

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

Decentralization Strategy Development	Project number/ cost centre:
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0. List of abbreviations

IMD	Integrated Municipal Development in Armenia
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
BMZ	German Federal Ministry for Economic Cooperation and Develop
MTAI	Ministry of Territorial Administration and Infrastructure of the Republic of Armenia
GoA	Government of the Republic of Armenia
LSG	Local Self-Government Bodies
TARA	Territorial and Administrative Reform of Armenia
PFM	Public Financial Management

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

The Government of the Republic of Armenia (GoA) has been actively pursuing administrative-territorial reforms as part of its broader strategy for sustainable development. Central to these reforms is the decentralization of powers, which is considered a vital prerequisite for strengthening local self-government and fostering local democracy. The decentralization process aims to empower communities by transferring specific powers and responsibilities from the central government to local self-government bodies (LSGs). This approach is expected to enhance the capacity of LSGs to address local issues effectively, improve the quality and accessibility of public services, and ultimately raise the living standards of people within these communities.

Historically, Armenia's territorial and administrative division, inherited from the past, along with limited decentralization, posed significant challenges to local governance, effective service provision, and efficient use of financial resources. With 915 municipalities of varying population sizes and capacities, the municipal landscape was highly fragmented, resulting in many municipalities being unable to fulfill their functions effectively.

To address these challenges, the GoA launched a large-scale structural transformational process in 2015 called the Territorial and Administrative Reform of Armenia (TARA). The goal of TARA was to create a conducive framework for local self-governance and to build viable structures at the local level. The reform aimed to renew policy approaches to municipal planning, governance, management, and resource allocation within the governance system.

As of late 2022, TARA has resulted in a completely new territorial-administrative division, featuring 71 municipalities, of which 64 were consolidated, and 7 single municipalities. Inspired by the outcomes of TARA, the Ministry of Territorial Administration and Infrastructure (MTAI) has taken a proactive approach to decentralization, including fiscal and sectoral decentralization. With the inventory of LSG powers completed and sectoral analysis underway, the relevant information will be shared with the contractor to inform the next steps in the decentralization process.

The Concept of Decentralization, approved by the Prime Minister, sets forth the principles, goals, and tasks for the decentralization process. It emphasizes the importance of subsidiarity, ensuring that public tasks are handled by the smallest, lowest, or least

centralized competent authority. By adhering to this principle, the government aims to create a more efficient and responsive governance system that meets the specific needs of local communities.

The strategic objectives of the decentralization process include strengthening local democracy by increasing the participation of local residents in decision-making processes. This is expected to enhance the accountability and transparency of local governments, fostering greater trust between the state and its citizens. Additionally, improving public service delivery by bringing public services closer to the people is a key focus. This includes making services more accessible and tailored to local needs in sectors such as health, education, social welfare, and urban development. Enhancing financial autonomy is also crucial, involving increasing the financial independence of LSGs by providing them with the necessary resources and capacities to manage their budgets and generate revenues locally. Furthermore, the strategy promotes sustainable development, seeking to create resilient and self-reliant communities capable of addressing their unique challenges and leveraging local opportunities for economic growth and social progress. Lastly, aligning with international standards ensures that Armenia's decentralization efforts comply with international legal obligations, particularly the principles stipulated in the European Charter of Local Self-Government, ensuring that these efforts are in line with best practices and global standards.

The development of the decentralization strategy will involve comprehensive analyses, stakeholder consultations, and the formulation of legal and institutional reforms. It will also include the design of mechanisms for the effective transfer and management of decentralized powers. The Ministry of Territorial Administration and Infrastructure, in collaboration with other relevant ministries and international organizations, will play a central role in this process.

By implementing this strategy, the Government of Armenia aims to create a more dynamic, participatory, and efficient local governance system. This will not only improve the quality of life for citizens but also contribute to the overall stability and development of the nation.

2. Tasks to be performed by the contractor

The contractor is responsible for providing the following services:

Task 1. Analysis and assessment of the current state of decentralization

- Conduct a comprehensive analysis of the current state of decentralization in Armenia, including an assessment of past efforts and existing legal and institutional frameworks.
- Identify gaps and challenges in the decentralization process and propose solutions to address these issues.

Task 2. Defining the scope of powers to be transferred to local governments

- Select specific sectoral powers that can be transferred to local self-government bodies. This includes a detailed description of the scope of these powers in at least four areas, such as:
 - primary health care,
 - management and maintenance of inter-community and inter-settlement roads,

- management and maintenance of public school buildings,
- organization and implementation of comprehensive social services.
- Develop and present an operational framework for the implementation of each selected authority, setting out clear procedures for their execution at the local level.

Task 3. Recommending financing mechanisms for existing delegated and own authorities

- Conduct a thorough analysis to identify funding gaps in 3 already delegated, as well as 3 own, powers. The list will be developed jointly with MTAI and the contractor.
- Assess the impact of insufficient funding on the effectiveness of these mandates.
- Develop and propose sustainable funding mechanisms for at least three selected own and devolved powers that are not currently funded by the community and central government. These mechanisms will form the basis for the government's decision on the implementation and financing of delegated powers and may include new instruments aimed at funding those own powers that are not currently practiced.

Task 4. Development of a draft decentralization strategy

- Develop a detailed document outlining the goals, objectives, and expected outcomes of the decentralization process.
- Ensure that the strategy addresses key issues such as governance, public service delivery, financial management, and community engagement.
- Identify the necessary legal and institutional changes to support the implementation of the decentralization strategy.
- Recommend/draft changes to existing laws and regulations to facilitate the decentralization process and ensure compliance with international standards as well.

Task 5. Integrating fiscal decentralization into the strategy

- Propose models for fiscal decentralization, including mechanisms for generating own revenues and budgetary allocations to communities.
- Suggest effective steps to strengthen the capacities of the local governments and municipal staff to enhance their financial management and administrative capabilities.

Task 6. Development of an action plan for strategy implementation

- Develop a phased implementation plan with short-term, medium-term, and long-term actions to achieve the goals of decentralization.
- Ensure that the action plan includes specific timelines, responsibilities, and resource sources for each phase.

Task 7. Monitoring and evaluation framework

- Establish a comprehensive monitoring and evaluation framework to track the progress and impact of the decentralization strategy.

- Create measurable monitoring indicators and reporting mechanisms to ensure accountability and continuous improvement of the decentralization process.

Task 8. Stakeholder engagement and capacity building

- Conduct stakeholder consultations to gather feedback and foster consensus on the decentralization strategy.
- Develop programmatic and professional guidelines for capacity building for local self-governments, staff members, and other stakeholders to ensure effective implementation and sustainability of decentralization efforts.

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.	A comprehensive report on the current state of decentralization, including identified gaps and challenges, along with proposed solutions to address identified issues	35	25.12.2024
Task 2.	A detailed operational framework and scope for the selected sectoral powers in at least four preselected areas	45	03.03.2025
Task 3	Detailed analysis and proposed sustainable financing mechanisms for at least three selected own and devolved powers, addressing funding gaps and ensuring effective implementation of these mandates	45	02.06.2025
Task 4	Comprehensive draft of the decentralization strategy, outlining the goals, objectives, and expected outcomes, with recommendations for legal and institutional changes to support implementation, including proposed amendments to existing laws and regulations to align with international standards	75	30.08.2025
Task 5	Proposed models for fiscal decentralization, including mechanisms for generating own revenues and budgetary allocations, with recommendations for strengthening the financial management and administrative capacities of local governments	45	30.09.2025

Task 6	A phased implementation plan for the decentralization strategy, detailing short-term, medium-term, and long-term actions with specific timelines, responsibilities, and resource allocation strategies	20	30.10.2025
Task 7	Comprehensive monitoring and evaluation framework for the decentralization strategy, including measurable indicators and reporting mechanisms to track progress and ensure accountability	25	02.02.2026
Task 8	Stakeholder engagement plan, including consultations and feedback mechanisms, along with programmatic guidelines for capacity building to support effective implementation and sustainability of decentralization efforts	25	20.02.2026
Total		up to 315	

Period of assignment: from October 2024 until March 2026.

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, 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, focusing on the development of a comprehensive decentralization strategy. The strategy should outline methods for analyzing current governance frameworks, defining the scope of powers to be decentralized, and recommending sustainable financing mechanisms. Emphasize

stakeholder engagement and legal analysis to ensure alignment with international standards and local needs.

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 Public Administration, Governance, 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.

Expert 1: LSG expert (2.2)

- **(2.2.1)** Academic degree in Public Administration, Law, or a related field with a specialization in Local Self-Government (LSG).
- **(2.2.3)** 10 years of professional experience in local self-government, with a focus on decentralization and governance reforms.
- **(2.2.4)** Strong evidence of at least 7 years of experience working with Armenian legal and institutional frameworks related to LSG and administrative-territorial reforms, demonstrating analytical expertise in proposing governance and legal reforms, along with excellent drafting and communication skills.

Expert 2: Public Financial Management (PFM) Expert (2.3)

- **(2.3.1)** Academic degree in Public Finance, Economics, Public Administration, or a related field.
- **(2.3.3)** 10 years of professional experience in PFM, specifically in budget planning, execution, and financial control within local governance or public sector programs.
- **(2.3.4)** Proven expertise in developing financial strategies and budgeting frameworks, with demonstrated success in supporting fiscal reforms at both local and national levels, fiscal decentralization expertise would be an added benefit.

Pool of up to 5 Sectoral Experts (2.6)

- **(2.6.1)** Academic degree in relevant fields such as Public Finance, Economics, Public Health, Education, Social Services, Infrastructure Management, or related sectors.

- **(2.6.3)** Strong evidence of 7 to 10 years of experience in policy analysis, program management, or service delivery within the respective sector.
- **(2.6.4)** Strong evidence of at least 7 years of expertise in Public Health, Education, Social Services, or Infrastructure Management, demonstrating advanced analytical and drafting skills, a track record of successful project experience, and the proven ability to develop sector-specific operational frameworks or strategies.
- **(2.6.7)** Strong evidence of at least 7 years of proven ability to provide technical guidance and support on effective service management and delivery at the local level, demonstrated through prior projects, published work, or consultancy roles.

5. Costing requirements

Assignment of personnel and travel expenses

Specification of inputs

Fee days	Comments
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 can 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.**