



**IN THE NAME OF THE REPUBLIC OF ARMENIA
DECISION
OF THE CONSTITUTIONAL COURT OF THE REPUBLIC OF ARMENIA**

**ON THE CASE CONCERNING THE CONSTITUTIONALITY OF POINT 3,
POINT 8 OF PART 1 OF ARTICLE 5 (IN TERMS OF SUPERVISION OVER
COMPLIANCE WITH THE REQUIREMENTS OF THE LEGISLATION
REGULATING THE PROCUREMENT PROCESS IN LOCAL SELF-
GOVERNMENT BODIES OR COMMUNITY INSTITUTIONS), PART 3 OF
ARTICLE 7 (IN TERMS OF PERFORMANCE OF SUPERVISORY FUNCTIONS IN
THE FIELDS FALLING UNDER THE SUPERVISION OF LOCAL SELF-
GOVERNMENT BODIES) OF THE LAW “ON STATE SUPERVISION SERVICE”,
AND ON THE CONSTITUTIONALITY OF PART 6 OF ARTICLE 95 (IN TERMS OF
EXERCISING SUPERVISION, AS PRESCRIBED BY THE LAW “ON STATE
SUPERVISION SERVICE”, OVER COMPLIANCE WITH THE REQUIREMENTS
OF THE LEGISLATION REGULATING THE PROCUREMENT PROCESS IN
LOCAL SELF-GOVERNMENT BODIES OR COMMUNITY INSTITUTIONS)
OF THE LAW “ON LOCAL SELF-GOVERNANCE”, RAISED BY THE
APPLICATION OF THE MAYOR OF YEREVAN**

City of Yerevan

24 March 2026

The Constitutional Court, composed of:

Presiding Justice:

Arman Dilanyan,

Justices:

Artak Zeynalyan,

Davit Khachaturyan,

Yervand Khundkaryan,

Hovakim Hovakimyan,

Edgar Shatiryan (Rapporteur),

Seda Safaryan,

Artur Vagharshyan,

with the participation of (within the framework of written procedure):

Applicant: Mayor of Yerevan, Tigran Avinyan (hereinafter also referred to as “the Applicant”),

Respondent: the National Assembly (hereinafter also referred to as “the Respondent”),

Representative: Head of Legal Department of the Staff of the National Assembly, Mary Stepanyan,

pursuant to point 1 of Article 168, point 7 of part 1 of Article 169 of the Constitution, as well as Articles 22 and 70 of the Constitutional Law “On the Constitutional Court”, examined, through written procedure, in an open session the Case “Concerning the constitutionality of point 3, point 8 of part 1 of Article 5 (in terms of supervision over compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions), part 3 of Article 7 (in terms of performance of supervisory functions in the fields falling under the supervision of local self-government bodies) of the Law “On State Supervision Service”, and on the constitutionality of part 6 of Article 95 (in terms of exercising supervision, as prescribed by the Law “On State Supervision Service”, over compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions) of the Law “On Local Self-Governance”, raised by the application of the Mayor of Yerevan”.

Having examined the application and other documents, materials existing in the Case, written clarifications of the parties, as well as having analysed other disputed and relevant legal provisions, the Constitutional Court **ESTABLISHED:**

Proceedings before the Constitutional Court

1. This Case was initiated by the application filed by the Mayor of Yerevan with the Constitutional Court on 29 August 2025, whereby the Applicant requested:

“To decide on the constitutionality of point 3, point 8 of part 1 of Article 5 (in terms of supervision over compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions), part 3 of Article 7 (in terms of performance of supervisory functions in the fields falling under the

supervision of local self-government bodies) of the Law “On State Supervision Service”, and on the compliance of part 6 of Article 95 (in terms of exercising supervision, as prescribed by the Law “On State Supervision Service”, over compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions) of the Law “On Local Self-Governance”.

2. **The Law “On State Supervision Service”** (hereinafter also referred to as “the Law”) was adopted by the National Assembly on 23 March 2018, signed by the President of the Republic on 30 March 2018, and entered into force on 9 April of the same year.

According to Article 1 of the Law “On Making an Amendment to the Law “On State Supervision Service”” HO-187-N adopted on 25 May 2025, signed by the President of the Republic on 26 June, and entered into force on 28 June of the same year, the above-mentioned Law was newly edited.

According to points 3 and 8 of part 1 of Article 5 of the Law, entitled “***Powers of the State Supervision Service***”:

“1. For the purposes prescribed by this Law, the Service shall, as prescribed by this Law:

(...)

(3) conduct supervision in local self-government bodies in order to assess the lawfulness of management of subsidies, subventions or dotation, or the reliability of information serving as a ground for their provision;

(...)

(8) conduct supervision over compliance with the requirements of the legislation regulating the procurement process in local self-government bodies, state or community institutions”.

According to part 3 of Article 7 of the Law, entitled “**Powers of the State Supervision Service**”:

“3. Where a necessity arises as to performing supervisory functions in the fields supervised by the bodies of state administration system and local self-government bodies, the Service shall notify the Prime Minister thereof, which may serve as a ground for issuing an assignment or recommendation, respectively, to the competent body for exercising supervision reserved to this body by law and deriving from its powers, with relevant results being reported to the Service”.

3. The Law “**On Local Self-Governance**” was adopted by the National Assembly on 7 May 2002, signed by the President of the Republic on 5 June 2002, and entered into force on 21 June of the same year.

According to part 6 of Article 95 of the Law “On Local Self-Governance”, entitled “**Main Principles of Oversight Over the Exercise of Powers of Local Self-Government Bodies**”:

“6. Financial oversight shall be exercised over budgetary or financial and economic activities carried out by local self-government bodies in the cases and under the procedure prescribed by the Law of the Republic of Armenia “On Budgetary System of the Republic of Armenia”, whereas the supervision over compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions — under the procedure prescribed by the Law “On State Supervision Service”.

Part 6 of Article 95 of the Law “On Local Self-Governance” was supplemented with the words “, whereas the supervision over compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions — under the procedure prescribed by the Law “On State Supervision Service”” after the words “in the cases and under the procedure prescribed by the Law of the Republic of Armenia “On Budgetary System of the Republic of Armenia”” in accordance with Article 1 of the Law HO-194-N of 29 May 2025.

4. Upon the Procedural Decision of the Constitutional Court PDCC-142 of 30 September 2025, the Case was admitted for examination, the court examination of the Case was scheduled on 16 January 2026, and the court examination of the Case was decided to conduct through written procedure.

5. Upon the Procedural Decision of the Constitutional Court PDCC-4 of 13 January 2026, the court examination of the Case was delayed and was scheduled on 24 February 2026.

Upon the Procedural Decision of the Constitutional Court PDCC-21 of 24 February 2026, the court examination of the Case was delayed, the time limit for examination of the Case was extended, and the court examination of the Case was scheduled on 24 March 2026.

Submissions of the Applicant

6. The Applicant raised the following questions before the Constitutional Court:

a. Whether or not the exercise of supervision by the State Supervision Service (hereinafter referred to as “the Service”) — acting as a body exercising supervisory powers of the Prime Minister — in local self-government bodies (also in the fields supervised thereby and community institutions) derives from the constitutional competence of the Prime Minister?

b. Whether or not the powers reserved to the Service with respect to the exercise of supervision in local self-government bodies (also in the fields supervised thereby and community institutions) comply with the requirements on legal and professional oversight over the exercise of powers of local self-government bodies prescribed by Article 188 of the Constitution?

7. Having introduced the domestic and international legal regulations in the context of foregoing, as well as having cited the legal position delivered in the relevant decisions of the Constitutional Court, the Applicant specifically notes that the local self-government bodies are vested in the right to self-governance which refers to deciding, under their own responsibility, on public issues of community importance in the interests of the residents of the community. The autonomy of local self-government bodies was also enshrined in the Constitution, according to which, the local self-government bodies exercise the powers, reserved thereto, under their own responsibility, which prohibits the State from interfering with the exercise of the powers of local self-government bodies.

8. As stated by the Applicant, the domestic legislation and the European Charter of Local Self-Government (hereinafter referred to as “ the Charter”) have laid down the principles which underlie the local self-governance and include, *inter alia*, also the following principles: exercise of the right to local self-governance independently and under own responsibility, through local self-government bodies elected on the basis of universal, equal, free suffrage (point 2 of part 1 of Article 8 of the Law “On Local Self-Governance”).

9. The Applicant notes: “The Republic of Armenia, acting as a State Party to the Charter, has assumed a number of international obligations which ensure the lawfulness of the activities of local self-government bodies.

(...)

- According to the European Charter of Local Self-Government, the autonomy of local self-government bodies and their protection is ensured by the State, by excluding any undue interference with the activities of these bodies;
- the procedures for such oversight over the activities of local self-government bodies, the form of oversight and level of interference must be provided for by the Constitution or laws of the State;
- the European Charter of Local Self-Government and the Constitution have drawn certain distinction between the forms of oversight over the exercise by local self-government bodies of their own powers and those delegated by the State;
- the supervisory bodies must strictly comply with the procedures prescribed by law (manner, competence, etc.)”.

10. The Applicant submits that Article 188 of the Constitution clearly defines the procedure for administrative oversight over local self-government bodies, by identifying the forms of legal and professional oversight. Only legal oversight may be exercised over the own matters of the community, whereas legal and professional oversight — over the exercise of the powers

delegated by the State. Moreover, the Constitution provides for “the authorised body of the Government” as a body exercising legal and professional oversight.

11. The Applicant notes that the Prime Minister may neither be reserved with the powers for assessment of the lawfulness of management of subsidies, subventions or dotation in local self-government bodies, the reliability of information serving as a ground for their provision, nor with supervisory powers over the compliance with the requirements of the legislation regulating the procurement process in local self-government bodies and community institutions, since they do not derive from the scope of powers of the Prime Minister, prescribed by part 1 of Article 152 of the Constitution. As stated by the Applicant, it appears from the content of Article 188 of the Constitution that oversight over the powers of local self-government bodies may be exercised by the authorised bodies of the Government.

12. As stated by the Applicant, “(...) it turns out that the Law “On State Supervision Service” provides for the exercise of state supervision over the implementation of own powers of local self-government bodies”. Whereas, according to the relevant provisions of the Charter and the Constitution, exclusively legal oversight may be exercised over the implementation of own powers of local self-government bodies.

13. The Applicant notes that in the cases where the Law contains no clear indication as to the type of oversight implied under the supervisory function — either legal or professional, and, as a matter of fact, contains elements of both the first and the second type, thus bearing no clear adherence to any form of oversight, such Law is incapable of ensuring the observance of the principle of legal certainty which, in particular implies that the actions of all entities of legal relations, including those in power, must be predictable and lawful.

14. The Applicant states that the Constitution and the Charter guarantee the autonomy of local self-governance, including property-related autonomy, which implies the right of self-government bodies to independently dispose of and manage the community-owned property under their own responsibility. To this regard, the Applicant notes that the right of ownership is recognised and protected in the Republic of Armenia, wherefrom the adequate public-legal obligation of the State emanates. The prerequisite for the fulfilment of this obligation is that, according to Article 60 of the Constitution, everyone shall have the right to possess, use, and dispose of legally acquired property at his or her discretion. This constitutional right may not be restricted by law, unless there are grounds provided for by Article 60 of the Constitution. The Constitution grants the State, acting as a separate legal person under public law, the right to manage exclusively the State-owned property. The management of the property of persons or local self-government bodies, deemed as a function, may not be included by virtue of law

within the scope of implementation of this right.

15. The Applicant notes: “(...) both in leading European countries, and in the Republic of Armenia holding membership in the Council of Europe (having completely ratified the European Charter of Local Self-Government and the Utrecht Additional Protocol constituting its integral part) dotation is provided, under equalisation principle, to the communities unconditionally and without the requirements for earmarked spending, thus enabling the local self-government bodies to independently dispose of the funds falling under the ownership of the community in the form dotation and to independently decide on the issues of community importance”.

16. The Applicant also observes: “(...) **Provision of dotation must not undermine the policy implemented by local self-government bodies within the scope of their competence, and the designed procedures or measures must not restrict the freedom of actions of local self-government bodies, that may be carried out thereby within the scope of their powers. The principle of inadmissibility of interference of the State and its authorities with the affairs of the community underlies the relations between the bodies of state power and local self-government bodies, and the exercise of supervision over the management of dotation violates the right of local self-government bodies to independently decide on public issues of community importance under their own responsibility, in the context of the right to freely dispose of community-owned property, as well as interferes with free decision-making process and free management of property, and violates the principle of autonomy of community budgets and the guarantees established by Article 9 of the European Charter of Local Self-Government. As a result, the interference prescribed by law contradicts the Constitution, the European Charter of Local Self-Government, by violating the local self-government guarantees established thereby**”.

17. The Applicant concludes that the powers reserved to the Prime Minister and the Service under points 3, 8 of part 1 of Article 5 (in respect of supervision over the compliance with the requirements of the legislation regulating the procurement process in local self-government bodies and community institutions), part 3 of Article 7 of the Law (in respect of performance of supervisory functions in the fields supervised by local self-government bodies), part 6 of Article 95 of the Law “On Local Self-Governance” (in respect of exercise of supervision, as prescribed by the Law, over the compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions) contradict Articles 1 and 5 of the Constitution, the principle of lawfulness enshrined in Article 6 of the Constitution, the competences of the Prime Minister prescribed by Article 152 of the

Constitution and the conditions for legal and professional oversight over the activities of local self-government bodies provided for by Article 188 of the Constitution. As stated by the Applicant, “the existence of contradictions between different regulations governing the given relation hinders itself the predictability of law and, accordingly — the compliance with the principle of legal certainty enshrined in Chapter 2 of the Constitution, whereas the provision not complying with this principle may neither be considered as “law”, nor meet the “minimum threshold” for the protection of the right to self-governance provided for by the Charter, namely the principle of lawfulness established in the field of supervision over local self-government bodies (Article 8 of the Charter). Thus, this violates also the guarantee for inviolability of the nature of the provisions on basic rights and freedoms prescribed by Article 80 of the Constitution and the guarantee provided for by part 2 of Article 81 of the Constitution, according to which restrictions on basic rights and freedoms may not exceed the limitations prescribed by international treaties of the Republic of Armenia”.

18. The Applicant also concludes that the regulation on exercising supervision in local self-government bodies aimed at assessing the lawfulness of management of dotation allocated to local self-government bodies, or assessing the reliability of information serving as a ground for their provision, provided for by point 3 of part 1 of Article 5 of the Law, contradicts Articles 1, 9, 10, 60, 179, 184-186 of the Constitution, by leading to a violation of basic constitutional rights and guarantees prescribed by Articles 60, 78-81 of the Constitution.

Submissions of the Respondent

19. Having cited and analysed the relevant provisions of the Constitution and those of the legislation, the Respondent notes, in particular: “(...) Possession of supervisory competences in accordance with the main directions of the Government policy derives from, rather than contradicts, the logic of the rules of procedure of the Government. However, at the same time, the limits of supervision are outlined under legal regulations coordinating the fields and bodies wherein such supervision is being exercised. Therefore, supervision itself may not be absolute”.

20. The Respondent also notes that the Service exercises the supervisory competence deriving from the main directions of the Government policy and the rules of procedure of the Government. The Service exercises supervision in local self-government bodies aimed at assessing the lawfulness of management of subsidies, subventions or donations granted, or the reliability of the information serving as a ground for their provision. As stated by the Respondent, **“In the given circumstances, the State Supervision Service delivers a professional or informative position, it exercises no administrative action, and the**

specified position bears informative nature, neither entails legal consequences or influence, nor provides for any liability. In the context of the competence of the Prime Minister in determining the directions of the Government policy, and the logic of the rules of procedure of the Government, this information may and must, in all circumstances, be accessible”.

21. The Respondent submits that where the goal, form of and criteria for supervision are distinguished, the position delivered by the Applicant, which states that the Prime Minister, the body subordinate thereto, may not fall within the scope of the concept of “authorised body of the Government” provided for by Article 188 of the Constitution, is refuted.

As stated by the Respondent, the Service exercises supervision aimed at ensuring lawful and efficient management of state funds and state property, as well as lawfulness in the field of state administration, *as a result whereof an impartial and full informative or professional position is delivered to the Prime Minister*. Given such logic, the exercise of supervision may not be identified with the activities of the authorised body in the field of financial management. As stated by the Respondent, “It proves to be apparent that the exercise of competence of the State Supervision Service does not, *prima facie*, constitute a form of financial oversight.

(...)

The Ministry of Finance acts in the field of procurement as a policy-making and coordinating body, the functions whereof have a regulatory, systemic and methodical nature.

(...)

The supervisory functions are reserved, in their turn, to the State Supervision Service which ensures supervision over the observance of lawfulness. In this case as well the position drawn up as a result of supervision bears informative, professional, advisory nature, rather than any interference or influence is made”.

22. The Respondent notes that the assessment of lawfulness of and supervision over management of subsidies, subventions or dotations, or the reliability of information serving as a ground for their provision, “is carried out to assess lawfulness or the reliability of information serving as a ground for their provision, rather than is carried out with the aim of interfering with the management of these funds or determining their implementation areas, moreover no element of financial oversight is included in the context of supervision in question. This case as well includes no interference, influence, or administrative action, and this supervision gives rise to no legal consequence; it bears only an advisory and informative nature”.

23. The Respondent notes: **“(...) The arguments of the Applicant are refuted in terms of contradicting on the part of disputed regulations with laws and (or) the constitutional**

norms, where the limits of supervision exercised by the State Supervision Service are outlined, by identifying its purpose, form of supervision, the procedure for exercise of supervision and the legal consequences of the position drawn up as a result thereof. In addition, the supervisory powers of the State Supervision Service derive from part 1 of Article 188 of the Constitution, which is directed at the assessment of lawfulness and reliability of information serving as a ground for the provision of subsidies, subventions or dotations, and this constitutes a form of legal oversight”.

24. Having referred to the relevant provisions of the Charter, the Respondent notes that “(...) a possibility of administrative supervision is established which may be exercised in terms of lawfulness or expedience, moreover, this supervision must not restrict the autonomy of local self-government bodies. At the same time, the supervision must be exercised in the manner and in the cases provided for by the Constitution and law”.

25. As stated by the Respondent, the supervision in question, given its legal implication, is exclusively directed at ensuring lawfulness and legal oversight; moreover, it does not violate the right of ownership of the community and may not restrict the competence of the community to freely dispose of its property or independently adopt decisions for community needs.

26. As stated by the Respondent, the application of disputed provisions entails no legal uncertainty or a risk of arbitrary interpretation and is completely consistent with the principle of legal certainty.

27. The Respondent requests to adopt a decision under this Case, by declaring the disputed provisions as consistent with the Constitution.

The scope of examination of the constitutional dispute

28. The constitutional dispute in this Case leads to matters of constitutional consistency in the context of Article 188 of the Constitution, with regard to point 3 of part 1 of Article 5 of the Law, point 8 of part 1 of the same Article in terms of reserving the Service with the power of exercising supervision, as prescribed by the Law, in local self-government bodies and community institutions over the compliance with the requirements of the legislation regulating the procurement process, with regard to part 3 of Article 7 of the Law in terms of performing supervisory functions in the fields supervised by local self-government bodies, as well as with regard to part 6 of Article 95 of the Law “On Local Self-Governance” in terms of exercising supervision, as prescribed by the Law, over the compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions, in view of ensuring by virtue of Article 74 of the Constitution the basic right of the

community, guaranteed by part 1 of Article 60 of the Constitution, acting as a legal person under public law in accordance with part 2 of Article 180 of the Constitution.

Circumstances to be established in the Case

29. For the purpose of assessing the compliance of the disputed legal provisions with the Constitution, the Constitutional Court finds necessary to refer, in particular, to the following:

- Whether or not the disputed provisions of the Law — having reserved the Service with the powers of exercising, as prescribed by the Law, supervision in local self-government bodies aimed at assessing the lawfulness of management of subsidies, subventions or dotations, or the reliability of information serving as a ground for their provision, as well as that over the compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions, while envisaging also an arrangement on supervisory functions in the fields supervised by local self-government bodies, and while the disputed provision of the Law “On Local Self-Governance” providing that the supervision over the compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions is exercised as prescribed by the Law — are in line with Article 188 of the Constitution, entitled “**Legal and Professional Oversight**”, in the light of ensuring the right of ownership guaranteed by part 1 of Article 60 of the Constitution, in so far as the specified basic right is, by virtue of Article 74 of the Constitution, inherently applicable to the legal person under public law?

30. The main provisions of the Constitution relevant to the settlement of this constitutional dispute are as follows:

30.1. “The Republic of Armenia is a (...), democratic, (...), rule-of-law State” (Article 1);

30.2. “Local self-governance shall be guaranteed in the Republic of Armenia as one of the essential fundamentals of democracy” (Article 9);

30.3. “1. Everyone shall have the right to possess, use and dispose of legally acquired property at his or her discretion” (part 1 of Article 60);

30.4. “The basic rights and freedoms shall also extend to legal persons to the extent these rights and freedoms are, by virtue of their nature, applicable thereto” (Article 74);

30.5. “2. Restrictions on basic rights and freedoms may not exceed the limitations prescribed by international treaties of the Republic of Armenia” (part 2 of Article 81);

30.6. “The bodies of state administration system shall be the ministries, as well as other bodies subordinate to the Government, to the Prime Minister and ministries, the procedure for the formation and powers whereof shall be prescribed by law” (Article 159);

30.7. “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, given the interests of residents of the community and in compliance with the Constitution and laws” (part 1 of Article 179);

30.8. “Community shall be a legal person under public law” (part 2 of Article 180);

30.9. “1. Local self-government bodies shall have own powers for the purpose of performing the mandatory and voluntary tasks of a community, as well as those delegated by the State. The mandatory tasks of the community shall be prescribed by law (...).

2. The powers of state bodies may, for the purpose of more effective implementation thereof, be delegated by law to local self-government bodies.

(...)

5. The powers of local self-government bodies shall be prescribed by law” (parts 1, 2, 5 of Article 182);

30.10. “2. The procedure for forming community budget revenue and making expenditures shall be prescribed by law” (part 2 of Article 185);

30.11. “1. With a view of performing the mandatory tasks of a community, the law shall prescribe tax and non-tax sources which are necessary for ensuring the implementation of these tasks.

2. The powers delegated to communities by the State shall be subject to mandatory financing from the State Budget.

3. The State shall, to the extent of its capacities, allocate funds aimed at ensuring the proportional development of communities” (Article 186);

30.12. “1. The authorised body of the Government shall, in the cases and under the procedure prescribed by law, exercise legal oversight over the implementation of the own tasks of a community.

2. The authorised bodies of the Government shall, in the cases and under the procedure prescribed by law, exercise legal and professional oversight over the implementation of the powers delegated by the State” (Article 188).

Legal positions of the Constitutional Court

31. According to Article 1 of the Constitution, “*The Republic of Armenia is a (...), democratic, (...), rule-of-law State*”.

According to Article 9 of the Constitution, entitled “**Guaranteeing Local Self-Governance**”, “Local self-governance shall be guaranteed in the Republic of Armenia as one of the essential

fundamentals of democracy”.

One of the fundamental components of a democratic State is the decentralisation of territorial organisation of power, with local self-governance representing its highest form. Given the existence of a system of local self-governance the State and the community co-exist based on the principle of legal consensus.

According to part 1 of Article 179 of the Constitution, entitled “**Right to Local Self-Governance**”, “*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, given the interests of residents of the community and in compliance with the Constitution and laws*”.

32. According to part 1 of Article 3 of the Charter, local self-government implies the right and capacity of local self-government bodies to regulate and manage, within the scope of the law, a substantial share of public affairs under their own responsibility and in the interests of local population.

Local self-government is one of the pillars of democracy which combines the unity of state power and the autonomy of local authority, by ensuring the direct participation of community population in the organisation of community life.

33. The Decision of the Constitutional Court DCC -1593 of 14 May 2021 states:

“... throughout the existence of each community the local self-government bodies are vested in the **right to self-governance** which refers to deciding, under their own responsibility, on public issues of community importance in the interests of the residents of the community. Moreover, local self-governance proves to be not only the right, but also the **capacity** of local self-government bodies, since the exercise of the right in question requires them to have sources (for example, financial, organisational, and human) for generating appropriate resources (point 4.1).

34. The performance of legal and constitutional functions of local self-governance as an autonomous level of public authority not only requires it to be recognised (enshrined) at legal level, but also requires its effective autonomy to be guaranteed at institutional level. As a constitutional commandment, it reflects the autonomy of local self-governance from the State in legal, organisational, financial and economic aspects, while simultaneously maintaining the integrity of unified system of public authority. To this regard, both the Constitution and the Charter provide for a number of guarantees intended to completely ensure the implementation of the right to self-governance.

35. *Regulatory legal guarantees, including:*

- *constitutional guarantees*: the right to self-governance is recognised and guaranteed by the Constitution. It follows from the regulations provided for in Article 9, and, thus, in Chapter 9 of the Constitution that the State may not arbitrarily abolish or restrict the scope of community power without a constitutional basis;

- *Charter guarantees*: Article 3 of the Charter provides for the right to self-governance as “the right and capacity of local self-government bodies to regulate and manage a substantial share of public affairs (within the scope of the law) under their own responsibility and in the interests of local population”. This wording not only acknowledges the autonomy of local self-governance, but also considers it as a legal obligation for the State not to interfere with the governance at local level, except for the cases prescribed by law.

36. *Organisational guarantees*: to this regard, a clear distinction must be drawn between the state and community competences, which also ensures the actual autonomy of local self-government bodies in decision-making process.

According to part 1 of Article 4 of the Charter, the basic powers of local self-government bodies are prescribed by the Constitution or by statute. However, this provision does not prevent from granting to local self-government bodies powers for specific purposes in accordance with law.

According to part 2 of Article 4 of the Charter, local self-government bodies have, within the scope of the law, full discretion to exercise their initiative with regard to any matter which is not excluded from their competence, nor assigned to any other authority.

The population of the community elects local self-government bodies, thus establishing their *democratic legitimacy*, wherein the highest form of autonomy of local self-government bodies is embodied; *the power derives directly from the population of the community, rather than from the central state power*. The local self-government bodies are authorised to establish internal structural elements, working procedures and forms of decision-making without direct instructions from the executive power.

Article 181 of the Constitution provides for key regulations *on elections of local self-government bodies*, whereas Article 182 — *on community tasks and the relevant powers of local self-government bodies consistent with the fulfilment of these tasks*.

37. *Financial and economic guarantees*: the autonomy of community power appears to be impossible without real financial autonomy. The community power may operate efficiently if it has sufficient financial resources, the generation and use whereof do not entirely depend on state power. Communities must be granted with the competence to generate their own revenues through taxes, duties and other relevant financial sources. Transfers from the State Budget may be supplementary, however they must not replace own financial sources of the communities.

According to part 2 of Article 9 of the Charter, the financial resources of local self-government bodies must be proportionate to the powers provided for by the Constitution and the law.

According to Article 186 of the Constitution, entitled “**Financing of Communities**”, with a view of performing the mandatory tasks of a community, the law prescribes tax and non-tax sources which are necessary for ensuring the implementation of these tasks. The powers delegated to communities by the State are subject to mandatory financing from the State Budget. The State allocates, to the extent of its capacities, funds aimed at ensuring the proportional development of communities.

The foregoing constitutes an important guarantee for ensuring the financial autonomy of communities. The financial and economic autonomy is not only a matter of budgetary independence, but also a means of exercising the right of communities to independently determine their priorities.

38. *Legal protection guarantees:* autonomy may no way be complete without effective legal protection mechanisms which enable the communities to protect their rights from state interference. In case a body of state power violates the right of the community to self-governance, the community may apply to the court. To this regard, Article 11 of the Charter stipulates that local self-government bodies must have the right to a judicial remedy aimed at securing free exercise of their powers and ensuring the respect for the principles of local self-governance as are enshrined in the Constitution or domestic legislation.

39. *The system of constitutional legal guarantees of autonomy of local self-governance not only guarantees local self-governance and protects the right of communities to independently decide on public issues of community importance but also contributes to the establishment of a democratic State and distribution of power in territorial dimension. To this regard, local self-governance represents a materialised form of the principles of decentralisation of state power, democratisation and public accountability, which the Constituent has placed at the core of axiology of local self-governance.*

40. According to part 1 of Article 182 of the Constitution, entitled “**Community Tasks, and Powers of Local Self-Government Bodies**”, *local self-government bodies have their own powers for the purpose of performing mandatory and voluntary tasks of a community, as well as those delegated by the State. The mandatory tasks of a community are prescribed by law, whereas voluntary tasks — upon the decisions of the Council of Elders of the community.*

According to part 2 of Article 182 of the Constitution, the powers of state bodies may, for the purpose of more effective implementation thereof, be delegated by law to local self-government bodies.

Part 5 of the above-mentioned Article of the Constitution provides that the powers of local self-government bodies are prescribed by law.

*The general description of community tasks and powers of local self-government bodies is provided for by Article 10 of the Law “On Local Self-Governance”. Accordingly, **community tasks** are classified into **mandatory tasks**, i.e. tasks of public importance, the performance whereof ensures the normal course of community life, and **voluntary tasks** which do not directly impact the normal course of community life and may be performed only if additional financial resources are available in addition to those necessary for the performance of mandatory tasks (parts 1-3).*

Mandatory tasks of a community are defined in Article 12 of the Law “On Local Self-Governance”. According to paragraph 2 of part 5 of Article 10 of the above-mentioned Law, the own powers of local self-government bodies, defined within the meaning of the Law in question, are exclusively aimed at performing the mandatory tasks of the community. The **own powers** of local self-government bodies are related with issues of local significance which are directly associated with daily need of community population and the development of the community, as well as are exercised:

1. on behalf of the community;
2. in the interests of community population;
3. under their own responsibility; and
4. with financial resources. These powers appear to be the key guarantee of autonomy of the community.

The exercise of the **powers delegated by the State** are aimed at ensuring more effective implementation of the powers of state bodies. In the course of exercising the delegated powers the community is obliged to observe the general directions of state policy and is accountable before the state power; moreover, the exercise of the specified group of powers is inseparable from financial security: without the provision of appropriate financial resources, the delegation of powers will undermine the autonomy of community power. To this regard, part 2 of Article 186 of the Constitution provides that *the powers delegated by the State to the communities are subject to mandatory financing from the State Budget.*

41. The effective exercise of powers of local self-government bodies is possible only if they correspond to financial and institutional capacities of the community. In this regard, exceptional importance is attached to *guarantees for financial autonomy which ensures, on the one hand, the possibility for the local self-government bodies to implement their own powers, and, on the other hand, the governance accountability for their own powers before the population, and for the delegated powers — before the State, as well as cooperation-based governance between the*

state power and local self-government bodies.

42. Local self-governance, considered as the most important form of decentralisation and multi-faceted structure of public authority, though is separated from the system of state power, *however this autonomy does not imply complete isolation from state power.* Local self-governance is implemented within the framework of the concept of uniformity of public authority (single system) where the State, by means of observing the principle of community autonomy, is authorised to ensure the lawfulness of the activities thereof as prescribed by the Constitution and laws, *in the context of functions of regulating the issues of local significance, as well as expressing and protecting the community interests.* According to Article 188 of the Constitution, entitled “**Legal and Professional Oversight**”, *the authorised body of the Government exercises, in the cases and under the procedure prescribed by law, legal oversight over the implementation of the own tasks of a community. The authorised bodies of the Government exercise, in the cases and under the procedure prescribed by law, legal and professional oversight over the implementation of the powers delegated by the State.*

43. The Decision of the Constitutional Court DCC-1593 of 14 May 2021 states: “**The autonomy of local self-government bodies** is also enshrined in the Constitution, according to which, the local self-government bodies exercise the powers reserved thereto under their own responsibility which prohibits the State from instructing local self-government bodies as to which task falling within their competence they must perform, or how they must exercise their powers”. At the same time, for the purpose of counterbalancing the local self-government bodies and ensuring the observance of laws thereby, the Constituent has established the competence of exercising oversight over local self-government bodies, in particular, the authorised body of the Government exercises, in the cases and under the procedure prescribed by law, **legal oversight** over the implementation of the own tasks of a community, and the authorised bodies of the Government exercise, in the cases and under the procedure prescribed by law, **legal and professional oversight** over the implementation of the powers delegated by the State (Article 188 of the Constitution).

Local self-government bodies are guided by the **interests of the residents of the community**. It should be noted that the Congress of Local and Regional Authorities of the Council of Europe also referred to the implementation of local self-governance “under own responsibility” and “in the interests of the residents of the community” by stating that “[...] local authorities should exercise their powers “under their own responsibility” and “in the interests of the local population”. Therefore, local self-government bodies must not be limited to acting only as agents of high power. They may determine their political priorities, develop strategies and

public policies to the benefit of local population. They are not accountable to high-level authorities for their decisions within the scope of the law, however they are politically accountable to the residents of the community. Hence, the central task of local self-government bodies is to protect and promote the local public interest.

The right in question is exercised in accordance with the Constitution and laws, *i.e.* the Constitution and laws outline the framework, within which local self-government bodies operate” (point 4.1).

44. According to Article 8 of the Charter, entitled “*Administrative Supervision of Local Authorities’ Activities*”,

“1. Any administrative supervision over local self-government bodies may only be exercised according to the procedures and in the cases provided for by the Constitution or by statute.

2. Any administrative supervision over the activities of local self-government bodies must only ensure the compliance with lawfulness and constitutional principles. However, administrative supervision may include oversight over the exercise of powers delegated by high-level authorities to local self-government bodies.

3. Administrative supervision over local self-government bodies must be exercised in a manner as to ensure that the intervention of the supervising authority is proportional to the importance of the interests which it intends to protect”.

45. The Constitutional Court notes that oversight and supervision in the system of mutual relations between state and local self-government bodies are the fundamental forms of ensuring the lawfulness and legal order, aimed at guaranteeing the constitutional compliance, lawfulness, effectiveness and accountability of exercise of public authority, and therefore, the clarification of their legal nature determines the limits of autonomy of local self-government bodies and the constitutionally permissible intervention of the bodies of state power.

Oversight is characterised as complex, systemic and preventive legal influence administered by the body performing such function that is aimed at ensuring the *lawfulness, expediency and effectiveness of the activities* of the body undergoing oversight. It may be exercised:

1. *ex ante* — in the stage of decision-making (performance of an action);
2. *ex post* — following the decision-making (performance of an action); and
3. continuously — through the implementation of monitoring of the procedures and actions.

To this regard, oversight may include legal and organisational, financial and economic areas of activities of the body undergoing oversight. Moreover, oversight may ultimately result in *interference in the form of mandatory instructions*, by excluding the possibility of immediate abolishment or revision of the decisions.

In case of *supervision*, emphasis is placed primarily on verifying (assessing) the lawfulness (legitimacy) of the decisions and actions, as well as of inaction of the body undergoing supervision. As a rule, supervision does not include assessment of expediency¹, since given its legal nature it primarily proves to be a *revision mechanism* which, in the absence of legality, may ultimately lead to more serious consequences up to the *abolishment of decisions, by eliminating their legal consequences*.

46. The contemporary commentary by the Congress of Local and Regional Authorities of the Council of Europe on the explanatory report to the Charter states in relation to part 1 of Article 8 of the Charter:

“125 (...) Consequently, in Article 8 “supervision” means any form of intervention in the decision-making process of a local entity by which a higher administrative level explicitly or tacitly approves, clears, agrees, suspends or annuls a proposal or a final decision, rule or plan approved by a local entity. Examples of such supervision are, *inter alia*, reporting the decisions of local authorities to the supervising authority, requirements to obtain prior authorisation to act; confirmations for decisions to take effect, the power to annul a local authority’s decision, accounting controls, etc.

(...)

130. In Recommendation CM/Rec(2019)3 of the Committee of Ministers to Member States on supervision of local authorities’ activities (adopted by the Committee of Ministers on 4 April 2019 at the 1343rd meeting of the Ministers’ Deputies), the Committee of Ministers of the Council of Europe has underlined a number of key principles and guidelines applicable in the field of supervision. First, the Committee of Ministers has declared that the 12 Principles of Good Democratic Governance are also applicable to supervision. These principles include openness and transparency, the rule of law, as well as development of competence and capacity. The Committee of Ministers also drew a distinction between three types of supervision — administrative, financial and democratic, only the first out of which falls within the scope of application of Article 8 of the Charter. The existence of administrative supervision is justified by

¹ The contemporary commentary by the Congress of Local and Regional Authorities of the Council of Europe on the explanatory report to the Charter states in relation to part 2 of Article 8 of the Charter: “134. Checks on expediency are not prohibited by the Charter but are severely restricted, for they are held to be in contradiction with the very meaning of local self-government. Administrative supervision based on expediency should be limited to the tasks that higher-level authorities (the supervisory bodies) have delegated to local authorities. Therefore, the type of local power is highly relevant for determining the nature and scope of the administrative supervision that may be exercised by higher administrative bodies in conformity with the Charter.” (A contemporary commentary by the Congress on the explanatory report to the European Charter of Local Self-Government, Report CG-FORUM (2020) 02-05 final, 7 December 2020, <https://rm.coe.int/contemporary-commentary-by-the-congress-on-the-explanatory-report-to-t/1680a06149>).

the need to ensure “compliance with the principles of the rule of law and with the defined roles of various public authorities, as well as the protection of citizens’ rights and the effective management of public property”. Lastly, the administrative supervision must be regulated by a set of principles and guidelines, which include:

- i. the activities subject to supervision must be clearly specified by law;
- ii. compulsory automatic administrative supervision must be limited to activities of a certain significance;
- iii. administrative supervision must normally take place after the exercise of the powers (*a posteriori*);
- iv. *a priori* administrative supervision must be kept to a minimum and normally be reserved for delegated powers;
- v. the law must define the time limit or period granted for the supervisory authority to perform the supervision.
- vi. in the case of *a priori* supervision, absence of a decision by the supervisory authority within specified time must mean that the activity foreseen may take effect”.

47. In the context of foregoing the Constitutional Court states that *the existing legislation neither provides for clear definition, nor draws clear distinction between the terms “oversight” and “supervision”, in which circumstances it entails the applicability of relevant legal regulations by derogating from the constitutional axiology; therefore the relevant legislative regulations must be such as to exclude the possibility of their evolving in an anti-constitutional direction in law enforcement practice.*

48. According to parts 3 and 4 of Article 95 of the Law “On Local Self-Governance”, ***legal oversight is limited exclusively to verification of lawfulness of the decisions adopted by local self-government bodies in the course of exercise by local self-government bodies of their own powers***, whereas ***professional oversight is exercised in order to verify the effectiveness and uniformity of implementation of the powers delegated by the State.***

49. ***Legal oversight*** constitutes an institutional guarantee for the maintenance of lawfulness. It proves to be a regulatory tool ensuring the maintenance of legal order, rather than an intervention in the political or discretionary domain of local self-governance, whereby the State ensures that the autonomy does not evolve into legal self-sufficiency or regulatory arbitrariness. In this respect, legal oversight serves as an objective manifestation of the principle of the rule of law which limits the will of local self-government bodies strictly to the scope of the law. The fact that legal oversight is limited solely to verification of lawfulness of the adopted decisions is of fundamental legal and constitutional significance: it draws an impermeable boundary

between legal oversight and administrative and political management, which serves as a genuine substantive guarantee of autonomy of local self-governance, by excluding the transformation of oversight into an instrument for assessing expediency, effectiveness, or political goals.

The legislative *wording “exclusively limited to” reflects, by its nature, the legal and constitutional imperative of the need to guarantee the right of local self-government bodies to autonomy, which clearly outlines the permissible limits of oversight by state power, thus excluding any other interference with the activities of local self-government bodies beyond the verification of lawfulness.*

In this context, legal oversight serves as a **guarantee for maintenance of lawfulness**, rather than as an administrative subordination or direct supervision, *by ensuring legitimate and balanced relations between state and local authorities*².

50. **Professional oversight** is determined by the performance of state function, rather than by the subjectivity of local self-governance. In case of exercise of powers delegated by the State, the local self-government bodies act as constituent elements of the unified mechanism of public authority, by implementing the public policy established by the State, rather than independently expressing the community’s will. In this context, professional oversight is considered as a continuation of responsibility of the central apparatus of the State, which is aimed at ensuring the professional adequacy, effectiveness and uniform territorial application of state functions. Therefore, the legal and constitutional nature of professional oversight is expressed through vesting in functions, rather than through establishing subordination.

The Constituent has established professional oversight only over the exercise of powers of local self-government bodies delegated by the State, two components out of which are *effectiveness and uniformity*.

Verification of effectiveness implies that the powers delegated by the State must be exercised in a manner that:

- *the designated objective (result) is achieved;*

² The contemporary commentary by the Congress of Local and Regional Authorities of the Council of Europe on the explanatory report to the Charter states in relation to part 2 of Article 8 of the Charter: “133. Checks on legality may assume different institutional and procedural forms. In some countries, the higher administrative body may address a petition or request to the local authority, asking it to modify or annul the decision challenged. If this request is disregarded, the higher administrative body may lodge a judicial appeal against the local authority, which means that the appropriateness of the check on legality must ultimately be determined independently by a court. In some countries, the supervisory body has the injunctive power to suspend the local decision until the lawsuit is adjudicated by the courts, although this possibility is usually restricted to serious breaches of the law or to matters of national or overriding interest.

In any case, a mechanism by which national or regional bodies may reverse or annul decisions adopted by local authorities (of their own motion or by way of administrative appeal) is incompatible with Article 8 of the Charter.”.

- *the resources are used efficiently and reasonably;*
- *proper quality and accessibility is ensured (without delays, errors or abuse).*

Thus, *oversight over effectiveness has substantive implications aimed at assessing the actual result.*

Verification of uniformity implies that the exercise of powers delegated by the State must comply with:

- *the general directions of state policy;*
- *the uniform standards, rules and methodology applicable in the same field (i.e., state powers of the same nature are exercised in accordance with the same principles, methods and at the same level).*

Thus, *oversight over uniformity has methodological implications aimed at ensuring systemic proportionality.*

It follows from the foregoing that in the given context, the professional oversight serves as a *guarantee for uniformity of state policy and effective administration*, aimed at verifying the compliance of the results of implementation of the powers delegated by the State with the objectives set and adherence to the general principles and criteria of the sectoral policy.

51. *The competences of the bodies exercising oversight over the activities of local self-government bodies are defined in Article 98 of the Law “On Local Self-Governance”.*

Article 99 of the Law in question sets out *the legal guarantees for local self-government bodies in the course of the exercise of legal and professional oversight*. In particular, the actions or inaction of the bodies exercising oversight over the implementation of powers of local self-government bodies, as well as the legal acts adopted thereby may be appealed against to the court by local self-government bodies. This ensures constitutional balance between the oversight and autonomy of local self-governance.

52. *In the context of foregoing it may be concluded that the dipole model of legal and professional oversight forms an architecture of constitutional coexistence, where the autonomy of local self-governance and the integrity of state power complement, rather than oppose each other. Legal oversight serves as “a constitutional guardian of autonomy”, whereas professional oversight — as “a component responsible for state power on the part of effectiveness of delegated powers”. Such a mechanism is a necessary prerequisite for the actual autonomy of local self-governance.*

53. Taking into account the scope of examination of the constitutional dispute under this Case, the Constitutional Court states that the legal and professional oversight over the powers of local self-government bodies may be qualified as constitutionally permissible in case the

legal and constitutional conditions indicated by the Constituent are satisfied, among which the **relevant entity exercising oversight** is distinguished, which is granted with this mission by the Constituent. In accordance with the principle of separation and balance of the powers enshrined in Article 4 of the Constitution, the constitutional mission of exercising legal and professional oversight was, by virtue of Article 188 of the Constitution, granted *exclusively to the authorised body(s) of the Government*, which, on one hand, ensures the organic unity of supervision, and, on the other hand, guarantees full implementation of state policy by consolidating the legal and political responsibility within the Government which acts as an entity implementing the internal policy of the State.

In this context, the evaluation of constitutional compliance of disputed provisions necessarily requires consideration of whether or not the Service falls within the scope of the wording of “the authorised body of the Government” within the meaning of Article 188 of the Constitution. According to part 1 of Article 146 of the Constitution, *the Government is the supreme body of the executive power*.

According to part 1 of Article 147 of the Constitution, *the Government is composed of the Prime Minister, Deputy Prime Ministers and ministers*.

According to Article 159 of the Constitution, *the bodies of state administration system are the ministries, as well as other bodies subordinate to the Government, the Prime Minister and ministries, the procedure for the formation and powers whereof are prescribed by law*.

54. According to part 1 of Article 5 of the Law “On Bodies of State Administration System”, the bodies subordinate to the Prime Minister operate in the areas of national security, state supervision, state protection and foreign intelligence. Part 2 of Article 5 of the Law in question provides for an exhaustive list of the *bodies subordinate to the Prime Minister*, namely the National Security Service, the **State Supervision Service**, the Foreign Intelligence Service and the State Protection Service.

55. According to Article 3 of the Law, *the Service is a body subordinate to the Prime Minister defined by the Law “On Bodies of State Administration System”, which implements the supervisory powers of the Prime Minister by exercising the powers reserved thereto by law. The Service exercises the supervisory powers of the Prime Minister through implementation of the powers reserved to the Service under points 1-12 of part 1 of Article 5 of the Law*.

56. Within the meaning of the Law, *state supervision* is considered as the activity, prescribed by the same Law, aimed at ensuring the implementation of supervisory powers of the Prime Minister, whereas *supervision* is considered as the implementation of inspections (including cross inspection) and monitoring by the Service, *inspection* is considered as the entirety of

implemented competences, either within the Service or the entity undergoing supervision, reserved to the Service by the Law in question upon assignment of the Prime Minister or based on the letter of assignment issued by the Head of Service in coordination with the Prime Minister, *cross-inspection* is considered as supervision exercised, within the framework of an inspection, under the procedure defined by the Law in question and for the purpose of obtaining information necessary for the Service, and *monitoring* is considered as the entirety of implemented competences, within the Service, reserved to the Service by the Law, for the purpose of clarifying specific issues defined under an order issued by the Head of Service aimed at verifying, on the basis of information available to or obtained by the Service as prescribed by the Law in question, the existence or absence of the grounds for initiating inspection (including a cross-inspection), provided for by points 1, 2, 9-11 of part 1 of Article 2 of the Law, entitled as “Main Concepts Used in the Law”.

57. According to Article 96 of the Law “On Local Self-Governance”, entitled “***Bodies of Legal and Professional Oversight***”,

“1. The authorised body of the Government of the Republic of Armenia may exercise legal oversight over the implementation of own powers of local self-government bodies directly or through Marzpets, on the basis of questionnaires approved by the authorised body.

2. Legal and professional oversight over the implementation of the powers delegated by the State shall be exercised by the authorised bodies of the Government of the Republic of Armenia, where these powers fall within the scope of the competences thereof — directly or through Marzpets, in coordination with the authorised body of the Government of the Republic of Armenia provided for by part 4 of Article 9 of this Law. The relevant authorised bodies of the Government of the Republic of Armenia shall exercise legal and professional oversight over the implementation of the powers delegated by the State on the basis of questionnaires approved thereby, which are initially agreed upon with the authorised body of the Government of the Republic of Armenia exercising legal oversight.

2.1. The state authorised body in the field of territorial administration shall exercise professional oversight over the power prescribed by point 27.1 of part 1 of Article 35 and point 5.1 of part 2 of Article 59 of this Law.

3. Legal and professional oversight shall be exercised in accordance with the annual working plan approved by the authorised body of the Government of the Republic of Armenia provided for by part 1 of this Article. In the cases not included in the working plan provided for by this part, legal and professional oversight may be exercised only upon written consent of the authorised body of the Government of the Republic of Armenia provided for by part 1 of this

Article.”.

58. The Decision of the Constitutional Court DCC-1384 of 10 November 2017 states: “(...) Article 5 of the Constitution of the Republic of Armenia (with the amendments as of 2015) clearly stipulates, by means of establishing the hierarchy of legal norms, that the Constitution of the Republic of Armenia has supreme legal force. Therefore, when adopting laws, the discretion of the legislature is not absolute and it is restricted by the fundamental principles stipulated by the Constitution of the Republic of Armenia, the general logic of legal regulations and specific regulatory requirements. The core of the rule-of-law State, enshrined in Article 1 of the Constitution of the Republic of Armenia, not subject to amendments, constitutes the principle of lawfulness (Article 6 of the Constitution) which establishes the Constitution of the Republic of Armenia or law as a basis for implementation of the entire public authority. Article 6 of the Constitution of the Republic of Armenia encompasses the principle of lawfulness in a broader sense, by means of incorporating in its scope not only the law adopted by the National Assembly or through a referendum, but also the Constitution of the Republic of Armenia, which holds the highest position in the hierarchy of legal norms (part 1 of Article 5). By stipulating such provision, the Constitution of the Republic of Armenia binds all bodies of public authority, including the legislative power, to the Constitution (to the supremacy of the Constitution). It follows from part 1 of Article 5 of the Constitution of the Republic of Armenia that law is deemed as valid as long as it complies with the Constitution of the Republic of Armenia. Whereas the principle of certainty requires that the legislature predetermines, in particular, the activities of the public authority to an extent which enables the essential prerequisites and context of the actions of the bodies of state power, adequate to legal and constitutional status, to be accessible and assessable in terms of lawfulness (point 7).”.

59. In the context of foregoing, given the fact that the existing edited version of disputed provisions of the Law was stipulated in the Law “On Making an Amendment to the Law “On State Supervision Service”” HO-187-N of 29 May 2025, and the disputed provision of the Law “On Local Self-Governance” was supplemented by the Law HO-194-N of 29 May 2025, the Constitutional Court states:

In the Republic of Armenia, the state supervision system is built on the principle of hierarchy, where the *competences of the bodies subordinate to the Government and the Prime Minister are clearly distinguished*. In the specified system, the ***Service acting as a body subordinate to the Prime Minister exercises the supervisory powers of the Prime Minister, which derive from the constitutional status of the Prime Minister***, and therefore, the powers reserved thereto may

not be identical to the oversight powers of the **authorised body of the Government**³.

In other words, the Service may not act as an authorised body of the Government, which is entitled by virtue of the Constitution to exercise appropriate oversight over the implementation of the powers of local self-government bodies, since according to Article 188 of the Constitution, *the authorised body of the Government exercises, in the cases and under the procedure prescribed by law, legal oversight over the implementation of the own tasks of a community, whereas the authorised bodies of the Government exercise, in the cases and under the procedure prescribed by law, legal and professional oversight over the implementation of the powers delegated by the State.*

60. In this context, the Constitutional Court qualifies — *the disputed legal provisions of points 3 and 8 of part 1 of Article 5 of the Law concerning the exercise of supervision by the Service, acting as a body subordinate to the Prime Minister, over the lawfulness of management of provided subsidies, subventions or dotations in local self-government bodies, as well as over the compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions — as not consistent, in terms of their content, with Article 188 of the Constitution, since they envisage direct interference with independent activities of local self-government bodies, thereby distorting the constitutional principle of autonomy of communities and undermining the fundamentals of separation of powers between state and local authorities.*

61. Such interference does not follow from the provisions of Article 8 of the Charter either, in particular from part 1 thereof, according to which *any administrative supervision over local self-government bodies may be exercised only under the procedures and in the cases provided for by the Constitution or by statute.*

According to a contemporary commentary by the Congress of Local and Regional Authorities of the Council of Europe on the explanatory report to the Charter in relation to the above-mentioned provision, “128. The Charter establishes an important principle here in the area of inter-governmental supervision of local authorities: any form of such supervision must be provided for by the constitution or by statute, *i.e.*, the Charter introduces the legality principle into the supervision of a local authority. This very important principle has various consequences: firstly, all forms of supervision must have a basis in law, which means that *ad hoc* procedures (instances of supervision that are not regulated) are prohibited. Supervision cannot be improvised or ordered by the higher level without a clear legal basis. This means, as

³ The procedures for conducting inspection and monitoring by the State Supervision Service are defined by the Decision of the Prime Minister No 1095-L of 27 November 2025, according to part 7 of Article 6 of the Law.

a corollary, that the higher levels of government do not have a general or inherent power to supervise local authorities and can only employ methods of supervision that are strictly regulated by law.”.

62. Therefore, *the exercise by the Service, acting as a body subordinate to the Prime Minister, of the relevant legal and professional oversight over the implementation of powers of local self-government bodies goes beyond both the logic of constitutional legal regulations, and the scope of relevant international legal standards.*

63. By evaluating, in the context of foregoing, the constitutional compliance of disputed provision of part 6 of Article 95 of the Law “On Local Self-Governance”, the Constitutional Court states that *the supervision over the compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions, prescribed by the disputed provision, constitutes, by its nature, legal oversight exclusively over the compliance with the requirements of the legislation regulating the relevant area in procurement process.* The approach in question derives from the legal and constitutional nature of legal oversight which is aimed at ensuring the rule of law and lawfulness of use of public resources, while respecting and preserving the constitutional guarantees of community autonomy and preventing disproportionate interference of the executive power with the local self-government system (autonomous decision-making process of the community).

64. *In this context, supervision over the compliance with the requirements of the legislation regulating the procurement process must be considered as an expression of the principle of unity and accountability of public authority, rather than as a restriction of autonomy of local self-governance, since the state supervision, unlike subordination or administrative hierarchy, does not imply direct interference with the autonomous decision-making process of the community and is aimed at ensuring their lawfulness, supervising the intended and lawful use of public resources and protecting the general interests of the State.* In terms of constitutional compliance, the specified oversight must be exercised in line with the principles of proportionality, community autonomy and prioritisation of public interests. *Oversight-based interference may be considered as lawful only in the case where it is aimed at restoring legal order or preventing misuse of public resources, and where it does not result in substantive usurpation of local self-governance functions.*

65. *The supervisory powers of the executive power in the field of local self-governance have a limited nature consistent with the relevant constitutional regulations, by ensuring the unity of public authority and without undermining the fundamentals of autonomy and responsibility of the institute of local self-governance. Therefore, establishment by the legislature of supervision*

over the compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions would not be challenging, itself, in terms of constitutional compliance, if it was exercised by the authorised body of the Government, and would not distort the principle of autonomy of local self-government bodies, while also guaranteeing the right of ownership of the community, acting as a legal entity under public law, enshrined in part 1 of Article 60 of the Constitution.

66. ***Taking into account that according to part 6 of Article 95 of the Law “On Local Self-Governance” supervision over the compliance with the requirements of the legislation regulating the procurement process in local self-government bodies or community institutions is exercised as prescribed by the Law, and that the power of exercising such supervision is thus reserved, in terms of the entity undergoing supervision, to the body subordinate to the Prime Minister, i.e. the Service, the Constitutional Court finds, in the context of foregoing, that the disputed provision of the Law “On Local Self-Governance” is inconsistent with Article 188 of the Constitution and results in the restriction of the right of ownership — enshrined in part 1 of Article 60 of the Constitution and guaranteed by virtue of Article 74 of the Constitution — of the community acting as a legal entity under public law in accordance with part 2 of Article 180 of the Constitution.***

67. According to part 2 of Article 185 of the Constitution, entitled “**Community Budget, Local Taxes, Duties and Payments**”, the procedure for forming community budget revenue and making expenditures is prescribed by law.

Article 86 of the Law “On Local Self-Governance” defines **the sources of formation of community budget**, including **the allocations received in the form of official grants**, including dotations provided from the State Budget under the principle of financial equalisation, other dotations provided from the State Budget and *earmarked allocations for financing of expenses (subventions)*, as well as official grants from other sources.

68. According to point 3 of part 1 of Article 5 of the Law, for the purpose prescribed by the Law, the Service exercises supervision in local self-government bodies as prescribed by the same Law:

- a. *in order to assess the lawfulness of management of subsidies, subventions, or donations provided by the State;*
- b. *in order to assess the reliability of information serving as a ground for the provision of subsidies, subventions, or dotations by the State.*

69. **Subsidies** prove to be funds provided (allocated) from the State Budget to the relevant entities gratuitously and on non-repayable basis in order to compensate for the damages caused

by their activities or to promote the relevant activities. Subsidy is, as a rule, intended to cover the difference between the cost price (or market price) of the goods or services and the price actually applied.

Subsidy is a legal and financial tool for ensuring the public interest by the State, rather than a means of enhancing the autonomy of the community, which is applied in order to guarantee the sustainability and accessibility of public services provided at the local level.

Point (b) of part 4 of Article 20 of the Law “On Budgetary System of the Republic of Armenia” defines that the state budget expenditure may also involve *subventions* allocated to community budgets, which prove to be funds provided gratuitously and on non-repayable basis for the implementation of a separate type of earmarked expenditure (programme) incurred by the community. The Government is entitled to reclaim from the community the amount of subventions allocated thereto from the State Budget, which were spent for non-intended purposes. Subventions are allocated under the procedure established by the Government. According to part 2 of Article 186 of the Constitution, entitled “*Financing of Community*”, the powers delegated by the State to the communities are subject to mandatory financing from the State Budget.

According to part 8 of Article 10 of the Law “On Local Self-Governance”, the powers delegated by the State are subject to mandatory financing from the State Budget, at the expense of allocations designed for financing of the powers delegated by the State.

Article 28³ of the Law “On Budgetary System of the Republic of Armenia” defines that the financing of expenses, paid from community budgets for implementation of the powers delegated by the State to local self-government bodies, is made at the expense of allocations granted from the State Budget to that regard. The delegated powers (including the financing of expenses for their implementation) are exercised as prescribed by law or under the procedure established by the Government.

70. The main tasks of supervision over the community budget performance are defined in part 3 of Article 34 of the Law “On Budgetary System of the Republic of Armenia”.

The Constitutional Court observes that the wording of part 1 of Article 34 of the Law “On Budgetary System of the Republic of Armenia”, entitled “*Supervision over community budget performance*”, which existed before the amendments made by the Law HO-188-N of 29 May 2025, defined that *the supervision over the community budget performance* is exercised by the Council of Elders of the community, the National Assembly and *the Government* within the scope of the powers reserved thereto by law. Part 2¹ of Article 34 of the Law in question defined that *the Government exercised supervision over the community budget performance with*

respect to the use of earmarked allocations (subventions, amounts deducted, according to this Law, from the privatisation of state property to the benefit of community budget, funds provided with the purpose of financing of the expenses for the implementation of powers delegated by the State to the community) provided from the State Budget to the community, as well as over the use of funds borrowed from the State Budget and other sources permitted by law, and over their repayment plan, through the authorised state administration body and under the procedure established thereby.

According to Article 2 of the Law “On Making Amendments to the Law “On Budgetary System of the Republic of Armenia”” HO-188-N of 29 May 2025, in part 1 of Article 34 of the Law “On Budgetary System of the Republic of Armenia” *the word “Government” was replaced with the words “the State Supervision Service”, and part 2.1 was repealed.*

71. The Constitutional Court also notes that the wording of part 3 of Article 81 of the Law “On Local Self-Governance in the city of Yerevan”, entitled “**Supervision Over the Budget Performance of Yerevan**”, which existed before the amendment made by the Law HO-190-N of 29 May 2025, defined that the *State exercised supervision over the budget performance of Yerevan* through the Audit Chamber and *the Government* within the scope of powers reserved thereto by law. According to Article 1 of the Law “On Making an Amendment to the Law “On Local Self-Governance in the city of Yerevan”” HO-190-N of 29 May 2025, in part 3 of Article 81 of the Law “On Local Self-Governance in the city of Yerevan” the words “*Government of the Republic of Armenia*” was replaced with the words “*State Supervision Service*”.

72. ***The Constitutional Court qualifies the “replacement” by the legislature, through the above-mentioned amendments, of the Government with the Service — among the entities exercising supervision over the community budget performance — as having given rise to an institutional problem. In particular, the legislative regulation in question leads to derogation from the relevant regulations enshrined in the Constitution in respect of the structure and constitutional powers of the executive power, since granting to the Service — acting as a body subordinate to the Prime Minister and holding the status of a body exercising the supervisory powers of the Prime Minister — a status of an entity directly exercising supervision over the community budget performance (instead of the Government) constitutes a deviation from the logic of constitutional arrangement of the public authority.***

73. The wording “*assessment of lawfulness of management*” in point 3 of part 1 of Article 5 of the Law is necessary to interpret in a constitutional context — as permissible interference under the Constitution, which does not violate the principle of autonomy of the local self-government bodies. *The Constituent commends the regulation where the supervision exercised*

by the authorised body of the Government is limited only to verification of lawfulness of management of subsidies and subventions provided exclusively by the State, i.e. verification of lawfulness of the decisions on their use and repayment plan, rendered by local self-government bodies. This supervision includes elements of both *legal oversight*, and *professional oversight*, the first out of which relates to the compliance of the decisions and actions with legislative requirements, and the second out of those — assessment of expediency and effectiveness of the use of these resources in terms of compliance of the results of implementation of the powers delegated by the State with the objectives established, as well as observance of general principles and standards of sectoral policy.

Thus, *supervision is constitutionally justified only insofar as it is aimed at ensuring the targeted and legitimate use of state funds, without restricting the autonomous functions of local self-government bodies.*

Nevertheless, *the legislative regulation on reserving to the Service the power of exercising supervision aimed at assessing the lawfulness of management of subsidies and subventions provided by the State contradicts the logic of the Law “On Local Self-Governance”, and ultimately that of Article 188 of the Constitution, which results in restriction of the right of ownership of the community— enshrined in part 1 of Article 60 of the Constitution and guaranteed by virtue of Article 74 of the Constitution— which is considered as a legal person under public law in accordance with part 2 of Article 180 of the Constitution.*

74. According to part 3 of Article 186 of the Constitution, *the State allocates, to the extent of its capacities, funds aimed at ensuring the proportional development of communities.*

According to part 1 of Article 20 of the Law “On Budgetary System of the Republic of Armenia”, *for the purpose of ensuring the harmonious development of communities, the state budget expenditures involve funds, i.e., **dotations for financial equalisation**, allocated — on a gratuitous and non-repayable basis — to community budgets under the principle of financial equalisation aimed at covering the current expenditures of communities.*

According to the first sentence of part 2 of Article 20 of the Law in question, *communities may not be required to direct the funds, allocated under the principle of financial equalisation, towards specific expenditures.*

According to point (a) of part 4 of Article 20 of the same Law, *the state budget expenditures may also include other dotations allocated to community budgets, namely funds non-related to implementation of any type of expenditure (programme) and provided on a gratuitous and non-repayable basis in order to support the financing of current expenditures of community budgets.*

Part 1 of Article 87 of the Law “On Local Self-Governance” *stipulates that for the purpose of*

ensuring the harmonious development of communities, dotation is allocated from the State Budget to community budgets under the principle of equalisation. The communities may not be required to use the funds, allocated under the principle of financial equalisation, for making any specific expenditure or making an offset.

75. Part 3 of Article 8 of the Law “On Budgetary System of the Republic of Armenia” states: “The principle of budget autonomy shall mean:

(a) the right of state and local self-government bodies to independently perform budgeting, in accordance with the legislation, at each level of the budgetary system;

(b) availability of own sources of budget receipts at each level of the budgetary system, determined in accordance with the legislation;

(c) the right of state and local self-government bodies to independently determine the directions of expenditures of respective budgetary funds in accordance with the legislation;

(...)”.

According to point 11 of part 1 of Article 8 of the Law “On Local Self-Governance”, local self-governance is based on the principle of autonomy of community budgets, which constitutes a possibility to form community budget from the sources of local self-government bodies, prescribed by law, and to dispose of it under their own responsibility.

Part 5 of Article 85 of the Law “On Local Self-Governance” stipulates that the state authorised body exercises legal oversight over the budgeting.

76. Article 2 of the Law “On Bodies of State Administration System” provides that according to Article 159 of the Constitution, *the bodies of state administration system are the ministries, as well as the bodies subordinate to the Government, the Prime Minister, and to ministries.*

Point 12 of part 1 of Article 2 of the Law provides for the ***definition of the concept of “oversight over the State Budget performance”*** within the meaning of the same Law, wherefrom it follows that the *Service exercises oversight over the State Budget performance with respect to the bodies of state administration system, which act as managers of budgetary programmes specified under the State Budget and are responsible for the collection of budget revenues, however they do not reasonably include the local self-government bodies or community institutions.*

77. The comparison of the above-mentioned legal norms shows that the ***dotation, as opposed to the earmarked subsidy or subvention, is directly included in the overall composition of the community budget, as a tool for financial equalisation, in order to support the harmonious development and financing of current expenditures of the community, rather than it constitutes a financial resource for the exercise of any power delegated by the State.***

Therefore, the dotation is provided to a community on gratuitous and non-repayable basis without any “requirement” to implement any specific type of expenditure or programme.

78. The community, acting as a legal person under public law in accordance with part 2 of Article 180 of the Constitution, operates within the scope of its own competence in the process of formation and management of own budget, and the right of ownership guaranteed by Article 60 of the Constitution extends thereto. The expansion of the scope of state supervisory powers over the dotation constituting an integral part of the community budget violates on constitutional level both the financial autonomy of the community, and the right of ownership. This, accordingly, results in a legal and constitutional conflict between the autonomy of local self-government bodies guaranteed by the Constitution, the right of ownership of the community and the supervisory powers of the State, the elimination whereof requires the application of limited and proportionate supervision, without violating the principle of financial autonomy of the community.

79. In this context, *in the light of relevant constitutional regulations, the interference of the body of state supervision is impermissible under the wording “assessment of lawfulness of management” of dotations, since it leads to a violation of the principle of financial and organisational autonomy of local self-government bodies. The regulation on exercising supervision in local self-government bodies in order to assess the lawfulness of management of a dotation as an integral part of community’s own budget is not only inconsistent, in accordance with point 3 of part 1 of Article 5 of the Law, with the logic of the Law, the Law “On Local Self-Governance” and the Law “On Budgetary System of the Republic of Armenia”, i.e. the principle of budget autonomy in general, but also falls beyond the scope of constitutional guarantees of autonomy of local self-governance enshrined in Chapter 9 of the Constitution; and therefore it contradicts Article 188 of the Constitution, by resulting in restriction of the basic right — enshrined by part 1 of Article 60 of the Constitution and guaranteed by virtue of Article 74 of the Constitution — of the community as a legal person under public law in accordance with part 2 of Article 180 of the Constitution.*

In the context of foregoing, according to part 2 of Article 81 of the Constitution, the restrictions on basic rights and freedoms may not exceed the limitations prescribed by international treaties of the Republic of Armenia.

80. The Constitutional Court observes that according to part 1 of Article 198 of the Constitution, entitled “**Functions and Powers of the Audit Chamber**”, *the Audit Chamber is an independent state body which conducts audit in the field of public finance and ownership, over the lawfulness and effectiveness of the use of funds of State Budget and community budgets, loans and credits acquired, as well as over state-owned and community-owned property. The Audit Chamber is*

entitled to conduct inspections of legal persons only in the cases prescribed by law.

Part 7 of Article 95 of the Law “On Local Self-Governance” provides that audit over the lawfulness and effectiveness of the use of funds of community budgets, loans and credits acquired, and community-owned property is conducted by the Audit Chamber in the cases prescribed by the Law “On Audit Chamber”. According to part 1 of Article 8 of the Law “On Audit Chamber”, the Audit Chamber conducts audit over state and local self-government bodies and institutions, as well as other legal persons established in the Republic of Armenia and reserved with state functions, regardless of the fact and manner of introducing the financial operations reflecting their activities in state and community budgets.

It apparently follows from the foregoing that *the audit conducted by the Audit Chamber in the field of public finances and use of property includes the assessment of effectiveness and lawfulness of funds of state and community budgets, loans and credits acquired, as well as state-owned and community-owned property.*

The Constitutional Court observes that ***reserving the Audit Chamber, at constitutional level, with the power of conducting audit over the funds of community budgets is aimed at ensuring the autonomy and budgetary independence of local self-government bodies.***

81. With respect to legislative regulation on exercising supervision in local self-government bodies ***in order to assess the reliability of information*** serving as a ground for the provision of subsidies, subventions or dotation, the Constitutional Court observes that according to Article 4 of the Law, *the objective of the activities of the Service is to provide to the Prime Minister, within the scope of the powers prescribed by the Law, with impartial and complete information or to deliver a professional position thereto for the purpose of ensuring the lawful and efficient management of state funds and state property, as well as maintaining lawfulness in the field of state administration.*

The supervision over subsidies, subventions and dotations provided by the State to local self-government bodies must be a matter of consideration, given its stage-based implementation. In other words, it is necessary to draw a distinction between the *supervision exercised in the preparatory stage* of provision of state funds, which is aimed at *assessing the reliability and lawfulness* of the grounds for their provision, and the *supervision exercised after the provision* of specified funds, which relates to the process of using these funds by local self-government bodies. In particular, if supervision relates to the assessment of reliability and lawfulness of information serving as a ground for the provision of these funds, it is permissible within the context of relevant constitutional regulations, since *it is aimed at ensuring lawful and targeted use of the funds allocated from the State Budget (initial stage of disposal of funds provided from*

*the State Budget), as a guarantee for lawfulness of management of public finances. However, when the impact of supervision extends to the process of disposal of funds already included in community budget, this contradicts the principle of financial autonomy of local self-government bodies, since such interference implies direct administrative subordination, rather than legal or professional oversight (**such competence is reserved under the Constitution to the authorised body of the Government**), thereby undermining the constitutional guarantees of independent activities of local authority.*

82. Both the Constitution and the Charter reiterate the fundamental principle, according to which, *supervision must serve the balanced assurance of lawfulness and accountability, rather than the goal of subordination, while maintaining the financial and operational autonomy of local self-government bodies.*

83. Given the foregoing, the Constitutional Court finds that **reserving to the Service, by the legislature, the power of exercising supervision in local self-government bodies in order to assess the reliability of information serving as a ground for the provision of subsidies, subventions or dotations is justified, and the relevant regulation provided for by point 3 of part 1 of Article 5 of the Law is not problematic in terms of constitutional compliance. This supervision is aimed at verifying the legitimacy and justification of the grounds for the provision of funds allocated from the State Budget in initial stage of their disposal, rather than at interfering with constitutional autonomy of the activities of local self-government bodies, the freedom of making decisions by communities, which follows from the obligation of the State to safeguard the public interest in lawful and targeted use of public finances.**

84. With respect to the submissions of the Applicant stating that part 3 of Article 7 of the Law contradicts the Constitution **as to the part of exercising supervision in the fields being supervised by local self-government bodies**, the Constitutional Court notes:

part 3 of Article 7 of the Law provides that *where a necessity arises as to performing supervisory functions in the fields being supervised by local self-government bodies, the Service notifies the Prime Minister thereof which may serve as a ground for issuing an assignment or recommendation, respectively, to the competent body in order to exercise supervision reserved to this body by law and deriving from its powers, with the results being reported to the Service.*

It follows from the content of the above-mentioned legal provision that the legislature has clearly outlined the functional boundaries of the Service, by excluding the independent exercise by the latter of supervisory powers in the fields which are supervised by local self-government bodies. It is apparent from the regulation in question that in the mentioned cases, the Service *may only notify (inform) the Prime Minister of the necessity of performing supervisory*

functions. *Notifying (informing) the Prime Minister does not imply, itself, implementation of supervisory competence, but merely serves as an initial signal or ground for further legitimate response by the Prime Minister which may take the form of an assignment or recommendation, issued by the Prime Minister to the competent body, on exercising supervision, with the results being reported to the Service. Therefore, the role of the Service in the given context is limited only to the actions of informative, proactive nature, without independent exercise of supervisory competence, and the exercise of supervision remains within the exclusive competence of the body, to which it is reserved.*

With respect to the regulation on informing the Service of the results of supervision exercised by the competent body exercising supervision, it should be noted that it does not constitute a hierarchical reporting or a form of supervisory subordination, moreover, it proves to be a mechanism of cooperation and accountability within the state and local self-government system which implies existence of a functional link between them in the form of exchange of information, coordination and accountability, without restricting the independence of any entity. Informing the Service, by the competent body exercising supervision, of the results of supervision contributes to overall effectiveness and transparency of the supervisory system, while maintaining the independence of each body and the autonomous nature of their competence⁴.

Based on the results of examination of the Case and being guided by part 1 of Article 167, point 1 of Article 168, parts 1 and 4-5 of Article 170 of the Constitution, as well as pursuant to Articles 63, 64, and 70 of the Constitutional Law “On the Constitutional Court”, the Constitutional Court **DECIDED:**

1. To declare point 8 of part 1 of Article 5 of the Law “On State Supervision Service”, in terms of reserving, to the State Supervision Service, a power of exercise supervision as prescribed by the same Law in local self-government bodies or community institutions over the compliance with the requirements of the legislation regulating the procurement process, and part 6 of Article 95 of the Law

⁴ A contemporary commentary by the Congress of Local and Regional Authorities of the Council of Europe on the explanatory report to the Charter in relation to part 3 of Article 8 of the Charter states: “137. This provision enshrines the principle of proportionality in the administrative supervision of local authorities’ activities by higher-tier bodies. This principle is well known and applies to many different legal contexts. Here it stands for the premise that the intervention of the supervisory authority should be proportionate to the importance of the interests it intends to protect. In this connection, in 2019, the Committee of Ministers recommended that the governments of member States adopt appropriate measures to “put in place an appropriate legal, institutional and regulatory framework for supervision of local authorities’ activities which is proportionate, in law and in practice, to the interests which it is intended to protect.”, “Recommendation CM/Rec(2019)3 of the Committee of Ministers to member States on supervision of local authorities’ activities”.

“On Local Self-Governance” in terms of exercising the mentioned supervision as prescribed by the Law “On State Supervision Service”, as contradicting part 1 of Article 60 and Article 188 of the Constitution, and as invalid.

2. To declare point 3 of part 1 of Article 5 of the Law “On State Supervision Service”, in terms of reserving, to the State Supervision Service, a power of exercising supervision as prescribed by the same Law in local self-government bodies aimed at assessing the lawfulness of management of provided subsidies, subventions or dotations, as contradicting part 1 of Article 60 and Article 188 of the Constitution, and as invalid.

3. Point 3 of part 1 of Article 5 of the Law “On State Supervision Service”, in terms of reserving, to the State Supervision Service, a power of exercising supervision as prescribed by the same Law in local self-government bodies aimed at assessing the reliability of information serving as a ground for the provision of subsidies, subventions or dotations, complies with the Constitution.

4. Part 3 of Article 7 of the Law “On State Supervision Service”, in terms of performing supervisory functions in the fields being supervised by local self-government bodies, complies with the Constitution.

5. According to part 2 of Article 170 of the Constitution, this Decision is final, and it shall enter into force upon its promulgation.

PRESIDING JUSTICE

[seal]

A. DILANYAN

24 March 2026

DCC-1822