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Armenia Local Government Program—Phase 3 Performance Report—Base Period 2005— 2008



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Armenia Local Government Program—Phase 3
Performance Report—Base Period
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Abbreviations

ACA	Armenia Councilors Association
AMD	Armenian drams
CFOA	Communities Finance Officers Association [Armenia]
CIP	capital investment planning
COE	Council of Europe
FOI	Freedom of Information
GAAP	Generally Accepted Accounting Principles
IASB	International Accounting Standards Board
ICU	Intercommunity Union
IR	Intermediate Program Results
ISDTC	Information System Development and Training Center
LGP 3	Armenia Local Government Program–Phase 3
LGU	local government unit
LLSG	Law on Local Self-Government
LOA	letter of agreement
LOP	life of project
MAAC	Mobilizing Action Against Corruption
MMIS	Municipal Management Information System
MOJ	Ministry of Justice
MOUD	Ministry of Urban Development
MTA	Ministry of Territorial Administration
STS	State Tax Service
TA	Technical Assistance
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Introduction

This report amplifies and clarifies USAID’s Armenia Local Government Program–Phase Three (LGP 3) performance during the base period (first three years of a possible five-year activity). It shows the progress of LGP 3 cities with respect to USAID’s Strategic Objective 2.1 Improved Democratic Governance and its accompanying intermediate and local-level results through reporting the progress of LGP 3 program components and crosscutting activities.

LGP 3 carried out its baseline review of 26 cities soon after the program cities were competitively selected. The baseline review provided a clear foundation for programming and measuring progress throughout the base period. Other sources of comparative information that helped put LGP 3’s overall progress in perspective included USAID’s countrywide survey for 2005, LGP 3’s countrywide telephone surveys for 2007 and 2008, and the 2006 Transparency International survey.¹ LGP 3’s 2008 countrywide telephone survey used the same questions as the 2007 telephone survey in order to further provide comparison on a year-to-year basis. As in the year two performance report, this report begins with USAID’s overall project expectations, which are reflected in the life of project (LOP) objectives.

Life of Project Objectives

USAID’s overall objectives for Armenia LGP 3 are its three LOP objectives. The indicators for those major program activities are

- Level of citizen satisfaction with their local governments,
- Level of local source revenue collection and administration, and
- Level of citizen satisfaction with access to officials and information.

These three LOP objectives form the core to establish more responsive and effective local government. The LOP objectives also tie in to the intermediate program results (IRs) and the lower-level results set out in the project’s performance monitoring plan described in Table 1 below.

Table 1. Life of Project Progress Indicator Matrix

LOP Indicator	2005	2006	2007	2008	LOP Target Goals for the Base Period ⁽¹⁾
Citizen Satisfaction	38%	42%	55%	66% ⁽²⁾	60%

¹ 2006 *Corruption Perception in Armenia*, ed. Ms. Amalia Kostanyan, Center for Regional Development/Transparency International-Armenia. Sponsored by the United Nations Development Programme Armenia, 2006.

LOP Indicator	2005	2006	2007	2008	LOP Target Goals for the Base Period ⁽¹⁾
Own-Source Revenues as a Percent of Total Local Revenues ⁽³⁾	48%	59%	56%	58%	60%
Citizen Access to Officials and Information	48%	54%	63%	73% ⁽⁴⁾	60%

(1) The LOP does not specifically state percentages or per capita amounts but the IR targets are indicated in the expected results portion of the activity description. For example, citizen satisfaction criteria are found in Component 4. Strengthening Local Government Public Relations.

(2) Question 7 of the 2008 LGP 3 telephone survey: "During the past year do you think the services of your local government were better, stayed the same, or became worse than last year?"

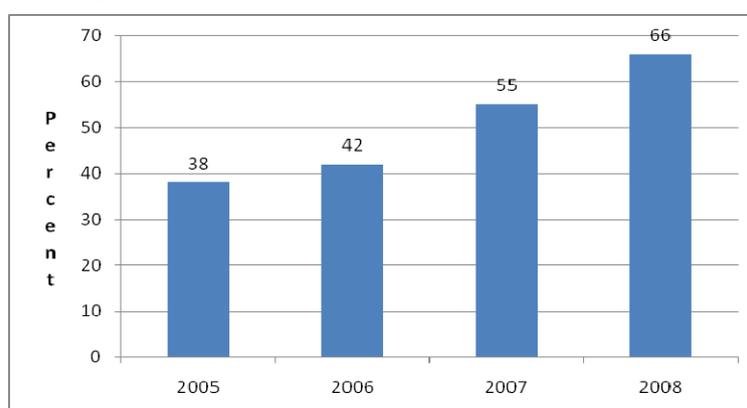
(3) Source: Program City Budgets.

(4) Question 3 of the 2008 LGP 3 telephone survey: "Are you granted access to local council meetings and to individual council members?"

LOP—Citizen Satisfaction

The level of satisfaction of citizens in LGP 3 program cities has increased steadily between 2005 and 2008 (Graph 1). The 2005 USAID countrywide survey covered several areas of democracy and governance but also had questions that addressed citizen satisfaction with local government services and citizen access to local government officials and information. During 2006, LGP 3 conducted its baseline review of 26 new program cities, which formed the starting point of our project base period. During 2007 and 2008, LGP 3 conducted telephone surveys of 20 cities spread geographically throughout the country, interviewing 400 respondents at random. Our statistical accuracy (confidence level) for the phone survey is 95 percent. For a more detailed discussion of the methodologies used in the phone surveys, please refer to Annex B.

Graph 1. Citizen Satisfaction



Source: LGP 3 Telephone Surveys and USAID Countrywide Survey.

The improvement in services provided by local governments represents the result of several inputs, of which LGP 3 activities is a major, but not the only, source. The

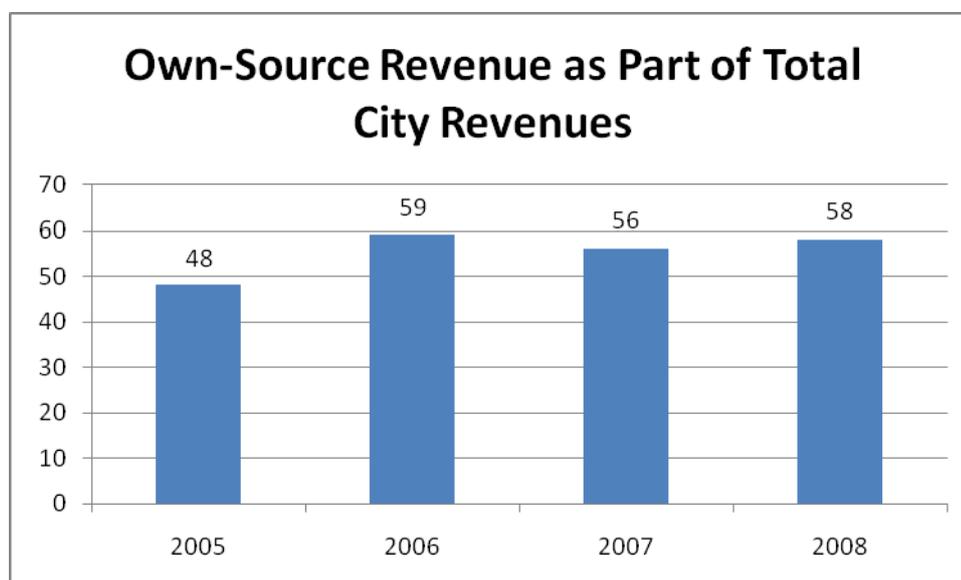
increase in citizen satisfaction of their local government and its activities cannot be wholly attributed to LGP 3's efforts, although the survey took place only within LGP 3 cities. Citizen satisfaction has been affected by the increase of local governments' own and state-shared resources through which the cities have been able to undertake needed infrastructure and service improvements. While this is a sign of progress and meets the target estimated in the project performance plan, we know that further improvements can still be made in service delivery, proactive local councils, increased transparency, and communication with citizens by program cities.

LOP—Local Source Revenue Collection Improvement

When local government own-source revenues increase, the local government tends to be less dependent on central government funding. In Armenia, local governments have been increasing own-source revenues from 2005 through 2008. This process has been influenced more by LGP 3's assistance to the State Tax Service (STS) and program cities in delegating the collection of land and property taxes to cities than to the STS's continuation of the collection of property and land taxes. Although there is still a substantial amount of assistance needed to enable the local governments to set the tax rate, develop the tax bill, and collect land and property taxes, cities have made substantial progress in correcting errors in the property tax database, as their proceeds indicate. The present challenge is to assist in the passage of the real estate tax law that would combine the property and land tax, as well as give cities the right to set the tax rate within a range permitted in the law and to have more control over the database and its correction.

Local own-source revenue is another way to look at local fiscal autonomy or, more generally, fiscal decentralization. While administrative decentralization in Armenia has stalled because of the 2008 presidential and 2007 parliamentary elections, fiscal decentralization—in the form of delegation of property and land taxes, as well as the omnibus granting of land and property to local governments—has been progressing. The trend has been positive as Graph 2 below indicates. In 2005 the central government portion of the local budget was approximately 52 percent of the local government budget (own-source revenue was 48 percent). By 2008 the ratio of central government transfers as a portion of total local revenues had dropped to 42 percent (own-source revenue was 58 percent). This shift in the total percentage of the local budget that is own-source revenue is a part of the fiscal decentralization trend over the last four years.

Graph 2. Program Cities Own-Source Revenues as Part of Total Revenues



Source: Program City Year-End Financial Reports.

The dynamics of change in local government's own-source revenues ratio is related to the central government's total revenues. The percentage of own-source revenues versus total local revenues changes depending on (1) the collection of own-source revenues as a portion of the total revenues and (2) the amount of the transfers from the central government, based on the Law on Equalization and total revenues of the consolidated budget.² Therefore, the percentage of local own-source revenue is the inverse of what the central government brings in. As the central government revenue collection increases (and its transfer share increases because transfers are made up of four percent of the total actual revenues of the consolidated budget), the local own-source percentage decreases. Comparing the four years presented in Graph 2, central government receipts during 2006 and 2007 were much higher than 2005 and 2008. Over the four years, local own-source revenues have grown from 48 percent to 58 percent as an average of own-source to total local revenues.

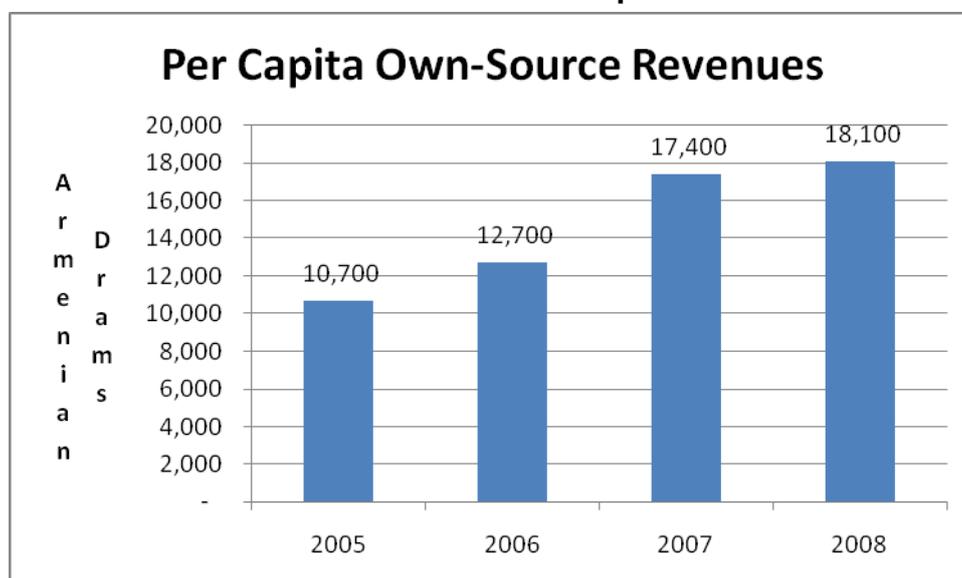
While own-source revenue has not grown as fast as the central government transfers, the trend for both is positive and increases the ability of the local government to provide more and better public services.

Total operational revenues for the 38 local governments has nearly doubled (adjusted for inflation) from 8,208,523,170 AMD in 2005 to 14,305,910,400 AMD in 2008. We have not counted the capital reserve funds in this process because capital reserve funds (proceeds from the sale of property and land) are only available for capital procurements and the subventions (capital improvement grants from the central government), neither of which can be used for local government operations.

² Total local revenues are made up of own-source revenues (property tax, land tax, fees and charges, and rents from leases) and transfers (the four percent of total actual revenues of the consolidated budget) and subventions for capital projects.

Since local government own-source revenues are so important to improving the local government's fiscal soundness, LGP 3 has developed a creditworthiness indicator that illustrates the positive growth of own-source revenues, the own-source revenues per capita. Graph 3 shows the positive trend in own-source revenues on a per capita basis.

Graph 3. Own-Source Revenues on a Per Capita Basis



Source: Program City Year-End Financial Reports. Based on population of 767,903 for the 38 program cities.

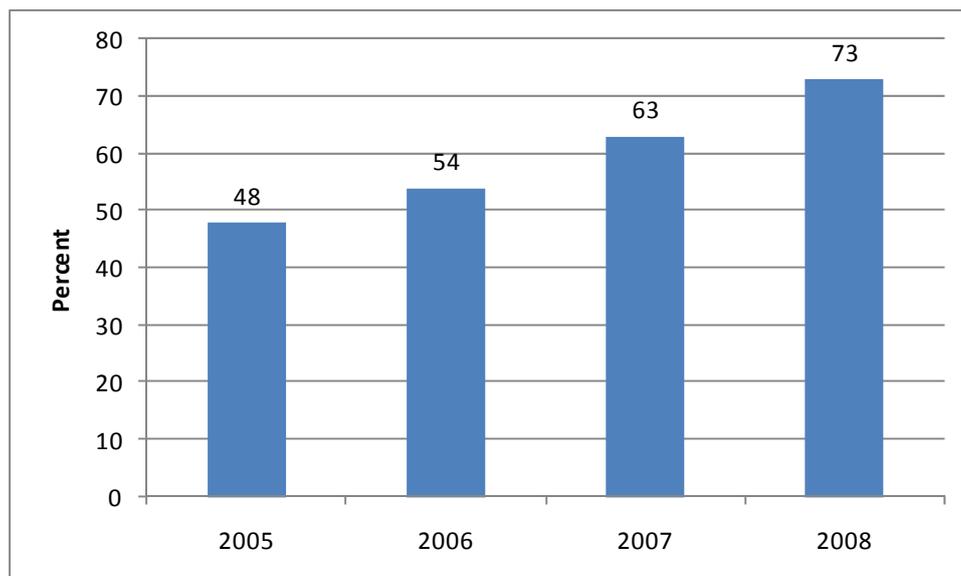
While the own-source revenue as a percentage of the total local revenue has a positive trend, the total revenues available to local governments are still inadequate to carry out all of their mandated powers. LGP 3 will continue to assist cities to improve their land and property tax collections but will also help cities lobby for an increased percentage of the central government's consolidated revenues. Cities and the central government should avoid local mandated power decentralization without a concurrent increase in fiscal transfers if the decentralization is to work.

LOP—Citizen Access to Information and Officials

Citizen Access

The 2005 USAID Survey indicates an aggregate of 48 percent of citizens who expressed they have some or adequate access to local elected and appointed officials and local government information. The LGP 3 baseline review conducted in 2006 found that 54 percent of respondents were satisfied with their access to local officials and local government information. The 2007 LGP 3 telephone survey indicated 63 percent of respondents were satisfied with access to local government officials and information and 73 percent were satisfied with access to officials and information in 2008. Related results from these surveys are in Graph 4.

Graph 4. Citizen Access to Information and Officials



Source: LGP 3 Program Records and USAID 2005 Countrywide Survey.

Citizen access to information and local officials is essential for several reasons. The first step in increasing citizen access is to continue the process of building a positive relationship between electors and the elected. This process was strengthened and assisted through LGP 3 Training for Local Councils (program component number five). The second step in increasing citizen access is to increase information provided to local citizens. This step and process was strengthened by the LGP 3 Public Relations Training for Local Government Officials (program component number four). These activities enabled the citizen to (1) know what was going on, (2) hold local councils and mayors accountable, and (3) be able to work with the mayor and local councils to address neighborhood problems, as well as community-wide development issues.

Project Component Summaries

This report provides the reader with progressively more detail on LGP 3 program performance in order to make its review easier. Some readers will want to review the detail provided in Annex A, while others will be more interested in the general picture presented in the LOP section. Each of the five project components contribute to the LOP goals and intermediate results of the project. Measurement criteria presented in the original proposal are referred to in the following component summaries and in the tables and graphs in Annex A.

Component One—Policy Dialogue and Reform

Major accomplishments in legislation and policy dialogue during the base period are listed in Table 2.

Table 2. Policy Dialogue, Legislative Activities, and Local Government Association Assistance

Component Activity	Progress Base Period	Next Steps
Draft model Intercommunity Union (ICU) Charter	Accomplished	Apply as a pilot to one ICU
Draft ICU Intergovernmental Agreement	Accomplished	Apply as a pilot to one ICU
Draft law on ICUs	Accomplished	Adopt the law
Draft methodology for costing delegated services	Submitted	Adopt the methodology
Draft "Rules of Procedure" for local councils	Accomplished and implemented by program cities	Monitor adherence to the "Rules of Procedure"
Assist in draft of Law on Equalization	Accomplished in cooperation with the Community Finance Officers Association	Advocate for an increase in the total amount that is dispersed per the new law
Assist in draft concept paper on introduction of local taxes	Accomplished in cooperation with the Community Finance Officers Association	Adopt the law and subordinate legislation
Assist all four of the local government associations in their advocacy role	All local government associations have been assisted in developing a template for and executing an annual advocacy plan	Update annually and implement advocacy action plan

In addition to the above, component one assisted four Armenian local government associations in their advocacy roles, subcontracting, and overall sustainability. All local government association technical assistance indicators were met.

Component Two—Local Government Financial Management

The capital investment planning (CIP) and budgeting training was given to 84 local government financial officers and staff. All the cities completed the CIP budget integration with the CIP plan and 36 of the 38 cities completed capital improvement proposals for the highest priority capital project in their city. Other accomplishments in the financial component subcomponents are listed in Table 3.

Table 3. Local Government Financial Management Activities

Subcomponent Activity	Year One	Year Two	Year Three
CIP and budgeting, proposal writing training, and technical assistance (TA)	38 cities	Proposals written and incorporated in the annual update of the triennial development plan	Proposals written and incorporated in annual update of the triennial development plan

Subcomponent Activity	Year One	Year Two	Year Three
CIP adopted and written project proposals created		33 cities 39 separate projects	37 cities assisted
TA in development and publication of budgets in brief	Format developed and disseminated	22 cities issued budgets in brief	34 cities issued budgets in brief
Asset management and inventory updated	21 cities	17 cities	Asset management software training and installation in all 38 cities
Asset management and land lease management software developed			Software developed and 38 cities trained on the software application
Land tax administration training conducted			38 cities trained, manuals on land tax administration legislation and software application published
Rules of procedure for the sale of community property drafted			Draft rules of procedure adopted by Ministry of Territorial Administration (MTA)
Creditworthiness self-assessment software developed for Armenian local government units (LGUs)	Completed		
Credit market for LGUs assessed and roundtable conducted	Assessment completed	Based on assessment, 13 cities invited to roundtable ⁽¹⁾	TA provided to cities and banks interested in loaning to cities (6 cities and 3 banks)
Creditworthiness self-assessment tool training carried out		17 cities	
At least one loan application submitted to a commercial bank			Sevan loan application submitted to VTB Bank
Internal control procedures and practices review		Review completed	
Internal control procedures incorporated in the financial management strategy of each city			Strategy presented and TA to implement to 38 cities ⁽²⁾

Source: LGP 3 project records.

(1) Thirteen cities participated in credit market roundtable with 21 staff members.

(2) Also part of the anticorruption crosscutting activity.

In addition to the above accomplishments, LGP 3 also carried out activities with other components to increase the impact of the training and TA activities. For example,

cities were encouraged to conduct neighborhood improvement forums in which each neighborhood selected an improvement project and presented this to the local council and mayor at the forum. This progress is discussed in more detail in component five.

Component Three—Public Service Delivery

After an extensive review of baseline data, a pilot group of five cities was selected to test the co-financing approach to public service improvement. Three services were selected to demonstrate the impact and sustainability of the pilot effort. Since different service improvement activities require different preparation and implementation times, Table 4 shows progress on those activities that require a longer lead time and the progress of the pilot cities.

Table 4. Equipment Co-Financing for Pilot Cities

City	Service	Type of Assistance	Progress
(1) Aparan	Solid waste collection	Co-finance garbage truck purchase	Completed
(2) Vedi	Solid waste collection	Co-finance garbage truck purchase	Completed
(3) Noyemberyan	Solid waste collection	Co-finance garbage truck purchase	Completed
(4) Kapan	Kindergarten heating system improvements	Purchase heating system for kindergarten	Completed
(5) Nor Hachn	Water system	Partially rehabilitate water system	Completed

Source: LGP 3 Project Records.

Expanded Co-Financing and Public Service Delivery

As a result of the successful pilot co-financing in five cities, USAID agreed to fund a continuation of the process for the remaining 33 cities. The amount of additional funding for service delivery co-financing was approximately \$1.2 million US dollars. Table 5 lists the remaining cities and their priority project for the equipment co-financing. Twenty-nine cities selected co-financing a new garbage or utility truck (the City of Vanadzor received two garbage trucks), while five cities selected to provide improved heating to schools, business district lighting, or water system rehabilitation.³

³ The heating systems were for kindergarten or other special schools (music, art, or sports) that were local governments' responsibility. Water system rehabilitation was limited to those cities that owned and operated their water distribution systems.

Table 5. Additional Co-Financing Cities and Activities

City	Model of Truck or Activity	Progress (End of Year Three)
(1) Abovyan	KO 449	Delivered and letter of agreement (LOA) Signed
(2) Akhtala	KO 449	Delivered and LOA Signed
(3) Agarak	MKZ	Delivered and LOA Signed
(4) Ararat	MKZ 10	Delivered and LOA Signed
(5) Armavir	KO 449	Delivered and LOA Signed
(6) Artik	KO 449	Delivered and LOA Signed
(7) Ashtarak	KO 449	Delivered and LOA Signed
(8) Berd	KO 449	Delivered and LOA Signed
(9) Byureghavan	MKZ	Delivered and LOA Signed
(10) Chambarak	MKZ	Delivered and LOA Signed
(11) Charentsavan	KO 449	Delivered and LOA Signed
(12) Dilijan	MDK	Delivered and LOA Signed
(13) Gavar	KO 449	Delivered and LOA Signed
(14) Goris	KO 449	Delivered and LOA Signed
(15) Hrazdan	KO 449	Delivered and LOA Signed
(16) Ijevan	MKZ	Delivered and LOA Signed
(17) Jermuk	MDK	Delivered and LOA Signed
(18) Kajaran	KO 449	In Transit
(19) Martuni	KO 449	Delivered and LOA Signed
(20) Masis	KO 449	Delivered and LOA Signed
(21) Meghri	MKD	Delivered and LOA Signed
(22) Sevan	KO 449	Delivered and LOA Signed
(23) Sisian	KO 449	Delivered and LOA Signed
(24) Spitak	KO 449	In Transit
(25) Stepanavan	MDK	Delivered and LOA Signed

City	Model of Truck or Activity	Progress (End of Year Three)
(26) Tumanian	MKZ	Delivered and LOA Signed
(27) Tashir	MKZ	Delivered and LOA Signed
(28) Vaik	MKZ	Delivered and LOA Signed
(29) Vanadzor	KO 449	Delivered and LOA Signed
(30) Artashat	Street lighting improvements (partial)	Completed and LOA Signed
(31) Alaverdi	Heating system for music school	Under Construction
(32) Etchmiadzin	KO 449	Under Consideration
(33) Yeghegnadzor	Kindergarten heating	Under Construction

Source: LGP 3 Project Records.

The changeover of the motor production by ZIL to meet European Commission environmental standards and the Russian-Georgian conflict has caused a delay in delivery of the garbage trucks. Clarification on the types of gas heating systems that are allowed in schools also contributed to a delay in those projects beyond the end of the base period.

Solid Waste Collection Performance Management Training

In addition to, and concurrent with, the co-financing of garbage trucks, LGP 3 has provided solid waste management training and TA to 23 program cities. The remainder of the cities that received garbage trucks will complete the process in year four of the project. Additionally, LGP 3 provides a computer with billing and collection software that enables the service provider to better track billing and collections, and make better use of collection routing. The billing and collection effort also has an anticorruption element in which LGP 3 works with the city to implement a two-receipt system, one for the customer and one for the city or service provider.

Since the performance management training also involves the development of a collection improvement strategies and action plans that also entail the local council passing legislation, the process, through to adoption of local legislation, may take longer than the actual strategy development. Nonetheless, cities began implementation of most of the strategy as soon as the working group completed its final version. In some cases, local councils have yet to adopt the local ordinances because the Ministry of Justice (MOJ) has advised against it. The MOJ has taken an initial position that there is not sufficient national law to enable local government to pass local ordinances that would entail sanctions such as fines and penalties. LGP 3 is working with the MOJ to find a way that the ministry can accept local-level legislation prior to the enactment of omnibus legislation at the national level.

Other Service Improvement Activities

Other public service–related activities are presented in Table 6 for quick reference and review of the progress made. The impact of these services is closely related to the infusion of additional capital related to the priority service chosen by each city. The focus of the activities has been solid waste because 31 of the 38 cities have listed solid waste collection as their primary and priority service problem.

Table 6. Solid Waste Strategy Development Subsidiary Activities

Service Improvement Activity	Progress at the End of Year Three
Installation of and training on billing and collection system for solid waste for 30 cities	Completed (35 personnel trained)
Installation of double receipt collection system for solid waste	30 cities
Customer satisfaction surveys conducted in 24 cities ⁽¹⁾	9,600 customers surveyed
Conducted a workshop for cities in the legal environment for local solid waste collection and regulation	26 cities attended ⁽²⁾
Training provided for solid waste performance planning and management	246 participants trained and individual strategies prepared for 15 cities

Source: LGP 3 Project Records.

(1) Customer satisfaction surveys were conducted prior to the development of the solid waste collection strategy and action plan. The findings were used in developing the overall strategy and action plan, with particular attention to service problem areas revealed in the survey.

(2) An additional workshop will be provided in year four for the 12 remaining program cities.

Component Four–Strengthening Local Government Public Relations

Improving local government public and media relations is a new effort and concept for Armenian local government officials. The use of public and media relations techniques to improve the city’s image, to advance the communication between citizens and local government officials, and to provide training and use of the communication tools is one important goal of this component. In addition to training, this component has provided cities with guidance in establishing local bulletin boards and city directories in those project cities where there were none. Also, the component, in conjunction with selected local government officials, developed and wrote a handbook for local government public and media relations. Table 7 outlines the media-related activities and their results.

Table 7. Public Relations Training and Technical Assistance

Public or Media Relations Activity	Activity Results
Provided media and public relations training to program cities	Trained 37 cities and 121 city staff in public and media relations

Public or Media Relations Activity	Activity Results
Provided Freedom of Information Law to program cities	38 cities and 152 city staff
Established a model for city public relations and media strategy	21 local councils adopted strategies
Developed a media and public relations handbook for dissemination to program cities	200 local government elected and appointed officials have received the handbook
Installed bulletin boards and city directories	26 cities established bulletin boards and city directories
Customer service orientation related to public services	23 cities received training as a part of strategy development

Source: LGP 3 Project Records.

Component Five—Assistance to Local Councils

The focal point of the project’s assistance to local councils is to instill more ownership of the local-level policy decisions. By doing this, LGP 3 also assists local officials in increasing their communication with local groups such as businesses, nongovernmental organizations, and neighborhoods. To increase their ownership of the local government decision-making process, local councils needed a clearer definition of their roles and responsibilities as council members. The first step in this process was to establish a set of local council roles and responsibilities and to develop and adopt a modern and definitive “Rules of Procedure” for the local council to follow. Other accomplishments are in Table 8.

Table 8. Assistance to Local Councils

Activity	Activity Results
Training and TA to project cities on the “Rules of Procedure” and roles and responsibilities	495 council members and chiefs of staff trained (some non-program cities attended)
MTA approval of “Rules of Procedure”	37 cities using the “Rules of Procedure” as their model
Provision of furniture in partnership with cities that agree to provide meeting rooms for local council members to meet with constituents	21 cities provided renovation and space in city hall for such meeting rooms (other cities had already done so)
Council-Citizen Forums to increase citizen participation in community problem solving and implementation of solutions	6 forums held and projects involving citizen or neighborhoods in funding solutions and implementation

Source: LGP 3 Project Records.

Crosscutting Program Activities

Additionally, LGP 3 conducted and completed an anticorruption assessment on local governments and submitted it to USAID. The assessment table (Table 9), discussion, and recommendations are presented here to indicate the various areas of local government transactions that are open to abuse and fraud.

Table 9. Program City Application of the Corruption Potential Scorecard

City	Is the local-level procurement advertised locally and in a newspaper of broad circulation? (0-1) ⁽¹⁾	Is the winning bid published? (0-1) ⁽¹⁾	Is a minimum rental rate included in the bidding or auction procedure? (0-1) ⁽¹⁾	Is the full Cadastre Committee valuation for the property included in the ad for the property and at least half that value stated as a minimum bid? (0-2) ⁽²⁾	Are the owners of the bidding firm identified and their ownership percentages broken down? (0-2) ⁽²⁾	Is the ownership of the winning bidder identified and published as a part of the winning bid publication? (0-2) ⁽²⁾	Is more than one bid or quote required on purchases less than 1,000,000 AMD? (0-1) ⁽¹⁾	Are bidders required to indicate the per-unit cost in their bids? (0-2) ⁽²⁾	Does the internal auditor report to the community council? (0-2) ⁽²⁾	Does the city use two-part receipts in cash transactions? (0-1) ⁽¹⁾	Does the internal auditor confirm cash receipts by checking with the citizen (customer)? (0-2) ⁽²⁾	Total
Agarak	0	0	0	2	0	0	0	0	0	0	0	2
Akhtala	1	0	0	0	0	0	1	0	0	0	0	2
Armavir	1	0	0	2	0	0	1	0	0	0	0	4
Artashat	1	0	0	2	0	0	1	0	0	0	0	4
Ashtarak	1	1	0	2	0	0	1	0	0	0	0	5
Berd	0	1	0	0	0	0	1	0	0	0	0	2
Byureghavan	1	1	0	0	0	0	1	0	0	0	0	3
Chambarak	1	0	0	0	0	0	1	0	0	0	0	2
Charentsavan	1	1	0	0	0	0	1	0	0	0	0	3
Dilijan	1	1	0	2	0	0	1	0	0	0	0	5
Gavar	1	1	0	0	0	0	1	0	0	0	0	3
Goris	1	1	0	0	0	0	1	0	0	0	0	3
Hrazdan	1	1	0	2	0	0	1	0	0	0	0	5

City	Is the local-level procurement advertised locally and in a newspaper of broad circulation? (0-1) ⁽¹⁾	Is the winning bid published? (0-1) ⁽¹⁾	Is a minimum rental rate included in the bidding or auction procedure? (0-1) ⁽¹⁾	Is the full Cadastre Committee valuation for the property included in the ad for the property and at least half that value stated as a minimum bid? (0-2) ⁽²⁾	Are the owners of the bidding firm identified and their ownership percentages broken down? (0-2) ⁽²⁾	Is the ownership of the winning bidder identified and published as a part of the winning bid publication? (0-2) ⁽²⁾	Is more than one bid or quote required on purchases less than 1,000,000 AMD? (0-1) ⁽¹⁾	Are bidders required to indicate the per-unit cost in their bids? (0-2) ⁽²⁾	Does the internal auditor report to the community council? (0-2) ⁽²⁾	Does the city use two-part receipts in cash transactions? (0-1) ⁽¹⁾	Does the internal auditor confirm cash receipts by checking with the citizen (customer)? (0-2) ⁽²⁾	Total
Kajaran	1	0	0	0	0	0	1	0	0	0	0	2
Martuni	1	0	0	0	0	0	1	0	0	0	0	2
Masis	1	1	0	2	0	0	1	0	0	0	0	5
Meghri	1	1	0	0	0	0	1	0	0	0	0	3
Nor Hachn	1	1	0	2	0	0	1	0	0	0	0	5
Noyemberyan	1	0	0	0	0	0	1	0	0	0	0	2
Spitak	1	1	0	2	0	0	1	0	0	0	0	5
Stepanavan	1	1	0	2	0	0	1	0	0	0	0	5
Tashir	1	0	0	0	0	0	1	0	0	0	0	2
Tumanian	1	1	0	2	0	0	1	0	0	0	0	5
Vaik	1	0	0	2	0	0	1	0	0	0	0	4
Vedi	1	1	0	2	0	0	1	0	0	0	0	5
Yeghegnadzor	1	1	0	2	0	0	1	0	0	0	0	5

(1) 0 = No; 1 = Yes.

(2) 0 = Not done at all; 1 = Sometimes; 2 = Always.

Assessment of the Scorecard

The scores of the 26 cities interviewed in the baseline review indicated a significant need to work at the local level to reduce the potential for corruption. Of a possible 17 points, the highest score was 5. Granted, some could argue that a perfect score is unattainable at this time given the current progress in detecting, reporting, and taking action against corrupt activities; however, a 29 percent score only emphasizes that there are several activities that can be undertaken at the local level to mitigate against corruption. More importantly, the scorecard indicates areas where LGP 3 needs to introduce legislative reform at the national level, as well as policies, practices, and procedural reforms at the local level.

Recommendations

This assessment recommends several steps that, if taken, can make corrupt activities more difficult to carry out. The reforms mentioned are

1. Increase publication of to whom to report suspected corruption
2. Change the method for audits of local government and local government-owned enterprises to include Generally Accepted Accounting Principles (GAAP) or International Accounting Standards Board (IASB) audit standard procedures of confirmation
3. Provide job protection for local government employees who report corruption
4. Introduce the requirement to post rent and sales of municipal property at city hall
5. Establish market prices for land and property to be used in valuation of the asset for sale or rent by local governments
6. Publish winning bids and post them at city hall
7. Publish winning bids in a cost per unit format
8. Require reporting of ownership of any firm or person doing business with the city and make that information available to the public
9. Make internal auditors report to the local council and the Ministry of Finance and Economy
10. Cover the hiring and firing of internal auditors under the Municipal Service Law.

These are nine important steps that can be taken in Armenian local government to lessen the potential for corruption. In a culture of acceptance, changes in procedures, policies, and practices at the local level can make a difference in two very important ways. First, the local citizen would be better informed as to what may be done when corruption is suspected. Second, the local official (and the local-central governments' collusive activities) will encounter much more difficulty in hiding his or her corrupt activities. Concurrently, strengthened audit procedures and a willingness to prosecute people involved in corruption will go a long way to check the tendency toward corruption at the local level.

Implementation of Recommendations

In year three of this program, LGP 3 has carried out several activities within the components, most of them based on recommendations resulting from the assessment of local government potential in Armenia. More specifically through the financial management core package component activities, LGP 3 has developed and assisted cities to implement policies and procedures referred to in the recommendations.⁴

Table 10 below provides the status of action on each of the anticorruption activities listed above.

Table 10. Recommendation Implementation Status

Recommendation	LGP 3 Actions	Status
1. Increase publication of to whom to report suspected corruption	Increased collaboration with the USAID anticorruption program (Mobilizing Action Against Corruption) in all 38 program cities	Ongoing for entire program
2. Change the method for audits of local government and local government-owned enterprises to include IASB audit standard procedures of confirmation	Recommended to the Armenian Association of Accountants and Ministry of Finance	Ongoing until audits are conducted in accordance with IASB audit standards
3. Provide job protection for local government employees who report corruption	Include in the Municipal Service Law specific protections for officials who report corruption	Amendment to be proposed in year four of project (spring session of 2009)
4. Introduce the requirement to post rent and sales of municipal property at city hall	Part of LGP 3 rules of procedure for auction and rent of land and property	Completed
5. Establish market prices for land and property to be used in valuation of the asset for sale or rent by local governments	To be incorporated into the new unified real estate tax law (2009 adoption)	Completed
6. Publish winning bids and post them at city hall	Part of financial management strategy TA to 38 program cities	Completed
7. Publish winning bids in a cost per unit format	Part of financial management strategy TA to 38 program cities	Completed
8. Require reporting of ownership of any firm or person doing business with the city and make that information available to the public	Part of financial management strategy TA to 38 program cities	Completed
9. Make internal auditors report to the local council and the Ministry of Finance and Economy	Part of financial management strategy TA to 38 program cities, amend some decrees and procedures of ministry	Completed

Source: LGP 3 Project Records.

⁴ The financial management strategy that was adopted by program cities addresses internal control and procedures in procurement and transaction reporting for increased transparency. The "Rules of Procedure for Selling Assets" is a specific set of procedures to allow greater transparency, participation by local citizens, and reporting of results of property sales.

Annex A: Policy Dialogue and Reform

Component One–Policy Dialogue and Reform

The first subcomponent scorecard is for new or amended legislation to increase political and fiscal decentralization at the local level (Table 11).

Table 11. Component One Subcomponent Performance

Performance Indicator	Definition of Indicator	2005	2006	2007	2008
1.1 New or amended legislation proposed that would increase political and fiscal decentralization	Actual number of laws, amendments to laws, decrees, or regulations	0	2	1	7
1.2. Status of Armenian local government meeting the requirements of the Council of Europe (COE) Charter on Local Self-Government	Percentage representing the number of articles (30 total articles and sub-articles of the Charter apply to members of the European Commission) met by Armenia ⁽¹⁾	47%	53%	63%	73%
1.3. Local government associations' (LGAs') advocacy and member participation	Number of times advocacy for legislation or policy change was presented	10	14	25	290
1.4. Reduction of frequency of <i>marzped</i> oversight audits of local government budget processes	Number of audit incidents ⁽²⁾	10	5	2	5
1.5. Number of intercommunity unions (ICUs) created and functioning	Number of ICUs formed and operating (none are operating on a totally voluntary basis) ⁽³⁾	17	20	110	140
1.6. Level of general fiscal transfers to local government as indicated by a percentage of VAT and income tax revenues for the central government	Percentage of VAT and income tax revenues received in the previous year by the central government.	4%	4%	4%	4%
1.7. LGAs develop a lobbying action plan as part of their overall annual work plan	Number of LGAs that develop lobbying action plans and lobby the national assembly and central government	4	4	4	4

Source: LGP 3 Project Records.

(1) Articles 2 through 11 of the Charter and their subarticles add up to 30 requirements that local government should attain to fully meet the Charter's goals.

(2) Local government election year accusations of wrongdoing always inflate the times the *marzpetaran* office must check out the accusations.

(3) For years two and three, the Ministry of Finance's State Tax Service had mandated ICU creation for the collection of property taxes.

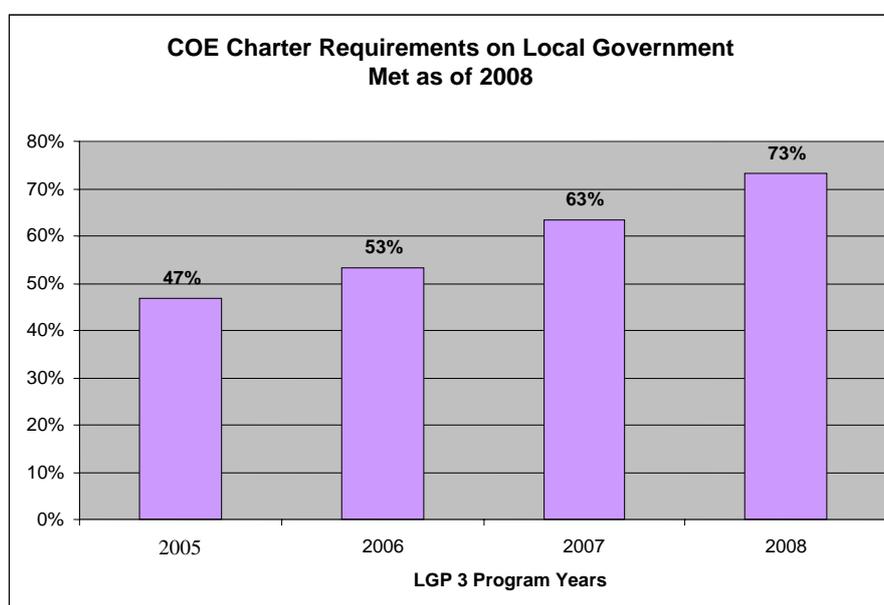
Explanation of Table 11

Table 11 contains several indicators for component one. Item 1.1 reflects LGP 3's effort in moving reform legislation forward. Although there was less action than anticipated, primarily because of the parliamentary and presidential elections, there were some minor amendments addressing specific areas. The results of component one are described in more detail below.

1.1 represents progress in developing, drafting, vetting, and submitting proposed legislation to the Ministry of Territorial Administration (MTA), the program's counterpart for component one.

1.2 represents legislative and policy reform toward meeting the COE's Charter of Local Self-Government. The percentage represents Armenia successfully meeting the 30 articles of the Charter. The baseline figure of 14 out of 30 articles met was 47 percent. The number of articles met was 16 articles or 53 percent in year one, 19 articles or 63 percent in year two, and 22 articles or 73 percent in year three (Graph 5). However, this progress reflects meeting some of the easier articles. The remaining eight articles are some of the most difficult to meet. Therefore, continued progress is expected to be slower.

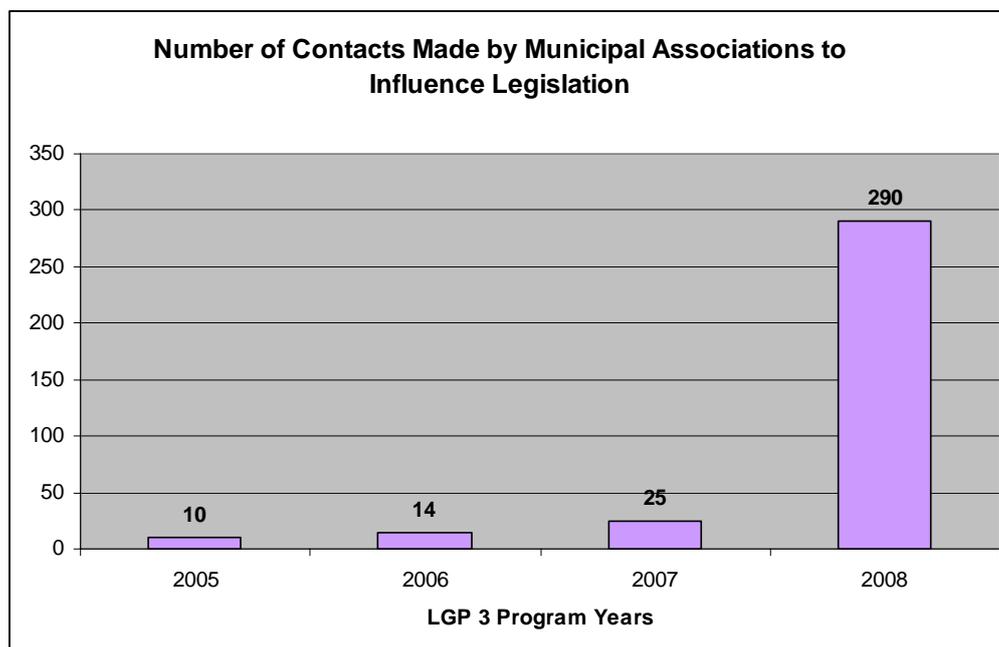
Graph 5 (Item 1.2) Percent of COE Charter Requirements for Local Self-Government Met as of 2008



Source: LGP 3 Analysis of COE Charter and Recent Armenian Legislation and Decrees.

1.3 reflects the actual activity of the LGAs in terms of actual advocacy presentations, meetings, and working sessions. Initially there were few advocacy meetings because the associations needed to improve their advocacy skills, develop advocacy plans, and achieve specific performances on specific existing or proposed legislation. However, through LGP 3's technical assistance in advocacy planning and support for specific legislation research, in year three of the base period the Communities Finance Officers Association (CFOA) reported at least 110 sessions with government officials, Information System Development and Training Center (ISDTC) reported at least 80, and Armenia Councilors Association (ACA) estimated 100 contacts with the government (Graph 6).

Graph 6. (Item 1.3) Number of Contacts Made by Municipal Associations to Influence Legislation

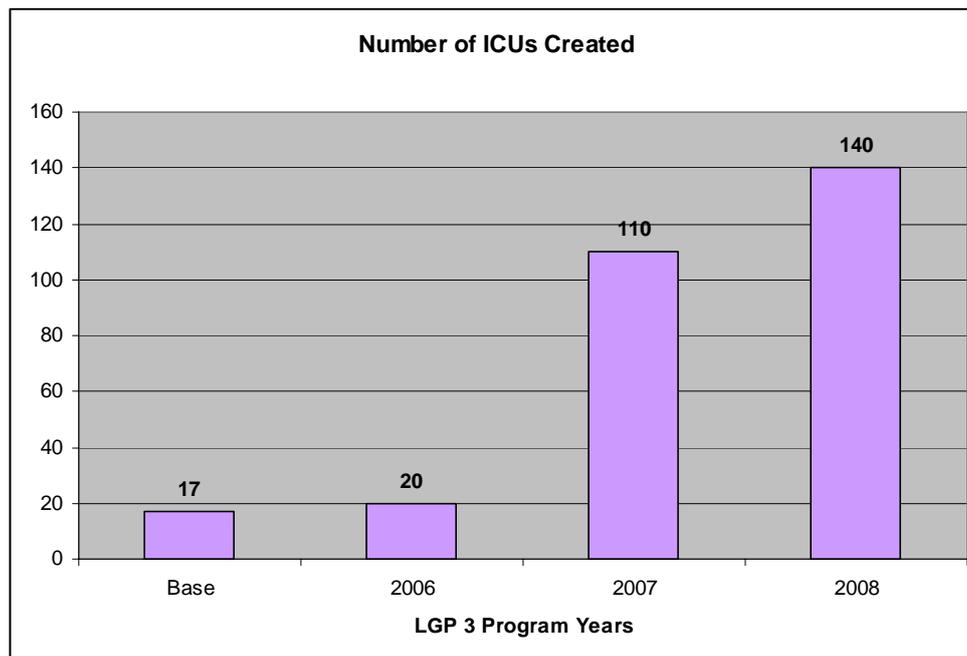


Source: Interviews with the ACA, CFOA, and the ISDTC.

1.4 represents an effort to reduce the frequency that the *marzped* becomes active in local decisions or conducts an audit of local government usage of central government transfers and subventions (funds for infrastructure). Recent amendments to the Law on Local Self-Government (LLSG) have had an impact on the frequency and purpose of the *marzped* interventions. Continued LGP 3 efforts should reduce this number further. The goal is to have the central government conduct one audit annually based on a random sample. This would make the process cost-beneficial while the *marzped* could request an audit in special cases where evidence indicates fraud or misuse of funds.

1.5 reflects a process of establishment of voluntary, and not so voluntary, ICUs. The ICUs are considered nongovernmental organizations, not part of the local government. Through negotiation, the existing ICUs have determined which mandatory (local government) powers they will carry out. During year two of the project, the Ministry of Finance and Economy mandated that ICUs be established to carry out property tax collection. The number of ICUs created (Graph 7) is not a good measure of the willingness of communities to voluntarily form an association to carry out either a mandatory or delegated power. Additionally, LGP 3's proposed legislation allowing for voluntary establishment of ICUs has not gone beyond the submission stage to the MTA. Since the February 2008 Presidential election, the central government has begun to clarify its policy. It appears that the government is leaning toward consolidation of local governments or at least mandatory ICUs.

Graph 7 (Item 1.5) Number of ICUs Established by Year



Source: LGP 3 project records and telephone interview with Ministry of Finance and Economy.

1.6 reflects LGP 3's efforts in increasing the number of fiscal transfers to local governments. The lack of progress stems from two sources: (1) the central government is waiting for the National Assembly to adopt the new Equalization Formula⁵ and (2) the need to pressure the central government to share income tax and profit tax revenues with local governments. If increased funding is provided based on the new Equalization Formula and an increase in shared taxes, the score for meeting the COE Charter will also improve. Parliament realizes that as total tax collections increase, the four percent of total revenues transferred to local governments also increases. However, this additional amount of revenue does not represent any real growth since it represents an indexed percentage of growth in total revenues without taking into account inflation and changes in fiscal responsibilities mandated to local governments.

1.7 reflects the full participation of the local government associations in matters affecting their specific interests (See Graph 6 for criteria measurement).

Component Two—Local Government Financial Management Systems

Baseline data provide the basic information for the graphics and indicators presented below. Table 12 summarizes the results of data gathered for component two.

⁵ Adoption of the Equalization Formula by the government occurred at the end of the base period (September 18, 2008).

Table 12. Component Two Subcomponent Performance

Performance Indicator	Definition of Indicator	2005	2006	2007	2008
2.1. Indicator: Scorecard of citizen involvement in the budgeting process	Definition: Specific criteria quantifying LGU use of citizen access in developing budgets and prioritizing discretionary funding Unit: Number of cities providing a budget in brief to their citizens	10	14	22	34
2.2. Indicator: Municipal budgets cast in the program budget format	Definition: Municipal finance offices develop budgets in a program budget format Units: Number of program LGUs that develop program budgets	5	9	9	9
2.3. Indicator: Municipal data collection and analysis systems are in place and functioning (Municipal Management Information System [MMIS])	Definition: LGUs install and use an updated MMIS and specific personnel are trained in the updated software as well as in system maintenance Unit: Number of LGUs with the MMIS system and trained staff	0	0	0	38 cities' staff trained
2.4. Indicator: Number of parcels of municipal property leased or sold using a transparent and fair bidding process	Definition: Process conforms to procurement laws and local ordinances, and decisions are transparent and available to the public Unit: Number of parcels leased or sold that meet the above criteria	203 ⁽¹⁾	510 ⁽¹⁾	821 ⁽¹⁾	3,355 ⁽²⁾
2.5. Indicator: Presence of an asset management inventory	Definition: Number of urban-list cities that have and utilize the asset management software Unit: Number of municipalities	11	10	17	36
2.6. Indicator: Revenues from sold municipal property and assets are at market or cadastre value	Definition: Percentage of properties that are sold at a market or cadastre value Unit: Percentage of properties sold at market or cadastre value	100%	100%	100%	100%
2.7. Indicator: LGU revenues increase from fees and service charges	Definition: Increase in revenues charged at the local level for administrative services and licenses Unit: Percentage increase over previous year	13%	47%	60%	Actual results not available for 2008
2.8. Indicator: Increase in the property tax collections as a result of database error correction	Definition: Property tax collection has been hindered by an accurate and up-to-date database Unit: Percent of total tax collected of the total planned collection	59%	67%	77% ⁽³⁾	Actual results not available for 2008

Source: LGP 3 project and program city records.

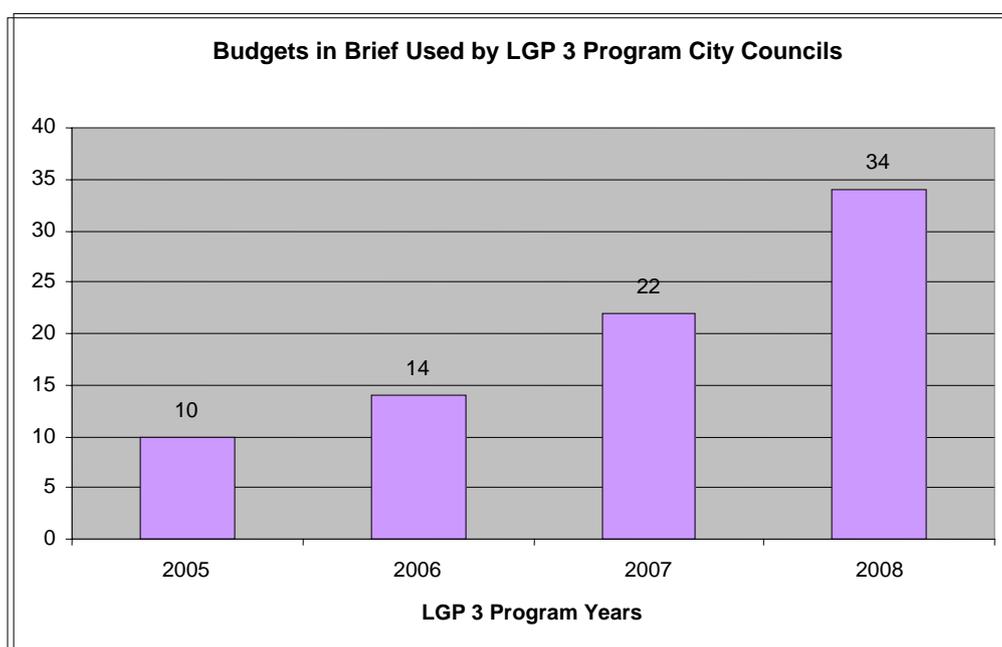
(1) These results are based on a survey of six LGP 3 cities.

(2) These results are based on a survey of 22 LGP 3 cities.

(3) This is the increase of the tax collection and not the ratio of own-source to total revenue collection. It is an indicator of the success in reducing database errors.

2.1 This performance indicator looks at the number of cities out of the 38 program cities that have involved citizens in some part of the budget development or adoption process. Ten of the carryover cities provided some form of budget in brief. During year one of the project, an additional four cities provided a budget in brief. Based on site visits and technical assistance, by the third quarter of program year three, 34 of 38 program cities had used budgets in brief to present budgets to the citizens (Graph 8).

Graph 8 (Item 2.1) Budgets in Brief Used by City Councils



2.2 The number of local governments casting their budgets in a performance budget format is the same number of program cities participating in the United Nations Development Programme (UNDP) performance budgeting pilot project. During the baseline, five LGP 3 cities participated in the UNDP program. During year one, four more cities were added to the UNDP program. The expected recommendation from UNDP will be for another donor to continue or “roll out” the training, technical assistance, and associated costs of producing the performance budgeting. LGP 3 does not anticipate conducting the roll out unless USAID is willing to provide the funding for the additional level of effort or subcontract costs. Additionally, our discussions with the cities have indicated that without the additional financial assistance for the implementation of the system, the cities will not carry on the work, putting into question the sustainability of the activity. City commitment and willingness to take on performance budgeting without donor assistance has not changed in program years two and three.

2.3 Municipal management software is being developed for the World Bank that provides standard software for urban-list cities as well as villages. The software does not include several elements that the larger cities need to expedite information handling and decision making. However, LGP 3 has subcontracted

with ISDTC to add asset management and land and property lease tracking to the overall World Bank software. Asset management and land and property lease tracking software was designed and ISDTC conducted training for 38 cities. However, at the close of year three of the program, computer installation was just starting to take place. All 38 cities will be provided the additional software.

2.4 This refers to the number of parcels of property (land or land and buildings) that have been sold or leased using an open, transparent, and competitive process. LGP 3 was only able to obtain timely responses from six program cities. Additionally, this is a difficult number to get since cities seem reluctant to supply the exact number. For 2008, LGP 3 was successful in obtaining figures from 22 of the 38 communities showing that 3,355 parcels were sold or leased.

2.5 Each year city councils are required to adopt their updated asset management inventories. At the end of the base period, all 38 program cities (253 staff members) had been trained in LGP 3's new asset and property management inventory software developed by ISDTC. This software will be installed in year four as soon as the USAID contracts office has approved the purchase of computer equipment to operate the new software.

2.6 All local governments have been instructed to utilize the cadastre value of the property that they want to sell. Following this procedure may actually create a potential for abuse in terms of selling municipally owned assets because the municipality may not sell the property at market value (See LGP 3's *Potential for Corruption Assessment Report–2007*). Although the cadastre valuation may be legal, it may be significantly lower than market value. Hence, although the cities are in compliance with the central government directive, they are not maximizing their return on the asset and may not be receiving fair value for the asset sold.

This situation will not be easily remedied until the cadastre office has sufficient market information to permit the establishment of a market value for specific program cities.

2.7 Fees and service charges increased in program cities based on higher fees and increased collection efforts before providing the service. Income from property and land rental has increased because more land and buildings have been transferred to city ownership. Additionally, some cities have registered their ownership and are able to take tenants to court for nonpayment. The largest part of this revenue has been from the sale and rental of land and property. However, LGP 3 anticipates that the revenues from the sale of surplus assets will start decreasing in the coming year. Additionally, sale of property is a one-time income event and should not be considered in the year-to-year budget trend analysis. The aggregate increase in own-source fees and charges in 2008 was 39.75 percent above the 2005 level. The trend is positive, although there may be years where the value fluctuates because fees are based on document requirements. Local licenses work the same way. Rents may vary with occupancy. LGP 3 does not meet the subcomponent's requirement of a 60 percent increase in fees and charges, although the trend is positive. LGP 3 does expect to increase the efficiency of this indicator further by emphasizing asset management technical assistance and through software provided to program cities. Table 13 shows the increases in local fees.

Table 13. Year-to-Year Increases in Local Fees

Local Fees and Revenues	2005 (in 000 AMD)	2006 (in 000 AMD)	2007 (in 000 AMD)	2008 (in 000 AMD)
Fees (state and local)	420,692.4	404,963.4	497,688.1	593,390.4
Nontax Revenues (rent revenue)	1,223,430.1	1,217,631.0	1,333,946.7	1,704,330.2
Subtotal	1,644,122.5	1,622,944.4	1,831,634.8	2,297,720.6
Year-to-Year Percentage Increase		(1.3%)	12.9%	25.4%
Land and Property Sales	988,335.7	2,598,615.6	4,034,364.7	3,751,350.4
Total	2,632,458.2	4,221,210.0	5,865,999.5	6,049,071.0
Year-to-Year Percentage Increase		60.4%	39.0%	3.1%

Source: Program City Year-End Financial Reports.

2.8 As database errors are corrected, the collection of property tax has improved. In Table 14 we see a mixed trend of increases and near decreases from the previous year, particularly 2006 compared with 2007. However, the overall trend is positive. Overall, property tax collection (adjusted for inflation) from 2005 to 2008 increased by 52 percent. However, the year-to-year comparison gives us a more accurate picture of forward progress. The level of errors in the tax databases may become easier to deal with given the planned unification of the land and property tax into the real estate tax law. The unified real estate tax law would also provide the cities with specific authority to directly correct errors in the databases instead of the current time-consuming process of the State Auto Inspection or Cadastre agencies approving the corrections prior to their application in a tax bill.

Table 14. Year-to-Year Increase in Property Tax Collection

	2005 (in 000 AMD)	2006 (in 000 AMD)	2007 (in 000 AMD)	2008 ⁽¹⁾ (in 000 AMD)
Property Tax Revenues (in AMD)	1,067,347.0	1,270,648.0	1,354,937.0	1,700,409.5
Property Tax Revenues (adjusted for inflation adjusted)	1,060,942.9	1,233,799.2	1,295,319.7	1,613,688.6
Annual Change in Property Tax Revenues (adjusted for inflation)		16.3%	5.0%	24.6%

Source: Program City Year-End Financial records as well as budgets.

(1) For 2008, the planned amount is used.

Component Summary

The accomplishments of years one and two for component two in the financial management “core package” have been incremental. However, progress is expected to lead to greater sustainability of a higher level of public services based on increased local own-source revenues.

Component 3–Public Service Delivery

Baseline data provide the basic information for the graphics and indicators presented below. The countrywide telephone survey provides additional information for assessing the impact of program activities. Table 15 summarizes the results of data gathered for component three.

Table 15. Component 3 Subcomponent Performance

Performance Indicator	Definition of Indicator	2005	2006	2007	2008
3.1. Indicator: Citizen satisfaction of municipal services	<p>Definition: Citizen satisfaction of service delivery indicates not only satisfaction with the service but suggests increased sustainability of the service</p> <p>Unit: Average percentage score of citizens satisfied with local government services</p>	38%	42%	55%	66%
3.2. Indicator: Capital improvement budgets to maintain and improve service delivery are established	<p>Definition: Capital and maintenance expenditures become a part of the performance planning process</p> <p>Unit: Number of LGUs that have tied capital improvements to service improvements</p>	11	18	24	25
3.3. Indicator: Cities utilize performance planning for at least one service	<p>Definition: Cities have incorporated performance planning and management processes in at least one public service</p> <p>Unit: Number of cities that meet the above criteria</p>	11	18	24	31
3.4. Indicator: Cities meet environmental standards and have developed a solid waste management plan	<p>Definition: Scorecard for environmental scan and development of a solid waste management plan that addresses environmental deficiencies is developed</p> <p>Unit: Scorecard for environmental scan and establishment of a solid waste management plan</p>	0	0	11	21
3.5 Software for billing and collection system is installed and operating properly	<p>Definition: LGUs are able to successfully implement a billing system that is consistent and accurate and that targets service customers</p> <p>Unit: Average percentage of residents who have contracts and are consistently and accurately billed. A (1) indicates 0–20%, (2) 21–40%, (3) 41–60%, and (4) upward to 100 %</p>	11	18	24	31

Source: LGP 3 Program City records and LGP 3 Telephone Surveys for 2007 and 2008.

3.1 Citizen satisfaction information comes from the baseline interviews, a survey conducted by USAID in 2005 and LGP 3's telephone survey conducted in the

summer of 2007. Although progress among LGP 3's cities has been made in citizen's satisfaction with service, there is still a long way to go. LGP 3 conducts a citizen satisfaction and willingness to pay survey in each community when it begins its solid waste performance technical assistance in order to assist in the establishment of a Solid Waste Performance Management Plan. As a part of the Solid Waste Performance Management Plan development and training, LGP 3 conducted a survey in 11 cities that provided a clearer picture of citizen willingness to pay for services that they felt were adequate. There was also a distinction between individual household's approval of services and multi-apartment building services. For example, the phone survey of Vedi indicated that 26 percent of the apartment residents felt the solid waste collection service was poor versus 47 percent of the residents in single family dwellings. A follow-up survey was conducted in September 2008 in Vedi that reveals the increase over the three-year life of the project's base period.

- 3.2 This indicator parallels the execution of the solid waste collection performance management training and technical assistance provided to program cities. As cities receive the training for the solid waste collection performance plan and city staff receive training on a new billing and collection software, the commitment to maintenance of equipment and the ability to fund that commitment are enhanced.
- 3.3 This indicator tracks the provision of training and technical assistance in establishing the solid waste collection performance strategy and action plan.
- 3.4 The program is achieving the goal of the co-financing subcomponent to help cities to meet the environmental requirement of proper solid waste collection—comprehensive service and frequency of pickup. At the end of year two as a part of the co-financing additional funding, cities were required to confirm their commitment to budgeting for their share of the co-financed capital equipment purchase, whether it was for solid waste service improvement, street maintenance improvement, or provision of heating of kindergartens and special schools.
- 3.5 The provision of a computer and software to increase billing and collection performance coincides with the solid waste collection performance training and adoption of a strategy and action plan for solid waste collection.

Environmental Scan Postponed

The initial intent was to conduct an environmental scan of municipal solid waste landfills during years one and two. However, the Government of Armenia has requested that LGP 3 not undertake the activity at this time. The Ministry of Urban Development (MOUD) is working on a strategy for solid waste management, and landfill regulations will be a part of that process. Expenditure of level of effort and other resources at this time would not ensure a viable and effective remediation plan, which is a part of the environmental scan, for the landfills that lacked regulatory guidelines and standards.

LGP 3 assumes that the MOUD will complete its strategy for solid waste management and issue landfill regulations by year four of LGP 3. The work plan for year four would include the environmental scan should the MOUD succeed in getting the appropriate legislation and administration in place to implement the strategy and regulations.

Co-Financing Demonstration Program

Initially the project was allotted \$200,000 US dollars for equipment cost-share to improve public services. However, early in the program it became clear that the amount allotted was extremely limited given 38 program cities. To address this shortcoming, USAID, during year one discussions, directed LGP 3 to use the available resources to conduct demonstration programs using the cost-share approach in five cities: Aparan, Kapan, Nor Hachn, Noyemberyan, and Vedi.

LGP 3 selected these five cities that were the most prepared to move ahead with the performance management program and training and submitted those for approval as cost-share demonstration program cities. The services that are included in these five cities are solid waste collection (Aparan, Vedi, and Noyemberyan), kindergarten school heating (Kapan), and water service improvements (Nor Hachn). Vedi will also implement a pilot recycling subprogram for solid waste collection that will include a second truck to collect recycled materials separately.

At the end of year two, USAID has granted an additional \$1,191,754 US dollars for the project's co-financing subcomponent.

Component 4—Strengthening Local Government Public Relations

Progress during the first two years in this component relate to the need for local governments to better communicate with the people they serve, the need to convey a change in mindset in terms of how the local government relates to citizens, and greater transparency of decisions, as well as increased access to elected and appointed officials. LGP 3 has carried out the following subcomponent activities presented in Table 16.

Table 16. Component 4 Subcomponent Performance

Performance Indicator	Definition of Indicator	2005	2006	2007	2008
4.1. Indicator: Freedom of Information (FOI) Law requests are answered in a timely fashion	<p>Definition: FOI Law requests that are made by citizens to LGUs are responded to in a satisfactory and timely manner</p> <p>Unit: Percentage of all requests that meet the above criteria ⁽¹⁾</p>	60%	65%	85%	80%
4.2. Indicator: LGUs have specially trained media and public relations staff	<p>Definition: The LGU administrations have specially trained staff that are responsible for working with the media and conducting public relations activities</p> <p>Unit: Number of LGUs that meet the above criteria</p>	4	11	17	25

Performance Indicator	Definition of Indicator	2005	2006	2007	2008
4.3. Indicator: Number of LGUs using media communications tools	<p>Definition: The number of LGUs that have demonstrated ability to develop and implement public and media communications tools for print, TV, and radio communications</p> <p>Unit: Number of LGUs that meet the above criteria</p>	23	28	34	38
4.4. Indicator: Systems are established and functioning to track and quickly respond to citizen inquiries in compliance with the FOI Law	<p>Definition: Local staff and information centers ensure that citizen information requests can be responded to within the requirements of the FOI Law</p> <p>Unit: Number of LGUs that meet 80 percent of the requests</p>	22	26	37	38
4.5 Indicator: Development of a public relations guidebook for local government officials to use in public and media relations	<p>Definition: Local governments do not have a source book that explains how, in the Armenian local government context, to relate to opportunities, needs, and crises that involve the use of public relations techniques to best respond to information needs and to clearly and fairly report issues and problems</p> <p>Unit: Guidebook development, editing, publishing, and dissemination</p>	0	0	1 ⁽²⁾	38 ⁽³⁾

Source: LGP 3 project records and site visits.

(1) Source: FOI Center Published Report of 10/2008 for 17 communities, 9 of which were LGP 3 project cities.

(2) Represents completion of the guidebook.

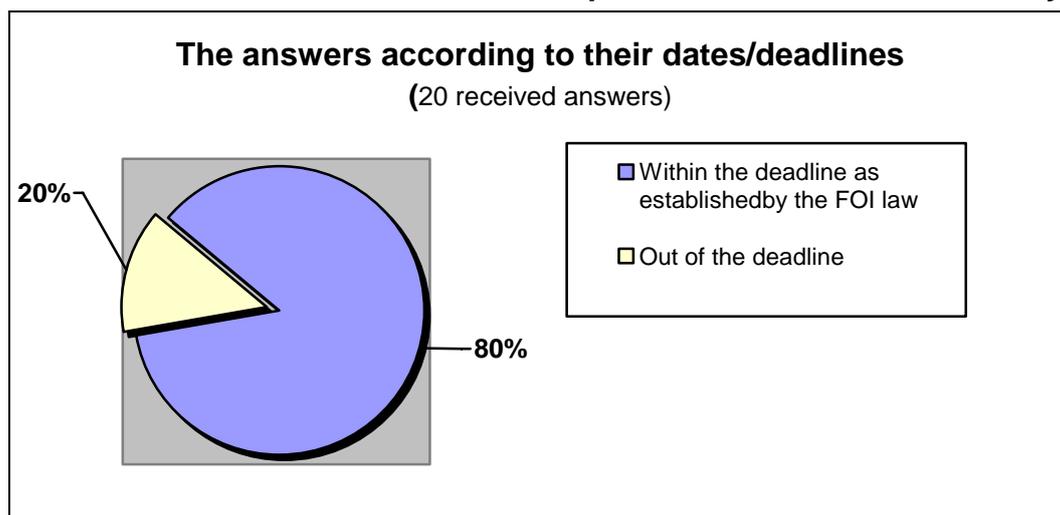
(3) Cities where the guidebook was distributed.

Component four staff have been successful in reaching project goals and will continue to broaden the application of public and media relations to provide public services to and service orientation toward community residents during years three through five.

4.1 represents the 2005 USAID survey and the LGP 3 baseline review that provided information about the response of local government to questions, issues, and requests for service for which they were responsible. In 2007 and again in 2008 the FOI Center conducted its annual survey and monitoring report of local self governments' compliance with Armenia's FOI Law. Nine LGP 3 project cities were surveyed⁶ and eight smaller communities. The 2008 report revealed 80 percent met their deadlines (Graph 9).

⁶ LGP 3 cities used in the FOI Center survey were: Ashtarak, Berd, Gavar, Dilijan, Yeghegnadzor, Masis, Nor Hachn, Charentsavan, and Vedi.

Graph 9. FOI Center 2008 Published Report of 17 Communities Survey



Source: FOI Center of Armenia, *Monitoring of Freedom of Information at Local Self-Governing Bodies of the Republic of Armenia*, with financial support from the United Nations Development Programme, Yerevan, 2008.

- 4.2 indicates the number of officially designated local government personnel or departments that carry out the public and media relations function. These numbers are changing frequently as local governments realize that the need to increase and improve communications with citizens and the media is in their best interest.
- 4.3 represents the local government use of local newspapers, radio stations, and TV stations, as well as local government-produced newsletters and the budgets in brief.
- 4.4 meets the requirements of the FOI Law relative to the timely response to providing information over which the city has control. Virtually all LGP 3 cities are meeting the FOI Law. Some confusion arises when the cities must forward information requests to ministry or agency offices and the response is not timely. See 4.1 above for the results of the FOI Center annual monitoring report.
- 4.5 represents the publication and distribution of a public relations guidebook for local government officials to use in public and media relations.

Component 5—Local Council Assistance

One of component five's general goals is to increase the proactiveness of the local councils. To do this LGP 3 has focused on incremental steps in terms of training local councils in their roles and responsibilities, better organizing council activities through new rules of procedure, and having local councils be more proactive in setting public service policies, particularly in solid waste management and community development (Table 17).

Table 17. Component 5 Subcomponent Performance

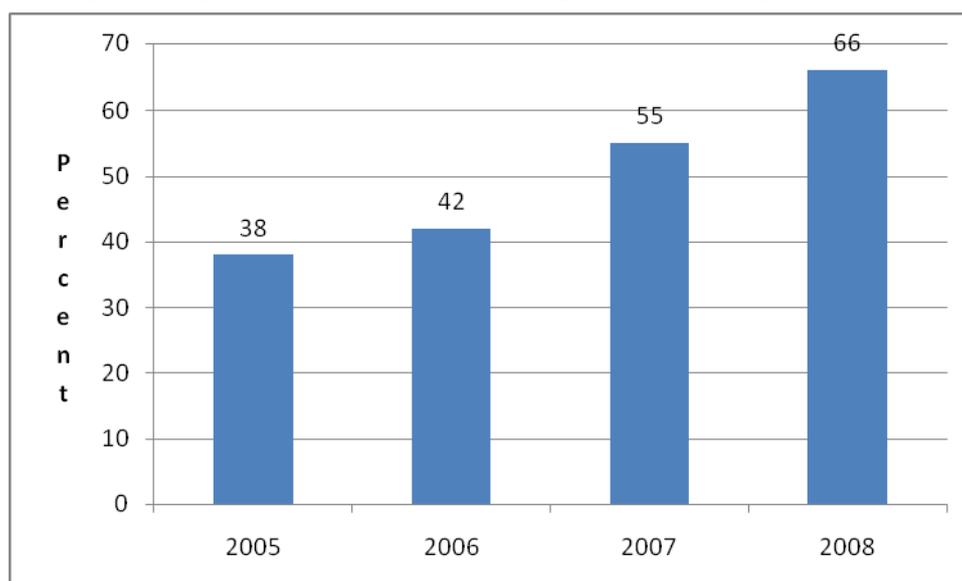
Performance Indicator	Definition of Indicator	2005	2006	2007	2008
5.1 Indicator: Scorecard for local council effectiveness	Definition: Specific criteria identified relating to overall effectiveness of local councils and their relationship with the mayor, citizens, and other stakeholders. An overall scoring is employed, with (0) being the lowest and (5) being the highest Unit: Average score of the program cities	2.0	2.5	3	3.5
5.2. Indicator: Citizens identify at least two actions taken by the local government council	Definition: As local government councils become more active, they develop community relations and communications strategies which they use to communicate actions and initiatives Unit: Percentage of citizens who identified at least two recent actions by the local council	17.3%	17.3%	17.3%	17.0%
5.3. Indicator: local government councils hold bimonthly meetings	Definition: Cities are required by law to hold regularly scheduled meetings at least once every two months Unit: Number of local government councils that meet the legal requirements for meetings	34	34	37	38
5.4. Indicator: Council requests further clarification and/or changes prior to adoption of the budget	Definition: This measurement is intended to indicate the local council's transparency and openness to citizen input Unit: Percentage of local government councils that provide for citizen input	90%	95%	95%	89% ⁽¹⁾

Source: LGP 3 Project Records.

(1) Represents those cities that used budgets in brief.

5.1 reflects the citizen's view of how effective the local council has been during the project's first two years. Based on the USAID 2004 and 2005 nationwide surveys and the LGP 3 telephone survey of September 2007, slow but incremental progress can be seen (Graph 10). In our September 2008 survey there was an additional increase of satisfaction to 66 percent.

Graph 10. Citizen Satisfaction with Local Government Services



Source: LGP 3 Telephone Surveys and USAID Countrywide Survey.

- 5.2 LGP 3 has not referenced this question in any of its surveys. The number presented is in the 2004 USAID nationwide survey.
- 5.3 Public meetings every two months are required by the Law on Local Self-Government. The baseline and year one data show that fewer than 37 cities met at least every two months because some of the smallest cities in the program did not meet every two months.
- 5.4 Based on the baseline interviews, nearly all local councils reviewed the draft budget and asked for revisions. In 2008 we slightly changed the indicator to show the percentage of cities publishing budget in brief and councils and citizens using it to better understand the budget process, as well as to learn what revenues were being locally raised and where it was being spent.

***Annex B: Brief Discussion of
Survey Data Sources***

The graphics involving comparison of life of project indicators as well as other project indicators in the more detailed performance section of this report use three major sources of data. The first source is a nationwide survey conducted by a contractor for USAID in 2005. More than 1,200 household face-to-face interviews were conducted in 11 geographically dispersed cities throughout the country. The second is the baseline review survey conducted in 2006, which consisted of interviews of the mayors and staff, combined with a survey of citizens of 26 new program cities geographically dispersed throughout the country. The third is the LGP 3 telephone survey conducted in the summer of 2007. Like the USAID survey, the telephone survey spanned the whole country except for Yerevan, covering 10 of the 11 *marzer*. In the telephone survey, LGP 3 used nearly the same questions used in the USAID survey while also asking additional questions to track LGP 3's progress in meeting indicators of the project. The LGP 3 telephone survey was conducted in 10 cities, calling 400 interviewees in each city with an average response rate of 87 percent (total number of responses was 3,480).

While the wording of the USAID 2005 survey and the LGP 3 telephone survey were not exactly the same, the wording was sufficiently similar to elicit responses that are reliably comparable. For example, question 29 of the USAID 2005 Survey is a two-part question that parallels a single question of the LGP 3 telephone survey. The USAID 2005 Survey question asked:

“Thinking about your dealings with the city government services provided by city authorities, do you agree with the following statements (1-strongly agree, 2-agree, 3-disagree, 4-strongly disagree, 0-don't know/can't say):

- a. I was treated in a respectful way when I dealt with the city government regarding any issue.
- b. I was satisfied with the service I received from the city government when I tried to obtain information.”

The comparable 2007 LGP 3 telephone survey question asked:

“How satisfied are you with the responsiveness of your local government? Would you say you are very satisfied, somewhat satisfied, somewhat unsatisfied, very unsatisfied, or don't know/can't say.”

Both questions address the responsiveness of local government to requests for information. Both also generate a response that allows the project to gauge the change in attitude or opinion of how responsive local government officials are to requests for information, requests for service, or other inquiries.

The 2008 survey covered 16 LGP 3 cities and the same questions were posed.