
Project: Good Governance for Local Development South Caucasus
PN: 19.2204.6-002.00
Activity: Support to the Government of Armenia in transformation to the Program Budgeting Format at the local level
Period: 01.07.2021 – 30.04.2022

1. Information on the Programme

The “Good Governance for Local Development South Caucasus” (GGLD) Programme advises and supports respective partner organisations at national, regional (sub-national) and local levels in Armenia, Georgia, and Azerbaijan in the implementation of cooperation initiatives towards improved local governance. It supports the improvement of frame conditions, addresses regional (sub-national) governance issues and works towards the improvement of municipal services and citizens’ participation at municipal level. In the context of the German international cooperation approach, the Programme’s objectives are oriented within the framework of the Caucasus Initiative; thus, the improved professional exchange among the countries of the South Caucasus and their increasing cooperation are also objectives at regional South Caucasus level.

The Programme is implemented on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and in Armenia co-financed by the Swiss Agency for Development and Cooperation (SDC). It is carried out in close cooperation with the Ministry of Territorial Administration and Infrastructure (MTAI) as the main political partner.

2. Background Information on the Activity

Since 2009, GIZ has provided technical assistance to the Government of Armenia for further expansion of Programme Budgeting (PB) reforms. With the adoption of amendments to the RA law "On the RA budgeting system" by the RA National Assembly in 2013, PB has been set as a mandatory classification for state budget presentation along with line-item functional, administrative and economic classifications. Based on that a strategy on full-fledged introduction of PB at Central level was adopted in mid-2015. In December 2017, the National Assembly adopted changes to the Law on Budgetary System, clearly setting PB as the main classification for development, approval, implementation and reporting for annual state budget. Line-item classification is since then presented as an additional information to the annual State Budget Law. The abovementioned legal arrangements had required also a review and finalization of the PB methodology (which was approved in 2017 and has been applied since 2018 on), with a few crucial changes done, which allowed smooth transition to program budgeting classification.

The state and local budgets, as components of the budget system and the consolidated budget, are closely interrelated and are based on the same financial principles of consolidated budget and state policy¹. That is why, along with the PB reforms at the national level, GIZ has supported the introduction of the PB approach and formats at the local level. In 2015, with

¹ Law of RA on “The budgetary system of the Republic of Armenia”, Articles 4, 8

direct supervision and financial assistance of GIZ, the PB Methodology for the local level was developed and piloted in several municipalities of Armenia. In parallel to the Territorial and Administrative Reform, the PB Methodology was subsequently introduced in all 52 enlarged municipalities. Even though the PB format is not mandatory for the municipalities, it is being developed together with line item budget, which is currently acceptable by the state and local structures.

Thus, it can be stated that through the ongoing programs and initiatives implemented in the direction of the PB, the necessary preconditions have been formed for the full introduction of the PB in all municipalities of the Republic of Armenia. Therefore, now it is obligatory to form a cooperation platform, synchronize national and local level program budgeting methodologies and design a package of legal amendments, to promote the intended transfer.

3. Objective

Against this background, the overall objective of the assignment is to assist the Government of Armenia in the development of essential legal, institutional and methodological frameworks and tools, which will facilitate full introduction/transition to the Programme Budgeting Format at the local level, based on experiences gathered from PB introduction at central level.

To reach this aim the following main objectives are set to be met:

1. Cooperation platform between MTAI and MOF and other key stakeholders for the introduction of PB Methodology at the local level is set, joint action plan is developed and implemented.
2. State and local level PB methodologies (incorporation also GRB elements) are fully harmonized.
3. Draft package of legal amendments to stipulating transition to PB format at local level is developed and submitted to the National Assembly for adoption.

The intended impact of these efforts will be the smooth transformation to the PB format budgeting at the local level.

4. Tasks and Deliverables

The following **tasks** are expected to be fulfilled in the context of this assignment:

Task 1: Formation of a Cooperation Platform

Support/advise in establishment of a cooperation platform between MTAI, MOF and other key stakeholders for the introduction of PB at the local level:

- Support in setting the structure of a Working Group (comprised of all stakeholders' representatives),
- Support in development of a joint detailed action plan of activities for full-scale transition to PB at the local level.

Task 2: Harmonization of State and Local Level PB Methodologies

Based on results and timeframes of Task 1, review of existing PB methodology for local level aiming at full harmonization with the state level PB methodology (including GRB elements).

- Revealing of gaps and development of recommendations,

- Amendments in PB Methodology.

Task 3: Development of a draft package of legal amendments

Development of a draft package of legal amendments to allow transition to PB at local level.

- Development of draft package of amendments in primary and secondary legislation on budgeting, stipulating full transition to PB at local level (which may envisage also gradual transition period with interim milestones),
- Presentation of all results to the MTAI, MOF and other key stakeholders for comments and discussions, etc.
- Finalisation of the draft package of legal amendments for further submission to the National Assembly and other relevant authorities for approval.

Any further task arising during the implementation of the assignment needs prior agreement between the Contractor and GIZ.

The Contractor shall provide the following **deliverables**:

| | Activity | Deliverables |
|---|--|---|
| 1 | Task 1: Formation of a Cooperation Platform | Proposals on draft structure of the Working Group and Draft Action plan |
| 2 | Task 2: Harmonization of State and Local Level PB Methodologies | Reviewed PB Methodology for local level. |
| 3 | Task 3: Development of a draft package of legal amendments | Draft package of legislative amendments for full transition to PB at local level. |

5. Schedule and Implementation Details

The assignment is planned to commence on 01.07.2021 and be completed by 30.04.2022. In total, up to 78 expert days are foreseen.

| Deliverables | | Expert days (up to) | Deadline |
|--------------|---|---------------------|------------|
| Task 1 | Establish a cooperation platform between MTAI and MOF for the introduction of PB at the local level. | 15 | |
| | <ul style="list-style-type: none"> • Support in setting the structure of a Working Group (comprised from all stakeholders' representatives), | 5 | 20.07.2021 |

TOR for Short Term Service Delivery Assignment



| | | | |
|--------------|---|-----------------|------------|
| | <ul style="list-style-type: none"> Support in development of a joint detailed action plan of activities for full-scale transition to PB at the local level. | 10 | 20.08.2021 |
| Task 2 | Review of existing PB methodology for local level aiming at harmonization with the state level PB methodology (including GRB elements). | 25 | |
| | <ul style="list-style-type: none"> Revealing of gaps and development of recommendations, | 10 | 25.09.2021 |
| | <ul style="list-style-type: none"> Amendments in PB Methodology. | 15 | 15.11.2021 |
| Task 3 | Development of a draft package of legal amendments to allow transition to PB at local level. | 38 | |
| | <ul style="list-style-type: none"> Development of draft package of amendments in primary and secondary legislation on budgeting, stipulating full transition to PB at local level (which may envisage also gradual transition period with interim milestones), | 20 | 15.02.2022 |
| | <ul style="list-style-type: none"> Presentation of all results to the MTAI, MOF and other key stakeholders for comments and discussions, etc, and finalisation of the draft package. | 3 | 10.03.2022 |
| | <ul style="list-style-type: none"> Finalisation of the draft package of legal amendments for further submission to the National Assembly and other relevant authorities for approval. | 15 | 30.04.2022 |
| Total | | up to 78 | |

The Contractor is obliged to perform the assignment based on these ToR while ensuring close contact and cooperation with GIZ throughout the implementation of the assignment. The Contractor is further required to submit all the deliverables to GIZ. Approval from GIZ is mandatory at each stage before moving onto the next level.

Please note that GIZ security regulations strictly frame and restrict operations in Tavush and Gegharkunik, Vayots Dzor, and Syunik provinces. Hence, GIZ approval will be needed prior to any visits to municipalities in these provinces.

6. Professional Requirements

Individual experts proposed for this assignment shall, collectively, meet the following criteria:

-
- Academic degree in Economics, Finance, Law or similar related to state policy and legislation analysis and formation;
 - 5 years of professional experience (conducted research and analysis) in development of methodologies, policy papers and state, sectoral strategies;
 - Professional experience related to PB reforms and budgeting processes at central and local levels,
 - Profound understanding of state and local level budgeting principals, budgeting legislation, gender equality, gender mainstreaming;
 - Experience in local level gender budgeting related issues.

7. Submission of Technical and Financial Proposal

The Contractor is required to provide a Technical and Financial Proposal. The **Technical Proposal** shall outline in detail how the contractor is planning on providing the services requested through these ToR. The proposal must at least contain the following elements:

- Presentation of a strategy on how to implement the assignment,
- Description of methodology,
- Presentation of work plan,
- Foreseen transportation and accommodation modalities,
- Presentation of the suggested expert(s), including allocation of working days, description envisaged of role and tasks for the assignment, and CV.

The **Financial Proposal**, which must be submitted separately, needs to contain the following information:

- Expert fee(s), per working day and in total,
- Any other expenses essential for implementing the assignment, e.g., costs for materials. Evidence of these expenses must be submitted.