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July 15, 2002

Mr. David Brown  
Contracting Officer  
United States Agency for International Development/Caucasus  
18 Marshall Baghramian Ave.  
Yerevan, 375019 Armenia

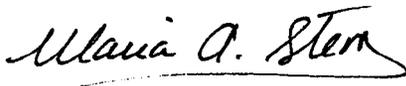
RE: Contract No. EEU-I-00-99-00015-00, TO No. 807  
UI Project 06901-008, Armenia Local Government Program  
*Quarterly Task Order Progress and Cost Report, April to June 2002*

Dear Mr. Brown:

Please find enclosed the *Quarterly Task Order Progress and Cost Report, April to June 2002, for the Armenia Local Government Program*. This report is required by Sections F.5 and **F.6** of our Local Government Assistance Initiative Indefinite Quantity Contract.

Please direct any technical questions to Mr. Sam Coxson, CoP, UI/Yerevan at 011-3741-580-739 or slcoxson@yahoo.com; questions of a contractual nature should be addressed to me at (202) 261-5396.

Sincerely,



Maria C. Andrade-Stern

Enclosures

cc: Bella Markarian (CTO USAID/Armenia)  
Carlton Bennett (CO USAID/Tbilisi)  
Mike Keshishian (CTOMI, USAID/W)  
Sam Coxson (UI/Yerevan/Armenia)  
USAID Development Clearinghouse  
IAC Deliverables File (06901-008)  
IAC Chron File

bcc: **Maria C. Andrade-Stern**  
**IAC Chron Notebook**  
**IAC Staff Person**

**QUARTERLY TASK ORDER  
PROGRESS AND COST  
REPORT**

**ARMENIA LOCAL  
GOVERNANCE PROGRAM**

**APRIL TO JUNE 2002**

Prepared for



Armenia Local Governance Program  
United States Agency for International Development  
Contract No. EEU-I-00-99-00015-00, Task Order No. 807

Prepared by

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July 2002  
UI Project 06901-008

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# QUARTERLY TASK ORDER PROGRESS AND COST REPORT

APRIL TO JUNE 2002

## ARMENIA LOCAL GOVERNMENT PROGRAM

**Task Order No.:** EEU-I-00-99-00015-00, Task Order No. 807

**Date of Issuance:** January 18, 2000

### Task Order Description

In January 2000, the United States Agency for International Development (USAID) contracted the Urban Institute (UI) to implement a three-year local government project in Armenia. The project provides training and technical assistance (TA) designed to increase local government accountability, accessibility and responsiveness to citizens and to provide more effective and transparent management systems for local governments. The main components of the project are:

- Legal Reform and Local Government Association Development
- Service Delivery Improvement in Municipalities
- Citizen Participation in Local Government Affairs

**Amount Obligated Under Task Order:** \$3,549,732

**Total Potential Task Order Amount:** \$4,205,721

**Dollars Expended To-date:** \$2,934,584

### Progress of Major Activities

This section of the quarterly report presents the major activities accomplished during the second quarter of 2002.

### Major Highlights

#### **PASSAGE OF THE LOCAL SELF-GOVERNMENT LAW**

During May the Armenian National Assembly passed the Law on Local Self-Government (LSG) with very substantial amendments. The initial proposal that passed the first reading provided for:

- Creation of the city as a legal entity

- Requirement that the Community Council meetings be open to the public
- Delegated full land and property tax collection to local government (this Article will require correlative changes in the law on taxation)
- Provided specific authority and responsibility for the creation of mandatory inter-community unions
- Provided for a city-wide government for Yerevan (an inter-community union of the 12 Yerevan Districts)
- Provided for increased sharing of tax revenues by the central government with local governments

However, during the conference committee meetings and the second readings the following items were removed or amended in the adopted legislation:

- Provision for the mandatory creation of inter-community unions was removed
- Provision for a city-wide Yerevan inter-community union was removed (no area wide government with its own budget)
- Provision for increased revenues (specific percentages) for local governments was removed, the general revenue listing was retained without the percentage allocation

The legislation that passed made some significant gains for local government in Armenia, but the law fell substantially short of expectations as well as requirements enumerated in the European Union's (EUs) Charter for LSG. Most likely, the law will need to be amended again in order to meet EU Charter requirements. There is no plan for the local government project (LGP) to mount a new effort to provide technical assistance on an amended law.

#### **PASSAGE OF THE APARTMENT MANAGEMENT LAW**

In May the National Assembly passed the Apartment Management Law. This law provides for:

- Various organizational structures to manage multiple-apartment buildings
- Established maintenance standards and norms that must be met by all forms of management and ownership
- Amendments to the Law on Condominiums and Civil Code to take into account the changes created by the Apartment Management Law



The LGP working group established to develop and support the Apartment Management Law has continued to work on the maintenance standards and norms that must accompany the law. Additional technical assistance provided by LGP will include: conduct of a dissemination campaign for the law, and conduct of three seminars, one in the central part of the country (Yerevan), one in the southern part of the country (Kapan) and one in the northern part of the country (Vanadzor or Gyumri).

Following the dissemination of a law and the seminars on a law, LGP will oversee the updating of the Apartment Management Training Manual and provide selected pilot training to test the updated material and make remedial adjustments as needed.

#### **ADDITIONAL MINISTRY OF TERRITORIAL ADMINISTRATION TECHNICAL ASSISTANCE REQUESTS**

In late April, the Ministry of Territorial Administration made preliminary inquiries about additional technical assistance from LGP. The request was presented as a list of possible areas of activities from which LGP could choose:

- Follow up TA for implementation of the law on local self-government
- Additional city computerization and training
- Assistance in drafting a new law on territorial administration
- Assistance in establishing a local government training center

After several meetings with other donors and implementers, LGP determined that technical assistance in some follow-up activities relative to the implementation of the law on local self-government and assistance in conducting the policy review in preparation for drafting a new law on territorial administration are areas LGP could work without duplication of efforts. A final determination of areas of assistance efforts will be completed in early July. The additional efforts to be undertaken will take into account the time remaining in the project (approximately seven months without a no-cost extension). LGP anticipates requesting a no-cost extension in order to ensure completion of all activities.

#### **AMBASSADORIAL VISITS TO SEVAN AND SISIAN**

During May the U.S. Ambassador visited the City of Sevan offices and received a brief presentation of the LGP program in that city. Of particular interest were the software application progress for the budget, asset management, citizen register (used to develop the voting lists for elections), land and property tax inventory and mapping to be used in planning and tracking taxable property. Local officials gave the presentation and answered questions about the programs presented. Sevan city officials were quite proud that its tax collection efforts managed to double the amount of land and property tax collected for 2001.

During June the U.S. Ambassador paid a visit to the City of Sisian. Similar to Sevan, city officials presented a comprehensive overview of the computerization program and discussed their progress in application of the various components of the software. Like Sevan, Sisian had been successful in increasing its tax collection. It was successful in increasing the collection by **43** percent. Sisian is the only city of the nine pilot cities that has established a website.

## LESSONS LEARNED

In assisting the GoA ministries, it is necessary to first research the policy surrounding the legislative concepts and development of a clear policy analysis. Only after this step has been completed and there is consensus should actual legislation be drafted. The Law on LSG is a case-in-point. There was not enough policy discussion and research prior to submission of the law to the National Assembly. There were significant, powerful political interests that were not consulted or their concerns were not incorporated into the draft legislation. Consequently, during the legislative process the draft legislation was greatly amended. The amendments very significantly weakened or eliminated articles of the law that would have been important steps forward in granting greater local government autonomy or more effective local government (note specifically the Articles on creating inter-community unions, creating a city-wide government for Yerevan, and increased revenue sharing).

Although LGP was not the lead implementer in the process, it provided substantial assistance. The Ministry of Territorial Administration (the same Ministry that requested the Law on Local Self-Government) has requested that LGP provide technical assistance in drafting a law on territorial administration. In this effort, LGP will be the only implementer and will endeavor to spend more time and effort in the policy review and policy consensus or pre-draft stage of the legislative effort.

## KEY DELIVERABLES

- Monthly Reports (April, May, and June)
- Adopted version of the Law on Local Self-Government
- Adopted version of the Apartment Management Law

### Quarterly Activity Summary

- **Input by USAID**

USAID and LGP held periodic meetings to discuss project implementation, issues and direction of the project. Additionally, the project work plan was reviewed with the possibility of adding some tasks (within the current Scope of Work and budget). USAID and LGP anticipate completion of the planning for additional project tasks in July. These additional project tasks will be geared to completion within the time remaining in the contract and within the existing budget.

- **Legislative Decentralization**

- As described earlier, the Law on Local Self-Government passed the National Assembly
- Also described above, the Apartment Management Law passed, as did correlative amendments to the Condominium Law and Civil Code
- The Apartment Management Law Working Group continued to work on the maintenance standards and norms that will accompany the new law



- Local Government Service Improvement
  - Discussion with the Ministry of Territorial Administration concerning possible additional project activities
  - Coordination with USAID on possible additional activities in the work plan
  - Technical training to Alaverdi and Gyumri finance staff on budget and finance software due to personnel turnover
  - Progress monitoring of capital projects in the nine pilot cities
  - Completion of the data loading for budget figures of 2001 and 2002 in the nine pilot cities
  - Progress monitoring of the loading of data for the citizen registry prior to local government elections in September
  - Implementation of a performance management system in the pilot city of Ijevan (one service completed)
  - Provided proposal writing training to the nine pilot cities and selected condominium association representatives
  - Presentation to the U.S. Ambassador outlining the software programs implemented in the cities of Sevan and Sisian
  - Coordination and technical assistance to two pilot cities relative to a bond issuance. LGP technical assistance limited to providing budgetary and financial information in a format needed by the MoF and Economy
- **Citizen Participation**
  - Discussed with GTZ the provision of training for the implementation of the Law on LSG relative to holding open public hearings and meetings
  - Coordinated work with IFES in the updating of a question and answer booklet covering the new law on Apartment Management, planning and work are ongoing

#### Significant Findings and **Delays**

- Findings—Receptivity of the Ijevan Mayor and staff to the training and implementation of performance management principles and practices was much higher than expected. LGP will move from the pilot service of kindergarten to municipal refuse collection and other municipal services until all services are within the performance management system.

- Delays—Budget policy and practices training will be delayed until after the local government elections in September in the nine pilot cities.

### **Work Planned for the Next Reporting Period**

During the next quarter LGP will continue uncompleted activities as well as undertake new ones. These activities are briefly described by contract component below.

#### **Component 1—Legal Reform and Decentralization**

- Coordination with GTZ in implementation of the Local Self-Government Law
- Publication and dissemination of the Apartment Management Law and related Laws
- Conduct seminars presenting the Apartment Management Law and maintenance standards and norms (Yerevan, Kapan, and Vanadzor)
- Rewriting of the Apartment (Condominium) Management Training Manual
- Pilot testing training of the updated Management Training Manual

#### **Component 2—Service Delivery Improvement and Local Government Management Enhancement**

- Budget software enhancement work will continue in such areas as revenue projection and graphics, increased revenue breakdown and graphics, and three year revenue performance graphics
- Asset management property disposition pilot in Nor Nork District of Yerevan assessing rental as well as sale of district assets relative to market prices
- Continuation of the performance management pilot project in Ijevan focusing on municipal waste removal
- Initial training on community based economic development strategy in preparation for a full community based economic development strengths, weaknesses, opportunities and threats analysis



### **Component 3—Citizen Participation in Local Government Affairs**

- Continued technical assistance in training and establishment of information centers in three Yerevan districts
- Review of the open community council meeting requirements of the recently passed Local Self-Government Law
- Review of the progress in completing the citizen registry in the pilot cities and districts of Yerevan in preparation for the September local government elections

#### **Specific Action Requested**

LGP and USAID should decide the response to the Ministry of Territorial Administration request for additional technical assistance. There is a need to ensure that whatever additional technical assistance is undertaken, that it be possible to complete the work within the time frame of the existing contract or within a three month no-cost extension.

#### **PROJECT LOCAL SUBCONTRACT WORK**

The following scopes of work were prepared and executed:

- Additional general computer training for Yerevan districts
- Information center training in Kapan
- Proposal writing training for condominium associations and selected CAGs

The following contracts were completed:

- Remedial basic computer training in Alaverdi
- Capital Improvement Planning and Proposal Writing for Nine Pilot Cities

#### **MEETINGS**

##### **Monthly Meetings and Reports**

Detailed LGP monthly meetings can be found in the LGP monthly reports.

**Staff Travel and Leave**

- Samuel Coxson and Hasmik Karapetyan accompanied eight mayors, deputy mayors and Armenian Government Ministry officials on a study tour to Poland. The focus of the trip was to observe and learn about the Polish cities (Crakow, Poznan, Gdansk and Warsaw) economic development experience.

**Ex patriot Visits**

None

**Appointments**

None

**Departures**

None

**Key Personnel**

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