



EPDE Policy Alert #2

Changes to Armenia's Political Party Regulation: toward more transparent party financing

On March 20, 2020, the European Commission for Democracy Through Law (Venice Commission, VC) and the OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR) published their [Joint Opinion on Draft Amendments to the Legislation Concerning Political Parties](#), by request of Armenia's National Assembly. The changes were largely welcomed with a few additional recommendations.

Why is Armenia Changing Its Law on Political Parties?

Upon becoming Prime Minister in May 2018, Nikol Pashinyan identified electoral reform as a top priority. A legislative package was prepared and brought to a vote in October 2018, but the National Assembly, still dominated by Serzh Sargsyan's Republican Party of Armenia at the time, did not pass it. After achieving a majority in the National Assembly at the December 2018 election, Pashinyan's party revisited the issue in 2019. There are plans to amend the Electoral Code to reduce the electoral threshold for parties to enter parliament and to eliminate the open-list district-based component. Also, the constitutional provision requiring a majoritarian second round in the event that a governing coalition cannot be formed will likely be removed. However, the Law on Political Parties was identified as the most time-sensitive component in order **to bring more transparency to political party finances** well ahead of the next parliamentary election, scheduled for 2023.¹

What are the Major Changes?

Total state funding of political parties will increase from €200,000 to €1,000,000, a new allocation formula will favour smaller parties, and the threshold for parties to qualify for state funding will be decreased from 3% to 2% of the total votes cast in the previous parliamentary election.

State funding will become contingent on a political party filing their financial statements in on time and meeting a new 40% gender quota among its internal party leadership.

Corporate donations to political parties will no longer be permitted. The annual cap on donations by physical persons will be reduced from €20,000 to €5,000 and can no longer be made through a cash transaction.

In order to separate the functions of oversight and enforcement from the election management body, the newly-established Corruption Prevention Commission (CPC) will take on the role of overseeing political party finances from the Oversight and Audit Service (OAS) of the Central Electoral Commission (CEC). Campaign finances (separate from political party operations expenses), including municipal campaigns, will continue to be regulated by the OAS in the interim while the new CPC builds its capacity. However, it is foreseen that the CPC will take on this function as well at a later stage.

¹ For more details about the electoral reform effort, see the November 2019 EPDE Policy Alert on [Consolidating Democratic Transition in Armenia](#).



Further changes apply to registering political parties and their internal management. A requirement to have branch offices in the different regions of Armenia has been removed. A new requirement for the party's Programme to include a non-binding aspirational statement on how it will involve women, national minorities, and youth has been added.

Assessment by International Experts

Experts from OSCE/ODIHR were involved in the development of the draft amendments, particularly in the third quarter of 2019, recommending expanded state funding of political parties as an incentive for enhanced transparency.² Upon their subsequent visit to Yerevan in March 2020, the international delegation led by the VC and OSCE/ODIHR welcomed that most of their recommendations had been incorporated into the draft. They offered the following additional recommendations:³

- Eliminating the two-stage registration process for parties (100 members attending a founding congress, followed by collecting signatures from 800 members)
- Ensuring that services performed by volunteers that normally carry a reasonable expectation of payment are counted as in-kind donations
- Scaling down the requirement to publish the workplace of donors to merely reporting it to the CPC, without making their personal information public
- Earmarking some of the state funding specifically for the promotion of under-represented groups
- Providing adequate resources to the CPC for it to fulfill its new expanded mandate
- Further defining the term "gross nature of the violation of the law"

Timeline for Adoption

Prior to the COVID-19 state of emergency, it was foreseen that the new law would pass the two required readings in the National Assembly and be adopted by June 2020, incorporating the feedback from the Joint Opinion. As a constitutional law, it requires affirmative votes from at least 60% of MPs to be amended. Its provisions would come into force effective January 1, 2021.

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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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² See [Opinion on the Constitutional Law of the Republic of Armenia on Political Parties](#), October 2019.

³ [https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2020\)004-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2020)004-e)