

Terms of reference (ToRs) for the procurement of services below the EU threshold

Review and Enhancement of Intercommunity Cooperation in Armenia

**Project number/
cost centre:**

23.2131.3-001.00

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0. List of abbreviations

GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
BMZ	German Federal Ministry for Economic Cooperation and Develop
IMD	Integrated Municipal Development in Armenia
LSG	Local Self-Government Bodies
MTAI	Ministry of Territorial Administration and Infrastructure of the Republic of Armenia
ToRs	Terms of Reference

1. Context

The “Integrated Municipal Development in Armenia” (IMD) project aims to enhance the efficiency, effectiveness, and citizen orientation of local self-governments. By advising and supporting partner organizations, the project seeks to improve the framework for local development while closely collaborating with selected municipalities known as transformation partners. These efforts focus on implementing reforms to enhance service quality and accessibility, foster local economic growth, optimize local self-governance and empower citizens in municipal decision-making. Throughout the project duration from April 2024 to March 2027, success stories and lessons learned from transformation partners will be shared through various exchange platforms, ensuring the replication of successful models for integrated municipal development across Armenian local self-governments.

The project is implemented by GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and in partnership with the Ministry of Territorial Administration and Infrastructure (MTAI).

Background

In recent years, Armenia has undertaken significant territorial and administrative reforms aimed at enhancing the efficiency, responsiveness, and accountability of local governance. Central to these reforms has been the consolidation of communities, a process that has successfully reduced the number of communities from 915 in 2015 to just 71 in 2022. This restructuring was implemented to improve service delivery, optimize resource management, and create more financially sustainable local governments. The consolidation has resulted in notable improvements, including a doubling of community-generated revenues from approximately 23.7 billion AMD in 2015 to 50.9 billion AMD by 2023. Additionally, capital grants from the state budget have increased dramatically, from 952.9 million AMD in 2015 to 31.8 billion AMD by 2023, allowing for large-scale infrastructure projects and improved service delivery. While the consolidation process has made considerable progress, fostering inter-community cooperation remains essential for ensuring sustainable development, maximizing the benefits of these reforms, and addressing ongoing challenges at the local level.

Despite these successes, the consolidation process has highlighted gaps in the framework for cooperation between communities. Many local governments, particularly in rural and remote areas, still struggle to meet the diverse needs of their populations. Smaller communities often lack the financial, technical, and human resources to independently provide essential services or implement large-scale development initiatives. Inter-community cooperation offers a practical solution to these challenges by encouraging resource-sharing and collective action across municipalities.

International experiences, especially in European countries such as France, Germany, and Finland, illustrate that well-structured inter-community cooperation can lead to more efficient public services, stronger local economies, and enhanced social cohesion. By pooling their resources, municipalities can address common challenges such as infrastructure development, waste management, public safety, and economic growth more effectively than

they could individually. This approach also enables communities to achieve economies of scale, reducing costs while improving service quality and governance.

Armenia's current legal framework, embodied in the "Law on Inter-community Unions" adopted in 2018, has not facilitated the establishment of formal inter-community unions. To date, no unions have been formed, indicating significant legal and practical barriers that hinder collaboration between municipalities. The absence of these unions demonstrates that the current legislation does not sufficiently incentivize or enable municipalities to cooperate effectively. The shortcomings of this framework are particularly evident in the context of Armenia's broader decentralization and governance reform agenda, which seeks to empower local government bodies (LSGs) to operate more autonomously and take on greater responsibilities.

Recognizing these challenges, the MTAI has prioritized the revision of the existing law. The goal is to replace the current "Law on Inter-community Unions" with a new legal framework titled "Law on Inter-community Cooperation." This new law will provide clearer guidelines and stronger incentives for municipalities to collaborate. It will also promote decentralization by expanding the powers of LSGs and enabling them to deliver services more effectively through cooperative arrangements.

This revised legal framework is expected to play a crucial role in strengthening local governance in Armenia, particularly by improving the resilience and development of communities in rural and border areas. Inter-community cooperation will enable municipalities to pool their resources, attract more professional staff, and engage in long-term strategic planning. This collaborative approach will help municipalities overcome resource limitations and improve the quality and availability of services for their residents.

The new law will also serve as a foundation for advancing fiscal decentralization in Armenia, ensuring that municipalities have the financial independence needed to effectively exercise their powers. By aligning fiscal and administrative responsibilities with local needs, the law will support the equitable distribution of resources across regions, reducing economic disparities and fostering balanced regional development.

In light of these needs and objectives, these Terms of Reference (ToRs) outline a comprehensive study to assess the current legal framework, analyse the legal and practical aspects of inter-community cooperation in Armenia, review international best practices, and propose legislative amendments. The outcomes of this study will form the basis for drafting the new "Law on Inter-community Cooperation" and provide the groundwork for strengthening local governance in Armenia.

2. Tasks to be performed by the contractor

The contractor is responsible for providing the following services:

Task 1: Comprehensive legal analysis of inter-community cooperation

- Conduct a thorough legal analysis of the constitutional and national legislative framework governing inter-community cooperation in Armenia. This includes examining the Armenian Constitution, the Law on Local Self-Government, the Law on

Inter-Community Unions, and other relevant national legislation, such as the Armenian Civil Code.

- Identify and assess gaps, inconsistencies, and challenges in the legal framework that hinder effective inter-community cooperation.
- Provide clear recommendations for improving the legal and constitutional framework, with a focus on enhancing the legal basis for inter-community unions and cooperation between municipalities.

Task 2: Comprehensive study and analysis of legal mechanisms and practical application of inter-community cooperation

Conduct a study and analysis of existing legal mechanisms for inter-community cooperation

- Review national legislation regulating joint activities, particularly focusing on the Armenian Civil Code and other relevant legal acts governing inter-community cooperation and collaborations between municipalities.
- Analyze the legal mechanisms and tools available to support cooperation across municipalities, highlighting any limitations or areas where the legal framework could be improved.

Analyze the practical application of inter-community cooperation

- Conduct a review of the practical implementation of inter-community cooperation in Armenia over the past 10 years. Focus on the experiences of municipalities that have applied the legal entity union format or other cooperative arrangements.
- Provide specific case studies or examples of how legal mechanisms have been implemented, highlighting both successful cases and challenges that have arisen in practice.

Identify key challenges and opportunities for improvement

- Identify barriers that municipalities face in applying the current legal mechanisms for inter-community cooperation. Assess the practical limitations and areas where the legal framework has not been effective.
- Offer recommendations for improving both the legal framework and its practical application, ensuring that municipalities are better equipped to cooperate in delivering services and sharing resources.

Task 3: Study of international good practices in inter-community cooperation and Proposals for integration in Armenia

- Examine advanced European good practices in inter-community cooperation.
- Develop proposals for adapting and integrating these practices into Armenia's legal and governance framework.

Task 4: Legislative proposals for revising the Law on Inter-Community Unions and drafting a new Law on Inter-Community Cooperation

- Develop legislative proposals for revising the Law on Inter-Community Unions.

- Draft a new law on Inter-Community Cooperation for Armenia.

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

Certain milestones, as laid out in the table below, are to be achieved during the contract term:

Tasks/ Deliverables		Expert days (up to)	Duration/ Deadline
Task 1	Comprehensive legal analysis report on inter-community cooperation	30	10.12.2024
Task 2	Report on legal mechanisms and practical application of inter-community cooperation	30	21.02.2025
Task 3	Report on international best practices and proposals for Armenia	25	28.04.2025
Task 4	Legislative proposal for revising and drafting new law	30	01.07.2025
		115	

Period of assignment: from November 2024 until July 2025.

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

Please note that GIZ security regulations, concerning operations in some areas of Tavush and Gegharkunik, Vayots Dzor, Ararat and Syunik provinces, are based on the travel warning issued by the German Federal Foreign Office and will be provided upon request.

3. Concept

In the tender, the tenderer is required to show how the objectives defined in Chapter 2 (Tasks to be performed) are to be achieved, if applicable under consideration of further method-related requirements (technical-methodological concept). In addition, the tenderer must describe the project management system for service provision.

Technical-methodological concept

Interpretation of objectives (1.1.1): The tenderer is required to consider the tasks to be performed with reference to the objectives of the services put out to tender. Following this, the tenderer presents and justifies the explicit interpretation with which it intends to provide the services for which it is responsible.

Strategy (1.1.2): Present a strategy for implementing the assignment. The strategy should focus on enhancing inter-community cooperation through comprehensive legal analysis, identifying gaps in current frameworks, and integrating international best practices. Emphasizing stakeholder engagement, the strategy should propose sustainable solutions that align with Armenia's decentralization goals and strengthen collaboration between municipalities.

Work schedule and time schedule (1.1.4): The tenderer is required to describe the key processes for the services for which it is responsible and create a **work schedule** that describes how the services according to **Chapter 2** (Tasks to be performed by the contractor) are to be provided. In particular, the tenderer is required to describe the necessary work steps and present time schedule.

4. Personnel concept

The tenderer is required to provide personnel who are suited to filling the positions described, on the basis of their CVs, the range of tasks involved, and the required qualifications.

Team leader (2.1)

- (2.1.1) Academic degree in Law, Public Policy, Political Science, or related fields.
- (2.1.3) 7 years of experience in local governance, public policy, or relevant sectors.
- (2.1.4) 10 years of leadership experience in managing projects and/or teams, with strong analytical and problem-solving skills, and excellent communication and stakeholder engagement capabilities.

Pool of up to 3 Sectoral Experts (2.6)

- (2.6.1) Academic degree in relevant fields such as Law, with a specialization in constitutional law, local governance, or public law.
- (2.6.3) Strong evidence of up to 7 years of experience in legal analysis and drafting of national legislation, particularly in the areas of constitutional and local governance.
- (2.6.4) 3 successfully completed projects or reports, related to local governance, decentralization, or inter-community cooperation.
- (2.6.7) Proven experience in the study and analysis of national legislation regulating local governance and inter-community cooperation, including experience working within Armenian legal and governance structures.

5. Costing requirements

Assignment of personnel and travel expenses

Specification of inputs

Fee days	Comments
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Fees of TL/key expert/short-term expert pool	Expert fee(s), per working day and in total
Travel expenses	Comments

6. Requirements on the format of the tender

The structure of the technical proposal must correspond to the structure of the ToRs. In particular, the detailed structure of the concept (Chapter 3) should be organized in accordance with the positively weighted criteria in the assessment grid (not with zero). The tender must be legible (font size 11 or larger) and clearly formulated. It must be drawn up in English (language).

The complete tender must **not exceed 20 pages** (excluding CVs). If one of the maximum page lengths is exceeded, the content appearing after the cut-off point will not be included in the assessment. The information about the bidder must **not exceed 2 pages**. External content (e.g. links to websites) will also not be considered.

The CVs of the personnel proposed in accordance with Chapter 4 of the ToRs must be submitted using the requirements specified in the ToR. The CVs shall **not exceed 10 pages** each. They must clearly show the position and job the proposed person held in the reference project and for how long. The CVs must also be submitted in English (language).

Please calculate your financial proposal based exactly on the parameters specified in Chapter 5 costing requirements. The contractor is not contractually entitled to use up the days, trips or budgets in full. The number of days, trips and the budgets will be contractually agreed as maximum limits. The specifications for pricing are defined in the price schedule. **The financial proposal must be submitted separately from the technical proposal.**