**Project: Good Governance for Local Development in the South Caucasus**

**PN:** **19.2204.6-008.00**

**Mission: Functional Assignment on Piloting Power Decentralization in the Republic of Armenia**

**Period: 1 September 2020 – 19 February 2021**

1. **Introduction**

The “Good Governance for Local Development in the South Caucasus” Programme (hereafter, GGLD or “Programme”) implemented by The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) aims at strengthening the capacities of public institutions in the South Caucasus to the effect that they are better able to provide citizen-oriented services. The Programme advises partner institutions at national, regional (sub-national), and local levels in Armenia, Azerbaijan, and Georgia on designing and implementing national reform processes, improving framework conditions, and developing relevant standards and guidelines. It supports capacity development of key actors for citizen-oriented service delivery, primarily at the local level.

The Programme is commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ). In Armenia, it is co-funded by the Swiss Development Cooperation (SDC) and carried out in close cooperation with the Ministry of Territorial Administration and Infrastructure (MTAI) as the main political partner.

The proposed Assignment will be implemented within the scope of activities aimed at reaching the following outputs/outcomes:

* Under BMZ Logical Framework, *Output 1: The legal and institutional framework conditions for citizen-oriented service delivery through public institutions in the countries of South Caucasus are improved*, measured by Output Indicator 1.1: “3 elements that are key for citizen-oriented service delivery in the respective country context are newly or further developed, e.g. for municipal oversight, decentralisation strategy (AM, GE) or digital services.”
* Under the SDC co-financing, the proposed Assignment will contribute to the fulfilment of the following outcome: “The Government is supported in the further definition of the TARA and decentralisation reform.”

The services to be rendered under the proposed Terms of Reference (ToR) are deemed to contribute to the above-mentioned objectives, including the respective indicator.

1. **Background**

The debate on decentralization, involving both national and international actors in Armenia, went public almost a decade ago and in 2012 led the United States Agency for International Development (USAID) to develop and circulate a paper on *Strategic Approaches for the Further Development of Local Self-Government and Decentralization of Power*. Among the main objectives of the USAID Study back then was to define the priority focus areas and targets for the future state implemented policies in the area of local governance and decentralization.

About the same time, the Government of Armenia (GoA) started deliberating the high need for launching the Territorial and Administrative Reform (TARA) in the country. Gradually, the consensus behind the TARA had started building up with the national authorities of Armenia, and the actual Reform had kicked off in the first half of 2015.

Since then, the paths of the TARA and imminent decentralization reform had gradually diverged. While the TARA had progressed with the amalgamation of more than half of small, individual communities in the country, the public talks on decentralization had virtually faded. This course of events has reversed itself when in 2017, the MTAI, with support from the Council of Europe (CoE), drafted its Decentralization Roadmap (hereafter, MTAI Roadmap), which has reignited the state, as well as broader public interest in decentralization. The MTAI Roadmap has never been officially adopted by the GoA as a legal and strategic instrument; however, it clearly signalled about the State’s commitment to assume a leading role in steering the decentralization efforts in the country. Remarkably, some of the provisions (such as the one on veterinary service) proposed in the MTAI Roadmap soon made their way to becoming amendments to the current Law on Self-Governance.

During 2018-2020, GIZ Armenia commissioned several studies, aiming at assessing, among other issues, the conceptual framework for decentralization of state competencies, as well as benefits and advantages of the TARA. Other international actors have also been proactive in the field. The past six months of the year have seen two major consultancies launched by the CoE Office in Yerevan in the area of fiscal/financial decentralization. At the same time, USAID Armenia initiated a pilot decentralization project, looking into assessing some of the aspects of a select power decentralization allegedly within one territorial jurisdiction (such as the Vayots Dzor marz).

Importantly, Armenia as a member of the CoE is a signatory of the *European Charter of Local Self-Government* (hereinafter, Charter). The Charter remains the most inclusive and authoritative framework for the long tested and commonly agreed principles of good local governance in Europe. It is also a major reference framework for the practices adopted and pursued in the CoE member states, which have duly signed and, moreover, ratified all the provisions of the Charter. Armenia is in this latter cohort and is thus obligated to derive guidance and international recognition through its faithful action, especially at a current time of the ongoing phase of reforms. Hence, the Charter is the ultimate yardstick against which any major strives to cast, improve, or accelerate the reform processes will be judged and evaluated.

Nowadays, the national authorities in Armenia, together with the enlarged municipalities, are facing a unique momentum to reap all the benefits of the yet again converging paths of both TARA and decentralization reform. Beginning in 2020, after more than a two-year pause, the TARA has entered a renewed phase, which has been aiming at enlarging all the remaining smaller communities of Armenia in the course of the next 18 months[[1]](#footnote-2). At the same time, there is better realization that decentralization efforts require much more coherent, systemic, and better coordinated action, which is also evidence-based and properly benchmarked.

All of the abovementioned is creating conducive environment for tacking the need for a strategic approach to decentralization in a renewed fashion, which is ready to consider and build linkages between all aspects of the ongoing reform processes, including, but not limited to such implications, as municipal public finance, local and regional development, effective delivery of service, or citizen participation. Such all-inclusive approach has been largely missing from the previous, mostly scattered efforts to produce more narrowly defined products, which, while very much welcomed additions to the field, have been lacking the greatly needed holistic thinking. It is this gap that the proposed Assignment may very well fill in, should it be successful.

1. **Purpose of the Assignment**

The overall purpose of the proposed Assignment is to develop and pilot an overarching framework for a distinct power decentralization within a limited territorial-administrative area (or jurisdiction). It is expected that the newly developed framework will be anchored in a clearly defined, multifaceted, and unbiased model that can be embraced and employed by the MTAI (and the GoA at large) for the future roll-out of power transfers, should the early phases of the decentralization reform lead to positive results and gradually scale up.

1. **Tasks**

The proposed Assignment implies implementation of the following tasks:

**TASK A: Assignment planning and preparatory work**

Based on the review of the Assignment requirements, develop an Inception Report, covering the following points:

* Key milestones in fulfilling the Tasks B-F (as described below), and the tentative timelines attached to the respective milestones.
* Proposed methodology for tackling each of the respective Tasks B-F and overall approach, ensuring internal consistency within, between, and among the respective Tasks B-F and the associated deliverables.
	+ The draft methodology will be presented to the GGLD (potentially, also to MTAI as the key political partner).
	+ The draft methodology will benefit from extra provisions ensuring the continuity of the action even in the unlikely case of the worsening COVID-19 pandemic crisis.
* Proposed reporting schedule for each of the Tasks B-F, including the distribution of roles and responsibilities among the Assignment Team members.

**TASK B. Functional Assignment as an Integral Part of a Decentralization and Local Governance Reform: Thematic Desk Review**

* Review the existing (and ongoing) policy research and analysis work/data in the field of local governance and decentralization in Armenia.
* Identify relevant regional/global benchmarks and best practices in the area of functional assignment and decentralization (followed by a general check for relevance and applicability to Armenia).
* Research and analyze the notion of functional assignment as part of the local governance and decentralization reforms.

**TASK C. Functional Assignment for a Select Power: Desk Review/Analysis, Pre-Transfer Mapping, Planning, and Assessment**

* Review the entire legal framework defining the assignment of functions (or powers/competencies) in the Republic of Armenia.
* Map out the existing multi-level governance architecture of the distribution of functions and research the existing typology of functions.
* Critically review the MTAI Roadmap and shortlist the potential functions, which can be considered for piloting decentralization in Armenia (by developing a list of criteria to be applied as part of the shortlisting).
* Propose a platform (and/or formal procedure) for making the final selection and setting up the stage for organizing the select function transfer. Some of the steps preceding the final selection may include:
	+ proper “unbundling” and detailed cross-comparative review of the shortlisted function(s) relative to other, similarly positioned sectoral functions;
	+ defining the guiding principles to help best assign the function(s) to the most relevant governance level;
	+ comprehensive mapping of all relevant state and non-state stakeholders at various governance levels, with their respective roles and responsibilities, as well as cross-party dialogue and joint decision-making throughout the process.
* In consultation with the GGLD, as well as the MTAI and relevant line ministries (and/or affiliated institutions), propose and make the final selection of one or two distinct powers for pilot decentralization:
	+ In conjunction with the selection of powers, propose and -- in consultation with the MTAI and other relevant stakeholders -- propose the selection of a distinct territorial-administrative area (or jurisdiction) to embrace the pilot power transfer.

**TASK D. Functional Assignment for a Select Power: Transfer Mode and Effects Analysis**

* Map out and develop SWOT analysis matrices for various decentralization scenarios, from direct devolution to only partial de-concentration, per each select power.
* Per each decentralization scenario, assess the implications along the following dimensions:
	+ Adjustments to the existing institutional frameworks;
	+ Changes in the sectoral supervision structures;
	+ Modifications to the current budgeting and planning procedures;
	+ Revisions to the own asset and income management, as well as related taxation systems;
	+ Need for local capacity development strategies, including re-assignment of the existing workforce and/or hiring of new personnel, as well as re-training of new hires.
* Per each decentralization scenario, assess the fiscal (and broader financial) ramifications for the execution of the newly defined and vested power(s) as part of the multi-governance system of Armenia.
* Per each decentralization scenario, assess the potentially required amendments to the existing legislation and propose codified solutions for the rapid and effective revisions to the relevant legal acts.
* Based on the analysis performed per each select power, propose the best feasible mode of decentralization (from de-concentration to devolution), placing special emphasis on alternative solutions that can ensure similarly effective and efficient delivery of services within the given territorial-administrative area (or jurisdiction).
	+ While assessing the alternative solutions, consider the potential inferences of each one for such aspects of local governance, as, for instance, local and regional development or citizen participation.
* For each selected power, develop a clear roadmap for implementation, including proposals on time-bound steps, parties in charge of the execution chain, as well as means of verification for the targets achieved.

**TASK E. Functional Assignment for a Select Power: Cost evaluation of the Proposed Transfer**

* Per each decentralization scenario, evaluate the costs associated with the potential decentralization transactions as relevant (*the cost estimation may retrospectively inform the earlier decision made on the power selection for decentralization -- see Task C.*).
* Develop pilot decentralization budgets to be financed/allocated from the state accounts/budgets (in close coordination with the designated focal points at the MTAI and Ministry of Finance of the Republic of Armenia).

**TASK F. Functional Assignment for a Select Power: Consolidated Report and Action Plan**

* Consolidate findings along the lines of the previously described Tasks B-E and, in close consultation with the MTAI, develop an Action Plan featuring a clear timeline, listing of parties in charge of respective action lines, as well as relevant verification indicators.
* Under the supervision of the GGLD, circulate (potentially, on behalf of the MTAI) the draft Consolidated Report (including the Action Plan as an Annex) among the key stakeholders, hold a conference and present key findings, collect feedback, revise the Report, and submit the final product to the GGLD (as well as, the MTAI).
	+ The final version of the Consolidated Report should provide clear answers to the following questions: WHO, WHAT, WHEN, and WHERE should decentralize, as well as WHY and HOW should decentralize.
1. **Deliverables and Reporting**

The Assignment has been tentatively planned to commence **on 1 September 2020 and finish by 19 February 2020**. The exact commencement date and the schedule of activities/workplan (including due dates) will be agreed with the winner of the tender.

The following deliverables and associated activity (administrative) reports are expected to be submitted over the course of the Assignment:

|  |  |  |  |
| --- | --- | --- | --- |
| ***Deliverable*** | ***Activity Report*** | ***Date Due*** | ***Expert-Days (up to)*** |
| Inception Report | Interim Report 1 | 10 September 2020 | 7  |
| Draft findings/outputs (for Task B) | Interim Report 2 | 2 October 2020 | 12 |
| Draft findings/outputs (for Task C) | Interim Report 3 | 23 October 2020 | 29 |
| Draft findings/outputs (for Task D) | Interim Report 4 | 6 November 2020 | 29 |
| Draft findings/outputs (for Task E) | Interim Report 5 | 27 November 2020 | 20 |
| Consolidated Report (finalized), along with the enclosed Action Plan (for Task F) | Final Report | 12 February 2021 | 23 |
|  |  | **Total** | **120** |

*All initial/interim outputs, as well as the final product, will consist of relevant thematic deliverables and administrative (activity) reports and shall be submitted in both English and Armenian.*

*The reports should be submitted to the GGLD, which will then share them with the MTAI and other relevant stakeholders (as/if necessary).*

1. **Technical and Financial Proposals**

The proposed Assignment is subject to an open tender, for which only Armenia-based consultancy firms / expert consortiums represented by a Private Entrepreneur are eligible.

Bidders shall submit both the Technical, as well as Financial Proposals in English (in 2 copies).

The Technical Proposal shall include the following:

1. Initial work plan for the proposed Assignment as a whole, proposed within the timeframe as indicated in this ToR.
2. Note that describes the unique conceptual approach, as well as the targeted methodology, responding to the Assignment Tasks (see above).
3. Set of CVs for the proposed team experts, including detailed information on relevant credentials, skills, and qualifications.

The Assignment is expected to be implemented by a team of experts on behalf of a local consulting company or consortium of experts. The proposed Team may be comprised of key and non-key (junior) experts. Key experts shall include a Team Leader (who can also serve as one of the thematic experts), along with the other thematic expert(s) (altogether, at least 2, but preferably 3 key experts).[[2]](#footnote-3) The Team will work under the supervision of the GGLD and in close cooperation with the designated staff of MTAI, as well as other state and non-state partners (as/if necessary).

*It is up to a bidder to propose a specific combination and number of experts; however, in any case, the proposed combination (based on cumulative qualifications and professional experience) should provide full coverage of all aspects of the Assignment, including decentralization of powers (or functions/competencies), fiscal and legal aspects of decentralization, cost evaluation of public-sector strategies and action plans, as well as relevant sectoral areas (as noted in the paragraph above).*

The key experts should meet the following requirements for professional qualifications:

* At least, a completed Master’s degree or its equivalent in public administration, legal studies, public finance, economics, or any other related field.
* At least, 5-7 years of experience in developing legal/policy evaluations/assessments/analyses of public-sector programs and reforms, preferably on local and/or state governance in Armenia and/or other transition countries; hands-on experience in working with sub-national/local actors will be considered as an asset.
* Proven track record in developing and assessing methodologies in the fields, including local/state governance, public budgeting, intra-/inter-governmental and/or multi-stakeholder partnerships, strategic long-/mid-term planning, cost evaluation of public-sector reform strategies, legal reviews of the national legislation on local and territorial governance in Armenia.
* Proven knowledge of complex multi-governance systems (including state oversight and sectoral supervision issues), legal frameworks for national and sub-national/local governance, budgetary systems and overall public finance issues (including result-oriented budgeting and budget oversight).
* Proven experience in design of monitoring and evaluation systems for implementation of various sectoral policies/strategies is preferred.
* Full bi-lingual fluency in Armenian and English (with exceptional writing skills) is essential.
1. Detailed description of roles and responsibilities as seen distributed within the proposed team of experts.

The Assessment Grid intended for the assessment of the Technical Proposal is part of the tender call and elaborates some of the key expectations on part of the bidders.

1. **Special Notes**

Field trips to municipalities can be foreseen, however the municipalities are not yet identified. Logistical expenses (travel and accommodation costs) will be defined in the early stage of the assignment and supplemented in the consultancy contract. GIZ is compensating transport for field trips as follows: 70 AMD/km; and accommodation for overnight stay based on invoice. Logistical expenses (travel and accommodation costs) will be defined in the early stage of the assignment and supplemented in the consultancy contract.

Under the current situation of the COVID-19 pandemic, suggestions should be made on how to gather necessary data by using digital tools/remote consultations as much as possible.

Please note that the GIZ security regulations strictly frame and restrict operations in the borderline areas of the Tavush, Gegharkunik, and Vayots Dzor marzes.

1. This is a provisional timeframe and may change depending on the policy priorities of the GoA. [↑](#footnote-ref-2)
2. Aside from key (or non-key) experts engaged in the execution of the Assignment for its entire duration, bidders may want to plan for tentative, extra provisions for involving sectoral experts on ad hoc basis. Such brief expert advice may prove helpful, potentially in several areas where power decentralization may happen, as delineated in the MTAI Roadmap. [↑](#footnote-ref-3)