GOVERNANCE IN ARMENIA

An Evidence Review for Learning, Evaluation and Research Activity II (LER II)

JANUARY 2019

CONTENTS

1. EXECUTIVE SUMMARY[1]

This report contains a Governance sector evidence review and an analysis of governance indicators from the Varieties of Democracy (V-Dem) dataset.

The evidence review begins by defining governance, making appropriate distinctions with democracy, and providing background on Armenia and relevant regional comparisons. Consistent with guidance from the USAID Armenia Mission, we then turn to three key issue areas—the consolidation of state institutions, service delivery, and civil service reform—with appropriate attention to regional transitional experiences as well as policy formulation processes. The analysis of V-Dem data displays and discusses descriptive trends in Armenian governance and democracy (Lindberg et al., 2014). Specifically, the V-Dem analysis covers measures and sub-measures of electoral democracy, the judiciary, liberal democracy, and corruption in Armenia over time. Additionally, the document compares Armenia's electoral democracy scores to those of other countries in the region, including Georgia, Ukraine, Moldova, and Kyrgyzstan.

On an institutional level, we note that there is reason for optimism in Armenia, given the parliamentary and proportional representation institutions Armenia has established. While not guaranteed, there is much scholarly consensus that these institutional features are the best among the available alternatives. Turning to factors that may be more easily manipulated in the short- to medium-term, both by the government or international assistance providers, we identify lessons learned:

- Consolidation of State Institutions

  - Exercise caution in moving forward with decentralization. There is cause for concern about the efficacy of decentralization, though we have identified both the promise and pitfalls of a decentralization approach.

  - Address petty corruption, and carefully phase-in efforts to address higher-level corruption.

  - Continue with e-governance in an effort to streamline many institutional functions.

  - Good institutional reform does not entail exporting the right strategy from one context and using it in another one. Instead, good institutional reform first builds off robust political economy analysis to inform feasible action. Robust political economy analysis should not only make use of traditional indicators but also the dimensions of the political settlements framework, paying particular attention to the implementation concerns stressed by the Problem-Driven Iterative Adaptation (PDIA) approach. Thus, institutional reform is not about grand plans or overarching solutions but about gradually undertaking reforms that are suitable to particular contexts.

- Service Delivery

  – Participatory programs are likely to be beneficial both for governance and citizen-level satisfaction with more democracy following Armenia's political transition. Promising potential interventions include opening more citizen service centers and improving the efficacy of existing ones, as well as perhaps initiating some combination of the following: participatory/open budgeting, right to information laws, grievance redress mechanisms, hotlines, social audits, and the introduction of social programs. All potential interventions should have some form of an e-governance component.

- Civil Service Reform

  – Armenia should be cautious about following Georgia's "big bang" approach to civil service reform, especially given former Georgian President Mikhail Saakashvili's failure to adequately tackle corruption when he subsequently served as Governor of Odessa and advisor to President Poroshenko in Ukraine.

  – Armenia could also pursue some relatively new interventions, including random inspections for petty corruption, more e-government (e.g. biometric smart cards), testing for pro-social motivations when hiring (but quietly), performance-based postings, and transparency in hiring and civil servants' tax records.

- Comparisons and Process

  – Regional comparisons are helpful but need to be considered carefully. Georgia, for example, offers a model for e-governance reforms and addressing petty corruption, but is likely different than Armenia concerning timing and scale.

  – Reforms are likely to be most successful if they proceed at a moderate pace and do not alienate important players—even if those important players ultimately impede efforts to achieve good governance.

2. GOVERNANCE EVIDENCE REVIEW

2.1. GOVERNANCE, DEMOCRACY, AND ARMENIA: AN OVERVIEW

Before delving into to the specifics of governance in Armenia, it is important to define the overarching concepts of governance and democracy, and explain how they relate, especially given that practitioners and scholars alike sometimes conflate them. In doing so, we preview which governance-related topics we consider to be salient for in Armenia, topics that we examine in further detail in later sections.

Governance is a regime-neutral[2] process that encompasses states' abilities to (1) make, implement, and enforce informal and formal rules and laws; and (2) deliver public goods and services to their citizens (Fukuyama, 2013; Mann, 1984).[3] In line with the *2017 World Development Report on Governance and the Law*, good governance is also not only a feature of capable public administration but also a proper balance of power between state and nonstate actors, including citizens, elites, and civil society (World Bank, 2017*b*, 3). In this Governance Evidence Review for Armenia, we devote particular attention to the consolidation of state institutions, public goods/service delivery, and the civil service, all of which accord with Fukuyama's (2013) conceptualization of governance.

Whereas governance primarily concerns the implementation of rules/laws and public goods/service delivery, at its core democracy entails "fully contested elections with full suffrage and the absence of massive fraud, combined with effective guarantees of civil liberties, including freedom of speech, assembly, and association" (Collier and Levitsky, 1997, 434).[4] Armenia's recent shift from a semi-presidential system (Markarov, 2016) to parliamentary system, vibrant civil society, and its recent political transition of April 2018 notably raise the possibility of a shift to a more fully democratic regime. These are among the reasons why *The Economist* named Armenia its country of the year for 2018 (*The Economist*, 2018).

Although governance and democracy are conceptually distinct,[5] this Governance Evidence Review draws from the democracy literature for multiple reasons. Notably, democracies outperform autocracies in providing public goods and services, including in health, education, environmental protection, nutrition, road infrastructure, and electricity (Lake and Baum, 2001; Bueno de Mesquita et al., 2003; Bernauer and Koubi, 2009; Burgess et al., 2015; Blaydes and Kayser, 2011; Min, 2015; Lizzeri and Persico, 2004; Cao and Ward, 2015; Harding and Stasavage, 2014; Besley and Kudamatsu, 2006; Kudamatsu, 2012).[6] As compared to autocracies, democracies also facilitate more citizen-level collective action and transparency of information that can contribute to more equitable rule implementation and policies (Acemoglu and Robinson, 2006; Hollyer, Rosendorff, and Vreeland, 2018; Pande, 2011). Although Armenia has low citizen-level satisfaction with government institutions and service delivery, the country boasts a highly educated and cohesive population with a penchant for effective protest—attributes that facilitate

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[2] By "regime-neutral" we mean that governance and democracy are not the same (see Fukuyama, 2013; Nooruddin, 2009).

[3] Governance can also mean "international cooperation of nonsovereign bodies outside the state system (international/[global] governance)" and "the regulation of social behavior through networks and other nonhierarchical mechanisms (governing without government)" (Fukuyama, 2016, 89). Both international governance and governing without government fall outside the scope of this Evidence Review.

[4] The Collier and Levitsky (1997, 434) procedural minimum definition of democracy is far from the only one in the literature. For more information, readers should consult, inter alia, Schmitter and Karl (1991) and Lindberg et al. (2014).

[5] For a discussion, see Fukuyama (2013) and Nooruddin (2009).

[6] Ross (2006) finds that democracies are not superior in preventing infant mortality, but Kudamatsu (2012) suggests that the finding is not robust to the inclusion of variables that Ross (2006) omits.

governance and democratic consolidation (Andresyan and Derlugian 2015; EBRD; 2016; UNESCO, 2018; Derlugian and Hovhannisyan, 2018).

Despite the above governance-related advantages of democracies over autocracies, democracies are not necessarily superior in all dimensions of governance. One set of challenges for young democracies such as Armenia, in particular, concerns the credibility of politicians' policy promises and the unbiased application of the rule of law (Keefer, 2007*a,b*; Keefer and Vlaicu, 2008; Scartascini et al., 2010; Brinks, Leiras and Mainwaring, 2014; O'Donnell, 2004; Gehlbach and Keefer, 2011, Paturyan and Stefes, 2017). In their absence, regimes notably suffer from the consequences of corruption (the misuse of public office for private gain), clientelism (the exchange of resources, services, and jobs for political support), low horizontal accountability (inability of the bureaucracy to keep checks on its itself),[7] and low vertical accountability (citizens do not elect politicians who enhance their welfare). In the young democracy of Armenia, all of these features constitute particular challenges or risks (Paturyan and Stefes, 2017), which we address below.

The abilities of bureaucracies to consistently implement the will of those in power across a state's territory[8] is another area of governance in which democracies do not necessarily outperform autocracies. One reason is that a state's overall bureaucratic implementation capacity is largely a function of its ability to maintain the "monopoly of violence."[9] As is well-known, many autocracies have strong militaries that are capable of quashing internal dissent and outside pressures.[10] As indicated by its loss of territory to Azerbaijan in 2016, Armenia's military is rather weak, and elite co-optation hampers and defines the strength of the country's bureaucracy (EBRD 2016; Derlugian and Hovhannisyan, 2018),

The final major dimension of governance concerns "embedded autonomy," and democracies do not necessarily outperform autocracies in terms of embedded autonomy either (Evans, 1995). Embedded autonomy comprises, first, the bureaucracy's ability to hold a positive, symbiotic relationship with the private sector—that is, to design policies that facilitate economic growth, without resorting to patronage and favoritism. Second, embedded autonomy refers to the state's ability to hold a meritocratically recruited and capable civil service. Given that clientelism, corruption, and monopoly characterize Armenia's public sector, the lack of embedded autonomy defines Armenia (Paturyan and Stefes, 2017). With regard to the civil service, independence and lack of criteria in hiring are notable issues (OECD, 2011), as are the country's past inability to enact meaningful reforms, such as in policing (Shahnazarian and Light, 2018).

ARMENIA'S HISTORICAL, DEMOGRAPHIC, AND GEOPOLITICAL CONTEXT

In discussing the menu of governance options below with a specific focus on the consolidation of state institutions, public goods/service delivery, and civil service reform, we make reference to the Armenian context throughout. Because we make sector-specific references, we first provide a brief overview of the Armenian context here. Given the direction to make region-specific comparisons, and in order for those comparisons to be properly contextualized, in the next subsection we include background on four regional comparison countries: Georgia, Ukraine, Moldova, and Kyrgyzstan.

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[7] For a discussion, see O'Donnell (1998).

[8] A state's capacity to implement its will across its territory is what Mann (1984) calls "infrastructural power".

[9] When a state has the monopoly of violence, it means that it is the unique entity capable of legitimately exercising the use of force in a whole territory (Weber, 1978). Challenges concerning the monopoly violence are not unique to developing countries. For example, Colombia and Mexico, two current members of the OECD, continue to experience monopoly of violence problems with factions that accumulate their power as a result of the drug trade.

[10] As Fukuyama (2011) recounts, drawing on Ancient China, bureaucracies found their origin in the military.

Armenia is a landlocked country in the Caucasus region of Central Asia. In the modern era, Armenia first declared itself a republic in 1918, but this was short-lived. The Soviet Union annexed Armenia in 1922 and held on until 1991, when Armenia achieved its independence. Today, about one-third of Armenia's mono-ethnic population of nearly 3 million people reside in the country's capital of Yerevan. Armenia is a primarily Christian country, though its neighbors are mostly Muslim.

The geopolitical situation of Armenia is complex. Due to serious tensions with Azerbaijan and Turkey, Armenia maintains closed borders with both countries. Competition with the Azerbaijan drove Armenian independence more than its desire for democracy, and, in 2016, Armenia suffered some territorial losses during its conflict with Azerbaijan (Iskandaryan, 2012; Markarov, 2016). Armenia's tense relationship with Turkey dates back to the Ottoman Empire, when the Ottomans subjected Armenians to forced labor and sent Armenians to the Syrian desert in less than humane conditions. Although Turkey still denies that an Armenian genocide took place, the issue remains very sensitive for both countries.

With its other neighbors, Georgia and Iran, Armenia has relatively positive relations. The same is true for its near-neighbor Russia, though the strength of the Russian alliance varies (Falkowski, 2016). Despite that Iran and Russia are not in the good graces of the West, maintaining strong relations with these countries and Georgia is strategic for Armenia, especially since it is dependent on them for energy. By the same token, a large portion of Armenia's wealthy, powerful, and engaged diaspora resides not only in these countries but also, and especially, in the West. Thus, Armenia cannot abandon Western engagement, nor can the West disengage from Armenia. Perhaps due to its tortured geopolitical situation, Armenia never clearly articulated NATO aspirations, whereas Georgia and Ukraine (two similar cases) both did. In terms of foreign policy, Armenia needs to balance Russia, Iran, and the West, which it has carefully done.

All reports suggest that Armenian society is one of the world's highest levels of social cohesion.[11] These high levels of social cohesion are likely a product of the genocide's effect on reinforcing group identity, the ongoing war with Azerbaijan, a high level of linguistic and religious homogeneity, as well as a very small population and compact geographic territory. These factors bring Armenians together, and likely yield much—although certainly not perfect—consensus on matters of politics.

THE REGIONAL CONTEXT: GEORGIA, UKRAINE, MOLDOVA, AND KYRGYZSTAN

Throughout this report, we not only discuss Armenia, but also more general theoretical and empirical literature as well as region-specific experiences. In this section, we provide basic background on four regional comparisons, including why we chose these countries for comparison. In short, each of these countries that underwent similar political transitions, and prior to doing so looked reasonably similar to Armenia prior to April 2018. We detail these backgrounds and comparative figures for each.

Taking into account that no two countries are identical, nor necessarily highly similar, when comparing to the broader region, Georgia, Ukraine, Moldova, and Kyrgyzstan are among the best comparison countries. Like Armenia, these four regional countries underwent political transitions, and have attempted a variety of governance reforms – even if the specific set of governance reforms varied across countries. Below we provide some background on these countries from sources including V-Dem and O'Beacháin and Polese (2010).

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[11] Social cohesion refers to the "sticking-togetherness" of a community (Gross and Martin 1952, 553).

To first illustrate similarities, we plot their democracy and corruption values the year before each of these countries underwent their respective transitions. At the broadest possible level, Figure 1 shows the democracy components and corruption scores based on V-Dem's 2017 values (Lindberg et al., 2014) (Also see full V-Dem section at the end of this document).

To give some sense for how the political transition altered corruption in these four comparison countries,

Figure 1. Plotting Regional Democracy and Corruption Comparisons

Source: V-Dem (2017)

Table 1 shows the corruption levels before and after transition, with Armenia's current levels also included.
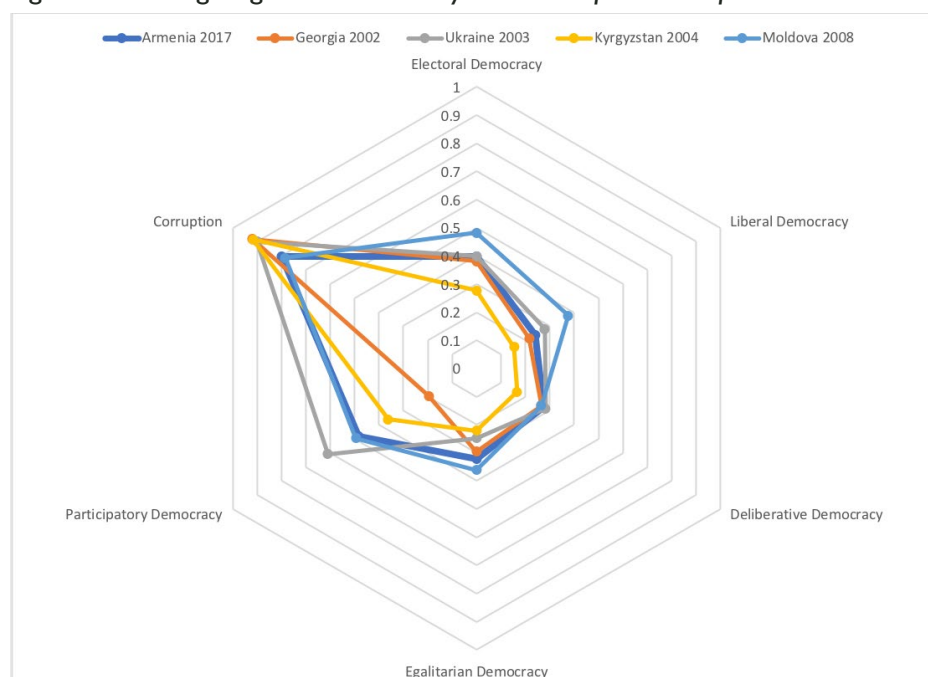
TABLE 1: POLITICAL TRANSITIONS AND CORRUPTION

	Start Year of Political Transition	*Corruption 5 Years Before Political Transition*	*Corruption at the Year of Political Transition*	*Corruption 2 Years After Political Transition*	*Corruption 5 Years After Political Transition*
Georgia	2003	.93	.92	.31	.15
Ukraine	2004	.90	.84	.86	.88
Kyrgyzstan	2005	.91	.94	.94	.91
Moldova	2009	.79	.75	.69	.72
Armenia	2018	.84	N/A	N/A	N/A

Source: Varieties of Democracy (V-Dem)

Georgia. In 2003, Georgia experienced its own political transition, in which President Eduard Shevardnadze was ousted from power. Following this, Georgia attempted a series of transitional reforms, both domestically and in conjunction with inter- national engagement. Those reforms included a set of anti-corruption reforms: a national anti-corruption strategy, reform of the Chamber of Control of Georgia (CCG), and civil society anti-corruption projects (Di Puppo, 2010). Georgia also reduced regulatory complexity so as to reduce the availability of rents to corrupt elites (Mungiu-Pippidi, 2016). It also worked to digitize government service provision, developed human and institutional capacity, and

strengthened strategic planning within target national governance institutions (Schalwayk, 2009; Devlin, 2010; Bennet, 2011).

Ukraine. In 2004–2005, Ukraine also experienced its own political transition, which began with a series of missteps and scandals surrounding former President Kuchma. By 2004, he did not seek reelection, creating a particularly heated competition for the presidency. Kuchma's chosen successor, Yanukovych, narrowly won in a contested, multi-round election, but popular discontent during the electoral process placed huge pressure on the national government. During the same period, the Ukrainian Supreme Court declared the runoff invalid due to corruption. In a second-round runoff, the results and Yanukovych lost to the leader of the opposition coalition, Yushchenko, marking the largely peaceful transfer of power. Following its political transition, Ukraine attempted a series of transitional reforms, both domestically and with international engagement, but did not enjoy significant success (Copsey, 2010).

Kyrgyzstan. In 2004–2005, Kyrgyzstan also experienced a political transition. As part of its political transition, the Akayev government lost control, after holding power for 15 years. The impetus was the parliamentary elections that the opposition, with broad public support, contested as corrupt. The next several years, in particular, were particularly tumultuous with several rounds of elections and tenuous coalition governments. Following its political transition, Kyrgyzstan attempted a number of reforms, though with limited success (Lewis, 2010).

Moldova. In 2009, Moldova also experienced a political transition (Mungiu-Pippidi and Munteanu, 2009). Following the announcement that the Communist Party had won a majority of seats in the parliamentary elections, demonstrations and riots ensued. At first, President Voronin tried to maintain a hard line, but ultimately could not stabilize the government, leading to snap elections in which a coalition of parties formed an alliance, and the Communist Party became the opposition. However, Moldova's political transition was not particularly transformative.

2.2.   CONSOLIDATION OF STATE INSTITUTIONS

CONTEXT/STATUS

Before turning to specific state institutions, we first illustrate how Armenia fares along a variety of democracy and governance indicators according to V-Dem. Figure 2 displays the overall measure of electoral democracy in V-Dem as well as the various the sub-indices that contribute to this overall measure. We plot scores for 1990-2017. For all measures, higher values indicate more democratic outcomes.

Electoral Democracy—also known as "polyarchy" (Dahl 1973) —intends to record the responsiveness of rulers to citizens, when this is "achieved through electoral competition for the electorate's approval under circumstances when suffrage is extensive; political and civil society organizations can operate freely; elections are clean and not marred by fraud or systematic irregularities; and elections affect the composition of the chief executive of the country" (Coppedge et al., 2018). Overall, electoral democracy was high immediately following Armenia's independence from the Soviet Union, but it fell meaningfully by the mid-1990s. It hit new lows in the mid-2000s although rose again in recent years. Taking into account margins of error around each point estimate, the major takeaway is that Electoral Democracy by 2017 was lower than levels in the early 2000s.
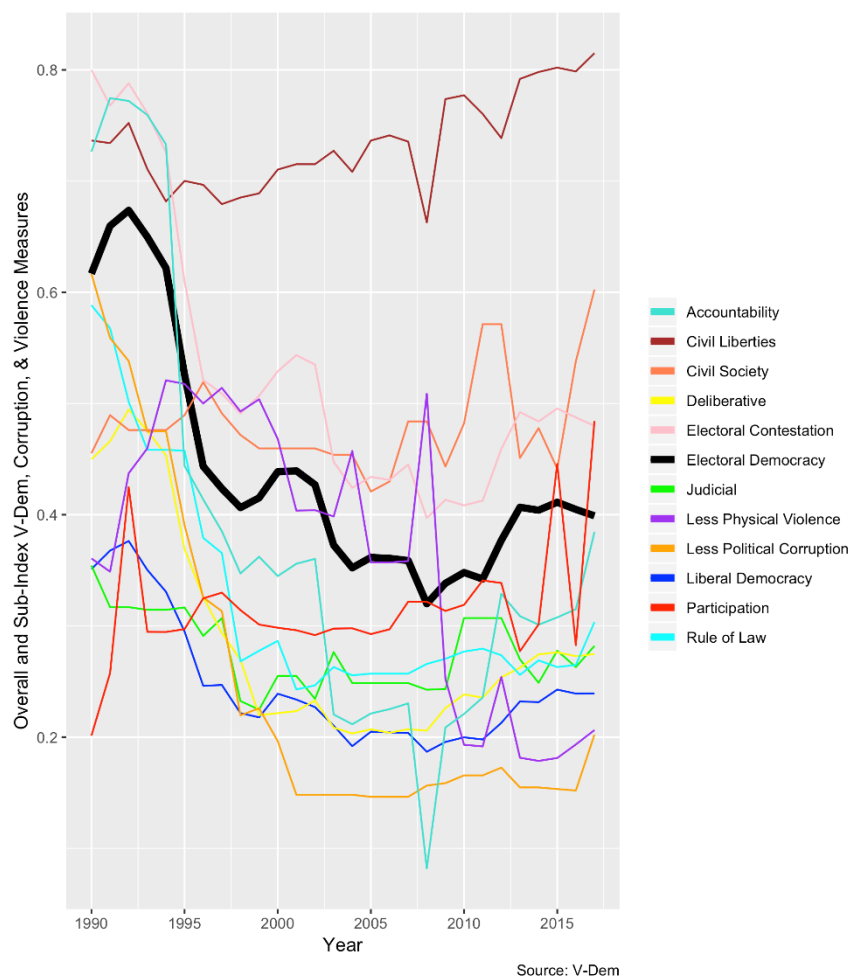
In Figure 2, the sub-indices that contribute to the overall electoral democracy score provide further context on the overall trend. Taken together, these variables measure political participation, the strength of rule of law and electoral institutions, and the threat of physical violence. First, focus on the fact that this group of indicators is all around the same level on the overall scale from 0 (worse outcome) to 1 (better outcome). This suggests that the various aspects of political and civil life relevant to democracy in Armenia are all varying around a low beginning baseline. There are three notable exceptions. First, Electoral Contestation was extremely high at independence, in the midst of undeveloped political parties, but it dropped significantly by the early 2000s. Second, Accountability followed the same trend. Accountability captures "constraints on the government's use of power through requirements for justification for its actions and potential sanctions" (V-Dem Codebook). This includes accountability through elections, checks and balances between institutions, and oversight by civil society and media. Armenia's overall decline in electoral democracy from independence to the early 2000s tracks the regime's ability to limit these forms of accountability. The third exception is Civil Liberties, which includes "the absence of physical violence committed by government agents and the absence of constraints of private liberties and political liberties by the government" (V-Dem Codebook). Since independence, Civil Liberties have been notably higher in Armenia than the other aspects of political life considered here, and Civil Liberties have been generally increasing over time. This increase parallels the indicator for Less Physical Violence, which indicates a considerably lower threat of physical violence around 2010. (For definitions of other variables, see V-Dem Codebook.)

Figure 2. Democracy and Governance Measures over Time for Armenia based on V-Dem

Source: V-Dem

Until recently, and perhaps presently continuing in the wake of Armenia's political transition, politics in Armenia has been plagued by pervasive and endemic corruption, clientelism, and low horizontal accountability (the inability of the bureaucracy to keep checks on itself) (see Paturyan and Stefes, 2017; Iskandaryan, 2012; Transparency International, 2013). Addressing these issues is critical if Armenia hopes to improve governance and chart a course towards a more complete democracy. In seeking to address these

challenges, the consolidation of state institutions is a critical factor. Some institutional arrangements or changes have already been made, and we draw attention to how those may promote or hinder better governance. Those include a Proportional Representation (PR) electoral system and a parliamentary government system. On some of these changes, we are particularly optimistic as the literature suggests they are among the better institutional arrangements. We also discuss other institutional factors that may be easier to change in the short run, and that may be worth considering.

FACTORS PROMOTING/HINDERING

Proportional Representation Electoral system. Armenia employs a PR electoral system for parliamentary elections with a combination of open and closed list ballots.[12] Seats in parliament are allocated using the d'Hondt method, with a threshold of 5% for parties and 7% for multi-party alliances. The electoral system aims to assure that parties that surpass the threshold will be represented in roughly the same proportion as their nationwide vote totals.

One important effect of thresholds at the 5% level and above is to mitigate the possibility of an extremely fragmented party system, which observers are unanimous in decrying. Research shows that democratic birth and sustenance relies on a stable political party system, notably including creation and buy-in from conservative political parties (Ziblatt, 2017). A stable party system similarly contributes to better governance, notably by virtue of a stable party system's ability to contribute to public service provision and economic growth (Hicken, Kollman and Simmons, 2016; Bizzarro et al., 2018). There is no evidence to suggest that civil society can replace political parties, reinforcing their importance (Diamond et al., 2014). Moreover, PR systems tend to foster strong parties, which are usually viewed favorably, although some analysts complain that party leaders are insulated from popular pressure (Samuels and Shugart, 2010).

PR systems are generally governed by coalition governments, which, in turn, serve as a check on the executive (since the support of all parties in the coalition is necessary for the coalition's survival, and some are likely to object if the executive oversteps his/her bounds). While this involves some sacrifice of decisiveness relative to a Westminster (majoritarian) pattern of governance, and a small possibility of gridlock, coalition governments have many virtues. Elections are less fraught since the meaning of victory and defeat is apt to be marginal. (At most, the policies of government will shift slightly in one direction or the other, with middle parties providing continuity of personnel and policy.) Cabinets, composed of leaders from all coalition parties, are more inclusive. And the result is a political process that is probably more capable than a Westminster system of fostering consensus on major policy initiatives. Coalition governments do show a tendency to spend more money. However, this may be a positive characteristic if it helps to achieve greater consensus on contentious matters of policy (Gerring and Thacker, 2008).

Parliamentarism. Armenia's recent constitutional reforms change it from a semi-presidential system (Markarov, 2016) to a pure parliamentary system. Research on these topics suggests that this change will have the following impacts on politics. First, political parties are likely to be strengthened, and these parties may operate in a more programmatic (and less clientelistic) fashion.[13] Second, there will be little conflict between branches of government, so the problem of gridlock and constitutional strife is much less likely to appear. Third, in between elections there will be few checks on the exercise of power except

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[12] Closed lists tend foster programmatic, party-centered voting, whereas open lists tend favor a personal connection between the candidate and voter. Most analysts argue that open-lists tend to foster more patronage, clientelism, and corruption (Chang and Golden, 2007; Carey and Shugart, 1995), though there is some disagreement (see Gingerich, 2013).
[13] By "programmatic" we mean that the rules for distributive politics (i.e., who gets what and when) will be more public and followed more often (Stokes et al., 2013).

those that arise from within the ruling coalition (as noted). So long as the ruling party or coalition maintains its majority in parliament, there is little to stand in its way until the next election. This may seem like a recipe for unaccountable government. However, experience with parliamentary systems suggests that electoral incentives are usually sufficient to keep rulers in line with the majority opinion (Gerring and Thacker 2008; Samuels and Shugart 2010). Fourth, parliamentary systems are more supple when it comes to replacing leaders, as the prime minister and members of the cabinet can be replaced at any time, and in a fully constitutional fashion, without jeopardizing the ruling government and coalition (so long as a majority is maintained). For this reason, constitutional crises are much rarer in parliamentary democracies than in presidential democracies. Fifth, bureaucrats are more accountable to elected leaders because there is only one signal emanating from government, rather than two, and this means that unelected officials have less leeway to set policy or to resist government initiatives. Sixth, because government speaks with one voice and can keep bureaucrats accountable, there is no need to saddle bureaucrats with "red tape," constraining their room for maneuver with statutory regulations that often turn out to be rather inefficient. Finally, there is some evidence to suggest that parliamentary systems are less corrupt (Gerring and Thacker, 2004). All in all, political scientists tend to think highly of parliamentary systems (Fish, 2006; Gerring and Thacker, 2008; Linz, 1990; Linz and Valenzuela, 1994).

Democratic Transition. Armenia is undergoing a political transition toward more democratic practices. The long-term effects of increased electoral competition and government turnover are likely to be favorable for reform processes. The short-term effects are harder to gauge. Many have argued that corruption, as one example, increases in the wake of a democratic transition and then gradually decreases thereafter (McMann et al., 2018). However, using data from countries within the post-Soviet region, we find that political transitions are followed by lower corruption.[12] Of course, increased transparency may make corruption more visible after a democratic opening. In any case, we emphasize that even if there is a reduction in corruption attendant upon Armenia's political transition, we cannot expect this to come about automatically: corruption does not improve as a mechanistic function of multi-party elections. It must be fought for.

Judicial Reform. The judiciary is a critical actor in establishing rule of law, securing civil liberty, and constraining governments to abide by the constitution (O'Donnell, 2004). To further this goal, the judiciary must have the ability to manage itself (while being subject to anti-corruption laws and potential impeachment), including an independent budget, life tenure for judges (in good behavior), and the ability to judge the constitutionality of laws and non-statutory executive actions. Recent accounts suggest that the judiciary in Armenia is relatively weak (Paturyan and Stefes, 2017), and most likely the judicial system needs significant reform. With that said, we refer readers to the Integrity Systems / Rule of Law Evidence Review conducted separately under this tasking (USAID, 2019b).

Successful Prosecution, Regulation, and Privatization. Some analysts argue, though it is highly disputed, that establishing the rule of law constitutes a necessary first step to promote democratic reform (O'Donnell and Schmitter, 1986; Diamond et al., 2014; Mungiu-Pippidi, 2015, 2016). Regardless of where analysts side on the sequencing debate, simply having numerous laws, combined with popular mobilization, is unlikely to change behavior. Instead, one critical first step toward achieving successful prosecution—reducing regulatory complexity—may be critical to success. Privatization of state-owned enterprises may play a role toward establishing successful regulation under some circumstances, but advocating for such a strategy is unequivocally not the right course for aid agencies due to the failure of the Washington Consensus (Williamson, 1993, 2000; Rodrik, 2006).

Natural Resources. Natural resource rents generally pose a significant obstacle to the consolidation of state institutions in less consolidated democracies (Menaldo, 2016). For example, Mexico's state-owned oil company, PEMEX, long served as a source of resources for the once dominant PRI political party to facilitate vote-buying and the exchange of patronage of jobs (Greene, 2007). Since Armenia does not have an extensive store of valuable minerals such as oil, gas, and metals (Iskandaryan, 2012), Armenia is not susceptible to the so-called resource curse. When countries do not have strong institutions, resource wealth can fuel authoritarianism, civil war, and exchange rate woes (Dutch Disease), thereby hindering good governance and the development of democracy (Ross, 2015; van der Ploeg, 2011).

REFORM/INTERVENTION EXAMPLES

Reforming Institutions. As we describe throughout this Governance Evidence Review, Armenia has an overall institutional setting that is more based on personal relations and elite-level divisions of rents[14] than the unbiased, impersonal application of the rule of law.[15] In such a setting, mere replication of Western institutions in a manner that is devoid of country context is unlikely to yield good outcomes (Scott, 1998; Pritchett and Woolcock, 2004; Andrews, Pritchett and Woolcock, 2017). Institutional reform is more likely to succeed in such a setting when aid agencies and policymakers identify (a) the leaders with sufficient clout who can serve as change agents (Grindle, 2012); (b) the specific institutions that are amenable to change; and (c) the correct time horizon or "policy window" to enact the reform (Kingdon, 1995; Levy, 2014).

For many reasons, an essential way to start any potential institutional reform is by conducting formal political economy analysis—also known as stakeholder analysis. One reason is that, as the World Bank's experience with policy/structural adjustment reforms shows, success with institutional reform is mostly a function of political economy considerations (Dollar and Svensson, 2000). Second, especially in weaker institutional settings, difficult-to-change social norms are often stronger than any imposition of a new rule, law, or monitoring program, regardless of the strength of its enforcement mechanism (Acemoglu and Jackson, 2017; World Bank, 2008; Dizon-Ross, Dupas, and Robinson, 2017; Dhaliwal and Hanna, 2017). Third, actors outside the scope of the potential institution under consideration for reform, such as political parties, often derail institutional reform (Cruz and Keefer, 2015).

A well-done political economy analysis delves well beyond identifying the winners, key players, and institutional arrangements, as well as all of their capacities to implement the reform. Other salient aspects to examine notably include political parties, "interests, incentives, rents/rent distribution, historical legacies, prior experiences with reforms, social trends, and how all of these factors effect or impede change" (World Bank, 2011: 1; Cruz and Keefer, 2015). Perhaps most importantly, though, a well-done political economy analysis must identify the losers from the proposed reform as well as their willingness and ability to block it. If the winners appear weak and/or the losers appear strong, then the reform will likely not succeed. Similarly, any institutional reform requires capable actors and a

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[14] By "rents", we mean "returns [or assets] that exceed the opportunity cost of resources that might otherwise be deployed in a competitive market" (Levy, 2014: 22). In more competitive markets and political environments, competition fosters "creative destruction" of monopolists' rents (Levy, 2014: 23).
[15] Acemoglu and Robinson (2012) would refer to Armenia's institutional setting as an "extractive institution." North, Wallis, and Weingast (2009) would use the term "limited access social order." Fukuyama (2011, 2014) would use the term "neopatrimonialist". Although each of these frameworks are slightly different—and their scopes eclipse that of this study—all of the frameworks converge on the idea of a regime not having impersonal application of the rule of law, as originally conceived by Max Weber (1978).

sustainable funding source that is not subject to elite capture. If either the latter or the former is missing or weak, it may be more advantageous to pursue another reform.

Identifying promising institutional reforms can be challenging, but there are strategies that aid agencies and policymakers can employ. One prominent strategy relies on the identification of "weak links" or "binding constraints": that is, the constraints that can unlock potential gains in many other areas (Rodrik, 2007; Hausman, Rodrik, Velasco, 2008; World Bank, 2012). However, there are some notable challenges to the binding constraint framework. First, its primary domain of application is that of economic growth, for which it works best applies when there is a dense, overlapping network institutions to support it—something that may not exist in a low institutional environmental (Hidalgo, Klinger, Barbasi, and Hausmann, 2007). Second, it may not be feasible to tackle the most pressing, binding institutional constraint. Bureaucrats' behavior or logistical challenges may be too difficult to overcome, for example (World Bank, 2012). When policymakers fail to achieve reforms in areas of crucial importance to citizens, it may also yield the side effect of increasing cynicism about the policy process (So *et al.*, 2018). In turn, that cynicism can create political cleavages for populist outsiders, who tend to be more authoritarian and have less respect for democratic norms (Levitsky and Ziblatt, 2018).

Another well-known strategy of institutional reform is that of New Public Management. Its basic premise is to cut costs, deregulate, reduce inefficiencies, induce more participation from lower levels of government and clients, and offer alternative service provision options (Peters, 2008). Essentially, even though the exact definition is contested, NPM is about reducing red tape and attenuating the monopoly power of government. Although NPM was very popular during the1990s and part of the 2000s, it—and the Washington Consensus that provided a platform for it—has since fallen mostly out of favor. Beyond the legitimacy problems that the Washington Consensus created for aid agencies (Rodrik, 2006), NPM necessarily entails creating a principal-agent problem (Peters and Pierre 2018: 140-145). More specifically, NPM divorces the policy decision-making process from the implementation of programs. While that may produce good results in some contexts, it makes discerning who is responsible when things go wrong more difficult. Most pertinently for this Governance Evidence Review, an edited volume from the eminent public administration scholar Peters (2008) suggests that NPM was less successful in Russia and the former Soviet Republics, including Armenia.

Nowadays, the two most useful frameworks to guide institutional reforms are the Problem-Driven Iterative Adaptation (PDIA) approach of Andrews, Pritchett, and Woolcock (2013) and the political settlements framework of Khan (2017). The latter is especially useful for institutional reform feasibility analysis because, unlike New Institutional Economics,[16] the political settlements frameworks treats power and institutions separately (Behuria, Buur, and Gray, 2017). The political settlements framework thus allows for dynamic investigation of how power shapes institutional configurations over time as well as during critical junctures (see Capoccia and Kelemen, 2007; Capoccia, 2016).[17] The three dimensions of political settlements also lend quite smoothly to the analysis of institutional reform: horizontal power (power of excluded groups relative to dominant ones); vertical power (power of dominant factions in

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[16] New Institutional Economics (NIE) essentially stresses how political and economic institutions shape economic and political behavior and outcomes (e.g., Acemoglu, Johnson, and Robinson, 2005). NIE thought has produced some of the most famous work in the whole discipline of economics, including from Nobel Laureates such as Elinor Ostrom, Oliver Williamson, Ronald Coase, and Douglas North. For representative works, see Ostrom (1990), Williamson (1985), Coase (1960), and North (1981).
[17] Within the historical institutionalist tradition, critical junctures refer to periods of very rapid change that later creates sticky, hard-to-break path dependence. There is no specific minimum or maximum length to these critical junctures; they can last for many years or a very short amount of time. For more on historical institutionalism, see, for example, Capoccia and Kelemen (2007).

the ruling coalition relative to other less powerful ones also in the ruling coalition); and political settlement financing (i.e., notably, between elites inside and outside the ruling coalition) (Behuria, Buur, and Gray, 2017). Each of these dimensions gets at the heart of Armenia's challenges with its captured bureaucracy (Paturyan and Steffes, 2017).

The Problem-Driven Iterative Adaptation (PDIA) approach of Andrews, Pritchett, and Woolcock (2013) is a very strong response to what Andrews (2015) calls Solution- and Leader-Driven Change (SLDC). Whereas SLDC is about identifying solutions to institutional reform up and having the solutions guide interventions, PDIA is about focusing on the problems and "muddling through…with experimentation and trial and error" (Andrews, 2015: 197).[18] The rationale for the change of focus, according to Andrews, Pritchett, and Woolcock (2017), is that states have very different capacities to implement institutional reforms. Those capacities tend to be very context- and sector-specific, too.

In summary, institutional reform is not about identifying a solution ahead of time, such as streamlining to avoid duplication or revising mandates. Before proceeding with institutional reform, aid agencies and policymakers need to undertake political economy analysis. When doing so, they should not only examine the traditional tenets of political economy analysis but the three dimensions of the political settlements framework, paying particular attention to implementation capacity constraints. The actual implementation of reforms should be gradual and involve the engagement of all relevant actors, too. Quick, rapid, and drastic institutional reforms have a tendency to cause chaos and backfire, particularly in weaker institutional environments such as Armenia (Bersch. 2016, 2019; Acemoglu and Jackson, 2017).

Anti-Corruption Agencies. Anti-corruption agencies often play a key role in governance reform (Recanatini, 2011; Søreide, 2014). However, we caution that their impact is contingent upon several conditions that are difficult to achieve: political independence, adequate funding and staffing, investigatory power, hotlines allowing for anonymous reporting of corrupt activities, and an amnesty for whistle-blowers. Country-level experiences are generally mixed, with some standout success cases (Hong Kong, Singapore), and lots of cases that are hard to classify (Dixit, 2018). For more on anti-corruption agencies, we refer readers to the Integrity Systems and Rule of Law Evidence Review also under this tasking (USAID, 2019*b*).

Decentralization. While we expect that addressing low-level petty corruption and e-governance are important opportunities for Armenia to pursue, there are risks in how Armenia proceeds. We offer the following with respect to decentralization.

In theory, decentralization offers the promise of bringing government closer to citizens. In particular, it allows citizens more potential to request their leaders for the specific mix of public goods/services that they need at the local level. By the same token, the second- generation of fiscal federalism/decentralization literature stresses the difficulty of achieving the promise of decentralization (Oates, 2005). Political economy (incentives) and corruption challenges are difficult to overcome, and the proper design of decentralization requires many overlapping government features and structures to work seamlessly in tandem (Weingast, 2014; Mookherjee, 2015; Rodden, 2004).

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[18] Although Andrews, Pritchett, and Woolcock (2013, 2017) do not reference Easterly (2006) directly, the contrast between PDIA and SLDC seems to mirror's Easterly's (2006) call for "searching" for solutions at a small-scale, as opposed to the approach of Sachs (2005) and the Millennium Development Goals (MDGs), which involve large-scale "planning".

There is no one-size-fits-all form of decentralization that suits all countries. For decentralization to be successful, though, there must be a credible commitment from the national government entailing: (i) sufficient resources to assist with the processes, hire new people, and create new facilitating structures/institutions, not mere devolution of responsibility to the subnational level; (ii) clear procedures and legislation, especially concerning taxes; (iii) a fair intergovernmental transfer system, based on clear criteria such as population thresholds and poverty or other needs-based measures; and (iv) audits, a free press, access to information, and informed voters to hold politicians and the bureaucracy accountable (Díaz-Cayeros, 2006; Bird and Smart, 2002; Lessmann and Markwardt, 2010; Boffa, Piolatto and Ponzetto, 2016; Ferraz and Finan, 2008).

Evidence from young democracies similar to Armenia suggests that sufficient implementation on all of the above criteria is very challenging. With respect to resources, fiscal imbalances often imperil the implementation of decentralization programs. Since decentralization funding decisions are largely made at the national level, decentralized decision-makers largely have no recourse when national-level politicians do not fund the programs (Bird and Smart, 2002; Díaz-Cayeros, 2006). For example, the Honduran Law of Municipalities states that the national government is to transfer 11% of national revenue to municipalities. However, the national government frequently only transfers 8% of revenue due to fiscal imbalances, and the decentralized decision-makers are powerless to change the situation.

As decentralization brings more resources to subnational governments, it yields a question concerning how they will spend the resources. On this score, the global literature highlights the effect of political budget cycles, detailing precisely how politicians manipulate intergovernmental transfers and other resources from the central government to alter the outcomes of subnational elections (Klomp and de Haan, 2013).[19] Notably, discretionary expenses on employment, grant programs (e.g., conditional cash transfers), and infrastructure tend to increase during electoral cycles (Remmer, 2007; Keefer and Khemani, 2005).

Beyond elections, building state capacity to monitor all of the additional government functions that decentralization creates is difficult, particularly with respect to taxation. Capacity to tax is generally very uneven across most states' territories (Besley and Persson, 2013; Kiser and Karceski, 2017). Performance pay for tax collectors, even if effective from a tax revenue perspective, also might bring about costs such as increased bribery (Khan, Khwaja and Olken, 2016).

There are several reasons to be skeptical of the potential benefits of decentralization in Armenia. First, Armenia is a very small country, both demographically and geographically, making the government already close and presumably accessible to the people. Second, Armenia is a highly homogeneous country, so citizens living in different regions do not experience linguistic or cultural barriers and probably do have radically divergent policy preferences (e.g., for taxes and spending). As such, little improvement in the match of preferences to policy can be expected from decentralization (Rodden, 2004). Third, decentralization in a small country means that regional and/or local governments that gain power will have a very narrow tax base, making it difficult to raise revenue and increasing the likelihood of capital flight (Cai and Treisman, 2004). Fourth, very small units will lose economies of scale, meaning that some government services may be more expensive, or may be under-provided (Treisman, 2007; Blom-Hansen et al, 2016). Fifth, insofar as regulatory authority is devolved to local or regional authorities it may create a confusing

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[19] See evidence from, for example, Brazil (Brollo et al., 2013), Mexico (Timmons and Garfias, 2015), Portugal (Veiga and Veiga, 2013), Spain (Solé-Ollé and Sorribas-Navarro, 2008), and Ghana (Banful, 2011).

patchwork of laws—discouraging investment, erecting a barrier to the free movement of goods and services, and ultimately raising prices. Sixth, small and weak local governments are more susceptible to "capture" by powerful oligarchs or businesses, who exercise power in a region (Bardhan and Mookherjee, 2000; Bardhan, 2002). Seventh, decentralization is likely to increase regional inequalities across the country (Bardhan and Mookherjee, 2006). Eighth, the search for competent elected leaders, bureaucrats, judges, NGO staff, and all the people required to make a government work well is more difficult at local and regional levels: human capital tends to be scarcer on the periphery, and local/regional wages are generally not as attractive as those in the capital (where the central government is headquartered). So, decentralization generally means that the quality of government personnel declines. Ninth, decentralization makes government more fragmented and thus more complicated to operate and to monitor, weakening accountability mechanisms between leaders and electors (Boffa, Piolata, and Ponzetto, 2016).

While the literature suggests pessimism about decentralization, there are some arguments suggesting that decentralization may not be so problematic, though only under certain conditions. First, the policy to be decentralized should be clearly delineated, avoiding confusion and potential conflicts between the national government and local governments over who is responsible for the policy, and allowing citizens to clearly assign blame if the policy is not successfully implemented.

Second, the policy should be funded by revenue that is raised locally. In this fashion, the locality is not dependent upon the vicissitudes of the national budget and of national politics. Too often, funding for local programs is cut by national governments eager (or compelled) to balance their budgets. Or, it is allocated in a partisan manner in order to pay off clients of the ruling party. Note, however, that raising revenue at local levels is difficult as capital is mobile. A subnational government that raises the tax rate on citizens or businesses is liable to instigate capital flight, with the result that it will raise less revenue than intended and may damage its economy and its tax base.

Third, subnational governments must have the revenue and administrative capacity to implement the policy. Note that subnational governments are generally less attractive to well-trained bureaucrats and specialists, who prefer higher-paying jobs located in the capital. Some subnational governments are apt to be cash-strapped, probably because they are situated in a poor region and thus have a weak tax base. They may struggle to raise the necessary funds to implement the policy, and even if they have the funding they may not have a sufficiently large and well-trained staff to implement that policy.

Fourth, subnational governments must be subject to hard-budget constraints, enshrined in statutory or constitutional law. Absent this constraint, subnational governments will be free to engage in deficit-spending, with the knowledge that the national government will bail them out at a later date. Over time, deficits will take a serious toll on the national economy and the national budget (Rodden, 2002).

If these four conditions are in place, we may expect that a decentralized policy will be successful. That success will be augmented if, in addition, preferences vary on that policy and these policy preferences are regionally specific. That is, those who prefer Policy A live together in Region A, while those who prefer Policy B live together in Region B. This way, everyone's preferences are maximized and they do not have to suffer under a uniform policy imposed by the national government.

While decentralization is a common and increasingly attractive policy in many countries, the scholarship offers mixed expectations with the preponderance of the evidence suggesting pessimism about the benefits of decentralization. In a geographically and politically concentrated country such as Armenia, for

example, it is somewhat unclear what the benefits of decentralization would be. With that said, under certain conditions decentralization could be useful, and we urge taking seriously these conditions.

Amnesty and Transitional Justice. Even though the causal evidence regarding the effectiveness of transitional justice programs is not conclusive (McCargo, 2015), granting amnesty in exchange for the confession of minor crimes (e.g., petty corruption) committed under the old regime might serve as a way to coopt opposition and to move forward without wholesale lustration (O'Donnell and Schmitter, 1986). After implementing the program, Armenia could then introduce set an example by placing some in jail, levying large fines on others, etc. By the same token, threats of prosecution should not become a tactic for blackmailing the opposition or putting opponents in jail.

Campaign Finance. Most countries regulate political finance and many offer public subsidies to political parties or candidates. Proponents of political finance regulations claim that public money reduces corruption in politics, and some evidence seems to support this thesis. Political finance subsidies and accompanying regulations may reduce the influence of private money in politics and increase legal and media sanctions for corrupt behavior (Hummel, Gerring and Burt, 2018).

LEARNING FROM REGIONAL/SIMILAR COUNTRY EXPERIENCE

Georgia and Estonia achieved some governance improvements in part by reducing regulatory complexity. In the process, elites lost access to public sector revenue streams that they were capturing for their own personal gain, which hurt the integrity of the public sector. Part of the reason for the governance successes of these regimes included their "big-bang" approach: that is, to undertake the reforms rather quickly (Mungiu-Pippidi, 2016; Rothstein, 2011). Powering through a big-bang approach, however, yields risks for political stability in weak institutional environments (Bersch 2016, 2019). Therefore, it is difficult to know whether a "big- bang" approach toward reducing regulatory complexity could yield fruitful results for Armenia.

Ukraine's 2004-2005 political transition, Kyrgyzstan's 2005 transition, and Moldova's transition of 2009 generated lots of protest and subsequent hope from citizens about potential institutional change (Ó Beacháin and Polese, 2010). Although Ukraine succeeded at creating an opposition, its political transition mostly replaced one elite with another, which did not promote many institutional reforms (Copsey, 2010). Similarly, Kyrgyzstan's political transition neither rid the country of its elite, nor did it not promote fundamental change (Lewis, 2010). For its part, Moldova has not diminished the influence of its oligarchs/"mafia", has not fulfilled citizen requests for a fairer electoral system, and still does not have a functioning opposition party (Nemtsova, 2016; Munteanu, 2018). Overall, the Ukrainian, Kyrgyz, and Moldovan experiences suggest that Armenia needs to be careful to properly manage expectations from its political transition; otherwise, disappointment could lead to institutional retrogression or decay.

TAKEAWAYS

It is our belief that Armenia is in a relatively good position institutionally, and there is cause for optimism. Much research suggests that parliamentary governments with proportional representation electoral systems — and further with the 5% thresholds to prevent party fragmentation — are the most prone to healthy governance and democratic development. Moreover, Armenia's population, especially the youth, are heavily involved and eager to have better governance.

Given these positive institutional and societal situations, Armenia is poised to make good progress if it can effectively and wisely approach corruption, develop their bureaucratic functions such as e-governance, and

approach institutional decentralization cautiously. Indeed, for the many reasons discussed above, we are dubious of the idea that decentralization in Armenia would enhance the quality of democracy or governance. Armenia might be better served by maintaining its unitary system of government.

The Armenian government and international actors need to carefully set an agenda for progress that is both ambitious, but cognizant of political realities. This will involve instituting measured changes, including appropriately and cautiously dealing with the most corrupt and most influential players in Armenia, which may require a longer time-horizon, but should yield steady progress toward establishing a foundation for medium to long-term success.

2.3. SERVICE DELIVERY

CONTEXT/STATUS

Public services include "goods funded and/or directly provided by the state to improve the welfare of citizens" (Lieberman, 2018). Examples of public services include water, sanitation, electricity, environmental protection, and education—essentially, state-led services that individual citizens "consume", in the economic sense of the word. Although many citizens of advanced democracies receive government benefits such pensions and social insurance, these are not public services. All public services are also not necessarily public goods, which must be nonrival (one person's consumption does not affect availability for others) and nonexclusive (impossible to provide without making available to mostly everyone) (Pyndick and Rubenfeld, 2009). Given the significant disparities in provision of public services both across and within states, most public services classify as club goods (low rivalry, high excludability) or private goods (high rivalry, high excludability.[20] Armenia notably suffers from corruption and in differential access to government services in rural areas (World Bank, 2015; World Bank, 2018).

Measures of Service Delivery. There do not exist unique measures of service delivery across sectors. The closest such measure is the World Bank's Worldwide Governance Indicator's *Government Effectiveness* score (Kaufman, Kraay, and Mastruzzi, 2018). The *Government Effectiveness* variable measures a variety of factors, including information about service delivery as well as the civil service and bureaucracy more generally. As this information may be relevant, Figures 3 and 4 offers some background on government effectiveness in Armenia relative to other measures of governance, as well as compared to other countries in the region.

Figure 3 shows Government Effectiveness, along with three other measures: Regulatory Quality, Rule of Law, and Control of Corruption. Each of these additional measures contains some useful information about service delivery and civil service reform, but only indirectly. Figure 4 shows just the Government Effectiveness measure but illustrates Armenia relative to the regional comparisons. In both cases, the figures plot global rankings for Armenia and its regional comparison countries.

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[20] Rarely do public services fall within the rubric of common resources (high rivalry, low excludability). For a discussion of common resources, see Ostrom (1990).

Figure 4. Armenia's Global Ranking on Government Effectiveness Relative to Regional Comparisons
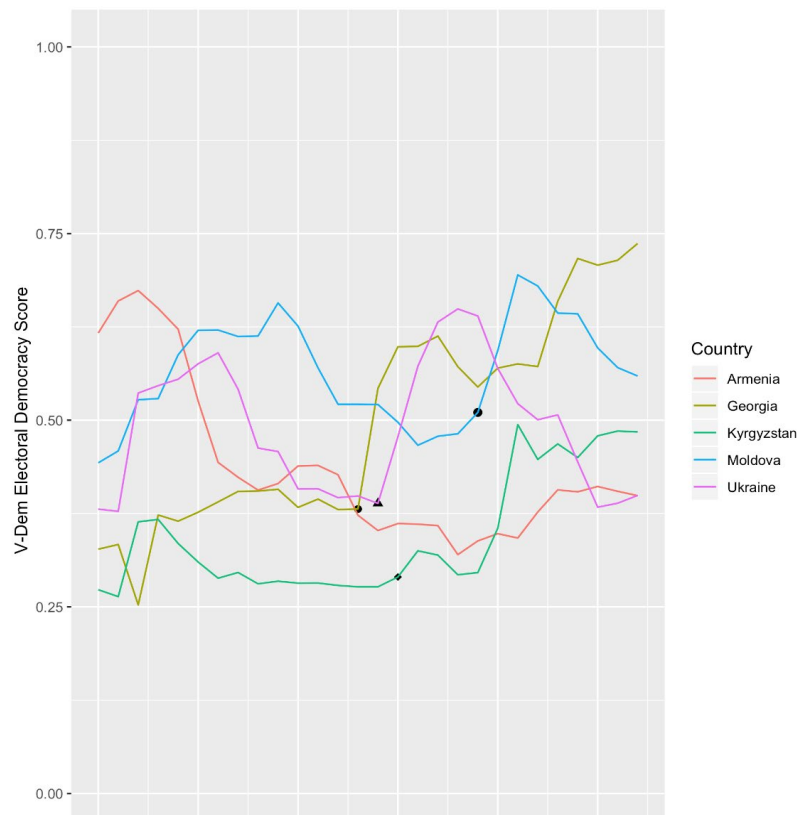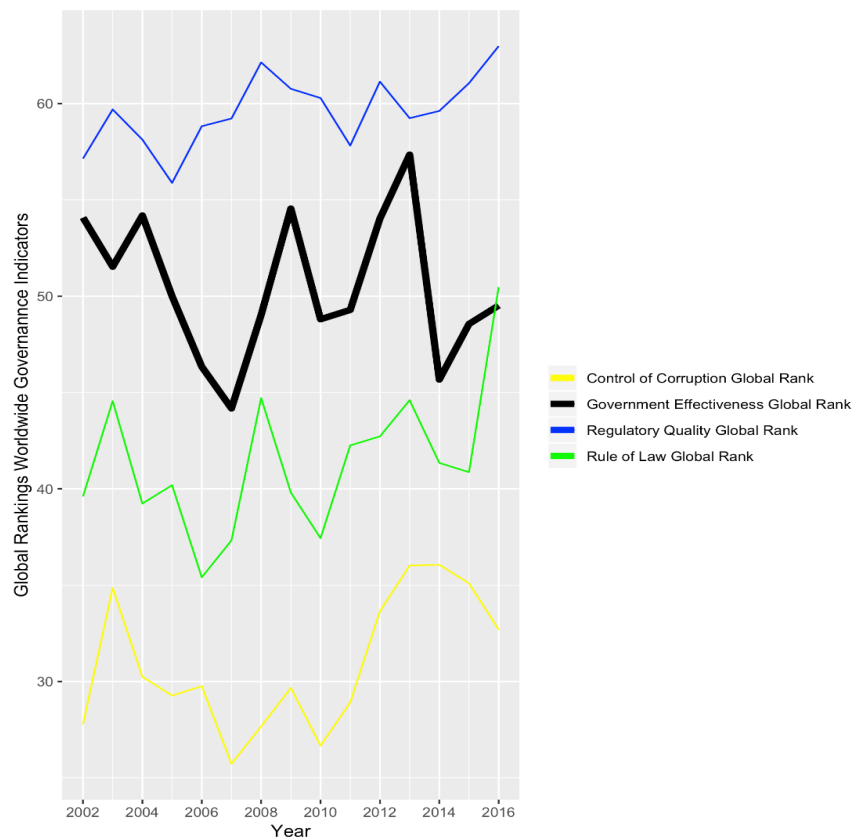

Figure 3. Armenia's Global Ranking on Various Governance Measures

Source: WGI 2017

FACTORS PROMOTING/HINDERING

Ethnicity and Social Cohesiveness. Numerous studies have shown that ethnic tensions are one of the most consistent and significant impediments to public service delivery (Alesina, Baqir, and Easterly, 1999; Miguel and Gugerty, 2005; Habyarimana et al., 2007). Although the measurement of ethnic heterogeneity or "fractionalization"[21] was an issue in earlier studies (Selway, 2011), later studies confirm ethnicity that drives public service provision (Burgess et al., 2015; Alesina, Michalopoulos, and Papaioannou 2016). Since Armenia is a mono-ethnic country with essentially one religion and is very societally cohesive, it bodes well for the country's ability to overcome public service delivery challenges.

Poverty and State Capacity. Poverty and insufficient state capacity are clearly determinants of service delivery. Armenia is a middle-income country and seems to be at level of development in which it would not be subject to "poverty traps": that is, at levels of poverty such that investment in services would have no effect, due to other countervailing factors (Sachs, 2005; Banerjee and Duflo, 2012). That said, if Armenia decides to go forth with decentralization, it could cause further complications in terms of the state's capacity to deliver services (Besley and Person, 2011; Mookerjee, 2015).

Democracy. Democracies have larger ruling coalitions than autocracies (Bueno de Mesquita et al., 2003; Svolik, 2012). Because democracies have to answer to more constituents (Manin, Przeworksi, and Stokes, 1999), and patronage is expensive (Gingerich, 2013; Robbinson and Verdier, 2013; Lizzieri and Persico, 2004), democracies provide more public services to their citizens than autocracies. There is supporting evidence from sectors such as health, education, environmental protection, nutrition, road infrastructure, and electricity (Lake and Baum, 2001; Bueno de Mesquita et al., 2003; Bernauer and Koubi, 2009; Burgess et al., 2015; Blaydes and Kayser, 2011; Min, 2015; Lizzeri and Persico, 2004; Cao and Ward, 2015; Harding and Stasavage, 2014; Besley and Kudamatsu, 2006; Kudamatsu, 2012). As Armenia continues to democratize, it should continue to improve its provision of public services.

Urban Bias and Consequences for Rural Hinterlands. There is consensus in the literature that, as compared to urban areas, rural ones generally suffer from underprovision of public services (Brinkerhoff, Wetterberg, and Wibbels, 2018; Kosec and Wantchekon, 2019). Part of the reason has to do with the so-called "streetlight effect": the fact that it is easier to provide services to urban areas that are both accessible by road and have larger populations from which services providers can draw for their labor pools.

Urban bias is particularly a concern in states that are more authoritarian. Authoritarian regimes underprovide public services to rural areas because, generally, it is harder for rural citizens to generate the collective action power necessary to threaten the stability of the regime, which is the primary concern of authoritarian rulers. By contrast, urban residents can mobilize collective action much faster, and urban collective action can quickly threaten the stability of an authoritarian regime. Consequently, authoritarian regimes pay much more attention to urban needs and service delivery than rural ones, and tend to have higher concentrations of its citizens that live in urban areas (Bates 1981; Ades and Glaeser, 1995; Pierskalla 2016; Ballard-Rosa, 2016; Kim and Urpelainen 2016). Rural-urban divides in public service provision are generally less salient in democratic regimes. Some democracies have

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[21] The concept of fractionalization "measures the likelihood that if two persons were selected at random, they would be from the same ethnic group" (Bates, 2017: 57). Soviet ethnographers carried out the first analysis of fractionalization across the world during the 1960s (see Mauro 1995), and researchers used the Soviet measurement until Alesina et al (2003) came out with a more comprehensive measure.

malapportionement[22] in their electoral systems that accord more electoral weight to rural areas (Bayer and Urpelainen, 2016), and variation of district magnitude can produce similar effects in proportional representation systems (Monroe and Rose, 2002). Additionally, many democracies belong to clubs such as the European Union, ASEAN, and Mercosur that finance public service provision in rural areas for more needy member states. Accordingly, Armenia's political transition and its move toward democracy should enable the country to improve existing rural service delivery challenges.

Historical State Presence and Elite History. The presence of a pre-colonial historical state is one of the most consistent predictors of current day economic development (Michalopoulos and Papaioannou 2013; Donaldson and Storeygard 2016; Pierskalla, Schultz, and Wibbels, 2017). Since these studies proxy for economic development through satellite-generated measures of present-day nighttime electricity, we can be sure that the presence of a historical state contributes to public service provision as well. By the same token, the historical presence of elites in an area can lead to less service provision (Pandey, 2010). At the moment, it is difficult to disentangle the effect of the historical state on effect in Armenia, which has a long history and underwent colonization from Ottoman Empire (Michalopoulos, Naghavi, and Prarolo, 2016; Derlugian and Hovhannisyan, 2018).

Transparency. E-government such as in procurement (Lewis-Faupel et al., 2016), freedom of information requests (Escaleras, Lin and Register, 2010; Islam, 2006) and greater transparency of information can help citizens keep politicians accountable and lead to better service provision, particularly in young democracies such as Armenia (Hollyer, Rosendorff and Vreeland, 2018; Keefer and Khemani, 2005; Banerjee et al., 2018). We discuss this more in depth below, but generally note that Armenia should continue its implementation of its e-governance strategy, particularly given its educated population with a penchant for protest.

REFORM/INTERVENTION EXAMPLES

Audits. Audits can help expose corrupt politicians (Ferraz and Finan, 2008), ensure development projects are completed according to specification (Olken, 2007), and reduce political corruption at least in the short-term (Di Tella and Schargrodsky, 2003; Bobonis, Fuertes and Schwabe, 2016; Ferraz and Finan, 2011; Avis, Ferraz and Finan, 2018). One way to stretch limited funds, ensure fairness, and prevent politicians from manipulating the audit process is to randomize it, for which Brazil offers a wealth of positive experience (Ferraz and Finan, 2018). Although the recent assessments of the Armenian Audit Chamber are generally positive, randomization of audits may offer one way to alter and break-up perceptions of a negative, symbiotic relationship between elites, oligarchs and the state (OECD, 2018; Wicksberg and Hoktanyan, 2013; Shahnazarian, N.d.; Iskandaryan, 2012). We provide more details in the Integrity Systems and Rule of Law Evidence Review also under this tasking (USAID, 2019*b*).

Communicating Directly with Politicians. Beyond what measures government can induce from the top, citizens can utilize technology to promote better governance outcomes as well (World Bank, 2004; Kosack and Fung, 2014). Evidence from Uganda indicates that when citizens can text politicians directly, politicians are less corrupt (Buntaine et al., 2018). Although politicians may not always deliver better services in response to more information, since service provision may be out of their control, the politicians are ultimately more responsive to citizens (Grossman and Michelitch, 2018). If citizens provide

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[22] Malapportionment refers to "the discrepancy between the shares of legislative seats and the shares of population held by geographical units" (Samuels and Snyder, 2001: 652).

actionable information to politicians (Grossman, Platas, and Rodden, 2018), Armenia may have success with similar platforms, especially given the momentum from its 2018 political transition.

Grievance Redress Mechanisms, Social Audits, and Hotlines. Grievance redress mechanisms (GRMs) are "locally based, formalized ways to accept, assess, and resolve community feedback or complaints" (World Bank, 2013: 1). Overall, GRMs provide a way to address feedback from communities in a meaningful way, notably at early stages of development interventions—for example, before minor grievances can develop into major problems. Many countries have their own GRMs, but in some cases it may be necessary for development financiers to initiate project- or intervention-specific GRMs. That is especially the case for development projects that trigger social and environmental risk management (i.e. "safeguard") policies, such as those pertaining to indigenous peoples, involuntary resettlement, and the environment. Grievance redress mechanisms differ in their procedures and structures, including the extent to which complaints are filed, advertised to potential beneficiaries, addressed within certain timeframes, etc. (World Bank, 2012). What is clear, though, is that having a hotline for beneficiary complaints or a formal grievance redress mechanism can alert bureaucrats to service delivery issues and improve performance. Alternatively, aid agencies and policymakers may wish to consider social audits: "mechanisms in which information on expenditures and implementation problems is gathered and then presented for discussion in a public meeting involving all stakeholders" (Joshi, 2013: S38). More recently, the World Bank has used social audits for project beneficiaries to take pictures of project implementation. Since there does not appear to be any side effects of hotlines, grievance redress mechanisms, or social audits, Armenia may wish to consider them, as appropriate.

Community-Based Monitoring. The literature on community-based monitoring does not provide conclusive results, but the results are not fully negative in terms of public service delivery (Casey, 2018). For example, a series of experiments monitoring the Ugandan health sector suggest that community-based monitoring is most effective when monitors are more intelligent, there is less ethnic fractionalization, and there is less inequality (Björkman and Svensson, 2009; Björkman and Svensson, 2010; Björkman, de Walque, and Svensson 2017). However, in an education intervention in India, Banerjee et al (2010) find that community-based monitoring through village councils had no impact on service provision. Additionally, Olken (2007) found that community-based monitoring through village-level accountability meetings in Indonesia was less effective in facilitating public service provision (i.e., road construction) than technical audits of core samples conducted by outside firms.

Many scholars and practitioners in the development community have interpreted the results from Olken (2007), Banerjee et al. (2010), and recent failures to fully replicate the Björkman and Svensson experiments[23] as confirmation that community-based monitoring is ineffective, but Fox (2015) provides a more nuanced assessment. For Olken (2007), the KDP development program that he studied had already mobilized citizens years before his intervention, and Banerjee et al. (2010) relied on village councils that were comprised and determined by elites, who were susceptible to capture (see Bardhan and Mookherjee, 2006). Accordingly, as Fox (2015) points out, neither study provided a truly zero baseline from which to judge program effectiveness, a critique in line with recent debates about the pitfalls of *p*-values and null hypothesis significance testing in social science.[24]

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[23] See a recent working paper by Raffler, Posner, and Parkinson (2018).
[24] Most social science studies calculate statistical significance through null hypothesis significance testing, a procedure that entails calculating *p*-value statistics. Studies using *p*-values generally set the null hypothesis equal to zero, meaning that the baseline effect is always zero. Famously, Andrew Gelman has argued that zero cannot be the baseline for any social science

More broadly, the effectiveness of a community-based monitoring intervention—or participatory program more generally—depends neither just on the voice-related measures that the intervention fosters nor the success of the one particular intervention. Instead, participatory programs are more successful when there is state capacity, especially in the form of horizontal accountability,[25] to hold bureaucrats and politicians accountable for acting on the findings of the participatory interventions (Fox, 2015). Although horizontal accountability is a challenge for Armenia, the country does have a highly-educated and cohesive population that effectively spurred its 2018 political transition. Combining these factors with the consensus that participatory programs tend to increase citizen-level satisfaction with government (Beath et al, 2017; Casey, 2018), it indicates that community-based monitoring could be useful for Armenia.

Right to Information Laws, Freedom of Information Requests, and Transparency Laws. Under many circumstances, politicians and bureaucrats may not improve service delivery without some sort of commitment device. One such device can be a right to information law, also known as a transparency law. As a set of field experiments in India show, right to information laws can increase service delivery outputs and are almost as effective as bribery in doing so (Peisakhin and Pinto, 2010; Peisakhin, 2012). Armenia may thus wish to consider an adopting a right to information law and accompanying e-governance platform that makes right to information requests easy for citizens and hard for bureaucrats and politicians to ignore.

Citizen Service Centers, Citizens Guide to the Budget, and Benchmarking. Citizen Service Centers, also called one-stop-shops, one window systems, and citizen facilitation centers, are hubs that provide citizens access to government services all in one location. The states of Sao Paolo in Brazil, Andra Pradesh in India, and New Delhi in India have used Citizens Service Centers with particular success, and they are far from the only ones (World Bank, 2011). A recent review suggests that at least 77 countries are employing Citizen Service Centers (Pfeil et al., 2016). Ideally, they should provide citizens with a clear guide to the budget and benchmarking on the amount of services that citizens receive. Armenia has started using Citizen Service Centers, but their effectiveness and how many functions they serve is unclear.

Citizen Report Cards. Citizen report cards are surveys of citizens regarding their use of public services or government officials, usually completed with an NGO or research institute (Agarwal, Post, and Venugopal, 2013). A scorecard of members of the Ugandan parliament did not change politicians' behavior, even with a media campaign (Humphreys and Weinstein, 2012). However, scorecards of politicians' corruption levels in Mexico changed voters' behavior. Specifically, it hurt electoral prospects for relatively corrupt mayors, but made some voters abstain from voting (Chong et al., 2015). If Armenia considers citizen report cards, it would be wise to take into consideration that some accountability tools like citizen report cards can have negative externalities.

Participatory Budgeting. Having citizens decide a certain portion of how local governments spend their money has improved perceptions of democracy and service delivery in Brazil, Mexico, and India. The Brazil studies attribute also participatory budgeting to a drop in infant mortality, a crucial indicator

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intervention, given that social science does not take place in a vacuum (e.g., Gelman and Carlin, 2017). Accordingly, Gelman has argued that social science should use more Bayesian statistics, which does not suffer from the same pitfalls of null hypothesis significance testing and *p*-values.

[25] Again, horizontal accountability refers the ability of state-level institutions to exert checks and balances on each other (O'Donnell, 1998).

for development (Touchton and Wampler 2013; Touchton, Sugiyama, and Wampler 2017). At a smaller-scale, results were similar in terms of perceptions for community-driven development projects in Indonesia and Afghanistan (Olken, 2010; Beath, 2017). Against this backdrop, Armenia may want to consider participatory budgeting programs, especially if it pushes forward with decentralization.

Social Programs. Both Mexico and Brazil, in particular, have enjoyed particular success with their conditional cash transfer programs: *Oportunidades* (Mexico) and *Bolsa Familia* (Brazil). The idea behind these social programs is that they target the poor, and beneficiaries have to do something in exchange (e.g., send their children to school and the doctor) to continue receiving the benefits. In Brazil, *Bolsa Familia* has not only contributed a lowering of inequality but also the decline of clientelism and formation of true citizens (Hunter and Sugiyama 2014, Sugiyama 2016, Sugiyama and Hunter 2013, Lindert et al. 2007).[26] For Mexico, some research appears to suggest that *Oportunidades* contributed to the decline of clientelism (De La O, 2015), but a new article indicates that De La O's (2015) finding is the result of a coding error (Imai, King, and Velasco, 2019). Regardless, it is clear that social programs create legitimacy and confidence in the state. These two outputs, in the very least, would be useful for the new Armenian government.

LEARNING FROM REGIONAL/SIMILAR COUNTRY EXPERIENCE

Georgia's success at limiting petty corruption in service delivery under the leadership of President Mikheil Saakashvili is a point of reference for Armenia. As Table 1 (above) shows, measures of corruption declined dramatically and immediately following Georgia's political transition in 2004. Saakashvili orchestrated these decreases in corruption through a "big bang" approach, with many reforms at once, and lots of "learning by doing" (Di Puppo, 2010). The country also relied heavily on Western pressure to draft an anti-corruption strategy, as well as Western support to finance a number of projects related to service delivery (Di Puppo, 2010).[27] Saakashvili and his cadre of reformers, nevertheless, undertook the majority of the work, often with the help of new information technology and e-governance, including at the Public Registry (Schalkwyk, 2010; Mungiu-Pippidi, 2016). Additionally, Georgia created many citizen service centers to facilitate document processing (Anderson, 2018). As described above, Armenia is already following in Georgia's footsteps concerning e-governance and citizen service centers, and should continue with these efforts to improve service delivery. It is unlikely that Armenia can implement reforms at the same pace as Georgia, though. Armenia's geopolitical considerations described in Section 1 of this report provides one constraint. Another relates to the fact that Georgia during the Saakashvili era was a competitive authoritarian regime with less constraints on the executive (Levitsky and Way, 2010), whereas current day Armenia will have the more robust democratic institutions described in Section 2.2.

Moldova has improved service delivery since its political transition in 2009 with help from two e-governance transformation projects financed by the World Bank. However, citizen-level satisfaction with service delivery remains extremely low, and political dynamics have constrained the country from making further progress (World Bank, 2017a, 2017b; Munteanu, 2018). Since Georgia was able imprison its oligarchs with high-level, televised arrests (Di Puppo, 2010), but Moldova has not done so, it seems to suggest that oligarch influence slows down service delivery reforms too (see also, Anderson, 2018). If so, it suggests that reforms will be slower to yield results for Armenia, a country for which around ten oligarchs own circa 50% of its wealth (USAID CDCS, 2017).

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[26] For more the transformation from subjects to true citizens, see Fox (1994).
[27] For some service delivery projects, see, for example: http://www.worldbank.org/en/country/georgia/projects

Bribe-taking by bureaucrats has marked Ukraine's since the country's independence from the Soviet Union in 1991 (Anderson, 2018). Given Georgia's success with rooting out corruption, and the fact that Mikheil Saakashvili studied in Ukraine with President Petro Poroshenko, the latter invited Saakashvili to Ukraine in 2014. Initially, Saakashvili served as an advisor to President Poroshenko; then, in 2015, Poroshenko granted Saakashvili Ukrainian citizenship and appointed him as governor of Odessa. Despite Saakashvili's considerable experience with rooting out corruption in Georgia, Saakashvili resigned his post in Ukraine in 2016, citing corruption as a primary reason for his resignation (Walker, 2016). Saakashvili's experience in Ukraine demonstrates for Armenia that Georgia's experience is not necessarily replicable elsewhere.

TAKEAWAYS

Given that Armenia is already undertaking many e-governance measures, and the population is educated and has a penchant for successful protest, Armenia should continue to involve the population through participatory programs. In particular, continuing with citizen service centers, as well as perhaps initiating some combination of participatory/open budgeting, right to information laws, grievance redress mechanism, hotlines, and social audits constitute some promising potential interventions. Although participatory programs do not always work, as evidenced above, Armenia's demographic characteristics and its political transition provide conditions to facilitate the success of participatory measures. Even if they are unsuccessful, research generally suggests that participatory programs do increase satisfaction with governance and democracy (Olken, 2010; Beath et al., 2017; Chase and Labonne 2011; Besley et al., 2005). If Armenia's political transition does not bring about the expected levels of change, which is a real risk, it could lead the population to sour on democracy and facilitate the success of populist candidates that ultimately bring back authoritarianism (see, Levitsky and Ziblatt, 2018). In this light, it is important to keep the population engaged with the government.

2.4. CIVIL SERVICE REFORM

CONTEXT/STATUS

No modern state can succeed without some form of a civil service.[28] A competent civil service with meritocratic recruitment and promotion contributes to political stability (Bai and Jia, 2016), less corruption (Charron et al., 2017), and is a principal factor that underpins a state's ability to impersonally apply the rule of law without succumbing to patrimonial and personalist leader-based pressures (Weber 1978; Fukuyama 2011). Simply put, a competent civil service is integral for ensuring the implementation of policies across a territory (Mann, 1984).

Nowadays, most states civil services comprise positions such as functionaries, military officers, teachers, police, etc. Unitary states such as Armenia mainly contract such positions at the national level, whereas decentralized states such as Colombia do so primarily at the subnational level. Regardless of states' particular systems of government, most states have a law similar to that of the United States' Pendleton Act of 1883, requiring merit-based hiring for mid- and high-level civil service positions—usually by means of an entrance exam. Research is unanimous in underscoring the effectiveness of the Pendleton Act and those like it in other countries to combat patronage (loyalty-based appointments) and corruption (Theriault, 2003; Grindle 2012).

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[28] One of the reasons why many consider China to be the first modern state relates back its meritocratically-recruited and highly competent civil service, for which it maintained a competitive recruitment exam for over 1,300 consecutive years (Fukuyama 2011; Bai and Jia, 2016).

Armenia undertook its first civil service legal framework reform efforts in 1994, with some re-development in 1997 and implementation in 1998 (Nemec, 2016). In 2001, Armenia adopted its Civil Service Law (CSL) (OECD, 2011). The CSL not only contains a provision on meritocratic hiring and promotion along the lines of the US's Pendleton Act, but the CSL also mandated the creation of a Civil Service Council (CSC). The CSC is a public-sector body that oversees all hiring in the Armenian civil service. The CSC has worked with and/or has receiving funding from other governments (e.g., France, Egypt, Cyprus, China) and numerous international donors (e.g., European Union, OECD, USAID, World Bank, OSCE) (Davatyan, N.D.).

Despite these efforts, survey evidence suggests that citizen-level trust in the government at all levels is low (EBRD, 2016). Analysis of the Armenian civil service by the OECD (2011) highlights numerous deficiencies, including in professionalism, independence, and codes of ethics. More recently, the Armenia government updated its Civil Service Law in 2014 to facilitate more training and modern performance evaluation, thereby making it easier for competent staff to obtain promotions (World Bank, 2015).

In terms of development assistance, Armenia's civil service has benefitted from an Institutional Development Fund grant, helping to create its government e-financial management system, as well three World Bank public sector modernization projects. The third of these projects will close on December 2020. It focuses on financial reporting and e-government. Notable inventions related to the civil service include: the development of an e-consular system, to reduce wait times on document processing; a new, electronic system for pre-court trial proceedings in the judiciary sector; and an electronic case file and red flags system for the Ethics Commission (World Bank, 2015; World Bank, 2018).

FACTORS PROMOTING/HINDERING
Low Salaries. Although the causal evidence is far from conclusive, some analysts have shown that salaries can play a role in attracting higher quality government employees (Dal Bó et al., 2013; Finan et al, 2017). On this score, the pay for Armenian civil servants is low relative to the private sector, especially given the difficult entry requirements. Accordingly, the Armenian civil has experienced difficulties hiring highly qualified and technical staff (World Bank, 2015).

Education. Without an educated population, the quality of the labor pool for civil servants deteriorates significantly. Some studies further suggest that educated people have less tolerance for corruption and are in a better position to resist pressure from bureaucrats and party cadres, and thus are less susceptible to bribes and other corrupt activities (Cheung and Chan, 2008; Machin, Marie and Vujic, 2011; Uslaner, 2017). Since the average adult Armenian has benefitted from 12.5 years of schooling (UNESCO, 2018), and university-level educational completion rates are on the rise (World Bank, 2018), Armenia should be able to field a high-quality civil service.

Bureaucratic Reform and Patronage. Bureaucratic reform is a very challenging task in most countries, and that appears to be especially the case in Armenia. By many accounts, the elite has captured bureaucracy in Armenia; patronage politics, as opposed to impersonal application of law and policy, appears to be the norm (Paturyan and Stefes, 2017; Lewis, 2017). Patronage politics is also highly expensive, too, because a job involves a long commitment over many years (Xu, 2017; Gingerich, 2013; Robinson and Verdier, 2013). Recently, the Armenian government attempted some reforms in policing, but only achieved moderate success (Shahnazarian and Light, 2018).

Election Administration. Although not a part of every country's civil service, international electoral watchdog bodies played a role in safeguarding democracy from election fraud (Hyde, 2011). Armenia has enjoyed success with election monitoring from outside entities (Hyde, 2007), but the country does not have an independent electoral institute. Instituting one with the same model as Mexico's National Electoral Institute (see Magaloni, 2010) might help ensure that electoral manipulation does not become a form of bureaucratic control (Gehlbach and Simpser, 2015).

REFORM/INTERVENTION EXAMPLES

Performance Pay and Pro-Social Motivation. There are very few studies that credibly examine the impact of performance pay with sound causal identification, but one well-done study by Khan et al. (2016) on property tax collectors in Pakistan provides some clues. Overall, the study finds that civil servants who received the performance pay treatment increased tax collection substantially. By the same token, these same civil servants also increased their bribe amounts. Khan et al. (2016) suggest the higher bribe amounts are a function of the higher opportunity cost associated with foregoing performance pay. Therefore, before offering any sort of performance pay or increased salary, it is advisable to test for civil servants' pro-social motivation (Hanna and Wang, 2017; Besley and Ghatak, 2018). With respect to the latter, numerous studies show that higher wages may not attract those with the best values (Ashraf et al., 2014; Banuri and Keefer, 2016), a quality that is especially important in a country like Armenia where corruption and patronage are the equilibrium (see Fisman and Golden, 2017). In a literature review of performance pay, Hasnain, Manning, and Pierskalla (2014) identified craft jobs such as teachers, health care workers, and revenue administrators as the promising vocations for performance pay. Given that health care workers and tax collectors are particularly prone to bribery, and education in Armenia is generally strong by international standards, we are hesitant to recommend performance pay for Armenian civil servants. We also strongly suggest quietly instituting a test for pro-social motivation and testing for potential manipulation and cheating.

Reporting Structures. The literature on the effectiveness of different reporting structures within civil service is only incipient, but two studies are provocative. In their study of the Nigerian civil service, Rasul and Rogger (2018) find that mid-level bureaucrats are more effective at carrying out small-scale project implementation when their supervisors grant them more autonomy, as opposed to when they are subject to more monitoring. Given that the study does not rely on an experimental design, though, the authors are unable to credibly rule out other potential causes, such as ambition, pro-social motivation, and task complexity. A more credibly designed study concerning bureaucrats in highly decentralized India suggests that bureaucrats perform more effectively when they report to only one politician (Gulzar and Pasquale, 2017). If Armenia considers decentralization, which we caution against below, then it will need to find an effective way to organize reporting structures for its nearly 500 municipalities.

Performance-Based Postings and Incentives. It is normally very difficult to disentangle whether supervising bureaucrats award positions to their employees on the basis of merit, need, patronage, or a combination of the three factors. To obviate these complicated measurement issues, a study of tax collectors in Pakistan randomized whether employees participated in a scheme in which they could pick their postings based on their performance or maintained the bureaucratic supervisor's authority to decide postings (Khan, Khwaja and Olken, 2019). The study found a substantially positive effect on tax revenue collected for the performance-based posting *vis-à-vis* the regular scheme. Given that the study took place in a very weak institutional environment that is similar or worse to that of Armenia, it is

worth considering whether Armenia could experiment with performance-based posting. Perhaps performance-based posting could induce more qualified individuals to join the civil service, too.

E-Governance. Particularly since Armenia adopted an E-Government Strategy in 2014, and e-governance generally limits bureaucrats' ability to bribe citizens, e-governance is area for an intervention. Below, we provide a summary of relevant e-governance measures, each time providing some context to Armenia.

E-Procurement. A well-done causal study on India and Indonesia, for example, suggests that introducing e-procurement significantly reduced capture and leakage risks relative to the former non-digitized procurement systems (Lewis-Faupel et al., 2016). Armenia has already adopted an e-procurement system, a topic that we tackle in further detail in Integrity Systems and Rule of Law Evidence Review (USAID, 2019*b*).

Biometric Smart Cards. Another method of reducing potential leakage of government funds entails supplying citizens with smart, biometric ID cards that document fund transfers. For the massive NREGA workfare program in India and a food subsidy program in Indonesia, sound causal evidence indicates that these smartcards significantly reduced corruption by government officials (Muralidharan, Niehaus and Sukhtankar, 2016; Banerjee et al., 2018.). The World Bank (2015) reports that some of Armenia's recent e-governance efforts concerns the use of smart cards, but they are a technology that policymakers may wish to consider expanding to other areas as well.

E-monitoring. Citizens may use technology to monitor government bureaucrats, which is exactly how parts of India combated teacher absenteeism. Specifically, the government linked teachers' salaries to their appearance (or non-appearance) on cameras set-up at schools helped with the monitoring (Duflo, Hanna and Ryan, 2012). However, e-monitoring can be disruptive. When Dhaliwal and Hanna (2017) introduced e-monitoring of health workers in India, it produced staff dissatisfaction and highly-trained doctors quit. If Armenia considers such an innovation for its civil service, it should weigh the costs and benefits of introducing such a program, particularly given the staffing issues highlighted above.

Limiting Petty Corruption. Although elite-level corruption is usually difficult to tackle (Bauhr and Charron, 2018), and may not be wise to address in the earliest stages of transition, governments may nonetheless focus on petty corruption: bribes to police, teachers (grades and national exams), bureaucrats who grant permits, doctors who insist on special payments, etc. These activities are easy to gather evidence on, such as when plain-clothes police or staff of the anti-corruption agency assume the position of a person who is likely to be asked for a bribe. Petty corruption is also easy to prosecute since the offenders hold no political power and there is little at stake for judges and prosecutors. If the government is successful in stemming petty corruption it can win legitimacy and begin to change the culture of corruption.

Asset Declaration. Asset declaration has proven informative for India, demonstrating private returns to public office. As Fisman et al. (2014) show, elections winners in India gained 3-5% more assets per year than the runners-up—even though government salaries are fixed. In line with India, Armenia requires high-ranking officials to declare their assets and, as of 2016, has accompanying legislation to penalize those who do not truthfully declare their assets.

Transparency of Tax Records. To create even more public trust in government, Armenia could go beyond asset declaration. For example, the government could require applicants and current holders of

all public-sector jobs (or at least all elective offices) to make their tax returns public, perhaps with cooperation from the Tax Service of the Republic of Armenia. The transparency of tax records would have several beneficial effects. First, it would allow citizens to see how much money their public servants have (on record), similar to asset declarations. Second, it would allow citizens and watchdog agencies to step forward with additional information that may have been neglected in those returns (e.g., a house or business that was not declared). Third, it would serve as an impetus to the Tax Service of the Republic of Armenia to take a close look at public servants, and counter any corruption within the agency to shelter "friends of the current regime" or people who may have paid off IRS agents. Prosecutions might follow. Fourth, it would allow citizens, watchdog agencies, and the media to compare declared income against lifestyle. If someone declares a modest income but seems to enjoy a lavish lifestyle this could be noted publicly, and perhaps become fodder in subsequent elections. Finally, it would discourage people with less pro-social motivation from pursuing a career in public sector service, and might prompt some of those who currently hold office to resign—a method of lustration.

LEARNING FROM REGIONAL/SIMILAR COUNTRY EXPERIENCE

Georgia undertook its "big bang" approach to civil service reform with very high-profile reforms: televising arrests of oligarchs and high-ranking officials, building a large-scale anti-corruption unit within the executive branch, completely dismissing its police force, etc. (Devlin, 2009; Di Puppo, 2010; Light, 2014). Given that Armenia is more tied to Russia than Georgia (see Section 1), 10 Armenian oligarchs control about half of the country's wealth (USAID CDCS, 2017), and Armenia already has trouble with staffing its bureaucracy and enacting reforms (World Bank, 2015; Shanazarian and Light, 2018), it would be unlikely that Armenia could replicate Georgia's approach to civil service reform. Furthermore, as the institutionalist literature shows, powering through "big-bang" reforms at "critical junctures" tends produce instability in weak institutional environments—something Armenia should avoid (Bersch, 2016, 2019).

In 1997 the President of Kazakhstan set a long-term vision with "Kazakhstan 2030", including reform of civic service efforts in 1999. Kazakhstan limited the executive influence on civil servants by dividing hiring between political and career appointments in attempt to shield from political changes. It appears as though the Civil Service Council (CSC) of Armenia has already undertaken such steps, notably with support from donors and foreign governments (Nemec, 2014).

Moldova's civil service has recently undergone major revamping to meet European Union standards on good government, with external support from the World Bank and the UK's Department for International Development (DFID). According to the World Bank's Independent Evaluation Group (2015), reforms in merit-based hiring, personnel policy, compensation, budget planning, strategic planning were successful, though fraught with delays. Given the aforementioned issues with service delivery in Moldova (see previous section), it indicates that civil service reforms do not immediately translate to better service delivery. Accordingly, Armenia should expect delays in output-based measures in governance improvement,[29] even if it continues to improve its civil service.

Ukraine instituted some decrees and regulations related to its civil service in the period immediately following the fall of the Soviet Union, stretching roughly from 1991-1997 (Nemec, 2014). However, the government did not implement these decrees and regulations very thoroughly due to the chaotic nature of the democratic transition (EBRD Annual Report 2004, 2005). More recently, Ukraine has attempted to

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[29] For more on output-based measures governance effectiveness, refer to Evans, Huber, and Stephens (2017).

overcome some its challenges through an open/transparent budgeting law in 2015 as well as some regional and city-wide initiatives, with some more successful than others (Walker, 2016; Anderson, 2018). As to whether such a strategy is feasible for Armenia, it is unclear given its unitary government and apparent interest in decentralization, but it may be worth a try.

TAKEAWAYS

One of the most frequent themes emerging from the literature on Armenia's governance is that corruption is a pervasive and endemic problem in the civil service. The identification of the problem is one matter; identifying concrete steps for overcoming problems of corruption is quite another. As such, a critical factor in applying global or regional lessons is to identify concrete steps, and perhaps more critically proceed at the right pace and with the right expectations.

Overall, it may be difficult to enact civil service reforms in Armenia to end corruption. In situations where corruption is the equilibrium behavior among large groups, there is generally a lack of "principled principals": that is, supervising agents that can change behavior of others and stop the corruption entirely (Persson, Rothstein, and Teorell, 2013). Accordingly, it is best to conceive of the corruption and patronage in Armenia's civil service as more of a collective action problem than a pure monitoring problem (Rothstein, 2011). In other words, additional monitoring and transparency are likely not enough, and may even be harmful (Bauhr and Grimes, 2014). In such a setting, there is a need to distinguish between "need corruption" (i.e., the need gain access to public services, which facilitates collective action) and "greed corruption" (i.e., some individuals gaining illicit money at the expense of the rest, which facilitates free-riding) (Bauhr, 2017). Armenia seems to have elements of both "need" and "greed" corruption. Not everyone has access to the unbiased access to the rule of law and public services, but there are also some bureaucrats who are clearly enriching themselves for private gain. Given Armenia's political transition, there may be an opening for a measure that would not work under ordinary times.

Above, we indicated that Armenia as well as international assistance providers are likely in a better position to address petty corruption — bribes to police, teachers (grades and national exams), bureaucrats who grant permits, doctors, etc. Petty corruption is easier to address than grand corruption (Bauhr and Charron, 2018), and addressing petty corruption was a measure that Georgia undertook successfully under Saakashvili (Di Puppo, 2010). In an effort to manage expectations appropriately, addressing petty corruption provides some opportunity for a quick win. If the ambition is to eradicate grand corruption, then all parties are likely to be sorely disappointed. Curbing grand corruption generally happens only over a longer period of time (Rothstein, 2011).

Overall, it seems that Armenia should take a more gradual—or at least lower profile—course than Georgia, while simultaneously seizing the momentum of its recent political transition. The reforms we suggested above regarding random inspections for petty corruption, more e-government (e.g., biometric smart cards), testing for pro-social motivations (but quietly), performance-based postings, and transparency in hiring and civil servants' tax records constitute some measures to consider.

2.5.   MISCELLANEOUS FACTORS THAT CONTRIBUTE TO GOVERNANCE

Some factors that affect the quality of governance are difficult to change in that they are unlikely to be responsive to policy initiatives emanating from USAID or the government of Armenia at least in the short-

to medium-term.[30] Even so, they structure the political and policy sphere in important ways and thus form an essential backdrop to our report. The following factors may assist reform initiatives in Armenia, or at least not hinder them:

SOCIAL COHESION

Social cohesion refers to the togetherness —or "sticking-togetherness" (Gross and Martin, 1952, 553)— of a community, i.e., the sense in which members identify and behave as members of a coherent, unitary group. Social cohesion has been argued to create higher levels of consensus on political matters, and are also likely to foster a high level of social trust and —given the opportunity —of political engagement, as suggested by work on social capital (Alesina et al., 2003; Alesina, Baqir and Easterly, 1999; Lieberman, 2009) and demography (Gerring and Veenendaal, 2019).

Social cohesion is a hard thing to measure, but all reports suggest that Armenian society is one of the most cohesive societies in the world. This may be interpreted as a product of Armenia's long, unbroken historical trajectory, the impact of the genocide in reinforcing group identity, the ongoing war with Azerbaijan, a high level of linguistic and religious homogeneity along with a language and religion that uniquely identify Armenians from all other peoples, a very small population, one third of whom reside in the capital city, and a compact geographic territory. These factors bring Armenians together, and are likely to foster consensus on matters of politics.

DIASPORA

Diaspora populations can play an important role in development and reconstruction (Mitra et al., 2007). Although most of those who identify as Armenian no longer reside in the country, they retain close ties, send regular remittances home to family members, and could be engaged in partnerships—political, civic, or business. Since ex-patriots are often highly skilled and some are quite wealthy, Armenia's diaspora is an important asset and should be fostered wherever possible. With that said, Armenian diasporas exist in multiple countries with very different interests, including the United States and Russia.

EDUCATION

According to the World Development Indicators, over 99% of Armenia's population is literate, and schooling completion rates are high (World Bank, 2017a; UNESCO, 2018). According to UNESCO (2018), in 2015 the average Armenian benefited from 12.5 years of schooling. Thus, Armenian education should be conducive to the emergence of good governance.

GEOGRAPHY AND FOREIGN PRESSURES

We note that foreign pressures have some potential to impact the success of governance reform initiatives. Armenia is perhaps particularly susceptible. It has notable frictions with Azerbaijan, with which hostilities continue. There is no literature to suggest that these hostilities in themselves would hinder domestic governance reform within Armenia, but they would become relevant if domestic reforms affected the foreign policy status quo (Ambrosio, 2009; Giragosian, 2017; Jackson, 2010). For example, relations with Azerbaijan would become relevant if administrative reforms touched on the status of Nagorno-Karabakh. They could also become relevant if administrative reforms touched on the postal service or telecommunications infrastructure, given that both of these are severely limited between Armenia and

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[30] Citations in the text are included for those who wish to read further on these subjects. Wherever possible, we have sought to identify recent surveys of the literature on a subject that are accessible to those without advanced training. But readers should be aware that some of the papers cited here are rather technical and full of jargon.

Azerbaijan. Similarly, the closed border between Armenia and Turkey could become relevant if, for example, decentralization reforms affect the status quo administration of the border (Tocci 2007).

Russia has also shown itself willing to intervene in the post-Soviet region when it sees its interests as threatened (Zimmerman, 2014). We see no reason to expect domestic governance reform in Armenia to trigger military intervention (Way, 2015). However, Russia has intervened in the domestic politics of its neighbors in response to various triggers, including debate over the Russian language (Goetz, 2017; Saari, 2014). Armenian is the sole state language in the country, but Russian remains the most common foreign language. Consistent with this mindset, it is possible that Russia would intervene diplomatically if, for example, reforms had the effect of increasing English usage (Cheskin et al., 2018; Giragosian, 2015; Toomet, 2011). The effect of Russia's foreign policy in recent years has been to claim authority over "compatriots abroad," which includes non-ethnic Russian speaking individuals (Laruelle, 2015). This possibility could have an effect on agenda-setting, in that Armenian policymakers may de-prioritize reforms with implications for the official or unofficial status of foreign languages.

THE PRESS
The press plays a key role in democracy and in anti-corruption efforts (Stanig, 2015). While we think that attention to the media is critical, we refer readers to the Civil Society and Media Evidence Review being conducted separately under this tasking (USAID, 2019*a*).

2.6. CONCLUSION
We provided a survey of the evidence on governance, with specific application to Armenia in the wake of its recent transition. We considered a broad array of factors that promote or hinder good governance, distilling the lessons learned to a few key factors. We discussed a number of factors, summarized below, and also point to the other two evidence reviews that will be forthcoming — Civil Society and Media as well as Integrity Systems and the Rule of Law — for discussion of what may also be key issues in strengthening governance.

We note that on a structural level, Armenia is in a relatively good position, having recently adopted institutions (parliamentary and proportional representation with thresholds) that the literature indicates are important factors governance and democratization. These institutional factors are difficult to affect, especially for international assistance providers, but it is nonetheless important to recognize the importance of maintaining such institutions, and providing whatever support may be possible or necessary, whatever follows in the coming years.

Turning to factors that may be more easily manipulated in the short- to medium-term, both by the government or international assistance providers, we identify lessons learned:

- Consolidation of State Institutions

    - Exercise caution in moving forward with decentralization. There is cause for concern about the efficacy of decentralization

    - Address petty corruption, and carefully phase-in efforts to address higher-level corruption

    - Institute measures such as e-governance in an effort to streamline many institutional functions

- Good institutional reform does not entail exporting the right strategy from one context and using it in another one. Instead, good institutional reform first builds off robust political economy analysis to inform feasible action. Robust political economy analysis should not only make use of traditional indicators but also the dimensions of the political settlements framework, paying particular attention to the implementation concerns stressed by the Problem-Driven Iterative Adaptation (PDIA) approach. Thus, institutional reform is not about grand plans or overarching solutions but about gradually undertaking reforms that are suitable to particular contexts.

- Service Delivery

  - Participatory programs are likely to be beneficial both for governance and citizen-level satisfaction with democracy. Promising potential interventions include opening more citizen service centers and improving the efficacy of existing ones, as well as perhaps initiating some combination of the following: participatory/open budgeting, right to information laws, grievance redress mechanisms, hotlines, social audits, and social programs. All potential interventions should have some form of an e-governance component.

- Civil Service Reform

  - Armenia should be cautious about following Georgia's "big bang" approach to civil service reform especially given former Georgian President Mikhail Saakashvili's failure to adequately tackle corruption when he subsequently served as Governor of Odessa and advisor to President Poroshenko in Ukraine.

  - It could also pursue some relatively new interventions, including random inspections for petty corruption, more e-government (e.g., biometric smart cards), testing for pro-social motivations when hiring (but quietly), performance-based postings, and transparency in hiring and civil servants' tax records.

- Comparisons and Process

  - Regional comparisons are helpful but need to be considered carefully. Georgia, for example, offers a model for e-governance reforms and addressing petty corruption, but is likely different than Armenia concerning timing and scale.

  - Sequencing is critical, but the literature offers little guidance on optimal sequencing. With that said, reforms are likely to be most successful if they proceed at a moderate pace and do not alienate important players even if those important players ultimately impede efforts to achieve good governance.

# 3. ANALYSIS OF ARMENIAN V-DEM GOVERNANCE INDICATORS

3.1. INTRODUCTION

This section presents a V-Dem analysis report on a number of factors related to Armenian democracy and governance over time and in regional context. We begin with summary measures for the key principles of democracy as well as a measure of corruption. We then turn to a series of time plots on overall democracy with sub-measures, judicial indices, liberal democracy indices, and corruption indices. We then show some results for Armenia relative to other regional cases. Finally, since all of these results rely on a single data set, we show that V-Dem tracks another prominent democracy measure, Polity, but provide significantly more nuance, which lends more confidence to this study's focus on V-Dem data.

V-Dem is a database assembled by a worldwide team of professional social scientists. Indicators are based on factual information, such as government records, where appropriate. The indicators we review here draw heavily on subjective assessments made by country experts; typically five country experts contribute to each rating. V-Dem does not document experts' rationale for indicator changes; in what follows, we infer explanations for changes based on events at the time. V-Dem indicators are intended to be comparable across countries and over time, although the reader should acknowledge that there is a margin of error around any given point estimate. In general, higher numbers indicate more democratic practices, although important exceptions are noted in the text below.

3.2. OVERALL MEASURES FOR ARMENIA

Figure 5 summarizes data on different components of democracy in Armenia over time, with particular points documenting 2002, 2007, 2012, and 2017. The overlap between polygons indicates a lack of change in measures on each indicator over time. Six concepts are presented. For the five democracy indicators, each indicator ranges from 0 to 1, where 0 represents a less democratic and 1 represents a more democratic score. At the northern point of the figure is Electoral Democracy (index of freedom of association; clean elections; freedom of expression; elected executive; and suffrage); this was somewhat higher in 2002 but has generally been stable since then. Northeast is Liberal Democracy (index of equality before the law and individual liberties; judicial constraints on the executive; and legislative constraints on the executive); this has been very stable over time. Southeast is Deliberative Democracy (index of measures of how political elites reason on and justify public policy and engage in consultation); this was higher in 2017. South is Egalitarian Democracy (index based on measures of equal rights/freedoms for all people and equal distribution of resources

*Figure 5. Armenia: Principles of Democracy Indices & Corruption*
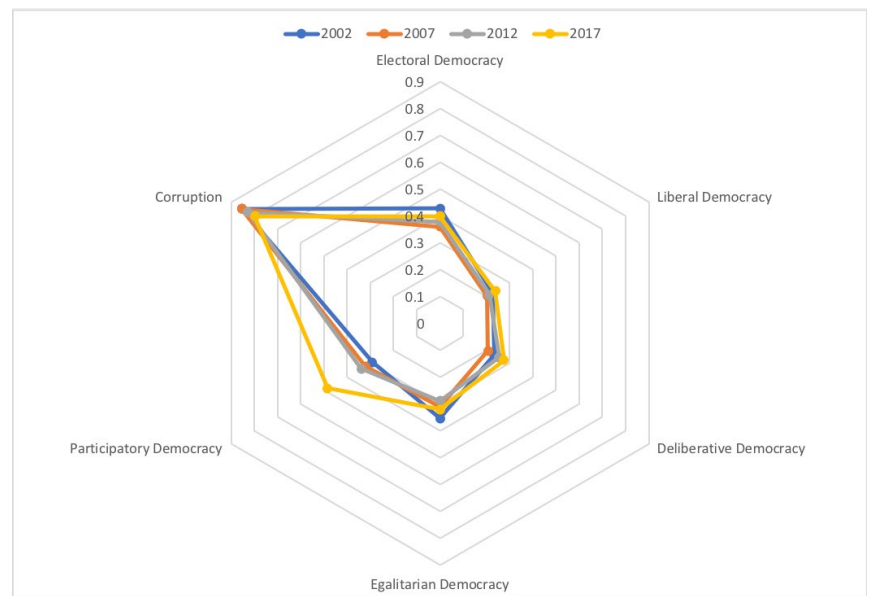
across all social groups); this was highest in 2002 but then eroded over time. The change in this index indicates that V-Dem experts evaluated that equal protection before the law and equal access to resources eroded over time. For context, the magnitude of the decrease in the V-Dem measure of Egalitarian Democracy from 2007-2017 was on par with simultaneous decreases in Ukraine and Russia (V-Dem Annual Democracy Report 2018). Southwest is Participatory Democracy (index of civil society participation, citizen initiatives, and direct voting for officials at all levels of government). This was low and stable throughout much of the period and then notably increased in 2017. This reflects the increase in civil society activity and citizen participation that took place in the context of Armenia's political transition. Northwest is Corruption (index of legislative, judicial, executive, and public-sector corruption measures). This ranges from 0, or no corruption, to 1, or total corruption. This measure has been consistently high in Armenia over time, although V-Dem experts identified an improvement in corruption over the 2007 to 2017 period (as indicated by the decrease in the corruption measure).

Figure 6 displays the overall measure of electoral democracy (northern point in Figure 5) in V-Dem, and it breaks down the sub-indices that contribute to this overall measure. We plot scores for 1990-2017. For all measures, higher values indicate more democratic outcomes. Electoral Democracy (also known as "polyarchy," Dahl, 1973) intends to record the responsiveness of rulers to citizens, when this is "achieved through electoral competition for the electorate's approval under circumstances when suffrage is extensive; political and civil society organizations can operate freely; elections are clean and not marred by fraud or systematic irregularities; and elections affect the composition of the chief executive of the country" (Coppedge et al., 2018). Overall, Electoral Democracy was high immediately following Armenia's independence from the Soviet Union, but it fell meaningfully by the mid-1990s. It hit new lows in the mid-2000s although rose again in recent years. Taking into account margins of error around each point estimate, the major takeaway is that Electoral Democracy by 2017 was lower than levels in the early 2000s.

In Figure 6, the sub-indices that contribute to the overall electoral

Figure 6. Armenia: Democracy with Sub-Measures, Corruption, and Violence
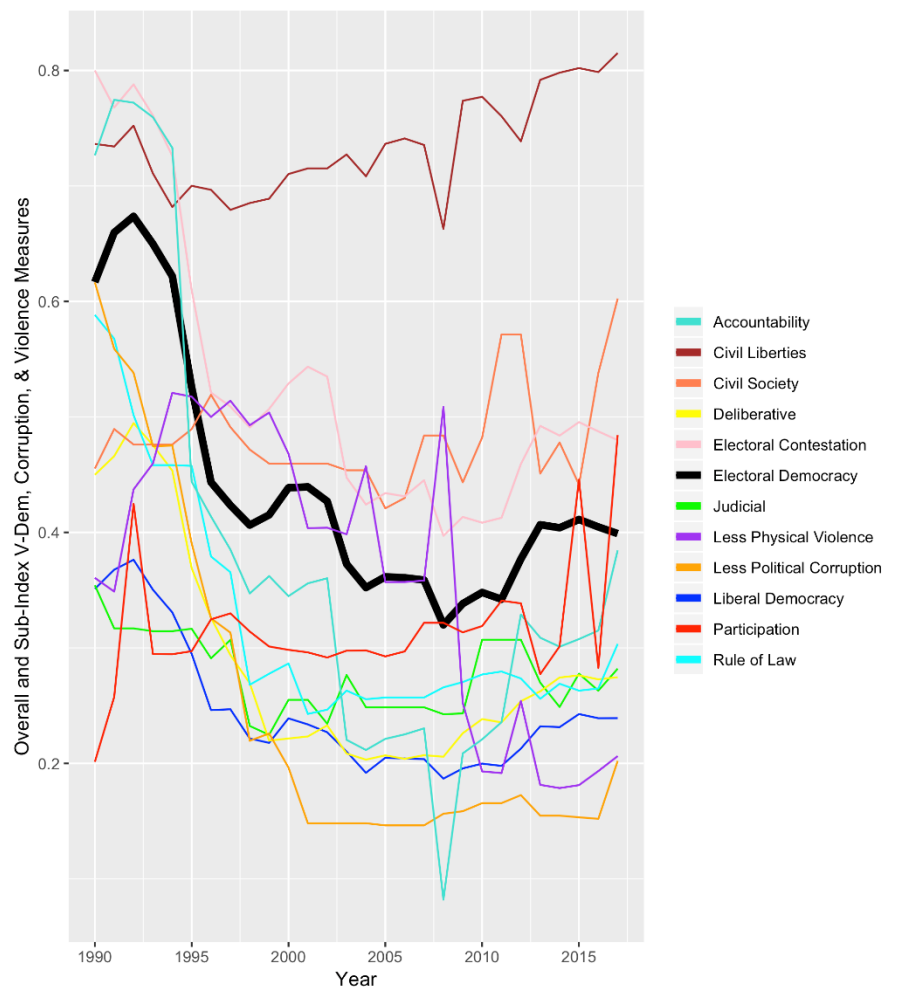
Source: V-Dem

democracy score provide further context on the overall trend. Taken together, these variables measure political participation, the strength of rule of law and electoral institutions, and the threat of physical violence. First, focus on the fact that this group of indicators are all around the same level on the overall scale from 0 (worse outcome) to 1 (better outcome). This suggests that the various aspects of political and civil life relevant to democracy in Armenia are all varying around a low beginning baseline. There are three notable exceptions. First, Electoral Contestation was extremely high at independence, in the midst of undeveloped political parties, but it dropped significantly by the early 2000s. Second, Accountability followed the same trend. Accountability captures "constraints on the government's use of power through requirements for justification for its actions and potential sanctions" (V-Dem Codebook). This includes accountability through elections, checks and balances between institutions, and oversight by civil society and media. Armenia's overall decline in electoral democracy from independence to the early 2000s tracks the regime's ability to limit these forms of accountability. The third exception is Civil Liberties, which includes "the absence of physical violence committed by government agents and the absence of constraints of private liberties and political liberties by the government" (V-Dem Codebook). Since independence, Civil Liberties have been notably higher in Armenia than the other aspects of political life considered here, and Civil Liberties have been generally increasing over time. This increase parallels the indicator for Less Physical Violence, which indicates a considerably lower threat of physical violence around 2010. (For definitions of other variables, see V-Dem Codebook.)

Figure 7. Armenia: Judicial Democracy, with Sub-Measures

Source: V-Dem
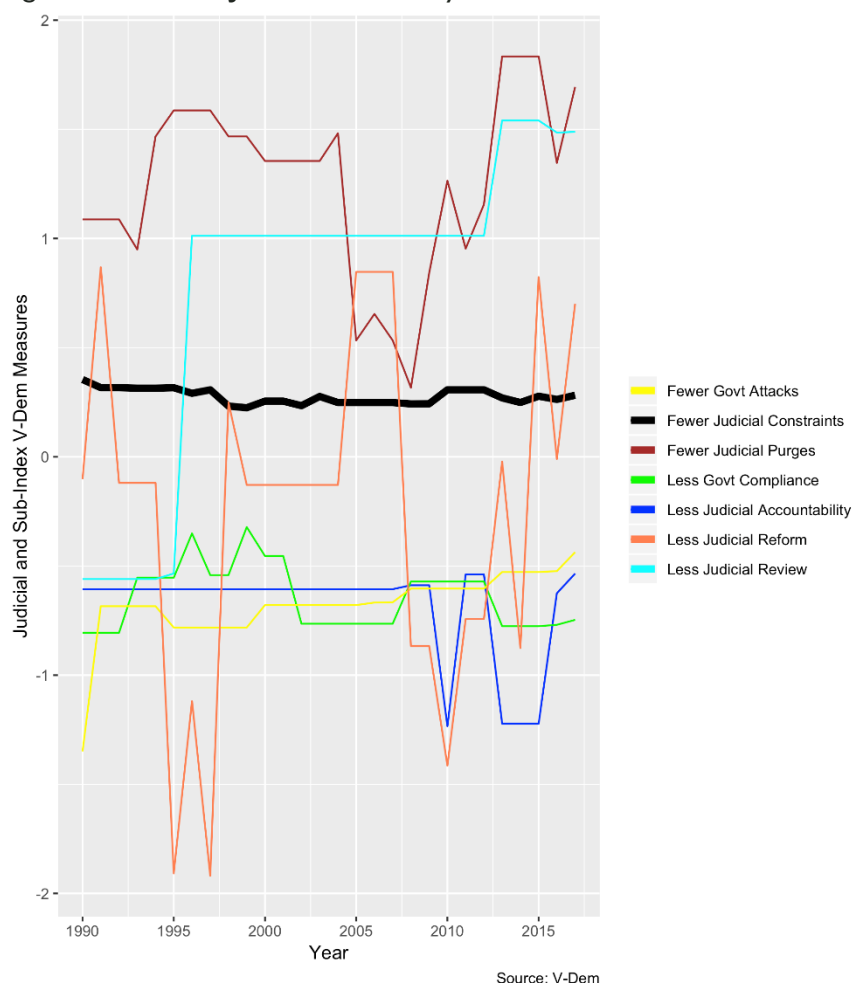
3.3. JUDICIARY

Figure 7 plots Armenia's judicial scores for 1990-2017. Please see descriptions below to interpret high versus low scores. In general, V-Dem experts consider all courts in the judicial system at every level. The overall Fewer Judicial Constraints score in Figure 7 is based on experts' evaluations of the extent to which political actors respect the constitution and comply with court decisions, as well as the independence of the courts from political interference. In Armenia, there are constraints on the judiciary, and those constraints have been quite constant since independence. Meaningful movement has occurred in related judicial quality measures, however. First, note the variation in Judicial Purges, or whether

judges were removed from their posts without cause. This was a particular problem around 2005-2010 (lower values on Fewer Judicial Purges) but has been less of a problem in recent years. Second, note the variation in the Less Judicial Reform measure. This marks periods in which more judicial reform was undertaken (negative values), specifically in the years after 1995 and 2010. However, these reforms did not improve or change the overall quality of the judiciary in terms of Fewer Judicial Constraints. Third, note the non-democratic trend in the Less Judicial Review measure over time; as of 2017, judicial review is particularly absent. The other indicators in Figure 7 capture government attacks on the judiciary, government compliance with judicial rulings, and judicial accountability. While there has been some variation in these measures, they have not followed a distinct pattern over time, and values in 2017 are around where they were in the mid 1990s. (For definitions of these variables, see V-Dem Codebook.) In sum, the major takeaway from Figure 7 is that the judiciary in Armenia has been marked by stability and has not undergone meaningful reform that has removed constraints.

3.4. LIBERAL DEMOCRACY

Figure 8 plots the trajectory of Liberal Democracy in Armenia, from 1990-2017. Higher values indicate more democratic outcomes. The Liberal Democracy measure "emphasizes the importance of protecting individual and minority rights against the tyranny of the state and the tyranny of the majority" (V-Dem Codebook). Overall, Liberal Democracy was high immediately upon independence but dropped meaningfully by around 2000 and continued to decline thereafter. One key takeaway is that the overall measure of Liberal Democracy (bolded line) has been improving since 2010; in 2017 it was around the level of the early 2000s. Figure 8 plots Judicial Constraints on the Executive and Legislative Constraints on the Executive, which are components of the overall Liberal Democracy measure. These have trended similarly to the overall measure, meaning that constraints on the executive were high following independence and today are at around the levels they were in 2000.

What is particularly notable in Figure 8 is Equality Before the Law: Individual Liberty. This indicator measures the extent to which laws transparently, rigorously, and impartially enforce the law and the extent to which the law protects citizens' physical integrity rights,

Figure 8. Armenia: Liberal Democracy, with Sub-Measures

Source: V-Dem

property rights, freedom from forced labor, freedom of movement, and freedom of religion. First, the absolute values of this indicator have been high in the whole period. This can be interpreted as Armenia's scores being better than other countries at comparable levels of overall Liberal Democracy. For example, in an analysis of 2017 data, V-Dem places the level of realized political equality in Armenia in the top 25% of a set of countries with similar overall democracy scores (V-Dem 2018 Democracy Report, p. 35, Figure 2.2).[31] Second, Individual Liberty has generally improved over time in Armenia, reaching a new high in 2017. The takeaway is that strong Individual Liberty has been a particularly positive outcome in Armenia even before its political transition.

3.5.   CORRUPTION IN ARMENIA

Figure 9 captures corruption in Armenia, 1990-2017. Here, higher values indicate worse outcomes, in terms of more corruption. We report the overall Political Corruption measure as well as sub measures for Executive Corruption and Public-Sector Corruption. The overall measure includes executive (with specific attention to both bribery and embezzlement), legislative, and judicial corruption. It intends to cover both petty (low-level) corruption and grand (large-scale) corruption, bribery and theft, and corruption intending to influence law making and corruption intending to influence law implementation. To remind the reader, these scores are based on input from country experts and thus draw on more than observable events in the news, for example, making them particularly valuable. In general, Political Corruption grew sharply from independence until just after 2000, and then leveled off at high rates. V-Dem experts' perceptions of Political Corruption did meaningfully decline from 2016-2017. The trend in Executive Corruption parallels the overall trend, including the decline from 2016-2017. While in the years immediately after independence, Public Sector Corruption was higher than Executive Corruption, since around 2000 Public Sector Corruption has been meaningfully lower. It has also been declining in the period from around 2007 to 2017 and not just in the 2016-2017 year. As a point of comparison, corruption levels today on all indicators are at or above where they were around 2000.

Figure 9. Armenia: Corruption, with Sub-Measures

Source: V-Dem

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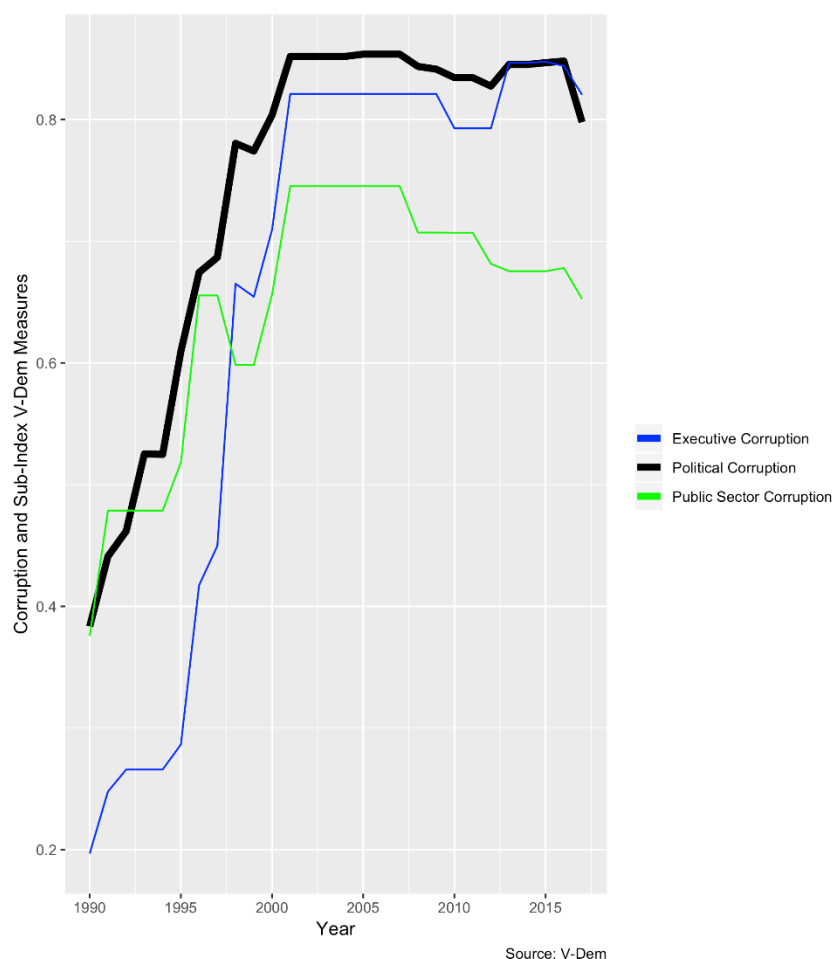
[31] For context, other countries in this set include Egypt (in the lowest 25% of de facto political equality) and Singapore (in the highest 25% of de facto political equality).

3.6. DEMOCRACY & CORRUPTION ACROSS COUNTRIES

Figure 10 compares Armenia with other countries in the post-Soviet space that experienced a political transition – by which we mean a widescale, popular protest movement that led to significant electoral changes. We compare each country in the year before the political transition to provide context on democratic indicators and corruption in the environment immediately preceding the political transition. The significant overlap across the polygons suggests similarities in the characteristics of democracy in these countries in the year before their respective political transitions. The indicators are the same as those in Figure 1. Armenia is notable for being in the "middle of the pack" on most of these indicators; it is at or below the different democracy measures in Moldova 2008 and Ukraine 2003, but above Georgia 2002 and Kyrgyzstan 2004. When it comes to corruption, the level in Armenia 2017 is significantly lower than it was in Georgia 2002, Ukraine 2003, or Kyrgyzstan 2004; it is about on par with Moldova 2008.

Figure 10. Armenia vs. Regional Comparisons: Principles of Democracy Indices & Corruption
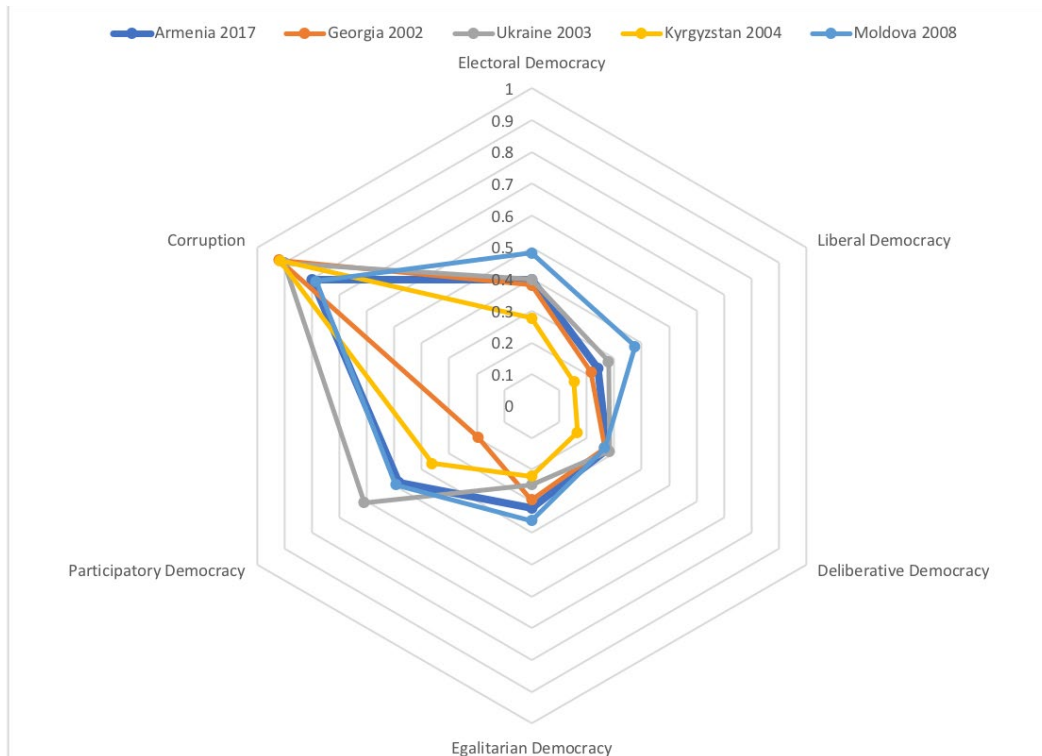

Figure 11 compares Armenia with other countries in the post-Soviet space that experienced political transitions by tracking their scores on democracy over time, from 1990–2017. Years are on the x-axis, and overall standardized democracy scores are on the y-axis. This is again the Electoral Democracy score, an overall measure of electoral democracy and democratic practices (see discussion above). The black shapes on the graph indicate the year in which their political transitions took place. We can see that the

Electoral Democracy score increases in each of Georgia, Kyrgyzstan, Ukraine, and Moldova after their political transitions. The increase only lasts a few years in Moldova and Ukraine, with Ukraine's score declining to around pre-transition levels. Kyrgyzstan's score increases only slightly following its political transition. For comparison, political developments in Kyrgyzstan that took place within the structure of that country's institutions (and thus not in response to a political transition related protest movement) accounted for a greater amount of democratic improvement since around 2010. The takeaway is that political transitions have correlated with large improvements in democracy in general, but not in all cases, and those improvements are not stable over time. Armenia's Electoral Democracy trend is included for context. In 2017, before its political transition, Armenia's Electoral Democracy score was at or lower than the level in Georgia, Ukraine, and Moldova at the time of their political transitions (and higher than Kyrgyzstan's was at the time).

Figure 11. Armenia and Regional Countries: Comparative Scores on Democracy
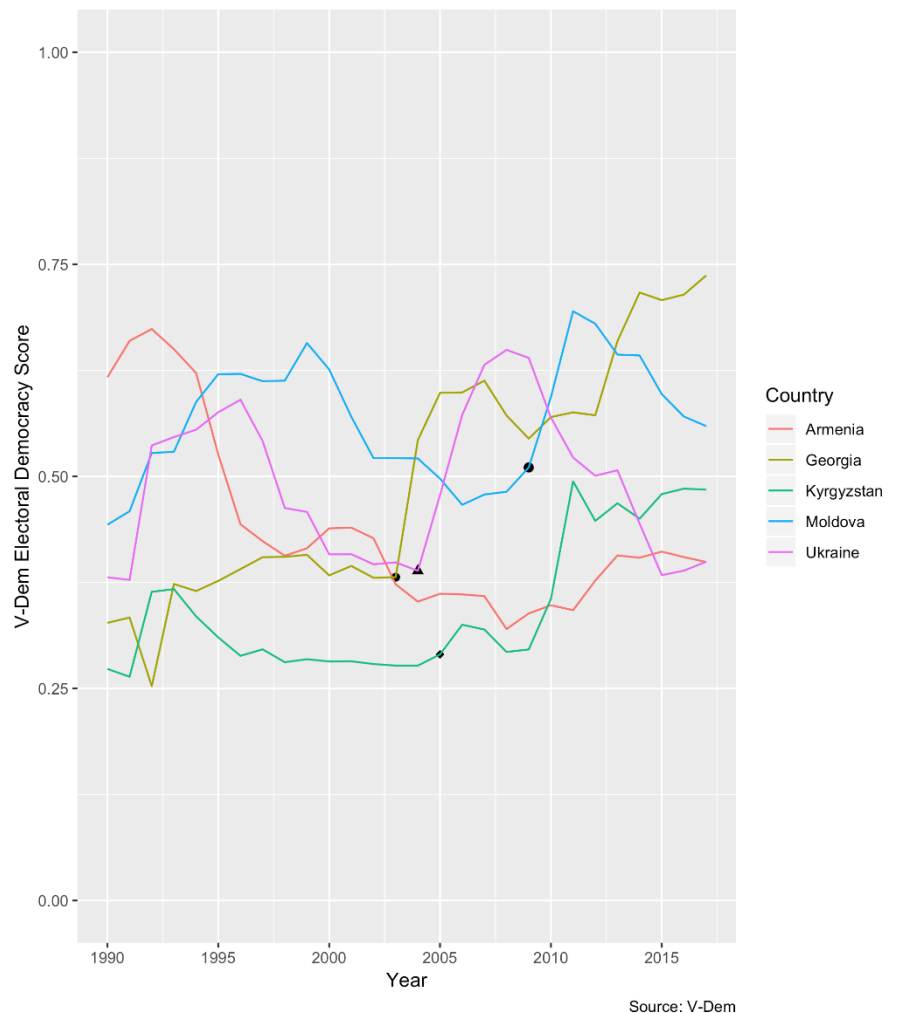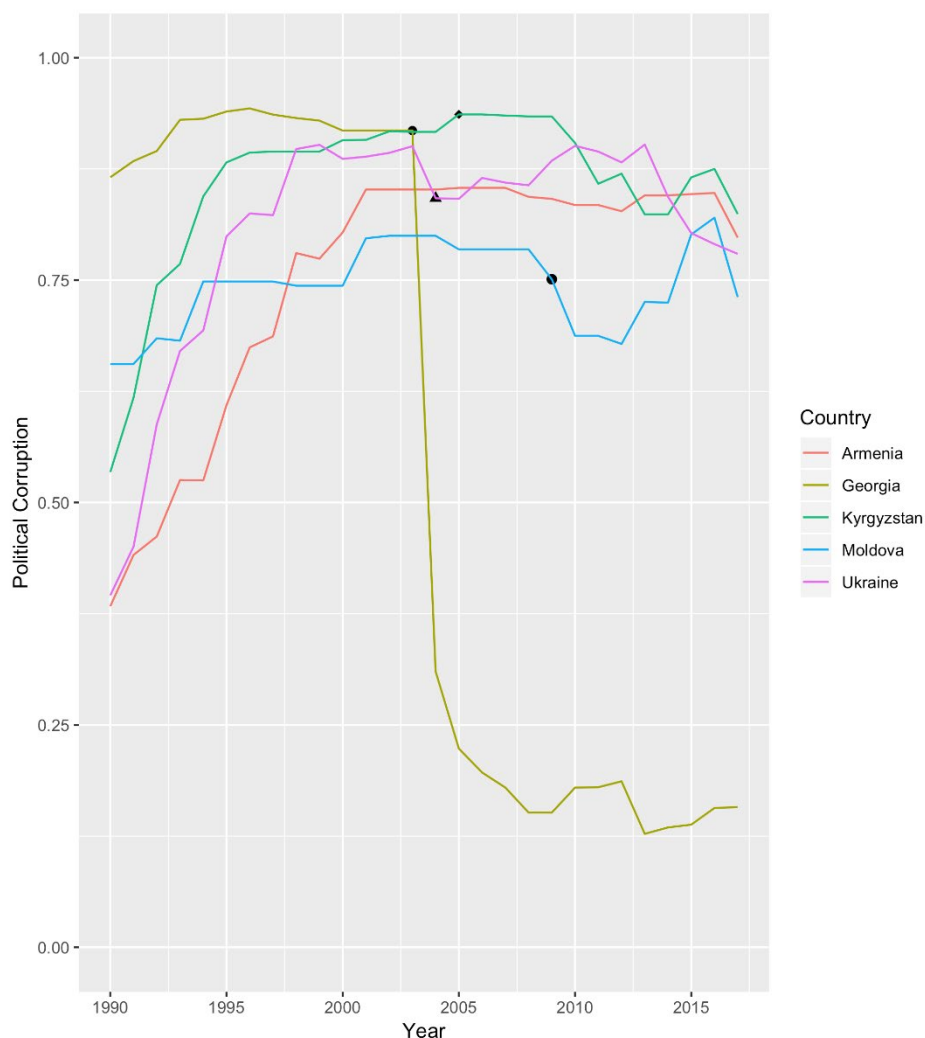

Source: V-Dem

Figure 12 again compares Armenia with other countries in the post-Soviet space that experienced a political transition by tracking their scores on Political Corruption over time, from 1990-2017. Years are on the x-axis and Political Corruption scores are on the y-axis. Political Corruption captures both "petty" and "grand" corruption, including both bribery and theft, that influences law making and implementation (see again Figure 9). The black shapes on the graph indicate the year in which the political transition took place. The year in which the political transition took place in Kyrgyzstan and Ukraine does not precede a notable improvement in the overall trend in either country. Political Corruption meaningfully declined following events in Moldova in 2009, although it is now back at its previous level. Most notably, Political Corruption declined dramatically following Georgia's political transition. Corruption in Georgia in recent years has hovered around the level it dropped to following its transition, but that drop was so meaningfully large as to put it on a totally different trajectory than the other political transition countries in the figure. The Georgian case gives a proof-of-concept that significant anti-corruption gains are possible in the immediate aftermath of a political transition, and those gains need not erode away over

time. Armenia's Political Corruption trend is included for context; it is among the lowest until the mid-2000s, and by 2017 its corruption level is clustered with the four countries other than Georgia.

Figure 12. Armenia and Neighbors: Comparative Scores on Corruption

Source: V-Dem

3.7.   COMPARING V-DEM TO POLITY (WITH FREEDOM HOUSE IMPUTATION)

Figure 13 compares the V-Dem Electoral Democracy score for Armenia (1990–2017) to an alternative measure of democracy, which is a standardized measure from Polity and Freedom House. While both indices note a change in the years after 1995, the relative size of that change — both the drop-off and the subsequent increase — is larger in the Polity indicator. Coming to recent years, the Polity indicator declines substantially from 2016 to 2017. The V-Dem indicator also shows a decline, but a much subtler one. The V-Dem indicator places the score in 2017 around the level of the score in 2013, and still higher than scores since around 2003; the Polity indicator drops the score to significantly lower than that recorded in 2003. In our view, the V-Dem indicator levels and trends are more useful than the Polity indicator, because the V-Dem indicator is based on a wide variety of sub-indicators reviewed here that

allow it to capture nuance missing from the Polity indicator. In the context of Armenia, that nuance reveals that the Polity indicator overexaggerated changes in democracy in Armenia, particularly in the late 1990s and since 2015.

3.8.   CONCLUSION

We emphasize several key takeaways from this analysis of V-Dem indicators. First, in recent years Armenia's democracy scores have been relatively stable and near, albeit generally lower, than those of other political transition countries in the region. As a component of this, we highlight the stability and low level of Armenia's scores when it comes to judicial qualities. A notably good outcome in Armenia is the high level of individual liberty in terms of individual equality before the law and, particularly, the extent to which the law protects citizens from violence. We also highlight that corruption in Armenia has been high and stable since the 2000s, although there was a meaningful decline in 2016-2017, and public-sector corruption is lower and has seen more improvement than executive corruption. As of 2017 Armenia has similar levels of corruption to Ukraine, Moldova, and Kyrgyzstan, but the corruption in this group is of a meaningfully different scale than that in Georgia since its political transition.

Figure 13. Comparing V-Dem to Polity

Sources: V-Dem and Freedom House
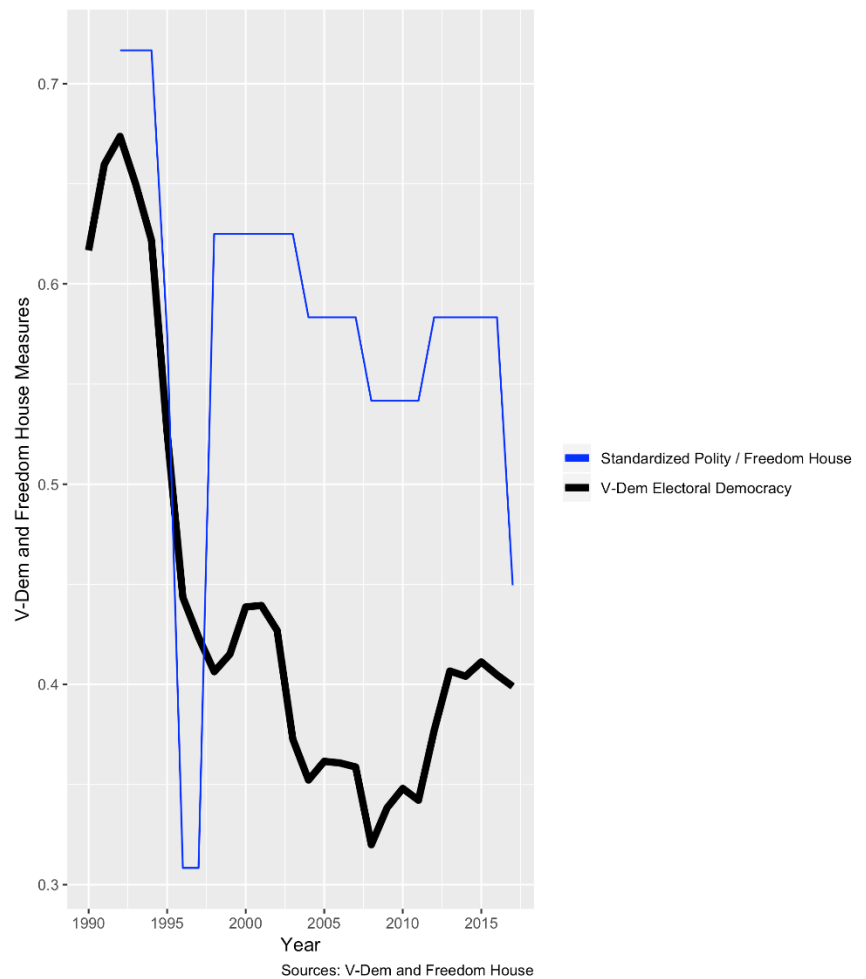
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