
Project: Good Governance for Local Development in the South Caucasus
PN: 19.2204.6-002.00
Activity: Baseline study for asset management in enlarged municipalities in Armenia
Period: 15.07.2020-30.09.2020

1. Introduction

The “Good Governance for Local Development in South Caucasus” project (GGLD) 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 project 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 standards and guidelines. It supports the capacity development of key actors for citizen-oriented service delivery, primarily at local level. To promote citizen participation in local development processes, the project advises on the introduction of participation and complaint mechanisms and supports respective awareness raising for citizens. The project also supports the elaboration and implementation of strategies and instruments for regional development and local economic development. As a part of the German Caucasus Initiative, the project promotes professional exchange of knowledge and experiences between the countries of the South Caucasus.

The project is commissioned by the German Federal Ministry of 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 project aims at strengthening the capacities of key actors to provide citizen-oriented services and on funding these activities. The project will therefore advise local authorities on implementing important steering and management processes. As there is the need for better management and accountability of financial resources, asset management is becoming increasingly important for municipal governments. Open and effective management and reporting of public property is an important part of transparent and accountable governance at local level. To serve this end and support local governments in improving the management of municipal assets it is necessary to analyse the situation at local level in this regard.

This support is going in parallel with the Territorial and Administrative Reform in Armenia (TARA). Hence, the assignment will focus on asset management in enlarged municipalities.

2. Background

In Armenia, the main source of municipality-owned property (real estate and land)¹ was the division of state-owned property and passing it to the municipalities. This transfer was done only on an accounting basis (balance sheet transfer of fixed assets), which did not serve as a legal basis for municipalities to act as the independent owner of such property.

The local self-governments (LSG) were supposed to register acquired property with designated state agencies. Some of the municipalities, however, due to lack of understanding of the importance of registering property, the scarcity of funds, or other reasons have not completed the registration process of the property they own, which has led to a higher risk of illegal use and even loss of such property. Furthermore, the situation contains significant corruption risks, including the evident risk of LSGs placing the property state registration costs on the potential buyer of such property.

Most of the community-owned property (buildings and infrastructure) is decades old and thus has seriously depreciated. Their condition can be classified as operational, partly operational, damaged, or unserviceable. The physical condition of buildings and premises that are not operational or are only partly operational continue to deteriorate. Most of the municipality-owned property urgently needs repair or reconstruction; however, municipality financial resources are not sufficient. The current operability of municipality-owned property is generally rather low, which is also partly due to the imperfect business climate in the regions.

For many municipalities the property management, including recording, registration, classification, valuation, utilization, lease and transfer processes of the municipal assets, is not adequately organized.² When requirements of the current RoA legislation are not fully met, the LSGs often manage their property arbitrarily, creating potential abuse and corruption risks. Diverse violations in the management process of municipality-owned property resulted in significant loss to community budgets.

Different studies have identified the following obstacles in the efficient management of municipality-owned property.

- In some municipalities the property is not registered at the state agencies, thus the community's right to the property cannot be established.
- If community-owned property is provided to a commercial organization in the form of fixed assets, LSGs lose the right to directly manage the property. Furthermore, if the organization is declared bankrupt, the property is then offered for sale.
- The operability of community-owned property is very low: LSGs are unable to obtain revenue from the property due to an imperfect business climate in the municipalities, the underdevelopment of the private sector, and other reasons.
- Most municipalities lack unified databases and property management systems.

¹ RoA Government decree h.42 dated 13 March 1997, decree h.51 dated 14 March 1997, and decree h.116 dated 2 May 1997.

² Articles 46 to 51 of the RoA Law on Local Self-Government and the RoA Land Code.

- Before the enlargement the municipal property of settlements was not properly registered. This situation creates huge problems in registration and management processes in the municipalities after the enlargement.
- Most municipalities lack property management plans or clear legal grounds, methodologies, and procedures for their development and adoption.

Proper management of municipal assets has always been in the center of the Government's attention since the adoption of the Constitution of the Republic of Armenia in 1995, when the territorial administrative division was established. Article 105 of the Constitution is stating that the ownership functions of the municipal property are implemented by the LSGs.

Since then, the Government addresses the issue of public asset management in its strategic documents, national plans and policies. The most recent document addressing the issue is the Decision of the Government of Armenia dated December 5, 2019, N 1834-L on Adoption of the Concept of the State Asset Management.

Another relevant strategic document is the third Public Finance Management System (PFMS) Strategy for the period 2019-2023 that was adopted by the Government in 2019. The PFMS Strategy sets clear objectives and measures in the area of "Public Asset Management".

In order to meet the request by the MTAI and municipalities for further support to municipalities in developing their capacities and skills regarding asset management, the project needs to have a clear and comprehensive picture of the situation at local level. This should be provided through a baseline analysis on the management of municipal assets in enlarged municipalities.

3. Purpose

The purpose of the assignment is twofold:

1. To conduct a baseline study on municipal asset management including a profound analysis to what extent the following aspects of the asset management process is realised in enlarged municipalities: inventory, valuation, registration, classification, usage, data collection, reporting, contract management, auditing. The study should also cover an analysis of related capacity development needs of the staff responsible for asset management in the municipal administration.
2. Based on the findings of the baseline study to provide recommendations for each of the sections of the baseline study (see Tasks).

4. Tasks

The tasks of this assignment include:

Task 1. Conduct a baseline study on municipal asset management

The proposed content and structure of the baseline study should be outlined as part of the Technical Proposal in the application process for this consultancy based on, but not limited to, the following core functions and questions:

- How is assets management organized in the given municipality?
 - Inventory and Information systems,
 - Registration (cadastre and other relevant institutions),

- Valuation, classification-categorization, tax collection, impact on the municipal budget,
- Legislation, internal regulation, regulatory framework,
- Assets usage and database (hardware and software, their upgrade and update),
- Human resources, job descriptions, capacity development,
- Reporting, Auditing,
- Strategic review of the asset management – plans, strategies, methodology,

The methodology used should be outlined as part of the Technical Proposal in the application process for this consultancy and based on the following aspects:

- The baseline study should be conducted for a sample of enlarged municipalities,
- The selection of the sample should be described in detail,
- The results of the baseline study must be representative of the situation in 52 enlarged municipalities;
- A desk review of the current legal and procedural framework for asset management;
- The data may be collected through a combination of some of the following methods: field visits, surveys, exchange of documentation with municipal partners, on-line and phone interviews, focus group discussions;
- Under the current situation and conditions of the Corona pandemic, suggestions should be made on how to gather the data using digital tools/remote consultations as much as possible.

Task 2. Development of Recommendations

Based on the above findings, the consultant shall elaborate recommendations for the following topics:

- Measures for supporting the improvement of the entire process of asset management at local level, addressing all above mentioned functions of the process,
- Improvements needed for each function,
- Capacity development measures for relevant municipal staff;
- Improvement of the regulatory framework for assets management at local level.

Task 3. Presentation of results and finalisation of the assignment

After the completion of baseline study and recommendations, the contractor is expected to:

- Prepare a final presentation on the implementation of the assignment covering results, lessons learned and recommendations on the future support to be provided to MTAI, Ministry of Finance and GIZ,
- Develop a final summary report on the implementation of the assignment in English.

In the conditions **due to the COVID 19** all above mentioned activities linked to and supporting the implementation of above-mentioned tasks (incl. interviews, presentations, submission of reports etc.) should be conducted wherever possible in on-line formats / on digital base (MS Teams, WebEx, Skype for Business).

Particularly:

- Task 1.
 - Data may be collected through a combination of some of the following methods: electronic exchange of documentation with municipal

representatives, phone interviews, online focus group discussions by using MS Teams, WebEx, Skype or any other available digital means.

- Task 3.
 - Final Report and Presentation on the implementation of the assignment, results, lessons learned, and recommendations should be provided in an on-line format; PP presentation should be conducted on digital base.

5. Level of efforts, deliverables and schedule

The assignment covers the period **15.07.2020- 30.09.2020**. The level of efforts estimated is 45 expert days for the whole completion of the assignment.

Task	Deliverable	Expert days	Deadline	Language
Task 1	Final baseline study concept and methodology	2	17.06.2020	ARM and ENG
	Completed baseline study	40	07.09.2020	ARM and ENG
Task 2	Development of recommendations		17.09.2020	ARM and ENG
Task 3	Presentation of results	3	25.09.2020	ARM and ENG
	final report		30.09.2020	ARM and ENG
Total		45		

Please note, that within the assignment **up to 4 one-day field visits** to municipalities can be organised, including up to one overnight stay in case several partner municipalities are visited. Partner municipalities should not be farther than 180km far from Yerevan.

6. Submission of Technical and Financial proposal

The present assignment is subject to an open tender for which only Armenia-based consultancy firms are eligible.

Bidders shall submit a Technical and Financial Proposal in English language.

The Technical Proposal shall entail the following elements:

- Initial work plan for the overall assignment based on the timeframe indicated in the Terms of Reference;
- Proposed methodology and conceptual approach for each of the assignment's tasks as presented in the Chapter 4 of the Terms of Reference;
- Proposed set-up for field visits;
- Detailed experience of the bidder regarding the support provided in asset management at local level;
- Detailed CVs of the consultants that the bidder plans to involve for the assignment;
- Detailed description of roles and responsibilities within the team of consultants.

The assessment grid used for the assessment of the Technical Proposal is part of the tender documentation and elaborates on the expected requirements of the bidders.

Please note that the GIZ security regulations strictly frame and restrict operations in Tavush and Gegharkunik border areas.

These expenses shall be settled directly by the incumbents and will be closely monitored by the Programme:

- Transportation costs to partner municipalities;
- Overnight accommodation costs in the regions;
- Printing and related material costs for the trainings.