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EPDE Policy Alert #6

Amendments to Armenia's Law on Political Parties

On January 18, 2021, amendments to Armenia's Law on Political Parties were finally signed by President Armen Sarkissian. The bill makes changes to the way political parties will be regulated and incorporates recommendations by OSCE/ODIHR and the Venice Commission of the Council of Europe. This report follows up on EPDE's [April 9, 2020 update](#) on the topic.

A Long Process

Though part of a grander electoral reform strategy dating back to 2018, the process to amend Armenia's Constitutional Law on Political Parties began in earnest in September 2019, when a Parliamentary Working Group on Electoral Reform was established, bringing together representatives of the three parliamentary political parties, key ministries and governmental institutions, and civil society organizations.¹

"The process of amending the Law on Political Parties included genuine and intensive consultations, with all stakeholders and was exemplary in that regard. The amendments assume behavioral change which is always hardest to achieve. I am hopeful that political parties will accept the new rules as an opportunity to improve and institutionalize their policies." – Vardine Grigoryan, Helsinki Citizens' Assembly-Vanadzor

The effort was financially supported by a number of international organizations. The International Foundation for Electoral Systems (IFES), Friedrich Ebert Foundation (FES), and International Republican Institute (IRI) facilitated public consultation both in person (before COVID-19) and online. IFES, OSCE/ODIHR and the Venice Commission of the Council of Europe also weighed in with their subject matter expertise.

The bill was originally foreseen to pass by June 2020, but its consideration was postponed due to the State of Emergency associated with the coronavirus pandemic. The State of Emergency was finally lifted on September 11, 2020, but the 2020 Nagorno-Karabakh War began shortly thereafter on September 27. Bill C-750 was introduced on September 28 by My Step Alliance MP Hamazasp Danielyan, who is also the coordinator of the Parliamentary Working Group on Electoral Reform. It was not added to the agenda of the National Assembly until after the November 10 ceasefire was reached. It passed the first of two readings on December 10, after which some last minute changes (ex. lowering the minimum number of members necessary to register a new party) were recommended by the Prime Minister's Office and the My Step Caucus. The amended Bill C-750 passed its second and final reading at a special end-of-year session of parliament on December 29, 2020, with 99 votes in favour and only 1 against. It was signed into law by President Armen Sarkissian (remotely, as he was in the United Kingdom undergoing treatment for COVID-19) on January 18, 2021. Most of its provisions went into effect immediately but others (ex. increases to public funding allocated to parties) will not take effect until January 1, 2022.

¹ Including EPDE's Armenia affiliates Transparency International Anticorruption Center and Helsinki Citizens' Assembly – Vanadzor.



Amid a Divisive Backdrop, Some Consensus

Especially after the November 10 ceasefire with Azerbaijan, politics in Armenia have been extremely polarized. Both parliamentary opposition parties have called for the resignation of Prime Minister Nikol Pashinyan and several MPs from the ruling My Step Alliance have left the faction to sit as independents.

In this context, the final vote on Bill C-750 offered a rare consensus. Since it is classified as a Constitutional Law, the Law on Political Parties requires 60% of all MPs to vote in favour of any amendments. With 132 total MPs, that makes a minimum of 80 representatives attending the session and voting affirmatively. The My Step Caucus originally had 88 MPs (though that has now been reduced to 83, after 5 MPs chose to sit as independents). In the end, the bill was supported by the My Step Alliance and the third-place Bright Armenia Party (BAP). They were joined by two former members of the Prosperous Armenia Party (PAP) for a total of 99 votes in favour. Only Arman Babajanyan, a former BAP MP that has sat as an independent since September 2019, voted against. Notably, he is in the process of registering his own new party called the For The Republic Party.

The Prosperous Armenia Party (PAP) did not attend the special parliamentary session. They had been represented in the Working Group by Sergey Bagratyan, who had since left the party and voted in favour. During one of the public consultation sessions, PAP MP and one of three Deputy Speakers of the Parliament Vahe Enfiayyan had criticized the transfer of the party finance oversight function from the Central Electoral Commission to the Corruption Prevention Commission proposed in the bill. However, their effective boycott of the session should be viewed in terms of their general calls for the resignation of the current government rather than direct opposition to the contents of this specific bill.

Party Registration Requirements

One of the recommendations from the OSCE/ODIHR and Venice Commission Joint Opinion was to simplify the membership requirements for the party registration process. Prior to the changes, a party would have to hold a founding congress with 100 attendees, then sign up a total of 800 members, having set up branches in at least four of Armenia's 11 regions.

Now, the two-stage process and need for territorial branches has been eliminated. Instead, the party needs 300 members present at its founding congress, after which there are no further membership requirements for registration. Notably, coronavirus-related restrictions on gatherings have been lifted in Armenia; there are currently no legal impediments to holding a 300-person event.

The law does not require a minimum membership after the party is officially registered, however. That is, membership could dip below 300 (and theoretically even down to only a handful of citizens) without delisting the party.

Compliance with CRPD

One item that had been a perennial recommendation by OSCE/ODIHR was lifting restrictions on the democratic rights of those deemed to not be "of active legal capacity". The 2015 Armenian Constitution restricts those found by a court to not be "capable" individuals (i.e. having a developmental disability) from being able to vote in Armenian elections. While, Bill C-750 did not include constitutional changes, it did lift the parallel restriction on the right to join a political party from the Law on Political Parties, bringing Armenia in line with its commitments under the Convention on the Rights of Persons with Disabilities (CRPD), which it had ratified in 2010.



Democratizing the Political Party Structure

Political parties in Armenia tend to be seen as the personal property of its leader, who is typically also the main founder. Bill C-750 adds minimum requirements of internal democracy within the organization of political parties. For example, the requirement that a party congress be held at least every four years was shortened to at least every three years. Also, it must now ensure the participation of at least 100 delegate members.

That congress will now get to decide (or at least confirm) the political party's top 30 candidates in the next parliamentary election, which are regularly held every five years (the provision does not apply to early elections triggered before the end of a term). The formation of the candidate list had always been an opaque process for the major parties, typically declared by a small, inner circle, without meaningful input from the party's membership. This new provision hopes to change that.

The amendments also require that the party's executive body, elected by the congress, consist of more than one individual, with details to be specified by each party's own by-laws. That is, even a party's leader will ultimately have to cooperate with an internally-elected body in exercising executive powers between party congresses. Each party's by-laws may still envision additional oversight bodies that fulfill different functions but a multi-member executive body is the bare minimum required by law.

The last major change in this area is that elections to the party's multi-member executive body must be held by secret ballot, so that individual members cannot be intimidated if they vote to replace the party's leadership.

Separating Political Parties from Business Interests

The word "oligarch" gets thrown around a lot in the post-Soviet space to refer to politically-connected owners of businesses that often extract beneficial concessions for their income streams at the expense of the public good. Bill C-750 attempts to place a firewall between business and politics by restricting the funneling of resources by corporations into political parties.

Corporations already were not able to contribute directly to an election campaign fund (regulated by the Electoral Code). However, a loophole existed in which they could contribute to a political party (regulated by the Law on Political Parties) and that party could then transfer the sum to its election campaign fund. This loophole has been plugged by banning corporate donations to parties.

"The changes introduced in the financing of political parties will hopefully contribute to their institutional strengthening and development of programs that will eventually improve the quality of our parliament." – Sona Ayyvazyan, Transparency International Armenia

Along the same lines, political parties may not conduct commercial business (ex. by owning a restaurant) themselves. Any dealings they have with banks in terms of loans and deposits must be in accordance with market rates, along with any dispositions or leases of property. They may only work with banks that are licensed by the Central Bank of Armenia.

The function of oversight over parties' finances is transferred from the Central Electoral Commission to the Corruption Prevention Commission, which is legally empowered to subpoena documents to carry out its work. All transactions will have to be made from the party's accounts (i.e. eliminating the use of petty cash) to ensure the maintenance of a paper trail.



An annual cap has been placed on a party's overall income from donations and membership fees at 500,000,000 AMD (€787,400). The maximum annual donation from any one individual is capped at 2,500,000 AMD (€3937), down from 10,000,000 AMD (€15,748). These amounts do not include donations directly to an election campaign fund when an election is called, but they do include in-kind donations toward a party's regular operations.

Some Carrots with the Sticks

Certainly, the added restrictions do make it harder for political parties to fundraise the amounts they need to operate effectively. In exchange for the new burdens, there are also some incentives.

First of all, the public consultations with extra-parliamentary political parties highlighted stamp fees for publishing their annual financial disclosure as a major sore point (especially to file a disclosure that they did not receive or spend any money that year). The amendments stipulate that such government services for mandatory requirements must be provided free of charge.

Starting from January 1, 2022, the public financing provided to political parties from the state budget will increase dramatically. Previously, the total pot available in this regard was calculated by multiplying the total number of registered voters by 40 AMD. For 2020, the total amount was 103,725,600 AMD (€163,347), which was divided proportionally among the parties that received at least 3% of the total votes cast in the previous parliamentary election.

The new formula lowers the funding threshold from 3% to 2%, and pays out:

- 1000 AMD for each vote received up 5% of the total cast
- 500 AMD for each vote received between 5% and 20% of the total cast
- 250 AMD for each vote received over 20% of the total cast

If there is no early election before January 1, 2022, the table below shows the change in amounts that the top political parties can expect to receive next year, when this clause comes into effect.

| Political Party | Vote Share (2018 Election) | Annual Public Funding | | Increase |
|-----------------------------------|---------------------------------------|------------------------------|--------------------|-----------------|
| | | Old Formula | New Formula | |
| My Step Alliance | 70.4% | €122,844.57 | €496,734.65 | 4.0x |
| Prosperous Armenia Party | 8.3% | €14,410.55 | €131,187.40 | 9.1x |
| Bright Armenia Party | 6.4% | €11,112.91 | €112,483.46 | 10.1x |
| Republican Party of Armenia | 4.7% | €8,202.36 | €93,044.09 | 11.3x |
| Armenian Revolutionary Federation | 3.9% | €6,777.01 | €76,875.59 | 11.3x |
| We Alliance | 2.0% | €0.00 | €39,647.24 | |

Instead of allocating the funding proportionally, the new progressive formula advantages the smaller parties.

This new windfall comes with some strings attached, however. 20% of it must go toward including women, youth, persons with disabilities, and ethnic minorities in the activities of the party. Another 10% must go toward maintaining offices outside of Yerevan. And a final 10% of it must be spent on conducting policy research and publicizing its results. Failure to spend in these areas can result in the financing being clawed back.



Next Steps

With the changes to the Law on Political Parties complete, focus has now shifted to amending the Electoral Code. Public consultations on this area had begun in an online format in August 2020. More details will become available on this front in the coming weeks and months.

Author:

Harout Manougian

This issue is part of a series of EPDE Policy Alerts to inform relevant stakeholders and decision makers in the European Union, the Eastern Partnership, and globally about reforms in the field of electoral legislation and administration. Please feel free to forward and share our analysis.

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