important role in supplying Armenia with weapons. There is evidence that Armenia buys weapons from other countries as well. The UN Conventional Arms Register identified that in 2010 Armenia imported weapons from Montenegro and Ukraine, for example. In 2013 Panarmenian.net reported that Armenia was allegedly preparing to buy missiles from China. [www.lragir.am](http://www.lragir.am) also reported Armenia's intention to buy weapons from Europe. According to the "Modus Vivendi" Center director Ara Papyan, buying weapons from other countries should be considered a message to Russia. According to Panarmenian.net media, Armenia prefers buying weapons from Russia because it offers a cheaper price, given Armenia's membership in the Collective Security Treaty Organisation (CSTO (ODKB)). According to the interviewee, Russian weapons are more user-friendly for Armenian militaries, which is why Armenia prefers buying weapons from Russia.

**Peer Reviewer 1:** It is hard to say whether Armenia buys weapons from Russia at a cheaper price or not, but the Russian influence on buying weapons is obvious.

**Ministry of Defence:** The question, as well as the comment, needs to be clarified. The expression "political influence by selling nation" is not clear.

**TIAC:** These issues are included in the scope of classified procurement, and the adopted decisions are not transparent.

**Country Assessor:** The facts brought in the comment reveal that there are countries which offer weapons at a cheaper price.

**TI-DSP:** Score is lowered to 1 to reflect the model answers.

# APPENDICES

## 1. QUESTIONNAIRE

### POLITICAL

1. Is there formal provision for effective and independent legislative scrutiny of defence policy?
2. Does the country have an identifiable and effective parliamentary defence and security committee (or similar such organisation) to exercise oversight?
3. Is the country's national defence policy debated and publicly available?
4. Do defence and security institutions have a policy, or evidence, of openness towards civil society organisations (CSOs) when dealing with issues of corruption? If no, is there precedent for CSO involvement in general government anti-corruption initiatives?
5. Has the country signed up to international anti-corruption instruments such as, but not exclusively or necessarily, UNCAC and the OECD Convention?
6. Is there evidence of regular, active public debate on issues of defence? If yes, does the government participate in this debate?
7. Does the country have an openly stated and actively implemented anti-corruption policy for the defence sector?
8. Are there independent, well-resourced, and effective institutions within defence and security tasked with building integrity and countering corruption?
9. Does the public trust the institutions of defence and security to tackle the issue of bribery and corruption in their establishments?
10. Are there regular assessments by the defence ministry or another government agency of the areas of greatest corruption risk

for ministry and armed forces personnel, and do they put in place measures for mitigating such risks?

**11.** Does the country have a process for acquisition planning that involves clear oversight, and is it publicly available?

**12.** Is the defence budget transparent, showing key items of expenditure? This would include comprehensive information on military R&D, training, construction, personnel expenditures, acquisitions, disposal of assets, and maintenance.

**12a.** Is there a legislative committee (or other appropriate body) responsible for defence budget scrutiny and analysis in an effective way, and is this body provided with detailed, extensive, and timely information on the defence budget?

**12b.** Is the approved defence budget made publicly available? In practice, can citizens, civil society, and the media obtain detailed information on the defence budget?

**13.** Are sources of defence income other than from central government allocation (from equipment sales or property disposal, for example) published and scrutinised?

**14.** Is there an effective internal audit process for defence ministry expenditure (that is, for example, transparent, conducted by appropriately skilled individuals, and subject to parliamentary oversight)?

**15.** Is there effective and transparent external auditing of military defence expenditure?

**16.** Is there evidence that the country's defence institutions have controlling or financial interests in businesses associated with the country's natural resource exploitation and, if so, are these interests publicly stated and subject to scrutiny?

**17.** Is there evidence, for example through media investigations or prosecution reports, of a penetration of organised crime into the defence and security sector? If no, is there evidence that the government is alert and prepared for this risk?

- 18.** Is there policing to investigate corruption and organised crime within the defence services and is there evidence of the effectiveness of this policing?
- 19.** Are the policies, administration, and budgets of the intelligence services subject to effective, properly resourced, and independent oversight?
- 20.** Are senior positions within the intelligence services filled on the basis of objective selection criteria, and are appointees subject to investigation of their suitability and prior conduct?
- 21.** Does the government have a transparent and well-scrutinised process for arms control decisions that align with international protocols?

## FINANCIAL

- 22.** How effective are controls over the disposal of assets, and is information on these disposals, and the proceeds of their sale, transparent?
- 23.** Is independent and transparent scrutiny of asset disposals conducted by defence establishments, and are the reports of such scrutiny publicly available?
- 24.** What percentage of defence and security expenditure in the budget year is dedicated to spending on secret items relating to national security and the intelligence services?
- 25.** Is the legislature (or the appropriate legislative committee or members of the legislature) given full information for the budget year on the spending of all secret items relating to national security and military intelligence?
- 26.** Are audit reports of the annual accounts of the security sector (the military, police, and intelligence services) and other secret programs provided to the legislature (or relevant committee) and are they subsequently subject to parliamentary debate?

**27.** Off-budget military expenditures are those that are not formally authorised within a country's official defence budget, often considered to operate through the 'back-door'. In law, are off-budget military expenditures permitted, and if so, are they exceptional occurrences that are well-controlled?

**28.** In practice, are there any off-budget military expenditures? If so, does evidence suggest this involves illicit economic activity?

**29.** In law, are mechanisms for classifying information on the grounds of protecting national security subject to effective scrutiny?

**30.** Do national defence and security institutions have beneficial ownership of commercial businesses? If so, how transparent are details of the operations and finances of such businesses?

**31.** Are military-owned businesses subject to transparent independent scrutiny at a recognised international standard?

**32.** Is there evidence of unauthorised private enterprise by military or other defence ministry employees?

## **PERSONNEL**

**34.** Do the Defence Ministry, Defence Minister, Chiefs of Defence, and Single Service Chiefs publicly commit - through, for example, speeches, media interviews, or political mandates - to anti-corruption and integrity measures?

**35.** Are there effective measures in place for personnel found to have taken part in forms of bribery and corruption, and is there public evidence that these measures are being carried out?

**36.** Is whistleblowing encouraged by the government, and are whistle blowers in military and defence ministries afforded adequate protection from reprisal for reporting evidence of corruption, in both law and practice?

**37.** Is special attention paid to the selection, time in post, and oversight of personnel in sensitive positions, including officials and

personnel in defence procurement, contracting, financial management, and commercial management?

**38.** Is the number of civilian and military personnel accurately known and publicly available?

**39.** Are pay rates and allowances for civilian and military personnel openly published?

**40.** Do personnel receive the correct pay on time, and is the system of payment well-established, routine, and published?

**41.** Is there an established, independent, transparent, and objective appointment system for the selection of military personnel at middle and top management level?

**42.** Are personnel promoted through an objective, meritocratic process? Such a process would include promotion boards outside of the command chain, strong formal appraisal processes, and independent oversight.

**43.** Where compulsory conscription occurs, is there a policy of not accepting bribes for avoiding conscription? Are there appropriate procedures in place to deal with such bribery, and are they applied?

**44.** With regard to compulsory or voluntary conscription, is there a policy of refusing bribes to gain preferred postings in the recruitment process? Are there appropriate procedures in place to deal with such bribery, and are they applied?

**45.** Is there evidence of ‘ghost soldiers’, or non-existent soldiers on the payroll?

**46.** Are chains of command separate from chains of payment?

**47.** Is there a Code of Conduct for all military and civilian personnel that includes, but is not limited to, guidance with respect to bribery, gifts and hospitality, conflicts of interest, and post-separation activities?

**48.** Is there evidence that breaches of the Code of Conduct are effectively addressed, and are the results of prosecutions made publicly available?

**49.** Does regular anti-corruption training take place for military and civilian personnel?

**50.** Is there a policy to make public outcomes of the prosecution of defence services personnel for corrupt activities, and is there evidence of effective prosecutions in recent years?

**51.** Are there effective measures in place to discourage facilitation payments (which are illegal in almost all countries)?

## OPERATIONS

**52.** Do the armed forces have military doctrine addressing corruption as a strategic issue on operations?

**53.** Is there training in corruption issues for commanders at all levels in order to ensure that these commanders are clear on the corruption issues they may face during deployment? If so, is there evidence that they apply this knowledge in the field?

**54.** Are trained professionals regularly deployed to monitor corruption risk in the field (whether deployed on operations or peacekeeping missions)?

**55.** Are there guidelines, and staff training, on addressing corruption risks in contracting whilst on deployed operations or peacekeeping missions?

**56.** Are private military contractors employed and if so, are they subject to a similar level of scrutiny as for the armed forces?

## PROCUREMENT

**57.** Does the country have legislation covering defence and security procurement with clauses specific to corruption risks, and are any items exempt from these laws?

**58.** Is the defence procurement cycle process, from assessment of needs, through contract implementation and sign-off, all the way to



asset disposal, disclosed to the public?

**59.** Are defence procurement oversight mechanisms in place and are these oversight mechanisms active and transparent?

**60.** Are actual and potential defence purchases made public?

**61.** What procedures and standards are companies required to have such as compliance programmes and business conduct programmes in order to be able to bid for work for the Ministry of Defence or armed forces?

**62.** Are procurement requirements derived from an open, well-audited national defence and security strategy?

**63.** Are defence purchases based on clearly identified and quantified requirements?

**64.** Is defence procurement generally conducted as open competition or is there a significant element of single-sourcing (that is, without competition)?

**65.** Are tender boards subject to regulations and codes of conduct and are their decisions subject to independent audit to ensure due process and fairness?

**66.** Does the country have legislation in place to discourage and punish collusion between bidders for defence and security contracts?

**67.** Are procurement staff, in particular project and contract managers, specifically trained and empowered to ensure that defence contractors meet their obligations on reporting and delivery?

**68.** Are there mechanisms in place to allow companies to complain about perceived malpractice in procurement, and are companies protected from discrimination when they use these mechanisms?

**69.** What sanctions are used to punish the corrupt activities of a supplier?

**70.** When negotiating offset contracts, does the government specifically address corruption risk by imposing anti-corruption due diligence

requirements on contractors? Does the government follow up on offset contract performance and perform audits to check performance and integrity?

**71.** Does the government require high standards of transparency of all offset contracts and programmes?

**72.** Are offset contracts subject to the same level of competition regulation as the main contract?

**73.** How strongly does the government control the company's use of agents and intermediaries in the procurement cycle?

**74.** Are all principal aspects of the financing package, including payment timelines, interest rates, commercial loans or export credit agreements (and others, as applicable), publicly available prior to the signing of procurement contracts?

**75.** Does the government formally require that the main contractor ensures subsidiaries and sub-contractors adopt anti-corruption programmes, and is there evidence that this is enforced?

**76.** How common is it for defence acquisition decisions to be based on political influence by selling nations?

10. <http://government.defenceindex.org/>

## 2. TI-DSP GOVERNMENT DEFENCE ANTI-CORRUPTION INDEX GLOBAL RESULTS<sup>10</sup>



70% of governments studied have high to critical level of corruption vulnerability.

### QUESTION SCORING PRINCIPLES

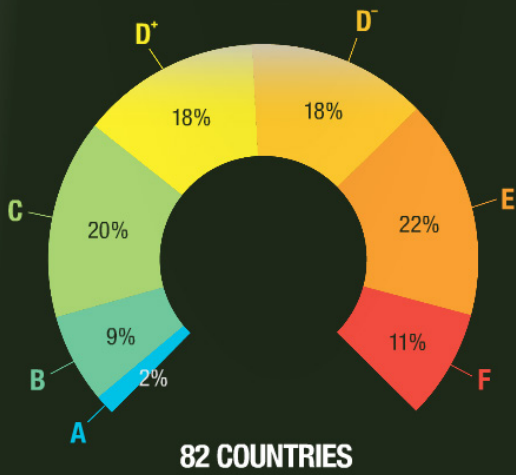
- 4 High transparency;** strong, institutionalised activity to address corruption risks.
- 3 Generally high transparency;** activity to address corruption risks, but with shortcomings.
- 2 Moderate transparency;** activity to address corruption risk, but with significant shortcomings.
- 1 Generally low transparency;** weak activity to address corruption risk.
- 0 Low transparency;** very weak or no activity to address corruption risk.

### BANDING BRACKETS

Band	Lower % Score	Upper % Score	Corruption Risk
A	83.3	100	Very low
B	66.7	83.2	Low
C	50.0	66.6	Moderate
D	33.3	49.9	High
E	16.7	33.2	Very high
F	0	16.6	Critical

Due to the large number of countries clustered in **Band D**, countries were subdivided into D+ and D- sub-bands. The cut off mark was 41.6 per cent, the mid-point in the Band D range.

Distribution of countries in bands



**A** 2 Countries

AUSTRALIA, GERMANY

**B** 7 Countries

AUSTRIA, NORWAY, SOUTH KOREA, SWEDEN, TAIWAN, UNITED KINGDOM, UNITED STATES

**C** 16 Countries

ARGENTINA, BRAZIL, BULGARIA, CHILE, COLOMBIA, CROATIA, CZECH REPUBLIC, FRANCE, GREECE, HUNGARY, ITALY, JAPAN, LATVIA, POLAND, SLOVAKIA, SPAIN

**D** 30 Countries

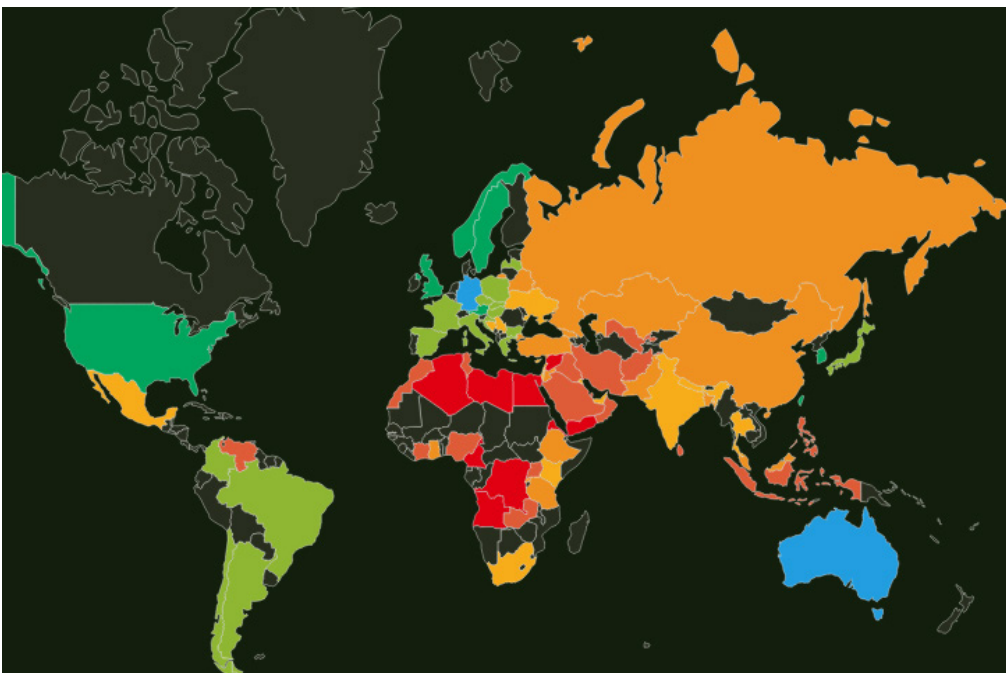
D<sup>+</sup> BOSNIA AND HERZEGOVINA, CYPRUS, INDIA, ISRAEL, KENYA, KUWAIT, LEBANON, MEXICO, NEPAL, SERBIA, SINGAPORE, SOUTH AFRICA, THAILAND, UKRAINE, UNITED ARAB EMIRATES (UAE)  
D<sup>-</sup> BANGLADESH, BELARUS, CHINA, ETHIOPIA, GEORGIA, GHANA, JORDAN, KAZAKHSTAN, MALAYSIA, PAKISTAN, PALESTINE, RUSSIA, RWANDA, TANZANIA, TURKEY

**E** 18 Countries

AFGHANISTAN, BAHRAIN, COTE D'IVOIRE, INDONESIA, IRAN, IRAQ, MOROCCO, NIGERIA, OMAN, PHILIPPINES, QATAR, SAUDI ARABIA, SRI LANKA, TUNISIA, UGANDA, UZBEKISTAN, VENEZUELA, ZIMBABWE

**F** 9 Countries

ALGERIA, ANGOLA, CAMEROON, DRC, EGYPT, ERITREA, LIBYA, SYRIA, YEMEN



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