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Territorial and Administrative Reform in Armenia

INTERIM REPORT ON LESSONS LEARNED

June 2017

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Acronyms

ATDF	Armenian Territorial Development Fund
BMZ	German Federal Ministry for Economic Cooperation and Development
CO	Citizen Office
Concept Paper	Concept Paper on Enlargement of Municipalities and Inter-Community Cooperation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GoA	Government of the Republic of Armenia
HR	Human Resources
IT	Information Technologies
LED	Local Economic Development
LoGoPro	Good Local Governance Programme South Caucasus
LSG	Local Self-Government
M&E	Monitoring and Evaluation
MDP	Municipal Development Plan
MMIS	Municipal Management Information System
MTAD	Ministry of Territorial Administration and Development
PR	Public Relations
ROB	Result Oriented Budgeting
SDC	Swiss Agency for Development and Cooperation
TARA	Territorial and Administrative Reform of Armenia
TNA	Training Needs Assessment
USAID	United States Agency for International Development

Executive Summary

The existing territorial and administrative division of Armenia as well as limited decentralisation in Armenia are considerable impediments to development of local governance, effective service provision, and efficient use of scarce financial resources. In order to address these challenges, the Government of the Republic of Armenia (GoA) has launched a large-scale structural change process, the Territorial and Administrative Reform of Armenia (TARA). It was started in three pilot clusters (Dilijan, Tumanyan and Tatev) in 2015-2016 after holding local referenda in those municipalities. The local elections were held in February 2016 marking the official establishment of the three enlarged municipalities. In 2016, additional 15 pilot clusters were formed. Thus, at present 18 new enlarged municipalities are formed in Armenia embracing 140 former municipalities, concluding the piloting phase of TARA. This reduced the number of municipalities to 793 (915-140+18).

The GoA intends to continue TARA and complete the reform by end 2018 rolling out the reform across the country. At present the main stakeholders of the reform are interested in shaping future TARA decisions based on the experiences of already enlarged municipalities, i.e. drawing on the lessons of the piloting phase and learning from that experience.

During the piloting phase of implementation of TARA in 2015-2016, extensive knowledge and experience was gained by the GoA and other stakeholders on different aspects of the reform, starting from its design and planning to post-enlargement activities. This paper attempts to summarise the main TARA activities and inputs coupled with lessons learned so far, based on which certain recommendations are set forth. Some recommendations are general (pertinent to all enlarged LSGs), others are more specific (pertinent to one or two) and stem from the observations and analyses of reform process and challenges encountered by Local Self-Governments (LSG), GoA, donor and expert community, etc. Below are the main recommendations contained in this report.

TARA preparation and design

Recommendation 1. Whenever feasible, the government should continue the practice of conducting various technical interventions or related activities in the proposed new enlargement clusters, such as studies, assessments, workshops, meetings, public hearings etc.

Note: While the final decisions are highly political, the government should consider technical justifications as part of the policy debate internally, within the government and externally, with the public in general. This will, firstly, ensure that the reasons behind the formation of clusters are clear and respective decisions are understood and supported. Secondly, it will help defining better communication messages while conducting awareness-raising and public education activities

Recommendation 2. Dialogue with municipalities - whenever possible and reasonable, the government should consider technical inputs and public consultation and dialogue in identification of enlargement clusters, with direct engagement of municipalities and their inhabitants.

Note: Having the municipalities engaged in the process of clusters' design, it may also be beneficial in future while addressing the legal requirement of hearing the opinion of municipalities before their enlargement (ref.: Article 190 of the Constitution of Armenia: "When adopting a relevant law, the National Assembly shall be obliged to hear the opinion of these communities").

TARA implementation

Recommendation 3. The government should consider preparation of a TARA Action Plan (TARA change programme) covering all the reform phases and key components (institutional set-up, budget, planning, HR and institutional capacity development issues; plans for improved public services, infrastructure/ development investments etc.) of an enlarged municipality. The interventions of different stakeholders and donors should be brought together in this plan.

Note: Having a better Action Plan would also help in managing the expectations and curtailing the observed misunderstandings in the municipalities when only few people in the municipalities knew what would happen after the enlargement and how the pre-enlargement commitments and promises of the government were going to be realized (What? Who? When? etc.). Also, the Action Plan should be properly communicated with the municipalities and the newly elected municipality leadership should be engaged in implementation of certain activities contained in the Action Plan, along with MTAD, marzpetarans and other actors.

Recommendation 4. In addition to the main TARA Action Plan, the government should produce methodological instructions, or an operational manual detailing the key steps for transition from single settlement to multi-settlement municipality. The manual should also accommodate the requirements under the different legal disciplines (more importantly, administrative, civil and labour law).

Note: At least, the following themes/topics/issues should be included in the manual:

- *Fundamental decisions required by law in establishing and operation of the new municipality, including model templates, processes and procedures.*
- *New model of provision of administrative services: new system, processes and procedures; e-governance solutions; key business processes for various services; the role of the Administrative Heads; the Seal of Administrative Heads, basic standards for service delivery; electronic communication channels and tools, etc.*
- *Transfer of rights and responsibilities, assets and debts, integration of various systems, assets, property, information, systems and tools.*
- *Budget relations and consolidation (execution, monitoring, links with treasury, etc.)*
- *Relations with tax authorities, former and new tax accounts, reporting, etc.*
- *HR issues (lay-offs, severance, engagement of staff during the transition, etc.).*

Recommendation 5. Continue support in instilling good practice management systems, processes and tools (planning, budgeting, service delivery, property, infrastructure, etc.) and help municipalities in their capacity improvement efforts to fully accomplish the potential benefits of enlargement – efficiency gains, broader scope and greater quality of local services, improved infrastructure, etc.

Note: In many cases, TARA success is a function of organisational performance and capacity of individual municipalities. In the medium term horizon, it is suggested that the government, with the support of donors, support and guide the municipalities in conducting human and institutional capacity assessments of new municipalities and help preparing and implementing performance improvement measures. This is important from future decentralisation perspective as well.

Recommendation 6. Initiate decentralisation talks and initiate respective policy development process as soon as possible to promote further development of local governance in Armenia and to maintain the reform momentum. Consider human and institutional capacity building efforts in parallel with decentralisation plans.

Note: TARA lays down foundation for further decentralisation. Without further financial and administrative decentralisation, TARA impact will not be maximised.

TARA reporting

Recommendation 7. In the short run, the government should identify success areas of TARA in 18 enlarged clusters and develop case studies, supported by strong evidence and data.

Note: These studies shall be used, firstly, to communicate during the roll-out in the new clusters and among the public in general; and secondly, they will be shared among existing enlarged municipalities to facilitate horizontal exchange, serving as a good practice references.

Recommendation 8. In the medium term, the government should prepare a more comprehensive evaluation report on TARA. The latter should go in parallel with human and institutional capacity development of municipalities; these two pivotal components would inform the design and execution of further decentralisation strategies in Armenia.

Note: It is of utmost importance for the government to identify and evaluate the impact of TARA on strengthening local governance while considering future decentralisation strategies, since TARA has been widely accepted as a precondition for deepening decentralisation of powers in Armenia.

TARA communication and public awareness

Recommendation 9. The government should adopt a more coherent and strategic communication approach and public awareness-raising measures to manage TARA roll-out in 2017-18.

Note: The structure, content and process for communications and awareness-raising campaign should be strengthened and streamlined by involving main stakeholders and actors (e.g. considering the peers), scrutinising, verifying and updating the existing communication messages and differentiating them for various audiences, adopting more integrated communication approach, communicating clearly the reasons and logic behind formation of each cluster, its development vision and expectations, informing about and explaining people the anticipated TARA results and benefits, including future decentralisation. Specific success stories or case studies from already enlarged municipalities should also be part of the TARA roll-out communication strategy. To diminish the risks related to expectations and commitments and to avoid the feeling of being abandoned among population, more extensive direct involvement and guidance by high rank officials are required.

TARA is a complex and multi-faceted change programme that requires careful planning, strong leadership and robust performance, coupled with strategic communications and continuous learning and improvement, taking into account country's context and environment (political, legal, social, economic, technical etc.). The government and municipalities of Armenia need to be on the alert of possible pitfalls and learn from the experience from the first phase of TARA so that the overall desired results are achieved. This report is meant to help in delivery of that mission.

Introduction and Background

The Good Local Governance Programme South Caucasus (LoGoPro) advises and supports respective partner organisations at national, regional (sub-national) and local levels in Armenia, Georgia and Azerbaijan in the implementation of cooperation initiatives towards improved local governance. LoGoPro is implemented on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and in Armenia co-financed by Swiss Agency for Development and Cooperation (SDC) and United States Agency for International Development (USAID). It is carried out in close cooperation with the Ministry of Territorial Administration and Development (MTAD) as the main political partner.

The existing territorial and administrative division as well as limited decentralisation in Armenia are considerable impediments to development of local governance, effective service provision, and efficient use of scarce financial resources. With 915 municipalities (in 2015), which vary greatly in population size, Armenia faces significant challenges in administering regional development. The ability of many municipalities to fulfil their functions effectively is limited. A large number of municipalities are too small to raise sufficient revenues, maintain public infrastructure, ensure provision of basic public services that meet the needs of the population, and support local social and economic development. In order to address these challenges, the Government of the Republic of Armenia (GoA) has launched a large-scale structural change process. The Territorial and Administrative Reform of Armenia (TARA) is seen as a part of participatory, effective and accountable governance and an important step towards further decentralisation.

The overall goal of TARA is to build systems at national and local levels that would enable local governments to become functional and responsive units. The reform entails a renewed policy approach to municipal planning and governance, management and resource allocation within the governance system. As a result of the reform, it is anticipated that the number of municipalities will be reduced from 915 to approximately 250.

Armenia has started implementation of TARA in three pilot clusters (Dilijan, Tumanyan and Tatev) in 2015-2016 after holding local referenda in those municipalities. The local elections were held in February 2016 marking the official establishment of the three enlarged municipalities. In 2016, additional 15 pilot clusters were formed. Thus, at present 18 new enlarged municipalities are formed in Armenia embracing 140 former municipalities, concluding the piloting phase of TARA. This reduced the number of municipalities to 793 (915-140+18).

The GoA intends to continue TARA and complete the reform by end 2018 rolling out the reform across the country. At present the main stakeholders of the reform are interested in shaping future TARA decisions based on the experiences of already enlarged municipalities, i.e. drawing on the lessons of the piloting phase and learning from that experience.

During the pilot phase of implementation of TARA in 2015-2016, extensive knowledge and experience was gained by the GoA and other stakeholders on different aspects of the reform, starting from its design and planning to post-enlargement activities. This paper attempts to summarise the main TARA activities and inputs coupled with lessons learned so far, based on which certain recommendations are set forth.

This paper is an interim rather than final TARA report, contemplating the current stage of TARA implementation. Moreover, it does not aspire to make a full catalogue of past activities and lessons related to TARA but rather focusing on key ones addressing of which could

considerably improve TARA roll-out. It is anticipated that the observations and recommendations contained herein will provide the basis for discussions with MTAD with regard to roll-out of TARA in 2017-2018 and will help shaping donor technical assistance needs and directions. It will also help the GoA in capitalising on achievements attained in implementation of TARA by now.

The report and in fact, the lessons learned are structured, on the one hand, around three main and logically linked perspectives:

- a. What has been done so far (inputs and activities)?
- b. What was learned (observations)?
- c. What should be done (recommendations)?

On the other hand, these questions are elaborated and discussed taking into account components of TARA process, starting from preparation and design to implementation and post-enlargement activities. This structure and logic of the report helps putting lessons and subsequent recommendations into perspective.

This report has been drafted by LoGoPro Armenia team. To prepare this report, the team has drawn on information and knowledge gained from different stakeholders as well as through its own experience. In particular, post-enlargement working meetings were organised in all enlarged municipalities for that purpose between February - May 2017 (*schedule of meetings is presented in the Annex of this paper*). Led by Head of LSG Department of MTAD, these meetings were designed for open exchange of opinions of policy-makers and LSG practitioners on successes and challenges, joint search of ways to address hindrances, and identifying approaches tailored to avoid the identified challenges, which are easy to overcome through early-warning measures.

Key Lessons Learned and Recommendations

Topics	What was done? Main inputs and actions	What was learned? Main observations	What should be done? Key recommendations
I. TARA DESIGN			
1. Knowledge build-up on TARA	Considerable inputs and efforts were made by the donors to build the knowledge of Armenian partners (MTAD, municipalities, professional and municipal associations, municipal staff, etc.) on TARA. In particular, the donor programmes supported the Government of Armenia in facilitating the reform process and associated communication efforts as well as conducting various technical analyses, assessments and studies for the pilot clusters to facilitate the reform implementation and to inform preparation of cluster development projects. Specific cluster studies were prepared outlining the expected impacts of enlargement in terms of socio-economic, administrative and political consequences, population, size, costs, infrastructure provision and service delivery, several study visits were held by experts and local politicians, the participatory development of a road map for piloting the proposed territorial and administrative reform, inputs towards the revision of relevant laws and regulations, and contribution and support in communication with selected pilot municipalities and awareness raising campaigns.	<p>TARA conceptualization and knowledge build-up were important in designing the clusters for enlargement and managing TARA at the initial stage, during the piloting efforts (2015-2016). Conducting studies, researches, assessments or analyses of various aspects in the clusters' design proved its worthiness since it helped first of all inform the policy decisions and facilitate TARA decision-making processes. It also supported awareness-raising among the population which helped decrease tensions and resistance to TARA. It became evident that TARA decisions were less challenged in the clusters where prior activities had been conducted by various actors (government, donors, civil society, etc.).</p> <p>However, at more advanced stages Government's decreased reference (at least publicly) to Concept Paper and other conceptual provisions as well as lessened reliance on technical analyses/studies during the decision-making processes which raised questions about the methods of certain clusters' design.</p> <p>TARA is a highly political reform and political rationalities must be acknowledged. In the preparatory phase political considerations were not sufficiently taken into account because it was naturally far too difficult to foresee all crucial factors bridging political and technical aspects inherent to the process. On the other hand, the</p>	<ul style="list-style-type: none"> Whenever feasible, the government should continue the practice of conducting various technical interventions or related activities in the clusters, such as studies, assessments, workshops, meetings, public hearings etc. While the final decisions are highly political, it should consider technical justifications as part of the policy debate internally, within the government and externally, with the public in general. <p>It is suggested, as a minimum, to prepare explanatory notes for each new cluster, including:</p> <ul style="list-style-type: none"> development vision of the new enlarged municipality; assessment of the proposed cluster against the enlargement criteria as stipulated by the Concept Paper. <p>This will, firstly, ensure that the reasons behind the formation of clusters are clear and respective decisions are understood and supported. Secondly, it will help defining better communication messages while conducting awareness-raising and public education activities.</p>

Topics	What was done? Main inputs and actions	What was learned? Main observations	What should be done? Key recommendations
	The above and the Government's strategic approach to the reform were crowned in Concept Paper on Enlargement of Municipalities and Inter-Community Cooperation, adopted in November 2011 and informed GoA's policy decisions. The Concept Paper outlines the core principles of the government policy, such as enlargement of municipalities, decentralisation and improvement of public infrastructure and service delivery.	reform could benefit from the existence of a sound justification that makes political reasons and logics understandable. The process of preparation of TARA in general suffered from the lack of clear-cut timed plan of action, which is mainly preconditioned by political changes and inherent complexity of the reform. The process was particularly affected by recurrent changes or amendments of the proposed plans and enlargement clusters identified at earlier stages.	
2. Identification of clusters for enlargement	<p>The government initially prepared a list of 14 clusters subject to enlargement in the pilot phase. After the first enlargement in three clusters (Tatev, Dilijan and Tumanyan), the government took the decision to design the further clusters drawing on already available information and expertise, without any further studies or assessments. Reportedly, it also gathered the opinions of regional governors and representatives of municipalities, mainly the mayors, in identification of further 15 clusters in 2016.</p> <p>The legislative package on the new 15 clusters came into force in July 2016, namely: Ayrum, Amasia, Arpi, Ashotsk, Gorayk, Goris, Jermuk, Koghb, Meghri, Noyemberyan, Sarapat, Tegh, Urtsadzor, Vayk, and Zartap. Four clusters (Byureghavan, Jajur, Pempashen, Sarchapet), which were also originally to</p>	<p>As an approach to clustering the government took into consideration broader policy objectives such as regional development, balanced development of territories, development of various centres around different factors (e.g. financial, touristic, recreational, etc.), even though not always the methodology of identification of the new clusters was clear.</p> <p>The government reconsidered the list of originally proposed 14 pilot clusters in 2016, removing some clusters and adding new, in fact, without wide consultations or technical support (although some clusters were previously analysed/assessed), both with municipalities, expert and donor community. This raised questions/doubts among the stakeholders (practitioners, expert and donor community, citizens etc.) regarding the criteria underlying the formation of clusters.</p> <p>This practice also created certain level of resistance in municipalities due to lack of</p>	<ul style="list-style-type: none"> Dialogue with municipalities - it is suggested that, whenever possible and reasonable, the government consider technical inputs and public consultation and dialogue in identification of clusters, with direct engagement of municipalities and its inhabitants. <p>Having the municipalities engaged in the process of clusters' design, it will also help addressing the legal requirement for gathering the opinion of municipalities before their enlargement.</p> <ul style="list-style-type: none"> Revisit the enlargement criteria and policies and reinforce the factors such as the new municipality vision, the role of the municipality in territorial balanced development, LED, polycentric development, etc. While TARA isn't an economic reform itself and it is not meant to directly build the public trust, however it is suggested that,

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	<p>be enlarged in 2016, were however dropped from the list.</p> <p>To date, 18 clusters are formed embracing 140 former municipalities, making the total number of municipalities of Armenia 793.</p> <p>In 2016, the government officially communicated its 2017 TARA roll-out targets: 18 clusters embracing around 150 municipalities (ref: Government Programme 2016), although the actual target will reportedly be more (31-32 clusters, around 380 municipalities): the government communicated the list of new clusters in early May 2017 by publicising draft legal package (draft amendments to the laws on territorial administrative division and local self-government) for public consultation and feedback. Respective local elections in the newly formed municipalities are scheduled for November 2017 meaning that TARA enabling legislation must be enacted prior to that.</p> <p>The government intends to complete TARA by end of 2018.</p>	<p>information and knowledge. Some municipalities and their representatives expressed their disappointment over the reform. In addition, this had a negative impact on smooth implementation of the activities related to TARA communication and supporting functionality of enlarged municipalities (e.g. e-governance, planning and budgeting, streamlining administrative services, etc.). However, some reservation is allowed in view of often political nature of such resistance, especially the negative standpoint and resistance and subsequent influence of the mayors.</p> <p>Thus, there is a need for clearer communication from MTAD on identification of clusters and on planning and executing the follow-on tasks aimed at human and institutional build-up of new municipalities.</p> <p>Consideration of the context of TARA is also highly important, especially the socio-economic conditions and public trust toward the government and its reforms. Designing the clusters internally and overlooking the public consultation at the earlier stage might deepen the existing distrust and give rise to false perceptions, such as that TARA will further deteriorate economic and social conditions of population and the country.</p> <p>In addition to enlargement criteria set forth in the Concept Paper, some clusters also found necessary to consider modalities of delivery of state services as well (for example, social services, healthcare, vital records, etc.) within the newly formed enlarged municipality to improve access to those services and strengthen the</p>	<p>the government address TARA context by designing right messages and managing the expectations properly. <i>See TARA communication section for more details.</i></p> <ul style="list-style-type: none"> ▪ The awareness campaign would substantially gain from more frequent visits by high-rank officials to demonstrate ownership and commitment to improvement of living standards via technical discussions and building trust towards government initiative and reform per se. ▪ Well analysed and substantiated design of gradual delegation of powers (e.g. healthcare, social services, etc.) will lay solid bases for decentralisation defined by national strategies and policies. ▪ Consider financial liabilities of the municipalities to be merged as a decision-making factor re timing of consolidation, see <i>section on “Transition and support to municipalities to become more functional and capable local authorities”</i>.

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		relationships within the settlements of the municipality.	
II. TARA IMPLEMENTATION AND POST-ENLARGEMENT			
3. TARA Action Plan	<p>Prior to piloting, the government prepared an “Action Plan” for community enlargement which envisaged high-level activities such as: developing two scenarios for enlargement, clustering or regional (former regions), and respective discussions and decision-making by the government; developing legal packages to enable the reform and submission of the package to the parliament for adoption; organisation of local referenda in pilot municipalities; holding the elections in selected municipalities, etc. For TARA in 2016 and 2017, the government included respective, mainly legal measures in the government’s annual activity plans, without preparation of a dedicated action plan for TARA.</p> <p>Technical support was provided to government in developing a comprehensive TARA action plan capturing more detailed aspects of change and covering the main reform phases, from preparation to post-enlargement measures.</p>	<p>Government’s Action Plan was reportedly implemented fully during the first piloting phase, with the establishment of first three clusters. Since it covered mainly some high-level milestones and legal cushions of reform, it suffered in comprehensiveness and coverage of necessary technical interventions, including institutional, functional and human capacity dimensions of enlarged municipalities. As such, the Action Plan did not play a crucial role, as an instrument, in driving the reform. More importantly, it hardly helped in bringing together all the efforts of key stakeholders (including the donors), managing the process of change and coordinating the efforts more effectively. Further, the flexibility of the government in changing the selection of pilot clusters (due to political rationalities) was not always supportive to proper planning of technical assistance by donors delaying the intended interventions and inputs or missing the right targets.</p> <p>These delays and recurrent changes in the implementation of the reform (particularly incongruity between the planned inputs/projects and actual investments in terms of their timing) can have undesired impact on public opinion and create disappointment or misunderstandings among the targeted municipalities.</p> <p>Having a better plan would have also helped in managing the expectations and curtail the</p>	<ul style="list-style-type: none"> ▪ The government should consider preparation of a TARA plan (TARA change programme) covering all the reform phases and key components (institutional set-up, budget, planning, HR and institutional capacity development issues; plans for improved public services, infrastructure/ development investments etc.) of an enlarged municipality. The interventions of different stakeholders and donors should be brought together in this plan. <p>Preparation of TARA Action Plan is seen as one of two crucial components promising the success of the reform. The second is, naturally, the implementation; establishing unimpeded early-warning information flows between government and local self-government will save efforts, time and augment efficacy of the reforms.</p> <p>The Action Plan should be properly communicated with the municipalities and the newly elected municipality leadership should be engaged in implementation of certain activities contained in the Action Plan, along with MTAD, marzpetarans and other actors.</p> <ul style="list-style-type: none"> ▪ The government should observe the activities of enlarged municipalities in order to address emerging issues, or unintended results and ensuring the municipalities are

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		observed misunderstandings in the municipalities when only few people in the municipalities knew what would happen after the enlargement and how the pre-enlargement commitments and promises of the government were going to be realized (What? Who? When? etc.).	informed and engaged in further activities, such as changing the service delivery models for administrative services, introduction of COs and MMIS, planning and budgeting etc. This could be done, for example, by holding post-enlargement working meetings in the enlarged municipalities.
4. Transition and support to municipalities to become more functional and capable local authorities	<p>MTAD and marzpetarans provide support to enlarged municipalities both at strategic and operational levels, dealing with issues emerged. They were the main reference points in case of uncertainty or required clarifications during the transition. MTAD has prepared and shared with municipalities a number of instructions or methodological guides regarding the transition and functioning of the enlarged municipality (e.g. handling HR issues (lay-offs, severance, etc.), guidelines for preparation of MDPs, model procedures for nomination of administrative heads, provision of administrative services, etc.). In addition, MTAD and marzpetarans provided extensive hands-on support to enlarged municipalities via telephone and other means or during various meetings and consultations, e.g. post-enlargement fact-finding meetings in the new municipalities to identify issues observed and learn about their experiences.</p> <p>The government engages funds and technical assistance of donor and international organisations to support</p>	<p>Meetings in pilot enlarged municipalities in early 2017 showed that both MTAD and marzpetarans were helpful and essential in addressing municipalities' needs/inquires. However, some municipalities reported that having a more detailed and formal instructions or methodological guides would have been desired to properly manage the transition, since the support from MTAD/marzpetarans was not always institutionalized but very often based on personal links or application of "trial and error" method. This is especially important for newly elected mayors or councillors who would need some time for orientation and establishing required networks or connections with MTAD, marzpetarans and the peers.</p> <p>Although during the piloting phase MTAD and marzpetarans were able to essentially handle inquiries for clarifications and provide hands-on support (employing sometimes firefighting approach), during the roll-out phase it would obviously not be enough, because the number of new enlarged municipalities will increase considerably in 2017 and 2018. Thus, having standardised manual/instructions is required for</p>	<ul style="list-style-type: none"> ▪ Include the provision of technical assistance in the TARA Action Plan and communicate it appropriately. ▪ In addition to the main TARA Action Plan, the government should produce methodological instructions, or an operational manual detailing the key steps for transition from single settlement to multi-settlement municipality. The manual should also accommodate the requirements under the different legal disciplines (more importantly, administrative, civil and labour law). <p>At least, the following themes/topics/issues should be included in the manual:</p> <ul style="list-style-type: none"> • Fundamental decisions required by law in establishing and operation of the new municipality, including model templates, processes and procedures. • New model of provision of administrative services: new system, processes and procedures; e-governance solutions; key business processes for various services; the role

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	<p>organisational set-up of municipalities and introduction of good management practices and innovative solution (planning, budgeting, e-governance, administrative service delivery, human resource management, etc.). In particular, support is provided to new municipalities in streamlining their administrative service provision through introduction of citizen offices and MMIS, strengthening planning function and introduction of new planning methods and tools, introducing a new way of budgeting oriented toward the results (programme budgeting), strengthening the capacities of local self-governments through the review of the existing training system for municipal staff and elaborating a new strategy for human resource development and training, etc.</p>	<p>handling the change properly.</p> <p>Launching the desired technical assistance to new municipalities greatly depends on the date of municipal elections, since before that it is practically not appropriate to initiate such efforts. This causes delays in delivering technical assistance, thus negatively affecting rapid set-up of the municipality and public perception on TARA. In this case, a “damage control” strategy should be exercised with careful planning of mitigation of mentioned risks.</p> <p>Continuing the talks with pilot enlarged municipalities proved to be helpful and useful in promoting the realisation of TARA benefits, gathering their feedback and enhancing the knowledge about TARA, including the lessons. Below are the main comments and observations compiled during the post-enlargement working meetings in the newly enlarged municipalities:</p> <ul style="list-style-type: none"> ▪ Provision of administrative services in settlements: this is in fact the major issue highlighted in all municipalities. There is a strong need to have these services, to the extent possible, delivered in the settlements, without traveling to the municipality centre, thus, improving access to those services. The answer envisaged by the government and supported by donors (MMIS and COs) are found relevant and useful in addressing this need. However, there are some cases where the service cannot be provided electronically in the settlements (e.g. hard copy of a permit). In this case either the citizen should collect the 	<p>of the Administrative Heads; the Seal of Administrative Heads, basic standards for service delivery; electronic communication channels and tools, etc.</p> <ul style="list-style-type: none"> • Transfer of rights and responsibilities, assets and debts, integration of various systems, assets, property, information, systems and tools. • Budget relations and consolidation (execution, monitoring, links with treasury, etc.) • Relations with tax authorities, former and new tax accounts, reporting, etc. • HR issues (lay-offs, severance, engagement of staff during the transition, etc.). <ul style="list-style-type: none"> ▪ A more coherent and strategic communication approach is required to manage TARA roll-out in 2017-18. To diminish the risks related to expectations and commitments, more extensive direct involvement and guidance by high rank officials are required, as indicated earlier. ▪ Continue support in instilling good practice management systems, processes and tools (planning, budgeting, service delivery, property, infrastructure, etc.) to fully accomplish the potential benefits of enlargement – efficiency gains, broader scope and greater quality of local services,

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		<p>original paper in the municipality centre, or get it through the Administrative Head. In the latter case, the process would take more time. In both cases, the process requires financial means.</p> <ul style="list-style-type: none"> ▪ Some municipalities reported communication breakage after the enlargement in terms of shutting down the official e-mail services maintained by MTAD/marzipetars. ▪ For various reasons, the documents issued by Administrative Heads of settlements were sometimes not accepted by other entities such as notary office, commercial banks, road police etc. This might render the information or documents provided by the Administrative Heads to the citizens, void. ▪ Expectations and commitments – prior to enlargement and during the transition phase, various and sometimes distorted messages or unchecked promises were made or communicated to municipalities by various institutions and officials, related and not related to TARA. ▪ Because of enlargement, some former municipalities reported about decreased scope of public services. For example, a municipality used to implement certain social programmes (financial allowances) for new-borns and school first-graders; however after the enlargement these programmes were halted since priorities were changed within the bigger municipality. This caused public dissatisfaction and negative public perception of the reform in that given 	<p>improved infrastructure, etc. In this context, in the medium term horizon, it is suggested that the government, with the support of donors, support and guide the municipalities in conducting human and institutional capacity assessments of new municipalities and help preparing and implementing performance improvement measures.</p> <ul style="list-style-type: none"> ▪ Public services: <ul style="list-style-type: none"> • Communicate the message that it is up to the new municipality and its inhabitants, through the local politics and democratic governance mechanisms and processes, to decide on each public service which does not directly stem from their mandatory tasks (such as financial allowances for vulnerable groups, or just as a political commitment), based on entire needs and priorities of the given municipality. • People should also be explained that shared use of resources is also one of the anticipated results of TARA to ensure coherent and balanced economic and social development. ▪ Initiate decentralisation talks as soon as possible to promote further development of local governance in Armenia and to maintain the reform momentum. ▪ Expand introduction and piloting of Result Oriented Budgeting (ROB) in multi-

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		<p>settlement. Similarly, certain municipalities which used to possess considerable income sources from utilization of natural resources (e.g. land rental fees from a gold mining company in Syunik and Vayots Dzor marzes), perceived it as unjust that after the enlargement they had to share that income within the bigger municipality.</p> <ul style="list-style-type: none"> ▪ Databases for taxes and fees – some municipalities reported that it was a challenge to get clear and accurate information with regard to mentioned tax databases, for example, doubts were cast on the integrity of former municipalities' databases of land rental contracts and respective revenues. In addition, property and land tax databases suffer major flaws in terms of their accuracy and completeness. This stems from inaccuracies in cadastral maps which is a legacy confronted by local self-government bodies. ▪ One of the major impediments for smooth transition of municipalities into one multi-settlement municipality was the accumulated financial debts, specifically for unused vacation days of employees. For example, Dilijan inherited the debt of around AMD 40 million from all former municipalities. According to Armenian law, after the employment termination the employer must pay for the days of unused vacation. In practice, this meant that the new enlarged municipality inherited considerable financial debts which decreased TARA anticipated impact in the short run (e.g. efficiency gains) and hindered establishment of 	<p>settlement municipalities. Pilot ROB introduction options in multi-settlement municipalities, by ensuring during the selection of model municipalities both territorial distribution and peculiarities of the municipalities (e.g. municipalities consisting of: a) urban and rural settlements; b) only rural municipalities; c) few or many settlements, etc.).</p> <ul style="list-style-type: none"> ▪ Ensure the link between ROB and MDP. From this perspective, it is important to synchronize these initiatives implemented in selected municipalities in terms of selection of municipalities, methodological approaches and timeframe of implementation. ▪ Increase the number and frequency of training courses organised for municipalities in the area of ROB/programme budgeting. ▪ Breakdown the 5-year MDP into annual planning cycle and introduce M&E systems. ▪ Discuss the possibility of provision of all administrative services in the settlements (e.g. original copy of permits). ▪ Consider human and institutional capacity building efforts in parallel with decentralisation plans. ▪ Consider strengthening HR function and HR management practices in municipalities, specifically recruitment, development/training and performance evaluation, as well as streamlining HR

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		<p>a functional and capable local government from the outset. As such, many new enlarged municipalities expressed the desire not to assume such liabilities. While it is in line with Armenia's law and the principle of continuity, this issue should be part of TARA planning. It is in fact very often a matter of mismanagement practice in municipalities that such debts are accrued.</p> <ul style="list-style-type: none"> ▪ One of the enlarged municipalities reported an issue with State Revenue Committee regarding its old tax account and submission of income tax declaration. Apparently, this municipality did not manage changing the accounts in time. This issue might have been avoided by having clear transition instructions. ▪ Budgeting - single municipalities (now part of a cluster) that have been previously involved in programme budgeting initiatives were able to design the programme budgets for the enlarged municipality more easily than those without any experience. The latter experienced difficulties even in preparation of their line item budgets because of several factors: increased number of settlements, staff changes, lack of financial management skills, capacities, etc. Additional trainings and capacity building were requested by the municipalities. ▪ 5-year MDP – the main challenges faced by municipalities were related to difficulty of forecast, data and information quality (accuracy, completeness, integrity, timeliness etc.), gathering feedback and effective public 	<p>administration through application of IT</p> <ul style="list-style-type: none"> ▪ Review and update the training system for municipal public servants and devise a new training strategy, including, inter alia, TNA techniques and methods. ▪ When planning a new cluster for consolidation, the government should also prepare an estimate of financial liabilities (mainly for staff severance payments) of all merging municipalities of that specific cluster. Based on that information, and when the fact of mismanagement is confirmed, the government might consider a decision on timing for consolidation allowing enough time for municipalities to take corrective measures, to the extent possible.

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		<p>participation, shortage of strategic thinking and, as a result, preparation of a realistic plan. Thus, chances are still considerable that MDPs might remain mere formal papers as before and will not eventually become a useful strategic planning tool to drive the development of the municipality. In addition, availability of multiple methodologies for MDP development offered by MTAD created certain level of confusion and required extra efforts by municipalities to make respective decisions and inputs.</p> <ul style="list-style-type: none"> ▪ In some municipalities travel costs for Administrative Heads and Councillors were not included in the budget because municipalities were unaware of that possibility or how to properly cost it. This presumably affected the work of the Council and provision of administrative services. Clear guidance on this is deemed necessary for future. ▪ Enlargement gave an opportunity to new municipalities to make better HR decisions and to deepen functional specialisation within the staff (e.g. procurement specialist, lawyer, etc.) and introduce new positions responsible for certain sectoral technical matters such as veterinarian, land specialist, social worker, etc. Municipalities were in general able to engage competent staff due to an increased pool of specialists and availability of choice. However, for some positions municipalities are still unable to fill in the positions. Existing HR constraints can still hinder introduction of new systems, approaches and tools in the municipality. It is clear that having a more specialised and 	

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		<p>professional HR function and respective policies are required for an organisation consisting of 40-50 employees.</p> <ul style="list-style-type: none"> ▪ Handling the needs for human resources during the transition was sometimes dubious – decisions were made on an informal basis rather than following the letter of the law, e.g. some labour force was provided without any contractual relationship with the municipality, for a period of 2-3 months. ▪ New local governance culture, new performance framework and requirements are not widely recognized and fully established in new enlarged municipalities. Some local government bodies tend to rely on “business as usual” practice with inadequate understanding of new realities and the potential benefits of an enlarged municipality. Strong feeling/vision of one united municipality is still broadly immature. ▪ The demand for further decentralisation in the new municipalities is still weak and not widely sought, although some municipalities expressed their preparedness to carry out new powers. 	
5. Infrastructure and community development projects	<p>The government, in cooperation with and supported by donor organisations, initiated implementation of municipal infrastructure improvement/ development projects. The latter have been considered as one of the incentives of TARA.</p> <p>The government also initiated an</p>	<p>Government’s commitment to implementation of infrastructure or other development projects in enlarged municipalities was undoubtedly one of the key messages and incentives for municipalities to get merged. On the other hand:</p> <ul style="list-style-type: none"> ▪ It raised too much expectation as yet unmet and thus created negative opinion among the 	<ul style="list-style-type: none"> ▪ The government should not focus solely on the financial incentives. Other benefits of TARA should also make the important part of the communication messages, i.e. a clear communication strategy is needed combining financial, technical and other assistance.

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	<p>extensive effort to identify issues related to local economic development in municipalities and requested that municipalities submit project proposals aimed at community development. This work was readily supported by donor community. For example, participatory needs assessments were carried out in order to identify obstacles and potentials for municipal development, taking into account needs of each settlement as well as the situation in the respective cluster as a whole. The results, which were developed and prioritised in a participatory process with the local population, were considered when development projects were planned and implemented by the Armenian Territorial Development Fund (ATDF).</p> <p>The government also receives considerable support from EU in implementation of several projects within its regional development initiative (Pilot Regional Development Project).</p>	<p>public about TARA. The timing issue is especially important since initiation and implementation of development projects do require considerable time and efforts.</p> <ul style="list-style-type: none"> ▪ It constantly outweighed other benefits and anticipated results of TARA. As a result, in the municipalities hardly anyone talks in depth about, for example, efficiency gains, improved human and financial capacities, economy of scale, new/improved public services, shared use of resources and infrastructure, and not to mention, decentralisation. Moreover, there is a misperception in the municipalities that the government implements TARA because there are financial means available to invest in municipalities which are earmarked only for TARA. <p>In parallel, the government launched country-wide process of supporting business initiatives. Municipalities, individually or in groups, are encouraged to come up with viable business development ideas. In terms of lessons learned, the need for capacity building of LSGs to produce viable business projects has become evident and urgent. Another area in need of address is the role of administrations in improvement of business environment with a safeguard of not getting into direct commercial activities. It requires functional review of the municipal administrations to fill the knowledge gaps currently identified. The objective is to enhance local capacities to design business project proposals (this is also valid in the case of ATDF which has to invest significant resources to shape proposals of acceptable quality) and take</p>	<ul style="list-style-type: none"> ▪ Measures should be implemented to clarify the role of the local government in LED. ▪ A variety of LED activities and initiatives, from competition for funds to training, should go hand in hand with clear messages on the sources of support (government, donors etc.) and their niches in economic environment of enlarged municipalities. ▪ Secure efficiency of the government in communicating tasks, functions and inputs by stakeholders in LED.

Topics	What was done? Main inputs and actions	What was learned? Main observations	What should be done? Key recommendations
		<p>the scene as agents of economic development.</p> <p>More effective communication on government activities in LED would have precluded wrong perceptions as to the roles of LSGs in LED.</p>	
6. Results and reporting on piloting phase	<p>The government did not prepare a separate public report on TARA piloting phase, although it did provide both verbal (e.g. during the parliamentary hearings in 2016) and written (e.g. clarifications re Human Rights Defender's enquiry) commentaries.</p> <p>In 2016, Armenia's Human Rights Defender issued a report (legal analysis) on TARA implementation as a response to a complaint by 1,255 citizens of Koti, Barekamavan and Voskepar municipalities of Tavush region questioning the lawfulness of TARA. The essence of the criticism was that TARA was not discussed with members of community and their voice was not heard.</p>	<p>The public perception of benefits of TARA is not strong. One of the major arguments against initiating the second phase of piloting in 15 clusters in 2016 was that the results of the first three enlarged municipalities were not assessed and that people were doubtful about TARA benefits. This point was also highlighted in the Human Rights Defender's 2016 report on TARA. The response was that it was not practical to report on considerable and tangible results in the short run. However, the government accepts that TARA successes should be highlighted and results communicated widely in a mid-term perspective. Some noticeable outcomes so far are:</p> <ul style="list-style-type: none"> ▪ In almost all new municipalities, the administrative costs were decreased, sometimes considerably (e.g. staff number of enlarged Meghri municipality is almost 50 percent less than that of the total of previous member municipalities). This allowed increase in scope and level of delivery of public services. ▪ A number of new services have been introduced or planned for introduction in almost all enlarged municipalities due to enlargement. For example, new units/employees engaged in communal utilities, land construction, expanded public services such as veterinary services, kindergartens, waste collection, cultural and 	<ul style="list-style-type: none"> ▪ In the short run, the government should identify success areas of TARA in 18 enlarged clusters and develop case studies, supported by strong evidence and data. <p>These studies shall be used, firstly, to communicate during the roll-out in the new clusters and among the public in general; and secondly, they will be shared among existing enlarged municipalities to facilitate horizontal exchange, serving as a good practice references. Possible areas might include:</p> <ul style="list-style-type: none"> • Improvement of governance; better decision-making processes • Efficiency gains • New/improved public services • Shared use of public infrastructures, etc. <ul style="list-style-type: none"> ▪ Continue to observe the performance of new municipalities in terms of scope and level of improved public services, promote best practices and peer exchange, also through engagement of civil society, professional and LSG associations. ▪ It will be of utmost importance for the government to identify and evaluate the

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		<p>sport facilities, etc.</p> <p>On the other hand, there is no clear monitoring and assessment framework for implementation of TARA. It is clear that respective outcomes, targets, benchmarks and indicators, both quantitative and qualitative, will be required to report comprehensively on TARA and its impact, to demonstrate that the changes were implemented successfully and had the desired effect.</p>	<p>impact of TARA on strengthening local governance while considering future decentralisation strategies, since TARA has been widely accepted as a precondition for deepening decentralisation of powers in Armenia. Thus, in the medium term, the government should prepare a more comprehensive evaluation report on TARA. The latter should go in parallel with human and institutional capacity development of municipalities; these two pivotal components would inform the design and execution of further decentralisation strategies in Armenia.</p>
III. TARA COMMUNICATION, PUBLIC AWARENESS AND EDUCATION			
7. TARA communication activities in all clusters	<p>MTAD through the support of donor organisations elaborated and implemented a reform communication strategy. It managed to conduct participatory measures for the implementation of TARA in form of meetings and awareness raising activities, participatory assessments, press articles and TV programs, and hearing at the National Assembly, in all the identified clusters in 2015, as well as referenda in the 3 pilot clusters. Communication was delivered in all 18 clusters through meetings with mayors, council members and local population, devised to increase awareness on TARA processes, as well as address the concerns and issues raised by the</p>	<p>The general public perception on TARA was not widely positive. TARA is often opposed by pilot municipalities, not necessarily in a justified manner though.</p> <p>The level of public awareness of the reform and its anticipated results were also low. Therefore, the government's communication of the reform, its objectives, anticipated results and key processes were appropriate and necessary and very often appreciated by various audiences to cover the information and knowledge gap.</p> <p>During the preparatory phase of TARA, extensive participatory activities were conducted in a number of pilot municipalities, such as assessments, studies, needs analysis etc. Apart from their technical nature, these inputs also proved to be invaluable in terms of engaging the public, managing expectations and subduing</p>	<p>Strengthening the communication of MTAD about the TARA process, both at national and local level, improvement of the quality of communication materials and setting requirements for those responsible for communication should increase the awareness, knowledge and acceptance of the reform by the general public.</p> <p>The government should streamline its communication processes and pay more strategic attention to it. More specifically, it is recommended:</p> <ul style="list-style-type: none"> ▪ Extend the communication team, involving the technical PR staff from MTAD in the design and implementation of communication activities. In addition, consider the peer network/horizontal exchange as a source of good practice and

Topics	What was done? Main inputs and actions	What was learned? Main observations	What should be done? Key recommendations
	<p>population.</p> <p>MTAD significantly expanded and enhanced its communication on individual actions, events and activities using the tools at its disposal (namely, web-site, TV and print media interviews, articles, meetings, etc.)</p> <p>The new Constitution (2015), however, does no longer foresee local referenda before enlargement of municipalities. Instead, opinion polls may be conducted in the targeted municipalities before the elections are held.</p> <p>Communication activities in 15 clusters (adopted in 2016) were conducted before the respective legal package was approved by the National Assembly in summer 2016 (parliamentary hearings and site visits) as well as after that.</p>	<p>possible tensions.</p> <p>However, both engaging public in the discussions and ensuring their support to the reform have been challenging tasks for the government.</p> <p>Regardless of availability of external technical support, the government's external communications would have significantly benefited as to its effectiveness, consistency and strategic focus. More specifically:</p> <ul style="list-style-type: none"> ▪ Municipalities voiced need for more clarity in the messages they received. Key communication messages were not properly cleared by the MTAD, especially after the first piloting phase. In addition, redundant communication functions were assigned on other than government officials acting in its name. This meant that sometimes municipalities got inconsistent or outdated messages from different officials and/or actors raising unnecessary expectations and/or causing confusions. ▪ Certain communication messages were not appropriate to use, even though from legal point of view they might be fine, for example "it's the government mandate to decide the administrative-territorial division of the country and therefore the government can use its discretion in deciding on how to implement the enlargement". This message understandably finishes any discussion leaving the participants with even more disoriented as to their role in the process. 	<p>methodological guidance during the communications in the new clusters, during the pre- and post-enlargement phases.</p> <ul style="list-style-type: none"> ▪ Revisit the key communication messages and agree with all the management levels, differentiate for different audiences, and apply good practice criteria in formulations. Avoid messages like "it's a government prerogative to design the administrative division, and therefore it does not need to talk to/ask you": as mentioned earlier, the Armenian context, especially trust toward government and socio-economic conditions should be considered when preparing the key messages. ▪ Apply more integrated approach to communications; include the messages in all the communications and exchange of MTAD and marzpetarans with the municipalities ▪ Share with the general public and municipalities explanatory notes for each proposed new cluster. People should be aware about the expectations and anticipated results, and they should be explained the potential benefits of TARA and reasons behind decisions taken for specific clusters (e.g. "why money collected in one settlement should be shared among others and spent by the centre" (ref: Gndevaz case)) ▪ Include broader vision of TARA with decentralisation in mind in the

Topics	What was done? Main inputs and actions	What was learned? Main observations	What should be done? Key recommendations
		<ul style="list-style-type: none"> ▪ There was inadequate consideration of selection of appropriate communication means, materials and audience. Often, it was not clear who was doing what and when. More coordinated, structured and sequenced approach would have saved time and effort and at the same time, added value to the communication materials and organising audiences for various events. ▪ “Firefighting”- often the government acted by reacting on emerging issues rather than proactively and strategically delivering right messages to population and municipalities, in the right time and by the right means. Especially during the second phase of piloting in 2016, reform communication was considered mostly as an ad-hoc activity but not as a strategic measure that might provide irreplaceable support in implementation of the reform. ▪ MTAD professional staff (PR department, press secretary etc.) were not always directly or actively involved and leading the communication efforts. This has two-faceted impact: a) lack of roles and responsibilities and as a consequence, lack of accountability for reform communication; and b) restricted opportunities for MTAD human capacity development while working with external technical advisers. ▪ Lack of instituting communication as a cross-cutting or linking process and not only as a stand-alone task. This means that reform 	<p>communication messages.</p> <ul style="list-style-type: none"> ▪ Include TARA Action Plan in the communication ▪ Continue, whenever appropriate, participatory activities in proposed clusters to support communication objectives, among other objectives. ▪ Include more and more local success stories (case studies) in the communication activities, prepare respective materials. ▪ Ensure frequent visits by high rank ministry officials are held in early post-enlargement period to avoid the feeling of being abandoned among population. ▪ Ensure effective feedback - reach agreements with localities on stock-taking of arising issues and their quick dispatch to the ministry, all these furnished with relevant mechanisms enabling two-way communication. ▪ Take into account needs and characteristics of different audiences. Hold special, targeted events for mayors, councillors, staff and local civil society organisations as agents of the reform. Bringing them on board would to a great extent smooth the path towards higher degree of awareness hence correct understanding of the essence of the reform by population at large. ▪ As part of TARA roll-out and as a specific communication and public awareness-

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		<p>communication, while applying a separate strategic approach, should also be integrated with all key processes and activities of the MTAD, marzpetarans etc. related to local governance.</p> <ul style="list-style-type: none"> ▪ Lack of TARA Action Plan and different messages from various stakeholders in the municipalities created certain level of misunderstandings. ▪ It is a challenge to promote TARA and engage the municipalities in the reform when the broader vision of the reform (decentralisation, beyond enlargement) is not communicated. <p>The issue of “hearing the opinion of municipalities” has been another major debatable point of TARA, both within the professional community and municipalities and the public at large. In the first three clusters, local referenda were generally considered as sufficient mechanism for gathering people’s opinion. Since the amended Constitution does no longer foresee local referenda before municipal elections, the government’s interpretation of this constitutional requirement is that the voice of the municipalities is considered during the parliamentary hearings. This approach shrinks the room for effective communication measures at the earlier stages of reform.</p>	<p>raising event, it is suggested that the GoA hold 2017 enlargement launching conference inviting key stakeholders and media.</p>

Annex - Schedule of Post-Enlargement Meetings

Date Venue		January 2017			February 2017		March 2017			May 2017	
		18	24	25	14	15	15	16	17	18	19
1.	Noyemberyan										
2.	Koghb										
3.	Ayrum										
4.	Gorayk										
5.	Jermuk										
6.	Vayk										
7.	Zaritap										
8.	Arpi										
9.	Amasia										
10.	Ashotsk										
11.	Sarapat										
12.	Meghri										
13.	Tatev										
14.	Tegh										
15.	Goris										
16.	Urtsadzor										
17.	Dilijan										
18.	Tumanyan										