

ENLARGEMENT OF COMMUNITIES IN THE CONTEXT OF ADMINISTRATIVE TERRITORIAL REFORMS

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Abstract In this article we referred to the process of enlargement in RA communities in the context of administrative and territorial reforms. Administrative territorial reforms in the regions of the Republic of Armenia started in 2015-2017 and as a result of the implemented three-phase community enlargement process in 2018. As of now, the number of communities in the Republic of Armenia decreased from 915 to 502, with 52 clusters of multi-residential communities.

Referring to the changes in the management system of the enlarged communities, we noted that as a result of the enlargement, first of all, in the communities of Armenia, there was a redistribution of the posts of the staff of the communities, as a result of which the administrative and repetitive posts of the communities were significantly reduced. The main aim of this article is to find out the positive and negative changes as a result of the enlargement in communities.

We also studied the revenues and expenses of the budgets of the enlarged municipalities and showed that as a result of the enlargement process, cost planning and an increase in municipal incomes took place. The methods of document analysis, comparison, abstraction, and statistical data analysis of induction were used in the work. Within the framework of this research, we studied various public and scientific materials, as well as considered the historical development.

Thus, the enlargement of communities has generally had a positive effect and has the potential and strength to develop further. In this way, communities have become more self-financing and the level of decentralization has increased even more.

Key words: *RA government, community, NFPO, enlargement of communities, local government, position, administrative unit, budget, income, expenses*

Introduction

Referring to the start of the community enlargement process in Armenia, it should be noted that the RA government planned to implement a community enlargement program in the Republic in 2006, expecting to achieve more effective use of resources and decentralization of management as a result of community enlargement. In that context, it was planned to change the number of Armenian communities from 915 to 300 through enlargement.

Certain steps in the direction of the communities enlargement were implemented since 2008, and the same year the RA Law "On Local Self-Government in the City of

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Yerevan" was adopted (RA Law 2009). According to this law, the enlarged Yerevan community (Report 2016) was formed through 12 administrative units of Yerevan, which previously had the status of separate communities. However, despite the awareness activities carried out in the direction of the enlargement of communities, the concept of enlargement of communities and formation of inter-community associations was approved by the Government of Armenia only in 2011, when the local and legal basis of administrative territorial reforms in RA was laid by the Government of the Republic of Armenia in 2011, with the adoption of protocol decision N 44 of the session of November 10, on approving the "Concept of community enlargement and formation of inter-community associations" (RA government's 2011).

Enlargement of communities in the context of administrative territorial reforms

In the "concept of community enlargement and formation of inter-community associations" the need for administrative territorial reforms was established from the point of view of ensuring the continuity of development of communities, provision of more quality and affordable services by the community, and more effective use of the combined resources of enlarged communities.

In the concept cited above, the principles and criteria for the unification or division of communities, the same as the enlargement of communities, and the principles and criteria related to the formation of inter-community cooperation were also defined.

Basically, the results expected as a result of the enlargement of communities in the Republic of Armenia are as follows:

1. Consolidation of human resources, which implies the recruitment of qualified, good personnel and the exclusion of selection constrained by kinship ties.
2. Consolidation of infrastructures and increasing the efficiency of service delivery.
3. Strengthening of financial capabilities and expansion of the scope of implemented powers.

Administrative territorial reforms in the regions of the Republic of Armenia started in 2015, when the process of enlarging the communities was given by the amendments to the Constitution of the Republic of Armenia. The RA Ministry of Territorial Administration and Infrastructure discussed two versions of community enlargement programs: programmatic and administrative. 2015 According to the results of the local referendums held on May 17 and by the National Assembly on November 24, 2015 3 multi-residential communities - Dilijan, Tumanyan and Tatev - were formed by the law on making amendments and additions to the RA Law "On Administrative Territorial Division of the Republic of Armenia", which included 22 communities (Law 2015). Moreover, these bundles became the first and last zoom models, which were implemented as a result of the local referendum.

Next, in 2016-2017, reforms aimed at the enlargement of communities continued in the Republic of Armenia, which were implemented in several stages. In the first and second stages, around 140 communities were united, forming 18 multi-settled communities, and in the second stage, 34 multi-settled communities were created by uniting around 325 communities. It should be noted that the last process of community enlargement, by which the aforementioned 34 communities were enlarged, was carried out in 2017 according to the law adopted on June 9 and without holding a local referendum. (Law 2017)

So, in 2015-2017 as a result of the three-phase community enlargement process, in the number of communities in the Republic of Armenia decreased from 915 to 502, with 52 groups of multi-residential communities.

Referring to the changes in the management system of the enlarged communities, it should be mentioned that as a result of the enlargement, first of all, in the communities of Armenia, there was a redistribution of the positions of the staff of the communities, as a result of which the repetitive positions (staff secretary, financier, accountant, etc.) were replaced by service-providing positions. This redistribution mainly took place at the expense of reducing the staff positions of the enlarged communities, particularly at the expense of municipal employees. Instead, positions of employees providing public services to the community residents were formed in the municipal staffs. Particularly, we are talking about the technical and agricultural services that were either not provided at all before the enlargement, or were provided at an inadequate level due to the lack of specialists. The positions of individual specialists have increased, which were previously absent, especially in small rural communities. The quantitative statistics of the staff positions of the enlarged 52 municipalities of Armenia, before enlargement and after enlargement, are presented in table 1.

Table 1

Quantitative statistics of staff positions of 52 enlarged communities of Armenia before enlargement and after enlargement

№	Community	Admin. post		Difference	CNPO posts		Difference
		Before enlarg.	After enlarg.		Before enlarg.	After enlarg.	
1							
2	Berd	217	95	-122	204	307	103
3	Noyemberyan	92	60	-32	157	234	77
4	Kokhb	22	22	0	87	97	10
5	Ayrum	69	51	-18	67	67	0
6	Dilijan	104	57	-47	278	316	38
7	Aparan	186	119	-67	151	108	-43
8	Aragatsavan	50	46	-4	50	68	18
9	Tsaghkahovit	92	45	-47	48	88	40
10	Alagyaz	60	30	-30	0	0	0
11	Urtsadzor	42	40	-2	13	22	9
12	Tsjambarak	98	44	-54	80	89	9
13	Geghamasar	106	60	-46	12	10	-2
14	Vardenis	66	48	-18	200	243	43
15	Shoghakat	45	32	-13	14	21	7
16	Tumanyan	45	28	-17	24	41	17
17	Tashir	67	60	-7	66	61	-5
18	Stepanavan	70	58	-12	157	157	0
19	Odzun	52	37	-15	77	91	14
20	Alaverdi	85	67	-18	43	61	18
21	Akhtala	52	34	-18	43	61	18
22	Gyulagarak	67	36	-31	32	62	30
23	Lori berd	52	41	-11	5	5	0

24	Eghegis	77	63	-14	0	22	22
25	Gladzor	43	27	-16	35	55	20
26	Areni	93	70	-23	71	85	14
27	Zaritap	80	71	-9	11	30	19
28	Vayq	62	36	-26	131	132	1
29	Jermuk	47	37	-10	130	150	20
30	Metsavan	37	29	-8	15	15	0
31	Sarchapat	43	34	-9	6	6	0
32	Shnogh	89	84	-5	157	157	0
33	Charentsavan	138	85	-53	531	563	32
34	Byureghavan	37	30	-7	96	113	17
35	Eghvard	103	76	-27	233	269	36
36	Meghradzor	53	33	-20	41	55	14
37	Akunq	79	48	-31	0	17	17
38	Jrvezh	39	28	-11	53	64	11
39	Amasia	66	43	-23	28	31	3
40	Arqi	42	33	-9	0	0	0
41	Ashotsq	62	42	-20	28	30	2
42	Sarapat	60	49	-11	0	0	0
43	Ani	178	77	-101	39	39	0
44	Akhuryan	87	65	-22	125	189	64
45	Marmashen	104	77	-27	19	20	1
46	Tathev	66	35	-31	30	39	9
47	Gorayq	37	31	-6	3	7	4
48	Goris	129	87	-42	346	381	35
49	Meghri	116	64	-52	266	267	1
50	Tegh	61	46	-15	25	29	4
51	Kapan	266	143	-123	841	880	39
52	Sisian	273	120	-153	356	451	95
53	Qajaran	80	53	-27	84	97	13
	Total	4386	2826	-1560	5763	6683	920

Source: Ministry of Territorial Administration and Infrastructure 2024.

As we can see above, after the enlargement of the communities, the administrative positions of the communities were significantly reduced. In general, administrative positions were reduced by 1,560 after the enlargement, but at the same time, the number of CNPO employees increased by 920. This difference is 640, which, in our opinion is quite a large number. The results of the analysis show that there has been a significant reduction in repetitive positions of administrative employees, and therefore also a significant reduction in salaries. The biggest reductions were observed in Sisian, Kapan, Ani and Berd communities. A clear reduction in the number of employees has been observed in almost all communities, but questions arise as to why the number of employees in one community is larger, while in another it is relatively low. In this regard, it was necessary to develop a clear plan for reviewing the positions of the municipal staff, which would also define the clear criteria and standards, based on which both the reduction of the administrative staff of the municipalities and the increase of employees in the field of community services should be implemented.

However, these data have short-term and when we look at the report of the second quarter of 2023 on the number of positions of the united communities, we understand that this balance is decreasing. Let us consider table 2.

Table 2

Regarding the number of positions of the united communities, as of the second quarter of 2023

№	Region	Admin. post		Difference	CNPO posts		Difference	Total difference of all posts
		Before enlarg.	After enlarg.		Before enlarg.	After enlarg.		
1	Aragatsotn	1081, 6	707, 05	-374, 53	965, 25	1409, 77	444, 52	69, 99
2	Ararat	1307, 9	903	-404, 85	2178, 71	2974, 65	795, 94	391, 09
3	Armavir	956	753	-203	2051, 21	2331, 1	279, 89	76, 89
4	Gegharquniq	947	866, 5	-80, 5	1749, 14	2142, 96	393, 82	313, 32
5	Lori	1044, 4	859, 43	-184, 97	2358, 95	2605, 52	246, 57	61, 597
6	Kotayq	1020, 1	819, 5	-200, 55	3041, 93	3787, 12	745, 19	544, 64
7	Shirak	873	612	-261	845, 25	1129	283, 75	22, 75
8	Syuniq	989, 17	629, 5	-359, 67	1595, 16	2365, 75	770, 59	410, 92
9	Vayoc dzor	427	348, 3	-78, 8	550, 48	692, 63	142, 15	63, 45
10	Tavush	719	497, 5	-221, 5	1548, 76	1855, 35	306, 59	85, 09
Total		9365	6996	-2369	16885	21294	4409	2039, 7

Source: Ministry of Territorial Administration and Infrastructure 2024.

Our study shows that although the number of administrative employees has decreased, the number of employees of CNPO has increased significantly after enlargement. This may have a positive side in a way that various communities that needed some qualified specialists but they could not afford to pay or there was no specialist with the necessary qualifications, now they have the specialists and are properly exercising their powers. However, there should be a clear approach in this regard, otherwise there is concern that the positions will increase even more and more salaries from the formed budget will go to different positions.

As an evidence, let us note that the RA Government in its decision No. 1459 of September 8, 2021 states that it allocates 13,565.8 AMD from the reserve fund of the RA Government provided by the 2021 State Budget of the Republic of Armenia to the Ministry of Education, Science, Culture and Sports; according to Appendix № 5 (Armenian Legal Information System 2021). All the money is spent for the reopening of 6 preschool educational institutions in the communities of Ditak of Ararat region, Lusagiugh of Armavir region, Dzoragighugh and Vahagnadzor of Lori region, Geghadir and Mayakovsky of Kotayk region. Ministry of ESCS declares that the institutions with favorable building conditions in the communities were not functioning because of the lack of maintenance and operation costs. The costs of maintaining kindergartens were not covered, taking into account the small size of the municipal budgets. In future, after the expansion of the communities, the continuity of the activities of the kindergartens will be ensured at the expense of the community budgets. According to the order of the Minister of Education and Culture of RA, there is an exemplary staff list for each preschool institution, and it is natural that these newly opened kindergartens should have staff that was missing before.

Let's consider the incomes and expenses of the municipal budgets in order to analyze whether, as a result of the process of enlargement of the municipalities, there has been

an increase in incomes and a reduction in expenses, and if so, to what extent. Below the composition and structure of the incomes of the communities of Armenia during different years are presented.

Table 3

**The composition and structure of the incomes of the communities' budgets
of 2014-2022**

<i>№</i>	<i>Index</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
1	Total income bil dram	114, 4	128, 2	128, 6	126, 6	127, 5	144, 4	156, 1	175, 4	189, 8
2	Taxes and fees	23, 3	23, 8	24, 6	26, 8	26, 3	31, 0	30, 8	38, 3	42, 4
3	Other incomes	35, 5	45	48, 8	42, 6	41, 4	46, 6	43, 8	50, 4	52, 4
4	Official grants	55, 6	59, 4	55, 3	57, 2	59, 7	66, 8	81, 5	86, 7	72, 1
5	Specific gravity %	100	100	100	100	100	100	100	100	100
6	Taxes and fees	20, 3	18, 5	19, 1	21, 1	20, 6	21, 4	19, 7	21, 8	22, 3
7	Other incomes	31	35, 1	37, 9	33, 6	32, 5	32, 2	28	28, 7	27, 6
8	Official grants	48, 6	46, 3	43	45, 2	46, 8	46, 4	52, 3	49, 5	50, 1

Source: Ministry of ESCS 2021.

From these data, we can conclude that in 2016, income increased by 14.2 billion, which in our opinion is quite a large number, and compared to 2015, it increased by about 200 million. In 2017, income decreased by around 2 billion. However, when we go deeper in the study, it is obvious that only in 2016, taxes and duties from total income amounted to 24.5 billion, and in 2017 it increased to 26.7 billion, which was mainly increased by real estate, land tax and other revenues, including property tax for vehicles. This is a very big and important indicator of the fact that enlarged communities have started to be more consistent and, if in case of a small community, they were more connected with each other by friendly ties, now this connection is secondary and a great place is given to the law. However, when the question arises as what is the reason for such a sudden decline in that case, in our study it was found that it is due to the reduction of the funds received from the state budget for financing the expenses of the implementation of the powers delegated by the state to the local self-government bodies. It was 38.6 billion in 2016, and 30.3 billion in 2017. This is a big step taken so that the communities become self-financed and about 8.3 billion have been saved from the state budget, which also shows the positive aspects of the enlargement. From that stage on the total incomes have started to increase and in 2022 it has already become around 189.8 billion. This number is greater than the data of 2014 by about 75.4 billion. To compare, in 2014, the income from taxes and duties amounted to 23.2 billion, and in 2022 it became 42.4 billion, that is, the income of the communities has increased almost 2 times. In our opinion, this is a serious indicator of the fact that after the enlargement of the municipalities, there was a sharp increase in the revenues of the municipalities' budgets. (RA Ministry of Finance 2023)

There is also a necessity to consider 2023, during which the incomes of the communities have also increased. If we compare the quarterly reports, then only according to the data of the first quarter of 2023, the revenues under the income item amounted to 43.3 billion, and in the same period of 2022 it amounted to 36.1 billion. According to the data of the 1st semester, this number was 101.9 billion, and according to the data of 2022, it was 79.9 billion. This is the indicator that the incomes of the communities have a tendency to increase and it is increasing more and more. As a result of the activities of

the State Property Management Committee in 2023 budget receipts amounted to 15.4 billion drams, 72.2% more than in 2022. This indicator is unprecedentedly higher than the indicators in the field of state property management in recent years. It was reported that 30 percent of the proceeds from the privatized state property and land is allocated to the community. It was mentioned that in 2023, 2.3 billion drams were provided to communities from the sale of state property. These revenues also strengthen the budget of the communities and make them even more autonomous.

Now let's look at the changes in the costs of the communities as a result of the enlargement process, related to the scale effect, which can be more clearly expressed in the case of administrative costs. Every municipality, regardless of size, must have a certain number of staff, so administrative costs per person in small municipalities will be higher than in large ones.

The structure and dynamics of Armenian municipal budget expenditures during the period of 2014-2022 is presented in table 4.

Table 4**2014-2022 The structure and dynamics of community budget expenditures in RA**

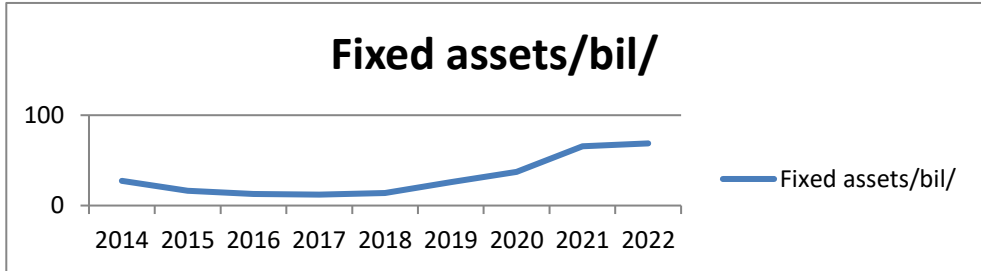
<i>N^o</i>	Index	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Total expenditures	114, 6	129, 2	128, 6	126, 6	127, 5	132, 9	138, 3	173, 1	199, 9
	Current expenditures	102, 5	120, 1	123, 3	119, 1	112, 7	118, 6	121, 2	138, 4	145, 9
3	Salary	20, 3	22, 9	23, 5	23, 4	22, 4	24, 9	27, 5	30, 3	30, 3
4	Acquirement of goods and services	38, 1	40, 6	23, 3	24, 4	24, 7	21, 5	19, 4	19	21, 2
5	Interest payment	0	0	0	0	1, 4	0, 7	0, 64	0, 15	0, 5
6	Subsidy	23, 1	25, 9	46	47, 9	49, 8	53, 8	58, 2	63, 8	70, 5
7	Grant	4, 8	5, 6	4, 7	5, 5	5, 6	6, 2	6, 4	7, 5	9, 6
8	Social allowance and pensions	3	3, 1	3, 2	4, 4	2, 1	2, 1	2, 3	2, 8	2, 0
9	Other expenditures	13, 1	22, 1	22, 5	13, 4	8	9, 9	7, 1	20, 2	12, 0

Source: State Property Management Committee 2023.

Before moving on to our research, we would like to point out that we have studied costs by economic classification, not operational. This study shows that running costs started to increase from 2014 to 2017. From here on it started to decrease and this, in our opinion, is also due to the fact that in 2017 the incomes have decreased to some extent and as a result of this decrease, the communities have reduced their current expenses. The increase of the salary fund is interesting here, which has increased by about 10 billion drams compared to the beginning. This is conditioned by both the increase in positions and the result of attracting qualified employees. The amount of subsidies has also increased here, which, in our opinion, is a positive point. However, after enlargement, we can see that the total costs have increased dramatically from 129 billion to around 200 billion. At first glance, this appears to be a very large increase, and in order to get a full picture, we want to examine other items of expenditure as well. In 2014 expenses on non-financial assets were 27.3 billion, which in 2022 amounted to 68.9 billion. We would also like to mention that a large portion of this article represents the costs of fixed assets. Let's look at the change of expenses more graphically in Figure 1.

Figure 1

Fixed assets/bil/. Source: RA Ministry of Finance 2023



It is clear from this figure that the cost of fixed assets has increased dramatically in recent years, which includes the following items:

1. Buildings and constructions
2. Machinery and equipment
3. Other fixed assets.

To our point of view, it is conditioned by the fact that after passing the complex stage of system establishment, more attention was paid to the state of buildings and the communities equipped with new machinery and equipment, which small communities could not afford to buy, but it was a necessity to improve community life.

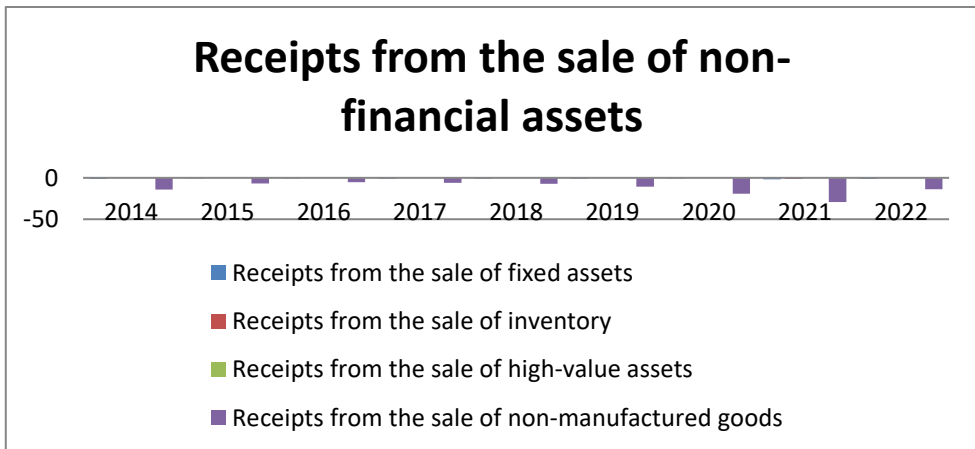
It is necessary to examine the other item of expenses, which is called receipts from the sale of non-financial assets. It includes:

1. Receipts from the sale of fixed assets
2. Receipts from the sale of inventory
3. Receipts from the sale of high-value assets
4. Receipts from the sale of non-manufactured goods

Here, a particularly large portion is receipts from the sale of non-manufactured goods, which implies income from the sale of land, income from the sale of minerals, and others.

Let us consider Figure 2.

Figure 2



Source: RA Ministry of Finance 2023.

It can be seen from this figure that the income from the sale of the main non-financial assets is the income from the sale of the same non-produced goods, which implies the sale of land, etc. It is obvious from this figure that the members of the society have started to acquire more land legally than before the enlargement by simply fencing it and without legally buying it from the community. In these studies, we foresee that the expenses of 2023 will be higher, because only according to the data of the first half of 2022, the total expenses amounted to 67.1 billion, and the total expenses for the same period of 2023 were 86.3 billion (RA Ministry of Finance 2023).

Conclusion

Thus, we can say that as a result of the enlargement of the communities, the financial capacities have strengthened, and the scope of the implemented powers has expanded. The infrastructures of the communities have been consolidated, and the efficiency of service delivery has increased. The autonomy of communities has increased and the enlargement of communities in general, has had a positive effect. It has the opportunity and strength to develop even more. In this way, communities have become more self-financing and the level of decentralization has increased even more.

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