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Webinar 1. Funds and programmes (European and international) available to local governments in Armenia as part of development projects (CASE - leader, EDRC - partner)

1. What is the role of self-government in the socio-economic development of local communities?
2. What is a development project?
3. European Union funds – Overview of EU financial programmes available to local governments in Armenia: Good practices (Polish experience)
4. International funds

Introduction

Externally funded development projects are an important complementary element of the socio-economic development of local communities¹. However, funding sources often have a broad scope, and accessing funds can mean facing high competition from experienced, capable, and resourceful actors. In Armenia, local governments very rarely implement externally funded development projects. In fact, in 2021, only 0.21% (in 2020 – 0.05%) of local government income came from external grants², which is stark evidence that local governments in Armenia are only marginally engaged in international projects. Although at first this may not sound encouraging, it suggests there is significant undiscovered potential in this area. Detailed, up-to-date information on external funding opportunities is essential to enable local governments to take their first steps towards the successful acquisition of funds.

1. What is the role of self-government in the socio-economic development of local communities?

Local governments play a fundamental role in their community's socio-economic development and are responsible for a broad range of activities, including planning, financing (e.g., of development projects), regulating (e.g., taxation), managing, and delivering public services³. Local governments also invest in local infrastructure – they build schools, communication routes, water systems, and telecommunication networks, among other things. Furthermore, they deliver public services in key sectors such as healthcare, education, energy, and environmental protection. In addition, they are increasingly focused on providing incentives – they frame the business environment in their respective areas through introducing regulations, promoting business opportunities, using tax incentives, and creating special economic zones and concessionary utility rates, to name a few⁴.

Local governments have considerable influence on attracting private investment and creating jobs. Additionally, investments into municipal infrastructure is key to the development of local entrepreneurship. In turn, such activity is conditional on local government finances – in terms of both the size of budget revenues (in relation to the scale of the delivered services) and the capacity to obtain external funding. Put simply, “[t]he development of the local economy depends largely on the local governments’ ability to generate funds that can

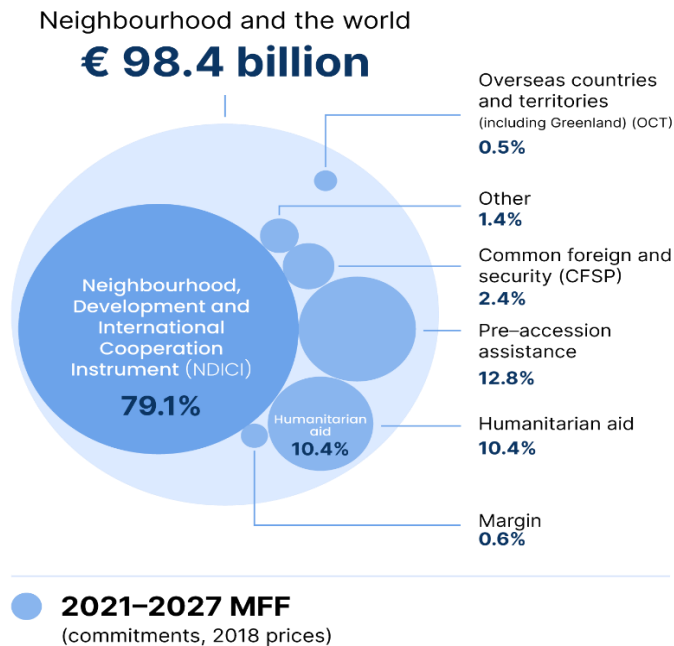
¹ The term “community” is used here to describe diverse types of geographical areas where local governments manage their economic development strategies.

² Data source: EDRC calculations based on data of the Ministry of Territorial Administration and Infrastructure of RA <http://www.mtad.am/hy/budgetary-incomes/>.

³ M. Luger, *The Role of Local Government in Contemporary Economic Development*, Lincoln Institute of Land Policy, 2007, p. 2, available at: [*Microsoft Word - Luger Working Final.doc \(lincolninst.edu\)](#).

⁴ M. Luger, *The Role of Local Government in Contemporary Economic Development*, Lincoln Institute of Land Policy, 2007, p. 9, available at: [*Microsoft Word - Luger Working Final.doc \(lincolninst.edu\)](#).

be allocated to the realization of investment projects”⁵. Yet, it is important to emphasise that the acquisition of external funding alone will not lead to the economic development of the community, but is a step in the right direction. There are a number of additional preconditions (e.g., quality of funds and project management, operational capacity, long-term development planning).



Conversely, while the implementation of development projects by self-governments is an integral part of regional development, the low activity in this field can be perceived as a potential factor contributing to the aggravation of regional inequalities within a state. In Armenia, the bulk of municipal budgets and external funds is raised and managed by the capital city of Yerevan. For instance, in 2020, the capital’s budget accounted for 48.5% of the sum of all municipal budgets in the country. In terms of raising external funds, in 2021, Yerevan received 200.7 million dram

(54% of the total amount), while provinces such as Vayots Dzor and Syunik did not attract external resources⁶. There is, thus, a considerable need to support the capacity of smaller local governments to obtain more funding.

2. What is a development project?

There are various definitions of what constitutes a development project. One development project management handbook defines it as a project “designed to deliver a specific output aiming to improve the economic and social conditions of a group of people”. A development project can envisage, for example, investment in infrastructure, building schools, knowledge exchange activities, promoting gender equality, empowering civil society, or improving employment through supporting local authorities in attracting investments. Such projects are diverse not only in terms of their topics and aims, but also in their duration, scope, funding sources, budget, and resources. Nevertheless, their common objective is “helping people and benefitting society”. Oftentimes, their aim is to support community self-reliance and working together with local organisations to foster their capabilities. It is also common that in order to achieve such results, they emphasise the importance of sustainable development. Finally, due to the particular nature of the circumstances in which they frequently function, development projects face specific challenges, such as limited resources or the lack of appropriate infrastructure⁷.

3. European Union funds – Good practices: the Polish experience

Source: European Parliament, *Neighbourhood and the world, Heading 6 of the 2021-2027 MFF, Briefing: 2021-2027 MFF*, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690546/EP_RS_BRI\(2021\)690546_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690546/EP_RS_BRI(2021)690546_EN.pdf).

The acquisition of European Union (EU) funds provides many possibilities to local governments located in regions with a relatively low level of

⁵ J. Sierak, *The Role of Local Government in the Process of Stimulating the Development of the Local Economy*, Journal of Management and Financial Sciences, nr 25, 2016, p. 75; 78, available at: https://ssl-kolegia.sgh.waw.pl/pl/KZiF/czasopisma/Journal_of_Management_and_Financial_Sciences_JMFS/Documents/Jacek%20Sierak_JMFS_25.pdf.

⁶ Data source: EDRC calculations based on data of the Ministry of Territorial Administration and Infrastructure of RA <http://www.mtad.am/hy/budgetary-incomes/>.

⁷ PM4DEV, *Project Management For Development Organizations: A methodology to manage development projects for international humanitarian assistance and relief organizations*, 2015, pp. 12-13; available at: <https://www.pm4dev.com/resources/free-e-books/130-development-project-management/file.html>.



economic development. The funds and programmes available for entities in Armenia are primarily positioned under Heading 6 “Neighbourhood and the World” of the new Multiannual Financial Framework (MFF) for the financial period 2021-2027. Special attention should be given to the Neighbourhood, Development, and International Cooperation Instrument – Global Europe (NDICI – Global Europe) and to one of its geographical pillars on the European Neighbourhood. Furthermore, the new European financial architecture for development assumes greater involvement and coordination with such institutions as the European Investment Bank (EIB), the EU Member States development finance institutions (DFIs), and the European Bank for Reconstruction and Development (EBRD).

Some of the EU financial instruments and programmes which can be a potential source of external funding for local governments in Armenia are listed in the table below:

Overview of EU financial instruments available to the local governments in Armenia

REGIONAL	<p>Cross-Border Cooperation Programmes: 2014 - 2020 ENI CBC Programmes</p> <p>Mayors for Economic Growth (M4EG) Facility: (ongoing) Mayors for Economic Growth</p> <p>Eastern Europe Energy Efficiency and Environment Partnership (E5P): Eastern Europe Energy Efficiency and Environment Partnership</p> <p>EU4Energy Programme: iea_for_Eu4Energy</p> <p>Neighbourhood Investment Facility (NIF): Neighbourhood Investment Platform</p> <p>EU4Culture: Fostering culture in the Eastern Partnership countries EU4Culture</p> <p>EU4Youth: (ongoing) https://eu4armenia.eu/projects/eu-project-page/?id=1468</p>
BILATERAL	<p>Local Empowerment of Actors for Development (LEAD) Programme: Armenia: new regional development programme launched - EU NEIGHBOURS east</p>
THEMATIC	<p>European Instrument for Democracy and Human Rights (EIDHR): Programm: European Instrument for Democracy and Human Rights EuroAccess Macro-Regions</p> <p>Instrument contributing to Stability and Peace (IcSP): Instrument contributing to Stability and Peace (IcSP) Cultural Relations Platform</p> <p>Creative Europe (renewed; 2021-2027): Creative Europe 2021-2027 programme brings €2.44 billion to support the cultural and creative sectors Culture and Creativity</p> <p>Erasmus+ (renewed; 2021-2027): Erasmus+</p> <p>Horizon Europe (2021-2027): Horizon Europe European Commission</p> <p>Support for Improvement in Governance and Management (SIGMA): SIGMA - OECD</p> <p>Technical Assistance and Information Exchange (TAIEX): TAIEX</p> <p>Twinning: ec.europa.eu/twinning</p>

Please note that some of these programmes have not been renewed or defined yet. Source: this is an updated and adjusted version of the table derived from: S. Bieliei, K. Sidło, K. Zubel, *EU financial assistance available to local and regional authorities in Eastern Partnership countries*, the Committee of the Regions, 2021, pp. 4-5.

In the context of the COVID-19 pandemic, it is worth mentioning that the EU also provides Armenia with specific funds which support the country to overcome its adverse effects. However, these funds are predominantly channelled to the national government, and, therefore, it is expected that local governments will largely benefit from them in an indirect way⁸.

Poland's experience in obtaining EU funds provides a source of good practices. Although the main sources of income of local governments in Poland come from its own income and subsidies from the state budget, it has also benefited greatly from external sources of funding – largely from the EU. In fact, Poland is the biggest net recipient from the EU budget, and at the same time a country which displays significant differences in terms of regional economic development⁹, which makes it a particularly interesting case to study¹⁰. Moreover, Poland's highly efficient acquisition of external funding may be pushed further, as the country is set to remain the main beneficiary of the EU cohesion policy¹¹.

Applicants for EU funds face numerous and diverse challenges, ranging from legal and political to economic and managerial barriers¹². Also, it is important to highlight that various instruments and programmes have different requirements, and for this reason the application procedure differs too. However, the successful acquisition of EU funds for projects¹³ implemented by local governments in Poland provides us with some useful tips and tricks. Being proactive in searching for potential project partners, reaching out to contact points that provide specific information on EU funding opportunities, assessing if the project is in line with the long-term strategy of the municipality and with the interests of the local community, determining realistic project outcomes, providing relevant training to local government staff, and forming specialised teams which focus on EU funding opportunities are just a few examples¹⁴.

4. International funds

Although EU funds are a promising source of external funding for development projects in Armenia, they are not the only ones available. Among the top donors of gross Official Development Assistance (ODA) for Armenia, a significant role is also played by other international donors, for example, the International Monetary Fund (IMF), the World Bank Group, and the Asian Development Bank (see the chart below).

⁸ S. Bieliei, K. Sidło, K. Zubel, *EU financial assistance available to local and regional authorities in Eastern Partnership countries*, The Committee of the Regions, 2021.

⁹ P. Churski, *Structural Funds of the European Union in Poland—Experience of the First Period of Membership*, *European Planning Studies*, 16:4, 2008, p. 579.

¹⁰ See the examples of the projects and additional information on Poland's engagement in the European Structural and Investment Funds at: <https://cohesiondata.ec.europa.eu/countries/PL>.

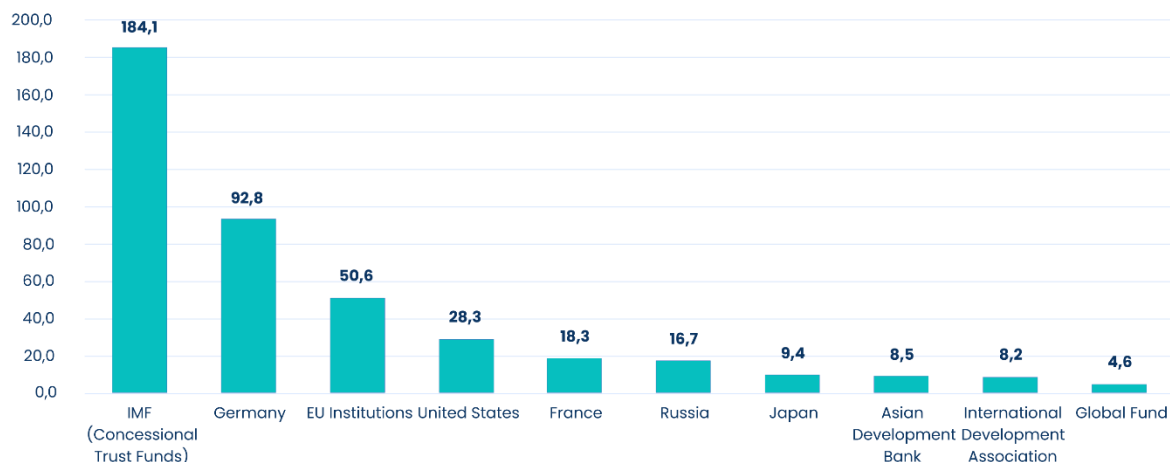
¹¹ S. Bieliei, H. Grigoryan, G. Ichkiti, S. Kandelaki, A. Kulesa, *Direction: an efficient state - Polish experiences of decentralisation and modernisation, lessons learned for Armenia and Georgia*, 2020, p. 30, available at: https://www.case-research.eu/files/?id_plik=6605.

¹² J. Sierak, *The Role of Local Government in the Process of Stimulating the Development of the Local Economy*, *Journal of Management and Financial Sciences*, nr 25, 2016, p. 79, available at: https://ssl-kolegia.sgh.waw.pl/pl/KZiF/czasopisma/Journal_of_Management_and_Financial_Sciences_JMFS/Documents/Jacek%20Sierak_JMFS_25.pdf

¹³ See examples of the projects: https://rpo.lubuskie.pl/chwalimy_sie.

¹⁴ S. Bieliei, K. Sidło, K. Zubel, *EU financial assistance available to local and regional authorities in Eastern Partnership countries*, The Committee of the Regions, 2021, p. 29; O. Kot, *Procedura pozyskiwania środków z funduszy europejskich w celu realizacji polityki regionalnej*, [in:] J. Korczak (ed.), *Województwo, region, regionalizacja 15 lat po reformie terytorialnej i administracyjnej: II Wydziałowa Konferencja Kół Naukowych Wydziału Prawa, Administracji i Ekonomii Uniwersytetu Wrocławskiego*, Wrocław, 21-22.11.2013, Uniwersytet Wrocławski, 2013, p. 309; A. Futymski, U. Budzich-Tabor, K. Choromański, P. Lange Kuczyński, J. Kalinowska, A. Zbroja, *Jak skutecznie pozyskiwać środki unijne z perspektywy 2014-2020 – oferta dla jednostek samorządu terytorialnego*, Fundacja Fundusz Współpracy, 2015, p. 24.

Top 10 donors of gross ODA for Armenia, 2018-2019 average, USD million



Source of data: OECD – DAC, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/aid-at-a-glance.htm>.

The funds disbursed by these donors do not necessarily concern Armenian local governments in a direct way. However, a relevant example is the initiative implemented by the United States Agency for International Development (USAID) in Armenia entitled “Local governance and community development”¹⁵. Furthermore, projects may also be financed and implemented by a consortium of international donors through cooperation with various partners. An interesting case is the “Flood Protection Project in the Oder and Vistula Basins”¹⁶, which was financed by a consortium of international donors composed of the EU, the World Bank, the Council of Europe Development Bank, and the Polish central government.

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¹⁵ See more: https://www.usaid.gov/sites/default/files/documents/USAID_Armenia_Current_Activities_Sept_2020.pdf.

¹⁶ See more: <https://wroclaw.wody.gov.pl/nasze-dzialania/projekt-ochrony-przeciwpowodziowej-w-dorzeczu-odry-i-wisly>.



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