Strategic Governance Challenges in Administrative-Territorial Units and Institutional Engagement Efficiency in the Republic of Armenia: A Composite Index Approach to Financial Self-Sufficiency

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Վարչատարածքային միավորների ռազմավարական կառավարման խնդիրները և ինստիտուցիոնալ ներգրավվածության արդյունավետությունը ՀՀ-ում. ֆինանսական ինքնաբավության համակցված ինդեքսի կիրառումը

Օհանյան Թագուհի Հ.
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Հայաստանի պետական տնտեսագիտական համալսարան (Երևան, ՀՀ)
Հարությունյան Մարինե Բ.
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Հայաստանի պետական տնտեսագիտական համալսարան (Երևան, ՀՀ)

Ամփոփագիր. Տարածաշրջանային տնտեսական խնդիրների աճող արդիականությունը և դրանք ավանդական մեթոդներով լուծելու անկարողությունը ներկայումս օբյեկտիվորեն պահանջում են գիտական հիմքի մշակում տարածաշրջանային ռազմավարական կառավարման համակարգի ձևավորման համար: Վերջին մի քանի տասնամյակները նշանավորվել են նշանակալի փոփոխություններով և ռացիոնալ որոշումների կայացման գործընթացների վրա կառուցված օտարերկրյա, ոչ բյուրոկրատական կառավարման մոդելների ընդունմամբ:
Ազգային տարածքների բաժանումը և տարածքը վարչական միավորների բաժանելը երկրի տնտեսական զարգացման պետական կարգավորման ավանդական մեխանիզմ է: Տարածքների դասակարգումը և միավորումը միասնական տարածական քաղաքականության իրականացման համար արդյունավետ են եղել աշխարհի շատ երկրներում: Մեր երկիրը նաև երկար պատմություն ունի գոտիավորման՝ որպես տնտեսական քաղաքականության գործիքի կիրառման: ԽՍՀՄ տարածքը տնտեսական տարածաշրջանների բաժանելը արտադրական ոլորտի պլանավորման և զարգացման նպատակներով համարվում է ամենահաջողվածը: Տարածաշրջանների վերափոխումը և զարգացումը կարելի է համարել ազգային տնտեսության սոցիալ-տնտեսական աճի վեկտորներից մեկը:
Շատ գիտնականների և մասնագետների կարծիքով, միջտարածաշրջանային ինտեգրման բարելավման վրա հիմնված տարածական զարգացումը կարող է դառնալ ազգային տնտեսական զարգացման բեկումնային ռեսուրս:
Տարբեր տարածաշրջանների ներկայացուցիչների միջև համագործակցությունն ու փոխազդեցությունը ստեղծում են սիներգետիկ ազդեցություն:
Հոդվածում համապարփակ ներկայացվում են ռազմավարական պլանավորման, իրականացման և մոնիտորինգի փուլերում առկա համակարգային խնդիրները, ինչպես նաև գնահատվում է պետական, տեղական ինքնակառավարման և քաղաքացիական հատվածի ինստիտուտների ներգրավվածության արդյունավետությունը:
Հանգուցաբառեր և բառակապակցություններ՝ Վարչատարածքային միավոր, ռազմավարական կառավարում, Հայաստանի Հանրապետություն, տարածքային զարգացում, արդյունավետություն, ռազմավարական պլանավորում

Пути повышения эффективности стратегического управления развитием административно-территориальных единиц Республики Армения

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Аннотация. Возрастающая актуальность региональных экономических проблем и неспособность решать их традиционными методами в настоящее время объективно требуют развития научной основы для формирования региональной стратегической системы управления. Последние несколько десятилетий отмечены значительными изменениями и принятием зарубежных, небюрократических моделей управления, построенных на рациональных процессах принятия решений.

Разделение национальных территорий и территориальное деление на административные единицы является традиционным механизмом государственного регулирования экономического развития страны. Классификация и унификация территорий для реализации единой пространственной политики оказались эффективными во многих странах мира. Наша страна также имеет долгую историю использования зонирования как инструмента экономической политики. Наиболее успешным считается деление территории СССР на экономические регионы в целях планирования и развития производственного сектора. Трансформация и развитие регионов могут рассматриваться как один из векторов социально-экономического роста народного хозяйства.

По мнению многих ученых и специалистов, пространственное развитие, основанное на улучшении межрегиональной интеграции, может стать прорывным ресурсом для развития народного хозяйства.

Сотрудничество и взаимодействие между представителями разных регионов создают синергетический эффект.

В статье всесторонне рассматриваются системные проблемы на этапах стратегического планирования, реализации и мониторинга, а также оценивается эффективность участия государственных, местных и гражданских институтов.

Ключевые слова и словосочетания: Административно-территориальная единица, стратегическое управление, Республика Армения, территориальное развитие, эффективность, стратегическое планирование

According to many scientists and specialists, spatial development based on improving interregional integration can become a breakthrough resource for national economic development.

Cooperation and interaction between representatives of different regions create a synergistic effect.

The article comprehensively presents the systemic problems existing at the stages of strategic planning, implementation and monitoring, as well as assesses the effectiveness of the involvement of state, local self-government and civil sector institutions.

Numerous studies in the field of strategic management, conducted by both local and international scientists, give us reason to assume that the new challenges of the socio-economic development of society undoubtedly require improved management [**1**].

Strategic management involves a team that directs the actions of employees towards certain goals and strategies [**2**]. It serves as a blueprint for the organization, reflecting its understanding of market competitiveness, effective responses and dynamics. It is important that the strategy includes programs that are aimed at expected developments that can affect the achievement of desired results or the solution of problems [**3**].

In order to assess the effectiveness of the development and management of administrative-territorial units, the first stage of the study examines the financial indicators of the communities of the Republic of Armenia for the period 2020–2025. The choice of financial indicators is conditioned by the fact that the financial capacity of the community and the opportunities for generating own income are important prerequisites for the implementation of the autonomy and development programs of local self-government bodies. The analysis considers the total income of the communities, their own income, financial equalization subsidies, as well as the ratios of financial self-sufficiency and subsidy dependence calculated on their basis. For the years 2020–2025, the annual actual performance data are taken as the basis. Based on the indicated data, it is planned to assess the dynamics of the financial independence of the communities and subsequently include it in the formation of a combined index of the effectiveness of community management.

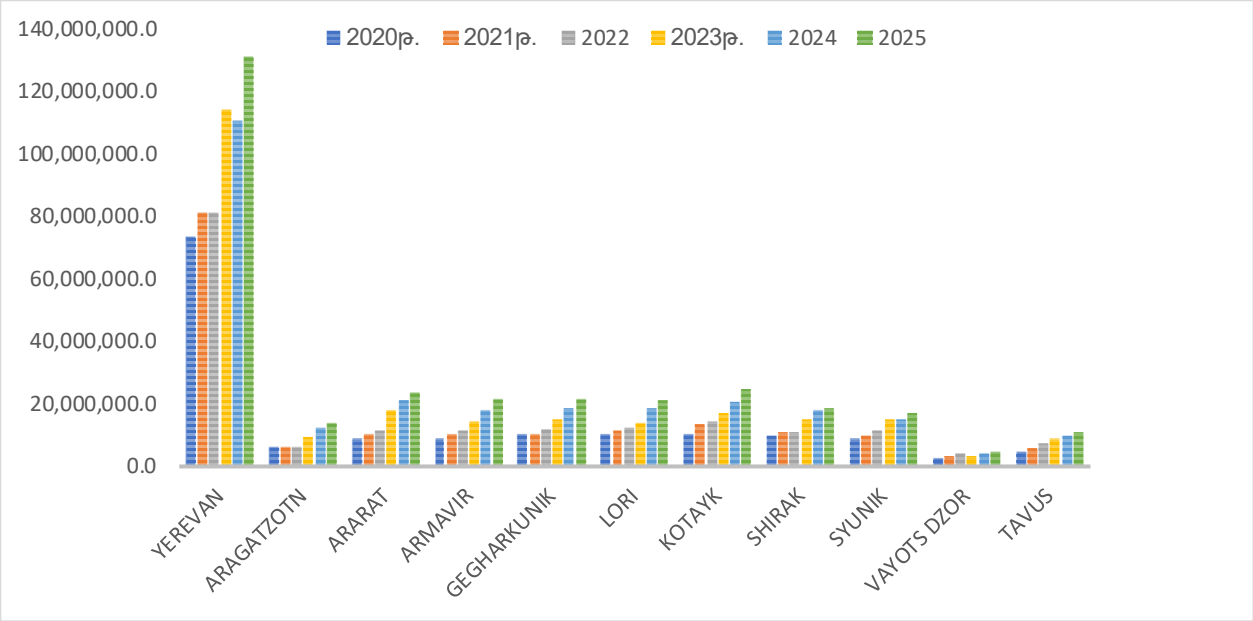

Figure 1: *Total actual revenues of community budgets of the Republic of Armenia in 2020-2025.. thousand drams*
(Compiled by the author [**4**])

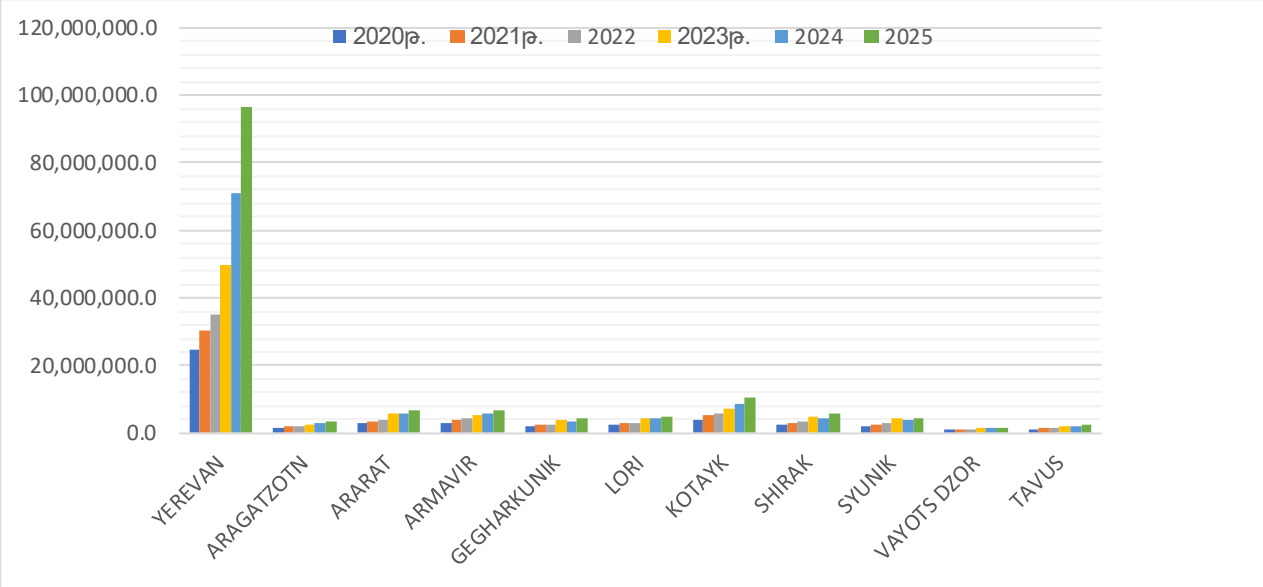

Figure 2: *Total own revenues of community budgets of the Republic of Armenia in 2020-2025.. thousand drams*
(Compiled by the author [**4**])

According to the presented data, the total actual revenues of the budgets of the communities of the Republic of Armenia during 2020–2025 showed a steady growth trend, from 154,028,114.5 thousand drams in 2020 to 308,284,496.2 thousand drams in 2025.

During the period under study, the total actual revenues of the communities increased by 154,256,381.7 thousand drams or by about 100.1%, effectively doubling. The most significant growth was recorded in 2023, when revenues from 182,723,625.5 thousand drams in 2022 reached 243,703,537.4 thousand drams, an increase of about 33.4%. In 2024, the growth was about 9.3%, and in 2025 - 15.7%. In terms of territory, Yerevan has maintained a dominant position in the formation of actual revenues of community budgets, amounting to 130,743,409.8 thousand drams in 2025 and providing about 42.4% of the total revenues of the communities of the republic. At the same time, the growth of the revenues of the communities of the regions has also been generally positive, especially in the regions of Kotayk, Ararat, Armavir, Gegharkunik and Lori. In general, the data indicate a significant expansion of the community financial potential of the Republic of Armenia, but the high share of the Yerevan community indicates a significant territorial concentration of community financial

resources, which in further analysis should be considered in the context of financial self-sufficiency and disparities in territorial development.

The own revenues of the communities of the Republic of Armenia during 2020–2025 showed a significant growth trend. The Yerevan community stands out in particular, whose own revenues increased from 24,489,931.5 thousand drams in 2020 to 96,551,005.2 thousand drams in 2025, that is, they increased by about 3.9 times or 294.3%. The most significant expansion in Yerevan was recorded in 2023–2025, when own revenues increased from 49,769,422.0 thousand drams to 96,551,005.2 thousand drams. A general increase was also recorded by regions: Kotayk stands out with a relatively high volume of own revenues in 2025 - 10,513,579.9 thousand drams, Armavir - 6,962,382.5 thousand drams. drams, Ararat - 6,927,147.8 thousand. drams and Shirak - 5,632,902.7 thousand. drams. At the same time, the rapid growth of Yerevan's own revenues and their significant predominance compared to the regions indicate a high territorial concentration of community financial resources in the Republic of Armenia. Therefore, in the future, it is advisable to consider own revenues not only in absolute terms, but also in relation to total revenues and per capita, which will allow a more objective assessment of the level of financial self-sufficiency of communities.

A large own revenue in itself does not mean financial self-sufficiency. First, it is necessary to understand what part of the total community revenue it constitutes.

Let us present FI_1 - the share of own revenues in total actual revenues for 2020–2025.

FI_1=(Own actual income/total actual income)*100

Table 1. *FI_1 index of RA communities in 2020-2025, percent*

Community/Region	2020	2021	2022	2023	2024	2025
Yerevan	33.49	37.84	43.36	43.69	64.46	73.85
Aragatsotn	24.24	30.79	31.08	27.21	23.67	23.13
Ararat	32.17	33.54	35.44	31.77	28.70	29.58
Armavir	32.97	35.92	38.05	35.07	30.87	32.30
Gegharkunik	17.92	22.02	21.35	26.59	19.11	19.19
Lori	22.56	24.68	25.21	31.19	22.97	22.14
Kotayk	38.73	38.88	39.43	42.76	42.98	42.66
Shirak	23.27	26.79	31.04	32.20	24.96	30.42
Syunik	24.42	26.84	26.15	29.39	27.62	27.54
Vayots Dzor	35.70	31.62	27.67	40.70	34.50	32.14
Tavush	20.34	23.08	20.83	23.88	21.97	23.25

Compiled by the author

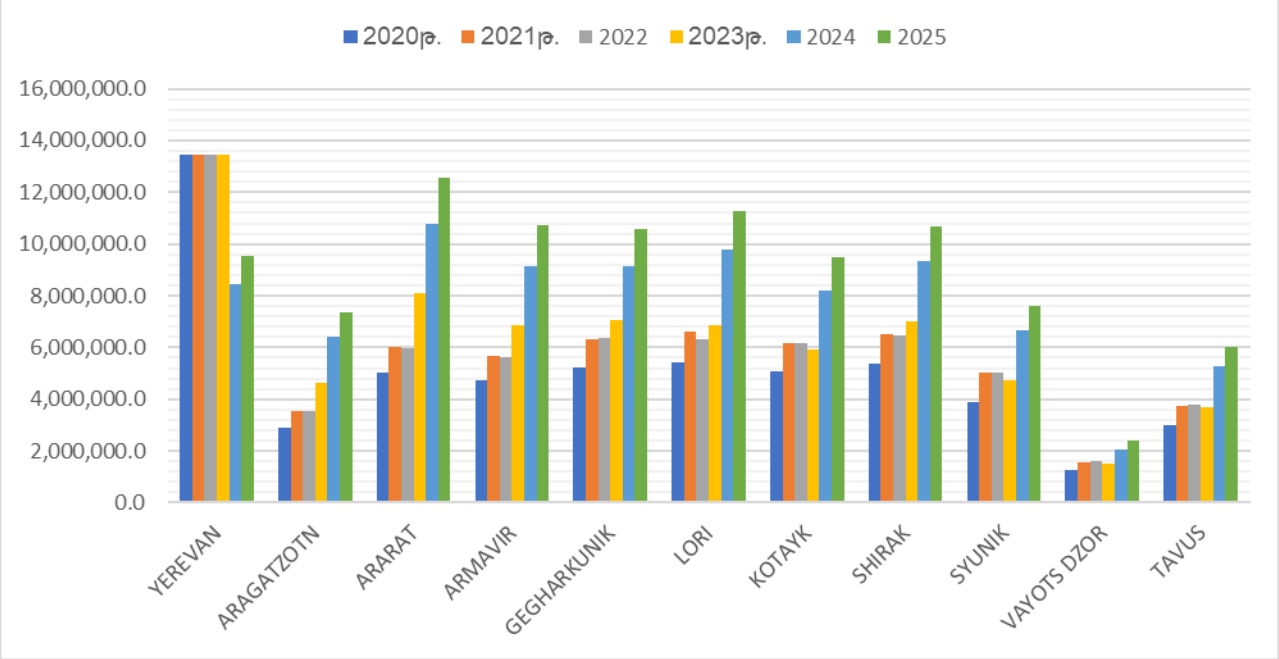

Figure 3: *Subsidies for financial equalization of community budgets of the Republic of Armenia in 2020-2025.. thousand drams* (Compiled by the author [**4**]).

According to the analysis, the capital Yerevan can be singled out. If in 2020, own revenues accounted for 33.49% of total actual revenues, then in 2025 this indicator reached 73.85%. That is, over six years, this indicator of Yerevan's financial self-sufficiency increased by 40.36 percentage points. A particularly sharp change occurred in 2024–2025, from 43.69% to 64.46%, and then to 73.85%. Kotayk also stands out with a relatively high and stable indicator - 42.66% in 2025. In most of the remaining regions, the share of own revenues in 2025 is approximately in the range of 19–32%. The lowest indicators in 2025 were recorded in Gegharkunik - 19.19%, Lori - 22.14%, Aragatsotn - 23.13% and Tavush - 23.25%.

We can state that a significant difference in financial self-sufficiency is forming between Yerevan and the regions. In 2025, Yerevan's 73.85% indicator is higher than Kotayk's 42.66% by about 31.2 percentage points, and Gegharkunik's indicator by about 54.7 percentage points.

The presented data reflects the volumes of financial equalization subsidies provided to all regions of the Republic of Armenia and the city of Yerevan in 2020-2025 (thousands of drams). These subsidies are funds provided by the state, the purpose of which is to equalize the budgetary security of different communities, taking into account the differences in their revenue base and expenditure requirements.

The total volume of subsidies in 2020-2025 increased by about 1.77 times (increased by 42.8 billion drams). The most significant growth was recorded in 2024 (+22.3%), which is due to the reduction in the number of communities due to the enlargement of communities and the redistribution of financial resources, or an increase in the volume of state support to local self-government bodies. A slight decline (-0.4%) was recorded between 2021-2022, which may be due to budget adjustments or an increase in the communities' own revenues.

Yerevan is the only entity whose subsidy has been reduced by about 37% since 2024 (from 13.43 to 8.44 billion drams), which is due to the developed own revenue base of the capital and the state's policy of encouraging self-sufficiency. On the contrary, subsidies in all regions increased from 86% to 155%, with the highest growth recorded in Aragatsotn (+155%), Ararat (+149%) and Armavir (+126%), which indicates the low level of financial self-sufficiency of the communities of these regions. In 2024-2025. an acceleration of growth was recorded (on average 15-25%), which implies increased state support.

The analysis of the distribution of subsidies reveals a number of systemic problems: the growing subsidy dependence of regions, which weakens the motivation of local self-government bodies to raise their own revenues, as well as inequality between regions (the difference between Ararat and Vayots Dzor is 5.3 times), which indicates that equalization does not fully eliminate territorial differences. In addition, unpredictable changes in subsidies make it difficult for communities to carry out long-term strategic planning.

FI_2=(Financial equalization subsidy/ total actual income)*100

This indicator is a reverse-direction indicator. That is, the higher the FI2, the greater the community's financial dependence on the equalization subsidy, and therefore the lower the financial independence.

Table 2. *Share of financial equalization of RA communities in total revenues in 2020-2025, percent*

Community/Region	2020	2021	2022	2023	2024	2025
Yerevan	18.37	16.63	16.62	11.79	7.64	7.30
Aragatsotn	47.18	57.68	55.74	48.73	52.42	52.88
Ararat	57.33	56.82	52.13	44.70	51.24	53.54
Armavir	54.01	55.31	49.09	46.74	50.33	49.74
Gegharkunik	50.23	61.51	52.71	47.68	49.23	48.82
Lori	52.91	58.10	50.97	49.82	52.68	53.28
Kotayk	48.77	46.79	42.30	34.94	40.32	38.59
Shirak	55.33	60.52	60.00	47.06	51.42	57.75
Syunik	44.36	50.42	43.52	31.28	45.02	45.51
Vayots Dzor	48.11	47.12	40.05	46.05	47.80	47.75
Tavush	60.07	64.25	52.64	42.12	54.80	54.70

The analysis of the share of financial equalization subsidies in the communities of the Republic of Armenia shows that during 2020–2025. Yerevan community significantly stands out from other communities with its relatively low dependence on financial equalization funds. In Yerevan, the share of subsidies in total actual revenues has gradually decreased from 18.37% in 2020, reaching 11.79% in 2023, 7.64% in 2024, and only 7.30% in 2025. Thus, in Yerevan, the indicator

has decreased by 11.07 percentage points over six years, which indicates an increase in the role of the community's own financial sources and a decrease in subsidy dependence. Meanwhile, the share of subsidies in the communities of the regions is significantly higher. In 2025, it is highest in Shirak - 57.75%, Tavush - 54.70%, Ararat - 53.54%, Lori - 53.28% and Aragatsotn - 52.88%. A relatively low indicator was recorded in Kotayk - 38.59%, which, however, also significantly exceeds the indicator in Yerevan. Overall, the results show significant differences in financial independence between the communities of Armenia. The role of subsidies in the formation of general revenues in Yerevan is limited, while in most communities in the regions, financial equalization measures continue to have a significant importance.

Table 3. *Per capita income of communities in the Republic of Armenia, drams/person (FI3), 2020-2025*

Community/Region	2020	2021	2022	2023	2024	2025
Yerevan	21,461.7	26,782.1	30,699.1	43,615.3	62,364.0	84,612.2
Aragatsotn	10,922.4	13,899.3	14,666.5	19,048.9	21,311.1	23,704.6
Ararat	10,558.3	13,228.6	15,132.7	21,454.2	22,522.1	25,886.2
Armavir	10,822.8	13,808.4	16,250.6	19,187.7	20,971.8	25,988.7
Gegharkunik	8,657.2	10,486.5	11,986.7	18,225.1	16,487.1	19,242.6
Lori	10,090.0	12,213.7	13,679.4	18,696.8	18,645.0	20,429.1
Kotayk	13,684.5	17,476.2	19,651.4	24,731.9	29,880.8	35,845.8
Shirak	9,352.3	11,865.6	13,805.1	19,746.4	18,730.6	23,238.0
Syunik	18,420.7	23,021.3	25,974.2	38,142.8	35,127.7	39,537.9
Vayots Dzor	19,383.0	21,650.5	22,430.5	27,360.7	30,531.6	32,650.8
Tavush	8,607.6	11,407.4	12,671.4	17,827.4	17,939.1	21,726.8

Analyzing the per capita personal income indicator, we can record that in 2020–2025. the volume of personal income per capita increased in all regions of the Republic of Armenia, but the growth rates differ significantly. A particularly high indicator was recorded in Yerevan, where personal income per capita increased from 21,461.7 drams in 2020 to 84,612.2 drams in 2025, that is, it increased by about 3.9 times or 294.3%. In 2025, Yerevan is followed by Syunik with 39,537.9 drams, Kotayk with 35,845.8 drams, Vayots Dzor with 32,650.8 drams, and a relatively low level was recorded in Gegharkunik with 19,242.6 drams, Lori with 20,429.1 drams, and Tavush with 21,726.8 drams. Thus, the indicator once again emphasizes the significant territorial differences in the financial potential of communities.

Summarizing the results obtained and the individual indicators of financial self-sufficiency, let us form the combined index of financial self-sufficiency, Fl. If we evaluate it from 0 to 1, then the community that is least dependent on subsidies receives 1, and the most dependent receives 0.

$$F_{Ii}=(Z_{i1}+Zi_2+Z_{i3})/3$$

The integral indicator of financial self-sufficiency (FI) was calculated as the simple arithmetic mean of the three normalized components, as each of the components reflects a separate aspect of the community's financial self-sufficiency.

$$0\leq FI\leq 1$$

A higher value of FI means higher financial self-sufficiency.

Table 4. *Financial self-sufficiency level for 2025*

Community/Region	(Z_1)	(Z_2)	(Z_3)	FI
Yerevan	1.000	1.000	1.000	1.000
Aragatsotn	0.429	0.380	0.254	0.354
Ararat	0.153	0.243	0.310	0.235
Armavir	0.237	0.198	0.205	0.213
Gegharkunik	0.240	0.159	0.103	0.167
Lori	0.190	0.084	0.102	0.125
Kotayk	0.205	0.000	0.061	0.089
Shirak	0.072	0.097	0.068	0.079
Syunik	0.074	0.061	0.038	0.058
Vayots Dzor	0.000	0.177	0.000	0.059
Tavush	0.054	0.089	0.018	0.054

According to 2025 data, the integral indicator (FI) of financial self-sufficiency of administrative-territorial units of the Republic of Armenia shows deep differentiation between communities. Yerevan

is in a dominant position (FI=1.000), significantly ahead of all other regions, which indicates the exceptionally high level of financial independence of the capital, while the vast majority of regions are in the very low self-sufficiency zone (FI<0.4), with Kotayk (0.354) and Syunik (0.235) as conditional "leaders", and Aragatsotn (0.079), Tavush (0.058), Gegharkunik (0.059) and Lori (0.054) are the most vulnerable, which is mainly due to the extremely low share of own revenues and high subsidy dependence (especially in Shirak Z_2=0.000, in Aragatsotn Z_1=0.072), which confirms that financial equalization does not contribute to the growth of self-sufficiency of regions, but on the contrary maintains their dependent state, therefore, it is necessary to review strategically subsidy policy by encouraging the increase of communities' own revenues and the development of local tax potential.

Table 5. *Combined Financial Self-Sufficiency Index for 2020-2025*

Community/Region	2020	2021	2022	2023	2024	2025
Yerevan	0.418	0.477	0.527	0.614	0.844	1.000
Aragatsotn	0.148	0.138	0.155	0.192	0.159	0.164
Ararat	0.134	0.157	0.204	0.253	0.201	0.208
Armavir	0.159	0.182	0.242	0.251	0.213	0.247
Gegharkunik	0.082	0.049	0.103	0.191	0.130	0.145
Lori	0.101	0.092	0.143	0.208	0.142	0.141
Kotayk	0.237	0.266	0.305	0.390	0.383	0.417
Shirak	0.087	0.089	0.126	0.235	0.161	0.177
Syunik	0.198	0.197	0.247	0.391	0.287	0.303
Vayots Dzor	0.248	0.239	0.260	0.325	0.291	0.287
Tavush	0.039	0.043	0.103	0.206	0.120	0.145

Yerevan's FI increased from 0.418 in 2020 to 1.000 in 2025. This increase was particularly rapid in 2024–2025, from 0.844 to 1.000. This means that, in the comparative framework of the studied communities and years, Yerevan had the most favorable position in terms of financial self-sufficiency in 2025.

The second highest position in 2025 is occupied by Kotayk with 0.417, followed by Syunik with 0.303 and Vayots Dzor with 0.287. The FI values of other regions in 2025 are mainly in the range of 0.14–0.25.

Yerevan's value of 1.000 should not be interpreted as "perfect" financial self-sufficiency. 1.000 means that in 2020–2025 In the comparative series of 66 observations studied, Yerevan has the highest normalized value.

FI not only shows the financial situation of a given year, but also allows us to assess the change in the position of the community over time.

For example, in the case of Yerevan:

0.418→0.477→0.527→0.614→0.844→1.000

that is, constant and especially rapid change in 2023–2025.

Meanwhile, for example, in Kotayk:

0.237→0.266→0.305→0.390→0.383→0.417

the growth is also positive, but more gradual.

Conclusion

The analysis of the combined index of financial equalization subsidies and financial self-sufficiency of the RA communities shows that Yerevan is in an exceptional position, increasing the FI from 0.418 in 2020 to 1.000 in 2025, which is due to the sharp increase in own revenues.

In summary, it is proposed to develop a transparent methodology for calculating subsidies, taking into account not only the population size, but also the level of development, the state of infrastructure and tax potential, and to encourage the increase of own revenues of communities through bonus mechanisms.

In addition, it is proposed to develop and implement a medium-term (3-5 years) financial planning system that will enable communities to implement long-term development strategies under predictable conditions, while simultaneously fixing threshold values for FI (for example, making financial recovery programs mandatory for communities with FI below 0.2), which will allow for a gradual reduction in subsidy dependence and increase the effectiveness of institutional engagement at the level of local self-government bodies.

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