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

**PN:** **19.2204.6-002.00**

**Mission: Assistance to the Ministry of Territorial Administration and Infrastructure of the Republic of Armenia in Development of an Organic Concept Note on Decentralization**

**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 support the MTAI in its first step towards a longer-term goal of developing and adopting a comprehensive decentralization strategy for the Republic of Armenia, by first embracing an Organic Concept Note on Decentralization. This Concept Note has been envisaged as the ultimate, overarching product for the proposed Assignment, which has a great potential and should eventually capitalize on the existing findings in the field, thus further substantiating them and adding a more strategic perspective.

1. **Tasks**

The proposed Assignment implies implementation of the following tasks:

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

Development of an Inception Report (based on the review of the Assignment requirements), 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, including the draft structure for the Organic Concept Note as the final deliverable of the Assignment.
	+ The draft methodology will be presented to the GGLD (potentially, also to the 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 approach ensuring internal consistency within, between, and among the respective Tasks B-F and the associated deliverables.
* Proposed reporting schedule for each of the Tasks B-F, including the distribution of roles and responsibilities among the Assignment Team members.

**TASK B.: Modern concept of decentralization**

* Comprehensive desk review of the modern concept of decentralization, including, but not limited to:
	+ Definition of the overarching notion of “decentralization” and brief overview of the recent trends in global decentralization;
	+ Decentralization against the backdrop of “nationalization” and sub-national “localization” of the UN Agenda 2030 and Sustainable Development Goals by key state players, especially in countries in transition, like Armenia;
	+ Decentralization as a national priority in Armenia and relative to other key priorities for long-term national development;
	+ Cross-comparative review of decentralization records in countries positioned to potentially serve as benchmarks for Armenia (focusing on relevance and applicability).

**TASK C.:** **Legal, policy, regulatory, and institutional frameworks**

* Detailed study/review of the existing constitutional and legal, policy, regulatory, and institutional frameworks in the area of decentralization in Armenia:
	+ Constitutional provisions for local self-governance;
	+ Existing policy framework and key legislation, related by-laws, Government decisions and decrees, and other pieces of national legislation;
	+ Binding international regulatory frameworks;
	+ Intra-governmental and multi-level governance institutional arrangements.

**TASK D. Decentralization of powers (or functions/competencies)**

* Detailed mapping and stocktaking of the entire host of powers (or functions/competencies) vested with the local level of governance, including, but not limited to the following dimensions:
	+ Typology of powers, their categorization in the current Armenian legislation, and the rationale behind it, as well as prospective re-categorization (or new typology) of powers;
	+ *De-concentration* vs. *delegation* vs. *devolution* as variations on the theme of power decentralization – key differences and potential scenarios for the Armenian governance system and select powers;
	+ Potential changes to the early cohort of powers set for decentralization (as reflected in the MTAI Roadmap) – viability of the selection, feasibility for delegation/devolution, as well as new distribution of responsibilities between the national and sub-national levels;
	+ Implications of power decentralization (or delivery of functions) for various facets of multi-level governance, such as, for instance, exercise of regulatory power at a local level or supervision over local authorities.

**TASK E: Fiscal decentralization**

* Analysis of the existing approaches to fiscal decentralization in Armenia:
	+ Strategic and policy frameworks;
	+ Legal framework;
	+ Institutional framework (for instance, roles, responsibilities, or interactions).
* Analysis of the actual status of implementation of fiscal decentralization mechanisms in the country.
* Desk study on:
	+ International practice on fiscal decentralization in the EU and Eastern Partnership countries, identification of gaps against the backdrop of the situation in Armenia;
	+ Recent proposals elaborated by different development partners active in the area of governance in Armenia.

**Task F: Organic Concept Note on Decentralization**

* Development of sets of recommendations on the Tasks B-E:
	+ Proposals on a relevant and applicable model of decentralization for Armenia (Task B);
	+ Proposals on legal, policy, regulatory, and institutional frameworks (Task C);
	+ Proposals on decentralization of powers (or functions/competencies) (Task D);
	+ Proposals on new fiscal decentralization mechanisms, in line with the overall decentralization framework, properly benchmarked and adjusted to the Armenian context.
* Elaboration of the Organic Concept Note on Decentralization for the Republic of Armenia based on the above-mentioned proposals.
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 |
| Initial findings/outputs (for Tasks B – E) | Interim Report 2 | 26 October 2020 | 62 |
| Final findings/outputs (for Tasks B – E) and the Draft of the Organic Concept Note for Decentrali­zation (Task F) | Interim Report 3 | 30 November 2020 | 46 |
| Organic Concept Note for Decentralization (including consolidated recommendations) (Task F) | Final Report | 15 February 2021 | 25 |
|  |  | **Total** | **140** |

*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 experts (altogether, at least 3 key experts). The Team will work under the supervision of the GGLD and in close cooperation with the designated staff of the MTAI, Ministry of Finance of the Republic of Armenia, as well as other state and non-state partners (as/if necessary).

*It is up to a bidder to propose a specific combination of experts; however, in any case, the proposed combination (based on cumulative qualifications and professional experience) should provide full coverage of the three thematic areas for the Assignment, including legal (and to a lesser extent, political) aspects of decentralization, administrative decentralization, and fiscal/financial decentralization.*

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 in areas, including public administration and public finance management improvement in Armenia and/or other transition countries; experience in working directly with sub-national and/or local actors will be considered as an asset.
* Proven experience in developing and assessing methodologies in the fields, such as local governance, budgeting (including planning, implementation, and reporting), strategic long- and mid-term planning, monitoring and evaluation.
* Proven knowledge and understanding of complex multi-governance systems, legal frameworks for national and sub-national governance, budgetary system and overall public financial management issues, including result-oriented (programme) budgeting, transparency, 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 across 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)