

Ensuring the Publicity of Yerevan Budget

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ABSTRACT

Currently, one of the necessary conditions in urban management is to ensure that residents are participating in the process of management of the city, especially in budgeting. Specifically, the investigation was held to answer the question “What are the possibilities of the cooperation between the city hall of Yerevan and universities to ensure publicity of the city budget”. Data was collected through the thorough investigation of legislation of RA, the reports that come from the city hall regarding the issue and also with the help of particular surveys. The paper proposes to involve master students of related disciplines in the process of ensuring the publicity of the budget of Yerevan. In this regard, the parties, that will participate in the project, were identified. Then, after consideration of costs and benefits of the involved parties, certain conclusions were made about the further implementation of the mechanism.

KEYWORDS: budget publicity, City Hall-university cooperation, citizens’ participation

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1. INTRODUCTION

Currently, one of the necessary conditions of urban management and, in general, local self-government is the participation of local residents in the management of their community, especially in the budgeting process. As it is well known, the services that are provided at community level have a feature of directly affecting the residents, and the latter immediately feel that impact in their everyday life. In this sense, the community residents should have a real participation in local self-government. At the same time, smaller governmental units can better ensure the participation of residents in the decision-making process. The larger the governmental unit is /especially in the case of large urban communities/ the more likely it becomes that the interests of certain groups will outweigh residents’ participation.

Speaking of citizens’ participation in the community management, it should be noted that the legal basis for this process is quite strong in the Republic of Armenia. This fact is natural, because the idea of local self-government itself reflects the closeness of population to the management and their direct participation in the formation of governing bodies and decision-making processes. In this regard, local elections and referenda are the brightest reflection of this phenomenon. And it’s quite logical, that a number of legal documents contain various provisions related to these processes. Particularly, in the Constitution of RA it is clearly stated that the members of community can directly participate in the management of community affairs to resolve the issues of local importance through local referendum.¹ Similar provisions can also be met in the European Charter on Local Self-Government, in which the following idea is fixed: residents’ participation in public affairs management should be considered as an important point in the list of democratic principles in all member states of the

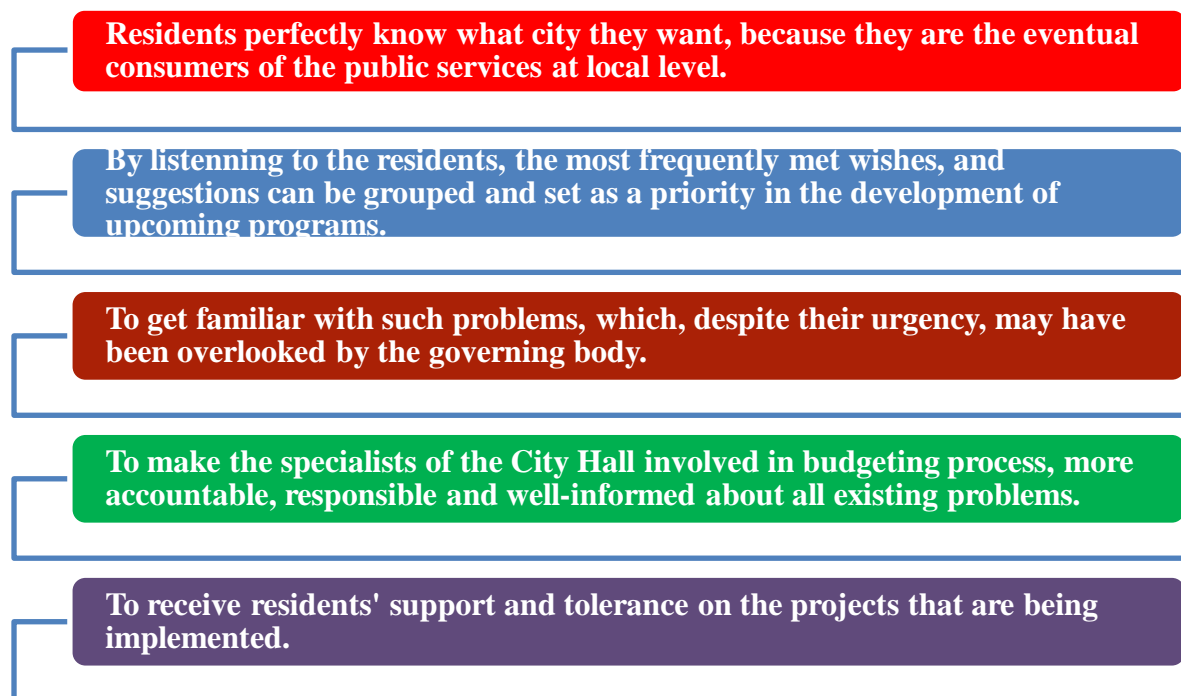
¹ The Constitution of the Republic of Armenia: Yerevan, “Tigran Mets”, 2005, article 107.

Council of Europe.² This series of legal norms refer both to the formation of governing bodies, as well as to the participation of residents in decision-making processes that are being implemented by already elected governing bodies. But, unlike the first part, which is quite thoroughly regulated by legislation, the framework of residents' participation in the decision-making process is more extensive, and there is an absence of clarity in that issue.

However, only by observing the legal basis one can not get a full understanding about the importance of this process. This managerial approach, wherein the decision-making process is being decentralised and the employees take part in it, has proved its efficiency for a long time and is currently successfully applied to different types of organizations. The rooting of democratizing elements in the field of management has a universal character, regardless of the object type and the level of management. This inevitable process is primarily due to the natural course of development of humanity and society, which results in gradual changes in people's needs and mentality. At macro level, of course, the situation is a little different, because here we deal not with employees but with people that are considered to be the consumers of public services, but it should be noted that in this case the above-mentioned managerial mechanism can also have its concrete results. And if we want to determine whether it is important to provide community residents' participation in decision-making process, then it is logical to consider all the positive results that we can expect from it.

Figure 1

Why to ensure community residents' participation in the decision-making process



By involving citizens in the decision-making process the local self-government bodies also contribute to the formation of civil society in the community, as far as the citizens get closer to the community management affairs and thus their sense of civic responsibility is also being increased. At the same time, by this they are able to realize their individual role in the management of their own community, because their opinion can even have some impact on the decisions that are made by governing bodies. *In our opinion, the citizens' participation in the decision-making process and the awareness about the management affairs of their community is especially important in the science that whenever*

² The European Charter on Local Self-Government: Strasbourg, 1985, introduction.

people have some problems and are not properly informed about them, they usually consider the worst.

In the whole process of community management there is an important and a central role for the community budget. In this context, it is very important for the residents to be aware, to the possible extent, and have the opportunity to participate in the development and discussion of their community's budget. A study of the experience of different countries shows that there are certain measures and ways through which the local authorities try to solve this problem by providing community residents' participation in the budgeting process. Particularly, those methods include the organization of meetings, thematic seminars, the study of the needs of residents via questionnaires, the publication of the draft budget and its implementation through the local press media, the Internet, particularly informing people through social networks, etc.³ The role of these mechanisms is getting more important especially in large self-governing units, including, for sure, the Yerevan city, because in this case the residents of the city become more alienated from the management of their municipality because of the sizes of the city municipality.

In the legislation of our country one can also find certain provisions, which provide people's participation in community budgeting process. In particular, the Law on Local Self-Government in Yerevan states, that for making the budget of Yerevan more available for the citizens of Yerevan, general indicators, reference books and brochures, containing statistical and graphical information, are being prepared and published.⁴ This process is regulated by the Law on the Budgetary System of the Republic of Armenia, which determines that for ensuring the publicity the draft version of the community budget shall be published in the local press within three days after submission to the community council and the annual report on budget implementation is published within 5 days after the approval by the community council. It is mentioned also that the heads of municipalities take steps to facilitate the access of community members to the draft of community budget, the annual account and other appropriate documentation.⁵

Despite the existence and availability of all these methods and ways, budget publicity is still not provided at the necessary level in our country. In many cases, the relevant requirements of the law are simply not met, and even in the case of meeting the requirements residents often demonstrate apparent indifference. Some significant part of the population is not even aware of the publications of draft budget in press media or budget directories and brochures, containing statistical and graphical information. This indifference and unawareness serves as a reason for the council meetings to be held mostly closed despite the fact that the community council meetings should be public by the law.⁶ The problem is that people cannot be interested and motivated in reading brochures and directories, containing information about the budget, if they feel that they are cut from the budget development and discussion processes, and no one has ever asked of their opinion, approaches or taken them into account.

For understanding the current situation in terms of citizens' participation in local self-government and also the budget publicity in the city of Yerevan a survey has been carried out with the help of a questionnaire among 200 citizens from different administrative regions of Yerevan. And the results of the questionnaire revealed our hypothesis on the idea of a lack or sometimes even the absence of public participation in local self-government and, in particular, the budgeting process (Appendix 1). The indifference of the citizens, on one hand, and the lack of will from the authorities, on the other hand, make a negative synergy in terms of participative management of Yerevan municipality.

It should be noted that these problems exist to some extent in almost all countries. However, in addition to these problems, there is another problem in terms of ensuring the effective participation of the residents in budgeting process: ***it's extremely difficult to provide a direct, face-to-face contact***

³ A Local Official's Guide to Public Engagement in Budgeting: Institute for Local Government, From the Collaborative Governance Initiative, Sacramento, CA, 2010, page 5.

⁴ The Law of the Republic of Armenia on Local Self-Government in the City of Yerevan: Yerevan, 2009, Article 77.

⁵ The Law of the Republic of Armenia on Budgetary System: Yerevan, 1997, Article 36.

⁶ The Law of the Republic of Armenia on Local Self-Government: Yerevan, 2002, Article 14.

with residents, understandably because the municipality cannot afford to have so many employees so that they can meet with all the residents and talk to them. At best it's possible to organize meetings, the effectiveness of which obviously can not be compared with direct contacts. At the same time that type of process is also very time consuming, which local authorities usually avoid. This problem exists not only in our country but also around the world. The complex problem of having private meetings with residents is currently at the attention of the researchers, professionals of the field, as well as local authorities, but until now the problem has not received its final solution.

Confronted with the issue, it is necessary to develop some new mechanisms which will ensure the active participation of community residents in the development and discussion processes of the local budget. Being focused on the fact that here the main difficulty is the limited municipality staff and the inability to have individual meetings with all the community's residents, we stress the importance of finding new sectors and parties, which may be involved in this process. In general, a very important aspect of effective management at any level is to find the interested stakeholders, who are ready to work together to achieve the objectives. In other words, we need to search for the common field of interests, which will enable the parties to cooperate with each other and will provide some specific gains for each of them.

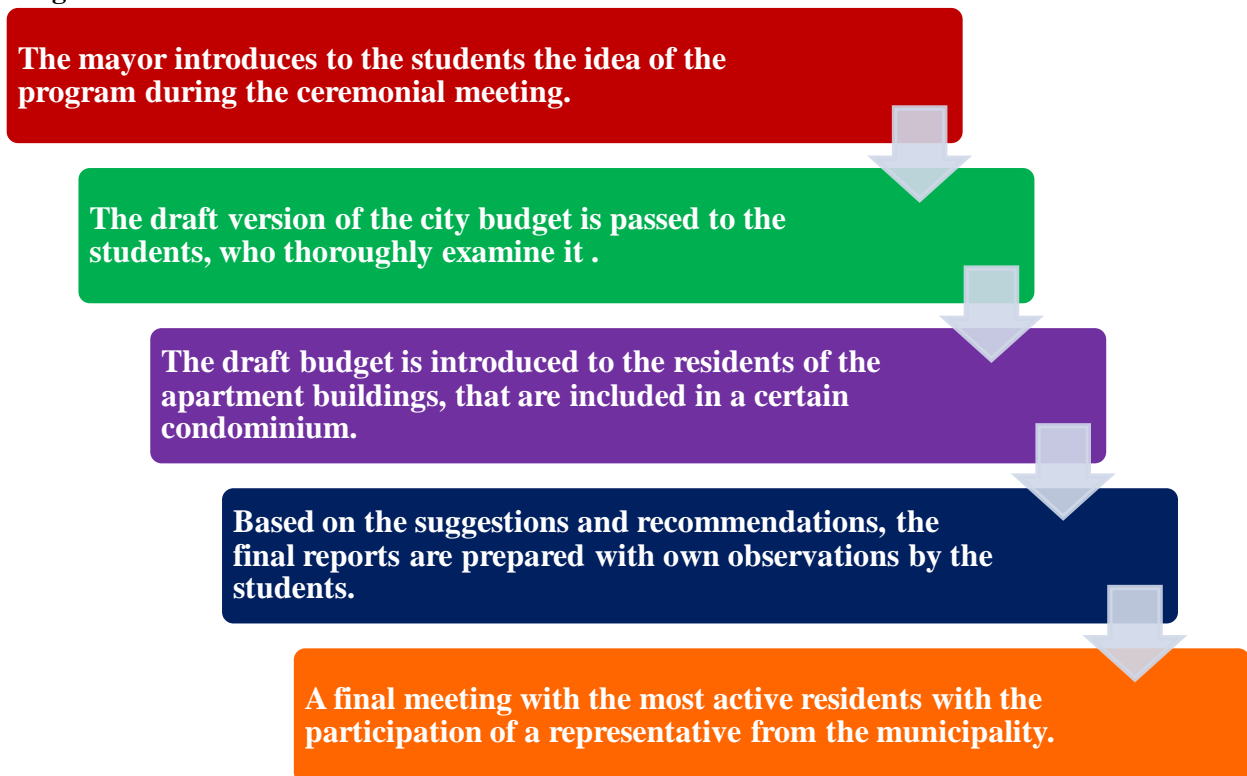
In accordance with the above mentioned logic, we tried to identify those stakeholders who are ready to cooperate with Yerevan City Hall for ensuring the participation of the residents of Yerevan in the budgeting process. At the same time it is clear that in the case of such cooperation these stakeholders, besides the common interest, must also have a certain level of competence, first of all in terms of professional preparation for being able to show real results. *In this sense, we believe that the cooperation between Yerevan City Hall and universities, on behalf of the Master's students in corresponding specializations, may be quite effective.* This refers to those Master's students, whose profession is related to the public administration, finance, as well as other professions, directly adjacent to local self-government. Moreover, this kind of high-quality graduate programs is offered by a list of universities in Yerevan, including Armenian State University of Economics, Yerevan State University, American University of Armenia, etc. And why have we chosen specifically Master's students for this cooperation? We have already made a reference to this question by presenting the general purpose that can be crucial for selecting the right direction. However, only the general approach cannot give us the final understanding on the reason of this particular choice. For this reason we should bring a more detailed explanation. MA students are people who already have some knowledge, skills and ability in their particular field of study by having already received a bachelor's degree and consequently they meet our above mentioned competence requirement. At the same time, it will be possible with their intervention to ensure direct contact with residents, because, as already noted, only the municipality staff is very limited to resolve this problem.

How is the mechanism going to work? MA students /for instance, 300 students from various universities / are invited to the City Hall. The mayor introduces to the students the idea and the purpose of the program during the ceremonial meeting, points out what is expected from their work and explains the main elements of their future work. Afterwards, the draft version of the city budget, which is still in the process of development and has not yet been submitted to the council for confirmation, is passed to the students. Then the students receive a one month period (can be reviewed later), during which they thoroughly examine the draft budget and then introduce to the residents of their apartment building or several apartment buildings, that are included in a certain condominium. The students then have private meetings with them, attracting their attention especially to those parts of the budget, which are mostly related to their everyday problems, listen to their wishes, suggestions, disagreements, and then group them and summarize. On this basis the students prepare their final report, summarizing their observations, and present to the City Hall. A final meeting with the participation of a representative from the municipality may also be held with the participation of most active part of the residents: it may take place both at the university, and at municipality administration building. We might consider one more alternative option, in which case the master's student introduce to the population not the draft budget for the coming year, but last year's budget performance report, and, based on that, make recommendations for the following year.

The advantage of this option is that there is no time limit, but in this case, people can also develop the wrong impression that they were not involved in the development and discussion processes of the budget, but rather only got familiar with them, which can adversely affect their activity. The students may have some questionnaires of a certain standard, within the framework of which the questions will be discussed, which will make the work of the departments of the municipality easier to examine the reports and take them into account in the final version of the draft budget. The general logic of the above described mechanism is presented in Figure 2.

Figure 2

The general mechanism of MA students work



From the introduced diagram and the described mechanism it is clear that for the City Hall the master's students will, in fact, serve as “contract workers” who will perform such functions, which cannot be carried out by the limited staff of the municipality. But, of course, any worker should be somehow motivated for his or her services. For sure, we may also consider the idea that students and, especially, Master's students are ready to work even without material motivation, just for the fact that they can get through their work some very important practical skills. However, the absence of remuneration can significantly reduce their work efficiency and decrease the level of motivation. In this regard, we believe that other motivational tools are necessary, which will push the students to work actively and effectively. And which are those possible tools?

It is obvious that for any work done financial compensation can play a significant role, that's why as a first source of Master's students motivation, we have considered the material compensation. However, we think that the application of this tool may be much more effective if it is done in the form of competition. This will give an opportunity to ensure a healthy rivalry among the Master's students, which, apparently, will have a positive impact on the quality of their work. Let's say the City Hall provides material awards to the top 10 works, for example, 500,000 AMD for first place, 250,000 AMD for the second, 100,000 AMD for the third, and so on. Of course, these sums may be changed and adjusted by certain amounts in the process of implementation, however, we believe that these are

the amounts that, on the one hand can be considered as quite significant sum of money for the Master's students, and indeed push them to effective work, while, on the other hand are insignificant cost for about 70 billion city budget.

In addition to the financial remuneration, it is very important to consider the application another motivational method, which, in our opinion, would be particularly effective for Master's degree students. The winning participants may be offered privileges for getting jobs at the City Hall after completing their MA course. It is clear that a student that has effectively done this kind of work and has also a master's degree in corresponding specialization is almost fully prepared in terms of his knowledge and skills for a job at the City Hall.

Despite all of this, we believe that the Master's students may put particular significance on non-material forms of stimulation. For this we need the personal initiative of the mayor and deputy mayors, who can provide certificates on their behalf to all participants, organize fourchettes by inviting students and in a pleasant atmosphere discuss professional issues with them, etc. Thus, we can summarize the above described methods in the form introduced in Figure:

Figure 3 Motivational Tools for the Work of Master's Students



Figure 3 illustrates the motivation methods, which the municipality can apply for driving the Master's degree students to work, but, as already mentioned, Master's students are those stakeholders who are in many cases ready to work even for free just for receiving practical skills in their education. And this is one of the reflections of the mutual interests which may result in notable gains for the cooperating parties. *In our opinion, the Master's students desire and willingness to work and provide output is a real resource that can be used efficiently or vice versa, overlooked and spent uselessly.* This phenomenon can be compared to river water flowing: it flows without our intervention, providing certain mechanical energy. With this it gives us an opportunity to make use of mechanical energy and convert it electrical energy by getting some positive results. And even when we do not make use of this opportunity, the water, anyway, continues to flow. In this comparison, the Master's students, with their willingness to do a practical work, are alike the flowing water.

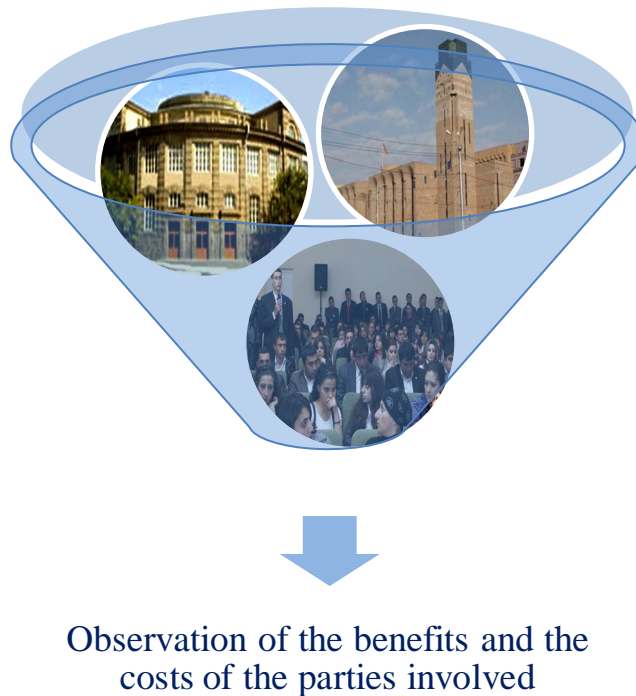
It is to be noted that in the proposed collaboration in Armenia is possible only for the city of Yerevan because the higher education institutions are concentrated there and, of course, the vast majority of students studying in universities, as well. In this regard the given project of cooperation between the City Hall and the universities is consistent with the modern approach that besides struggling against

the unacceptable level of urbanization, it is necessary to take advantage of the benefits that are offered by the urbanization, and use them for the development of the city. And if we previously could only meet various publications on combating urbanization, then currently the whole the world tries to answer the question how we can benefit from this process, as it is anyways inevitable.

However, will our proposed mechanism work? For answering to this question we first need to identify the parties that have any participation in the program. Then, considering the costs and benefits of the parties involved, it will be possible to make some conclusions. We have selected the City Hall, the universities and the Master's students as the groups of stakeholders.

Figure 4

Will the Mechanism Work?



The City Hall

The description of the benefits of the City Hall from the implementation of the program is logical to start from the fact that the City Hall through this step meets the legislative requirement of ensuring the budget publicity, which we've already spoken about in details. By this the city administration bodies may expect that people will be more tolerant towards the programs, that are being implemented, only because they had their own voice in the development of those programs. The next result is that through the implementation of the program the City Hall can develop for itself young professionals. It is clear that people that has effectively done this kind of work and have also a master's degree at best correspond to the job requirements of junior positions in the City Hall. In addition, the program also has a social dimension, pursuing the interests of the society, as we know that the mayor has certain mandatory and delegated powers in the field of social protection. The implementation of these types of programs creates a positive image also for the international donor community, as it, on one hand, ensures residents' participation in public administration, and, on the other hand, promotes youth vocational training. In particular, in the World Bank strategy report on poverty alleviation and harnessing urbanization it is clearly stated that the World Bank is ready to support those cities, which are making steps for ensuring the participation of the citizens in the budgeting process.⁷ As to the

⁷ Systems of Cities: Harnessing Urbanization for Growth and Poverty Alleviation. The World Bank Urban and Local Government Strategy, 2010, p. 8.

costs of the City Hall, then we can list only the funds, insignificant for the city budget, as well as time costs, but the latter is directly related to the duties of municipality staff. Thus the City Hall's potential benefits from the implementation of the program, as well as its costs can be represented in Table 1.

Table 1 The Costs and Benefits of the City Hall

Benefits	Costs
<ul style="list-style-type: none"> • Ensuring the budget publicity • The support and the tolerance from the residents • Development of young professionals for the City Hall • Implementation of a program with social dimension • Creation of a positive image for the international donor community 	<ul style="list-style-type: none"> • Insignificant money and time costs

Master's students

With the same principle we can discuss the benefits and costs that may have the MA students as a separate party. It has already been spoken about benefits when presenting the motivation tools for their work. However, in addition, the students may consider the development of their practical skills as a benefit for them. This is something that all the students, when admitted to graduate studies, wish to reach by avoiding the repetitions of the theoretical knowledge gained during the years of study for Bachelor's degree. And finally, this is a chance for students to work on an exciting project, which will increase the level of satisfaction from their education. At the same time, it's obvious, that for MA students there can only be labour costs that are of purely educational nature. The described ideas can be summarized in Table 2.

Table 2 The Benefits and the Costs of MA Students.

Benefits	Costs
<ul style="list-style-type: none"> • Practical, applied education • Possibility of getting a job • Money awards • Interesting work, sense of satisfaction • Other non-material benefits 	<ul style="list-style-type: none"> • Labor costs of purely educational nature

University

Universities, as a separate stakeholder of the project also have their undisputed benefits from this process, particularly, in the case of implementation of this cooperation the university may add a practical character to the offered MA programs, which, surely, will have a positive impact on the reputation of the graduate education at the given university, making it more demanded. In addition, it is clear that universities do not have significant costs in this process and will appear only as a beneficiary (Table 3).

Table 3 The Benefits and the Costs of the University

Benefits	Costs
<ul style="list-style-type: none"> • Ensuring practical education for the corresponding MA programs • Increase in the reputation of the graduate studies at the university and consequently increase in demand. 	<ul style="list-style-type: none"> • Processing-related insignificant costs

From presented tables it is clear that the proposed mechanism can indeed work creating benefits for all the parties involved. At the same time, the project is appreciable for its low cost level.

Thus, the benefits of the parties involved, as well as almost total absence of costs allows us to conclude that the mechanism can be applied, because it is absolutely risk free, and even in the case of not totally reaching the expected results, there cannot be any visible losses. However, the described benefits, in our opinion, are quite enough to start the cooperation with a pilot program.

2. REFERENCES

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3. APPENDIX 1:

QUESTIONNAIRE

Citizens' Participation (200 citizens)

1. Do you consider that you are informed about the management of your municipality?

- A. Yes
- B. No
- C. Partly

	No. Of Citizens	Percentage (%) of Total Citizens Surveyed
Yes	12	6
No	153	76.5
Partly	35	17.5

2. Have you ever had any type participation in your community's management affairs except the elections?

- A. Yes
- B. No

	No. Of Citizens	Percentage (%) of Total Citizens Surveyed
Yes	18	9
No	182	91

3. If yes, then which type of participation has it been?

- A. Public hearing
- B. Referendum
- C. Surveys
- D. Participation in the city council meeting
- E. Other type of participation

	No. Of Citizens	Percentage (%) of Total Citizens Surveyed
Public hearings	6	3
Referendum	0	0
Surveys	12	6
Participation in the city council meeting	0	0
Other type of participation	5	2.5

4. Do you think that the budgeting process of the city of Yerevan corresponds to the requirements of publicity?

- A. Yes
- B. No
- C. Partly

	No. Of Citizens	Percentage (%) of Total Citizens Surveyed
Yes	27	13.5
No	141	70.5
Partly	32	16

5. Are the citizens' opinions considered by the authorities when developing the budget?

- A. Yes
- B. No
- C. Partly
- D. I don't know

	No. Of Citizens	Percentage (%) of Total Citizens Surveyed
Yes	11	5.5
No	128	64
Partly	16	8
I don't know	45	22.5

6. Have you ever participated in the meetings of your city council?

- A. Yes
- B. No

	No. Of Citizens	Percentage (%) of Total Citizens Surveyed
Yes	4	2
No	196	98