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Project evaluation

Mid-term Evaluation “Improvement of the Local Self-Governance
System in Armenia – Phase 2”
2019-2023

Final Report submitted to the Swiss Cooperation Office in Armenia
(Contract number : 81075090)

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January 2023



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List of Abbreviations

ATDF	Armenia Territorial Development Fund
BMZ	Federal German Ministry for Economic Cooperation and Development
CAA	Communities Association of Armenia
CO	Citizen Office
CoE	Council of Europe
EU	European Union
GA	Government of Armenia
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
LED	Local economic development
LSG	Local self-government
MDP	Municipal Development Plan
MMIS	Municipal Management and Information System
MTAD	Ministry of Territorial Administration and Development
MTAI	Ministry of Territorial Administration and Infrastructure
NTS	National Training System
RA	Republic of Armenia
SDC	Swiss Agency for Development and Cooperation



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SDC SC AO	Swiss Cooperation Office in Armenia
TARA	Territorial and Administrative Reform in Armenia
UNDP	United Nations Development Program
USAID	United States Agency for International Development



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We are grateful to all project partners, municipalities and other stakeholders in Armenia that supported us during this evaluation and helped us collect the required information for this evaluation. This detailed evaluation would not have been possible without their support.

Executive Summary

Armenia has undergone an impressive amount of reforms in the local self-governance sector since 2015 as the number of municipalities has been reduced from an initial 915 in 2015 to 71, with the local elections on 25th September 2022 almost finalising the amalgamation process (except for Sisian, where it was not possible to elect a major after this election, and new elections are scheduled for 26th March 2023)¹. In 2014, SDC, BMZ and USAID initiated a project on *"the Improvement of the Local Self-Governance System in Armenia"*. The present evaluation, focusing on the intermediate results of the project's second phase, is based on thorough desk research as well as on a significant volume of data collected from municipalities, via face-to-face interviews and through an e-survey. Thus, the consultants did not only put the emphasis on the processes that have led to concrete actions by the implementing agencies, GIZ, UNDP and CoE, but on how these actions are experienced and at times subjectively perceived by the civil servants and local elected officials at the level of the municipality. Source triangulation was applied and highlighted key findings that enabled the consultants to draw up a list of 10 recommendations to inform strategic decisions about the future of the project, with a focus on the exit phase 2024-2025. Among other findings and recommendations, the evaluation highlighted the following:

The MTAI remains the most important governmental partner for the implementation and funding partners of the project, and has overall been committed to continued reform and close cooperation with its international partners. Where MTAI has not been able to move forward, such as in the area of the NTS, there has been little to no progress. Yet, for future reforms, especially for policy and fiscal decentralisation but also for the development of much needed training, closer cooperation between MTAI and other government departments, as well as better coordination between a variety of government departments and the project stakeholders will be required. The CAA does not currently act as a strong lobbying organisation allowing the municipalities to voice their concerns, input suggestions and ideas, and engage in constructive discussions with MTAI. While the relevance of a performing and stable association of municipalities is uncontested, the contribution and performance of the CAA remains questioned by many observers.

Citizen offices (CO) were highlighted by GIZ, MTAI and all municipalities as a major success story of the LSG project. They are generally widely used and enhance access for citizens in the enlarged municipalities substantially. Their use of the MMIS also helps in the management of the new enlargements, and this system is also rated overall as a major success. Despite their success, access to citizen offices remains a challenge for some groups. The mobile CO is a success story in this regard and should be replicated.

¹ On March 26, 2023, snap elections are planned for Ani community which was enlarged back in 2017. The reason is that as a result of the political crisis due to the regular elections held in September 2022, it was not possible to elect a head of the community.

LED funds are co-funded by the municipalities and aim at materialising the capacities of enlarged municipalities to design projects that suit their needs. LED-related measures have been a successful tool to foster local development in the enlarged territory of the municipalities and their extension in the future is recommended as they demonstrate economic innovation, potential for sustainability and also economic competition between municipalities. Also, there has been engagement with gender issues across all municipalities through GIZ's gender approach and the Women and Youth Advisory Councils promoted by UNDP in specific target municipalities. These have contributed to greater inclusiveness and awareness of women and youth issues at the local level. Finally, the promotion of integrity and open governance at municipal level has been one of the challenging aspects of the project. This is partly due to the approach to the topic and the delay in providing a model code of conduct, and partly due to the political culture in Armenia, where such a topic is novel and a lot of awareness raising is required.

I. Purpose, Scope and Methodology

1. Purpose

Since 2014 several development partners of a multi-donor consortium have gathered under the auspices of the SDC with the commitment to assist TARA, contributing to more democratic processes and accountability as well as to the improved quality of public services, assistance in capacity building, and expertise. "The Improvement of the Local Self-Governance System in Armenia" programme was launched with two phases (2014-2018 and 2019-2023). Owing a unified programmatic approach and common framework, designed with the involvement of all donors, implementing partners, and the MTAI, the two phases of the project supported the same organisational structure. Besides the Swiss Agency for Development and Cooperation (SDC), the financial resources for the programme were provided by the German Federal Ministry of Economic Cooperation and Development (BMZ) and, for the first phase, the United States Agency for International Development (USAID). The three implementers were the German Agency for International Cooperation GmbH (GIZ), the Council of Europe's Congress of Local and Regional Authorities (CoE), and the United Nations Development Program (UNDP). It is important to highlight at this stage that the CoE activities concluded on 30 June 2022, and this evaluation should be seen as final in regards to those aspects of the programme, which were overseen by the CoE.

The Purpose of the mid-term Evaluation is first and foremost to respond in detail to the strategic questions listed in the Terms of Reference (ToR)² in order to assess the achievements of the Swiss contribution to the project that will allow for minor adjustments in the current phase and to provide modalities for the exit strategy based on informed final decision. With this aim, the consultants have critically analysed the documents made available to them, they have reflected on the inputs provided by the Evaluation Manager during the kick-off meeting that was held in Yerevan on October 3rd, 2022 and on the feedback collected during the debriefing session that was held on October 9th, 2022.³ The consultants submitted a draft report on November 28th, 2022 which was presented and discussed online on December 7th, 2022 during a donor coordination meeting. The participation in this meeting of SDC's staff and other key stakeholders was beneficial for the consultancy team as it provided useful information and feedback. The present evaluation report presents key findings (per outcomes) and sets a list of specific recommendations for the project. On December 23rd, 2022, the second version of the report was submitted to SDC. Following a new round of comments, the final version was submitted in January 2023.

² https://www.eda.admin.ch/content/dam/countries/countries-content/armenia/en/LSG-mid-term-evaluation-ToR_EN.pdf

³ Both meetings were attended by the Swiss Agency for Development and Cooperation (SDC) staff in Yerevan.

The present mid-term evaluation follows another evaluation that was conducted in 2018 by Thomas Boysen and Karin Taslakyán, focusing on the first phase of the project. They concluded that the project was generally very well executed by the four implementing agencies GIZ, UNDP, CoE and ATDF but that the TARA reform had gone faster than initially planned which had led to a out-pacing effect and the difficulty for MTAD and donors to fund the capacity development activities necessary to ensure success and full acceptance by the population⁴. They also observed some delay on the national training strategy (NTS) but were told that a concept paper would be formulated to guide the elaboration of a strategy document by July 2018⁵. While they recognized some improvement regarding the CAA governance, they also raised concern on its financial sustainability⁶. On the basis of these and other findings, the consultants made a series of recommendations that helped define the second phase of the project and that will altogether indirectly inform the present report.

2. Scope

The mid-term evaluation focuses on the overall sustainability of the LSG project and on factors that demonstrate the degree of ownership by its beneficiaries and stakeholders that can lead to scaling-up measures. The above-mentioned external evaluation of the predecessor programme and the program document “*Improvement of the local self-governance system in Armenia 15 July 2019 – 30 June 2023*” had already highlighted some obstacles and challenges, and the consultants discuss the relevance and the impact of the strategic and operational adjustments that were made in the second phase of the LSG project. On the sustainability side, the team has evaluated the extent to which Armenian institutional partners (Ministry of Territorial Administration and Infrastructure – MTAI; Communities Association of Armenia – CAA; municipalities and others) have embedded the LSG project in their policies and practices (national reform strategies and strengthening of municipalities’ powers and mandates). The evaluators have also checked if the new methodologies, manuals and guidelines that have been drafted by the LSG project have been embedded in the Armenian regulatory framework and if they are used by the partners. In doing so, they did not focus their analysis on the processes that led to concrete actions but rather on the extent to which these concrete actions have made a difference in the perception of the beneficiaries if not in their daily life. The consultants have also tried to assess if Armenian resources have been used as much as possible, and whenever appropriate in order to ensure the sustainability of the LSG project. Regarding the scaling-up measures, the evaluators have, among other things, assessed if GIZ has reached its objective of covering 52 enlarged municipalities with the establishment of Citizen offices (CO), Municipal Management Information Systems (MMIS), data centralization and municipal development planning and budgeting. They have evaluated if the country-wide approach regarding youth engagement and local female political engagement was successful according to predefined targets and objectives as the roles in municipality planning and budgeting regarding the gender dimension is divided between UNDP and GIZ.

Finally, the impact evaluation has identified the causal effects of the LSG project on the following outcomes as listed in the logical framework: *(1) The Government has created favourable framework conditions for decentralisation; (2) Municipalities have delivered relevant services and incentives for citizens, the business environment and local economic actors; (3) Citizen participation of all relevant groups at local level has increased; and (4) The Communities Association of Armenia (CAA) has delivered the required services to the municipalities and has lobbied for the interests of its constituency.*

⁴ Boysen T., Taslakyán K., (2018) “Improvement of the Local Governance System of Armenia” Evaluation Report, p.1

⁵ idem.

⁶ idem.

3. Methodology

The mid-term evaluation is supported by evidence based on social science and statistical data, which we assess are reliable on the basis of our academic experience, knowledge of the Eastern European and Armenian contexts and evidence from the field mission *per se*. The results of this detailed analysis provide evidence of the programme's success and stress its potential for replication, while identifying areas for improvement and challenges. This impact evaluation allows for a series of strategic and forward-looking recommendations. In line with point 3.4 ToR, the evaluation concentrates on the key areas identified by the evaluation manager, namely the *relevance*, the *coherence*, the *effectiveness* and the *sustainability* of the second phase of the LSG project (*Section III: Key Findings*). Through the specially selected methods, the evaluation team has delivered a critical analysis of the project's organisational structure, as well as an assessment of the sustainability of the project's interim results. The entire mid-term evaluation process reflects all changes that have emerged during the second phase of the project implementation, accordingly presenting detailed and reasoned recommendations to increase the effectiveness of the project.

With this aim, the evaluators have focused on two areas of research in order to address the indicative evaluation questions provided. **First**, before, during and after the field mission, the evaluators have engaged in **desk research** and carefully studied the available project documents, relevant reports, policy documents from different stakeholders involved and extracted and analysed relevant statistical data made available by government agencies, SDC, and other actors. The logical framework of the project was used as a common thread on which the evaluators have relied on throughout their evaluation and against which strategic actions and reorientations have been analysed. **Second**, during and after the field mission, many **interviews and consultations** have taken place in Yerevan and in numerous municipalities (14 altogether). At the local level, we applied a two-phase-evaluation methodology based on **face-to-face meetings**⁷ and an **e-survey**⁸. For the selection of municipalities' visits, the main selection criteria were based on regions/marzes, community sizes and their distance from Yerevan, and enlargement dynamics. We aimed to include a wide range of communities to have a representative sample for our evaluation. Thus, communities from 9 out of 10 marzes were visited by our experts.⁹ We selected municipalities that differ in size: large communities, including numerous settlements and double-amalgamated communities and small communities. Our choice was also based on the need to maintain samples from the enlarged communities, including only rural areas/settlements, as well as from the consolidated communities consisting of urban communities/cities and villages. Furthermore, we strived to examine how the re-composition due to continuing TARA reforms effected municipalities, and how TARA directly impacts municipalities' work and organisation – thereby aiming to analyse the effectiveness of the programme (previously enlarged municipality, enlarged municipality absorbed by a newly established cluster, two or more enlarged municipalities merged into one absorbing also several nearby villages, an existing enlarged community absorbing new settlements). Finally, to understand the dynamics of the development and enlargement process, we have included municipalities that supported adapting their steering and management processes to the needs of the enlargement by December 2021 and municipalities that are required to implement those requirements by March 2023. In addition to the face-to-face meetings, the evaluation team designed an e-survey that was spread to the 38 target municipalities of the current phase of the project. 28 municipalities filled in an e-survey which provides an approximate 78% return rate. It is related to the logical framework and to the overall evaluation questions, aims and objectives.

⁷ See annex 3

⁸ See annex 2

⁹ As a result of the current security situation and the immediate consequences of Azerbaijani military incursion into the territory of Armenia, it was not possible to visit municipalities in Gegharkunik region.

II. Political Context

The foundations of the Local Self-Government (LSG) system in the Republic of Armenia (RA) were established in 1995 with the adoption of the first Constitution of the RA after gaining independence from the Soviet Union. Chapter 7 of the Constitution stipulated that the administrative-territorial units of the RA are marzes (regions) and communities/municipalities, and the latter are classified into rural and urban municipalities. Furthermore, it states that the LSG operates at the municipal level.¹⁰ The RA Law On Administrative-Territorial Division of the Republic of Armenia, passed in 1995, defined that Armenia was divided into ten marzes¹¹ and 915 communities/municipalities. Based on the elements of the Soviet administrative-territorial division, with some exceptions, almost all settlements received the status of a separate community and, therefore, the right to form a municipal government. The capital Yerevan received the status of a region. In 2005, after numerous constitutional amendments, Yerevan was given the status of a municipality whose local self-government features are defined by a separate law.¹² In 1996, the adoption of the RA Law on Local Self-Government was the first step of political decentralisation giving local governments the right and ability to form LSG bodies in order to solve public issues of municipal significance. Article 8 confirmed that the municipality is the democratic basis of the state system.¹³

In the ensuing years, political and administrative decentralisation efforts have been carried out at various scales and stages, and actions were taken to enhance local autonomy and strengthen local governance structures. This has included the transfer of new powers to the local authorities, the expansion of the municipal property institution, and streamlining the interactions between central and local governments. In 2002, Armenia ratified the European Charter of Local Self-Government¹⁴ under the auspices of the Congress of Local and Regional Authorities of the Council of Europe (CoE) undertaking further commitments to promote local and regional democracy and the local authorities' adequate political, administrative, and financial independence. Furthermore, it assumed obligations to encourage citizen participation at the local level and to further decentralise power. Similarly, with the Utrecht Protocol¹⁵ to the European Charter of Local Self-Government, which Armenia joined in 2013, the country took the responsibility to strengthen citizen participation in local affairs and enhanced the transparency of the work of LSG bodies. In line with the requirements of this protocol, the RA Law on Local Self-Government was amended, presenting new provisions for citizen participation in LSG, permitting them to raise local issues and include them in the agenda setting and regular meetings of the municipal council. The need for community consolidation and reform on the administrative-territorial division of the state has been on the country's agenda for many years. Until recently, the territorial and administrative division inherited from the past, along with the limited decentralisation in Armenia, were viewed as considerable impediments to the strengthening of LSG, sufficient delivery of services, and efficient use of scarce financial and human resources, leading to an additional outflow of population from rural areas. Furthermore, the lack of fiscal decentralisation increased the local government's dependency on the central government, creating accountability problems at the local level.

¹⁰ RA Constitution (1995), Chapter 7, Article 104-105. Available at: <https://www.arlis.am/documentview.aspx?docID=1> (Armenian version), last accessed: 15.11.2022.

¹¹ RA Law on Administrative-Territorial Division of the Republic of Armenia (1995), Article 2. Available at: <https://www.arlis.am/documentview.aspx?docid=59732>, (Armenian version), last accessed: 15.11.2022.

¹² RA Constitution (2005), Chapter 7, Article 108. Available at: <https://www.arlis.am/documentview.aspx?docID=75780>, (Armenian version), last accessed: 15.11.2022.

¹³ RA Law On Local Self-Government (2002), Chapter 1, Article 4. Available at: <https://www.arlis.am/documentview.aspx?docID=73271>, (Armenian version), last accessed: 15.11.2022

¹⁴ European Charter of Local Self-Government (1985), European Treaty Series - No. 122, Strasbourg, France. Available at: <https://rm.coe.int/168007a088>, last accessed: 15.11.2022.

¹⁵ Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority (2009), Council of Europe Treaty Series- No. 207, Utrecht, the Netherlands. Available at: <https://rm.coe.int/168008482a>, last accessed: 15.11.2022.

In 2011, the RA Government approved the Concept Paper on Enlargement of Communities and Establishment of Inter-community Unions.¹⁶ It marked the beginning of a number of serious and large-scale reforms in the public administration system, initiatives aimed at solving numerous problems of administrative-territorial division (fragmentation of communities, significant differences in their abilities, resources, and development). Two possible options for solving the above-described problems were proposed in the "Enlarging communities as a means of optimising the administrative-territorial division of Armenia"¹⁷ working reference of the MTAI¹⁸, formed on the concept presented by the government: enlargement of communities by the restructuring of the administrative-territorial system, or the introduction of the inter-community cooperation formats through the creation of Inter-community Unions. In the case of the first path, the communities' number in the republic would decrease. With the "scale effect," it would be possible to provide better services with lower costs (including lower maintenance costs), and the number of employees in the newly created community would be significantly lower than previously. Thus, the possibility of offering higher salaries to municipal employees and promoting the entry of qualified employees into the municipal staff will increase. The second scenario of creating inter-community cooperation referred to joint activities by two or more neighbouring communities in the community administration, local services, and community development spheres, enabling these processes to be more effective than communities would be separately.

In 2014, the CoE monitoring report¹⁹ on the state of local democracy in Armenia was issued by the Congress of Local and Regional Authorities, pointing out numerous problems and challenges that needed to be addressed. Concerns included limited participation, capacities, and resources of local authorities in service delivery, regulation, and management of public affairs, the existence of numerous small and weak municipalities, fragile and not fully functional community councils, local government bodies often "serving more as agents for the central government, than as autonomous actors of local public administration", some legislative shortcomings and numerous other issues. The process of reforms, as it turned out later, proceeded with the first way - the enlargement of municipalities in the form of administrative-territorial changes, that is, uniting or changing the status of municipalities. The priority of deepening the other two forms of decentralisation - fiscal and sectoral, through administrative-territorial reforms was taken as a basis. The start of the actual reforms, however, was much later. In 2014, the RA Government launched a large-scale structural reform process with the Territorial and Administrative Reform of Armenia (TARA) completed by the Ministry of Territorial Administration and Infrastructure (MTAI). The main goal was to build viable structures at the local level, enabling local governments to become functional and responsive units, create conducive framework conditions to enhance LSG capacities, and promote people's well-being.

The MTAI, in the above-mentioned working reference, proposed two scenarios for the communities' enlargement: according to clusters (based on the principles of economic expediency, ensuring the possibility of services' delivery to the population, easy access to public services for the residents, ensuring LSG independence, etc.) and according to the territories of former regions/rayons. Before launching the amalgamation process, there were 915 municipalities in Armenia, of which 49 were urban, 866 were rural, and in general, 48% (441 municipalities) of the municipalities had a population of less than 1,000. Given the small number of inhabitants, effective management and development prospects for these smaller

¹⁶ Concept Paper on Enlargement of Communities and Establishment of Inter-community Unions (2011), the Government of Armenia. Available at: https://www.e-gov.am/u_files/file/decrees/arc_voroshum/11/qax44-18_1.pdf, last accessed: 15.11.2022.

¹⁷ Enlarging communities as a means of optimising administrative-territorial division of Armenia, Available at: <https://www.mtad.am/files/docs/774.pdf>, last accessed: 15.11.2022.

¹⁸ formerly known as MTA

¹⁹ Local Democracy in Armenia: Recommendation 351 (2014), the Council of Europe, the Chamber of Local Authorities, CPL(26)2FINAL, Strasbourg, France. Available at: https://rm.coe.int/local-democracy-in-armenia-recommendation-nigel-mermagen-united-kingdo/168071a25f#_Toc383674464, last accessed: 15.11.2022.

municipalities were not very promising. The initial phase of administrative-territorial reforms occurred in 2015 when three pilot municipalities (Tumanyan, Tatev, and Dilijan) consolidated 22 communities. Those three municipalities were the only ones having local referendums on the enlargement issue on May 17, 2015. Until the 2015 constitutional amendments, it was mandatory to listen to the opinion of the residents when uniting or dividing municipalities by holding a local referendum. However, regardless of their results (positive or negative), those local referendums only had a consultative nature. With the constitutional amendments of 2015, the provision of holding local referendums was removed, and there were no referendums for the upcoming enlargement phases. The second phase took place in 2016 (118 former municipalities consolidated into 15), and the third phase in 2017 (34 new municipalities emerged, absorbing 325 former ones). The municipalities enlarged in the third phase made up about 70% of the communities subjected to enlargement before that.

In 2018, there was a temporary "freeze" in the process of enlargement due to internal political changes taking place in the country, known as the Velvet Revolution.²⁰ The new leadership announced that "we should pause for a moment" to see recorded results in the enlarged municipalities. After some time, the enlargement issue began to be discussed again by official circles.²¹ In 2019, the RA National Assembly proposed to amend the Law on Local Referendum²² to establish the possibility of having a local referendum at the initiative of the population on the issue of unification or division of the community. In fact, as before the constitutional amendments of 2015, the results of those referendums would only have an advisory nature.

The resumption of the enlargement process took place in 2020, and the fourth phase, with 21 municipalities amalgamated into two, ensued. The fifth phase occurred in 2021 (441 communities consolidated into 38 municipalities). The final round of enlargement took place on September 25, 2022, in conjunction with elections for local self-government bodies, and concluded the TARA. After this last stage, Armenia currently has 71 municipalities, of which 64 are enlarged municipalities. The remaining 7 communities are Yerevan and Gyumri – the two largest cities - and 5 other smaller municipalities populated by ethnic minorities, which were not included in the process.²³ In contrast to the consolidations made in the first period, during these new stages, the issue was not presented to the discussions of the wider public and expert circles. Ergo the new phases, there were also many double-amalgamation cases when already enlarged municipalities once again consolidated into new communities.

Last but not least, the RA Electoral Code was modified as a result of TARA which introduced a proportional electoral system to the communities having 4'000 and more residents which allowed the application of a 30% gender quota.²⁴

²⁰ The Velvet Revolution is generally seen as a watershed in the democratisation of Armenia. Armenia is generally seen as a success story of democratic governance in Central Asia, however, organisations such as Freedom House point out that issues remain in the areas of political and civil rights protection, human rights implementation, democratic governance, and combatting the effects of state capture. See: Freedom House (2022) *Armenia - Freedom in the World Report 2022*. Available at <https://freedomhouse.org/country/armenia/freedom-world/2022>

²¹ Enlargement up to 2018 was considered as incoherent and without a proper framework by experts, who recommended further administrative changes to make municipalities more efficient. See for example: Hayrapetyan, R. (2018): Problems of Local Governance in Armenia, in: *East European Scientific Journal*, Vol 2(30), pp. 28-30.

²² RA Law On Amendments and Changes to the Law "On Local Referendum" (2019). Available at: <https://www.irtek.am/views/act.aspx?aid=152231>, last accessed: 15.11.2022.

²³ For an assessment of enlargement as a whole, see: Baleyan, Hasmik (2022): *Enlargement of Communities: Problems and Challenges*. EVN Report, October 11th 2022, available at: <https://evnreport.com/law-society/enlargement-of-communities-problems-and-challenges/>

²⁴ RA Electoral Code, Article 83, Point 4. <https://www.arlis.am/documentview.aspx?docid=105967>

III. Key Findings

1. Relevance

Armenia has undergone an impressive amount of reforms in the local self-governance sector since 2015, as highlighted above. The number of municipalities has been reduced from an initial 915 in 2015 to 71, with the local elections on 25th September 2022 finalising the amalgamation process. Newly created communities differ in size and geography, requiring additional adaptation and effort for the project to support the TARA. The project therefore remains highly relevant in the ongoing environment in Armenia as the consolidation of new municipalities has required new engagements by the implementing partners, and will require continued engagement to ensure that the defined objectives are met. This is particularly important for citizen participation with particular focus on women and youth engagement and support for integrity and transparency in the newly enlarged municipalities. As was highlighted in the previous evaluation,²⁵ the waves of amalgamations and reforms required a great deal of coordination, adaptation and anticipation efforts on the part of all the stakeholders that inevitably resulted in an uneven implementation pattern across the target municipalities. While some of this has been considered when designing targets and overall objectives for the current programme, altogether, we observe a vastly diverse landscape of municipalities, which are at different stages of reform implementation. In particular, there is currently a disproportionate distribution of COs as almost 85% of 64²⁶ enlarged municipalities have a fully functioning CO and use the Municipality Management Information System (MMIS) in the community centre, while the remaining communities do not have COs for different reasons: either they are too small to host one (such as Arevut and Lermontovo²⁷), or the “conditions”²⁸ (i.e. lack of infrastructure, political will, financial funds) do not allow the creation of a CO (like Lori Berd), or COs are planned to be implemented in the near future. Furthermore, due to the double amalgamations, some municipalities have a CO but not in the municipality centre (like Akhuryan with the CO in Marmashen) or have more than one CO within a community (Alaverdi along with Shnogh, Odzun, and Akhtala's COs, Chambarak and Shoghakat COs, Noyemberyan along with Ayrum and Koghb COs, Tsaghkadzor and Meghradzor COs, etc.). In some cases, there are also COs in the central settlements of the enlarged communities that have been built long ago and need to be renovated (for example, Vedi, although there is a modern CO in Urtsadzor settlement), Ijevan, Yeghegnadzor (with a new CO in Gladzor settlement), Sisian (with a new CO in Gorayk settlement).²⁹

Likewise, while all municipalities had transparent budgetary and annual work planning procedures, inclusion of different groups, and especially consultation processes, sometimes these only exist on paper with frustrated local officials pointing to a lack of engagement or very selective engagement (for example people only pushing their own private interest on the agenda of the municipality during the budgetary

²⁵ Boysen T., Taslakyan K., (2018) “Improvement of the Local Governance System of Armenia” Evaluation Report, p.1

²⁶ As per July 2022, the number of COs in Armenia was 67, out of which 55 were located in the current centres of enlarged municipalities, while 12 are currently part of other enlarged municipalities as a result of the latest TARA phase. GIZ, (March 2022), Operational report, p.18

²⁷ Lermontovo community includes Lermontovo and Antarashen villages. The latter is a very small settlement that used to be part of Lermontovo before 1991. In 2021 it was again included in Lermontovo.

²⁸ Interview with the Manager and team leader of the Armenian component of the “Good Governance for Local Development Programme, South Caucasus, GIZ, Annex 3.

²⁹ The information was also confirmed during the field mission visits and interviews, see Keil S., Mnatsakanyan, A., Felder, F., (29 November 2022). *Interview with the Manager and team leader of the Armenian component of the “Good Governance for Local Development Programme, South Caucasus, GIZ, Annex 3; Mnatsakanyan, A., (28 October 2022). Interview in Akhuryan community, Annex 3; Mnatsakanyan, A., (28 October 2022). Interview in Vedi community, Notes of the interviewers, Annex 3.*

process).³⁰ Having said this, in some municipalities, such as Areni and Aparan, we also observed very good practice, where Councillors and municipal staff actively engage with NGOs and citizens directly to get their opinions and suggestions, not just for the budget and the municipal working plans, but also for major investment decisions and wider strategic planning.

Outcome 1 - The Government has created favourable framework conditions for decentralisation

This first outcome remains relevant and important. The MTAI declared as its main focus the amalgamation of the municipalities through the TARA, which is now complete. As has been repeatedly confirmed, it should be followed by sectoral and fiscal decentralisation - which many domestic and international experts expect to occur in the next phase of the process. While the new government after the Velvet Revolution of April/May 2018 has reconfirmed its commitment to territorial and administrative reform in 2019, the process remains driven by the Ministry of Territorial Administration and Infrastructure. While MTAI has supported the reform and tries to coordinate with other Ministries, it is highlighted in some of our interviews, respectively, with UNDP, GIZ, and SDC, that at times coordination with other Ministries within the government has been challenging. Better and close cooperation and coordination of different Ministries and actors involved at the national level are required for further progress. The lack of this could be a key challenge for the future of any policy and decision-making decentralisation, as foreseen in the 2019 government programme (focusing on the areas of primary health care, maintenance and operations of connecting roads, maintenance and operations of school buildings, and the delivery and organisation of integrated social services).³¹ MTAI remains the most important governmental partner for the implementation and funding partners of the project, and has overall been committed to continued reform and close cooperation with its international partners. However, where MTAI has not been able to move forward, such as in the area of the NTS, there has been little to no progress. Yet, for future reforms, especially for policy and fiscal decentralisation, closer cooperation between MTAI and other government departments, as well as better coordination between a variety of government departments and the project implementers and funders will be required - which will also require MTAI to overcome some of its gatekeeper positioning and act as a key coordination institution. In the absence of a clear roadmap for further sectoral/policy and fiscal decentralisation, additional support for MTAI and ultimately implementing municipalities will be required in the future.

Outcome 2 - Municipalities have delivered relevant services and incentives for citizens, the business environment and local economic actors

This second outcome remains relevant and high on the agenda, especially as the implementation partners- GIZ and UNDP, will need to continue to engage with newly-formed municipalities to address the outcome indicators. Piloting sectoral municipal services in communities was delivered based on a UNDP methodology of co-designing services with the engagement of the population, including marginalised groups which showcases some successful pilots of improving local services, such as Meghri with the implementation of the inter-settlements transportation monitoring system or Noyemberyan, with the extracurricular service for children³². As the territorial consolidation of the reform has come to an end, it remains increasingly vital to reinvest savings from larger municipalities in structures that enable economic development. Economic development outside of Yerevan remains a key challenge for Armenia as a whole, and increasing the business and investment environment is often pointed out as a key requirement for

³⁰ See, for example, Keil S., Mnatsakanyan, A., (6 October 2022). *Interview in Goris community*, Annex 3; Keil S., Mnatsakanyan, A., (5 October 2022). *Interview in Nairi community*, Annex 3; Keil S., Mnatsakanyan, A., (5 October 2022). *Interview in Dilijan community*, Annex 3.

³¹ These have been identified as the most important areas for decentralisation to be implemented in various pilot municipalities as part of the government strategy 2021-2026.

³² See E-survey Results, Annex 2; Keil S., Mnatsakanyan, A., Felder, F., (04 October 2022). *Interview with the Task Leader of Women and Youth for Innovative Local Development*, UNDP, Annex 3.

improved and more balanced economic development.³³ According to World Bank Data, still 27% of the population of Armenia live below the poverty line.³⁴ TARA has therefore also been seen as a chance to lay the foundation for a more even economic development strategy, and the focus on stronger economic development indicators and support at local level in Phase 2 is important and remains vitally relevant, not least as a result of the severe socio-economic fall-out from the Covid-19 pandemic in Armenia.³⁵ The consolidation of municipalities within TARA has also resulted in a professionalisation and streamlining of processes to ultimately benefit economic development. For example, a change to the Law on Local Self-Government in November 2021 has made it a legal requirement for municipalities to develop annual work plans and clearly highlight the short- and long-term plans for local economic development. Whilst ongoing global economic uncertainty, rising inflation and Armenia’s economic dependence on trade with Russia, as well as the security situation and ongoing conflict with Azerbaijan remain vital risk factors, overall it can be assessed that the current economic development outlook for 2023 is positive, and Armenia is experiencing an economic recovery process beyond expectations. MTAI funding increases for municipalities have also been vital in order to achieve and improve local economic development and a more balanced economic performance across the country.³⁶ The last GIZ operational report states that “According to the 2021 annual report of MTAI on municipal budgets, the own revenues of municipalities (refers only to local duties, taxes and fees) increased by 23.4% compared to 2020 and made up 26.4% of the total revenues. The reduced share of own revenues compared with the baseline value of 30% in 2019 (based on 2018 annual report on municipal budget) is to be explained primarily by the sharp increase of state transfers to municipalities, namely: subventions: (+62.2% compared to 2020, +1334.4%, i.e. thirteen times more compared to 2018) and financial equalisation transfers (+26.2% compared to 2020, +47% compared to 2018). Besides, municipal budgets suffered from the Covid-19 pandemic during 2020, causing a 9% decline in their own revenues. Hence, the increase in 2021 is an indicator of economic recovery of municipalities”.³⁷

Outcome 3- Citizen participation of all relevant groups at local level has increased

This third outcome remains important and relevant. While previous evaluations and the programme framework as a whole have reported a decrease of women engagement at local levels, including representation of women in local Councils, we can report that there has been a substantial increase of women involved in local Councils across Armenia, as well as in some areas in budget processes, and annual work plan discussions. The increase in women’s participation is due to two factors. First, the introduction of a quota of 30% for female candidates on party lists prior to the election, and second the GIZ and UNDP support to women in higher municipal administration and in conducting gender analysis with the municipality staff and mainstreaming gender analysis results into Annual workplans that serve the purpose of participative and gender responsive budgeting. Some of the vivid participatory budgeting examples we came across during our field mission were highlighted in a number of municipalities, such as Sisian, Areni, and Tatev, bringing young people's ideas to life³⁸. Gender-sensitive budgeting was also

³³ See for example: Bertelsmann Transformation Index (2022): *Armenia Country Report 2022*. Available at: <https://bti-project.org/en/reports/country-report/ARM>

³⁴ <https://data.worldbank.org/country/armenia>. This is the figure of poverty as assessed by the Armenian government and based on its own, country-specific indicators.

³⁵ For a detailed analysis of the socio-economic costs of Covid 19, see: UNDP (2020): *Socio-Economic Impact Assessment of the COVID-19 outbreak in Armenian communities*, available at: https://armenia.un.org/sites/default/files/2021-07/SEIA%20COVID%20-%20Armenia%20-%20Final%20%20Report_16.09.2020.pdf

³⁶ Reports of the RA Budget performance and the RA Laws on State Budget, available at: <http://www.parliament.am/legislation.php?sel=alpha&itype=4&lang=arm&fbclid=IwAR07mdWteDjc7PDLCOt7PKhvkfEayQwsXpDr2Sw1Uop8MpdS9xCfJLBxoew> and <https://www.gov.am/am/budget/>

³⁷ GIZ, (March 2022), Operational report, p.9

³⁸ Highlighted examples of such projects included the acquirement of 8 sports equipment to support a healthy lifestyle in Sisian, the financing of a young man's programme from the border village of Khachik, Areni community, related to animal husbandry, and the renovation of the windows of the Halidzor settlement’s culture centre in Tatev community. See Keil S.,

highlighted and assessed as an effective component in Amasia, Jermuk, and Noyemberyan³⁹. The Law on Political Parties envisages additional public earmarked funds for parties with female representation at the executive body level. Electoral Code demands at least 30% proportion for registration of a political party list for local elections. However, the quota of 30% female members is most-often not replicated in the composition of the municipal Council, as selected female candidates often do not take their seat in the Council and are replaced by men.. Although the gender quota has significantly contributed to increasing the overall participation of women in LGSs compared to previous years, it has a limited effect on women candidates' resignations (withdrawal of their candidature) and relinquishments' right before and also after the elections. During the latest elections, held on September 25, 2022, women made up an average of 30-34% of the electoral lists of parties and alliances, the minimum stipulated by law. However, after elections, the situation changed, and fewer women took up their seats as local councillors. For instance, the current Community Council of Charentsavan has only 4 women representing nearly 15% of the councillors. In Chambarak, for example, 11 out of 14 female candidates withdrew after submitting the party list to the Central Electoral Commission. In the current Community Council, the number of women is only 2, making up 9,5% of the members⁴⁰. During the 2021 elections, we were also given similar examples in Garni and Aparan.⁴¹

Moreover, whilst more women can be found on party lists as a result of electoral changes, there is little evidence to suggest that parties promote women inclusion as a whole - as can be seen by the failure to ensure 30% of women representatives in local Councils across the country. At executive level, there are only a small number of women mayors or deputy mayors, whilst the majority of Council workers are female across the country. More work will need to be done to ensure female inclusion and wider representation across municipalities - not just through TARA and municipal reforms, but also through linking ongoing training and awareness raising measures with key players such as political elites and major decision-makers. In this context, it is positive to report that the Armenian government has passed a Gender Policy Implementation Strategy and Action Plan for 2019-2023, which runs parallel to and interlinks with the activities of the LSG project. The GA itself has made women inclusion a priority of its wider reform ambitions.⁴² In addition to women inclusion, we have seen an increase of youth inclusion as well in numerous municipalities. The GA passed in May 2020 a new State Youth Strategy for the period 2021-2025, which includes a commitment to youth engagement. Where Women and Youth Advisory Councils exist at local level, they often play an important role in budgetary consultations, in the design and development of municipal projects, and in processes such as gender mainstreaming of all municipal activities, as was evidenced by our discussions in Aparan, Tatev, and Tumanyan, though with different intensity and long-term effects (as discussed below). In this regard, the E-survey results also show that in municipalities that have Advisory Councils (such as Stepanavan, Noyemberyan, and Tashir), the change in gender mainstreaming can be identified and is highlighted as a success by the respondents.⁴³ Politically, this is supported by the Public Administration Reform Strategy of the GA which was adopted in May 2022 (for the period 2021 to 2030), focusing specifically on the issues of gender inclusion and participation.⁴⁴

Mnatsakanyan, A., (5 October 2022). *Interview in Areni community, Interview in Tatev community, Interview in Sisian community*. Annex 3.

³⁹ See E-survey Results, Annex 2.

⁴⁰ For complete information, you can enter the relevant sections of the Central Election Commission: <https://www.elections.am/Elections/LocalProportional> and <https://www.elections.am/Elections/LocalProportional> , or the official websites of the communities: <https://www.charentsavan.am/Pages/DocFlow/Default.aspx?a=d&dt=Councilor&f=true> and <https://chambarak.am/Pages/DocFlow/Default.aspx?a=d&dt=Councilor&f=true>

⁴¹ UNDP, "Women and Youth for innovative local development", Annual Report (1 April 2021–31 March 2022), p. 7.

⁴² See the Government statement here: <https://www.gov.am/en/news/item/10069/>

⁴³ See more details and responses: E-survey Results, Annex 2

⁴⁴ See JAMnews (2022): *Armenian government approves draft strategy of public administration system reform*. 14th May 2022, Available at: <https://jam-news.net/armenian-government-approves-draft-strategy-of-public-administration-system-reform/>

Outcome 4 - The CAA has delivered the required services to the municipalities and lobby for the interests of their constituency

This fourth outcome has been the most challenging outcome to assess, both in terms of relevance and impact. The CAA as an organisation representing the interests of municipalities is important as a key tool of communication, discussion and negotiation between MTAI and the newly enlarged municipalities. Whilst the CAA sees itself as an agent of the interests of municipalities, it does not per se act as a lobbying body of the municipalities, and is not perceived as such by the municipalities. In the newly designed architecture of decentralised Armenia, it remains vital that municipalities can voice their concerns, input suggestions and ideas, and engage in constructive discussions with MTAI through a lobbying organisation - however the CAA does not currently act as such and hence most communication between municipalities and MTAI happens through bilateral and informal ways, thereby preventing municipalities from collective actions and a stronger voice towards the CAA. While the relevance of a performing and stable association of municipalities is uncontested, it can be concluded that the CAA does not fulfil this role at the moment.

2. Coherence

The current project brings two donor organisations (SDC and BMZ) and the MTAI together. It is implemented by three international implementation partners, namely GIZ (lead implementation partner), UNDP, and the Congress of Local and Regional Authorities of the Council of Europe.⁴⁵ The project has a unified logical framework for all three partners, though reporting happens individually for each partner and their responsible indicators and outcomes. The most important partner in Armenia is MTAI, as well as respective municipalities affected by TARA. The project is organised through a Program Steering Committee composed of MTAI, SDC and BMZ, which oversees mainly strategic decisions. The programme had to be adjusted twice - as a result of snap elections at national level in June 2021 in consequence of the Armenian-Azerbaijan conflict in 2020.⁴⁶ The logical framework was consequently expanded to include awareness, training and community activities to increase participation of underrepresented groups in the elections. An additional intervention took place in the second half of 2020, when SDC and BMZ each agreed to contribute a further CHF 230.000 to provide additional financial means to municipalities to cope with the impact of the Covid-19 pandemic, and develop a small grant scheme for investment in municipalities. There were additional budget adjustments within the CoE component of the project to move funding from support for CAA capacity building to the support for transparency and open government structures and the development of a Code of Conduct.

Outcome 1 - The Government has created favourable framework conditions for decentralisation

Implementing and donor agencies regularly consult MTAI and meet through the Strategic Coordination Committee. They have good access to MTAI and all three implementation partners, as well as the donor agencies, are respected by MTAI. Also, in terms of implementing TARA, MTAI and the implementing partners (both within this project and beyond) coordinate well and regularly. However, some concerns have risen among donors and funders since MTAI mainly perceives them as “implementation partners” conducting very few and slow steps towards the development of policy and a more long-term decentralisation strategy. On November 21st, 2022, the Draft on the Government’s decision on Approval of the Authorities’ Decentralisation Concept in the Republic of Armenia was presented with the

⁴⁵ Whenever referring to the Council of Europe in this document as an implementation partner and its role in the project, we are referring to the Strasbourg-based Congress of Local and Regional Authorities of the Council of Europe.

⁴⁶ The Swiss contribution to the Multi-Donor Election Support 2021 Basket Fund implemented by the UNDP was meant to strengthen structures, processes and instruments at the local level in the broader context of the National Elections of June 2021, as well as subsequent local elections in the same year.

Decentralization Concept. According to Chapter VII, clause 69 of the Concept document, the Strategy and the Action Plan will be designed later.⁴⁷ It is highly desirable that all the stakeholders are actively involved in this critical phase for the consolidation of the decentralisation efforts, which will be both technically demanding and politically challenging. Indeed, the lack of substantial policy and fiscal decentralisation has meant that municipalities remain mainly bodies of central government policy implementation with little authority to take specific decisions in major areas, including local economic development, and with limited independent resources. While there has been a substantial increase of government funding for municipalities, most of this budget is specifically designed for certain areas and projects in which municipalities have no or little individual decision-making competences.⁴⁸

As highlighted above, MTAI remains the main point of contact for donors and implementers, and attempts to speak to other government agencies have been very limited within this project. MTAI sees itself as a gatekeeper, which has meant that any decentralisation reform and the progress of TARA is mainly discussed and progressed through MTAI and a small number of MTAI staff. Moreover, MTAI has continued to shape the agenda of TARA and the project implementation - both positively through its strong engagement and political leadership, and negatively through its lack of ambition to progress on specific areas, such as the National Training System, a coherent framework for municipal human resource development, or the sectoral and fiscal decentralisation debates, despite repeated statements of commitment by the government. The challenge of policy and implementation coordination between MTAI and the implementing agencies was identified in the previous project's evaluation⁴⁹, and although the quality of the collaboration and the regularity of the consultation have improved in the last few years, some catch-up effects raise questions of consistency regarding the implementation of COs. While the proposed amendment of the Government Decree #1109-N of October 27, 2016⁵⁰ that makes Citizen Offices (CO) fully recognised state service operators is a positive signal, it appears that some COs were opened in some municipalities with substantial financial investment, and shortly after had to be adapted to the needs of the newly "re-merged/amalgamated" municipalities.⁵¹ On the one hand, this almost constant adaptation certainly strengthens service delivery to the citizens, on the other hand it could lead to the doubling of structures, especially in some larger municipalities⁵². Because of the catching up effect and because of the different stages, there is an imbalance amongst the municipalities and across a variety of regions in Armenia.

The three implementing partners GIZ, UNDP and the CoE meet once a year to discuss progress in their specific areas. At least one implementation partner found these meetings not frequent enough, highlighting that the completion of some indicators requires closer cooperation. We conducted numerous interviews with implementation partners in early October 2022, and while steering committees had taken place as planned, no technical coordination meetings (among implementers only) had taken place for the

⁴⁷ This decision has not been adopted yet by the GA and there is no clearly defined timeline from the MTAI although according to GIZ, its intention is to have it done over the next year and potentially, in concert with the new LSG Law (drafting the Strategy to be commissioned in the first quarter of 2023. See Email dated 20.12.2022, Manager and team leader of the Armenian component of the "Good Governance for Local Development Programme, South Caucasus

⁴⁸ For a comprehensive understanding it is required to do a thorough desk research on the Reports of the RA Budget performance and the RA Laws on State Budget, available at: <http://www.parliament.am/legislation.php?sel=alpha<ype=4&lang=arm&fbclid=IwAR07mdWteDjc7PDLCOt7PKhvkfEayQwsXpDr2Sw1Uop8MpdS9xCfJLBxoew> and <https://www.gov.am/am/budget/>

⁴⁹ SDC Project "Improvement of the Local Governance System of Armenia", Project Evaluation Report, 2018.

⁵⁰ Draft of the amendments is available at: <https://www.e-draft.am/projects/4420/about>

⁵¹ You can see such cases in Chambarak community, with the COs in Chambarak and Shoghakat settlements, Vardenis community with COs in Vardenis and Geghamasar settlements, Amasia with two COs in Amasia and Berdashen# settlements.

⁵² See Alaverdi with four COs in Alaverdi, Akhtala, Shnogh, and Odzun settlements, Tashir with three COs in Tashir, Sarchapet, and Metsavan settlements.

year 2022.⁵³ Here, we recommend that GIZ as the lead coordination partner should do more to consult with the other implementation actors on a regular basis, and ensure regular updates for the donors, beyond the monitoring reports. While the Covid-19 pandemic has made coordination and regular meetings more challenging, it has also allowed for new possibilities to coordinate and discuss through online meetings as demonstrated by the GIZ and UNDP joint activities on Women Empowerment and Citizen Participation that can be seen as an improvement compared to the 2015-2019 phase of the project. As mentioned by the UNDP “We were sharing notes on gender aspects almost on a weekly basis...in certain frequencies we were sharing minutes on what was designed...We also coordinate very well (on) gender analysis and gender budgeting”⁵⁴. During the meetings with the GIZ, the importance of this cooperation was highlighted as well: “I think it was gradually quite a successful cooperation, and I wish such type of framework would continue with one or two actors.”⁵⁵

Outcome 2 - Municipalities have delivered relevant services and incentives for citizens, the business environment and local economic actors

Additional key actors for the project include the target municipalities and the CAA. Target municipalities are involved in the project and in discussion mainly with GIZ (for structural support such as COs and the introduction of MMIS) as well as with the other two implementing partners for specific activities of the project. However, we observed that the municipalities have very little donor and project awareness. There was, for example, no awareness that COs and the MMIS infrastructure was supported by the Swiss Agency for Development, and the whole project was mainly identified with GIZ. Moreover, specific training events, especially those that took place more than one year ago or were a one-off, were not remembered by municipal staff and elected officials. Engagement with UNDP was most visible in municipalities where concrete activities were undertaken to enhance the participation of youth and women, especially through Youth and Women Advisory Councils. While some municipalities remembered training activities on integrity and transparency and confirmed the existence of a Code of Conduct, no memory of substantial engagement with the Council of Europe or any partner agencies in these areas could be identified.⁵⁶

Outcome 3 - Citizen participation of all relevant groups at local level has increased

This outcome has required the cooperation of different implementing agencies, particularly GIZ and UNDP. Moreover, in addition to work with MTAI, it involved coordination with target municipalities, civil society actors and also business actors in some cases. Here, the coherence of the programme has generally been very good, and as highlighted under Outcome 1, has also been seen as successful by the implementation partners. Coordination with civil society actors enabled young people and women to get involved and become more active in municipal affairs. What is particularly important to highlight as a success story is the interconnectedness of different activities that have resulted in successful participation of citizens. For example, as part of the small grant scheme, not only were municipalities encouraged to submit proposals (and GIZ supported their proposal development), but these proposals needed to involve citizen consultations and engagement of different groups. Previous capacity training by GIZ to enhance capacities for business development (through a local economic business development officer) at the municipal level then resulted in professional proposals, which consequently led to numerous successful projects.

⁵³ Although to our knowledge, two donor coordination meetings took place in 2022.

⁵⁴ Keil S., Mnatsakanyan, A., Felder, F., (04 October 2022). *Interview with the Task Leader of Women and Youth for Innovative Local Development*, UNDP, Annex 3.

⁵⁵ Keil S., Mnatsakanyan, A., Felder, F., (04 October 2022). *Interview with the Manager and team leader of the Armenian component of the “Good Governance for Local Development Programme*, South Caucasus, GIZ Annex 3.

⁵⁶ This was confirmed both during the interviews and by the conducted E-survey Results. See E-survey Results, Annex 2.

Outcome 4 - The CAA has delivered the required services to the municipalities and lobby for the interests of their constituency

The CAA as an organisation is well known amongst the municipalities and works with MTAI on specific issues. It has also engaged extensively with the project through training, support for its own statutes and capacity building - led by the CoE. The idea was to establish the CAA as a link between municipalities and MTAI on the one side, and Armenia and the CoE's Congress of Local and Regional Authorities on the other side. However, while the CAA in functional terms should and potentially could play an important role in Armenia's decentralised system, there is no transparency on its proper organisation, functioning and role. It is currently not serving as a lobby organisation for the municipalities at MTAI. While MTAI confirmed regular contacts with CAA, the CAA leadership itself is very critical towards the government and cooperation with major ministries. Instead, the CAA is seen by municipalities as a body that might provide access to resources, link them to donors, or enable training and capacity-building activities, for example through municipal partnerships. While these seem important functions, and the CAA is well-regarded by many municipalities, these are not primarily the functions and obligations that the CAA was created for. Political disagreements between the CAA and the government clearly hindered stronger cooperation, and by default limit access to MTAI and the government for municipalities. In general, we found that MTAI prefers to deal with municipalities individually and directly, and the same can be said for the CAA, which also speaks to municipalities individually rather than organising regular meetings. These individual, informal exchanges might sometimes be beneficial, but ultimately limit municipal influence on government policy, and reduce the lobbying pressure of municipalities towards MTAI. Previous evaluations suggested a clear communication strategy of MTAI both towards municipalities and the population at large more generally, and we could not find any evidence that this has been developed or implemented. Indeed, communication between MTAI, CAA and the municipalities was highly informal, personalised and ultimately secretive. There was little to no coordination, and most decisions are top-down, leaving municipalities in a vulnerable position, as they have to implement MTAI decisions but also become victims of political disagreement between MTAI and the CAA.

3. Effectiveness

Whilst some interventions are easy to measure and observe, such as the creation and functioning of Citizen Offices and the use of MMIS across municipalities, other indicators are harder to measure, both short and more medium- and long-term, as they require substantial cultural change. Here, we are specifically referring to the interventions related to increasing participation, ensuring transparency and shifting perspectives from municipalities as simply administrative bodies of the central level to becoming agents of change at the local level, with real decision-making competencies and functional budgets. As policy and fiscal decentralisation are yet to take place, the later cannot be assessed in detail, and any assessment of key policy areas, including local economic development, is limited as a result of the lack of a comprehensive strategy for decentralisation by the government, which would enhance substantially the autonomy and fiscal independence of municipalities. Moreover, the Covid-19 pandemic has been a distinct challenge for the implementation and although the logical framework has in parts been amended and the project expanded to address this, the inability to demonstrate progress in specific areas might still be an after-effect of the pandemic and its continuing effects on Armenia and the municipalities. Finally, it is important to keep in mind that this document is a mid-term evaluation. We can therefore not assess which indicators and targets will be achieved and which will not. Having said this, those indicators and outcomes overseen by the Council of Europe can be fully assessed, as the CoE's project component finished at the end of June 2022. Our aim is to take stock of where the project is, and what should be

prioritised for a successful completion of the project. We thus discuss each Outcome individually, focusing in our discussion on the main indicators identified in the logical framework.⁵⁷

Outcome 1 - The Government has created favourable framework conditions for decentralisation

While the policy environment as a whole, and the engagement with MTAI in particular, have remained positive and important, allowing for a successful continuation of the project, there are nevertheless several problems identified in this outcome. First, while a commitment to policy decentralisation has been given by MTAI and the government as a whole, there is yet to be a concrete strategy (possibly by end of 2023) outlining how this will be achieved. This has resulted in a situation where municipalities have, as a whole, become more efficient and better at implementing their tasks and obligations, yet they remain mainly implementation bodies of central government policy. Overall there is little progress on a larger concept of decentralisation, and concrete political will to decentralise policies and financial resources further needs still to be demonstrated.⁵⁸ *Hence, there has been no visible progress in new or remodelled functions executed by target municipalities beyond the state services delivered through the Citizen Offices.* GIZ is working in coordination with the SDC and with MTAI on a wider strategy to assess the potential for policy decentralisation and the required fiscal needs. The concept note that was published on November 21, 2022 by the MTAI defines the GA commitments in the field of decentralisation of powers, the principles, tasks and goals of decentralisation, the international experience⁵⁹ in this sphere, the proposed solutions, and the expected results. The document envisages decentralisation in the following areas: primary health care, maintenance and operation of inter-community and inter-residential roads, maintenance and operation of public school buildings, as well as organisation and implementation of complex social services⁶⁰.

Thus, the issue of a lack of progress in the area of policy decentralisation can also partially be identified in the area of fiscal decentralisation. It was foreseen that *the share of own revenue of municipalities increases* as part of the project. While as of March 2022, municipal revenues (only referring to independent income from local duties, taxes and fees) increased by 23.4%, accounting for 26.4% of overall municipal income.⁶¹ However, this impressive increase also needs to be contextualised. Whilst municipal budgets took a substantial hit in 2020 as a result of the Covid-19 pandemic, they have increased again in 2021. In addition, there is also, in real terms, an increase of contributions from the financial equalisation mechanism, which has gone up more than 26% since 2020. This demonstrates that enlarged municipalities are indeed financially stronger, which was also confirmed in all interviews conducted in the municipalities. However, municipalities still remain heavily dependent on contributions from the government (accounting for more than 70% of their budget). Reforms and contributions to budget processes and the focus on local economic development as part of this project so far have not made a substantial contribution to better fiscal conditions, and are unlikely to do so by the end of the period. While TARA has contributed to better-functioning municipalities and larger budgets for the newly created enlarged municipalities, there is also evidence to suggest that some government policy has had negative effects on municipal finances. For example, several municipalities reported that in the absence of a payment terminal for local services in the municipal building, recent government legislation forbidding cash payments to municipal staff has meant that inhabitants simply do not pay their local fees and taxes

⁵⁷ See Annex 4.

⁵⁸ It is worth mentioning here some interesting small-scale decentralisation pilot projects based on new citizens-based inputs designing models that are being implemented by UNDP and the EU but outside of the LSG project.

⁵⁹ The experience of the Eastern Partnership (especially Georgia and Ukraine), as well as some EU member states, was studied within the framework of the development of the concept.

⁶⁰ Draft Government Decision on Approval of the Authorities' Decentralisation Concept in the Republic of Armenia (2022), Available at: <https://www.e-draft.am/en/projects/5023>.

⁶¹ GIZ, (March 2022), Operational report, p.19

anymore, as they cannot reach a bank. Moreover, while all interviewed municipalities reported more flexibility with investment in targeted projects, most identified projects focused on the primary functions of the municipality, i.e. infrastructure, water supply, waste management etc. Budgets at local level allow for little innovation and investment beyond the primary functions and main obligations. For wider investment, both to enhance citizen participation, and to invest in innovative economic projects, external donor funding was often required - investments such as in solar panels on municipal buildings (funded by the EU) were therefore show-cast to highlight the need for further external engagement.

In terms of the development of a new *National Training System strategy for municipal servants*, there has neither been political will at MTAI, nor structural support from within the Ministry or within the wider government, for this initiative. This has been a key issue since Phase 1 of the project. The online learning platform, that GIZ developed and handed to MTAI in 2020, is generally known and has been used by many municipal staff we interviewed though not by all of them, and there were at least 2 municipalities where staff did not know about the platform. Municipalities lack a coherent approach to HR development and training as they for instance are generally open to further staff development, but have not worked on budgets and training programmes for their staff in a coherent manner. The inclusion of further training modules in the MMIS has also been seen as a distinct asset by a majority of municipal staff interviewed across various municipalities. At MTAI, NTS was not seen as a priority, instead the E-Learning tool was seen as the main framework for HR development in municipalities. GIZ has consequently focused on training needs assessments in different municipalities to develop a coherent framework that could serve as the basis for a new NTS strategy in the future. At this point in time, we are not confident that such a strategy will be developed, let alone comprehensively rolled out and implemented, until the end of the project in the absence of political will. Nevertheless, capacity building has been pointed out as a key issue, both by municipalities and national and international experts and donors, so there is a continued need for the development of an innovative NTS strategy.

Outcome 2 - Municipalities have delivered relevant services and incentives for citizens, the business environment and local economic actors

We could not find evidence that any municipalities had earmarked funding for human resource development - as provided for in the indicator: *At least 25 target municipalities allocating budget for Human Resources development and trainings for municipal staff*. When asked about training provisions, municipality staff mainly referred to the MTAI e-learning mentioned above, or training courses offered by external providers such as UNDP, CoE or Transparency International. Training and staff development was not mentioned as a priority by any municipality, and this low prioritisation is reflected in the fact that so far no budget has been allocated for internal training. The absence of an NTS, as well as the lack of political will to push capacity-building up the agenda in the newly enlarged municipalities also explain this hesitance, in addition to scarce resources and a general working culture in which continuous professional development and staff development are at best new, at worst alien, concepts. As a result GIZ has worked with individual municipalities to identify content and resources needed. This work will lay the foundation for a possible future NTS and could also be used to act as the basis for better coordination amongst international and domestic actors providing different training activities to municipalities.

As pointed out by the last GIZ operational report⁶², the strategic target for the *support of municipalities that adopt steering and management processes to the needs of the enlargement* were adjusted several times based on TARA progress which highlights the challenge of no predefined target for TARA reform, the above-mentioned asymmetry between the political side of TARA implementation and the project's ability to adapt accordingly. Currently, the aim is to ensure that all newly enlarged municipalities will have a Citizen Office and use MMIS, as well as adopt a transparent and citizen-oriented budget, annual work

⁶² GIZ, (March 2022), Operational report, p.12

plan and local economic development plan procedures. This area has been by far the biggest success of the project and GIZ has clearly overachieved in this regard. All newly and previously enlarged municipalities visited by the evaluators had Citizen's Offices and were familiar with the MMIS. Many useful tasks can thus be performed by the MMIS's multiple functions such as document management, payment system, budget processes, website operations, front office/back office, etc., but also for the submission and selection of citizen-led initiatives and for participatory budgeting. In many municipalities MMIS was also used across settlements as an integrated management system to ensure close cooperation and coordination between the different settlements, as well as proper monitoring of municipal projects. While the uptake of Citizen Offices was impressive (in some larger municipalities up to 100-150 people a day), MMIS was mainly used as a management tool by the municipality, and not as a tool by the local population to engage and interact with the municipality. The number of requests through MMIS and the use of the system for specific applications, information requests etc. was very low in all municipalities. MMIS was also in competition with municipal social media engagement, which often saw a higher form of engagement than MMIS. Nevertheless, all municipal staff were able to demonstrate the use of MMIS to us, and explained how the system has helped them manage the enlarged municipality.

In light with the above, we can also report positively on *the share of the population, including marginalised groups, residing in regions having access to modernised administrative services to be well above the target of 50%* (latest figures from GIZ from March 2022 put this figure at 82% of people outside of Yerevan).⁶³ In addition to the success of the CO and the MMIS, this is also due to innovative solutions such as the mobile Citizen Office in Khoy. As was highlighted by Khoy community representatives and GIZ, the report on the effectiveness of its functionality is yet to come. Nevertheless, very positive feedback from the citizens and the tool's impact are highlighted in the municipality. Being fully designed and implemented in 4 years,⁶⁴ the first pilot mobile CO⁶⁵ in Khoy has, indeed, provided a good solution both for reaching out to citizens and providing services at a lower cost price than the real CO. Besides the Khoy community, another pilot is already designed for the Chambarak community and will be handed to them in the near future. Overall, this innovation is a good solution for delivering services at the local level, not only in the communities which do not have a real CO and cannot afford one but also for the ones with already existing infrastructure, creating the opportunity to broaden the scope of the reach out and ease the work. Ensuring access to services remains a challenge in the newly enlarged municipalities, though by 2023, all of them will have a CO and use MMIS. Solutions such as mobile Citizen Offices will enhance access particularly for vulnerable groups such as citizens with disabilities and should be expanded.

Local economic development has been a priority of Phase 2 of the project, hence the focus on *municipalities implementing new environmentally sustainable LED related measures from municipal development plans/budgets*. There are clear processes linking budget development, annual work plan and local economic development priorities, as was highlighted in all municipalities we visited, and GIZ continues to engage with numerous municipalities to ensure that these processes comply with the correct standards and procedures. This process is also inclusive, with consultations and the ability of all citizens as well as interest groups to make proposals, suggest amendments and put forward different priorities. While environmental issues have not explicitly been highlighted as issues, they have indirectly been mentioned as key challenges in the area of infrastructure development, water access and waste management in several municipalities. The below-discussed LED-scheme has promoted environmentally focused projects, and GIZ has further promoted climate change action through particular training

⁶³ According to the population numbers published by the Statistical Committee of the Republic of Armenia as of 1 January 2021.

⁶⁴ See Keil S., Mnatsakanyan, A., Felder, F., (20 December 2022). *Interview with the Manager and team leader of the Armenian component of the "Good Governance for Local Development Programme, South Caucasus, GIZ, Annex 3.*

⁶⁵ After the planned piloting of the first Mobile CO in Khoy newly enlarged municipality in the second quarter of 2022, the Programme will consider introducing it in more municipalities, depending on the availability of necessary funds. GIZ, (March 2022), Operational report, p.7

programmes. However, a major reason why environmental issues have not been high on the agenda in many municipalities is the ongoing security situation in the country. As one municipal official put it blandly, in light of internally displaced persons and the everyday danger of violent attacks and bombing, municipal decision-making becomes very difficult. This was a sentiment that was reflected across municipalities - whilst there is a willingness to focus on economic development and environmental sustainability, security, the arrival of internally displaced persons, and ongoing political instability were the major issues on the agenda of many municipalities.

There has been a general increase of support from the government for municipalities, as mentioned above. For the indicator: *Increase in central budget allocations for climate change LED initiatives in target municipalities, central co-financing for local LED-projects is considered*, innovate local economic development plans have not only been developed and implemented by a number of municipalities, but several municipalities also used them to showcase some of the projects that have received financial support. All projects that are part of the small municipal grant fund are developed as part of, and through the formalised processes, including consultation and inclusion required by the municipal local economic development planning. They include an environment impact and Risk Assessment, and have to be co-funded by the state. Up until March 2022, 31 enlarged municipalities received state co-funding for a project included in their LED.⁶⁶ Examples for these projects and their link to sustainable and environmentally-friendly development include: the reforestation of degraded lands carried out in Norashen, Geghadzor, and Tsaghkahovit settlements in Tsaghkahovit community and the installation of trash cans in the rural settlements of Kapan municipality.⁶⁷ It can consequently be expected that by the end of the project, the target of 40 enlarged municipalities will be achieved, if not exceeded. There is also a commitment at MTAI to support local economic development with additional funds. These LED activities, in addition to the Covid-19 economic recovery fund (which has, since March 2021 supported 21 projects, 18 of which are now completed), are seen as success stories by the implementer GIZ and the municipalities. In fact, in interviews and through our E-Survey, municipalities would boast about the projects they have received funding for, speaking proudly of their achievement and highlighting the medium and long-term economic impact. For example, Dilijan with the project of the construction of stalls for sale of agricultural products or Aparan, where the LED Covid-19 mitigation funding has resulted in the development of local guest houses and information centres.⁶⁸

Outcome 3 - Citizen participation of all relevant groups at local level has increased

The work for Outcome 3 is split between GIZ, UNDP and the CoE. While GIZ focuses strongly on the support of municipalities and increased participation of women and other marginalised groups in municipal decision-making, consultation and policy processes (including LED projects), UNDP works specifically with women and youth groups to enable their stronger participation through the Women and Youth for Innovative Local Development, which focuses on the co-designing of specific municipal services, the provision of small grants, electoral support (for national and local elections to support female candidates), through the promotion of Women and Youth leadership initiatives and additional trainings at local level to enhance awareness and provide better access for young people and women. The CoE was in charge of supporting the implementation of transparency standards and Code of Conducts based on European standards of the Council and the best practices of the Congress of Local and Regional Authorities. They focused specifically on the Creation of a Community of Practice to discuss political integrity in local governance across different municipalities, the development of a model Code of Conduct

⁶⁶ GIZ, (March 2022), Operational report, p.14

⁶⁷ See E-survey Results, Annex 2 for full survey responses.

⁶⁸ See Keil S., Mnatsakanyan, A., (5 October 2022). *Interview in Dilijan community*, Annex 3; Keil S., Mnatsakanyan, A., (5 October 2022). *Interview in Aparan community*, Annex 3.

for Municipalities (in cooperation with the Corruption Prevention Commission), as well as training courses and support for open government partnerships between municipalities, civil society and the Open Government Partnership Secretariat in Armenia.

The development of local economic development plans has been a priority for Phase 2 of the project. Hence, the indicator - *municipalities implement local development plans integrating population including marginalised groups projections and resource needs* - reflects the generally accepted need of municipalities to engage widely with their population, while at the same time highlighting the bottom-up importance of economic, investment and development projects. GIZ has worked extensively with municipalities to ensure they develop LED plans through a participatory manner. The majority of municipalities interviewed confirmed this, and their openness to include a variety of groups. However, participation is mixed amongst municipalities that were visited, with some of them actively engaging marginalised groups such as young people and women, while others struggling to engage anyone in their consultative processes. We found that participation also substantially depends on the attitudes of local officials. In some municipalities such as Areni, Khoy, and Aparan, the involvement of women and youth through the relevant Councils was an integral element of the budget, annual work plan and LED planning.⁶⁹ However, in municipalities such as Akunk and Nairi women inclusion was understood in a very minimalistic way, referring to the majority of the municipality staff workers and teachers being women, and giving a chance to women to participate in discussions through general participatory channels⁷⁰. Especially where Women and Youth Advisory Councils exist,⁷¹ different groups are involved in consultation and LED planning. UNDP's work in the establishment, training and continued engagement of Women and Youth Councils is therefore vital to ensure further inclusion. Currently, there are 16 such Councils across the enlarged municipalities, but further Councils are being planned, and Khoy municipality stated that they would welcome cooperation with UNDP on the establishment of such a Council. As was confirmed to us both by UNDP and by representatives on these Boards in a number of municipalities, medium- and long-term engagement is key, both with the Board and the municipality in order to ensure their inclusion and their recognition by municipal authorities, including the Council and the municipal executive. UNDP therefore emphasises women and youth leadership training as part of its work in this programme. The focus is on continuous engagement with people, skills development and support in local engagement through specific support, including involvement in project development and budgetary processes. Good evidence exists for example in Aparan, where the local Women and Youth Council is regularly consulted and encouraged to take part in decision-making, consultation and project development. In Tatev too, the Head of the Municipality highlighted the importance of the Women and Youth Council in decision-making and consultation. The case is also applicable for Noyemberyan and Areni. Fostering a culture of local democracy that is participatory and inclusive will need continued efforts and time. The expansion of these Women and Youth Councils, their training and their engagement with municipal officials seems vital to ensure that sustainability in consultation is ensured and wide participation can be guaranteed. Where projects were discussed that were based on Youth and Women initiatives (such as the Youth meeting rooms in Aparan and Khoy), these are often seen as a huge success and tend to benefit the wider community (the youth room is now also used by other groups in Aparan and the Council meets in the room as well).⁷²

⁶⁹ See Keil S., Mnatsakanyan, A., (5 October 2022). *Interview in Areni community*, Annex 3; Keil S., Mnatsakanyan, A., (5 October 2022). *Interview in Aparan community*, Annex 3; Mnatsakanyan, A., (27 October 2022). *Interview in Khoy community*, Annex 3. Mnatsakanyan, A., (28 October 2022). *Interview in Akhuryan community*, Annex 3.

⁷⁰ See Keil S., Mnatsakanyan, A., (5 October 2022). *Interview in Akunk community*, Annex 3; See Keil S., Mnatsakanyan, A., (5 October 2022). *Interview in Nairi community*, Annex 3;

⁷¹ Annex 2, E-survey Results.

⁷² Annex 2 and Annex 3 provide the detailed information on the presented cases.

The active inclusion of women in decision-making has also been at the forefront of the project and links to the transversal theme of gender. There have been several ways in which this issue has been addressed. GIZ has worked with municipalities to promote women inclusion through gender budgeting based on UNDP gender analysis and mainstreaming in engendered Annual Work Plans (AWP). The target municipalities were selected every year by respective UNDP and GIZ teams to ensure synergies. The changes to the electoral law for local elections have made a huge difference in terms of women representation in municipal Councils, the number has gone significantly up due to the requirement to include 30% of women on the lists for the elections. There is only a small number of municipalities which do not include any women in their Council, though most of them do not reach the target of 30% as female candidates often do not take their post when elected and are replaced by men. As of March 2022, there were 22 enlarged communities (before the elections with the new gender quota) in which women actively participated in decision-making). These included either direct participation or support for women-initiated projects.⁷³ As a result of the electoral law changes and the election of women in all but one enlarged municipality that had elections in 2021, this number will have gone up, and there is no question that the target of 30 will be achieved and possibly exceeded. Therefore, the indicator focusing on *an increase of women running for elections* has also been met, as changes to the electoral law have made this a legal requirement.

The focus on female inclusion in LED-projects is particularly worth mentioning, as it builds on skills development (often supported by UNDP), and additional support for municipalities by GIZ to encourage female and youth participation. As of March 2022, there are 58 projects funded through the Programme's Local Female Politicians' small grant fund (administered by GIZ).⁷⁴ These funds focus specifically on citizen participation, women empowerment, transparency and participatory research. The target of supporting projects for Local Female Politicians in 30 municipalities has already been exceeded, as 39 municipalities have so far benefited from the grant. In addition to supporting women, the project also focuses on supporting youth, as the *increase in the number of youth-led initiatives to support the local democratisation and development, including public services* indicator highlights. So far, a number of initiatives (57 as of March 2022) involving young people have received funding from different sources.⁷⁵ It is important to say that young people specifically have benefitted from the Covid-19 mitigation fund added to the project. As was confirmed to us by UNDP and in several review reports, this is indeed the case. UNDP as well as other international donors working in Armenia pointed out that the development of capacities amongst young people (and other marginalised groups) often takes a lot of time and resources. Here, long-term engagement is needed, often beyond regular training. Concepts, such as UNDP's "I am the Community"⁷⁶ Youth Leadership model and regular engagement with key youth activities are therefore vital for long-term sustainability. In this regard, UNDP has been able to use Youth camps funded by the project in order to mobilise young people to engage with new initiatives and proposals in their community. The results are: youth initiatives have resulted in over 400 new volunteers for youth issues across different municipalities in Armenia, the introduction of youth issues and entertainment as a budget line in municipal budget-planning processes, youth support for aid distribution to vulnerable people during the Covid-19 pandemic and the development of specific videos on LSG and their responsibilities.⁷⁷ Likewise, UNDP's Women Leadership School have resulted in 12 women and young people being able to apply and receive Covid-19 mitigation small grant funding, as well as supporting 2 women leaders and 4 NGOs to deal with the effects of the double crisis of 2020 (Covid-19 and war).⁷⁸

⁷³ See UNDP: Women and Youth For Innovative Local Development, Annual Report 1 April 2021 to 31 March 2022.

⁷⁴ GIZ (March, 2022), Operational Report, p. 16.

⁷⁵ These include in the majority, but are not limited to, the Small Grant Fund and the Covid-19 Mitigation Fund of this project.

⁷⁶ UNDP, "Women and Youth for innovative local development", Annual Report (1 April 2021–31 March 2022), pp. 21-22.

⁷⁷ Email exchange by Soeren Keil with Zhanna Harutyunyan, UNDP Armenia.

⁷⁸ Ibid.

The final indicator for this Outcome defines a *specific number of municipalities implementing European standards on transparency and integrity*. This refers to the adoption and implementation of Codes of Conduct on Integrity in at least 10 newly enlarged municipalities, as well as the developments of further anti-corruption mechanisms and the development of a self-assessment tool for municipalities, based on Council of Europe standards. Thanks to the legal changes decided at national level but concerning local governance, transparency and open governance have been strengthened and promoted. Most importantly, recent legislation requires all municipalities to develop and implement a Code of Conduct. In addition, both the anti-corruption mechanisms and the self-assessment tool are in place and applied in the 23 pilot municipalities (whose representatives worked together through the Community of Practice with 69 overall members from 23 municipalities). These anti-corruption mechanisms include information on the corruption risk including a self-assessment tool, recommendation on the decisions of local councillors and a “Leaders for Change” online learning tool focusing on open government.⁷⁹ The development of the model Code of Conduct, under CoE’s lead, and the engagement with municipalities and the GA on issues on integrity, open government and anti-corruption can generally worked well. Consultations took place with several government agencies (including MTAI, the Ministry of Justice, the Open Government Secretariat at the Prime Minister’s Office, the Finance Ministry and the Corruption Prevention Commission). The Coalition of NGOs against Corruption was also involved in the drafting of the Code, and the Community of Practice on public integrity and ethics in local governance was also involved - which included the above-mentioned 23 pilot municipalities. While the development was very inclusive and exemplary, the adoption of the model Code of Conduct was delayed several times due to disjointed coordination between the Congress of Local and Regional Authorities of the CoE, different government agencies, and the CoE office in Yerevan, which was simultaneously working on a model Code of Conduct with the Ministry of Justice, here specifically the Corruption Prevention Commission. These disjointed efforts of simultaneous developments of two different Code of Conducts for the national and the local levels, as well as the inability of the CoE to move the process forward explain the delayed publication of the model Code of Conduct in April 2022. The Covid-19 pandemic also did not help the process and made consultation with different stakeholders more difficult. Moreover, the government's Corruption Prevention Commission (CPC) delayed its feedback on the draft Code. The model Code was only available in April 2022, and the work of the Congress was coming to an end in June 2022, leaving limited time for its implementation. It was therefore not possible to implement a Code of Conduct and roll Council of Europe standards out across all 52 newly enlarged target municipalities, though recent legal changes will require all municipalities in Armenia to adopt a Code of Conduct in the near future. Where the CoE’s work has been very important is laying the foundations on anti-corruption policies and providing a list of procedures and processes required for the adoption and implementation of a Code of Conduct across all enlarged municipalities in the future. Nevertheless, the Code has been adopted in a number of municipalities (initially rolled out in 6 enlarged communities but made available to all 23 pilot municipalities), and several training sessions were held to support municipalities in implementing the Code in daily working patterns. We spoke with several municipalities which had implemented the Code, but the feedback was mixed. While some pointed out that it is a good confirmation of the expected standards, it was often highlighted that the Code makes little or no difference to daily working practices. In Khoy, representatives pointed out that the Code exists but does not work, because the support mechanisms such as relevant Committees and working groups do not exist. They highlighted that they see this as a long-term project. This was also pointed out by other local and international actors. Representatives from other international donors and leading anti-corruption NGOs highlighted how measures enhancing transparency and fighting corruption are vital in Armenia, but take a lot of time, resources and commitment to lead to long-term changes. As the Council of Europe points out in its Action Plan for Armenia, fighting corruption and promoting good governance requires an integrated approach in Armenia, linking justice sector reform with the fight against corruption, promoting local governance and

⁷⁹ Council of Europe: Final Report – Strengthening the Communities Association of Armenia and Transparent, Participatory Local Governance in Armenia. 30 September 2022, pp. 7-9.

enhancing overall rule of law structures.⁸⁰ Whilst this integrative approach did not work sufficiently in the development of the model Code of Conduct, more work will be required to ensure open government and anti-corruption measures and policies are in place and properly implemented across all Armenian municipalities.

Outcome 4 - The CAA has delivered the required services to the municipalities and lobby for the interests of their constituency

Support for the CAA has been at the heart of the current project and its predecessor, as the CAA is seen as an important institution to act as a lobby organ of the municipalities in relation to the MTAI. While the previous project focused on capacity building within the CAA, phase 2 has prioritised the CAA's relations with MTAI and the municipalities in order to become a properly functioning interest group representation that can ensure that municipal matters are heard and collectively discussed with MTAI. However, as will be pointed out below, this has only seen limited success.

As for the first indicator, it is foreseen that the *CAA is strengthened to perform as a formal, credible and sustainable body*. This output has at best partially been met. While the CoE worked with the CAA in the first phase of the project to establish an organisational chart, develop a budget, a work plan and clear rules of procedures, the CAA remains internally weak and not very democratic. Its long-term President has a dominant position and influences all major decisions, including when the Republic Council and the different Standing Committees (6) of the Association meet, who heads these Standing Committees, and how resources are best spent. Despite a revision of its statute to accommodate the new municipal structures and the agreement on a new 5-year plan for the CAA in May 2022,⁸¹ there has been little internal change in the structures of the organisation. While the CAA sees itself as a lobby organisation on behalf of the municipalities, this is not per se replicated by the municipalities. Some do not work with the CAA at all, others have a "silent membership" i.e. pay their fees, participate in the General Assembly but do not engage much with the CAA. The CAA has not been able to establish a clear working relation with all municipalities or with MTAI. There are several reasons for this, including the CAA's internal organisation and the dominance of the President, MTAI's hesitance to institutionalise relations with the CAA, and the lack of confidence of some municipalities in the CAA. This leads to a situation where the CAA is seen by most municipalities as a body not of interest representation towards MTAI, but as an access point for external donor funding and international municipal partnerships. Likewise, MTAI has informal contacts with the CAA but these are not properly institutionalised, despite the CAA's development of a joint consultation group to engage with MTAI on key issues, this has not been met with reciprocity by MTAI. There are clear and obvious differences between the CAA President and MTAI, which go back to their belonging to different political parties and the wider political changes in Armenia in 2018. These differences have consistently undermined the development of good working relations, as well as a clear and coherent joint agenda to accompany the decentralisation process.

These strained relations have also meant that no *government initiatives have been adopted that are based on CAA recommendations*. While the CAA has developed some initiatives, including a full strategy for decentralisation in 2020 to push for policy and fiscal decentralisation, this has not resulted in constructive engagement from MTAI. While the Ministry confirmed that it has an informal engagement with the CAA, it has resisted any institutional relations citing the lack of internal democratic structures within the CAA. The CAA, on the other hand, has provided several recommendations, for example at the end of 2020 through a comprehensive proposal on policy and fiscal decentralisation, which have remained unanswered from MTAI. The CAA has also continued to raise major political issues, such as the arrest of

⁸⁰ Council of Europe (2018): *Council of Europe Action Plan for Armenia 2019-2022*. GR-DEM(2028)16, adopted 11 December 2018.

⁸¹ CAA (2022): *Communities Association of Armenia Strategy 2022-2026*, available at: https://www.caa.am/images/news/CAA_Strategy_2022_2026-ENG.pdf

previous local officials under corruption charges, and the (lack of) support for municipalities not governed by the ruling party, which have further increased tensions. There is no political willingness visible from either party to develop comprehensive, professional and institutionalised relations at this point in time.

Finally, despite several requests in writing, through phone calls and through different communication channels, the CAA did not provide us with any membership survey they have conducted. We did also not find any membership survey online, or any indication that such a survey has been conducted. We can therefore not comment on the final indicator, namely that a *minimum of 70% of municipalities report that they are happy with the work of the CAA*. The anecdotal data we have from interviews in 14 municipalities across Armenia (around 20% based on the 71 newly enlarged municipalities) demonstrates a mixed picture. There are three main patterns of attitudes towards the CAA that are visible at municipal level. First, cooperative engagement. Many municipalities reported that they engage regularly and constructively with the CAA, and that the CAA has helped them access international donors and international municipal partnerships. Second, professional ignorance. While these municipalities reported that they are members of the CAA and pay their regular fees, they also pointed out that they have engaged only marginally with the organisation. Finally, open hostility/ignorance. There was also a smaller number of municipalities that did not know about the CAA, or did not want to cooperate with them.

4. Sustainability

Considering that the project is not finished yet (except for the Council of Europe components) and we are conducting the mid-term evaluation, the sustainability assessment, at this stage, requires a distinct approach. With the latest phases of TARA leading to major rearrangements of enlarged municipalities, including the absorption of existing enlarged municipalities within new clusters affecting the overall sustainability of the project, we tried to identify and show the main processes capable of ensuring sustainability in the future. As a general comment on sustainability it can be concluded that investment in infrastructure such as COs and the use of MMIS is sustainable and will make a short-, medium-, and long-term difference, as long as these structures are properly maintained. Assessing the sustainability of investments in human resource development, gender and integrity awareness and principles of good governance is harder to foresee, although some good progress has been reported above, and continued engagement in these areas (for example through long-term commitment to Women and Youth Councils, to further support in the area of integrity and to a continued focus on environmental issues in the design of LED-projects) can and will ensure sustainability. Having said this, there is also an area, where we cannot foresee any sustainable change, namely in the engagement with the CAA and its links both to municipalities and to MTAI.

Outcome 1 - The Government has created favourable framework conditions for decentralisation

One of the important challenges for ensuring the project's sustainability through strengthened human and technical capacities and the underlying financial basis is the lack of institutional memory in municipalities and implementing partners. Staff turnover is sometimes a challenge, less so for the GIZ which has a larger presence of 15 staff in Armenia than for other smaller partners for whom this turnover could be much more problematic and lead to information gaps. Sometimes project interventions in the areas of TARA and decentralisation reform become meaningless when, before reaching the threshold of their final results, a decision is made by the central authority to amalgamate the already existing enlarged community with another community, leading to a change in personnel. In Vedi, it was directly mentioned that after amalgamating Urtsadzor, one of the pilot enlarged communities, there was no staff left from this settlement in the centre, and no information was available on the previously implemented steps (see also in communities with frequent personnel changes such as Sisian, Nairi, Dilijan). On the contrary, in the communities where the maintenance of the municipal workers is assured (i.e., Akunq, Areni, Tatev, Tumanyan, Aparan), awareness about and the effectiveness of the measures taken is more evident.

As the NTS is not yet implemented, its assessment from a sustainability point of view is not possible. Although it was handed over in 2020 already, the implementation of one of its major components, the e-learning platform, has been delayed. Therefore, GIZ has adopted a pragmatic approach by developing two modules using MMIS sub-systems.⁸² While it invites the MTAI to gradually take ownership of the e-learning tools and the civil servants to familiarise with these practices, MMIS integrated modules cannot serve the purpose of either the e-learning platform or become a long-lasting alternative to the NTS.

Outcome 2 - Municipalities have delivered relevant services and incentives for citizens, the business environment and local economic actors

In the first place, as a crucial indicator for sustainable institutional and organisational reforms, the established and functioning Citizen Offices can be pointed out. In almost all municipalities the project is seen positively with the CO as a distinctly sustainable aspect of the programme, having a beneficial impact on the improvement of service delivery and the latter's quality at the local level. As of March 2022, the latest available data, 38 enlarged municipalities are equipped with functioning COs and MMIS⁸³.

As discussed above, the late finalisation of TARA (September 2022) and several double consolidations, led to some problems such as the disproportionate distribution of the COs, doubling structures, and functionality issues with the earlier-formed COs. However, the GIZ and MTAI are addressing these problems, planning to renovate the oldest COs and turning some into central COs for the amalgamated communities (such as Vayk, Yeghegnadzor, Vedi).⁸⁴ With the approval of the expected amendment in the government's decision on making COs fully recognised state service operators, the substantial financial investments in opening COs will not be lost. However, comparable problems also appear while considering some infrastructure challenges that have not been followed up after the initial installations of COs. This problem refers to limited IT equipment while adding more entities to be served through the same "window", and also the necessity of updates for some COs as they were sometimes established more than ten years ago (see Goris, Vayk, and Dilijan⁸⁵ regarding the lack of computers and technical skills).

As a management tool, MMIS is very successful and sustainable. In all communities where the system exists, it was confirmed that it serves as an instrument connecting the centre of the enlarged municipality with the constituent entities. It has also had some success in engaging citizens through participatory budgeting and submission of LED project proposals. As for the LED Plans and AWP processes overall, their sustainability is demonstrated since they are not only enshrined in the law but also integrated in training modules, available on the e-learning platform and accessible for all municipalities. Nevertheless, while generally confirmed by the implementers and municipalities that there is an increase of community revenues in total revenues, it is yet to be seen how sustainable it will be from a mid-term or long-term perspective. A closer look at this would be advised, as financial sustainability is vital for functioning municipalities and good service delivery.

The sustainability of the Grant Scheme is given, and it is a success with over 15 completions as of October 2022. The LED grant scheme is sustainable because it encourages municipalities to commit funding to projects and work with international donors, thereby developing capacities also through the creation of LED officers. These projects are often innovative and have the potential to create a lasting economic impact. We also noted some competition between municipalities for these grants, which is a good sign

⁸² GIZ (March 2022), Operational report, p. 10

⁸³ GIZ (March 2022), Operational report,, p. 1

⁸⁴ It was confirmed both by the GIZ and Vedi, for example, which represents such a case, that the meeting with GIZ and MTAI took place and the establishment of a new CO in the central settlement is in the plan.

⁸⁵ Keil S., Mnatsakanyan, A., (5 October 2022). *Interview in Sisian community*, Notes of the interviewers, Annex 3; Keil S., Mnatsakanyan, A., (5 October 2022). *Interview in Vayk community*, Notes of the interviewers, Annex 3; Keil S., Mnatsakanyan, A., (5 October 2022). *Interview in Dilijan community*, Annex 3.

for local economic development and innovation. In our E-Survey and during the interviews exemplary cases of projects were highlighted, including the building of a tourism centre in Tashir, the building of a water pipeline in Aghavnadzor in Areni, and the installation of stalls for the sale of agricultural products in Dilijan, which all have direct or indirect links to women inclusion and participation as well.

Outcome 3 - Citizen participation of all relevant groups at local level has increased

Having the participatory mechanisms enshrined in the law is important from the point of view of ensuring sustainability. Overall, citizens' participation, as a key indicator for involving marginalised groups' projections and necessary resources, has increased and meets the objective of sustainability. In all observed municipalities, there are mechanisms of consultation and participation. Municipalities hold public hearings, try to assess needs and set priorities. Local participation in the budget design and development plans is also generally visible and there is evidence of engagement though this differs widely amongst different municipalities. Some communities, such as Areni, Tatev, and Goris try to involve smaller/rural settlements, sometimes directly visiting those places. We have the same picture also with newly enlarged clusters either the ones that have absorbed previously consolidated municipalities (Vedi which absorbed Urtsadzor) or completely new amalgamated ones (Ashtarak, Khoy), where consultation and participation goes beyond specific groups and focuses strongly on all settlements within the newly enlarged municipality.⁸⁶

Nevertheless, the overall efficiency of these initiatives can be discussed. Even though participation has increased compared to previous experiences, people still are not very much involved in these processes. Even in earlier enlarged communities, there was a concern regarding the effectiveness of the public hearings. For example, Goris municipality has pointed out that these are not useful. In almost all other municipalities we spoke to (i.e., Vayk, Areni, Tatev, Tumanyan, Sisian, etc.), representatives raised concerns about the population not coming to the public hearings due to the heavy burden of people's daily worries, and security concerns. Furthermore, several municipalities pointed out that the mindset of the population needs to change, and people need to learn to engage in a political culture that values their inputs and ideas. Wherever the Women and Youth Advisory Councils are created and well-functioned it is more visible to have a sustainable participatory component of Women and Youth inclusion in the decision-making processes (i.e., Aparan, Areni, Tatev, Khoy)⁸⁷. There are currently 16 Women and Youth Councils across the enlarged municipalities. In all municipalities that we interviewed, and where Women and Youth Councils exist, there was a recognition that they make a difference to public participation and inclusion. In all interviewed communities with a Women and Youth Council, municipal officials and Mayors were able to list specific projects and initiatives that were initiated by young people and/or women. The involvement of women in the political processes and the adaptation of implemented policies and working practices to the European standards of transparency, open government, and political integrity is again arduous. While the adoption of the 30% quota for women candidates and making it mandatory to create a Code of Conduct for the municipalities are sustainable steps to some extent, the existing practices of those components make us highlight the necessity to improve the functionality of this toolkit in order to ensure long-lasting sustainability.

Outcome 4 - The CAA has delivered the required services to the municipalities and lobby for the interests of their constituency

The institutional structure of the CAA as an organisation is established with relevant bodies, such as the Republic Council of the CAA, the CAA Board, and Standing Committees on various aspects of the social-economic spheres of the communities. The CAA also set up a membership, with fees as the prime financial

⁸⁶ For detailed information see Annex 2.

⁸⁷ See annexes 2 and 3.

source for the association. The lack of diversified financial resources and the dependence on international donor's goodwill do not make the association financially sustainable, which will impact the actual patterns of the organisation's functionality. The expected result of the evaluated projects' components to strengthen the CAA for better performance as a formal, credible and sustainable body are problematic at best. Furthermore, to reflect modern-day challenges and practices and successfully deliver the defined mandate, it is required to restructure the organisation and strengthen its capacity in the future. The CAA does not currently serve its main focus, and it has not been able to transform into a lobby organisation for the municipalities towards MTAI throughout the duration of the project (the CAA component was part of the CoE activities for the project and ended in June 2022).

As also highlighted in the 2022-2026 Strategic Plan of the association, it is committed and expected to take measures towards enhancing the performance and accountability of the CAA management bodies to be responsive, cost-effective, and compliant, reflecting best practices and a membership-focused association. The necessity of ensuring its financial sustainability is also mentioned as a crucial aspect of the association's future plans. However, at this point, it is hard to say to what extent the CAA's plans will be successful, considering the association's inner predicament confirmed by the MTAI, implementers, municipalities, and other relevant stakeholders. Simultaneously, the associations' key mandate is to serve as an advocacy organisation, and a bridge linking community needs to the MTAI. Yet, there is no evidence from the municipalities we spoke to that the CAA fulfils this mandate. Municipalities do not perceive the association as a lobbying organisation, rather seeing it as a door to cooperate with international partners or to participate in international projects. Mixed attitudes and satisfaction levels towards the efficiency of the CAA's operations along with the lack of the necessary survey, assessing members' satisfaction again pends the issue of sustainability.

III. Recommendations

In line with the ToR of this assignment, the recommendations are made to allow for minor adaptations until the end of phase 2 of the project; to support future decisions on a successful and meaningful exit strategy and phasing out of the project and to highlight the potential for future engagement. In line with the other sections of this evaluation, they are organised according to the 4 outcomes of the project and they follow the given structure as they address the 4 questions listed in the ToR. However, we are starting with a number of general recommendations, which concern all elements of the project.

Recommendation N°1	
COORDINATION AND VISIBILITY NEED TO IMPROVE	
Description:	<p>The project clearly makes a difference, and the joint logical framework remains worth highlighting. The joint coordination of two donor agencies and three implementers remains worth commenting on and highlighting as exemplary. However, there is still improvement for better coordination amongst the participating partner agencies. Implementers should meet formally or informally 3 times a year, and donors should be invited to these project implementation discussions.</p> <p>Further, SDC needs to seek more visibility in the local communities. Where known, the programme is associated with GIZ. SDC is not or hardly mentioned among the programme beneficiaries. There was, for example, no awareness that COs and the MMIS infrastructure was supported by the Swiss Development Agency, and the whole project was mainly identified with GIZ. SDC should engage more directly with the beneficiary municipalities while GIZ and UNDP should increase their efforts to ensure visibility of all donors.</p>

Recommendation N°2	
THE POLITICAL AND SECURITY CONTEXT MATTER - FOCUS ON BORDER MUNICIPALITIES	
Description:	<p>In areas directly or indirectly affected by conflict, security and the consequences of conflict are the most important priorities. When discussing issues of inclusion, budget, annual work plan and LED planning in communities such as Goris, it was made clear to us that these processes were seen as a burden, because the municipality was facing substantial impacts from recent fighting, going back to the arrival of 20,000 internally displaced persons after the conflict with Azerbaijan in 2020. In Sisian, too, security was the most important issue on the agenda, overshadowing any reform initiatives and changes to local governance procedures. In light of this, it is vital for SDC and Switzerland as a whole to prioritise security in Armenia as a conducive environment for future reform efforts in the area of LSG.</p> <p>It is obvious that border communities have other priorities, mainly related to security and dealing with the results of the conflict. In order to address this, they should receive substantial support, both in terms of dealing with the impact of the ongoing conflict and through additional measures supporting local economic development in areas affected by conflict. Switzerland’s new programme focusing on “aid for resilience and economic recovery of border communities in Armenia” is an important part of this development. The donors and implementation partners should consider how the LSG project could take the situation in border municipalities into account and potentially provide additional support.</p>

Outcome 1 The Government has created favourable framework conditions for decentralisation:

Recommendation N°3	
WORK TOWARDS A COMPREHENSIVE DECENTRALISATION STRATEGY	
Description:	<p>MTAI remains a key player and key access point for international donors. MTAI is the main point of contact for donors and implementers in the area of LSG. We welcome the ongoing discussions of MTAI with donors and implementing partners on the next steps of the decentralisation reform, and ongoing discussions about a potential new local self-government law. It is vital for the next step of decentralisation in Armenia that now, when territorial reform is completed and municipalities are consolidated, a comprehensive concept for decentralisation, focusing on sectoral and fiscal issues, is developed. It is in the interest of SDC to support this development concretely, also with policy input where and when appropriate. Such a strategy will also require further coordination between MTAI and other Ministries, as well as between international donors, MTAI and other Ministries - therefore strong cooperation forums should be established as part of developing and implementing the next steps of decentralisation reform in Armenia.</p>

Outcome 2 - Municipalities have delivered relevant services and incentives for citizens, the business environment and local economic actors

Recommendation N°4	
CONTINUE TO DEVELOP TRAINING CAPACITIES FOR MUNICIPALITIES IN THE ABSENCE OF NATIONAL TRAINING STRATEGY (NTS)	
Description:	<p>There has been an impressive amount of capacity building by the implementation partners in the target municipalities on a variety of issues from working in the COs, to the MMIS, gender awareness training, budgetary and economic development, capacity enhancement as well as some enhancement of open government and integrity. Yet, a large number of interviewed municipal staff members pointed out that further training is required. They asked for training that is more tailor-made for the individual needs of municipalities, which at times differ substantially. In some municipalities there was a request to engage more long-term on specific municipal-related issues. In others, follow-up training for issues such as gender-awareness and integrity were requested.</p> <p>The donors SDC and BMZ will have to take decisions within their strategic planning frameworks and horizons whether and how to continue to work with municipalities to ensure that training needs can be met continuously where and when appropriate. Ideally, the project would continue to work towards a national training strategy, which would ensure that continuous support is given to municipalities. However, as there is currently a lack of progress on the NTS, it is vital to think about a different strategic plan towards training needs, which focuses on coordinating the multiple international donor and NGO efforts in this area. This also includes encouraging municipalities to establish their own training provisions, incl. providing funding for these trainings. This is a continued challenge for the project, as municipalities have shown willingness to provide funding for human resource development but so far no such funding has been allocated in any municipality.</p>

Recommendation N°5	
CITIZEN OFFICES ARE A SUCCESS - ENSURING THEIR ACCESSIBILITY REMAINS VITAL	
Description:	<p>Citizen offices were highlighted by GIZ, MTAI and all municipalities as a major success story of the LSG project. They are generally widely used and enhance access for citizens in the enlarged municipalities substantially. Their use of the MMIS also helps in the management of the new enlargements, and this system is also rated overall as a major success.</p> <p>Despite their success, access to citizen offices remains a challenge for some groups. The mobile Citizen Office in Khoy is a success story in this regard from multiple perspectives. It allows service delivery throughout the municipality in a variety of settlements and therefore ensures participation and access for vulnerable groups that may otherwise not be able to use local government services. It also ensures that municipal services are more evenly offered across a municipality, a key commitment made within TARA to ensure that settlements do not lose out or are left behind. Yet, the picture is rather uneven across municipalities and mobile COs would address a key challenge, namely access to COs and key services for people in more isolated and distant settlements within a municipality.</p>

Recommendation N°6

CONTINUE, AND WHERE FEASIBLE, EXPAND THE SMALL GRANT FUND

<p>Description:</p>	<p>The small grant fund is an important innovation of the LSG project. It has encouraged municipalities to plan a variety of projects, thereby building on previously developed skills in relation to budget and local economic development planning. It also requires co-funding from a state institution, thereby promoting innovation, ownership and municipal commitment to any funded project. The project received substantial interest and numerous funded projects have demonstrated that the support cannot only encourage local economic development, but can link to other issues of the LSG project, including Women and Youth involvement, financial management and climate-change countering, environmentally-friendly projects.</p> <p>It is recommended that the small grant fund is continued in any future project. Projects funded under the current small grant scheme, the Covid-19 mitigation fund, as well the funds' decision-making and implementation structures should be evaluated and this evaluation should set the new parameters.</p> <p>Any future fund should continue to be co-funded by a state-institution such as ATDF, and municipalities should continue to provide a concrete project plan, budget and overall economic impact assessment of any project. Youth and Women input into any project should be prioritised. Further, environmental impact assessments as well as Risk Assessment Plans should accompany any future projects. Economic sustainability should remain an important criterion for any funding award. This includes that projects become economically sustainable after the withdrawal of donor support, and have economic impact on the overall municipal in the medium- and long-term to contribute to wider financial sustainability of local government.</p>
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Recommendation N°7

LOCAL ECONOMIC DEVELOPMENT (LED) TRAINING HAS BEEN SUCCESSFUL AND SHOULD BE EXPANDED

<p>Description:</p>	<p>GIZ in particular has worked closely with municipalities to enhance their local economic development capacities. This has included training and the provision of clear guidelines and implementation of standard processes of budgeting procedures, economic development plans and annual work plans. LED as a new topic of this cycle of the LSG project, has been particularly prominent also through capacity building and the support for local economic development officers, who have taken a lead in major initiatives, including in the small grant fund. The feedback from municipalities was very positive towards these capacity training mechanisms, as they feel that this has really enabled them not only to develop new skills and professionalise their service, but also to apply these newly developed mechanisms, processes and skills through the small grant fund. Any expansion of the small grant fund as recommended in recommendation no. 6 should also go hand in hand with an expansion and continuation of capacity building in local economic development for municipalities (see recommendation no. 4). A focus in the future might not only lie on the development of innovative projects but also on turning already funded projects into sustainable ones that create jobs and economic development within the municipality.</p>
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Outcome 3- Citizen participation of all relevant groups at local level has increased

Recommendation N°8	
GENDER AWARENESS AND YOUTH ENGAGEMENT MAKE A DIFFERENCE	
Description:	<p>Women and Youth Advisory Councils are strong and play a major role in budget discussion, local economic development and overall work plans of the municipalities in which they exist (16 currently).</p> <p>Efforts towards increasing municipal processes in issues such as inclusion of marginalised groups, gender-budgeting and support for specific women and youth initiatives should continue for the remainder of the project. The current project clearly highlights how difficult the promotion and inclusion of youth and women is, and how much work is required to build capacities and lay the foundations of structures that are sustainable and lead to visible and measurable change, as can be seen when looking at UNDP’s youth engagement. Any future project should consider how engagement and inclusion can more formally be accompanied by training and skills development. Building on the substantial increase of female councillors, additional work will be required to ensure they play an important role in local decision-making. The Local Female Politician Programme has shown some success and should continue. Its expansion and further development for newly elected female councillors should be considered for any future project.</p>

Recommendation N°9	
PROMOTING INTEGRITY REMAINS IMPORTANT	
Description:	<p>The promotion of integrity and open governance at municipal level has been one of the challenging aspects of the project. This is partly due to the approach to the topic and the delay in providing a model code of conduct, and partly due to the political culture in Armenia, where such a topic is novel and a lot of awareness raising is required. By law, all municipalities will be required to have a Code of Conduct and promote integrity and open governance for municipal services and amongst municipal staff. This will require further engagement with municipalities to ensure they are aware of their responsibilities and how to comply with the new legal frameworks.</p> <p>As this part of the project has come to an end in June 2022, we recommend that SDC and BMZ consider strategically how to engage with the issue of integrity and transparency in the future. They will have to decide if, and how to continue work in this area – it will clearly be important, not least in light of possible fiscal and policy decentralisation as the next phase of overall territorial reform. However, the results of the current project demonstrate that this is a long-term commitment, and one that requires a careful selection of the project partner.</p>

Outcome 4 - The CAA has delivered the required services to the municipalities and lobby for the interests of their constituency

Recommendation N°10	
MUNICIPALITIES NEED A BODY TO REPRESENT THEIR INTERESTS VIS-A-VIS MTAI	
Description:	<p>Despite the limited progress in outcome 4 of the project, it is vital that municipalities have a representative body that allows them to collectively engage with MTAI. The CAA has so far been unable to establish itself as this body, however, this does not diminish the need for such a body. It is an important requirement of the Council of Europe’s Charter on Local Self-Government that Armenia has agreed to, and it is also important for municipalities as decentralisation reforms progress.</p> <p>In this regard we recommend a joint assessment of all implementation partners, donors and MTAI to consider how to work with such a body. This body should be directly linked to the interests of municipalities (or at least to some of them, for example cities and more urbanised municipalities), and attention needs to be paid to the democratic and independent operation of such a body, both key issues currently under question in the CAA. It is vital that such a body is created through bottom-up initiatives, which could be supported by donors and implementation partners. There also need to be clearer and most institutionalised links between such a body and MTAI from the beginning to foster a spirit of cooperation and coordination that will be vital for the next stage of decentralisation in Armenia.</p>

IV. Conclusion

This evaluation has highlighted that the project “Improvement of the local self-governance system in Armenia Phase 2” is in many respects a success story, with some targets already achieved, some exceeded, and many targets likely to be met. Change is clearly visible across the municipalities in Armenia, highlighting the impact of the project. The existence of COs and the use of MMIS across the newly formed enlarged municipalities, as well as the existence of clear, transparent and inclusive budgetary, annual work planning and local economic development planning processes also demonstrate that the project has made a substantial difference in the municipalities it has targeted, ultimately benefiting the local population at large. As this evaluation has highlighted, there are some areas where progress is more directly visible than others (for example when comparing progress in opening COs with progress in gender awareness raising). In other areas, the absence of visible impact and evidence has prevented a clear assessment. It is obvious that the democratisation of Armenia and TARA require time, and that in some areas a complete change of the political culture and the work practices that have been established for decades is necessary.

In areas where no or little progress was observable, there are multiple reasons for this. Sometimes, the sheer lack of political will or prioritisation have made it impossible for implementers to move forward with a specific issue, as highlighted above in relation to the NTS. In other cases, delays on the side of the implementation partners have also contributed to limited impact, as highlighted in relation to the Code of Conduct implementation in target municipalities. Sometimes, political dynamics in Armenia, personal issues between individuals, and a lack of clear and transparent communication and engagement as is visible in the case of the CAA have also hindered the project’s overall target achievements. COVID-19 pandemic and other nationwide issues, such as the Nagorno-Karabakh (Artsakh) conflict and continuous

attacks on the territory of the Republic of Armenia also contributed to slow the process and impacted the overall project. Where possible, the project adjusted with the adoption of a temporary small grant municipal fund for the GIZ component, the contribution to the UNDP Electoral Support Project in Armenia, or the budget revision of the CoE's component.

The project's impact is clearly visible, and while some challenges remain, the project should continue and should be followed-up for the next phase of the decentralisation reform in Armenia.

V. Annexes

- 1) List of Documents Available
- 2) E-survey Results
- 3) List of Interviews (Transcribed)
- 4) Map of Visited Municipalities
- 5) Programme of the Field Mission & Follow-up Interviews
- 6) Assessment Grid
- 7) Terms of Reference (ToR)



Mid-term Evaluation
Improvement of the Local Self-Governance System in Armenia – Phase II
conducted by
Institute of Federalism, University of Fribourg

Management Response by SCO SC Armenian Office

This Management Response is based on the final version of the Project evaluation report (the Report) by Dr. Soeren Keil, Astghik Mnatsakanyan and Flavien Felder submitted on February 20, 2023 to the Swiss Cooperation Office in Armenia.

General notion

We thank the team of evaluators from the Institute of Federalism lead by Dr. Soeren Keil for this Report, and considerable work which has been put into the elaboration. The Report gives a good sense of the overall performance, and the total achievements of the Project. The SCO SC Armenia values very much not only the content of the Report and method of presenting the findings and recommendations but also the professional and collaborative style of work of evaluators. The final Report is detailed, well structured, and easy to read. It provides good insights on the progress of implementation, areas of concern and set of clear Recommendations. These recommendations will serve as a valuable input for designing the exit phase of the Project.

The Report shows that the evaluators took into consideration the context in which the Project partners are operating, the unprecedented level of internal and external challenges faced by the country during the implementation period as well as the specifics of implementation of Territorial Administrative Reform (TARA) in Armenia. The relevant strategic and programmatic documents have been properly reviewed, rounds of interviews with the implementers, beneficiaries and stakeholders have been conducted during and after the fieldwork as well as an additional online quantitative data gathering tool developed and implemented to better document the bigger picture of local governance and the impact of the Project on the local governance sector.

The SCO SC Armenia Office agrees with the general conclusion that the impact of the Project is clearly visible and that the overall Project is “in many respects a success story” and “should continue and should be followed-up for the next phase of the decentralization reform in Armenia”.

The SCO SC Armenia Office appreciates that the Report identifies and discusses the areas where the successful implementation is challenged. The 10 recommendations summarizing the Report are clearly based on the findings of the evaluation, possess high level relevance for steering the current stage of the Project. At the same time, a number of recommendations tend to overlook the fact that decisions on future steps will need to be taken from a comprehensive institutional and programmatic perspective within the SDC framework, including the Swiss Cooperation Program South Caucasus Region 2022-2025 and the respective portfolio in Armenia.

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Moreover, the SCO SC Armenia Office believes that some of the assessments and arguments reflected in the Report would be further strengthened if those were supported by a systemic analysis of comprehensive data, instead of building conclusions on specific cases/examples. Topics which are not sufficiently underpinned with statistical data include the proportion of gender representation at the Local Councils and the impact of the Project on capacitating female local representatives (p. 11, 21), the quantified assessment regarding municipalities implementing European standards on transparency and integrity (p. 22), evaluation of various grant schemes implemented within the Project (including Recommendation #6, p. 29). At the same time, the SCO SC Armenia Office recognizes that the consultants' team had to deal with an immense volume of information of a large scale intervention within a limited mandate and duration of contract (while overall successfully completing the task).

Response to general and outcome-specific recommendations

Recommendation N°1: COORDINATION AND VISIBILITY NEED TO IMPROVE:

AGREE: The SCO SC Armenia Office agrees on the potential for further coordination efforts and will give increased attention within the PCM-cycle and in key moments (such as steering committees). Increased physical field presence in terms of visits will be ensured with implementing partners; in terms of communication, a guidance document will be established to ensure the visibility of all donors.

Recommendation N°2: THE POLITICAL AND SECURITY CONTEXT MATTER - FOCUS ON BORDER MUNICIPALITIES

AGREE: The SCO SC Armenia Office acknowledges the high priority of security issues notably for border and conflict-affected communities. While these challenges have been addressed by a new humanitarian project targeting three major border municipalities and a significant contribution to the EU-coordinated Resilient Syunik initiative, additional options of effective interventions are being explored also within the LSG context.

Recommendation N°3: WORK TOWARDS A COMPREHENSIVE DECENTRALISATION STRATEGY

AGREE: The SCO SC Armenia Office agrees with the assessment that the SDC should support the efforts of national authorities which will focus (a) on the decentralisation of specific powers and responsibilities, as indicated in the Armenian Government's Five-Year Programme and the Decentralisation Concept Paper; and (b) on the parallel process of transferring adequate financial resources to local government bodies to enable them to fulfil these powers and responsibilities. This support shall be conducted in the context of an LSG exit phase 2024-2025. The overall direction of the support and related policy inputs shall be defined in 2023 in the framework of an in-depth analysis, coordinated with other development partners. – Moreover, The SCO SC Armenia Office confirms the necessity of a strong cooperation among donors and a substantial policy dialogue with the MTAI and other ministries, potentially under the leadership of the Prime Minister's Office.

Recommendation N°4: CONTINUE TO DEVELOP TRAINING CAPACITIES FOR MUNICIPALITIES IN THE ABSENCE OF NATIONAL TRAINING STRATEGY (NTS)

PARTIALLY AGREE: The SCO SC Armenia notes that overall a significant amount of capacity building has been done, albeit differently by the three implementing partners. The SCO SC will take a decision within its planning framework and financial horizon whether and how to continue to work

with municipalities and the ministries of the RA. A municipality-driven logic, however, is something what the SCO SC Armenia would rather want to abstain from.

Recommendation N°5: CITIZEN OFFICES ARE A SUCCESS - ENSURING THEIR ACCESSIBILITY REMAINS VITAL

AGREE: The SCO SC Armenia Office agrees that the citizen offices represent one of the key successes of the project. It remains committed in ensuring a country-wide coverage by CO in a pragmatic and economical manner. Moreover, the project shall explore and implement innovative means of increasing an even accessibility of municipal services for everyone, with special focus on vulnerable groups.

Recommendation N°6: CONTINUE, AND WHERE FEASIBLE, EXPAND THE SMALL GRANT FUND

AGREE: The SCO SC Armenia Office fully agrees with the assessment and related recommendations, such as: 'important innovation of the LSG project, with broad-based effects on different sectors'; 'continuation of the small grand fund scheme'. The Armenia Office further agrees with most specifications: 'evaluation of scheme to set the new parameters'; 'requirement of co-funding of a state institution'; 'careful assessment of economic sustainability'; 'municipalities being the prime planning and implementation agent'. The SCO SC Armenia Office will explore the options of extending and upscaling the initiative for the exit phase of the Project.

Recommendation N°7: LOCAL ECONOMIC DEVELOPMENT (LED) TRAINING HAS BEEN SUCCESSFUL AND SHOULD BE EXPANDED

AGREE: The SCO SC Armenia Office shares the assessment of the targeted capacity building efforts (in terms of tools and human resources), notably also with regard to the positive synergies with the Small Grant Scheme. This recommendation shall be pursued independently of potential further action with regard to a National Training System (see Recommendation #4).

Recommendation N°8: GENDER AWARENESS AND YOUTH ENGAGEMENT MAKE A DIFFERENCE

PARTIALLY AGREE: While the SCO SC Armenia Office prioritizes and will continue to prioritize the support of women and youth engagement at the local level including through various participation mechanisms implemented through the Project by all three implementers, in the Report we would like to see more systematic evidence and thorough discussion of what is working effectively and where the future investments should be concentrated with increased impact across the communities and decreased risks of potential overlaps among the implementers. In addition, the SCO SC portfolio in Armenia as such, i.e. the way the gender approach is operationalised, will be reviewed in terms of internal coherence and efficiency.

Recommendation N°9: PROMOTING INTEGRITY REMAINS IMPORTANT

PARTIALLY AGREE: While the SCO SC Armenia Office agrees that the Project component focusing on the promotion integrity at the local level faced serious challenges and was not properly implemented, the underlying reason of this suggested by the Report could be further strengthened by including assessment of not only structural limitations but also the effectiveness of the implementer's approach, capacity and commitment. A strategic decision will need to be taken if, and potentially how to engage with the integrity and transparency issue in the future.

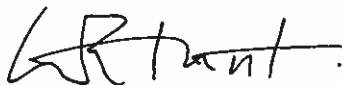
**Recommendation N°10: MUNICIPALITIES NEED A BODY TO REPRESENT THEIR INTERESTS
VIS-A-VIS MTAI**

PARTIALLY AGREE: The SCO SC Armenia Office agrees that a strong and reliable body representing the needs and interests of municipalities is of vital importance and that unfortunately the interventions within the Project were overall not successful in achieving the milestone. However, we recognize that such body can only be created and operated through bottom-up approach, and the SCO SC Armenia Office and partners have limited means to ensure such outcome. The matter would benefit from a coordinated approach carried out among interested donors; without investing further funds, the SCO SC Armenia Office will promote and support such a joint effort among different donors, including with sharing of acquired knowledge and experience.

Conclusion of Management Response

The SCO SC Armenia Office approves the Report, supports the recommendations reflected in it and will make efforts in adjusting current implementation practices and give those recommendations due consideration while designing the exit phase. Any future strategic decision will need to be taken from a comprehensive institutional and programmatic perspective within the SDC framework, including the Swiss Cooperation Program South Caucasus Region 2022-2025 and the respective portfolio in Armenia. The SCO SC Armenia Office will also encourage all partners to comply with them to the extent possible.

SCO SC Armenian Office / 22-3-23



Werner THUT, PhD

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Deputy Regional Director Swiss Cooperation for the South Caucasus