

A vibrant, stylized landscape painting of Armenia. The scene features a deep valley with a winding river in the foreground, a small waterfall, and a cluster of people in traditional dress on a yellow platform. The middle ground shows terraced fields, a small church on a hill, and a line of trees. The background is dominated by high, rugged mountains under a blue sky. The style is characterized by bold outlines and a rich, warm color palette.

AUDIT CHAMBER
OF ARMENIA

Audit Priorities 2025-2027

Audit Priorities 2025-2027

Human-Centered Audits
Strong Institutions

The mission of the Audit Chamber of Armenia is to contribute to the **improvement** of public governance.

To this end, the Audit Chamber conducts audits through which it provides **timely, professional, and impartial** information to the public, the National Assembly, and the Government.

The Audit Chamber is an independent state body responsible for designing, approving, and implementing policy in the field of external public audit in the Republic of Armenia. Each year, the Audit Chamber adopts its annual activity program based on priority audit areas. The Audit Chamber assesses the observance of the principles of legality -through financial and compliance audits - and efficiency - through performance audits - in the use of public funds. In carrying out its mandate, the Audit Chamber is guided by the values of transparency and accountability and regularly reports to the public, the National Assembly, and the Government on the legality and efficiency of public spending. The core objective of the Audit Chamber is to contribute to positive changes in citizens' lives by identifying systemic issues and proposing effective solutions.

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The electronic version of this document is available on the website of the Audit Chamber at www.armsai.am.

For additional information about the activities of the Audit Chamber, please contact:

Audit Chamber
Baghramyan 19, Yerevan
Republic of Armenia

✉ secretariat@armsai.am

🌐 www.armsai.am

Acronyms

AC	Audit Chamber
AMD	Armenian Dram
CHI	Comprehensive Health Insurance
CEE	Central and Eastern Europe
CII	Critical Information Infrastructure
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
HHP	Hydro-meteorological hazardous phenomena
IRI	International Republican Institute
MF	Ministry of Finance
MTEP	Medium-Term Expenditure Program
PHC	Primary Health Care
PSI	Preschool institutions
PTI	Penitentiary Institution
RTA	Road Traffic Accident
SDGs	Sustainable Development Goals
SMEs	Small and Medium-Sized Enterprises
SCA	Statistical Committee of Armenia
UN	United Nations
WB	World Bank
WHO	World Health Organization

Introduction

This document sets out the external public audit priorities for the 2025–2027 medium-term horizon.

The defined priorities stem from the necessity to implement the following *vision*:

Through *human-centred audits*, to contribute:

- **to public governance that effectively addresses citizens’ needs; and**
- **to the development of state institutional capacities in line with international best practices.**

Based on the vision, the following seven equivalent audit priorities have been proposed:

1. Accessible, affordable, high-quality, and resilient healthcare for the people
2. Accessible and high-quality lifelong education for the people
3. Clean and safe environment for the people
4. Accessible and effective justice for the people
5. Development of an export-oriented, knowledge-based, and competitive economy
6. Development of institutions for public financial and property management
7. Harmoniously developing communities

Within the framework of each audit priority, this document presents significant trends and challenges relevant to that priority, as well as the planned audit directions designed to address them. These directions are aligned with the Government Program, the Medium-Term Expenditure Program (MTEP), and sectoral strategic documents, reflecting identified core issues and public policy priorities.

Implementing programs for population's health care and improvement, creating conditions for effective and affordable medical services.

*- Constitution of the RA,
Article 86, section 7*

Priority 1.

Accessible, Affordable, High-Quality, and Resilient Healthcare for the People

SIGNIFICANT TRENDS AND CHALLENGES

In the medium-term horizon, the Government plans to increase funding for the healthcare sector by more than 1.2 times (Fig. 1). During the same period, the Government envisages launching the system of universal health insurance.

Accessibility and Affordability of Healthcare Services. More than 10% of every fifth household's budget is allocated to healthcare expenditures - exceeding the average European level by more than three times and the global average by approximately 50% (Fig. 2a).

The disparity is even more pronounced among households that allocate one quarter of their budget to healthcare expenditures (Fig. 2b).

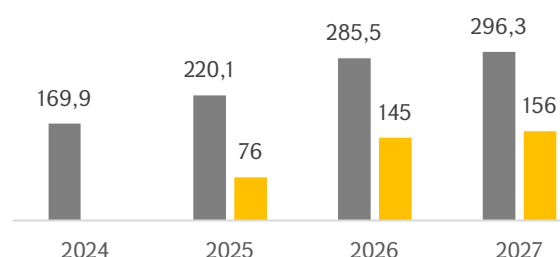


Fig. 1. Dynamics of Budgetary Expenditures in the Healthcare Sector (billion AMD)

Source: MTEP, 2025–2027.

The existing challenges in the financial sustainability of essential social protection services for all population groups can be effectively addressed through the Universal

Health Coverage (UHC) system¹, the gradual implementation of which is planned in the Republic of Armenia starting from 2025 (Fig. 1).

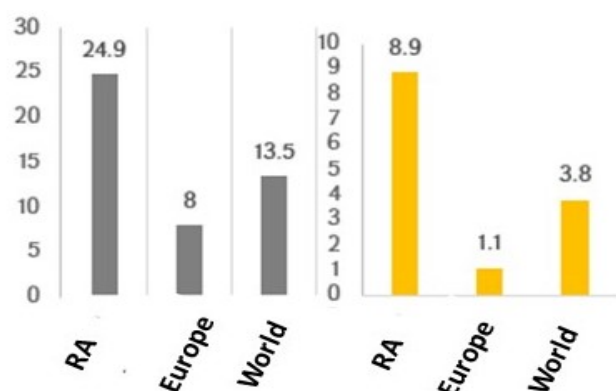


Fig. 2. Share of the population with a high proportion of healthcare expenditures in the household budget, (%).

- Fig. 2a (left): more than 10%

- Fig. 2b (right): more than 25%

Source: SDG Indicator 3.8.2, United Nations Statistical Commission.

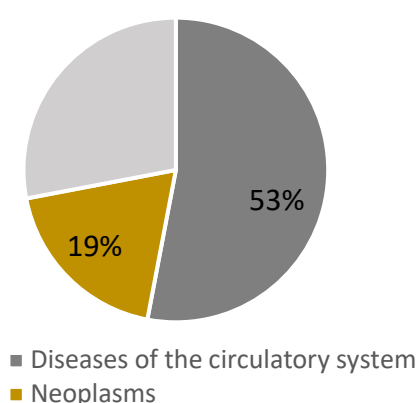


Fig. 3. Causes of death in the Republic of Armenia, 2022.

Source: SSC.

The maintenance of public health largely depends on annual budgetary allocations implemented by the state. Considering that diseases of the circulatory system and cancer are the leading causes of death in Armenia (Fig. 3), the scope and effectiveness of state interventions - including

preventive measures - have significant potential to improve life expectancy².

The probability of death from cardiovascular diseases, cancer, diabetes, or chronic respiratory diseases among the population aged 30–70 generally exceeds the global average. Gender disparities are particularly notable (Armenia: 19.9% overall, 28% for men; global: 17.8% overall, 21.4% for men)³.

A major challenge for early detection and prevention of diseases remains the effectiveness, accessibility, and quality of primary health care (PHC) services. In the medium-term horizon, UHC services are planned to be financed at AMD 31.1 billion per year⁴.

From a prevention perspective, promoting healthy lifestyle - including through mass sports activities - is essential, particularly in combating smoking and obesity.

In 2022, the prevalence of tobacco use among males aged 15+ in Armenia was 48.2%, compared to the global average of 34.4% and the European average of 30.8%⁵.

Obesity (defined as body mass index ≥ 30 kg/m²) contributes to approximately 5 million premature deaths from non-communicable diseases worldwide annually⁶. In Armenia, the share of adults exceeding this level was 24.5% in 2022 – an 8.4 percentage point increase over two decades – while the SDG target is 2.8%⁷.

Controllable infectious diseases also pose public health risks. Their relatively small share in overall mortality is largely attributable to high vaccination coverage, which ensures population immunity.

Another challenge to healthcare accessibility is the management of waiting times for state-guaranteed free medical services and the

¹ Government Decision No. N133-L (02.02.2023), Approval of the Concept for the Implementation of Universal Health Coverage.

² The Government plans that, as a result of implementing measures to combat malignant neoplasms, mortality from these diseases will decrease by 2.5%, while 5- and 10-year survival rates are expected to improve by 25% and 10%, respectively. Furthermore, measures to address

cardiovascular diseases are projected to reduce mortality from circulatory system disorders by 5%.

³ UN Statistical Commission, Indicator 3.4.1 (latest data: 2019).

⁴ MTEP 2025-2027.

⁵ UN Statistical Commission, Indicator 3.a.1.

⁶ WHO Fact Sheet on Obesity and Overweight.

⁷ SDG Index Dashboard, Armenia Profile.

responsiveness of the system in providing urgent and indispensable care.

Equally important is ensuring adequate access to medical equipment and modern technical-technological resources, as well as addressing the highly uneven distribution of human resources. In EU15 countries, there are 37 physicians per 10,000 population⁸. In Armenia, the national average is 51, but this equals 101 in the capital and only 16–26 in the regions (Fig. 4). The Ministry of Health reports 323 vacant positions⁹ for healthcare workers in the regions¹⁰.

Quality of Healthcare Services. Key factors influencing service quality include continuous

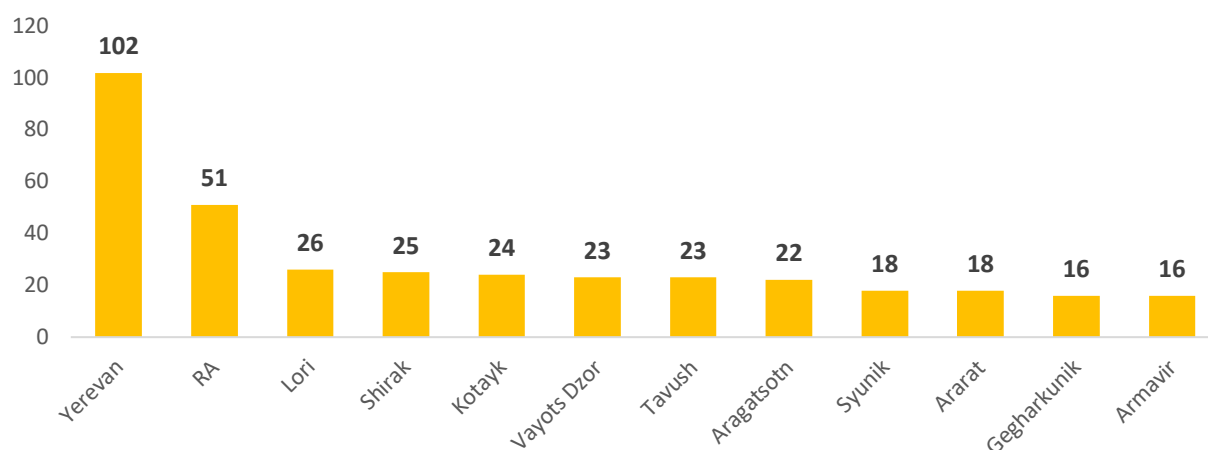


Fig. 4. Territorial distribution of physicians (per 10,000 population), 2022.

Source: *Health and Healthcare Statistical Yearbook 2023, Ministry of Health, RA, 2024, p. 262.*

In the area of international health regulations, the food safety has the lowest performance. In 2022, Armenia's compliance was 40%, down from 60% in 2021, and significantly below the global average (62%) and the European average (80%)¹³.

Resilience of the Healthcare System. The COVID-19 pandemic underscored the critical importance of ensuring the uninterrupted functioning of the public health system during emergencies. Resilience enables the public health system to prevent, respond to, and recover from emergencies while continuing to deliver essential health services to the population without disruption.

professional development for medical personnel (including nurses), particularly in regions. In 2023, only 19% of the regional healthcare workers participated in the “Ensuring Continuous Professional Development of Healthcare Workers” project, compared to the planned 80%.

Additionally, the integration of clinical guidelines and operational procedures aligned with international standards (in 2023, 252¹¹ procedures were developed instead of the planned 300) and the digitalization of the healthcare sector are key success factors. According to UN studies, digitalization could help reduce state health expenditures by up to 15%¹².

Lessons learned from the pandemic create an opportunity to strengthen preparedness for future epidemiological challenges.

Healthcare facilities - particularly multi-profile hospitals - constitute critical physical infrastructure of the country. A notable challenge is ensuring seismic resilience (especially considering the legacy of the 1988 Earthquake), and operational continuity under military conditions.

In this regard, the Audit Chamber will follow-up on the implementation of previous recommendations in this priority area and report the results to the public.

⁸ *Health at a Glance 2023*, OECD, p. 176.

⁹ Over the past five years (2018–2022), the average annual number of medical graduates from Yerevan State Medical University was 677.

¹⁰ MoH (as of May 2025).

¹¹ Report on the Execution of the State Budget 2023.

¹² *Digital-in-Health: Unlocking the Value for Everyone*, WB, 2023.

¹³ UN Statistical Commission, IHR Capacity Indicator (CEE 3.d.1 Indicator, Food Safety (SPAR2-C13)).

Main Audit Directions



An assessment of state policy measures is envisaged in the following directions:

- 1.1. Functioning of the Primary Health Care (PHC) service delivery system.
- 1.2. Implementation process of the Comprehensive Health Insurance (CHI) system.
- 1.3. Reduction of mortality from circulatory system diseases.
- 1.4. Reduction of mortality and improvement of survival rates from oncological diseases.
- 1.5. Promotion of healthy lifestyles and tobacco control.
- 1.6. Reduction of population vulnerability to manageable diseases.
- 1.7. Shortening of waiting times for state-financed healthcare services.
- 1.8. Speed of responsiveness in the provision of emergency and urgent medical care services.
- 1.9. Pharmaceutical supply process (ensuring the availability and accessibility of medicines) and medicine safety.
- 1.10. Ensuring food safety.
- 1.11. Continuous professional development of the medical workforce in the RA.
- 1.12. Uneven territorial distribution of medical human resources.
- 1.13. Availability of medical equipment and modern technological resources.
- 1.14. Implementation of clinical guidelines and protocols for disease treatment.
- 1.15. Digital transformation in the healthcare sector.
- 1.16. Preparedness of the healthcare system for epidemics and pandemics.
- 1.17. Disaster preparedness of critical healthcare infrastructure.

The State shall promote the development of culture, education and science.

ensuring development of free of charge higher and other vocational education is the main objectives of state policy.

- Constitution of the RA,
Article 15, section 1; Article 86, section 13

Priority 2.

Accessible and High-Quality Lifelong Education for the People

SIGNIFICANT TRENDS AND CHALLENGES

In the medium term, public funding for the education sector is expected to increase more than 1.7 times, growing at a pace exceeding that of GDP (Fig. 5). The strategic objective for the education sector development is the establishment of an effective and internationally competitive education system – aligned with national and universal human values, and oriented toward the overall development of the Republic of Armenia – which enables every individual, at all stages of life, to receive high-quality education tailored to their needs and capabilities¹⁴.

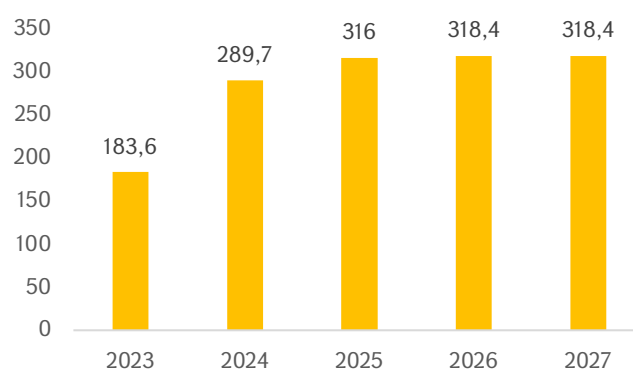


Fig. 5. Budgetary expenditures in the education sector, AMD billion
(2024 – budgeted; 2025–2027 – expenditures projected under the MTEP)

Source: MTEP 2025–2027.

¹⁴ Law on the “State Program for the Development of Education of the Republic of Armenia until 2030”.

Accessibility of Educational Services¹⁵. In 2022, 34% of children aged 0–5 was enrolled in the 981 PSIs operating in the Republic of Armenia. Preschool educational services are not available in 229 settlements, and enrollment in non-urban areas is only 27.4%. In urban areas, the limited number of PSIs creates admission barriers, restricting access to preschool education.

In the *general education sector*, enrollment in 2022 was 82.8%. The main reasons for children being out of school include: persistent societal stereotypes regarding disability, extreme poverty, and child labor.

Enrollment at the *upper secondary level* is particularly low, covering only 54% of individuals in the corresponding age group. While 18.3% continue their studies in vocational and secondary specialized educational institutions after completing basic school, a substantial share of basic school graduates doesn't enter the vocational education system.

Despite low enrollment figures, labor market analyses show that over 70% of actual labor market demand is for specialists with vocational or secondary specialized education. Yet many positions requiring vocational training are occupied by individuals with higher education.

Poverty is closely linked with limited access to vocational education. In 2021, 65.9% of the poor had general secondary education or lower¹⁶. Higher education remains largely inaccessible for poor and extremely poor households (according to comprehensive household survey results, 82.8% of higher education students were from non-poor households, 17.2% from poor households, and 0% from extremely poor households).

A significant opportunity to improve accessibility lies in the effective use of information and communication technologies, particularly through the expansion of remote and online education – a need that was underscored during the COVID-19.

Quality of Education. According to the WB's Human Capital Index, approximately 35% of students completing primary school in Armenia cannot read and understand a simple text - more than three times the regional average (11%). A child born in Armenia today is expected to achieve only 57% of their human capital potential under the current education system, representing a major constraint on long-term economic development.

One of the main directions of education policy is the improvement of teaching quality through professional development. In Armenia, every second teacher is over 50 years old, implying that half of the teaching workforce will need replacement within the next decade. Participation in voluntary certification remains modest: in 2022, 2,653 participants, 1,048 certified; in 2023, 3,805 participants, 2,271 certified (against the planned 3,276)¹⁷.

Despite the establishment of three-year upper *secondary education* (grades 10–12) as the final stage of general education, challenges persist. Schools often don't provide adequate pre-professional knowledge and skills. Many upper secondary students rely on private tutoring for university entrance.

Approximately 60% of upper secondary students participate in paid educational services. The effectiveness of stream-based instruction (e.g. humanitarian vs science streams) is also questionable. For example, humanitarian students sometimes outperform science students in biology. Science students may perform better in foreign languages.

A key challenge is preparing qualified personnel in line with current and future labor market needs. Problems persist in aligning admission places with actual demand, matching state-provided training orders¹⁸ with labor market expectations, and ensuring the relevance of vocational education program.

¹⁵ Social Situation of the Republic of Armenia, 2022, SSC.

¹⁶ Social Profile and Poverty in Armenia, 2023, SSC

¹⁷ Reports on the Execution of the State Budget for 2022 and 2023.


¹⁸ Social Situation of the Republic of Armenia, 2022, SSC; Law on "Approving the State Program for the Development of Education of the Republic of Armenia until 2030.

Main Audit Directions



An assessment of state policy measures is envisaged in the following directions:

- 2.1.** The governance of the education system as an integrated entity and its linkages with public governance in other sectors.
- 2.2.** Accessibility and quality of preschool educational services.
- 2.3.** Enrollment in and quality of educational services provided in upper secondary schools.
- 2.4.** System for the professional qualification improvement (certification) of teachers.
- 2.5.** Inclusion of out-of-school children in the compulsory education system.
- 2.6.** Alignment of state-formed vocational education initiatives with current and projected labor market demand.
- 2.7.** Application of information and communication technologies in the learning process.



The State shall promote the preservation, improvement and restoration of the environment...

Everyone shall be obliged to take care of the preservation of the environment.

- Constitution of the RA, Article 12

Priority 3.

A Clean and Safe Environment for the People

SIGNIFICANT TRENDS AND CHALLENGES

Water Level and Quality of Lake Sevan. Since the 1930s, intensive and unregulated use of Lake Sevan's water has disrupted the its ecological balance, causing disturbances in hydrobiological processes and the broader ecosystem - threatening the lake's continued existence as a freshwater reservoir¹⁹ (Fig. 6).

A key measure for restoring and preserving Lake Sevan's ecosystem is raising the lake's water level, to be achieved through construction of reservoirs;

effective management of water intake quotas; and ensuring stable and uninterrupted operation of the Arpa-Sevan water conduit. In the medium term, the volume of water transferred to Lake Sevan is expected to increase from 120–150 million m³ to 260 million m³. Equally important is maintaining water quality, including: comprehensive wastewater management in surrounding settlements; effective operation of treatment plants; and cleaning of deforested areas in submerged and flooding zones.

¹⁹ Law on "Approving the Annual and Comprehensive Programs for the Restoration, Preservation, Reproduction, and Use of the Lake Sevan Ecosystem."

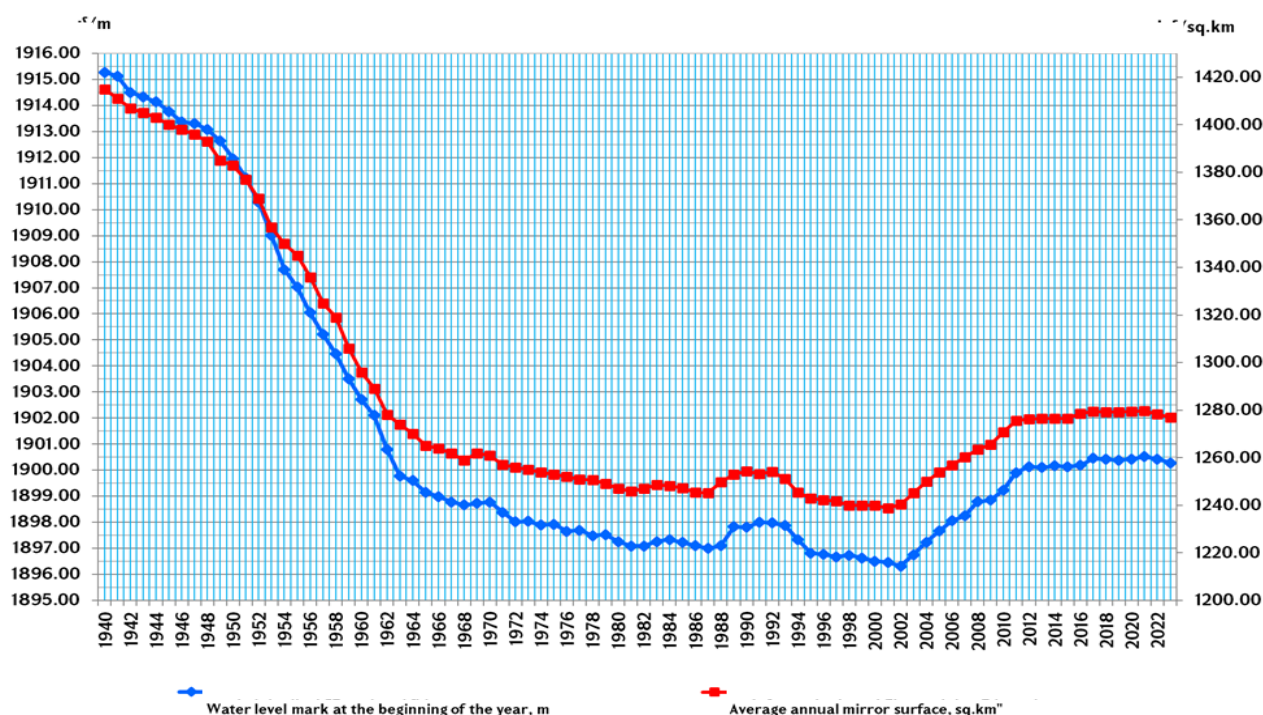


Fig. 6. Lake Sevan water level and surface area, 1940–2023

Source: *Environment and Natural Resources in the Republic of Armenia, 2023, SSC*

Air Pollution is one of the most significant environmental risks to human health. According to the WHO, it causes 4.2 million premature deaths globally each year, primarily due to cardiovascular, cancerous, and chronic respiratory diseases²⁰. Studies indicate that for every 10 $\mu\text{g}/\text{m}^3$ increase in $\text{PM}_{2.5}$ particulate matter, the risk of developing type 2 diabetes rises by 15%, regardless of the level of obesity²¹.

Forests and Green Spaces in Settlements.

Armenia has the lowest forest coverage in the region (Fig. 7). In the early 1990s, due to the energy and economic crisis, nearly 40,000 hectares of forests and green zones were logged, including around 7,000 hectares of clear-cutting. This led to reduced protective capacity of forests, increased erosion, and disruptions in ecological balance²². The restoration and sustainable management of forests is essential for the

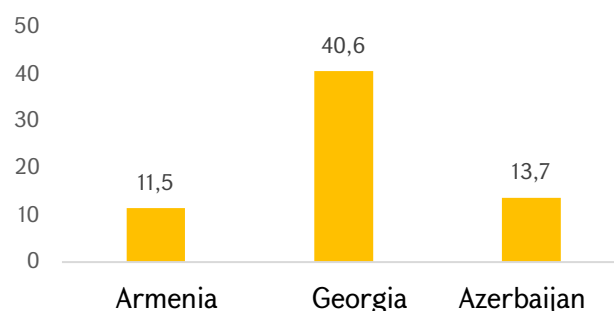


Fig. 7. Share of forest area in the terrestrial area (%)

Source: *Global Forest Resources Assessment, 2020, FAO*.

absorption of carbon dioxide, regulating the climate, preventing soil erosion and degradation, regulating water balance, improving sanitary-hygienic conditions of the environment²³.

Long term measures aim to increase Armenia's forested area to 450,000 hectares²⁴.

²⁰ [https://www.who.int/news-room/fact-sheets/detail/ambient-\(outdoor\)-air-quality-and-health#:~:text=The%20combined%20effects%20of%20ambient,premature%20deaths%20worldwide%20in%202019.](https://www.who.int/news-room/fact-sheets/detail/ambient-(outdoor)-air-quality-and-health#:~:text=The%20combined%20effects%20of%20ambient,premature%20deaths%20worldwide%20in%202019.)

²¹ [https://www.thelancet.com/journals/lanpla/article/PIIS2542-5196\(18\)30140-2/fulltext](https://www.thelancet.com/journals/lanpla/article/PIIS2542-5196(18)30140-2/fulltext).

²² "National Forest Policy and Strategy of the Republic of Armenia", annex to the protocol decision No. 38 of the RA Government session dated September 30, 2004.

²³ "National Forest Program of the Republic of Armenia", Annex No. 1 to RA Government Decision No. 1232-N dated July 21, 2005.

²⁴ Annex, Table 2, Item 5.9, of RA Government Decision No. 2318-L dated 28 December 2023 on "Long-Term Strategy for the Development of the Republic of Armenia with Low Greenhouse Gas Emissions (up to 2050)"

In the medium term, substantial expenditures will target forest management. In 2024, AMD 4,067.4 million was spent, while in 2028, AMD 9,931.0 million is planned, increasing forest restoration areas from 846 ha to 1,526 ha by 2028²⁵.

Urban green areas are particularly important. Considering the degree of urbanization and the felling of 170,000 trees during the 1990s crisis²⁶, the current green space per capita in Yerevan is approximately 8 m² ²⁷. According to the WHO, the minimum recommended green space per capita is 9 m², with the desirable standard being 50 m².

Solid Waste Management. Existing waste disposal sites do not meet international, urban planning, or sanitary-hygienic standards and constitute open waste accumulation areas. They are open accumulation areas that lack fencing and allow access by homeless individuals and animals. There is no system for recording deposited waste, no equipment for washing / disinfecting garbage trucks, deposited waste is not covered with soil, which leads to spontaneous combustion, causing air, water, and soil pollution, particularly with dioxins. Monitoring of groundwater and emitted gases is lacking. In some landfills, waste is incinerated by municipal services to reduce the volume of waste on-site²⁸.

Although the 2016 waste management strategy aimed to create an EU-standard sanitary landfill and improve waste collection – particularly in rural communities – implementation remains characterized by chronic underperformance.

Mining Waste. Armenia has 44 identified abandoned or legacy mining sites originating from the Soviet period, which pose significant environmental risks. Cleanup and reclamation efforts are essential. The estimated cost of addressing the 10 most hazardous sites is approximately AMD 2.2 billion²⁹.

From an environmental impact perspective, the effectiveness of public expenditures is crucial, including managing negative environmental consequences through public procurement, subsidies to enterprises, and maintenance of public administration (e.g., vehicles and fuel expenditures).

Climate Change. Armenia is highly exposed to Hydro-meteorological hazardous phenomena (HHP - droughts, landslides, floods, forest fires, and other events – which cause significant economic and social losses.

Armenia's high vulnerability to climate risks is also due to a large rural population (one-third of the total), the high share of agriculture in GDP, and a relatively high poverty level. Poor populations are particularly vulnerable to extreme temperatures (both high and low), adverse weather conditions, and natural disasters. Historical data on droughts, soil erosion, and other natural hazards in Armenia show that low-income rural communities are especially susceptible to the consequences of climate change. These consequences mainly manifest as decreases in water availability, increased health risks, reduced agricultural productivity, and more frequent HHP events.

Armenia's climate is changing in line with global trends. From 1935 to 2023, the average annual temperature increased by 1.6°C, while average annual precipitation decreased by 20.2% (Fig. 8)³⁰. The frequency of hot days and nights has sharply increased, whereas cold days and nights have significantly decreased.

In recent decades, as globally observed, the frequency and intensity of natural disasters in Armenia have increased markedly due to climate change³¹.

²⁵ MTEP 2026–2028., Ministry of Environment of the Republic of Armenia, Medium-Term Expenditure Framework (MTEF) for 2026–2028: budgetary allocations and measures (baseline budget and new initiatives).

²⁶ "Green City" Action Plan of Yerevan, Annex to Yerevan City Council Decision No. 21-A dated 12 September 2017.

²⁷ Green and Sustainable Cities in Armenia and Georgia, WB, 2023.

²⁸ "Strategy for the Waste Management System," Annex No. 1 to RA Government Decision No. 464-L dated 1 April 2021.

²⁹ MTEP, 2024–2026.

³⁰ Environment and Natural Resources in the Republic of Armenia, 2023.

³¹ "National Program for Climate Change Adaptation Activities and the List of Measures for 2021–2025," Annex to RA Government Decision No. 749-L dated 13 May 2021.

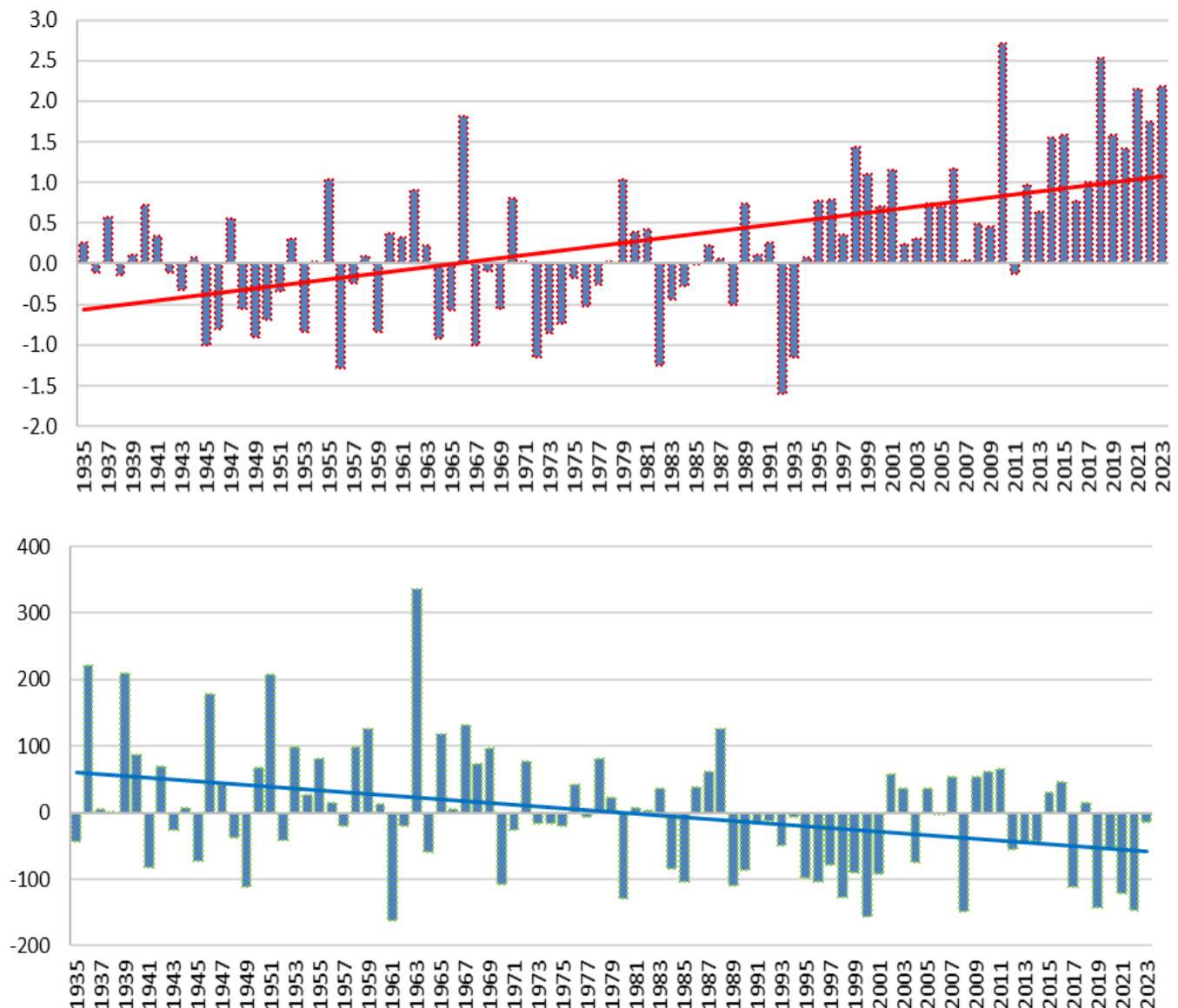


Fig. 8. Deviations of the annual average air temperature from the 1961–1990 norm (1935–2023), °C (upper graph); deviations of the annual average precipitation from the 1961–1990 norm (1935–2023) mm (lower graph).

Public safety, alongside a safe natural environment, is a core component of a secure society. Key challenges include crime prevention, traffic safety, and cybersecurity.

Crime Prevention. In 2023, criminal cases increased by 8.1%; in 2024, they decreased by 1.1%. However, cases of particularly serious crimes increased by 90.7% in 2023 and 25.1% in 2024. Out of 2,100 particularly serious crimes in 2024, 1,502 were violent acts (compared with 1,132 out of 1,678 cases in 2023). Excluding

deaths from violent crimes, 598 particularly serious crimes were registered in 2024, up from 546 in 2023 (a 9.5% increase)³².

Traffic Safety. Traffic accidents in Armenia result in fatalities, highlighting the importance of a comprehensive assessment of traffic safety. This includes evaluation of road infrastructure, vehicle technical inspection systems, and state regulation and enforcement of road safety measures.

Cybersecurity. According to the Global Cybersecurity Index³³, Armenia ranks 90th among

³² Reports of the Prosecutor General's Office of the Republic of Armenia on Crime Investigation for 2023 and 2024.

³³ <https://www.itu.int/en/ITU-D/Cybersecurity/Pages/global-cybersecurity-index.aspx>.

193 countries, while the National Cybersecurity Index³⁴ places it 96th among 176 countries. These rankings are among the lowest compared to comparable regional countries (Fig. 9). Identified gaps include the absence of classification of critical information infrastructure (CII), lack of detection

criteria, and a national registry of CIIs. Other identified issues include the insufficient implementation of cybersecurity standards, underdeveloped national cybersecurity plans, limited incident response and notification capacities.

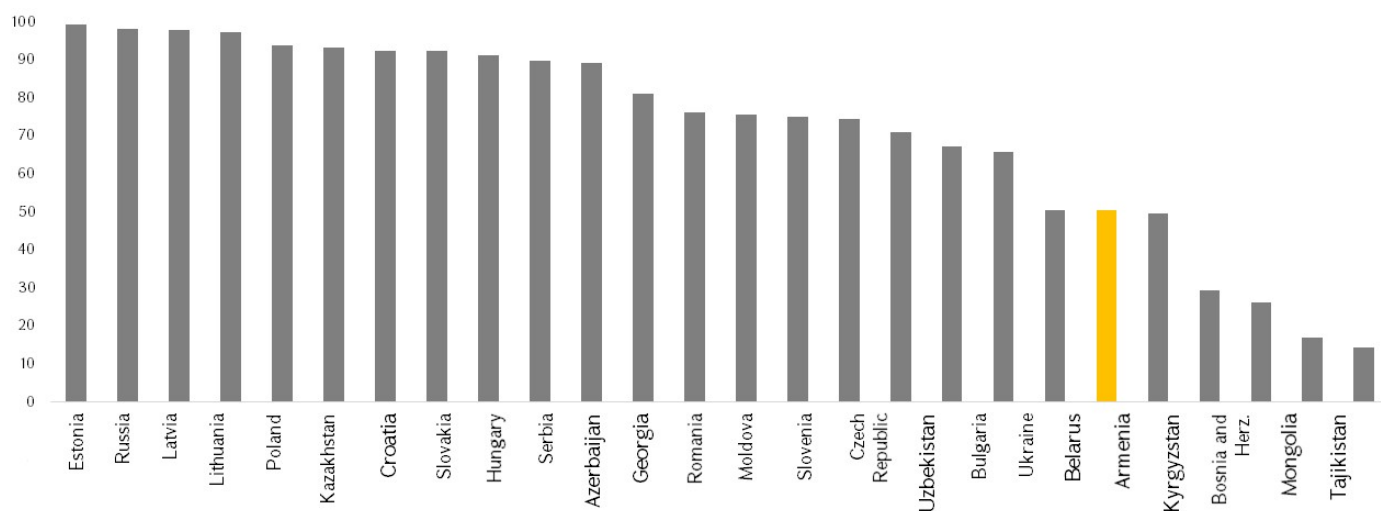


Figure 9. Global Cybersecurity Index

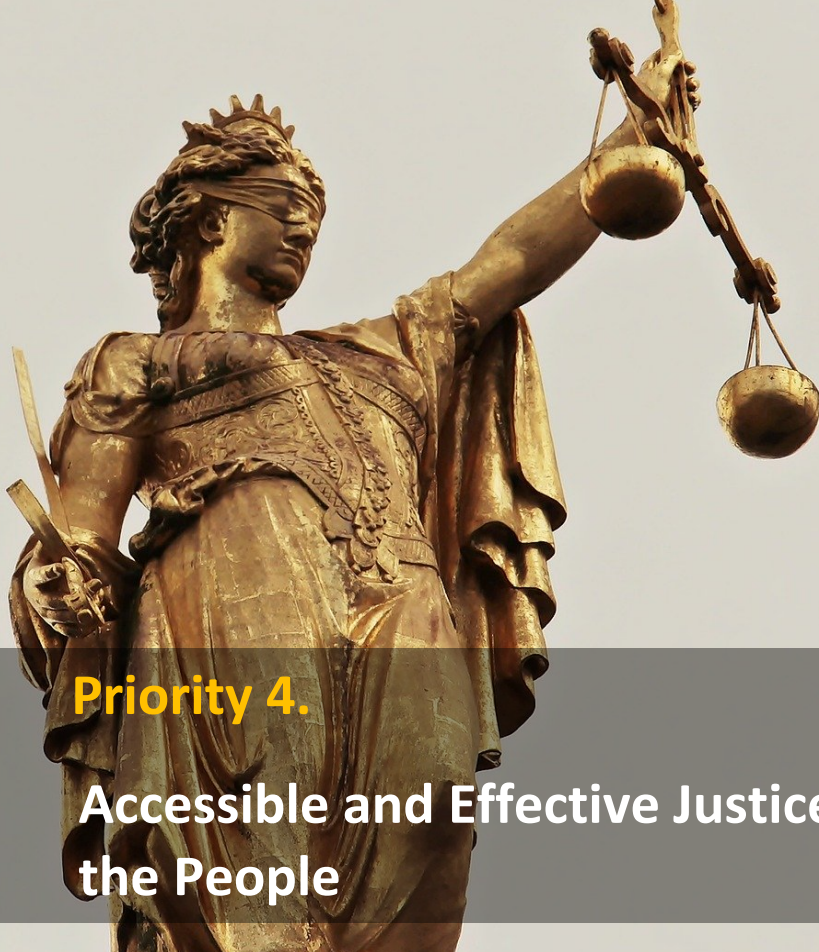
³⁴ <https://ncsi.ega.ee/ncsi-index/>.

Main Audit Directions



An assessment of state policy measures is envisaged in the following directions:

- 3.1.** Restoration of the ecological balance of Lake Sevan, including raising water level and improving water quality.
- 3.2.** Sustainable forest management (conservation, protection, sustainable use, reforestation, and increased forest cover).
- 3.3.** Management and expansion of green spaces in Yerevan.
- 3.4.** Resilience to the impacts of climate change.
- 3.5.** Reduction of air pollution.
- 3.6.** Effectiveness of public expenditure in environmental protection (including development of a green economy).
- 3.7.** Reclamation of waste disposal sites from mining activities.
- 3.8.** Management of solid waste.
- 3.9.** Traffic safety.
- 3.10.** Deployment of institutional cybersecurity frameworks.
- 3.11.** Combating crime.



Everyone shall have the right to effective judicial protection of his or her rights and freedoms.

- Constitution of the RA, Article 61

Priority 4.

Accessible and Effective Justice for the People

SIGNIFICANT TRENDS AND CHALLENGES

According to *Freedom House's* “Freedom in the World” report, Armenia’s independent judiciary score stood at 1 out of 4 points during 2019–2023³⁵, indicating a low level of judicial independence. At the same time, according to a 2023 study conducted by the International Republican Institute (IRI), only 9% of Armenia’s population reported being fully satisfied with the work of the courts³⁶. In parallel, the share of pre-trial detainees in the total prison population has been steadily increasing (Fig. 10), exceeding the deviation from the global average (long-term international target: 7%³⁷).

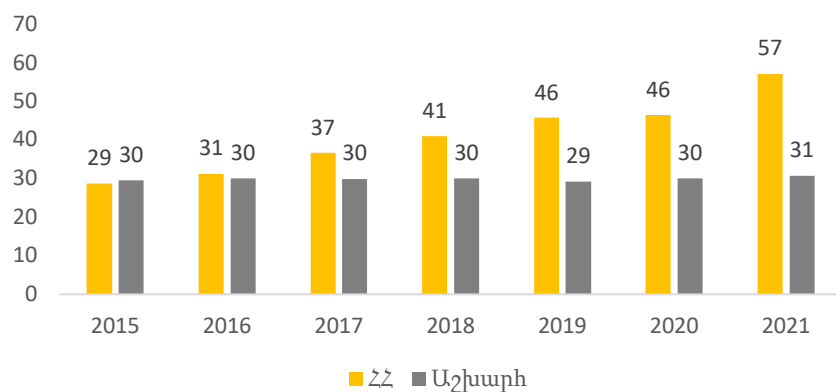


Figure 10. Share of pre-trial detainees in the total prison population (%)
Source: SDG Indicator 16.3.2, UN.

Accessibility of Courts. Reducing court workload and ensuring that cases are heard within reasonable timeframes requires digital transformation of the justice sector, improved governance and resource management, professional development of courts and judges,

development and expansion of alternative dispute resolution mechanisms. These measures are included in the Government of Armenia’s 2022–2026 Judicial and Legal Reform Strategy, with an

³⁵ <https://freedomhouse.org/country/armenia/freedom-world/2024>.

³⁶ Public Opinion Survey: Resident Population of Armenia, December 2023, IRI.

³⁷ <https://dashboards.sdgindex.org/profiles/armenia/indicators>.

estimated budget of approximately AMD 21 billion.

Effectiveness of the Penitentiary Service. In the medium term, expenditures allocated to penitentiary services are expected to increase by about two-thirds. Compliance of detention conditions in PTIs with international standards is projected to improve sevenfold by 2030³⁸. For 2025, the State Budget allocates AMD 12.9 billion to penitentiary services (compared to AMD 9.3 billion in 2020). These resources finance educational, vocational, and secondary technical programs for prisoners, psychological counseling for detainees and convicts, employment within PTIs.

Effectiveness of the Probation Service. The introduction of the Probation Service plays a crucial role for promoting social reintegration of offenders and the enhancing restorative justice. The recidivism rate of offenders is projected to decrease by 30%³⁹. In 2023, approximately 8,000 beneficiaries were under probation, of them, 702 participated in reintegration programs⁴⁰.

Effectiveness of the Process of Freezing and Seizing Funds. Judicial reforms also aim to improve the process of freezing and seizing funds within enforcement proceedings. Key elements include automation of processes, reduction of freezing and unfreezing periods, timely distribution of seized amounts, and shortening the overall duration of enforcement proceedings.

³⁸ MTEP 2025-2027.

³⁹ MTEP 2025-2027.

⁴⁰ Report on the Execution of the State Budget, 2023.

Main Audit Directions



An assessment of state policy measures is envisaged in the following directions:

- 4.1. Procedural time savings.
- 4.2. Operations of the probation service.
- 4.3. Management of penitentiary institution assets.
- 4.4. Freezing and seizure of funds in debtors' bank accounts and deposits within enforcement proceedings.
- 4.5. Operations of the penitentiary service.

The basis of economic order in the Republic of Armenia shall be the social market economy, which shall be based on private ownership, freedom of economic activities and free economic competition, and through the state policy be aimed at general economic well-being and social justice.

- Constitution of the RA, Article 11

Priority 5. Development of an Export-Oriented, Knowledge-Based, and Competitive Economy

SIGNIFICANT TRENDS AND CHALLENGES⁴¹

The agricultural sector - part of the non-extractive segment of the economy – has, for the first time in recent years, made a positive contribution to Armenia’s economic growth. Over the medium term, the agricultural sector is projected to grow annually by around 3%. Growth prospects within the industrial sector have been revised downward to remain below the expected annual GDP growth rate (Figure 11).

Agriculture. A significant structural challenge remains the *small size* and fragmentation of household farms. Of approximately 346,000 farms, the average landholding is 1.48 ha, ranging from 0.72 ha in Ararat to 2.54 ha in Shirak⁴²). Additionally, 45% of farms consist of 3 or more plots, and 20% of farms consist of 5 or more plots.

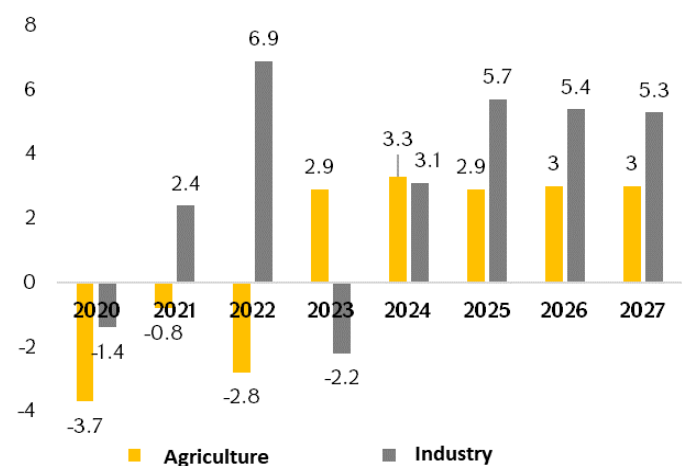


Figure 11. Growth of Value Added in Agriculture and Industry (%)

Source: 2025 State Budget Explanatory Note.

⁴¹ Trends, challenges, and the planned directions of the audit related to this priority have been formulated in accordance with the framework set out by the Government Program, the Medium-Term Expenditure Program and strategic documents in the education sector.

⁴² Main Results of the 2014 Agricultural Census of the Republic of Armenia, SSC.

Under these conditions, labor productivity and agricultural output remain low - 57.2% in 2023⁴³.

Self-sufficiency levels for several strategically important agricultural products remain significantly low, negatively affecting national *food security*. In 2022, wheat self-sufficiency was 24.4%, pork: 47.3%, and poultry meat: 22.3%⁴⁴.

From a development perspective, implementing reservoir construction and related infrastructure projects is very importance - especially in the context of chronic underperformance of the country's largest reservoir (Akhurian), and ecological imbalance in Lake Sevan, where exceeding water withdrawal limits must be avoided.

Industry. Priority attention will be directed toward developing the manufacturing sector. The share of industry in GDP is planned to reach 15%, supported by AMD 80 billion in financial allocations. The five priority areas for industrial development are: 1. Jewelry and diamond processing, 2. Light industry (food, textile, etc.), 3. Heavy industry (metallurgy, chemicals), 4. Machinery and equipment manufacturing (machines, vehicles, solar technologies), 5. Pharmaceuticals.

Economic Diplomacy. From the perspective of export promotion, the development of economic diplomacy is also crucial. Over the medium term, annual trade turnover with partner countries is

expected to increase by 22–27%. Performance, however, has remained low. In 2023, the implementation rate of budgetary measures for trade representation was 19.5% (2022: 17.9%). Only 2 trade representations operated abroad instead of the planned 5.

SME Development. Small and medium-sized enterprises (SMEs) play an important role in enhancing economic competitiveness. Their share in GDP is expected to more than double, reaching 55% in the medium term. However, performance gaps persist. The 2022–2023 budgetary support program for SMEs had 0% implementation, despite AMD 160 million allocated for this purpose⁴⁵.

Knowledge-Based Economy. Weak demand for scientific results from the state, economy, and society remains a key constraint on the development of science in Armenia. This issue is particularly acute under current thematic funding mechanisms, where demand (priority setting), and supply (research) are generated within scientific community. Enhancing participation of the state and business in shaping demand for scientific output can improve the applicability and commercialization of scientific results.

⁴³ Sale (Utilization) of Agricultural Output by Individual (Peasant) Households in 2023, SSC.

⁴⁴ Food Security and Poverty, January–December 2023, SSC.

⁴⁵ Reports on the Execution of the State Budget of the Republic of Armenia for 2022 and 2023.

Main Audit Directions



An assessment of state policy measures is envisaged in the following directions:

- 5.1. Food security assurance.
- 5.2. Bringing unused agricultural land into circulation and land consolidation.
- 5.3. Economic diplomacy.
- 5.4. Implementation of the 2020-2030 Strategy for the Key Directions Ensuring Economic Development of the Agricultural Sector of the Republic of Armenia (Key directions).
- 5.5. Water resources management (Key directions).
- 5.6. Small and medium reservoir construction.
- 5.7. Industrial development.
- 5.8. SME development.
- 5.9. Thematic science funding system.

The Government shall implement a single state policy on financial and economic, credit and tax matters.
The Government shall administer state property.

- Constitution of the RA, Article 154

Priority 6.

Development of Institutions for Public Financial and Property Management

SIGNIFICANT TRENDS AND CHALLENGES

Under the fiscal consolidation measures implemented in 2022, the Government's debt-to-GDP ratio was reduced below the threshold set by the fiscal rule (50%), thereby increasing fiscal space to respond to future shocks. Over the medium term, however, the projected level of the Government's debt-to-GDP ratio has been revised upward (Figure 12). The Government justifies this adjustment by the need to ensure smooth implementation of structural reforms; to carry out necessary investments in physical and human capital; and to secure financing for other urgent needs. In this context, the effectiveness of the institutional framework for public debt management is of particular importance. The Audit Chamber will continue to exercise oversight over the implementation of audit recommendations and will provide relevant information on this matter.

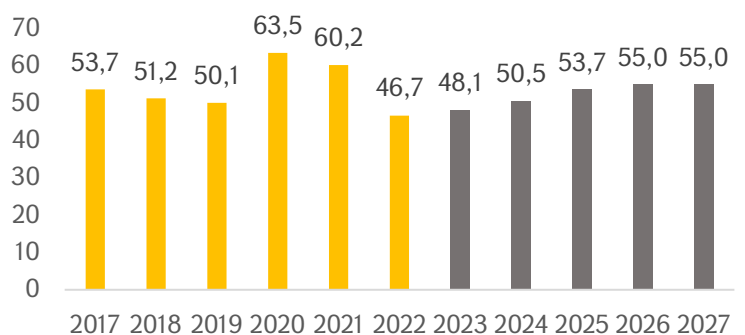


Figure 12. Government Debt-to-GDP Ratio (Forecasts for 2024–2028), %

Source: MTEP 2025–2027.

Public Financial Management. In recent years, a persistent under-execution of capital expenditures has been observed, accompanied by related fiscal and economic risks. Over the medium term, the share of capital expenditures in GDP is expected to stabilize at around 5.9% of GDP until 2028.

Public capital investments aimed at infrastructure development are expected to significantly affect Armenia's long-term growth potential and the possibility of achieving growth beyond baseline projections.

The effectiveness of public budget execution depends on several institutional frameworks, including program-based budgeting (SMART objective design, integration of the full range of state interventions aimed at achieving objectives within single budget program, linkage of financial and non-financial indicators, completeness of non-financial outcome indicators (including qualitative

ones), etc.), public debt management, particularly the management of creditor and debtor obligations and related accountability, the public financing instruments for public and private entities (grants, subsidies, subventions, budgetary loans, sub-loans, and guarantees), internal audit systems, and other control mechanisms.

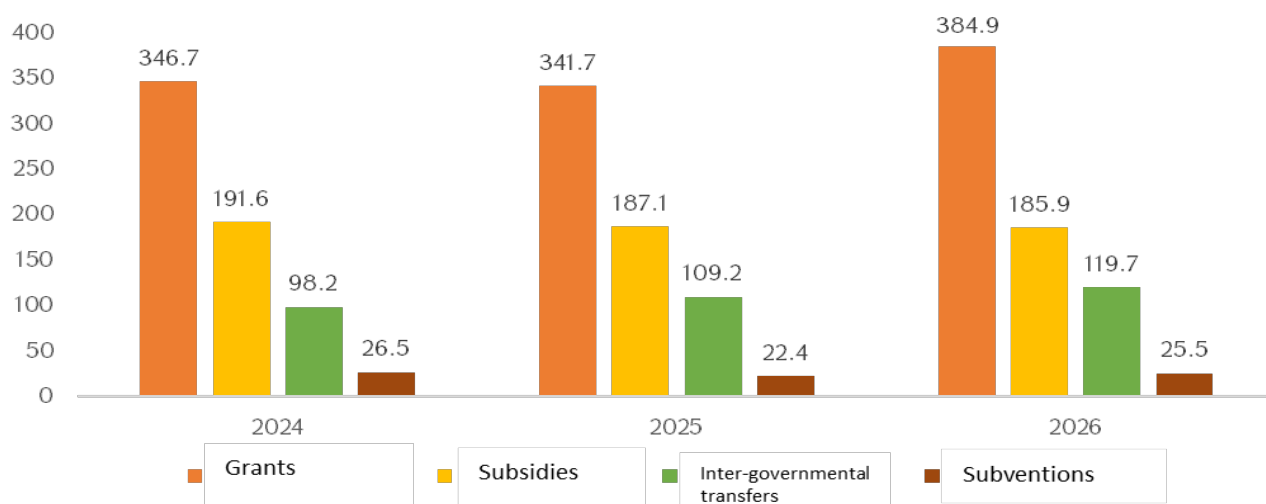


Figure 14. Planned Budget Expenditures by Key Instruments for Financing Public and Private Sector Organizations, AMD billion

Source: MTEP 2025–2027.

Given the significant share of social expenditures in the budget, their targeting is of particular importance. A new vulnerability assessment system is planned to enhance the targeted accessibility of social support programs.

From a tax administration perspective, the effectiveness of the risk assessment system is critical, including its capacity to identify genuinely high-risk taxpayers, reduce the tax gap, and limit inefficient and poorly targeted tax incentives.

With the completion of the PFMC 2019–2023 strategy period, evaluating its results - together with the above-mentioned areas - will contribute to further strengthening the public finance management framework.

Fiscal risks arising from state- and community-participated companies, judicial proceedings against the state (6,507 court cases against the RA Tax Service totaling AMD 129 billion), pension and deposit guarantee funds, disasters and other contingent liabilities, require a robust institutional system for fiscal risk management

and preparedness for their possible materialization.

Public Property Management. An effective state property registration system is a key prerequisite for effective state property management. Introducing tools for continuous monitoring, analysis, and evaluation of state property use - based on a unified electronic state property registry - is therefore essential.

Replacing non-state-owned land used by public institutions with designated state-owned land, financed from the state budget, could significantly reduce management costs. Revenues from leasing state-owned property are expected to reach AMD 9.4 billion annually by 2028.

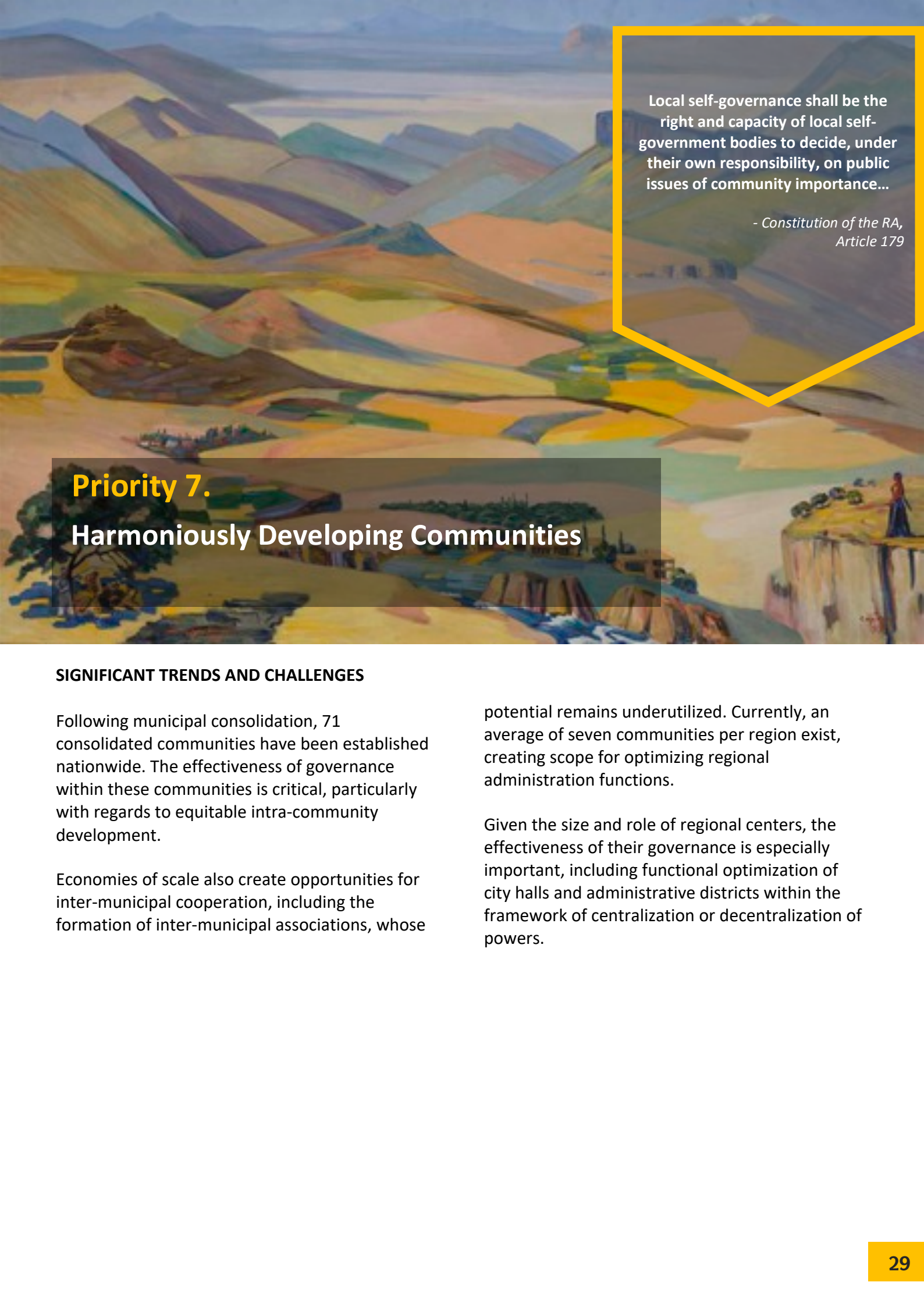
Equally important is the effectiveness of state-owned enterprises management, particularly in terms of compliance with corporate governance standards, management of concession-based services, and fulfillment of investment obligations under privatized state assets.

Main Audit Directions



An assessment of state policy measures is envisaged in the following directions:

- | | |
|--|---|
| 6.1. Public Investment Management System. | 6.12. Risk-Based Tax Inspection Planning System. |
| 6.2. Program-Based Budgeting Framework. | 6.13. Reduction of Inefficient Tax Expenditures. |
| 6.3. Public Debt Management System. | 6.14. Tax Gap Reduction. |
| 6.4. Grant Allocation System. | 6.15. Effectiveness of Social Expenditure Implementation. |
| 6.5. Financial Equalization Transfers to Communities. | 6.16. Public Property Management System. |
| 6.6. Subsidy Allocation System. | 6.17. Management of State-Owned Enterprises. |
| 6.7. Sub-loan Allocation System. | 6.18. Management of Public Assets under Concession Agreements. |
| 6.8. Budgetary Loan Provision System. | 6.19. Fulfillment of Investment Obligations under Privatized State Assets. |
| 6.9. Budgetary Transfers Distribution System. | 6.20. Public Finance Management System Reforms. |
| 6.10. Internal Audit System in the Public Sector. | |
| 6.11. Fiscal Risk Management System. | |



Local self-governance shall be the right and capacity of local self-government bodies to decide, under their own responsibility, on public issues of community importance...

- Constitution of the RA,
Article 179

Priority 7. Harmoniously Developing Communities

SIGNIFICANT TRENDS AND CHALLENGES

Following municipal consolidation, 71 consolidated communities have been established nationwide. The effectiveness of governance within these communities is critical, particularly with regards to equitable intra-community development.

Economies of scale also create opportunities for inter-municipal cooperation, including the formation of inter-municipal associations, whose

potential remains underutilized. Currently, an average of seven communities per region exist, creating scope for optimizing regional administration functions.

Given the size and role of regional centers, the effectiveness of their governance is especially important, including functional optimization of city halls and administrative districts within the framework of centralization or decentralization of powers.

Main Audit Directions



An assessment of state policy measures is envisaged in the following directions:

7.1. Intra-Community Development Equity.

7.2. Inter-Municipal Cooperation.

7.3. Regional Administration Governance System.

7.4. Governance of Yerevan (including the implementation of Smart City program).

Risks

- 1) **Changing Public Sector Environment** – Given the dynamic nature of the public sector and evolving public policy priorities, significant changes may require adjustments to the defined audit priorities.
- 2) **Availability of Qualified Human Resources** – In view of the pace of recruitment and development of qualified auditors, the planned scope of audits may be subject to change.
- 3) **Financial Risks** – The ability of the Audit Chamber to implement the stated audit priorities may be affected by the adequacy of budgetary allocations.
- 4) **Force Majeure Situations** – Unforeseen events, such as military operations or states of emergency, may affect the implementation of planned audit activities.

Note

The document includes the following works by the respective authors:

- *“Armenia”*, Martiros Saryan, 1923 - title page.
- *“Waiting”*, Minas Avetisyan - p. 7.
- *“Yerevan State University”*, Levon Lachikyan - p. 12.
- *“Sevan on a Moonlit Night”*, Gevorg Bashinjaghian, 1915 - p. 15.
- *“Builders”*, Zakhar Khachatryan - p. 24.
- *“Construction of the Square”*, Hovhannes Asatryan - p. 27.
- *“Armenia”* from the *“My Homeland”* series, Martiros Saryan, 1959 - p. 31.