

PERFORMANCE BUDGETING IN LOCAL SELF-GOVERNMENT SYSTEM IN THE REPUBLIC OF ARMENIA

Manual

This manual was prepared in the framework of the United Nations Development Programme (UNDP) Performance Budgeting Initiative.

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LIST OF ACRONYMS

PB	Performance budgeting
UNDP	United Nations Development Programme
IA	Impact Assessment
UN	United Nations
M&E	Monitoring and evaluation
PM&E	Participatory monitoring and evaluation
CDP	Community Development Programme
LSGB	Local-self-governance bodies
LSG	Local self-government

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PREFACE

By the Ministry of Territorial Administration

The local self-governance bodies, in the scope of their authority, are entitled to deliver services to community residents and solve community problems. To this effect, local self-governance bodies are authorised by the law to the right to possess financial resources and to manage funds on their own. It may seem, from a first glance, that solving community problems depends solely on the availability of financial resources, and the only way to increase the well-being of the population is through increase in financial resources by attaching additional revenue sources to municipality budgets, or by other means. But even in the case of increase in the volume of financial resources of a municipality budget, community problems may remain unsolved, if those funds are used inefficiently. Thus, the guarantee for local self-governance bodies to deliver quality services in the interest of the community population and aimed at the resolution of their problems is not only the availability of financial resources per se, but also how those resources are used. If we add to the aforementioned, that it is impossible to constantly increase financial resources for the municipality budgets, then the necessity of effectively using available limited resources becomes more apparent. In other words, it is highly important that such instruments for budgetary resources planning, allocation, expenditure and control over expenditure are applied that will make it possible to use limited resources as effectively

and as much under supervision as possible, in order to resolve priority community issues.

After the establishment of the local self-government system, reforms of the system were initiated before and continue nowadays; those are aimed at the advancement of financial independence of communities, increase in quality and volume of services provided by local self-governance bodies to community populations, optimization of community infrastructure and financial resources management, etc. Reforms of the local self-government system should also embrace essential functions, such as financial planning and management.

Approaches and instruments applied by local self-governance bodies in the areas of planning and expenditure of community financial resources, as well as supervision over planning and expenditure, have certain shortcomings and in fact slow down the pace of local self-government system development and limit the effect of reforms currently in progress.

The above-mentioned means that it is necessary for local self-governance bodies to adopt a more effective and contemporary budgeting model, which will allow to maximize both economic and social efficiency of available limited resources, ensuring the highest level of satisfaction among the primary beneficiaries of services provided by local self-governance bodies, i.e. the community population.

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The evidence of importance of the aforementioned is the fact that provisions on the budgeting sphere in the local self-government system are incorporated into major state strategic programmes.

This concept focuses on performance budgeting in the local self-government system of the Republic of Armenia. It presents the existing budgeting model currently used in the local self-government system of Armenia;

the state policy in this area; advantages of and opportunities availed by the performance budgeting model; and, of course, a guidance on the application of performance budgeting that will enable transforming expenditure budgets into performance budgets.

*Mr. Vatche Terteryan
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PREFACE

By UN Development Programme

This manual highlights an initiative at the municipality level that UN Development Programme in Armenia has pursued for the last several years to promote local democracy through increased meaningful participation of community members and increased accountability of local authorities and sustainable local development through efficient planning and use of local resources. Among others, our efforts were aimed at supporting the establishment and effective operation of Municipal Service System, introduction and piloting of integrated community development and performance budgeting concepts and methodologies, piloting of different models and organizational structures for local economic development.

In 2006, when the first phase of the Performance Budgeting Initiative was completed, UNDP in Armenia published a manual to emphasize the necessity of the recommended reforms and to define the methodology that would guide municipal actors in the budgeting process. In due time, the initiative was positively assessed adapting to new realities and challenges, which brought about expectations for theoretical generalization and elaboration of a new manual.

The current concept that was introduced during budgeting processes in more than twenty urban and rural communities in various marzes (provinces) of Armenia, is a combination of theoretical provisions with practical solutions meaning that this new manual has been developed not only by expert theorists, but also as a result of practical recommendations by local

specialists involved in the reforms project and situational adjustments carried out in every consecutive year. Thus, this manual, which presents a concept that has already passed a serious practical probation period, is intended for both experienced municipalities, as well as all the rest of municipalities that do not have any alternative to budgeting reforms.

The local self-government system shows a steady development, but it is not viable without serious conceptual changes to budgeting processes. We are hopeful that our efforts will highly contribute to the realization of the desired vision.

Consuelo Vidal
UNDP Resident Representative
UN Resident Coordinator

INTRODUCTION

Local self-government in the Republic of Armenia, as a distinct system of public administration, was established in 1996. During the years passed, being in a position that is mostly close to the population and being directly elected by them, local self-governance bodies (LSGBs) have assumed the heavy responsibility of resolving problems at the local level.

Without any prehistory, relevant experience and traditions, the local legislative framework for the self-government system was primarily formulated and reformed through analysis of the country's own experience, taking into consideration Armenia's peculiarities and the existing capacities and skills of the local self-governance bodies, as well as making it in line with internationally recognized standards.

The existence of numerous communities with very limited capacities, lack of qualified human resources in municipalities, lack of access to measures aimed at local capacity building and low levels of wages often create certain difficulties in the process of execution of their responsibilities for the application of serious technologies and utilization of contemporary methods by LSGBs.

This aspect is especially evident in those spheres of LSGBs' activities, where professional sufficient skills and advanced experience are necessary.

The following can be considered belonging to this kind of activities: planning and financial-budgetary functions that have considerable importance for municipalities and

derive from the right to possess and manage financial resources on their own, which is provided to municipalities by the law. These are functions that require regular and certain professional capabilities that need serious reforms and improvement nowadays.

In many municipalities local budgets are mainly formulated without serious professional studies and do not contain comprehensive data on community problems. This gap is not filled by the budgetary guidance that the Ministry of Finance of the Republic of Armenia annually provides to municipalities, since these documents primarily provide orientation of a technical nature and are aimed at ensuring unification of the budgeting process.

In the absence of well-grounded professional skills and sufficient experience of budgeting, a lot of municipalities formulate their annual budgets mainly based on expenditures. In professional terms, these budgets are expenditure budgets and do not contain serious information about planned activities and services provided.

As a programme document for mid-term planning, the law provides for a concept of Community Development Programme (CDP), which, according to Article 53 of the Law on Local Self-Government (Box 1), is formulated as follows:

*Box 1***ARTICLE 53 – THE COMMUNITY DEVELOPMENT PROGRAMME**

The Head of Municipality shall elaborate a four-year development programme for the community, and submits it for the approval of the newly-elected Community Council within a period of three months after the latter has assumed its functions. If the date of assuming the office by the newly-elected Head of Municipality falls within the period of three months after assuming the office by the Newly-elected Community Council, then the newly-elected Head of Municipality shall submit the four-year development programme for the approval of the newly-elected Community Council either within a period of three months after the Council assumes its functions or within a period of two months after he assumes the office.

Community Council shall discuss the presented programme, introduce amendments and approve it by its decision.

In elaborating the draft annual budgets of the community, the Head of Municipality shall take into consideration the essential needs of the community population, the four-year community development programme, as well as resources available.

In many communities of Armenia, the elaboration of a Community development programme and its adoption by the Community Council are not performed with necessary care, and frequently or always no such document is developed at all, or the process becomes in fact a formal one, notwithstanding the fact that it is one of the obligatory functions of LSGBs. As a result, activities performed by a community often are not derived from programmatic formulations; expenditures made for those activities are less understandable and perceivable, while the effectiveness of such activities remains difficult to measure and assess.

In such circumstances, there is no link between a community development programme and the corresponding municipality budget. This deprives municipality budget of its core role and makes it a simple estimate of revenues and expenditures. In this case a municipality budget becomes an expenditure budget, while supervision over effectiveness and ensuring of results, exercised by the community council and the community population, is

very complicated.

In Armenia, even in cases where a four-year community development programme exists, it is not always the case that municipality budgets contain sufficient information about projects being implemented and anticipated results.

In order to put into practice a local self-governance system that is based on democratic values, it is crucial to ensure transparency and publicity of activities carried out by local self-governance bodies. The Republic of Armenia "Law on Local Self-Government", "Law on the Budget System", and the "Law on Freedom of Information" regulate issues related to publicity and accessibility of municipality budgets. In terms of expenditure budgets, however, few people use the information published, because very few can understand dry numbers reflected in budgets. And again, since the structure of the expenditure model is quite difficult for ordinary people to comprehend, that is, the language of dry numbers is incomprehensible for them, so, the population is not eager to participate in

the budgeting process. This circumstance brings about a situation when, as a result of the population's passive stance, the interrelation between priority directions of expenditures and community needs becomes obscure. Furthermore, the level and effectiveness of supervision over accountability of LSG bodies and their activities decrease.

And finally, during internal and external audit envisaged by legislation, only correspondence of financial transactions to set out provisions undergoes verification, which does not reflect the assessment of completed activities and results achieved.

Summarizing the above mentioned, one can argue that the existing budgeting model allows LSG bodies to use limited budgetary resources without breaching the law. At the same time, in the framework of the existing model, both community residents, as the main beneficiaries of services provided, and other stakeholders are unable to assess the efficiency of expenditures made and to control the process of achieving outcomes: this leads to a situation when consumers of services do not receive the necessary volume of services, while funds are often spent in non-priority areas.

Furthermore, it has to be emphasized that in an objectively formed atmosphere of lack of understanding and supervision, no matter what, the effectiveness of activities implemented by local self-governance bodies gives rise to doubts, and a widespread public opinion is formed, which alleges that they waste public finances. And this happens regardless of the fact that in reality public finances are not always wasted, or at least there is a desire to spend public funds as efficiently as possible.

In order to fill this gap, it is necessary to adopt such a budgeting model, which, based

on an analysis of the community situation, will make it possible to accurately assess community problems and, for a mid-term period, define priority issues, aimed at the solution of those problems, which will be stipulated in the budget in terms of corresponding planned expenditures and results.

Performance budgeting (PB) or results-based budgeting model is considered to be such a budgeting model. Nowadays it is increasingly being introduced both at central government, as well as at local self-government levels.

History, experience and achievements of performance budgeting in Armenia

It has been three years since PB, as a novelty, is, through pilot communities, introduced by the United Nations Development Programme (UNDP) Performance Budgeting initiative in the local self-government system in Armenia.

The first activities in this direction commenced with an active participation of Ron McGill, an international expert (UN Capital Development Fund [UNCDF], New York). Five pilot communities were selected, where the municipality budgets transformation activities were carried out. These five communities reflected potential economic specializations of Armenian urban communities:

- Ijevan, Dilijan – tourism;
- Masis, Vedi – agriculture;
- Abovyan – industry.

As a result of active efforts made by initiative and working groups in each community, not only the new budgeting model was tested, but it was also adjusted to the peculiarities of the local self-government in Armenia.

Consequently, all the selected five com-

munities gained budgets formulated according to the new format, and, with UNDP co-funding, infrastructure development projects selected, based on agreed priorities, by general meetings of community residents in each of the municipalities, were implemented in each community.

In terms of the new budgeting model, interest among local population toward the budget significantly increased, while the municipality budget became an outcome of a collective effort.

"Performance Budgeting in Local Self-Government System"¹ training manual, which featured both international experience and local specifics, developed and published by the Performance Budgeting initiative, substantially assisted in the successful implementation of the project.

For the introduction of performance budgeting, capacity building for LSG bodies and staff of municipality heads. During several outreach seminars, capabilities and specifics of the new budgeting model were presented to the participants (head or deputy head of municipality, head of Finance division, members of community councils and municipality staff) in detail, trainers presented relevant theoretical knowledge about each of the budgeting phases and cycles, while each participant reinforced the acquired knowledge through practice that was based on concrete examples from his/her own community. During the project implementation, programme experts regularly visited pilot communities and locally provided assistance for the formulation of municipality budgets based on the new model. The elaborated budgeting document, after being discussed in and approved by the initiative group, was then photocopied and distributed among the local population. Public hea-

rings of draft municipality budgets were organized prior to the submission of those draft budgets for the approval of community councils in the selected pilot municipalities.

As a result of the implemented activities, community residents, staff members of heads of municipalities and members of community organizations were given an opportunity to become aware of the budget and express their attitudes towards it, which is an evidence of public and transparent process.

During the second year of project implementation (2007) the geographic scope of the programme expanded, and the following four new municipalities joined the first group of five urban communities:

- Meghri (Syuniq marz [province]);
- Kajaran (Syuniq marz);
- Ararat (Ararat marz);
- Artik (Shirak marz).

In 2007, six rural communities were added to the selected urban communities:

- Aknaghbyur (Tavush marz);
- Sarigyugh (Tavush marz);
- Nerkin Tsaghkavan (Tavush marz);
- Varagavan (Tavush marz);
- Nerkin Karmiraghbyur (Tavush marz);
- Tovuz (Tavush marz).

While analyzing project outputs in the recent two years, it became evident that for the second year, the five urban communities that participated in the first phase of the project, were ready, to a certain degree, to implement budgeting based on the new format on their own, clearly perceiving the advantages of the new budgeting model. The same is not true for small rural communities, where the introduced new budgeting model did not result in specific positive changes. This was due to the fact that budgetary resources of small rural

¹ http://cfoa.logincee.org/lib_upload/20070122_{2B3CE7F7-0924-416A-83E2-A24822617685}.pdf

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communities generally suffices only to keep limited staff, and expenses aimed at the provision of services do not constitute a large portion of the municipality budget.

➤ The apparent success recorded in urban communities served as a precondition for the Performance Budgeting initiative to increase the number of pilot cities. In the process of selecting new municipalities, the following was adopted as a basic criterion: communities had to represent marzes from where the Performance Budgeting initiative had not involved any pilot communities for the last two years.

The new municipalities are the following:

- Ashtarak (Aragatsotn marz)
- Alaverdi (Lori marz)
- Gavar (Gegharkunik marz)
- Yeghegnadzor (Vayots Dzor marz)

Project results indicated that, as a result of implementing the new model, population's interest toward municipality budget significantly increases, and in each of the budgeting phases sufficient opportunities for their participation are created. As an evidence for the success of the implemented new model, the following achievements can be pointed out:

➤ In case of the existing (old) budgeting system, municipality budgets are merely technical documents, and very limited number of people understands those documents. This type of the budget does not contain well-grounded calculations, plans and outcomes. PB is more understandable for many and is completely substantiated;

➤ In case of expenditure budgets, the

whole workload related to budgeting lies with the Finance division of the municipality, while other units and services of the municipality are responsible for almost nothing in this regard. In case of PB-based budgets, duties and responsibilities are distributed almost evenly among all municipality divisions;

➤ Performance budgeting enhances opportunities for public participation in the budgeting process;

➤ In case of application of a PB-based model, opportunities for publicity and transparency of the budgeting process increase, since all expenditures related to the existing issues and planned activities, as well as anticipated results are clearly stipulated;

➤ Performance budgeting provides community residents with more exhaustive information on the quality and level of services rendered;

➤ PB provides for a better assessment of project outcomes.

Based on the state policy in the area of budgeting reforms, and considering outcomes of the project aimed at such reforms and implemented by the UNDP Performance Budgeting initiative in pilot communities, one can clearly state that subsequent continuation of budgeting reforms at the level of local self-government is a necessity, and it is appropriate to organize the reforms according to the methodology developed and tested by the programme and applied in numerous communities.

1

DRAFTING OF MUNICIPALITY BUDGETS IN PERFORMANCE BUDGETING FORMAT

1.1 Principles of budgeting in PB format

State and municipal policies

The state policy in the area of budgeting depends upon several important factors, which directly affect the pace and direction of reforms in this area.

First of all, the current state of reforms has to be assessed and it needs to be revealed whether such a situation is satisfactory for an efficient public administration. What is the way and direction of reforms that will ensure the desired outcome as soon as possible and without serious impediments? To what extent

are the respective divisions in the public administration system ready for the implementation of such reforms?

In this context, while planning reforms in the area of budgeting, it has to be taken into consideration that while reforms at the national level are going to affect powers and functions of a limited number of institutions, their impact at the level of local self-governance is significantly more extensive. This circumstance makes it obligatory, in the process of se-

Box 2

Republic of Armenia Government Programme 2008-2012

4.3.4. Budgetary system

In order to enhance the efficiency of public expenditure management, reforms to introduce program budgeting will be continued and their scope - extended. It is necessary to build the capacities and capabilities of communities to develop and implement multi-year capital programs. Moreover, the community budgeting process must be improved by means of introducing a program budgeting scheme for communities.

Box 3

Sustainable Development Programme

454. The other important direction of reforms of state finances management system is related to the process of introducing a performance or programme budgeting system.

- In 2010-2011, the Government of the Republic of Armenia will complete a full transition to the formulation and implementation of the RoA State budget based on programme budgeting principles, which will allow making budgetary allocations more targeted and recipient-oriented, increasing effectiveness of expending financial resources, specifically, by enhancing independence and flexibility of specialized ministries in the process of execution of budgets allocated to them by the law. To this effect, a special attention will be given to the introduction of results-based programme indicators, as well as to the strengthening of monitoring, evaluation and internal audit functions in ministries and other state institutions. Progressive budgeting methods will be introduced also at the community level (programme budgeting or performance budgeting).

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lecting the direction of reforms, to take into account peculiarities of the local self-government system, as well as capacities and capabilities of local self-governance bodies. The state policy in the area of budgeting reforms is marked with the fact that currently at the level of national government the expenditure-based model of budgeting is discarded and a shift has been made toward output-based budgeting. This means that the state budget already includes such expenditures, which derive from medium-term programmes of the Government, that is, result from medium-term strategic planning.

It has to be noted that the state policy in this area refers also to the local self-government system, and the latter is included in two most important programmes – Republic of Armenia Government Programme (Box 2) and Sustainable Development Programme (Box 3), as well as, under the section concerning RoA Ministry of Territorial Administration responsibilities, in the list of 2008-2012 activities ensuring implementation of the RoA Government Programme (Table 1).

TABLE 1. Excerpt from the list of 2008-2012 activities ensuring implementation of the RoA Government Programme, which relates to the RoA Ministry of Territorial Administration.

Programme provisions	Policy direction/measure	Anticipated results					Responsible entity
		2008	2009	2010	2011	2012	
Further enhancement of the effectiveness of the functioning of the local self-government system	Introduction of programme budgeting in communities in the framework of the European Neighbourhood programme; Through cooperation with European Union member states, international organizations and banking institutions, ensuring initiation of grant and credit programmes in communities	With support from the UN Development Programme Armenia Office, continuation of the introduction of programme budgeting in Ijevan, Dilijan, Abovyan, Vedi, Masis, Ararat, Yeghegnadzor, Kajaran, Meghri, Ashtarak, Artik, Alaverdi and Gavarn municipalities	Extension of the list of municipalities to be involved in the process of introducing programme budgeting; Elaboration of methodological manuals; Legal formulation of the process of introducing programme budgeting in municipalities	Completion of the process of introducing programme budgeting in all municipalities in the Republic of Armenia; Summary of programme outputs, elaboration of methodological manuals			RoA Ministry of Territorial Administration

These documents are vivid evidences of the existing state policy, which recognizes the utmost importance of budgetary reforms at the municipality level and aims at the application of most up-to-date budgeting methods and result from the requirements of today. It is obvious that these reforms are possible only after carrying out serious preparatory activities. These activities should be of both legal and organizational nature; they have to be aimed at building capacities of LSG bodies and be guided by the implementation of pilot projects.

The effectiveness of budgetary reforms at the municipality level, on the one hand, depends upon the state policy, and on the other, upon the will and potential of actors involved in the process of budgeting in a given community. The imperative of implementing reforms should be based on firm principles, which, on the one hand, should be in line with the legal framework, recorded regularities, and mechanisms of budgeting, and on the other, should objectively reflect the new promise, to which the necessity of implementing reforms is aimed. Principles of budgeting in PB format proceed from budgeting principles in force in the Republic of Armenia and make more comprehensible the document, which, through financial indicators, represents the pace and direction of the process of solving community problems in a given year.

The following are the main principles of performance budgeting:

1. Planning of annual activities in a medium-term dimension. This principle of budgeting in PB format lays the ground for the consistency of budgeting. The potential is evaluated based on completed activities, and resources are allocated for the implementation of future intentions (plans).

2. Validity. Performance budgeting re-

quires that all priorities are classified according to their importance, which will allow avoiding discretionary approaches and making of justified choices.

3. Accountability. One of the mandatory requirements of performance budgeting is to elaborate such an annual report, which clearly presents information on the results achieved (impact on the society) and the efforts input (concrete and direct achievements in terms of organization of the process).

4. Consistency and compliance. Projects are the main units of analysis of performance budgeting. Projects must be elaborated in accordance with each of the areas.

5. Clear redistribution of powers. Budgeting powers, from problem definition to impact assessment, must be clearly redistributed among entities responsible for each of the respective areas (heads of units).

6. Measurability. Performance budgeting must make it possible to measure the economy, effectiveness, and quality of infrastructure development and service delivery.

7. Multi-layer involvement. Performance budgeting, due to its popular and descriptive elements, allows ensuring direct involvement of all the layers of population in the decision-making process.

Adoption of the above-mentioned principles of performance budgeting leads to several conclusions, which, along with the necessity of political support, sense of responsibility of local authorities and building of their capacities, can be considered as major technical prerequisites for a shift to performance budgeting.

1. A four-year strategic plan must be elaborated, which would address annual issues. Performance must be summarized annually (outcome) and in terms of strategy (impact)

2. Determining priorities for the solution

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of issues must be based on indicators for the assessment of their importance. Successive classification of issue-related expenditures must be stipulated by an approved system of codes and points assigned.

3. Defined issues must predetermine clear, measurable and computable results.

4. Participation and roles of entities responsible for each of the areas (output-based programmes) must be clear in the institutional framework and schedule of performance budgeting.

Application of these principles will allow avoiding limitations of expenditure budgeting and, in the resource – action - result chain, having a realistic planning, justified selection, and measurable changes that will result in an effective impact in a medium-term period.

1.2 Medium-term budgeting

In terms of effective utilization of municipality resources and in terms of sustainable community development, elaboration of a strategy for a medium-term expenditure policy is of key importance. It seems that four-year community development plans serve this cause, however, requirements, expectations and application stipulated by legislation in this regard, make it impossible to speak about medium-term budgeting concept in a full meaning of the idea. As a result, communities use annual budgets that do not comply with the four-year community development plans and do not represent financial facet of the medium-term programme aimed at the achievement of outcomes; rather, these budgets are merely financial documents that are formulated from the viewpoint of a given year and represent anticipated revenues and

expenses in a balanced format. In a medium-term period, state expenditure policy foresees to have the following:

a) Outcomes that the Government wishes to achieve by making expenditures in a given area;

b) Expenditure-related factors, including demographic, economic and social tendencies foreseen, which in the planned period will affect expenditures to be made in the given area;

c) Government priorities in the programming period, including the ones specified in the draft state budget for the upcoming year;

d) Scope of external finance assistance in a given area².

That is to say, that for both medium-term and annual periods, an outcome is set out by the Government as a target, toward which expenses stipulated by the annual budget must be aimed.

Introduction of performance budgeting in municipalities will allow implementing medium-term budgeting, which:

1. In terms of the strategy, will harmonize state and municipality budgets;

2. Will make four-year community development plans more applicable and practical in terms of strategy;

3. Will ensure economy of available resources and possibilities for the input of additional resources;

4. Will ensure transparency and publicity of activities carried out by LSG bodies.

Introduction of performance budgeting gives a real opportunity to initiate medium-term budgeting at the municipal level. In this budgeting model a community's annual budget represents the peak of the upcoming four-year period, taking into account development potential of the community and existing priority issues. From a mass of existing commu-

² Republic of Armenia Law on the Budgetary System.

nity problems, based on priority-setting, some issues, which are urgent and require solution especially during that year and are expected by the public, are selected and incorporated into the budget of that particular year. In a medium-term budgeting period, monitoring ensures consistency of development: there are issues that can be solved only during several years and by all means must be reflected as a whole in one unified document.

1.3 Institutional framework

Local legislation sets out the institutional framework of the budgeting process, which guides municipalities in the formulation and execution of municipality budgets. Nevertheless, traditional practical budgeting model is much more confined to a limited number of actors than is provided for by legislation. Performance budgeting makes the number of participants in the budgeting process more multi-layer and inclusive, meanwhile stipulating in the schedule some extremely necessary activities, which make the budget more substantiated, balanced, accessible to and controlled by the public (See Table 2).

Currently, the municipality budgeting process is confined to the finance division of the municipality (more frequently, to the accountant), the head of municipality and the community council. The new budget that is formulated based on the analogue of the previous year's budget bears only the finance specialist's professional, the municipality head's discretionary and the community council's inert influence, meanwhile practically limiting the role of the municipality head's staff in the institutional framework of the budgeting process. This is not only an issue of political will, but also is a consequence caused by the limited nature of existing budgeting methods,

of the structure and capacities of municipality head's staff.

The staff of the head of municipality and its structure must play an important role in the realization of powers conferred upon local self-governance bodies, specifically, for the execution of efficient budgeting. Prior to the approval of a draft annual budget, the Head of Municipality submits the municipality staff structure for the approval of the Community Council, and it enters into force after the approval of the Community Council. The municipality staff structure and the number of positions must precisely reveal the prospects for the execution of LSGBs' powers. It is true that there are no limitations for the number of positions and municipality staff structure stipulated by the law, however, not all communities can afford having a structure that involves divisions corresponding to the list of various functions. Nevertheless, even in case of a very limited staff, each area of functions must be assigned to a concrete person, not only in terms of carrying out directives of the head of municipality, but also in terms of defining perspectives for the development of a given area, elaborating a strategy, defining medium-term and annual issues. This makes it possible to include the person responsible for a specific area into the institutional structure of the budgeting process.

In order to ensure effectiveness of activities aimed at introducing performance budgeting, it is necessary to make sure that all structural divisions of the municipality are actively involved in all the budgeting phases and that for the purpose of ensuring public participation and a dialogue between the community residents and local self-governance bodies, a public representative body, as well as external monitoring and evaluation groups are established.

It is extremely important that capacities of the staff of community organizations and the staff of the head of municipality are constantly improved, and the level of public awareness is raised.

Performance budgeting is a complex and labour-consuming process, and without relevant capacities of the municipality staff its realization is impossible.

A budget based on PB format can be formulated by several, or even one, highly qualified specialists from the community. However, budget formulation is only one phase of the budgeting process. Budget execution and evaluation phases are more complicated; in these phases the whole municipality staff and their subordinate organizations, as well as the community residents are involved. If the latter lack corresponding capabilities, the budgeting process will totally collapse.

Heads of municipality staffs, along with other managerial capacities, must also possess financial management and decision making skills in this area. The existence of managerial capacities is a precondition for the realization of the approved policy, achievement of planned outcomes and ensuring of efficiency and public utilization.

Performance budgeting, in its turn, conduces to capacity building and development. In the process of budget execution, all actors (head of municipality, municipality staff, community council, community residents) face new problems, gain experience of overcoming such problems, ability to respond to changes, they also feel obliged to acquire new knowledge and achieve maximum results.

Besides, by ensuring participation of community residents, the level of awareness among the population, and consequently, the trust toward authorities increase. In this case, performance budgeting is considered to be a

special tool aimed at the increase in budget revenue collection.

In order to make clear the scope of participants to the budgeting process, the head of municipality by his/her decision establishes the composition of a working group, which, through involving all persons responsible for each of the areas, must assume the mission of budget formulation and elaboration. The working group can and must comprise community council members, experts, active residents of the community, and representatives of stakeholders. The Working group is responsible for budget formulation, organization of town hall meetings and realization of monitoring and evaluation in the process of budget execution.

1.4 Public participation

Local population takes part in local self-government through elections, however, taking into consideration the fact that local authorities are authorized to solve mainly such issues, which directly, in the everyday life, affect essential interests of each community resident, it is important to find and use additional opportunities for the involvement of local population in the decision making process. This will lead to the following:

- a) Increase in revenue collection;
- b) Implementation of more targeted and recipient-oriented projects;
- c) Distribution of responsibilities at the policy level;
- d) Consistent and sustainable cooperation process.

The best format for cooperation between community residents and local authorities is ensuring wide public participation in activities aimed the formulation of development programmes and budgets. In traditional pro-

cesses of formulation of development programmes and budgeting the existing level of public involvement is practically ineffective, because programmes formulated nowadays are almost non-viable at all, while budgets are rather specialized documents and are not measurable in a sense to guarantee its popular perception. Performance budgeting, by vitalizing the principle of publicized budgets, makes it possible to have a budget that embraces viewpoints and interests of all the layers of population, a budget that is comprehensible, measurable, and thus, an assessable budget. The population, in this case, exercises its power not only through representatives, but also directly participates in the elaboration of a budget (four-year community development programme) and performs monitoring.

It is obvious that determination of opinions and demands of each and every community member is practically not feasible and non-appropriate; thus, community non-go

vernmental organizations, community initiative groups, active residents and others undertake the task of solving this issue.

In order to involve population and active citizens' groups in the budgeting process, it is necessary to carry out the following activities:

- Forming an initiative group comprised of active residents, which will participate in the budget formulation activities;
- Elaboration of a manual interpreting the municipality budget;
- Involving the initiative group in the definition of priorities for budget expenditures;
- Organization of public hearings on and town hall meetings to discuss the draft municipality budget;
- Regularly informing the population about the status of budget execution and achievement of anticipated results.

2

THE METHODOLOGY OF FORMULATION OF MUNICIPALITY BUDGETS IN PB FORMAT

2.1 The proposed schedule

Budget formulation process in PB format has its clearly set schedule. Coinciding with the municipality budget process, it should be continuous (in the sense of medium term), based on the monitoring and evaluation of the previous year budget, as well as the variable information base. The implementation of the budget process can be divided into the following three main phases: **budget drafting, budget execution, budget monitoring and evaluation.**

Budget drafting or planning activities begin in the second quarter of the year preceding the planned year and end with the approval of the budget at the end of the year preceding the planned year. For effective implementation of budget drafting and planning activities a budget calendar should be designed, which shall clearly specify the dates of all the activities included in the mentioned process, describe the activities, specify the executors and the participants. The schedule is approved by the decision of the Head of Municipality. An example of a budgetary calendar is presented in the Table 2, in which the requirements of the legislation of the Republic of Armenia, as well as the principles of budgeting in the PB format are taken into account.

The schedule of designing the state budget should be taken into consideration while drafting the municipality budget, since there is a certain linkage between the schedules of designing the municipality and state budgets.

Budget execution process, in terms of its timing, matches with the timing of the whole budgeting process. The budget execution process lasts 12 months, the beginning and end of which fully coincides with the fiscal year (from January 1 to December 31). Yet, unlike the budget drafting process, budget monitoring and evaluation process is carried out in the phases of budget execution, as well as budget planning.

Budget monitoring and evaluation process starts on the day following the end of the fiscal year. Pursuant to the law, the annual budget execution report should be submitted to the Community Council by the Head of Municipality no later than March 1 of the year following the reporting fiscal year, and the Community Council should approve it no later than before March 20 of the year following the reporting fiscal year. Monitoring and evaluation over budget can be carried out by the Head of Municipality and the Community Council, as well as (which is more than desirable) any resident of the community being involved within the Initiative Group, Working Group or individually. The report of an independent audit, observations of all the budget phases and (in case of budgeting in PB format) the comparison of objectives set and obvious outcomes can serve as the basis for monitoring and evaluation.

TABLE 2. An Example of a Municipality Budgeting Calendar

Dates	Activities	Executors/ participants	Comments
June, 1st week	Approval of the schedule	Head of Municipality	The schedule should comply with the dates prescribed by the legislation.
June, 1st week	Making proposal on the main directions of the municipality policy and budget policy for the given fiscal year based on the nature of the four-year development programme	Head of Municipality	It derives from the priorities of the four-year development programme, the monitoring results of the given fiscal year, availability of newly emerged circumstances.
June, 1st week	Establishment of the Initiative Group	Head of Municipality	The Initiative Group is a representative team, which expresses the benefits and interests of all the groups and levels of the population and acts as a liaison between the local self-governance bodies and the public
June, 2st week	Establishment of the Working Group	Head of Municipality	The group consists of the officials in charge of the given areas, experts and active residents of the community. It is reasonable, that the chief financial officer is assigned as the leader of the group.
June, 2nd week, 3rd week	Distribution of methodical instructions and guidelines for the preparation of funding request, as well as established forms for the calculation of revenues and expenditures to the participants of the process with the aim of developing the draft municipality budget and receiving allocations from the state budget of the Republic of Armenia	Finance Division, Programmes Division	It is reasonable to make use of the consultancy provided by the relevant structural units of marzpetaran (regional governor's office).
July, 1st week	Forecasting municipality budget revenues	Finance Division	It is based on the analogy of budgets of the previous years and the development pace.
July, 2nd week	Review whether the four-year development programmes are up-to-date	Head of Municipality, Working Group	The four-year programme is compared against the current situation.
July, 2nd and 3rd weeks	Presenting to the Ministry of Finance of the Republic of Armenia budget funding requests on receiving subsidies from the state budget of the Republic of Armenia	Working Group	It is based on the priorities of the four-year programme, as well as the newly emerged urgent situations.
July, 4th week	Divisions, budget institutions, municipality enterprises and organizations submit expenditure requests, programmes and the justifications thereof	Divisions, budget institutions, Community Non-Commercial Organizations	Justifications should be targeted at measurable results.
August, 1st week	Preliminary discussion of presented requests, programmes with the involvement of the presenters	Head of Municipality, Working Group	The proposed programmes should contain elements of monitoring.
September	Preparing the preliminary draft budget	Finance Division	
October, 1st week	Discussing the preliminary draft budget	Head of Municipality, Working Group	
October, 2nd week	Making amendments proposed to the preliminary draft budget as a result of the discussions	Finance Division	
October, 3rd week	Making changes to the budgetary allocations, taking into account the approved amount of allocations from the state budget to the municipality budget	Finance Division	
October, 4th week	Preliminary discussion of the final draft budget	Head of Municipality, Working Group	
November, 1st week	Final discussion of the final draft budget	Head of Municipality, Head of the Finance Division	

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November, 1st week	Drafting decision of the Community Council on the municipality budget	Head of Municipality, Finance Division	
November, 2nd week	Public discussion of the draft budget with the population	Head of Municipality, Working Group	The multilevel involvement of the population is of utmost importance.
November, 2nd week	Making final adjustments and changes in the draft budget	Finance Division	
November, 4th week	Presenting the draft budget to Community Council members	Head of Municipality	
December, 1st week	Budget discussion and approval by the Community Council	Community Council	
December	Publication of the budget	Working Group	The publication of the budget message and the budget (summary) increases the responsibility of the local self-governance bodies and creates a cooperative atmosphere within the community.
January 1	Beginning of the fiscal year		

2.2 Initiative and Working Groups

As it is already stated, the identification of opinions and needs of each community member is practically impossible and not realistic; therefore, the Initiative Group of the community shall assume the responsibility of solving this problem. Specifically, a representative body will be established from the community residents, which shall be involved in all the phases of municipality budget process. Municipality meetings are convened for the purpose of establishing the Initiative Group. The population is informed about holding municipality meetings by means of local television companies, local press, internet, Municipality, as well as announcements posted within the territory of the community, booklets distributed to the population in the busy areas, etc. Designing a manual that will explain the municipality budget and circulating it among the population of the community is also of prime importance. The manual shall clarify what budget is, how it is designed, where municipality revenues come from and how they are used. It will inform the population that the population itself helps to produce the major portion of those reve-

nues and that the population is the main beneficiary of the activities performed and services provided at the expense of those revenues.

The members of the Initiative Group are selected during the municipality meetings convened. Besides, while making the selection a special attention should be paid to the team of the Initiative Group of the community. Acting as a representative body and as a liaison in the relationship of the community population and the local self-governance bodies, it is the team of the Initiative Group that may decide upon the degree to which the problems of the entire population of the community are made accessible. In order to create a diverse and comprehensive team of the Initiative Group, primarily, it is necessary to ensure that representatives of different generations, genders, different groups of the society, as well as people involved in the various areas of social life are included in the Initiative Group. The rationale is that however much the representatives of older generation are aware of the needs and wishes of the youth, still, in this case they act as an indirect source of information. Yet, to obtain more explicit and trustworthy information it is of great im-

portance to make use of direct information sources. In this particular case, the needs and wishes of the youth will be, in the best way, presented by the youth themselves. On the other hand, to ensure the effective performance of the Initiative Group it is necessary to select more or less skilful and knowledgeable members.

The established Initiative Group shall be involved in the budget formulation activities, take part in setting priorities of budget expenditures, exercise supervision over the performance of works and achievement of outcomes specified by the budget, etc.

To organize the activities of the group, the Initiative Group, as a representative body, should have its so-called "staff". To this effect, the already established Working Group shall be used, which basically deals with the organizational issues, as well as performs activities such as writing down the recommendations to be proposed by the Initiative Group, recording the decisions made, etc. The members of the Working Group work on a voluntary basis and with the view of ensuring the effectiveness of performance, it is necessary to select the most dynamic and particularly active members of the Initiative Group. To ensure the natural course of activities of the Working Group minimal working conditions and availability of certain facilities (office, stationery, telephone, etc.) should be provided. These can be ensured by the community population, acting non-governmental organizations and other institutions, as well as by the Municipality.

2.3 The structure of municipality budgets in PB format

In performance budgeting the budget is formulated in a unified format, in compliance with the national processes and mechanisms preliminarily developed and confirmed or approved; reflecting the needs, concerns and priorities of the community population, as well as the agreed opinions and approaches of non-governmental institutions on issues as regards the medium-term development objectives of the community. The budgets are approved by the Community Council.

The budget designed in PB format is an annual policy document stipulated in the medium-term (four-year) framework. It describes the current situation in the community according to the areas, identifies the major issues, records the opinions of the population concerning those issues, assesses the needs, proposes solutions, and specifies mechanisms for monitoring and evaluation. The primary community development objectives for the planned time-frame are presented and analyzed in the document, as well as the priorities thereof are defined, programmes are designed aimed at accomplishing the objectives and outcomes are specified. The financial resources and possible investments from other sources currently available and expected in the municipality budget are forecasted and assessed with the view of implementing the programmes.

In PB the budget is composed of several obligatory sections with own structural significance and characteristic features attributed to each of them. The rationale for enforcing the structural integrity is that it will

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allow comparing not only budgets of the same community designed for different years, but also budgets of several different communities. This comparison is essential for further decision-making process related to the allocation of resources.

The structure of the budget in PB format is as follows:

- Message of the Head of Municipality
- Mission and strategic targets of the Municipality
 - Analysis of the situation in the community
 - Major issues, goals, objectives
 - Setting priorities of the medium-term objectives
 - Expenditures for primary medium-term objectives
 - Allocation of expenditures for medium-term objectives according to the years
 - Medium-term forecasting of financial resources
 - Setting of annual objectives
 - Annual objectives according to performance indicators
 - Annexes

Message of the Head of Municipality

The message of the Head of Municipality is a declarative document on community development policy, through which the Head of Municipality in general:

- a. reasserts the commitment to the pre-election provisions or justifies the causes for retreating from them;
- b. describes the achievements and challenges in brief;
- c. describes the budget of the given year as a strategic component of development;
- d. describes the main budget directions as

regards expenditures and revenues;

- e. calls upon interaction and cooperation.

Although a specific format is established by the legislation for the message of the Head of Municipality³, it can have a discretionary content and volume, dependent on the personality of the Head of Municipality and peculiarities of the community objectives. What counts is that it should convey conviction, will, determination targeted at creation of an atmosphere of mutual trust and cooperation.

Mission and strategic targets of the Municipality

Mission is the designation of the community (organization) on its way to achieving the best prospective and strategic target - the specified terminal point, towards which the community (organization) aims in the given phase of its activities. Performance budgeting is based on strategic planning. It starts by defining the mission of the community (of the community units and community-subordinate organizations), which states what the organization (structural unit) is, what it does and for whom. The mission is derived from the organization status, which includes the "obligations" of the organization and is usually related to the official documents such as legislation, by-laws, and adopted policies. When the mission of an organization is combined with its status, it becomes its *raison-d'Utre*. The Republic of Armenia Constitution classifies communities as public entities; under law, local governance bodies are entitled to deliver certain public services, which determine the missions of the communities (and their structural units). However, mission is more than the *raison-d'Utre* of an organization. It can serve

³ Republic of Armenia Law on Budgetary System, Article 31, Paragraph 7.

as a consolidation instrument to manage the power and resources of an organization, to eliminate the possibility of an undesirable conflict, to minimize the uncertainty, as well as to describe the future of an organization (See Box 4).

Strategic target materializes the vision the community is aspiring to. It, in general terms, outlines the outputs/outcomes for the invested input. All the further actions are destined to the implementation of the strategic target.

Box 4

Examples of a mission and a strategic target

Mission

The mission of Masis Municipality is the effective management of municipality development within the limits of its commission to the benefit of all and each.

Strategic target

To ensure the sustainable development and prosperity of the town through improvement of the economic, social, cultural, human resources and ecological, public environments of the urban municipality of Masis.

2.4 Analysis of the situation in the community

This section essentially covers the general overview of the community, the description of the situation therein and the analysis thereof. Particularly, the community development trends of the last 3-4 years, the employment situation, the social structure of the population, the quality of services delivered, the condition of infrastructures, etc. are analyzed in this section. A special attention is paid to the areas that are within the limits of own commitment of the Head of Municipality (pre-school and out-of-school education, waste disposal and cleaning sanitation, area maintenance or improvement and planting, etc).

In this section, a great significance is attached to presentation of indicators and criteria at the community level, which can be compared with the similar average state indicators or that of neighbouring communities.

The integral part of this section deals with identification of strengths and weaknesses of the community, revelation of the threats and opportunities, analysis of the impact of external factors, etc. The mentioned activities are performed through a SWOT analysis, as a consequence of which areas and directions are specified, the primary development thereof will contribute to achievement of the goals set in the strategic document, as well as execution of the strategic plans more effectively (Table 3).

TABLE 3. A model SWOT analysis

Internal	
<i>Strengths</i>	<i>Weaknesses</i>
Availability of labour force	Deplorable state of municipality infrastructures
Length of vegetation period	High level of unemployment
.....
External	
<i>Opportunities</i>	<i>Threats</i>
Social and economic development of the country and marz	Natural disasters (hail, drought, landslides...)
Development of intergovernmental relations	Financial and economic crisis
.....

➤ As an organization, the community functions in a certain external and internal environment. The internal environment of a community is its structure, inter-structural relations, material, financial, and human resources, technology, technical facilities, and community-subordinate entities. The internal environment is directly supervised by the local self-governance bodies. The external environment is outside the control of local self-governance bodies. It includes the community demographic trends, population needs, economic trends, etc. The assessment of available resources pertains to the internal environment of a community. Resource availability and the opportunities for their utilization will largely determine community development. Relevant resources are necessary for the implementation of any programme. In case some of the resources necessary for a programme implementation are not available, they should be incorporated in the programme. To this end, stocktaking, examination, analysis and assessment of resources are crucial. Under performance budgeting, each unit of the municipality staff or a person in charge of the area should have a complete understanding of the situation, resources, needs,

and gaps in its respective area (areas). To this end, a database should be created and updated regularly according to the following groups:

- Human resources,
- Technical resources,
- Infrastructures, and
- Financial resources.

Human resources are of key importance. Any programme, no matter how good it is, will fail, if it is not supported by appropriate human resources. To this effect, assessment of the human resource potential of a community is essential. Human resources are the capacity that can be applied to carry out the functions of local self-governance bodies and to accomplish community programmes objectives and goals. Human resource assessment is performed to ensure that the mission, goals, and objectives of the community are attained.

Human resource assessment indicators can be divided into two groups:

1. Indicators that illustrate the social and demographic pattern of the human resources, including the number of employees, age and gender breakdown, family status, level of education, etc.; and

2. Indicators that reflect the qualitative pattern of the human resources, including the level of professional qualification, the state of professional training and improvement of professional skills, work experience, skills of handling technical resources, etc.

Qualitative indicators are particularly important features of the human resource potential, since they illustrate the general and professional knowledge level, working capabilities and skills of the staff, i.e. their professionalism. However, the availability of qualitative indicators alone is not sufficient to achieve the planned outputs. The professionalism along with the social and demographic features of the human resources comprises the working environment that creates opportunities for achieving the goals and objectives set.

The results of human resource analysis and assessment of the municipality staff serve as the basis for identification of gaps and needs in this area, as well as facilitate the planning of recruitment, promotion and training processes.

Technical resources include the devices and equipment necessary for local self-governance bodies to perform their functions and deliver the required services. Technical resources include computers, copiers, printers, telephones, communication boards, and the like. Proper use of such resources increases the effectiveness of performance and saves the work time, as well as the human resources. To this end, the assessment of technical resources and comparison thereof against the programmes designed is of prime importance. The assessment of technical resources is carried out in the view of comparing the resources needed to achieve the community mission, goals, and objectives with the actual re-

sources available, and clarifying the gaps and needs in this area.

The assessment of technical resources implies:

- Stocktaking;
- Adjusting the technical state and capacities;
- Determining the use load; and
- Determining the service costs.

Based on the stocktaking results, a list of technical resources is compiled, which specifies all the technical resources according to the types, generations, and technical specifications. Afterward, the technical state, the usability level are identified and the capacities thereof will be adjusted.

The next step is to determine the use load of the technical resources. It is extremely important in terms of providing technical support to the future programmes. In case the use load is very high, then new technical resources will need to be acquired for the future programmes.

The final step in the assessment of technical resources is to determine the average cost of the service for the technical resources according to specific types: the results of this exercise with relevant adjustments will be incorporated into the programmes of the next year.

Infrastructure condition clearly defines the level of complexity and the nature of community objectives. The further developments of infrastructures can be planned only after a clear view of the present condition is got. Many budget programmes are targeted at improving the present condition of infrastructures and are deemed to be capital programmes.

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The municipality infrastructures can be classified into the following groups:

Municipality infrastructure. This includes facilities used by the public, such as, for instance: recreational areas, playgrounds, streets, residential buildings, premises, and the like.

Infrastructure that ensures the normal functioning of the community. This includes non-residential buildings and cleaning stations, water, sewerage, irrigation, gas, and heating networks and the like.

Economic development infrastructure of the community. This includes the roads, bridges, and other means of communications that facilitate the economic development of the community.

Each infrastructure is assessed using criteria typical to that infrastructure. For instance, in the assessment of recreational areas, it is necessary to take into account the condition of green areas, the cleanliness, the condition of benches, the existence of entertainment facilities, the availability of necessary means, etc. As a consequence of the assessment, the gaps and needs that can become the programme objectives are identified.

Own revenues of the community, loans and subsidies granted from the state budget are the sources of funding for infrastructure development.

Assessment of financial resources of the community is aimed at forecasting of municipality budget revenues and identification of the possibilities for the execution of expenditures. The financial resources largely determine the enhancement of capabilities of human resources; the upgrading of technical resources, as well as the fulfilment of authority retained by the law to the local self-

governance bodies. In terms of assessment of the financial resources and ensuring the financial autonomy of the communities, the budget revenues can be classified into the following groups:

- Own revenues;
- Official transfers; and
- Borrowings.

Assessment of own revenues is of particular importance, since the local self-governance bodies are primarily responsible for their collection. Own revenues can be divided into two main groups: tax revenues and duties, and non-tax revenues. Tax revenues include the land tax (for the land that is within the administrative boundaries of the community) and the property tax (for assets that are within the administrative boundaries of the community).

To assess tax revenues, it is very important *to define the taxation base and to determine the volume of tax revenues*. Municipality tax revenues are such that their volumes can be determined with utmost precision. Once the volume of tax revenues has been determined, it is necessary to assess their actual collection rate, current trends and existing shortcomings. This is how local duties and payments, land and property leases, and other revenue types are studied and assessed.

Assessment of official transfers and borrowings is carried out only within the frame of opportunities provided by the legislation in force, which is, as a rule, rather limited.

Based on the assessment of financial resources of the community, budget revenues are forecasted by different revenue types. To forecast the municipality budget revenues means to calculate and state the amount of revenues expected during the next financial year (years).

For the forecasting of the budget revenues the method of analysis of economic trends is applied, through which the majority of municipality budget revenues are forecasted. It is based on an analysis of the previous 3-5 years' budget revenue data, indicators, and economic conditions. As a result of the analysis the revenue change trends are identified. While forecasting budget revenues factors that affect the trends, such as changes expected in the revenue base, changes in the tax, duty, or payment rates, changes in the revenue collection administration, demographic changes,

and changes in the living standard and demand for services should be taken into account.

One of the major characteristics of budgeting in the PB format is that, at this time a medium-term budgeting is performed and, therefore, the forecasting of financial resources is carried out not on an annual, but on a medium-term, i.e. on a four-term basis. The following table is used for the forecasting of financial resources:

TABLE 4. Forecasting of financial resources of the community

Types of revenue	200X-4 actual	200X-3 actual	200X-2 actual	200X-1 actual	200X planned	200X+1 forecasted	200X+2 forecasted	200X+3 forecasted
TOTAL REVENUES								
1. Taxes and Duties, including:								
1.1. Property taxes from the fixed property								
1.2. Property taxes from other property								
1.3. Payments for permission of using goods and performing activities								
1.4. Other mandatory payments from supply of goods and delivery of services								
1.5. Other tax revenues								
2. Official Grants, including:								
2.1. External current official grants received from other countries								
2.2. External capital official grants received from other countries								
2.3. External current official grants received from international organizations								
2.4. External capital official grants received from international organizations								
2.5. Internal current official grants received from other levels of administration								
2.6. Internal capital official grants received from other levels of administration								
3. Other Revenues, including:								
3.1. Interests								
3.2. Dividends								
3.3. Revenues from property rent								
3.4. Revenues from supply of goods and delivery of services								
3.5. Administrative levies								
3.6. Revenues from penalties, fines								
3.7. Current non-official grants								
3.8. Capital non-official grants								
3.9. Other revenues								

2.5 Mission, issues, goals, objectives

The local authorities in each area are designated to specify and achieve a favourable outlook for the community, and during this process, local authorities should identify major issues, define goals and set objectives.

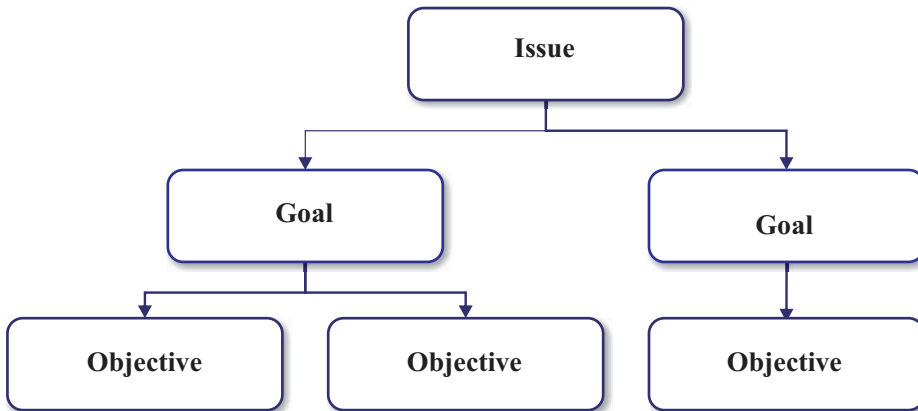
Based on the analysis of the situation in the community, major issues are revealed; the goals, as well as objectives directed to achieving them are defined, definitely, in compliance with the mission of the community. The issues, goals and medium-term objectives are defined for a medium-term, i.e. for the period four years.

Each structural unit of the municipality defines its own mission, issues, goals and objectives. An individual structural unit can exercise authorities with respect to one or a number of areas. The scope of the mission, issues, goals and objectives of each structural unit en-

compasses the authorities of all the areas reserved to the given structural unit. However, certain objectives are set in the communities that are not assigned to a specific structural unit. Such objectives are grouped under municipal services of general nature.

The issues, goals and objectives derive from one another. The objectives should be aimed at achieving the goals set, and the goals should contribute to resolving the issues defined. Besides, the defined issues, goals and objectives may defer from each other in number. More than one objective can be defined to achieve a goal, while several goals can be set to resolve an issue, or a goal can be aimed at resolving a number of defined issues, etc. Contingent on a specific case or a specific situation, the issues, goals and objectives could be defined in various combinations. Schematically, those combinations could be presented in the following way:

FIGURE 1



Etc.

Once each structural unit defines the mission, issues, goals and objectives, the entities in charge of their performance should be specified without fail.

Mission

Defining the mission of the municipality and the municipality structural units is an essential component of budgeting in PB format. The mission states what the organization (structural unit) does, why and for whom. We have already stated above about the significance of defining the mission, as well as about the content thereof. Here it should be simply noted that defining also the mission of individual structural unit (area), which will derive from the mission of the municipality, as well as from the peculiarities of the area, is highly desirable.

The following is an example of a mission of a municipality structural unit:

To organize the urban construction and maintenance activities in compliance with the provisions of urban development norms creating environment which is favourable for the functioning of the community and pleasant to the eye.

Issues

The issues faced by the community are directly linked with municipality policies, service delivery and governance issues, which all have a certain impact on the municipality status, mission and goals. The issue should be stated clearly and concisely. The following are examples of issues:

Deplorable state of inter-community roads or Lack of facilities for delivering services in the area of pre-school education, etc.

Goals

The strategic issues faced by the municipality need solutions; this implies that rele-

vant goals should be set. A goal defines the direction of future activities of a municipality (including municipality units or organizations subordinate to the municipality) and is determined by the municipality status and needs. A goal is the end-result that a municipality status (municipality status structural unit) aspires to reach, or the result that a programme should end with.

Any goal should meet the following requirements:

- It should be determined by the status and mission of the organization;
- It should ensure a clear policy direction for the activities of the organization;
- It should describe the public demand;
- It should be comprehensive and non-measurable;
- It should be specific and clearly defined;
- It should be future-oriented and not time-bound; and
- It should be typical to the organization.

The following are examples of goals:

"To make all the municipality parks decent and pleasant recreational areas for the population" or "To ensure the inclusion of all the children (who expressed desire) into the system of pre-school education of the community," etc.

Objectives

Objectives reflect outcomes expected during a certain period of time. Objectives should be stated clearly and comprehensibly and should have a numeric expression, i.e. they should contain elements of measurability. Objectives should be targeted at the end-re-

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sult of the programme. An objective defines what needs to be done, how much and when.

An objective should meet the following requirements:

- It should show measurable progress in terms of municipal services delivered to the public, which derives from the goal;
- It should clearly specify what the community wishes to accomplish;
- It should be measurable during a specific period of time;
- It should highlight the direct beneficiaries and show the possible impact on them; and
- It should show the possible impact on the community residents.

The following are examples of objectives:

To increase the scope of community population using the irrigation water supply from 50% to 85% within two years or To repair the 4 km long Mamikonyantc street within four years, etc.

Many objectives are defined in the communities aimed at achieving the goals set. Those objectives vary from each other by their nature, measurability, accountability, etc. and are conditionally divided into the following groups:

➤ Objectives implying the performance of current and capital repairs, as well as construction and reconstruction works. For example: *To repair the 0.1 long section of the Shahunyan street within one year.* Such objectives generally have clearly measurable results and achievement of the planned results, existing deviations and savings are possible to oversee.

➤ Objectives concerning the maintenance of the current level of services deli-

vered. For example: *To maintain the current level of service delivered to a number of 60 children by the N1 pre-school institution.* The concept “current level” needs to be clarified in this objective. The significance of this can be explained by the fact, that the attendance of actual number of 60 children of the kindergarten and 100 % execution of planned expenditures still cannot provide evidence on the complete achievement of the planned results, as well as on the absence of deviations therein. The deviations may be in the hours of service delivered to the children, the caloric value of food, the heating level, etc. Similar objectives yield a little to the ones mentioned above in the level of measurability and accountability of the results achieved.

➤ Objectives having so called “hidden” results. The existence of such objectives is conditioned by the fact that there is still no correlation between the services delivered by the Municipality and the number of staff employees in the communities. As a consequence, fixed expenses are available for Municipality maintenance (salaries, electricity, communication, heating expenses and the like) that have not been distributed amongst the expenses for the annual objectives. An objective is set for such expenses, that is: *To ensure the current maintenance level of the management personnel,* which has unclear results, but without which the performance of all other objectives will not be possible to ensure. If possible, so called “derivative” objectives are separated from the aforementioned objective. Although these objectives have measurable results, the expenditures for achieving them are not possible to measure. For example: *To organize 2 contests for the in-city routes each year.* The expenditures for accomplishing such objectives are included in the expenditures for the maintenance of the

management personnel.

As a result, we have the clear chain of issue-goal-objective for the given area, which turns into a starting point for the budget design. See Annex 1.

2.6 Setting of priorities

Setting of priorities among medium-term objectives

An important aspect of performance budgeting is the determination of priorities within medium-term and annual objectives. ***Priority setting is a process whereby the municipality defines which objectives are more important, and which of them need to be financed during the upcoming fiscal year.*** Each local government faces the issue of priority setting, since the local governments are confronted with the need to choose among many objectives to finance, subject to resource scarcity.

As a rule, the local self-governance bodies apply informal methods of priority setting. They are based on human feelings, political motivations, traditions or customs, the wish of the Head of Municipality, and the beneficiary impact. Informal methods are highly subjective; they do not ensure transparency, there is no consistency, and no rules are set.

The formal methods of priority setting are based on the knowledge and professionalism of peoples who apply those methods. Formal methods follow established, permanent and written accepted procedures. Criteria have a key role among those formal methods.

Criteria are provisions on the scope or direction of the objectives that are used to assess the alternatives or other options.

Criteria are used to assess the medium-term and annual objectives through a scoring system. The ones that score the highest are considered to be the medium-term and annual

objectives of the highest priority. As the scores decline, the priority level of objectives decreases.

For the criteria to be useful and effective, they need to:

- be concerned with measurable issues;
- provide a clear guidance to the municipality units;
- present relevant and accurate information;
- ensure a certain level of impartiality in the scoring process;
- be rather comprehensive so as to be applicable to a wide scope of objectives, yet not be unclear and meaningless;
- take into consideration all the major aspects of a programme or objectives; and
- be regularly revised in order to make sure that they reflect the changes in the priorities and goals of the local self-governance bodies.

The number of criteria in use should be kept within certain limits: having fewer criteria is more effective than having very many, which can require much time to select and analyze the list of criteria.

There are tangible and intangible criteria. ***Intangible*** criteria focus on values such as public health care or the provision of an "acceptable" level of service delivery. These types of indicators are subjective in nature, and their definition depends on specific goals and objectives of the local self-governance bodies. ***Tangible*** criteria are more objective quantitative measurements, including such indicators, as the number of beneficiaries and the consistency of outcome. The experience of different countries has shown that the local self-governance bodies often use these two types of criteria concurrently.

Performance Budgeting

Methods of priority setting

A scoring scale is used while setting priorities regardless of the method applied. The scoring scale consists of criteria and a scoring system for the assessment of objectives. Each objective is assessed according to each criterion and the total score is used to determine the priorities.

The following *methods* of priority setting are commonly applied:

➤ The assessment of the objective is carried out with the involvement of the community residents. Using the information obtained from the population facilitates the process of municipality priority setting.

➤ The assessment of the objective is carried out by the Community Council. The Council itself directly determines the priorities based on the information prepared by the municipality staff.

➤ The assessment of the objective is carried out through the municipality staff. The staff submits the assessment results for the approval of the Council.

It should be mentioned that it would not be appropriate to seek the best one among the aforementioned methods. There is no best method of priority setting. The local self-governance bodies should choose the method that suits the peculiarities of their community in the best way and the application of which will be more efficient and effective for the given community. However, the logic of the performance budgeting more conforms to the idea of priority setting with the involvement of community residents. The concept of public discussion of the budget in this format of involvement becomes more practical and effective. These methods are applied for setting priorities in the process of planning both administrative and fund budgets.

BOX 5. Determining priorities among medium-term objectives

(score 1-20)

Objective N	Medium-term objectives	Criteria				
		Number of beneficiaries	Duration	Social focus	Practicality	Total
1.	To renovate the buildings of six kindergartens of the Masis town	18	16	12	13	59
2.	To ensure the stable heating of the six kindergartens through local boiler houses	18	12	15	11	56
3.	To ensure the replenishment of the six kindergartens with the property	12	6	9	17	44
4.	To ensure the maintenance of the quality and accessibility of pre-school education, as well as the sustainable growth in: food ration - by 20%, number of kids - by 175, salary - by 40%	18	8	18	17	61

As a result of assessing objectives against the criteria set, we have a great number of objectives with already measurable degree of importance. Besides, the process of choosing among those objectives according to their priorities becomes a more impartial and justified activity.

2.7 Medium-term and annual budgets

One of the most important characteristics of the PB is that in this case medium-term budgets are designed, from which the current year revenues and expenditures (i.e. the annual budget) are separated.

As it is already mentioned, all the objectives are defined on a medium-term basis and expenditures for the accomplishment of each objective are determined for the period of

four years. Once the objectives are set, their priorities are determined and the primary objectives are compared with the proceeds of financial resources forecasted for the period of four years. In reality, the financial proceeds forecasted for the period of four years, as a whole, make up the “cutting line”, below which there are some medium-term objectives for the accomplishment of which the financial resources are not sufficient in fact (Table 5).

TABLE 5. The “Cutting line” of medium-term objectives

Codes of medium-term objectives	Serial numbers of medium-term objectives	Medium-term objectives	Expenditures (thousand AMD)	Incremental expenditures (thousand AMD)	Total (score)
01	46	Within four years, to ensure the current level of services delivered by the municipal government	452000.0	452000.0	40
02	11	Within four years, to build a decorative pool with an area of 800 square meters in the territory of the monuments of the Barekamutyun Square	18000.0	470000.0	35
.....	.....	.....	A	.....	...
⋮	⋮	⋮	B	⋮	⋮
		Total	470000.0 + A + B		

■ “Cutting line” = 470000 + A = Financial proceeds forecasted for four years

Performance Budgeting

Once the objectives to be accomplished within four years are determined the expenditures for their implementation are allocated among the years. The allocation is made taking into account the nature of the objective, as well as the planned schedule for the performance of activities. Generally, in the case of objectives aimed at maintenances of the cur-

rent level of the service delivery, the expenditures are allocated year by year mostly proportionally. There could be some cases, when no expenditure will be intended for the first year and the whole amount will be allocated among the next years or the allocation will be made only between the first and second years, etc. (Table 6).

TABLE 6. Allocation of expenditures of primary medium-term objectives, Year by year

Codes of medium-term objectives	Medium-term objectives	Expenditures (thousand AMD)	Including, year by year			
			200X	200X+1	200X+2	200X+3
01	To ensure the current level of service delivered to four groups of (a number of 75) children in kindergarten No. 3 in Masis town	80000.0	20000.0	20000.0	20000.0	20000.0
02	To build a decorative pool with an area of 1,000 square meters in the territory nearby the Central Square	25000.0	0.0	15000.0	5000.0	5000.0
.....
	Total	.....	.....	.....	.....	.....

After the allocation of expenditures of medium-term objectives by years, the annual objectives of the current year, as well as the expenditures for the accomplishment thereof are separated. In other words, the annual budget is designed.

While separating the part of the current year (of the medium-term objectives) new annual objectives are defined taking into account what part of the medium-term objective is planned to be implemented during the current year. For example, if a medium-term objective is defined such as: "To build eight playgrounds in the territory of the community within four years," then the annual part of the

medium-term objective can be defined as follows: "To build two playgrounds in the territory of the community," or "To perform the 1/4 of the work for building eight playgrounds in the territory of the community," etc.

Once the annual objectives are defined the code of each annual objective, the performance expenditures, the planned outcomes and the reference to the detailed description of annual objectives shall be specified (Table 7).

TABLE 7. Annual objectives and their performance indicators

Codes of annual objectives	Annual objectives	Expenditures (AMD thousand)	Outcomes (Performance indicators)		References
			Measurement unit	Number of unit	
01 01	To build two playgrounds in the territory of the community	160563.0	piece	2	Annex N
.....
	Total				

Detailed description of annual objectives

➤ Annual objectives defined in a one sentence do not contain sufficient information for thorough understanding of the essence of the objective. To this effect, detailed description of each annual objective is presented through the annexes, which will specify:

- The schedule of the service delivery;
- The specialists who will deliver the service and the qualifications they have;
- The outcomes achieved in case the given service is delivered;
- The type (salaries, social security allocations, etc.) and amount of expenditures, that are planned to make for delivery of the given service,
- The fee to be paid for using the given service.

The system of budget codes

The system of codes of the objectives allows classifying the objectives according to their priorities. Once objectives are classified

by priorities, a list of objectives is compiled, where the objective that scored the highest will be the first, and the objective that scored the lowest will be at the end of the list, i.e. the least important. The most important objective will receive the code "01", and so on.

The annual part of each medium-term objective is separated from it defining the annual objectives. If only one annual objective is defined for the long-term objective with a "01" code, then, the latter will have the code "0101", which is the most important objective in the summary budget. Respectively, if again only one annual objective is defined for a medium-term objective with a code of "02", then, the latter will have the code "0201", etc. Thus, we have a four-digit code system, where the first two numbers show the codes of the medium-term objectives, and the last two codes - annual objectives. In case the number of medium-term objectives exceeds 100, a five-digit code system applies, where the first three numbers show the codes of the medium-term objectives, and the last two codes - annual objectives.

2.8 Annual budget approval

The Head of Municipality submits the municipality budget for the approval of the Community Council by the procedure and within the periods established by the law. The Community Council accepts the relevant draft decision on approval of the budget submitted by the Head of Municipality.

An open meeting of the Community Council is held during the municipality budget approval, in which not only members of the Community Council, but also the Initiative Group of the population, other residents, representatives of non-governmental organizations, local, as well as other mass media and other stakeholders take part.

Before the meeting of the Council for the

purpose of discussing and approving the municipality budget is held, all the participants of the meeting are given the chance to familiarize themselves with the draft municipality budget. This can be ensured by posting the draft municipality budget in the official web site of the Municipality, by providing the hard copy of the draft budget to those who desire so or by other means. The population of the community is notified comprehensively and widely about conducting the meeting of the Community Council, the possibilities of obtaining a copy of the draft municipality budget, as well as the meeting being open to public. The Initiative and active groups of the population have their active involvement and play a key role in this process.

3

THE PECULIARITIES OF EXECUTION OF MUNICIPALITY BUDGETS IN PB FORMAT*3.1 Execution of budgets in PB format and entities responsible for budget execution*

Under performance budgeting the budget execution is not aimed at the mere numerical execution of only expenditure items (under the economic or operational classification, as it is the case under line-item budgeting), but rather, is mostly targeted at achievement of outcomes planned under the budget.

Active involvement of the public and beneficiaries is desirable throughout the planing and execution of the performance budgeting process, since this can improve the transparency and accountability of the budgeting process.

According to the Republic of Armenia Law “On the Budgetary System”, the Head of Municipality is responsible for executing the municipality budget. This provision of the Law, however, does not prevent the active involvement of municipality staff and officials of the budgetary institutions in the budget execution process. The latter can actively participate in the budgeting process as instructed by the Head of Municipality. Under line-item budgeting, the bulk or, in some cases, even the whole burden of budget execution activities lies on the financial service of the community (Finance and Revenue Collection Divisions).

Under performance budgeting, all the divisions of the municipality staff, as well as budgetary institutions should have active involvement and obligatory participation in the execution of the budget. The Finance Division (the Division Head), being the main actor in the budget execution, acts predominantly as an advisor, organizer and regulator. In this situation, municipality budget execution is primarily viewed as a set of adjusted

activities aimed at achieving the outcomes planned under the budget, which is undertaken by the joint efforts of all the municipality staff.

In the execution of the municipality budget, the Head of Municipality may perform reallocations, which should not contradict the Community Council decision on approving the budget and should not exceed the total amounts set by the Community Council. Under performance budgeting, those reallocations are reduced to a minimum, since in this case the annual objectives included in the municipality budget are more than justified and set as primary. Besides, they have been determined with active involvement of the community population, the major beneficiaries using the municipal services, taking into consideration their wishes and the needs.

3.2 Budgetary reports

Local self-governance bodies are accountable for their fiscal activities. Such accountability is designed to illustrate the financial standing of the community at a certain period of time, as well as the extent to which the outcomes of activities performed under the budget are achieved. Reports should be presented primarily on the actual performance of budgeted revenues and expenditures. They are designated to reveal the key economic and financial developments of the community, to identify the shortcomings and the deviations from the approved budget.

Under performance budgeting, reports should contain, in parallel to the aforementioned information, data on performance out-

Performance Budgeting

comes (which part of outcomes have been achieved, how much more remains to achieve the planned outcomes, and the like).

Reports should also answer the following questions: should measures be taken, what mistakes and deviations have been identified, who is responsible, is there a need to make financial or result-oriented adjustments or take special decisions, etc.?

TABLE 8. Budget report in PB format

Codes of annual objectives	Annual objectives	Expenditures (AMD thousand)		Outcomes (Performance indicators)			Comments on performance of activities (outcomes) (deviations from the planned activities, their causes and ways of elimination)
		Planned	Actual	Measurement unit	Unit quantity		
					Planned	Actual	
.....
	Total	.....	.....		

3.3 Summarizing annual outcomes

Budget execution outcomes are summarized following the end of each budget year. The outcomes actually achieved during the year are benchmarked against the indicators set under the budget on the basis of reports produced. Besides, summarizing the annual outcomes is not limited merely by actual evaluation of the performance of planned expenditure items, as well as by determining the extent to which the expenditures are over fulfilled or under fulfilled. Such indicators as achievement of planned outcomes of each objective, deviations of actually achieved outcomes from the planned indicators, identification of causes of deviations, the economic and social effectiveness of the outcomes achieved, and the like are also examined while summarizing the annual outcomes of budget execution under performance budgeting. Deviations from the work plans and the causes thereof are also examined while summarizing the annual outcomes.

The frequency of reporting can be daily, weekly, monthly, quarterly, semi-annual, annual, for a certain period, and upon request. Reports should be prepared for its users such as public administration and local self-governance bodies, the Community Council, and the community residents.

The following table can be used to produce the quarterly, semi-annual and annual reports under performance budgeting:

The data obtained as a result of summarizing the annual outcomes of budget execution serve as a basis for making relevant decisions. Moreover, they are surely taken into consideration while planning the budget of the following year.

3.4 Reviewing and updating the medium-term budget

The performance budgeting, as a medium-term budgeting, is a continuous process. However, the performance of medium-term budgeting does not imply the performance of revenue and expenditure planning activities every four years. Outcomes of the preceding budget year are summarized after the end of each budget year and forecasts for the fourth year are added to the other three planned years. This could mean that it is possible to have an idea about forecasts for the current, as well as for the coming three years at any point.

4

Monitoring and evaluation

Monitoring and evaluation play a significant role in the process of planning and evaluation of municipality budgets in PB format. The system of monitoring and evaluation is necessary also to ensure communication with and feedback from the beneficiaries (people to whom the service is delivered) as well as to take their opinions and needs into consideration.

The system of monitoring and evaluation should be such as allow to measure the outcomes of activities and programmes performed, to identify the obstacles and challenges occurred in their ways to achieving those outcomes, as well as to carry into effect the assignments that will facilitate the improvement of budget planning and execution processes.

4.1 The system of monitoring and evaluation

A comprehensive concept paper on monitoring and evaluation is needed for the medium-term planning process of community development, which will comprise the four main components below:

- 1) Study of the policy;
- 2) Review of the budget and the Community development programme indicators and targets;
- 3) Participatory monitoring and evaluation;
- 4) Impact assessment.

1) Study of the policy. It is assumed, that while performing activities under this component, the monitoring and evaluation group shall examine the progress of planned activities, identify the obstacles and investigate the measures to be taken in the coming months. This study is carried out twice a year with the view to measure the progress against activities included in the annual work plan.

2) Review of the budget and the Community development programme indicators and targets. The list of indicators of budget and Community development programme is updated at the end of each year for the annual monitoring report. The indicators are grouped according to the main areas under Community development programme (for example: health care, education, infrastructures, social security, environmental protection etc.).

3) Participatory monitoring and evaluation (PME). A participatory monitoring and evaluation activities are carried out by the civil society at the end of each year applying one of the participatory methodologies.

4) Impact assessment. Assessment is conducted at the end of each year or at any phase of budget process on the impact of activities under budget and (or) one of the areas of the Community development programme aimed at carrying out an independent professional evaluation.

The monitoring and evaluation group of the municipality staff carries out the first and second components of the monitoring and evaluation system. The third and fourth compo-

nents are considered as types of external monitoring and evaluation, since they are mostly carried out by entities of civil society and independent professionals, also ensuring the comprehensiveness and neutrality of the monitoring and evaluation system. Besides, the availability of such components allows the broad sections of public to take part and oversee the activities related to planning, performance and evaluation of development initiatives at the community level. It should also be noted, that the last two years made it possible to supplement the quantitative data with qualitative assessments, which makes the overview of monitoring and evaluation more complete and helps to raise the effectiveness of planning.

Institutional provisions

The function of monitoring and evaluation should be enhanced within the municipality structure to determine the effectiveness of activities planned under budget, as well as the progress of achievement of strategic goals under Community development programme. The first steps towards this should be directed to establishing a monitoring and evaluation group within the staff of the Head of Municipality involving specialists from different structural units of the Municipality. Besides, it is extremely important to continuously improve the capacities of this group.

Moreover, taking measures aimed at institutionalization of the monitoring and evaluation system is of prime importance. Particularly, this refers to participatory monitoring and evaluation, as well as impact assessment. Since the latter are external types of monitoring and evaluation, their regular execution is firstly conditioned by proper understanding of their significance, as well as relevant de-

termination demonstrated by the municipal governance bodies. Taking into consideration the fact that certain resources are required for the execution of similar types of monitoring and evaluation, the municipal governance bodies should be consistent in timely allocating those resources, ensuring the correct selection of entities conducting competent and impartial studies, as well as requesting high quality analyses and realistic assignments from them.

Monitoring and evaluation workplan

The activities planned under Community development programme to be performed through monitoring and evaluation system are presented below on an annual basis, which, by the same analogy, could be applied also for the annual budget:

- Reviewing the Community development programme indicators and annual work plan targets by areas;
- Conducting participatory monitoring and evaluation;
- Carrying out impact assessment;
- Producing interim and annual reports on monitoring.

In addition to the aforementioned activities, relevant measures should also be taken in the following directions with the view to ensure the effective functioning of the monitoring and evaluation system:

- Conducting regular training courses aimed at strengthening the capacities of specialists within the staff of the Head of Municipality;
- Allocating financial resources for complete and continuous execution of all (specifically external) components of the monitoring and evaluation system,

- Developing terms of references for the execution of the components of participatory monitoring and evaluation, and impact assessment;

- Developing and implementing mechanisms ensuring the publicity of monitoring and evaluation reports, as well as taking relevant measures aimed at successful operation of those mechanisms, particularly planning the financial resources needed for that purpose in the general expenditures of the municipality;

- Developing and implementing permanent and transparent mechanisms of information flows, creating a database and updating it regularly.

4.2 *Participatory monitoring*

The participatory monitoring, as an external type of monitoring, ensures the involvement of the main beneficiaries of municipal services in the process of budget monitoring. The Initiative and active groups of the population have their active role in this exercise. By the instrumentality of those groups the awareness and involvement of broad sections of the public in monitoring activities is ensured. One of the advantages of the performance budgeting is that the produced document explicitly states the outcomes of accomplishment of each objective and each of the beneficiaries can personally check the achievement of those outcomes, thus ensuring the implementation of participatory monitoring.

4.3 *Impact assessment*

At the end of each year, impact assessment of the activities performed and services delivered in one of the areas is conducted with the view to carry out independent profes-

sional evaluation. While performing impact assessment answers are provided to the following questions:

- How much do the quantitative outcomes achieved meet the needs of the population?

- What kind of impact has the accomplishment of a certain objective had on the certain group of the population (who is the direct beneficiary of the given objective), as well as on the population at large?

- Are there any alternative ways to achieve the planned outcomes with more expenditure effectiveness?

Making professional evaluation based on professional considerations and formulae alone is not sufficient for having the objective and complete view of the impacts assessment. To this end, the assessment of satisfaction level of the population is also carried out, which allows not only to define the answers to the aforementioned questions (that have been provided based on professional considerations) more accurately, but also to specify the package of recommendations to be made as a result of impacts assessment. Assessment of the satisfaction level of the population is carried out by sociological surveys, discussions with direct, as well as indirect beneficiaries of outcomes of the objectives, by forums organized through the web site of the municipality and by other means. The surveys and analyses made by other professional institutions (e.g. non-governmental organizations) and independent experts can also be used for that purpose.

The Initiative and active groups of the population are actively involved in the performance of the mentioned activities.

4.4 Incorporation of monitoring results into future projects

Establishment of a monitoring and evaluation system is not an end in itself. While drafting the budget of the current year the deviations identified in the course of monitoring should be taken into consideration and measures should be planned aimed at their elimination in the current year. Monitoring results are of key importance in terms of not only identifying the existing deviations and taking measures for their elimination, but also learning from the past experience and taking those lessons learned into account while planning the current year budget.

Conclusion

The pledge of success of the activities of local self-governance bodies lies in effective utilization of limited resources of the municipa-

lity budget, and, in general, ensuring the publicity and transparency of their activities. To this effect, the modernization and continuous improvement of the fiscal functions (deemed as crucial) are acquiring the utmost importance. The introduction of performance budgeting into the practice of the local self-government system has its indisputable role in this exercise, since performance budgeting has substantial advantages as compared to the model of line-item budgeting. The performance budgeting enables to increase the effectiveness of utilization of financial resources, ensure the involvement of the population in the management affairs of the community, increases the level of publicity and transparency of activities of the local self-governance bodies.

The entire process of performance budgeting is a sequence of certain steps, which can be represented in brief through the figure below:

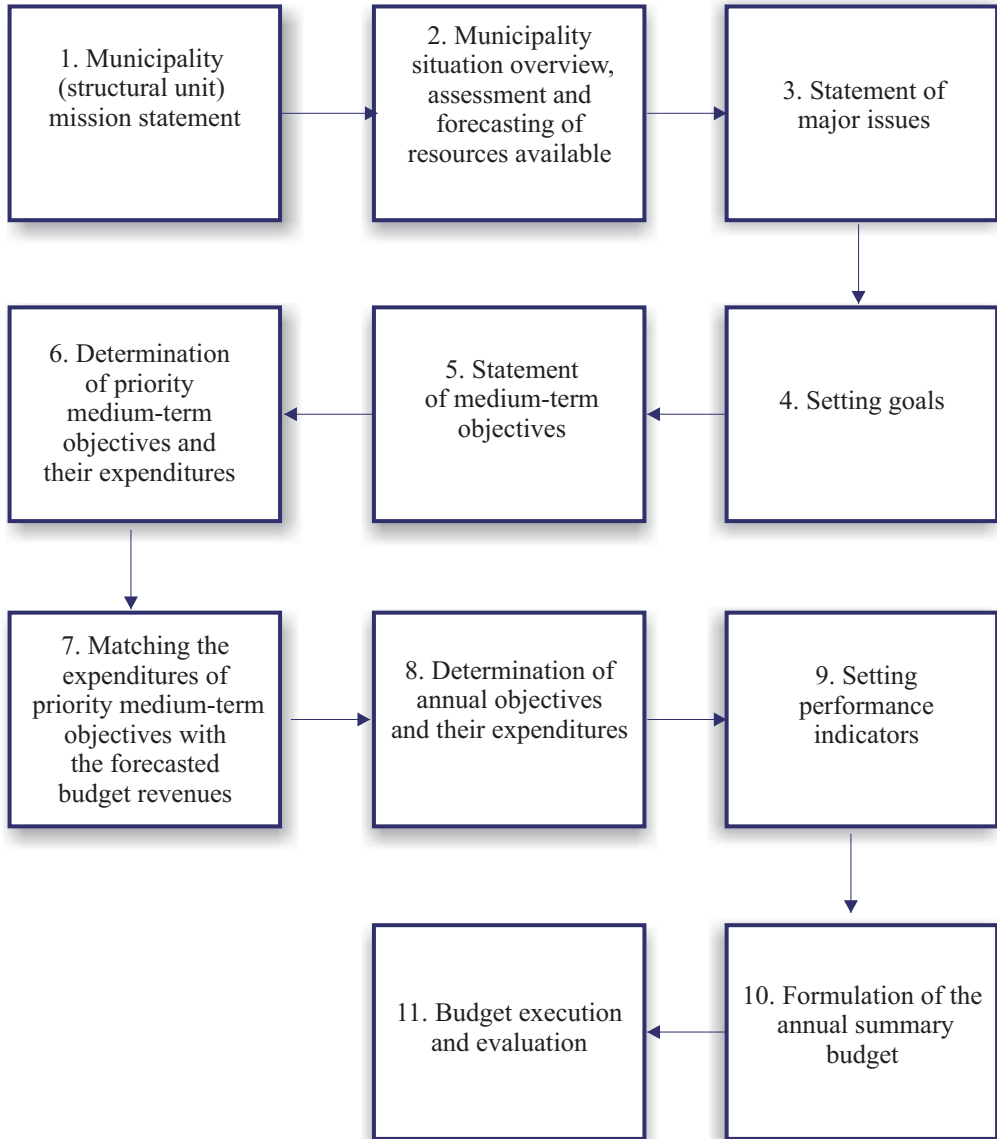
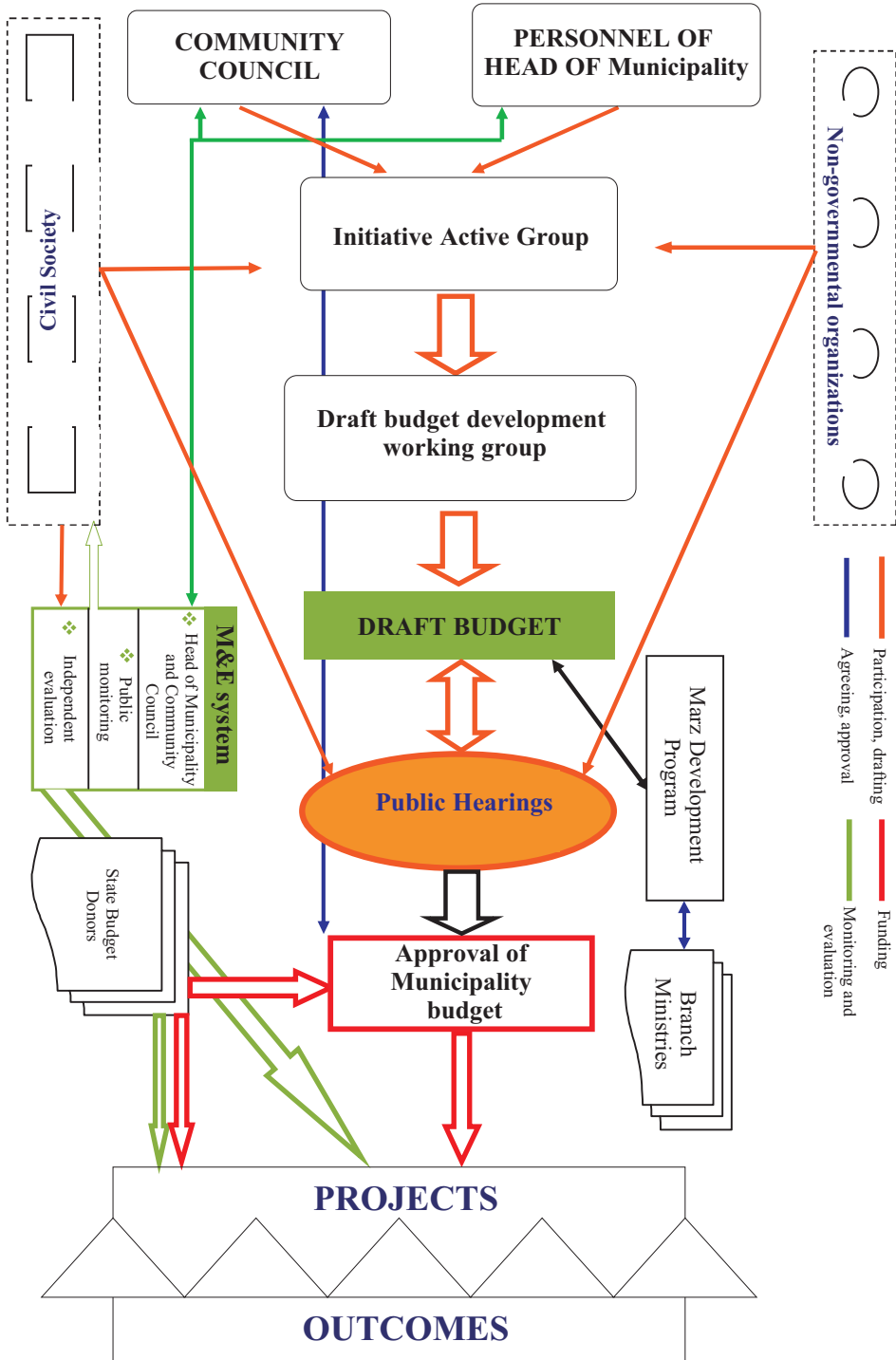


FIGURE 2. Community Institutional System of Budgeting in Performance-based Format



Appendix 1.

**ARARAT MARZ
MASIS CITY COMMUNITY
BUDGET FOR
2008**

Performance-based

Enacted by Masis City Community Council decision
N_01-N_ dated
February 11, 2008

Performance Budgeting

Mission and strategic goal of the Municipality

Mission

The mission of Masis Municipality is the efficient administration of community development within the scope of its competencies for the benefit to all and everyone.

Strategic goal

Ensure sustainable development and prosperity of the city through improvement of economic, social, cultural, human resources and ecological and public environment of Masis City Community.

Situation Analysis, resource assessment and forecast

A. Brief description of 2007 activities

2007 was again marked by increased Municipality revenues and efficiency of activi-

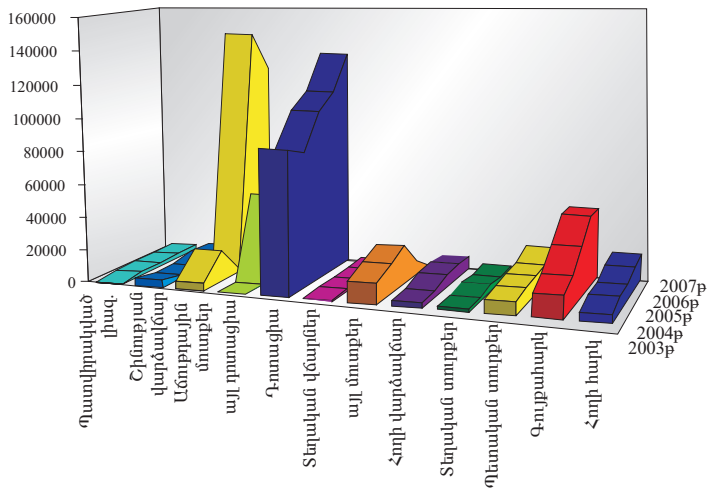
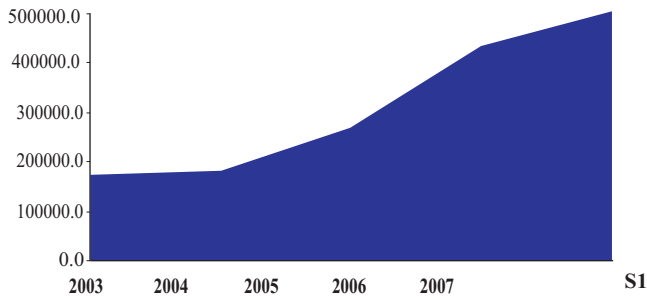
ties typical for the recent years. Increase of revenues has been recorded in practically all areas. On one hand, it was the expression of positive attitude of population for the unprecedented capital investments made in the community in recent years, on the other hand, it was the used opportunity of auctioning community-owned lands. These two factors contributed directly to the formation of new qualitative level of cooperation with supporting organizations and to the sustainable growth of expenditures addressed to the improvement of municipality infrastructures. Below is presented 2007 budget revenue and expenditure performance, budget revenue trends in recent years, implemented projects, as well as 2007 budget execution report in accordance with performance budgeting methodology.

1. Summary of Masis Municipality 2007 Budget Execution Data

					AMD thousand
	Description	2006 actual	2007 proposed	2007 actual	Perform. %
Tax revenues					
1	<i>a/land tax</i>	14264.2	20000.0	16253.6	81.3
	<i>b/ property tax</i>	43130.3	48000.0	43293.0	90.2
Duties					
2	<i>a/ state duties</i>	11908	12000.0	16841.1	140.3
	<i>b/ local duties</i>	2091.7	2585.0	3317.3	128.3
Non-tax revenues					
	<i>a/ leased lands</i>	8731.6	8800.0	7331.7	83.3
3	<i>b/ other revenues</i>	8497.0	200.0	79.0	39.5
	<i>c/ rent of buildings</i>	4305.3	4700.0	4539.4	96.6
	<i>d/local fees</i>	1412.0	475.0	1825.0	384.2
4	<i>Subsidy</i>	111827.2	132968.3	132968.3	100.0
5	<i>Other subsidy</i>	41865.9	1000.0	1000.0	100.0
6	<i>Proceeds from auctions</i>	146054.7	52785.5	122248.4	231.6
7	<i>Balance as of the beginning of year</i>	12079.6	109304.6	109304.6	100.0
8	<i>Delegated authorities</i>	2245.5	2687.0	2687.0	100.0
	Total	408413.0	395505.4	461688.4	116.7

2003-2007 Masis Municipality Budget Trends

No	Description	2003	2004	2005	2006	2007
<i>Tax Revenues</i>						
	a/land tax, including	5008.4	8671.3	9643.6	14264.2	16253.6
	Agricultural lands	3972.2	5403.1	7044.4	8877.7	9022.1
	Non-agricultural lands	1036.2	3268.2	2599.2	5386.5	7231.5
1	b/ property tax, including	13817	18717.7	30046.9	43130.3	43293
	From legal entities	4570.4	7347.4	13398.4	22125.0	19241.7
	From physical entities	9246.5	11370.3	16648.5	21005.3	24051.3
	a/state duties	8194.3	9834.1	10850.7	11908.1	16841.1
	b/local duties	1785	1940.0	3934.5	2091.7	3317.3
<i>Non-tax revenues</i>						
	a/ Lands for lease	3094.3	3934.1	7474.8	8731.6	7331.7
3	1.Agricultural	1031.7	1801.2	2206.8	2050.2	1766.1
	2.Non-agricultural	2062.6	2132.9	5268	6681.4	5565.6
	b/other revenues	12623.4	18151.2	23489.4	8497.0	79.0
	c/ rent of building	4679	1954.4	1726.2	4305.3	4539.4
	d/local fees	289	1035.0	976.0	1412.0	1825.0
4	Subsidy	87071.5	82050.2	102840.8	111827.2	132968.3
5	Other subsidy	0	0	50000.0	41865.9	1000.0
6	<i>Proceeds from auctions</i>	<i>4946.5</i>	<i>19095.0</i>	<i>1769.4</i>	<i>146054.7</i>	<i>122248.4</i>
7	<i>Balance as of the beginning of year</i>	<i>16932.9</i>	<i>523.5</i>	<i>2940.3</i>	<i>12079.6</i>	<i>109304.6</i>
8	Delegated authorities	0	1796.7	1870.6	2245.5	2687.0
	Total, where	158441.2	167703.2	247563.2	397695.1	461688.4



Performance Budgeting

2. Expenditures

2007 BUDGET EXPENDITURE EXECUTION

No		Expenditure description	Annual budget	Reporting Period			
Group	Sub-group		Planned	Planned	Actual	perform. %	perform. % against the planned
			AMD thousand				
I		Administrative budget total	233415.3	0.0	222993.7		95.5
1		Local self-governance	57373.0		54985.1		95.8
3		Education and science	88197.0		87620.9		99.3
5		Social security and insurance	14000.0		13988.0		99.9
6		Culture, sports and religion	26679.0		26071.3		97.7
7		Housing and communal services	23972.0	0.0	23238.3		96.9
	7.2	Sanitary cleaning	15860.0		15860.0		100.0
	7.3	Planting	1276.0		1276.0		100.0
	7.4	External lighting	2500.0		1766.3		70.7
	7.7	Other expenditures	4336.0		4336.0		100.0
12		Reserve funds	1085.3				0.0
13		Other expenditures	22109.0		17090.1		77.3
II		Fund budget	162090.1	0.0	150514.7		92.9
	1	Capital construction expenditures	17076.5		16673.9		97.6
	2	Procurement of apartment	10000.0		9000.0		90.0
	3	Devices and equipment	6700.0		6626.0		98.9
	4	Procurement of vehicle	6000.0		6000.0		100.0
	5	Procurement of other assets	1000.0		1000.0		100.0
	6	Capital renovation	111303.0		111214.8		99.9
	7	Mapping costs	2500.0				0.0
	8	Reserve fund	7510.6				0.0
III		Total expenditures	395505.4	0.0	373508.4		94.4

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Code	Annual sub-objectives 2007	Cost of annual sub-objectives /AMD thousand/				Unit measure	Outcome /performance indicators/		Comments on performance /outcomes/
		capital		operating			planned	actual	
		planned	actual	planned	actual				
01 01	Maintain current condition of management personnel ensuring salary increase in 10 %			57373.0	54985.1	empl.	48	46	10% salary increase ensured. Executed 95.8%
02 01	Renovate 3 kindergarten buildings in Masis city.	6663.0	6661.1			kinder garten	3	3	N1 and 5 kindergarten buildings and the water-pipeline of N2 kindergarten renovated
	Capital renovation of sewerage of kindergarten N1	788.9	788.9			kinder garten	1	1	Change made in the budget. Sewerage of kindergarten N1 renovated.

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	Capital renovation of water-pipeline of kindergarten N2	645.0	645.0			Kindergarten	1	1	Change made in the budget. Water-pipeline of kindergarten N2. Renovated.
	Capital renovation of electricity system of streets 1, 2, 3 in district 4	18000.0	17937.1			km	2	2	Change made in the budget, the volume increased
03 01	Construct and render new building for sports school	50000.0				building	1		Not done due to lack of funding
04 01	Ensure maintenance and sustainable growth of pre-school education quality and accessibility – number of children – by 125, salary –25%			70992.0	70416.4	preschooler	590	590	Salary increase ensured. Executed 99.2%.
05 01	Ensure replenishment of property of 6 kindergartens.	1000.0	956.0			Kindergarten	6	2	For the 2 nd and 3 rd kindergartens refrigerators and washing machines procured.
06 01	Ensure maintenance and sustainable growth of musical education quality and accessibility - salary by 25%			11464.0	11464.0	pupil	242	230	25% salary increase ensured. Executed 100 %
07 01	Rehabilitate water pipeline of ՄՊԱԿ- building	500.0	499.5			building	1	1	Executed
08 01	Capital renovation of Music School building	10000.0	10000.0			building	1	1	Executed
09 01	Ensure maintenance of 11 km section of street lighting			5733.0	4999.3	km	11	11	Executed
10 01	Rehabilitate water pipelines and sewerage for 8 buildings' basement floors	6714.0	6708.0			building	8	8	Executed
	Rehabilitate water pipelines and sewerage for 5 buildings' basement floors	2244.9	2242.8				5	5	Change made in budget. Executed
	Capital renovation of water pipelines and sewerage	356.4	356.4			building	3	3	Change made in budget. Executed
11 01	In regard to cleaning and improvement of community, to keep current quantity and quality of provided services			15860.0	15860.0	ha	154	154	Executed
12 01	Extend street lighting by 3 km	3090.0	3090.0			km	3	3	Executed
13 01	Ensure maintenance of city cemetery			1103.0	1103.0	ha	10	10	Executed
14 01	Renovate roofs of 5 buildings	12000.0	11998.0			building	5	5	Executed
15 01	Finalize gas supply process of Masis station district and the end-part of Yerevanyan street	25303.0	25290.9			km			Change made in budget. Executed
	Gas supply activities for Masis station buildings 17-19	1337.4	1241.8			building	3	3	Change made in budget.
16 01	Construct 1 public lavatory in the central part of the city					toilet	1		Change made in budget.
17 01	Ensure maintenance and sustainable growth of quality and accessibility of out-of-school education – salary by 25%			8728.0	8727.7	pupil	289	289	25% salary increase ensured
18 01	Acquire general plan of town development	2500.0				general plan	1		Not executed

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19 01	Ensure maintenance and sustainable growth of quality and accessibility of physical education– salary by 25%			8477.0	8476.8	pupil	322	322	25% salary increase ensured. Executed
20 01	Assist non-governmental organizations' activities in the community			400.0	400.0	organization	4	3	Assistance provided to "Olympic" CNGO, "Ararat 2001" foundation and membership fee to the community association
21 01	Expand (improve) asphalted areas from 60% to 62%	9982.7	9982.7			Sq. m	1600		Executed
22 01	Order plaster model of the city with 6 sq. m surface	500.0	500.0			model	1	1	Executed
23 01	Ensure efficient operation of Municipality computer network and software for the purpose of collection and processing of information			952.0	866.8	software	4	4	Executed
24 01	Capital renovation of 2 km green area irrigation network	800.0	800.0			km	2	2	Renovated irrigation network of the area adjacent to school N2
25 01	Provide assistance to 3 secondary schools of the city			750.0	750.0	Kindergarten school	3	1	Assistance provided to school N5
	Assistance to kindergarten N2			400.0	400.0		1	1	Change made in budget. Executed
26 01	Maintain and develop quantity and quality of services provided in the area of culture			500.0	125.0		3	1	Obligations in cultural area not executed in the scope envisaged by contract.
27 01	Ensure annual participation of the community to the "Charity Canteen" program			3000.0	3000.0		1	1	Executed
28 01	Paving the streets in new-built district /8000 sq.m/	3000.0	3000.0			Sq. m	8000		Executed
29 01	Provide appropriate tidying of the around the installed trash-bins	2584.0	2584.0				10	10	Executed
30 01	Ensure availability of purchasing other community services and goods			3264.4	1466.5				See attachment
31 01	Ensure 20% growth of own revenues through contractual employees, disseminating information leaflets among the tax-payers, reserving newspaper articles, organizing TV programs, debates.			1800.0	766.2	Service	4	4	Executed Payment of contractual salary terminated resulting in saving
32 01	Participate in 10 republican contests and championships			600.0	367.9	competition	10	6	Ensured participation in 6 republican contests and championships
33 01	Based on annual results in sports, organize incentive event for the 10 best athletes of the city			200.0	155.0	athlete	10	2	Encouraged 2 best athletes winning in contests
34 01	Replenish property base of municipality	5000.0	5000.0			set	15	15	Executed

Performance Budgeting

35 01	Organize and run 9 city events dedicated to holidays and commemorations of state holiday list			4100.0	2150.0	event	9	4	Events held dedicated to March 8 th , Genocide Memorial day, Teacher Day and New Year
36 01	Ensure maintenance and sustainable growth of fine art education quality and accessibility - salary - 25%			4086.0	4086.0	pupil	30	30	25% salary increase ensured. Executed
37 01	Maintain community web-site			180.0	175.0	month	12	12	Executed
38 01	Ensure availability of maintaining IRTEK legal information system			100.0	72.0	copy	3	3	Executed
39 01	Ensure maintenance and sustainable growth of quality and accessibility of libraries, number of readers – by 300, salary –25%			10029.0	10028.4	reader	1650	1650	25% salary increase ensured. Executed
40 01	Maintain and increase the volume of financial aid allocated to socially insecure families adjusting its purposefulness			14000.0	13988.0	applicant	302	302	Financial aid allocated to 302 applicants
41 01	Ensure care of 8 ha green area			1276.0	1276.0	ha	8	8	Executed
42 01	Assist in solving apartment-related issue for 1 socially insecure multi-member family	10000.0	9000.0	900.0	900.0	apartment	1	1	1 multi-member family provided with apartment
43 01	Replenish library book stock by 200 title (800 unit) new literature	500.0	500.0			Title literature	200	200	Executed
44 01	Provide administrative building of Municipality and 9 community-owned buildings with fire-prevention means			1450.0	1000.0	organizations	11	11	Executed
45 01	Procure new service automobile for the Municipality	6700.0	6670.0			auto-mobile	1		Executed
46 01	Provide gas supply for the administrative building of Municipality					km	1.605		Change made to the budget due to other unforeseen priorities
47 01	Rehabilitate 12 garages of Municipality	1679.0	1679.0			gar-age	12	12	Executed
48 01	Install 4 traffic lights in the cross-road of Araratyan and Heratsu streets					traffic light	4		Change made to the budget due to other unforeseen priorities
	Routine repairs of traffic lights			1000.0	998.5				Change made in budget. Executed
49 01	Update 13 city road signs					traffic sights	13		Change made to the budget due to other unforeseen priorities
50 01	Ensure accuracy of names of city districts, streets and building addresses								Change made to the budget due to other unforeseen priorities
51 01	Execute powers delegated by the state related to CSAR			2207.0	2207.0	Empl.	2	2	Executed
52 01	Provide veterinary services in the community through the authorities delegated by the state			480.0	480.0	Empl.	1	1	Executed

Performance Budgeting

Capital renovation of irrigation network adjacent to the Municipality and the city lake	1921.7	1921.7			km	0.33		Change made in budget. Executed
Capital renovation of playground for new-built district buildings 3,4,5	3100.0	3099.6			play-ground	1	1	Change made in budget. Executed
Capital renovation of sports school gym	515.0	514.7			gym	1		Change made in budget. Executed
Capital renovation of entrance staircase of building 38, street 4	537.4	537.4			entrance	1		Change made in budget. Executed
Capital renovation of the room designed for the community council	145.3	145.3			room	1		Change made in budget. Executed
Capital renovation of Municipality toilets	732.7	732.7				4		Change made in budget. Executed
Construction of gas pipelines for schools N 2 and 4	5885.3	5685.5						Change made in budget. Executed
Construction of gas pipelines for kindergarten N4	967.5	861.0						Change made in budget. Executed
Construction of water pipeline and sewerage for the new-built district in the end-part of Yerevanyan street	8886.3	8886.3						Change made in budget. Executed
1 employer training service			160.0	160.0				Change made in budget. Executed
Archivistic services			15.6	15.6				Change made in budget. Executed
Environmental expertise			550.0	550.0				Change made in budget. Executed
Pruning of dried trees			600.0	600.0				Change made in budget. Executed
Total	204579.5	150515.4	232730.0	222993.7				

1. Supporting organizations/ Projects 2005-2006

- UN/UNDP “Performance Budgeting”
- UN/ “Introduction of Electronic Governance System for Community”
- UN/ UNICEF “Community Day-care Centre for Disabled Children”
- “Eurasia Foundation”/ “Promotion of Cross-Community Partnership”, Project cost 12237 \$
- TACIS/ REDAM “Information-Analytical Centre”
- “Mission Armenia”/ “Charitable Canteen”, Budget expenditures 18 664 700 AMD
- “Save the Children”/ “Rehabilitation of Dormitories”, Cost 100 000 \$
- “Armenia Tree Project”/ “Spring Tree-Planting”
- “Armenian Renewable Resources and Energy Efficiency Fund”/ “In-house gas-supply design and installation, installation of gas stoves Project”; Cost 10000 \$
- World Bank/RA Ministry of Territorial Administration, “Irrigation System Development Project”, Cost 25 000 000 AMD
- RTI “Local Self-Governance Project”
- UN/ UNDP “Rehabilitation of Multi-Apartment Buildings Entrances” Cost 18139000 AMD

c. Activities /projects/ Carried out in the Community from 2004-2007 through Municipality Fund Budget

<i>No</i>	<i>Project name/description</i>	<i>Date</i>	<i>Expenditure (AMD thousand)</i>
1	Capital renovation of dormitory	2004	1995.1
2	Renovation of water pipeline, sewerage of multi-apartment buildings		740.1
3	Capital renovation of roofs		5464.1
4	Repair of road potholes		5494.2
5	Capital renovation of town hall area irrigation network		1129.9
6	Paving of road to the cemetery		2200.0
7	Procurement of equipment for the Municipality		915.0
8	Street paving		1198.7
9	Water pipelines and sewerages of multi-apartment buildings		8159.8
10	Capital renovation of street lighting system		16999.8
11	Capital renovation of kindergarten N3		667.3
12	Procurement of monitors		350.0
13	Capital renovation of veterans' room		208.0
14	Water pipelines and sewerage of kindergarten N2		200.0
15	Water pipelines and sewerage of kindergarten N6		200.0
16	Capital renovation of flat roofs	2005p.	2600.0
17	Renovation of Music School roof		1490.0
18	Repair of road potholes		25494.5
19	Capital renovation of playgrounds		6000.0

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20	Street paving		6997.3	
21	Water pipeline of kindergarten N3		300.0	
22	Capital renovation of room “Astghabnak” in kindergarten N1		198.9	
23	Participation in the irrigation system project of the World Bank		1500.0	
24	Capital renovation of water pipeline of school N6		261.4	
25	Participation in the irrigation system project of the World Bank	2006թ.	2280.0	
26	Procurement of equipment		250.0	
27	Capital renovation of water pipeline of multi-apartment buildings		6000.0	
28	Capital renovation of fountains in the square of the Municipality		998.8	
29	Renovation of Municipality building		2098.0	
30	Capital renovation of mobile stage in the square		1597.0	
31	Capital renovation of kindergarten N3		2000.0	
32	Capital renovation of artesian well adjacent to the city lake		899.8	
33	Capital renovation of kindergarten N1		407.0	
34	Capital renovation of kindergarten N5		527.0	
35	Paving		2000.0	
36	Capital renovation of multi-apartment buildings' entrances		10100.0	
37	Capital renovation of playgrounds		4000.0	
38	Repair of road potholes		11997.4	
39	Capital renovation of street lighting system		4000.0	
40	Procurement of literature		500.0	
41	Capital renovation of the bridge		800.0	
42	Capital renovation of Masis station gas pipe		48626.8	
43	Procurement of plaster model		2007թ.	500.0
44	Capital renovation of irrigation network of the area adjacent to school N2			800.0
45	Water pipeline-sewerage of multi-apartment buildings			9307.2
46	Washing machines and refrigerators			956.0
47	ՄՊՍԿ-ի water pipeline and sewerage			499.5
48	Capital renovation of kindergartens N 1 and 5 (sewerage of kindergarten N1)			7450.0
49	Capital renovation of garages' roofs			1679.0
50	Water pipeline for kindergarten N2			645.0
51	Procurement of apartment			9900.0
52	Capital renovation of trash-bins area			2584.0
53	Capital renovation of irrigation network in the area adjacent to the lake and Municipality			1921.7
54	Playground	3099.6		
55	Street lighting system	3090.0		
56	Repairs of potholes on asphalt-concrete surface	9982.7		
57	Toilets of Municipality	732.7		
58	Staircase of building 38, street 4	537.4		
59	Sports school gym	514.7		

60	Capital renovation of the community council room	145.3
61	Capital renovation of roofs of multi-apartment buildings	11998.0
62	Automobile	6670.0
63	Capital construction of streets electricity system	17937.1
64	Literature	500.0
65	Office property	5000.0
66	Paving	3000.0
67	Construction of the station gas-pipe	15050.1
68	Capital renovation of Music School	10000.0

Achievements of 2007 are planned to be advanced in 2008 on the account of both sustainable growth of own revenues, as well as closer cooperation with supporters. Specific attention will be placed upon increased purposefulness of expenditures and priority-based classification.

To this end, a situation analysis was carried out to enable more clearly understand issues, assess the chances and implement more realistic planning.

B. Social-economic situation in the community by areas

1. Community Geographical location, historical background

Masis city is located in the central part of Ararat Plain, in the basin of Hrazdan river lower stream. It is bordering Ayntap, Nor Kharberd villages in the north, Sayat Nova village - in the west, Noramard village in the south and Marmarashen, Nor Kyurin villages of Ararat Marz in the east. It is 20 km to the west from Marz Center Artashat, and from the capital Yerevan - 17 km to the south. Masis city was developed as a satellite city of Yerevan. Starting from late 60-s, for over 20 years, Masis had the status of largest supplier city of Armenia due to its favourable economic-geographical location and developed railway system. The city developed rapidly throughout 20-30 years, nevertheless, the demographic shake and social-economic decline of recent years posed serious problems for the

city. However, due to favourable physical-geographical and economic-geographical location, well-developed road and railway network, favourable natural conditions for agriculture, human and production infrastructures adequate for industry, as well as the commitment of municipal authorities of Masis city, it has real chances for prosperity.

First reference on Masis city as a distinct residence is connected with the railway semi-station Oulukhanlu, which in the beginning of the century was partly populated by families of Armenian and Russian railway-men, and largely by semi-nomadic Turkish elements. The habitation having the status of a village, then of a settlement, was first referred to as an independent regional center of administrative unit in December 1, 1937. The newly established region was called Zangirbasar after the name of Zangirbasar regional center, and the majority of its population were Turkish elements that penetrated within the last century. The region was abrogated in March 1953, followed by the habitation called Hraz-

Performance Budgeting

dan and became part of Shahumyan region of Yerevan. In 1969, January 14, a new settlement was formed comprised of Artashat, Ejmiatsin and Leninyan and Shahumyan districts of Yerevan and was called Masis region. Hrazdan settlement became the center of newly established region and was called Masis. In April 1996, 27 years old Masis region was included in a new, larger administrative-territorial unit together with Ararat and Artashat regions, and became Ararat Marz

Demography

Masis city is one of the most densely populated areas of the republic, average density – 1294 people per square meters. As across the entire country, over 99% of the population is Armenian, there are Yezidis and Russians too. Before 1946, Masis was populated by Azeris and Kurds that penetrated Armenian in late 19th century. Due to large-scale immigra-

tion from other regions of the country and Diaspora, the national coefficient started altering year by year, in the result of which Armenians made over 70% of the overall population in 1980-s. After the national turmoil in 1988-90-s, when Azeris left the city and around 2000 Armenians were displaced to Armenia, in particular to Masis, the demographics of population obtained its current picture. Within various years of last decades people immigrated to Masis from Iran (1946-48, 1970-80), Nakhijevan (1970-s), SRA Shamshadin, Martuni, Sevan, Sisian, Abovyan and other regions. In this respect, Masis has colorful demographic picture.

According to data of 2001 census, Masis city has 24030 inhabitants, 5350 families. 70% of Masis city population lives in urban lifestyle. Large-scale immigration intensified within last decade has significantly decreased in recent years.

Community population

	Age groups	Total	Male	Female
1	0-6 years old	2667	1429	1238
2	7-16 years old	4645	2419	2226
3	17-62 years old	13920	6328	7592
4	Above 62 years old	3008	1396	1612
5	Total population	24240	11572	12678

Level of education among adult population

N	Level of education	Number	Male	Female
1	Illiterate (not attended school)	265	100	165
2	Elementary school (1-3 grades)	1848	836	1012
3	Secondary school (4-8 grades)	2905	1312	1593
4	High school (9-10 grades)	7570	3650	3920
5	Vocational education	809	424	385
6	Higher education	3072	1503	1569

Employment

N		Total	Male	Female
1	Number of employed in or outside community (sum of rows 3, 4, 5)	9811	5158	4653
2	Unemployed*	596	254	342
3	Engaged in agriculture	5731	2918	2813
4	Engaged in industry	1680	1140	540
5	Engaged in services	2400	1100	1300

* Based on official statistics

Natural conditions and protection of environment

The surface of habitation is plain, average altitude above sea level is 800 meters. It is located in a seismic zone of 7-9 magnitude. Despite the fact, that there are no mineral resources in the territory of city, it has marble (Marmarashen), sand (Ranchpar), clay (Aintap) mines instead. The climate is dry land. Summer is hot and long (4-5 months) with average air temperature in July 26-27⁰ C. Mountain-valley winds are typical for this area. Winter is cold, cloudless and windless. Average air temperature in January ranges from -4-Çó to -6⁰ C. Not every year is a firm snow cover formed. Due to arched form of Ararat plain, in winter temperature inversion is observed: the temperature is lower in the plain than in the surrounding foothills. Spring is short. Unsteady weathers and comparatively frequent precipitations are quite typical. Autumn is miraculously sunny and lasting. The average annual temperature is 8-12⁰C, maximum - 42⁰ C, minimum - 30⁰ C, average annual precipitations - 300-350 mm (with maximum number of precipitations in April-May). Hrazdan and Sevjur originating from lake Ayghr are flowing nearby, in the south Araks flows along the state border, these rivers are transverse, and they rise in spring and

sometimes overflow. There are artificial lakes to the south of the city. The natural landscape is semi-desert with desert spots. It is dominated by light brown, gray and occasionally saline semi-desert lands, which have, however, gradually been superseded by cultivated lands. Typical plants are wormwood, strawflower, glasswort and cranberry. Most common animals include reptiles and rodents. There are many birds.

The natural resource potential is quite high. It doesn't possess much land resources; instead, it has rich water resources due to the profuse number of artesian wells (6-8 m³ per second) and Hrazdan river. Climate resources are satisfactory (abundant light and heat).

Many production enterprises are in outage in recent years and as a result atmosphere pollution does not exceed the permitted level. Although natural conditions are not favorable for natural growth of trees, nevertheless, great attention is focused on planting, particularly in recent years. Special attention is also focused on cleaning of drainages. The issue of waste disposal is already handled, but still serious measures need to be taken in order to create city landfill.

2. Municipality *Community self-governance*

Starting from 1996, new governance methods are applied in the Republic of Armenia - territorial administration and local self-governance. Masis city is part of Ararat Marz, with its regional center Artashat. Marz consists of 93 communities, of which Artashat, Masis, Ararat and Vedi are urban communities. The state executes territorial governance through Marz Governor appointed by the Government. The population executes local self-governance through Community Councils and leads (village Governors and Mayors) who are elected for three years.

The supreme governing body of the community is the Community Council of 14 people and the decisions made by the Council within the scope of its competencies are subject to mandatory execution. The Head of Municipality performs executive governance through the Community Council decisions and the powers authorized or delegated by state or voluntary powers. The Head of Municipality executes its powers through the personnel, and community-subordinate institutions (Community non-commercial organizations). The personnel of Head of Masis Muni-

cipality comprises 47 employers, of which 34 are community servants, 7 are at-will officials, and 6 - technical staff. Transfer to community service system resulted in preserving two divisions (in terms of structure) - Financial and Revenues and Information, while the areas of former General, Legal, Agricultural, Urban Development, Education and Sports, Culture and Social Services, Housing and Communal Services, Trade and Services Divisions are now coordinated by Chief Specialists. Staff activities are coordinated by the Secretary of Mayor's Personnel, and the activities of Divisions – by the Divisions and Projects Coordinator. The Personnel of Mayor is supplemented by two Deputy Mayors, two assistants and advisors. In 2007, 9 employees of Masis Municipality with high-ranks in community services participated in training courses. They will also participate in community services attestation in 2008. This is another step forward in developing local self-governance.

Functions of local self-governance bodies

N	Function	Issues	Issue/s/ description
1	Community development planning	Yes	Community development plans are left unfulfilled partly because of lack of resources
2	Provision of construction authorizations	Yes	General plan of the city not ready yet
3	Maintenance and development of public infrastructure	Yes	Shortage of resources
4	Usage of community land	Yes	Significant number of discrepancies in mapping works, lands are highly disaggregated
5	Water supply	Yes	City network of water supply is in deplorable state. No water in higher floors of buildings. Poor quality of water.
6	Sewerage provision and maintenance	Yes	No renovations done within last fifteen years. No sewerage in new-built districts
7	Provision and maintenance of irrigation structures	Yes	Scant investments in this area, lands are highly disaggregated.
8	Waste disposal	Yes	City landfill is in sanitary, ecologically impermissible state
9	Maintenance and administration of housing stock	Yes	Development of housing stock is not in balance with the growth of population. Formation of condominiums is delayed.
10	Heat supply services	Yes	No heat supply services provided. Local boiler houses are beyond the capacities of municipality.
11	Road construction and maintenance	Yes	Certain activities are underway, but the resources are too scarce to entirely solve this issue. On the other hand, the poor condition of water supply network is also an obstacle.
12	Provision and administration of public transport services	Yes	Measure are taken to improve the performance of Masis-Yerevan route
14	Provision and maintenance of education and culture infrastructures	Yes	Significant investments needed
15	Provision and maintenance of healthcare and sports infrastructures	Yes	Healthcare issues are beyond the scope of municipal competencies and resources. Sport requires large investments.
16	Revenue collection	Yes	Social conditions of population
17	Registration of civil acts	No	-
18	Arrange veterinary safety precautions	No	-
19	Support to businesses	Yes	Municipality support is not sufficient because of scarce resources.

Performance Budgeting

Municipality infrastructures include the following institutions:

N	CNCO description
1	Masis City Library
2	Masis Children/Juvenile Art Center
3	Masis Music School Arno Babajanyan
4	Fine Arts School of Masis
5	Masis Children/Juvenile Sports School
6	Masis Day-Care Center N 1
7	Masis Day Care Center N 2
8	Masis Day Care Center N 3
9	Masis Day Care Center N 4
10	Masis Day Care Center N 5
11	Masis Day Care Center N 7

Community-owned real estate

In 2006 1043.8 ha state-owned land, which was within the administrative territory of community, was rendered to the community under the RA Government Decision N698-N, dated 13.04.2005, as a community property of which 10-15% is annually sold by auction.

The community owns 4 administrative, 6 kindergartens, 1 library, 1 Music School, 1 sports school buildings, 2 gyms, 14 artesian wells, 2 decorative lakes, 1649 sq. m. area of the housing stock. Most part of community-owned housing stock makes those apartments, that were not privatized by its users in due time.

3. Municipality infrastructures

One chief and one lead specialist are assigned to ensure maintenance and development of Municipality infrastructures. In this area, activities of the Municipality develop in 5 directions:

- a. Maintenance of housing stock*
- b. Supervision of waste disposal*
- c. Improvement and planting*
- d. Maintenance of institutions under Municipality*
- e. Maintenance and development of Municipality infrastructures*

Masis community has urban and rural districts. There are 62 multi-apartment buildings in urban districts constructed in 70-90s. Urban buildings have not so far moved to condominium-type services. Technical servicing is provided by “Sis” CJSC. The district with 2000 private houses has considerably older, around 50 years' history. Due to the allocation of near-house plots in early 90-s, new districts were formed which are still in the process of construction. To improve housing issues, in 2006 62 near-house plots were added to the existing 132 plots which were allocated by auction in 2002. In 2008, residential construction plots are also envisaged to be sold to the population in auction.

Surface of housing stock in residential buildings and non-residential constructions

	Housing stock	Total surface sq. m	Living space sq. m
1.	Total housing stock, including	350370	234722
1.1	In residential buildings	342090	229075
1.2	In dormitories	6480	4647
1.3	In non-residential constructions	1800	1000
2.	Community-owned living space	1649	1214

In 1970-90, 62 five-storey multi-apartment buildings were constructed in Masis city, 2 of which are in Masis station, 18 are in 3rd district, 40 - in new-built district and 2 - in street 5. The roofs of the buildings are basically made of asbestos slate which have decayed and become useless causing problems to the population. The roofs need to be entirely renovated. The entrances of buildings are in miserable state, there are no windows, entrance doors half-destroyed or totally missing. In 2006 43 entrances of 9 buildings were renovated through joint funding by UN and Municipality, and in 2007 13 building roofs were rehabilitated through Municipality and State Budget. Successful completion of the project and positive response of population implies new investments in this sphere. It is envisaged, that allocations will be made from Municipality budget for renovation of entrances and roofs.

Waste disposal is done across the whole territory of Masis city, including private sector and Masis station. Street and pavement cleaning is also done, including 280000 sq. m. of public area/market, square etc/. Due to the cooperation with RTI organization, serious changes are expected in waste disposal area in 2008.

Green zone protection activities are implemented across 12 ha area every year, 10,5 ha of which are green areas of public use, planted areas.

Asphalted roads in Masis city make 280000 sq. m., the surface of non-asphalted

roads and passes makes 180 thousand sq. m, of which 120000 sq. m. is the improved part, while uncovered area is 60000 sq. m.

There are 11 community non-governmental organizations functioning in the city, including 6 day-care centres, Sports School, Central Library, Music School, Fine Arts School and Children/Juvenile Art Centre. These organizations are located in buildings constructed back in 1970-90s and need capital renovation. In 2007-8, new Sports School is anticipated to be constructed funded by the state budget, which will significantly raise the quality of services rendered by the current Sports School operating in non-typical building. To this end, the Community Council made a decision to provide community-owned 1.5 ha area free of charge. It has to be noted, that the city lacks a House of Culture, which has its negative impact on the cultural life of community.

To preserve the housing stock, it is required to renovate water pipelines and sewerages of multi-apartment buildings basements. Water pipelines and sewerages that are outside buildings are also in devastated condition as these were constructed 30-35 years ago. The network of city water pipelines consists of 43 km long pipelines with 100-135 mm diameter, which need to be entirely replaced. In the new land areas allocated to population in 90-ies there are practically no sewerages and water pipelines. Districts New lands I – IV need to be asphalted, water pipeline and sewerage and street lighting installed.

Performance Budgeting

Roads from community to other communities or to highway

N	Road name	Asphalt (yes/no)	Condition			Length /km/
			Bad	Medium	Good	
1	From Masis Artashat-Yerevan highway	yes		V		1
2	From Masis Yerevan-Artashat highway	yes		V		0.8
3	Masis –Ejmiatsin	yes	V			14
4	Masis -Yerevan (Nerkin Charbakh)	yes			V	7
5	Masis –Ranchpar	yes		V		10

In-community roads

Streets (alleys)	Condition			Length /km/	Surface, sq. m
	Bad	Medium	Good		
1. Asphalted		√		25	240 000
2. Paved	√			10	120 000
3. Earth road	√			18	60 000
Total				53	420 000

Transportation services

The condition of city transport is in general satisfactory. There are regular bus and mini bus routes through Yerevan, Artashat, Ejmiatsin, adjacent villages. There are some issues related to Yerevan-Masis-Yerevan route mini-bus. In rush hours passengers crowd in the stops. Over 10 small-scale and large companies provide taxi services in the city.

N	Route transport across community territory	Number of servicing vehicles	Last stop	Fee
1	Regional route bus	5 buses, 6 mini buses	Artashat, Nor-Kharberd, Aintap, Ranchpar, Sis, Hovtashat, Noramarg, Nizami	100-200 AMD
2	Public route bus *	12 mini buses, 6 buses	Yerevan, Ejmiadzdin	150-200 AMD

* Yerevan- (Goris-Stepanakert) Meghri-Tehran interstate highway, as well as Yerevan-Airum, Yerevan Yeraskh railroad crosses Masis territory.

Main part of infrastructures is private ownership and not for the benefit of community, but rather for personal benefit. This is the reason that community lacks influential leverages and has problems. The very collection of base data poses serious difficulties, nevertheless, the tables below present approximate data.

Energy supply

Branch name	Number of subscribers		Annual energy consumption (KW. hour)	
	Families	Institutions	Families	Institutions
AEN, “Araks” branch	5200	230	8000000	13000000

Gas supply

Gas supply activities have intensified in recent years. Around 90% of private houses have gas supply. Multi-apartment buildings are also provided with gas supply. Gas supply activities have already been finalized for 36 buildings out of 62 multi-apartment buildings. Masis station district is also provided with gas supply through Government support and community investments. Main issue is the insolvency of population, but because gas is comparatively cheap fuel, therefore families having low income also strive to obtain funds for making the initial investment.

Supplier	Number of subscribers in the network		Volume of annually consumed gas (m ³)	
	Households	Institutions	Households	Institutions
“Hayrusgasard” CJSC Artashat branch, Masis site	4200	90	3000000	1200000

Telecommunication (01.01.2006)

Means of communication	Availability (yes/no)	Number of users	Quality of communication			Notes
			Baad	Medium	Good	
Telephone	Yes	4613		V		4212 private, 186 budgetary institutions, 215 enterprises
Internet	Yes	500		V		Two operating providers
Television	Yes	20000			V	Need for local TV company
Post	Yes	12000			V	

Potable water supply and sewerage system

	Number	Capacity (liter/sec)	Monthly water consumption (m ³)	Loss, %
Number of households connected to the potable water supply network	4350	Over 160	414 720	60
Number of households connected to the sewerage network	4100	X	X	X

4. Economy

Masis is included in the agricultural zone of Ararat Marz. Most advanced fields of agriculture are vegetable-growing, viticulture, orcharding and cultivation of vegetable crops. Production of potato and wheat is of great and vital importance. Only small share of produced agricultural products are consumed in domestic market. The population of Yerevan is the main consumer. The city owns privatized and currently downtime canning factory. Before that important issue will be solved, Masis farmer is forced to take the food to Ararat, Artashat or Armavir food processors in unfavorable conditions.

In current situation of economic decline, economic potential of Masis cannot be realistically assessed. Once in economic growth, the city is now almost paralyzed. Facts are more telling: in 80-s over 5000 worker-employees were working in industrial enterprises, whereas current production volume is

way below the indicators of not only that of Soviet years, but also of neighboring regions. Recent years witness increase in production volume, which is mainly due to launching of several large enterprises in Masis' industrial juncture. These include “Masis Tabak”, “Alishan” LLC, “Masis Gofrotara” factory etc.

Re-launching of the canning factory is high priority for the community. At present, the production of food (dry fruit, juices, sausages, bakery), construction materials (tiles, wooden and metal-plastic construction materials, grave-stones), though small scale, is quite active.

Agriculture

Masis possesses favorable nature-climate conditions and geographical location, the wealth of human resources for developing certain branches of agriculture and processing industry, and in that it is provided with the development potential of agriculture.

Land use in the community

N	Land use	Total ha	Of which					Private (ha)
			I class	II class	III class	IV class	V class	
1	Total land	1874	x	x	x	x	x	x
2	Agricultural lands	807		30	108	84	583	513
2.1	- arable lands	613		32	83	85	413	450
2.2	- perennial plants	23						23
2.2.1	Vineries	20			14	2	6	20
2.2.2	Orchards	3					3	3
2.3	- hayfields	21					21	10
2.4	- grasslands	150					150	30
3	Residential area	386	x	x	x	x	x	x
4	Industrial/entrails, production significance/	343	x	x	x	x	x	x
5	Energy, transport, communication, communal infrastructures	91	x	x	x	x	x	x
6	Specially protected areas	11	x	x	x	x	x	x
7	Special significance	2	x	x	x	x	x	x
8	Water	22	x	x	x	x	x	x
9	Reserve lands	212	x	x	x	x	x	x

Irrigation*

	Land use	Total (ha)	Irrigated (ha)
1	- Planted areas	596	596
2	- Orchards	3	3
3	- Vineries	20	20
4	Other: hayfields	21	21

* Actual uncultivated (non-irrigate) lands are far more. There are various reasons for that - land disaggregation, low profitability, market, fertilizers and quality of pesticides etc.

Industry

The area of industry is also not deprived of problems. While in recent years the production indicators have grown, nevertheless, the progress of development is not yet sufficient. Production enterprises have the same or similar problems - scarce financial resources, lack of information, limited market, need for quality specialists and new technologies. To develop small and medium business it is necessary to establish information-consultative centers and accessible and privileged loan mechanisms, to strengthen SME associations.

As 69% of city households are involved in production of agricultural products, the role of processing enterprises cannot be overestimated. It is necessary to promote capacities of existing enterprises by attracting investments and to establish new small and medium capacity processing enterprises to ensure competitive framework.

Main strategy of industry development should be the assistance to development of industrial clusters. Mutually assisting and complementing industrial branches should be targeting one main goal – produce final and market-wise competitive product.

Number and type of enterprises existing in community

N	Type	Number	Main activity of enterprises	Number of employed community members
1	Enterprises processing agricultural products	2	Processing agricultural products	60
2	Industry area	25	Light industry	1200
3	Services and supply area	210	Services area	1900

5. Education, culture, sports, spiritual education, healthcare

Masis does not have rich and old history and is poor in historical-cultural works. The city which grew rapidly and “artificially” is comprised of mainly typical constructions thus being deprived of the beauty of distinc-

tive architectural.

Imagery speaking, the most beautiful and oldest historical-cultural and architectural work is the unmatched view of Masis and Aragats mountains, and under their gaze human being has still much to do. The territory of city has been populated from times immemorial. 3 km to the north from Masis city, in the out-

skirts of Norabats village excavations unveiled an inhabited area of IV-V centuries B.C., where they discovered stone instruments, remains of clay and slime crockery typical for Neolithic Age. 3 khachkars of 15th century installed in Masis city cemetery breathe with antiquity; they have been moved from the territory of Nakhijevan in 1989. In the area bordering Masis Central Square, a monuments group is erected immortalizing the memory of World War II victims, which is of monumental architectural value for the city. The memorial spring of the Central Square keeps bright the memory of Karabakh war victims for the last decade. The sculptures “Creation of Life”, “Sun-clock”, “Ram” are worthwhile mentioning.

There is no church in Masis city, which results in prospering sects. The foundation of a church already laid and consecrated next to the Central Square gives hopes, and its construction has already been initiated by “Vardanyan Family” foundation.

Hospital complex, polyclinic, sanitary-hygienic laboratory, Republican Children's Orthopedic Hospital of regional significance have good reputation. The community deals with the healthcare country-wide and national issues only partly, whenever need arises to help healthcare facilities under government institutions. Best example of cooperation is the fight against malaria, where Masis is sometimes the focus of outbreak and spread of that disease.

Masis city has 6 day-care centers, 6 secondary schools, State Agriculture College. The Fine Arts School, Music School after Arno Babajanyan are quite reputable in Masis and other areas of region. The Cultural Centre is in miserable state: it occupies only one-two rooms. “Masis” cinema does not function for already several years. Only the chil-

dren/juvenile sports school is rather active with around 300 athletes, but the lack of sport facilities is significant.

Day care centers of the city are located in typical buildings. Unlike vast majority of day care centers in the country and Ararat Marz, which either do not work or work only for 6 months time, 6 day care centers in Masis are functioning throughout whole year. Kindergarten expenditures are fully covered by the Municipality. Kindergartens are underused in terms of their building capacity – by 50 and more %, except for kindergartens N4 and 5, which operate with 60-70% overload. Kindergarten used and unused areas need renovation, partly also property. Although every year partial repairs are performed, still these are not sufficient. In the case of utilizing unused space there is need for capital renovation. The toilets, sewerages, potable water pipes underwent partial rehabilitation, but in all kindergartens they are in prime need for capital renovation.

There are approximately 1700 preschool children in the city, of which nearly 600 attend kindergarten. Despite the actual, that the number of children attending kindergarten is increasing year by year, however, the kindergartens do not operate in their full capacity. The reasons for low attendance in kindergartens vary; some of them are as follows:

- a. Underemployment of population;
- b. Insufficient social level (insolvency);
- c. Lack of information on day care center activities.

In the coming 2-3 years, attendance in day care centers is anticipated to increase parallel to consistent solution of these issues and improvement in living standards of population. This tendency is evident in all kindergartens. Child birth rate is increasing every year in the city, e.g. in 2002 – 213, in 2004 – 329, in 2005

– 365, therefore in the range of 2-3 years there is a need for preparatory activities to be ready for gradually involving all applying children in kindergartens. There is the issue of training the pedagogues who have not been trained for long years.

Cultural environment of Masis city can be described as not very eventful. The main

problem is that there is no house of culture, theater or functioning cinema in the city. This gap is partially filled by the Music School and Fine Arts School. However, these schools, as well as other cultural institutions – ՄՊՍԿ (21 employers, 13 groups), library, they also have serious and pressing issues to be solved.

Educational institutions

	Quantity	Number pupils	Number	Condition of buildings – needing repair	Comments
<i>Kindergarten</i>	6	590	115	yes	Amortization of property, not high salary, training of specialists
<i>Secondary schools</i>	6	3450	214	yes	
<i>State Agricultural College</i>	1	390	36	yes	

Out-of-school institutions, culture and sports

	Quantity	Number of attendants	Number of employees	Condition of buildings need for repairs	Comments
<i>Fine Arts School</i>	1	34	10	no	Need for repair, property
<i>Sports school</i>	1	322	22	no	
<i>Music School</i>	1	256	41	yes	
<i>Library</i>	1	1500	24	no	
<i>Stadium</i>	1	200	5	yes	
<i>Sports club</i>	1	196	8	yes	

6. Opportunities and challenges

Masis city is linked to other regions of the country with strong administrative, economic, work and cultural-domestic ties. The hierarchy of administrative ties starts from villages, involves regional center Masis and ends up in Yerevan through Marz center Artashat.

Economic-production ties go beyond the boundaries of internal regional significance

and acquire all-country importance. Work ties are vertical in internal regional sense, and it can be said to be horizontal in external sense. Rural labor force of the region is targeted on Masis city, where there are considerably numerous enterprises in the sphere of services, education. There are permanent route-buses and mini-buses to the Center and South-Western districts of Yerevan, to Artashat, Ejmiadzin, Stepanakert city of RMK. Ye-

Yerevan-Meghri highway crosses Masis region, and the population of Masis easily uses all operating routes. Masis is also a significant railway juncture. Masis city is crossed by railway routes Yerevan-Masis-Gyumri-Airum-Tbilisi, Yerevan-Masis-Yeraskh, which ensure the viability of foreign economic and domestic ties of Masis city. Based on the favorable economic-geographical location of Masis city it is realistic to anticipate, that within the coming years external/foreign ties will become very active and efficient in all criteria. Interstate relationships with Iran are progressing as the existing and prospective means of terrestrial communication cannot bypass Masis region. Double advantage is actual of being close to Yerevan, as well as the accessibility of large bases from the past, which will help fully restoring its former reputation of supplier region.

Additional advantage is the presence of numerous repatriates from Iran in different years which will ensure dynamic language, personal ties and awareness indicators of rich human resources.

Together with number of problems, however, due to favourable physical-geographical location and economic-geographic position, well-developed road and railway network, favourable natural conditions for agriculture, human and production infrastructures sufficient for industry, as well as the commitment of municipal authorities of Masis city, it has real chances for prosperity.

1. *Favorable economic-geographic location*
2. *Wealth of labor-force with professional*

skills

3. *Developed external relations*
4. *Education potential*
5. *Developed production infrastructures network*
6. *Abundance water resources*
7. *Longevity of vegetation period*
8. *Number of production enterprises ready for re-launching*

Situation analysis reveals a whole range of issues which when ignored complicate their solutions by each year. While it won't be realistic to say that all revealed and recorded issues can be soon overcome or overcome only through community forces, however, when these problems are analyzed and categorized, only then it is possible to adequately plan upcoming activities, seek and find both internal, as well as external opportunities. Serious issues include:

1. *Level of unemployment*
2. *Devastated infrastructures (in particular potable water, sewerage, roads) քայքայվածություն*
3. *“Aging “of housing stock*
4. *Extensiveness of agricultural products and difficulties with sale*
5. *Condition of community-owned building facilities*
6. *Working and entertainment outage of youth*
7. *Meagerness of green masses*
8. *Cultural and physical-healthcare development issues*
9. *Information vacuum related to the lack of mass media*

Main obstacles to community development

	Obstacles	Not important				Important			Very important		
		1	2	3	4	5	6	7	8	9	10
1	Unemployment										
2	Poor condition of infrastructures										
3	Poor accessibility to health services										
4	Poor accessibility to high quality general education										
5	Accessibility to vocational education or training										
6	Poor conditions of apartment										
7	Poor accessibility to irrigation										
8	Poor marketing of agricultural products										
9	Water supply										
10	Natural disaster										
11	Poor information accessibility										
12	Low payment for work										
13	Insufficient assistance to business										

Strategic problems, goals, long-term issues

Education and sports

Medium term objectives are drawn up for 3 three years period

Mission

Raise the quality of preschool education and contribute to the development of sports and physical training in the community through efficient coordination of the spheres of education and sports

Medium-term objectives

1.	Rehabilitate 6 kindergarten buildings in Masis city
2.	Provide stable heating in 6 kindergartens through local boiler-houses
3.	Ensure replenishment of property for 6 kindergartens
4.	Ensure maintenance and sustainable growth of preschool education quality and accessibility – food ration –by 20%, number of pupils –175, salary- 40%.

1.1 Preschool education

Issues

1. Poor building facility and property base
2. Inadequate quality and quantity of preschool services
 - a. food ration
 - b. salary
 - c. training
 - d. number of beneficiaries

Goal

Contribute to raising the quality of services in preschool area by increasing the number of accessibility of rendered services

Performance Budgeting

1.2 Sports school

Goal

Issues

1. Poor building facility and property base
2. Need to preserve current situation

To raise the quality of children/juvenile physical education, organize sports events and contests by preserving and developing its current state.

Medium term objectives

5.	Construct new building for sports school and render for exploitation
6.	Replenish property base
7.	Participate in 10 republican contests and championships every year
8.	Based on annual results in sports, organize incentive and other sport events for 10 best athletes of the city
9.	Ensure maintenance and sustainable growth of physical education quality and accessibility – number of pupils by 25, salaries – 40%

1.3 School and out-of-school education

4. Insufficient property and building facilities of schools
5. Need for raising quality of education

Issues

1. Poor property base of children/juvenile art center
2. ՄՊՍԿ property base
3. Need to preserve and develop current state of out-of-school education

Goal

Contribute to raising quality of education maintaining the quantity and accessibility of rendered services

Medium term objectives

10.	Renovate ՄՊՍԿ building
11.	Replenish ՄՊՍԿ property base
12.	Ensure maintenance and sustainable growth of quality and accessibility of out-of-school education – salary by 40%
13.	Ensure assistance to 6 secondary schools of city

*Responsible
Chief specialist R. Yeghiazaryan*

2. Cultural and social issues

2.1 Culture

Medium term objectives are drawn up for three years period

Mission

Improve the cultural environment of community, contribute to the solution of social problems of community.

Issues

- 1.1. Lack of building for Cultural Centre
2. Poor property base
3. Need to maintain and develop current situation

Goal

Improve cultural environment of community.

Medium term objectives

14.	Construct Cultural Centre with 500 seats
15.	Replenish property base of Cultural Centre
16.	Organize and run city events dedicated to holidays and commemorations of state holiday list
17.	Maintain and develop existing quality and quality of services provided in the cultural area

2.2 Music School after Arno Babajanyan

Issues

1. Poor property base.
2. Need to maintain and develop current situation.

Goal

Improve coordination of secondary vocational musical education

Medium term objectives

18.	Renewal of furnishing in Music School hall and classrooms
19.	Ensure maintenance and sustainable growth of musical education quality and accessibility – number of pupils – 25, salary - 40%

2.3 Fine Arts School

Issues

1. Poor property base
2. Need to maintain and develop current situation.

Goal

Improve building facility and property base of the institution

Medium term objectives

20.	Replenish property base of Fine Arts School (easels, brushes, paints, frames, sculpture instruments and raw materials)
21.	Ensure maintenance and sustainable growth of fine art education quality and accessibility– number of pupils by 10, salary - 40%

2.4 City library

Issues

1. Lack of new literature
2. Old methods of library science
3. Need to maintain and develop current situation

Goal

Increase in number of readers and raising service quality:

Performance Budgeting

Medium term objectives

22.	Renovate library (sports school) building*
23.	Replenish book stock of library by 500 title (2500 unit) new literature
24.	Introduce modern methods of library science /electronic card administration/, ensure ability to use electronic literature through internet, procure computer equipment
25.	Ensure maintenance and sustainable growth of quality and accessibility of librarianship – number of readers by 1000, salary – 40%

*The library is located in a separate building of the sports school

2.5 Social area

Issues

1. Need for assisting socially insecure families of community
2. Passive non-governmental organizations

Goal

Contribute to the solution of social issues in the community

Medium term objectives

26.	Maintain and add the volume of financial aid allocated to socially insecure families adjusting their purposefulness.
27.	Ensure annual participation of the community to the "Charity Canteen" program increasing subsidies
28.	Assist in activities of non-governmental organizations

*Responsible:
Lead specialist V. Zakaryan*

3. Communal services and housing stock

Medium term objectives are drawn up for three years period

Mission

Have a community with developed infra-structures and quality public services

3.1 Exploitation and maintenance of housing stock

Issues

1. Inadequate state of multi-apartment buildings' roofs

2. Inadequate state of multi-apartment buildings' entrances, staircases and yards
3. Poor state of multi-apartment buildings' basements of water pipelines and sewerages
4. Absence of efficient multi-apartment buildings administration system
5. Need to maintain and develop current situation

Goal

Contribute to the maintenance and development of municipal housing stock

Medium term objectives

29.	Rehabilitate roofs of 15 buildings
30.	Rehabilitate entrances of 15 buildings
31.	Construct 6 yard playground
32.	Rehabilitate water pipelines and sewerages of 17 buildings' basements
33.	Contribute to the formation of 1-2 exemplary/model condominiums
34.	Rehabilitate water closets and roofs of two dormitory buildings
35.	Rehabilitate external sewerage of building 34 on street 5

3.2 Road Management

Issues

1 Inadequate condition of inter-community roads

Goal

Improve inter-community road conditions.

Medium term objectives

36.	Expand (improve) asphalted areas from 62% to 66%
37.	Pave streets of new-built districts / 30 000 sq. m./
38.	Rehabilitate the bridge linking street 5 with street 6

3.3 Waste disposal, planting, improvement, night-time lighting, irrigation

Issues

1. Inadequate condition of waste disposal
2. Lack of green zones
3. Limited night-time lighting system

Goal

Ensure improved and decent appearance of the city

Medium term objectives

39.	In regard to cleaning and improvement of community, keep current quantity and quality of provided services expanding the surface of cleaned areas by 10%
40.	Procure new garbage truck
41.	Ensure care of 8 ha green areas expanding the surface of green areas by 50%
42.	Provide servicing of 11 km street lighting section
43.	Extend street lighting by 4 km
44.	Ensure guarding of city cemetery
45.	Construct one public lavatory in the central part of the city
46.	Renovate 3 km section of green area irrigation system

Performance Budgeting

3.4 Water supply and water removal, provision of gas supply, energy supply

Issues

1. Extreme emergency state of in-city water supply system
2. Lack of water supply and removal systems in new-built districts

Medium term objectives

47.	Construct new 5 km water pipeline
48.	Rehabilitate and construct new 5 km sewerage
49.	Rehabilitate and construct new 5 km gas pipe
50.	Construct 10 km electrification system in the new-built district

3. Need to compete activities of provision of gas supply to the city
4. Lack of electrification in the new-built districts

Goal

Improve in-city water supply and removal systems, contribute to the overall gas supply of the city

Responsible:

Advisor to the Mayor Kh. Darbinyan

4. Architecture and urban development

Medium term objectives are drawn up for three years period

Mission

Ensure harmonised progress of municipal urban development

Medium term objectives

51.	Finalise the general plan of the city
52.	Order design-cost calculation documents for capital construction

Issue

1. Lack of urban development project document – general plan
2. Need for documentary justification for capital construction

Goal

Ensure harmonised urban development of city in compliance with the city general plan

Responsible:

Chief specialist G. Zakaryan

5. Financial division

Medium term objectives are drawn up for three years period

Mission

Provision of natural financial-economic functioning of the municipality and the community

Issues

1. Need for financial planning and administration of activities
2. Seasonal disproportion of financial expenditures and revenues
3. Scarce foreign investments

Goals

1. Ensure clarity in municipal financial functions

Medium term objectives

53.	Ensure availability of purchasing other community services and goods
54.	Establish reserve fund of administrative budget with the aim of operatively solving current financial problems
55.	Establish reserve fund of fund budget with the aim of co-financing potential foreign investment projects

*Responsible:
Head of financial division L. Grigoryan*

6. Division for Revenues and Information

Medium term objectives are drawn up for three years period

Mission

Collection and registration of own revenues (land tax, property tax, rental fees), coordination, analysis and provision of information, program development and implementation

Medium term objectives

56.	Ensure 20% annual growth of own revenues through dissemination of information leaflets among tax-payers, ordering articles in newspapers, organizing TV programme, discussions
57.	Ensure efficient operation of Municipality computer network, computer software for the purpose of information collection, processing and storage

*Responsible
Head of Revenues and Information Division H. Ghalechyan*

7. Legal Area

Medium term objectives are drawn up for three years period

Mission

Legal provision of community and municipality operation

Issues

1. Inadequate level of revenue collection and gaps in registration
2. Inefficiency of mechanisms of information collection and provision

Goals

1. Ensure sustainable growth of revenues and distinct registering/accounting
2. Ensure active communication mechanisms with the population

Issues

1. Need for CSAR Masis branch to implement the powers delegated by the state
2. Need for legal provision of municipality functioning

Goals

1. Ensure implementation of powers related to CSAR delegated by the state
2. Provide legal information to the municipality

Performance Budgeting

Medium term objectives

58.	Implement powers related to CSAR/ՔԿԱԳ delegated by the state
59.	Ensure availability of maintaining “IRTEK” legal information system

Responsible:
Chief specialist A. Pahlevanyan

8. Agriculture

Medium term objectives are drawn up for three years period

Mission

Support to the solution of agricultural issues of community

Issues

1. Low rate of agricultural development

Goals

1. Contribute to the development of agriculture in the community

Medium term objectives

60.	Ensure veterinary services in the community by state-delegated authority
61.	Ensure availability to free agricultural consultations
62.	Ensure availability to cleaning the drainages

Responsible:
Chief specialist M. Mkhitarian

9. Management personnel

Medium term objectives are drawn up for three years period

Mission

Organization and control over natural functioning of community

Issues

1. Need for maintenance and develop-

Medium term objectives

63.	Maintain current state of management personnel ensuring sustainable annual growth for 10-20%
64.	Replenish property base of municipality
65.	Ensure retraining of 34 employees of personnel
66.	Rehabilitate administrative building of municipality
67.	Provide gas supply for the administrative building of municipality

ment of management personnel

2. Violation of trade, services, land use, urban development rules

Goals

1. Contribute to maintenance and development of management personnel

2. Contribute to protection of legitimacy in the area of trade, services, land use, urban development

Responsible:
Secretary of Mayor's Personnel P. Simonyan

Priority setting of medium term objectives

(score 1-20)

Objective N	Medium term objectives	Criteria				
		Number of beneficiaries	Longevity	Social target	Realistic	Total
1.	Renovate 6 kindergarten buildings in Masis city	18	16	12	13	59
2.	Provide stable heating in 6 kindergartens through local boiler-houses	18	12	15	11	56
3.	Ensure replenishment of property for 6 kindergartens	12	6	9	17	44
4.	Ensure maintenance and sustainable growth of preschool education quality and accessibility– food portion –by 20%, number of pupils –175, salary- 40%	18	8	18	17	61
5.	Construct new building for sports school	10	18	6	3	37
6.	Replenish property base of sports school	10	7	8	8	33
7.	Participate in 10 republican contests and championships every year	8	5	11	18	42
8.	Based on annual results in sports, organize incentive and other sport event for 10 best athletes of the city	8	5	10	18	41
9.	Ensure maintenance and sustainable growth of physical education quality and accessibility – number of pupils by 25, salaries – 40%	15	10	13	14	52
10.	Renovate ՄՊՄԿ building	11	12	10	5	38
11.	Replenish ՄՊՄԿ- property base	10	9	12	1	32
12.	Ensure maintenance and sustainable growth of quality and accessibility of preschool education – salary by 40%	13	10	15	12	50
13.	Ensure assistance to 6 schools of the city	12	5	15	15	47
14.	Construct Cultural Centre with 500 seats	10	15	5	0	30
15.	Replenish property base of Cultural Centre	11	8	5	8	32
16.	Organize and run 9 city events dedicated to holidays and commemorations of state holiday list	15	5	10	13	43
17.	Maintain and develop existing quantity and quality of services provided in the cultural area	15	5	12	14	46
18.	Renewal of furnishing in Music School hall and classrooms	12	13	13	16	54
19.	Ensure maintenance and sustainable growth of musical education quality and accessibility – number of pupils –25, salary - 40%	12	8	12	3	35
20.	Replenish property base of Fine Arts School (easels, brushes, paints, frames, sculpture instruments and raw materials)	8	8	9	2	27
21.	Ensure maintenance and sustainable growth of fine art education quality and accessibility– number of pupils by 10, salary - 40%	8	8	12	15	43
22.	Renovate library (sports school) building*	14	15	8	15	52
23.	Replenish book stock of library by 500 title (2500 unit) new literature	14	14	8	10	46

Performance Budgeting

24.	Introduce modern methods of library science	14	12	6	7	39
25.	Ensure maintenance and sustainable growth of quality and accessibility of librarianship – number of readers by 1000, salary – 40%	14	10	5	10	39
26.	Maintain and add the volume of financial aid allocated to socially insecure families adjusting their purposefulness	14	11	5	14	44
27.	Ensure annual participation of the community to the "Charity Canteen" program	8	5	20	10	43
28.	Assist in activities of non-governmental organizations	8	3	20	11	42
29.	Rehabilitate roofs of 15 buildings	5	15	15	10	45
30.	Rehabilitate entrances of 15 buildings	5	11	11	15	42
31.	Construct 6 yard playground	9	12	13	14	48
32.	Rehabilitate water pipelines and sewerages of 17 buildings' basements	5	11	10	15	41
33.	Contribute to the formation of 1-2 exemplary/model condominiums	5	10	15	2	32
34.	Rehabilitate water closets and roofs of two dormitory buildings	3	15	16	10	44
35.	Rehabilitate external sewerage of building 34 on street 5	1	15	15	12	43
36.	Expand (improve) asphalted areas from 62% to 66%.	18	12	10	15	55
37.	Pave streets of new-built districts / 30 000 sq. m./	10	7	15	12	44
38.	Rehabilitate the bridge of street 5 and 6	8	12	10	13	43
39.	In regard to cleaning and improvement of community, to keep current quantity and quality of provided services expanding the surface of cleaned areas by 10%	20	10	10	15	55
40.	Procure new garbage truck	15	12	10	13	50
41.	Ensure care of 8 ha green areas expanding the surface of green areas by 50%	18	12	7	10	47
42.	Provide servicing of 11 km street lighting section	15	9	7	15	46
43.	Extend street lighting by 4 km	18	13	8	12	51
44.	Ensure guarding of city cemetery	15	14	10	8	47
45.	Construct one public lavatory in the central part of the city	12	13	8	4	37
46.	Renovate 3 km section of green area irrigation system	14	12	9	10	45
47.	Construct new 5 km water pipeline	10	15	11	8	44
48.	Rehabilitate and construct new 5 km sewerage	10	12	11	10	43
49.	Rehabilitate and construct new 5 km gas pipe	14	15	13	9	51
50.	Construct 10 km electrification system in the new-built district	12	14	12	9	47
51.	Finalise the general plan of the city	18	14	5	11	48
52.	Order design-cost calculation documents for capital construction	12	15	5	14	46
53.	Ensure availability of purchasing other community services and goods	15	8	8	12	43
54.	Establish reserve fund of administrative budget with the aim of operatively solving current financial problems	15	3	8	17	43
55.	Establish reserve fund of fund budget with the aim of co-financing potential foreign investment projects	15	8	8	18	49

Performance Budgeting

56.	Ensure 20% annual growth of own revenues through dissemination of information leaflets among tax-payers, ordering articles in newspapers, organizing TV programme, discussions	15	8	9	10	42
57.	Ensure efficient operation of Municipality computer network, computer software for the purpose of information collection, processing and storage	8	7	9	18	42
58.	Implement powers related to CSAR/ԲԿԱԱԳ delegated by the state	15	7	12	5	39
59.	Ensure availability of maintaining “IRTEK” legal information system	15	12	13	10	50
60.	Ensure veterinary services in the community by state-delegated authority	15	5	12	5	37
61.	Ensure availability to free agricultural consultations	10	8	9	5	32
62.	Ensure availability to cleaning the drainages	15	5	8	5	33
63.	Maintain current state of management personnel ensuring sustainable annual growth for 10-20%	16	5	10	15	46
64.	Replenish inventory base	10	8	3	10	31
65.	Ensure retraining of 34 employees of personnel	5	5	12	10	32
66.	Rehabilitate administrative building of municipality	5	14	5	17	41
67.	Provide gas supply for the administrative building of municipality	8	14	5	8	35

Priority medium term objectives and associated expenditures

Objective N	Code	Priority medium term objectives (3 years)	Tot. score	Expenditures (AMD thousand)	Incremental
4	01	Ensure maintenance and sustainable growth of preschool education quality and accessibility– food ration –by 20%, number of pupils – by 175, salary- 40%.	61	250000.0	250000.0
1	02	Rehabilitate 6 kindergarten buildings in Masis city	59	60000.0	310000.0
2	03	Provide stable heating in 6 kindergartens through local boiler-houses	56	65000.0	375000.0
36	04	Expand (improve) asphalted areas from 62% to 66%	55	50000.0	425000.0
39	05	In regard to cleaning and improvement of community, to keep current quantity and quality of provided services expanding the surface of cleaned areas by 10%	55	63000.0	488000.0
19	06	Ensure maintenance and sustainable growth of musical education quality and accessibility– number of pupils – 25, salary - 40%	54	70000.0	558000.0
9	07	Ensure maintenance and sustainable growth of accessibility of physical education – number of pupils – 25, salary – 40%	53	37000.0	595000.0
22	08	Renovate library (sports school) building	52	10000.0	605000.0
43	09	Extend street lighting by 4 km	51	12000.0	617000.0
49	010	Rehabilitate and construct new 5 km gas pipe	51	50000.0	667000.0

Performance Budgeting

12	011	Ensure maintenance and sustainable growth of out-of-school education quality and accessibility – salary- 40%	50	35000.0	702000.0
55	021	Establish reserve fund of fund budget with the aim of co-financing potential foreign investment projects	49	60000.0	762000.0
31	013	Construct 6 yard playground	48	13000.0	775000.0
51	014	Finalise the general plan of the city	48	2500.0	777500.0
13	015	Ensure assistance to 6 secondary schools of the city	47	10000.0	787500.0
41	016	Ensure care of 8 ha green areas expanding the surface of green areas by 50%	47	15000.0	802500.0
44	017	Ensure guarding of city cemetery	47	8000.0	810500.0
50	018	Construct 10 km electrification system in the new-built district	47	65000.0	875500.0
17	019	Maintain and develop existing quantity and quality of services provided in the area of culture	46	4000.0	879500.0
23	020	Replenish library book stock by 500 title (2500 unit) new literature	46	3000.0	882500.0
42	021	Provide servicing of 11 km street lighting section	46	15000.0	897500.0
52	022	Order design-cost calculation documents for capital construction	46	25000.0	922500.0
63	023	Maintain current state of management personnel ensuring sustainable annual growth for 10-20%	46	230000.0	1152500.0
29	024	Rehabilitate roofs of 15 buildings	45	45000.0	1197500.0
46	025	Renovate 3 km section of green area irrigation system	45	8000.0	1205500.0
3	026	Ensure replenishment of property for 6 kindergartens	44	10000.0	1215500.0
26	027	Maintain and increase the volume of financial aid allocated to socially insecure families adjusting its purposefulness	44	40000.0	1255500.0
34	028	Rehabilitate water closets and roofs of two dormitory buildings	44	10000.0	1265500.0
37	029	Pave streets of new-built districts / 30 000 sq. m./	44	10000.0	1275500.0
47	030	Construct new 5 km water pipeline	44	60000.0	1335500.0
16	031	Organize and run 9 city events dedicated to holidays and commemorations of state holiday list	43	12000.0	1347500.0
21	032	Ensure maintenance and sustainable growth of fine art education quality and accessibility – number of pupils – by 10 and salary increase in 40%	43	15000.0	1362500.0
27	033	Ensure annual participation of the community to the "Charity Canteen" program	43	18000.0	1380500.0
35	034	Rehabilitate external sewerage of building 34 on street 5	43	3000.0	1383500.0
38	035	Rehabilitate the bridge linking streets 5 and 6	43	1000.0	1384500.0
48	036	Rehabilitate and construct new 5 km sewerage	43	30000.0	1414500.0
53	037	Ensure availability of purchasing other community services and goods	43	15000.0	1429500.0
54	038	Establish reserve fund of administrative budget with the aim of operatively solving current financial problems	43	55000.0	1484500.0
7	039	Participate in 10 republican contests and championships every year	42	2000.0	1486500.0
28	040	Assist in activities of non-governmental organizations	42	3000.0	1489500.0

Performance Budgeting

30	041	Rehabilitate entrances of 15 buildings	42	25000.0	1514500.0
56	042	Ensure 20% annual growth of own revenues through dissemination of information leaflets among tax-payers, ordering articles in newspapers, organizing TV programme, discussions	42	3000.0	1517500.0
57	043	Ensure efficient operation of Municipality computer network, computer software for the purpose of information collection, processing and storage	42	5000.0	1522500.0
59	044	Ensure availability of maintaining "IRTEK" legal information system	42	500.0	1523000.0
8	045	Based on annual results in sports, organize incentive and other sport event for the 10 best athletes of the city	41	1000.0	1524000.0
32	046	Rehabilitate water pipelines and sewerages of 17 buildings' basements	41	30000.0	1554000.0
66	047	Rehabilitate administrative building of municipality	41	20000.0	1574000.0
25	048	Ensure maintenance and sustainable growth of quality and accessibility in librarianship- number of readers by 1000, salary -40%	41	40000.0	1614000.0
24	049	Introduce modern methods of library science /electronic card administration/, ensure ability to use electronic literature through internet, procure computer equipment /computer, printer, scanner, copier/	39	3000.0	1617000.0
58	050	Implement powers associated with related to CSAR delegated by the state	39	7000.0	1624000.0
10	051	Renovate ՄՊՍԿ building	38	8000.0	1632000.0
5	052	Construct new building for sports school	37	150000.0	1782000.0
45	053	Construct one public lavatory in the central part of the city	37	1500.0	1783500.0
60	054	Ensure veterinary services in the community by state-delegated authority	37	7000.0	1790500.0
40	055	Procure new garbage truck	37	13000.0	1803500.0
18	056	Renewal of furnishing of the Music School hall and classrooms	35	20000.0	1823500.0
67	057	Provide gas supply for the administrative building of municipality	35	15000.0	1838500.0
6	058	Replenish property base of sports school	33	8000.0	1846500.0
62	059	Ensure availability of cleaning the drainages	33	20000.0	1866500.0
11	060	Replenish ՄՊՍԿ- property base	32	5000.0	1871500.0
15	061	Replenish property base of Cultural Centre	32	10000.0	1881500.0
33	062	Contribute to the formation of 1-2 exemplary/ model condominiums	32	5000.0	1886500.0
61	063	Ensure availability of free agricultural consultations	32	3000.0	1889500.0
65	064	Ensure retraining of 34 employees of personnel	32	3000.0	1892500.0
64	065	Replenish property base of municipality	31	10000.0	1902500.0
14	066	Construct Cultural Centre with 500 seats	30	150000.0	2052500.0
20	067	Replenish property base of Fine Arts School	27	3000.0	2055500.0
		Total			2055500.0

Performance Budgeting

Allocation of costs for priority medium term objectives by years

Obj. N	Code	Priority medium term objectives	Score	Expenditures (AMD thousand)	Including by years		
					2007	2008	2009
4	01	Ensure maintenance and sustainable growth of preschool education quality and accessibility– food ration –by 20%, number of pupils –175, salary 40%.	61	250000.0	75720.0	80000.0	94280.0
1	02	Rehabilitate 6 kindergarten buildings in Masis city	59	60000.0	13000.0	20000.0	27000.0
2	03	Provide stable heating in 6 kindergartens through local boiler-houses	56	65000.0	22500.0	25000.0	17500.0
36	04	Expand (improve) asphalted areas from 62% to 66%	55	50000.0	15000.0	17000.0	18000.0
39	05	In regard to cleaning and improvement of community, to keep current quantity and quality of provided services expanding the surface of cleaned areas by 10%	55	63000.0	18783.0	21000.0	23217.0
19	06	Ensure maintenance and sustainable growth of musical education quality and accessibility– number of pupils – 25, salary - 40%	54	70000.0	14020.5	20000.0	35979.5
9	07	Ensure maintenance and sustainable growth of quality and accessibility of physical education - number of pupils – 25, salary – 40%	53	37000.0	9765.1	12500.0	14734.9
22	08	Renovate library (sports school) building	52	10000.0	10000.0	0.0	0.0
43	09	Extend street lighting by 4 km	51	12000.0	3000.0	3000.0	6000.0
49	010	Rehabilitate and construct new 5 km gas pipe	51	50000.0	15785.8	17200.0	17014.2
12	011	Ensure maintenance and sustainable growth of preschool education quality and accessibility–salary- 40%	50	35000.0	10085.0	11500.0	13415.0
55	012	Establish reserve fund of fund budget with the aim of co-financing potential foreign investment projects	49	60000.0	17234.0	20000.0	22766.0
31	013	Construct 6 yard playground	48	13000.0	3000.0	5000.0	5000.0
51	014	Finalise the general plan of the city	48	2500.0	2500.0	0.0	0.0
13	015	Ensure assistance to 6 schools of the city	47	10000.0	1500.0	4000.0	4500.0
41	016	Ensure care of 8 ha green areas expanding the surface of green areas by 50%	47	15000.0	2112.9	5000.0	7887.1
44	017	Ensure guarding of city cemetery	47	8000.0	1318.9	3000.0	3681.1
50	018	Construct 10 km electrification system in the new-built district	47	65000.0	16000.0	20000.0	29000.0
17	019	Maintain and develop existing quantity and quality of services provided in the area of culture	46	4000.0	500.0	1500.0	2000.0
23	020	Replenish library book stock by 500 titles (2500 unit) new literature	46	3000.0	1000.0	1000.0	1000.0
42	021	Provide servicing of 11 km street lighting section	46	15000.0	5618.4	5000.0	4381.6

Performance Budgeting

52	022	Order design-cost calculation documents for capital construction	46	25000.0	5000.0	9000.0	11000.0
63	023	Maintain current situation of management personnel ensuring sustainable annual growth for 10-20%	46	230000.0	61506.0	72000.0	96494.0
29	024	Rehabilitate roofs of 15 buildings	45	45000.0	15000.0	15000.0	15000.0
46	025	Renovate 3 km section of green area irrigation system	45	8000.0	4000.0	2000.0	2000.0
3	026	Ensure replenishment of properties for 6 kindergartens	44	10000.0	2000.0	2500.0	5500.0
26	027	Maintain and increase the volume of financial aid allocated to socially insecure families adjusting its purposefulness	44	40000.0	10000.0	14000.0	16000.0
34	028	Rehabilitate water closets and roofs of two dormitory buildings	44	10000.0	2000.0	4000.0	4000.0
37	029	Pave streets of new-built districts / 30 000 sq. m./	44	10000.0	3000.0	3000.0	4000.0
47	030	Construct new 5 km water pipeline	44	60000.0	5000.0	20000.0	35000.0
16	031	Organize and run 9 city events dedicated to holidays and commemorations of state holiday list	43	12000.0	3850.0	4000.0	4150.0
21	032	Ensure maintenance and sustainable growth of fine art education quality and accessibility– number of pupils by 10, salary - 40%	43	15000.0	4546.2	4800.0	5653.8
27	033	Ensure annual participation of the community to the "Charity Canteen" program	43	18000.0	4500.0	6000.0	7500.0
35	034	Rehabilitate external sewerage of building 34 on street 5	43	3000.0	3000.0	0.0	0.0
38	035	Rehabilitate the bridge linking streets 5 and 6	43	1000.0	1000.0	0.0	0.0
48	036	Rehabilitate and construct new 5 km sewerage	43	30000.0	3000.0	10000.0	17000.0
53	037	Ensure availability of purchasing other community services and goods	43	15000.0	2560.0	4500.0	7940.0
54	038	Establish reserve fund of administrative budget with the aim of operatively solving current financial problems	43	55000.0	13236.9	18000.0	23763.1
7	039	Participate in 10 republican contests and championships every year	42	2000.0	600.0	500.0	900.0
28	040	Assist in activities of non-governmental organizations	42	3000.0	400.0	800.0	1800.0
30	041	Rehabilitate entrances of 15 buildings	42	25000.0	17000.0	8000.0	0.0
56	042	Ensure 20% annual growth of personal revenues/income through dissemination of information leaflets among tax-payers, ordering articles in newspapers, organizing TV programme, discussions	42	3000.0	850.0	1000.0	1150.0
57	043	Ensure efficient operation of Municipality computer network, computer software for the purpose of information collection, processing and storage	42	5000.0	880.0	1500.0	2620.0

Performance Budgeting

59	044	Ensure availability of maintaining “IRTEK” legal information system	42	500.0	100.0	200.0	200.0
8	045	Based on annual results in sports, organize incentive and other sport event for the 10 best athletes of the city	41	1000.0	200.0	350.0	450.0
32	046	Rehabilitate water pipelines and sewerages of 17 buildings' basements	41	30000.0	9980.0	10000.0	10020.0
66	047	Rehabilitate administrative building of municipality	41	20000.0	1000.0	7000.0	12000.0
25	048	Ensure maintenance and sustainable growth of quality and accessibility of librarianship	41	40000.0	11397.0	13000.0	15603.0
24	049	Introduce modern methods of library science	39	3000.0	0.0	1000.0	2000.0
58	050	Implement powers associated with CSAR delegated by the state	39	7000.0	0.0	2500.0	4500.0
10	051	Renovate ՄՊԱԿ building	38	8000.0	0.0	8000.0	0.0
5	052	Construct new building for sports school	37	150000.0	0.0	0.0	150000.0
45	053	Construct one public lavatory in the central part of the city	37	1500.0	0.0	1500.0	0.0
60	054	Ensure veterinary services in the community by state-delegated authority	37	7000.0	0.0	3500.0	3500.0
40	055	Procure new garbage truck	37	13000.0	0.0	12000.0	1000.0
18	056	Renewal of furnishing of the Music School hall and classrooms	35	20000.0	0.0	10000.0	10000.0
67	057	Provide gas supply for the administrative building of municipality	35	15000.0	0.0	15000.0	0.0
6	058	Replenish property base of sports school	33	8000.0	0.0	5000.0	3000.0
62	059	Ensure availability of cleaning the drainages	33	20000.0	0.0	10000.0	10000.0
11	060	Replenish ՄՊԱԿ property base	32	5000.0	0.0	5000.0	0.0
15	061	Replenish property base of Cultural Centre	32	10000.0	0.0	5000.0	5000.0
33	062	Contribute to the formation of 1-2 exemplary condominiums	32	5000.0	0.0	2500.0	2500.0
61	063	Ensure availability of free agricultural consultations in the community	32	3000.0	0.0	1500.0	1500.0
65	064	Ensure retraining of 34 employers of personnel	32	3000.0	0.0	1500.0	1500.0
64	065	Replenish property base of municipality	31	10000.0	0.0	5000.0	5000.0
14	066	Construct Cultural Centre with 500 seats	30	150000.0	0.0	0.0	150000.0
20	067	Replenish property base of the Fine Arts School	27	3000.0	0.0	3000.0	0.0
		Total		2055500.0	444049.7	614850.0	996600.3

*Calculation is based on three-year anticipation of budget revenues, which includes both own revenues as well as the subsidy and investments expected from supporting organizations (Government)

Projection of financial revenues of three-year program

AMD thousand

N	Revenues	2007-09	2007	2008	2009
1	Reflected in the community budget, including	1684049.7	444049.7	560000	680000
a	Own revenues	1201005	301005.0	400000	500000
b	Subsidy	483044.7	143044.7	160000	180000
2	Delegated authorities	7950.3	0	3950.3	4000
3	Funds from sale of state-owned property	20000	0	10000	10000
4	Targeted funds allocated from the state budget	253000	0	130000	123000
5	Other sources	90000	0	40000	50000
Total		2055000	444049.7	743950.3	867000

Coding of annual objectives by priority

As each long-term objective is matched with only one annual objective, therefore all annual objectives have the same 01 code

Code for long-term objectives	Code for annual objectives	Annual objectives 2007	Expenditures (AMD thousand)	Total score
01	01	Ensure maintenance of preschool education quality and accessibility	75720.0	61
02	01	Rehabilitate 2 kindergarten buildings in Masis city	13000.0	59
03	01	Provide stable heating in 2 kindergartens through local boiler-houses	22500.0	56
04	01	Expand (improve) asphalted areas from 62% to 63%	15000.0	55
05	01	In regard to cleaning and improvement of community, to keep current quantity and quality of provided services	18783.0	55
06	01	Ensure maintenance of musical education quality and accessibility	14020.5	54
07	01	Ensure maintenance of quality accessibility of physical education	9765.1	53
08	01	Renovate library (sports school) building	10000.0	52
09	01	Extend street lighting by 2km	3000.0	51
10	01	Rehabilitate and construct new 2 km gas pipe	15785.8	51
11	01	Ensure maintenance and sustainable growth of out-of-school education quality and accessibility	10085.0	50
12	01	Establish reserve fund of fund budget with the aim of co-financing potential foreign investment projects	17234.0	49
13	01	Construct 2 yard playground	3000.0	48
14	01	Finalise the general plan of the city	2500.0	48
15	01	Ensure assistance to 6 secondary schools of the city	1500.0	47
16	01	Ensure care of 8 ha green areas expanding the surface of green areas by 5%	2112.9	47

Performance Budgeting

17	01	Ensure guarding of city cemetery	1318.9	47
18	01	Construct 4 km electrification system in the new-built district	16000.0	47
19	01	Maintain and develop existing quantity and quality of services provided in the area of culture	500.0	46
20	01	Replenish library book stock by 200 title (800 unit) new literature	1000.0	46
21	01	Provide servicing of 11 km street lighting section	5618.4	46
22	01	Order design-cost calculation documents for capital construction	5000.0	46
23	01	Maintain current state of management personnel ensuring sustainable annual growth for 5%	61506.0	46
24	01	Rehabilitate roofs of 8 buildings	15000.0	45
25	01	Renovate 3 km section of green area irrigation system	4000.0	45
26	01	Ensure replenishment of property for 6 kindergartens	2000.0	44
27	01	Maintain and increase the volume of financial aid allocated to socially insecure families adjusting its purposefulness	10000.0	44
28	01	Rehabilitate water closets and roofs of two dormitory buildings	2000.0	44
29	01	Pave streets of new-built districts / 10 000 sq. m./	3000.0	44
30	01	Construct new 2 km water pipeline	5000.0	44
31	01	Organize and run 9 city events dedicated to holidays and commemorations of state holiday list	3850.0	43
32	01	Ensure maintenance and sustainable growth of fine art education quality and accessibility	4546.2	43
33	01	Ensure participation of the community to the "Charity Canteen" program	4500.0	43
34	01	Rehabilitate external sewerage of building 34 on street 5	3000.0	43
35	01	Rehabilitate the bridge linking streets 5 and 6	1000.0	43
36	01	Rehabilitate the sewerage of street 4, alley (0.5 km)	3000.0	43
37	01	Ensure availability of purchasing other community services and goods	2560.0	43
38	01	Establish reserve fund of administrative budget with the aim of operatively solving current financial problems	13236.9	43
39	01	Participate in 10 contests and championships	600.0	42
40	01	Assist in activities of non-governmental organizations	400.0	42
41	01	Rehabilitate entrances of 8 buildings	17000.0	42
42	01	Ensure 20% growth in own revenues through dissemination of information leaflets among tax-payers, ordering articles in newspapers, organizing TV programme, discussions	850.0	42
43	01	Ensure efficient operation of Municipality computer network, computer software for the purpose of information collection, processing and storage (15 computers)	880.0	42
44	01	Ensure availability of maintaining "IRTEK" legal information system (4 package)	100.0	42
45	01	Based on annual results in sports, organize incentive event for the 10 best athletes of the city	200.0	41
46	01	Rehabilitate water pipelines and sewerages of 9 buildings' basements	9980.0	41
47	01	Rehabilitate administrative building of municipality (two rooms)	1000.0	41
48	01	Ensure maintenance of quality and accessibility of librarianship	11397.0	41
Total			444049.7	

*Financial resources by funding source
AMD thousand*

N	Total revenues, including	444049.7
a	Own revenues	301005.0
b	Subsidy	143044.7

Annual objectives by performance indicators

Code	Annual objectives	Expenditures (AMD thousand)	Performance indicator		Basis
			Unit measure	Unit quantity	
0101	Ensure maintenance of preschool education quality and accessibility	75720.0	pupil	590	Cost estimation Contract
0201	Rehabilitate 2 kindergarten buildings in Masis city	13000.0	building	2	Deficiency report Cost estimation Contract
0301	Provide stable heating in 2 kindergartens through local boiler-houses	22500.0	system	2	Cost estimation Contract
0401	Expand (improve) asphalted areas from 62% to 63%	15000.0	km	2500	Deficiency report Cost estimation Contract
0501	In regard to cleaning and improvement of community, to keep current quantity and quality of provided services	18783.0	ha	154	Cost estimation Contract
0601	Ensure maintenance of musical education quality and accessibility	14020.5	pupil	163	Cost estimation Contract
0701	Ensure maintenance of quality accessibility of physical education	9765.1	athletes	322	Cost estimation Contract
0801	Renovate library (sports school) building	10000.0	wing building	1	Deficiency report Cost estimation Contract
0901	Extend street lighting by 2km	3000.0	km	2	Cost estimation Contract
1001	Rehabilitate and construct new 2 km gas pipe	15785.8	km	2	Cost estimation Contract
1101	Ensure maintenance and sustainable growth of out-of-school education quality and accessibility	10085.0	pupil	289	Cost estimation Contract
1201	Establish reserve fund of fund budget with the aim of co-financing potential foreign investment projects	17234.0			
1301	Construct 2 yard playground	3000.0	playground	2	Deficiency report Cost estimation Contract
1401	Finalise the general plan of the city	2500.0	planned	1	Contract
1501	Ensure assistance to 6 secondary schools of the city	1500.0	school	6	Report
1601	Ensure care of 8 ha green areas expanding the surface of green areas by 5%	2112.9	ha	8	Cost estimation Contract
1701	Ensure guarding of city cemetery	1318.9	ha	10	Cost estimation Contract
1801	Construct 4 km electrification system in the new-built district	16000.0	km	4	Cost estimation Contract

Performance Budgeting

1901	Maintain and develop existing quantity and quality of services provided in the area of culture	500.0	groups	3	Cost estimation Contract
2001	Replenish library book stock by 200 title (800 unit) new literature	1000	title literature	200	Contract
2101	Provide servicing of 11 km street lighting section	5618.4	km	11	Deficiency report Cost estimation Contract
2201	Order design-cost calculation documents for capital construction	5000.0			Cost estimation Contract
2301	Maintain current state of management personnel ensuring sustainable annual growth in allocations for 5%	61506.0	employee	48	Decision of community council Normative acts
2401	Rehabilitate roofs of 8 buildings	15000.0	building	8	Deficiency report Cost estimation Contract
2501	Renovate 3 km section of green area irrigation system	4000.0	km	3	Deficiency report Cost estimation Contract
2601	Ensure replenishment of property for 6 kindergartens	2000.0	refrigerator washing machine	4 4	Report of contract
2701	Maintain and increase the volume of financial aid allocated to socially insecure families adjusting its purposefulness	10000.0	applicant	250	List of insecure families
2801	Rehabilitate water closets and roofs of two dormitory buildings	2000.0	m	130	Deficiency report Cost estimation Contract
2901	Pave streets of new-built districts / 10 000 sq. m./	3000.0	sq.m	1000 0	Cost estimation Contract
3001	Construct new 2 km water pipeline	5000.0	km	2	Cost estimation Contract
3101	Organize and run 9 city events dedicated to holidays and commemorations of state holiday list	3850.0	event	9	Cost estimation Contract
3201	Ensure maintenance and sustainable growth of fine art education quality and accessibility	4546.2	pupil	30	Cost estimation Contract
3301	Ensure participation of the community to the "Charity Canteen" program	4500.0	canteen	1	Implementation of contracts, joint projects
3401	Rehabilitate external sewerage of building 34 on street 5	3000.0	m	150	Deficiency report Estimate Contract
3501	Rehabilitate the bridge linking streets 5 and 6	1000.0	bridge	1	Deficiency report Estimate Contract
3601	Rehabilitate the sewerage of street 4, alley (0.5 km)	3000.0	km	0.5	Deficiency report Estimate Contract
3701	Ensure availability of purchasing other community services and goods	2560.0	service		contracts
3801	Establish reserve fund of administrative budget with the aim of operatively solving current financial problems	13236.9		4	
3901	Participate in 10 contests and championships	600.0	contests	10	Reports Statutes of contests

Performance Budgeting

4001	Assist in activities of non-governmental organizations	400.0	NGO	4	Municipality Decision
4101	Rehabilitate entrances of 8 buildings	17000.0	entrance	40	Deficiency report Estimate Contract
4201	Ensure 20% growth in own revenues	850.0	TV program, Publications in newspapers	1 2	Mayor's Decision Contract
4301	Ensure efficient operation of Municipality computer network, computer software for the purpose of information collection, processing and storage (15 computers)	880.0	computer	15	Contracts
4401	Ensure availability of maintaining "IRTEK" legal information system (4 package)	100.0	package	4	Contracts
4501	Based on annual results in sports, organize incentive event for the 10 best athletes of the city	200.0	athlete	10	Reports
4601	Rehabilitate water pipelines and sewerages of 9 buildings' basements	9980.0	m	990	Deficiency report Estimate Contract
4701	Rehabilitate administrative building of municipality (two rooms)	1000.0	room	2	Deficiency report Estimate Contract
4801	Ensure maintenance of quality and accessibility of librarianship	11397.0	reader	1814	Estimate Contract
	Total	407353.9			

Appendixes

Management personnel (Objective N 63, code 2301)

Appendix 1

N	Description of expenditure items	Number of budget item	Estimate indicator
1	Salary	0010	36600.0
2	Bonuses	0020	6100.0
3	Mandatory social payments	1600	8700.0
4	Office supplies	2100	1900.0
5	Property and equipment	2200	500.0
6	Other costs for procurement of commodities	2600	250.0
7	In-country business trips	2650	100.0
8	Transport service fees	2800	2200.0
9	Communication subscription fee	3000	986.0
10	Other means of communication	3100	60.0
11	National call fees	3200	870.0
12	Post service	3300	40.0
13	Fuel and heating costs	3500	600.0
14	Energy cost	3550	1800.0
15	Water service sewerage bills	3600	100.0
16	Other public service expenditures	3700	70.0
17	Taxes, duties	4300	30.0
18	Representative costs, including		
	- Property procurement	4900	100.0
	- Procurement of services	4940	300.0
	- other costs	4970	100.0
19	Procurement of other services	5600	100.0
	Total		61506.0

Performance Budgeting

Preschool education (Objective N4, Code 0101)

Appendix 2

N	Description of expenditure items	Number of budget item	Estimate indicator
1	<i>Expenditures of purchasing other services</i>	5600	75720.0
	Total		75720.0

Children/Juvenile Center (Objective N 12, Code 1101)

Appendix 3

N	Description of expenditure items	Number of budget item	Estimate indicator
1	<i>Expenditures of purchasing other services</i>	5600	10085.0
	Total		10085.0

Sports School (Objective N 9, Code0701)

Appendix 4

N	Description of expenditure items	Number of budget item	Estimate indicator
1	<i>Expenditures of purchasing other services</i>	5600	9765.1
	Total		9765.1

Music School (Objective N 19, Codes 0601)

Appendix 5

N	Description of expenditure items	Number of budget item	Estimate indicator
1	<i>Expenditures of purchasing other services</i>	5600	14020.5
	Total		14020.5

Fine Arts School (Objective N 21 Code 3201)

Appendix 6

N	Description of expenditure items	Number of budget item	Estimate indicator
1	<i>Expenditures of purchasing other services</i>	5600	4546.2
	Total		4546.2

Central Library of City (Objective N 25, Code 4801)

Appendix 7

N	Description of expenditure items	Number of budget item	Estimate indicator
1	<i>Expenditures of purchasing other services</i>	5600	11397.0
	Total		11397.0

Appendix 8

Cultural Centre (Objective N 17, Code 1901)

N	Description of expenditure items	Number of budget item	Estimate indicator
1	<i>Subsidy</i>	1130	500.0
	Total		500.0

Appendix 9

Spots events (Objective N 7, Code 3901)

N	Description of expenditure items	Number of budget item	Estimate indicator
1	Other expenditures for purchasing goods	2600	100.0
2	Business trips within the country	2650	400.0
3	<i>Expenditures of purchasing other services</i>	5600	100.0
	Total		600.0

Appendix 10

Other social programs (Objective N 26, Code 2701)

N	Description of expenditure items	Number of budget item	Estimate indicator
1	Transfer fees	1850	10000.0
	Total		10000.0

Appendix 11

Waste disposal (Objective N 39, Code 0501)

N	Description of expenditure items	Number of budget item	Estimate indicator
1	Other municipal expenditures	3700	18783.0
	Total		18783.0

Appendix 12

Housing-communal other projects

(Objective N 42, Code2101) (Objective N 41, Code1601) (Objective N 44,Code1701)

N	Description of expenditure items	Number of budget item	Estimate indicator
1	Electricity/street lighting	3550	2500.0
2	Other municipal expenditures	3700	5950.0
	Protection of green areas and cemetery	3700	2831.6
	Maintenance of lighting system	3700	3118.4
3	Other services/tree pruning	5600	600.0
	Total		9050.0

Performance Budgeting

Appendix 13

Other Municipality projects

N	Description of expenditure items / Objective number and code	Number of budget item	Estimate indicator
1	Transfer fees, including	1850	6600.0
	Assistance to non-governmental organization (Objective N 28, Code 4001)		400.0
	Assistance to schools (Objective N 13, Code 1501)		1500.0
	Participation in Charity Canteen project (Objective N 27, Code 3301)		4500.0
	Reward to athletes (Objective N 8, Code 4501)		200.0
2	Other expenditures of purchasing goods (Objective N 53, Code 3701)	2600	300.0
3	Expenditure of other means of communication (internet) (Objective N 53, Code 3701)	3400	180.0
4	Income tax for procurement of apartment (Objective N 53, Code 3701)	4300	100.0
5	Expenditures of purchasing other services, including:	5600	3810.0
	<i>Maintenance of IRTEK system (Objective N 59, Code 4401)</i>		100.0
	<i>Maintenance of budgeting program (Objective N 57, Code 4301)</i>		200.0
	<i>Maintenance of Lunçun software (Objective N 57, Code 4301)</i>		200.0
	<i>Maintenance of property tax software (Objective N 57, Code 4301)</i>		300.0
	<i>Maintenance of computer equipment (Objective N 53, Code 3701)</i>		300.0
	<i>Publish materials on the city (Objective N 56, Code 4601)</i>		200.0
	<i>Post announcements (Objective N 56, Code 4601)</i>		150.0
	<i>Participation in TV programs (Objective N 56, Code 4601)</i>		500.0
	<i>Audit (Objective N 53, Code 3701)</i>		400.0
	<i>Binding of archive books (Objective N 53, Code 3701)</i>		130.0
	<i>Service of cadastre (Objective N 53, Code 3701)</i>		1000.0
	<i>Notary services (Objective N 53, Code 3701)</i>		100.0
	<i>Evaluation of market price of the buildings (Objective N 53, Code 3701)</i>		200.0
	<i>Archivistic services (Objective N 53, Code 3701)</i>		30.0
6	<i>Across-city events (Objective N 16, Code 3101)</i>	5600	3850.0
Total			14840.0

Reserve fund of fund budget
(Objective N 55, Code 1201)

Appendix 14

N	Description of expenditure items	Number of budget item	Estimate indicator
1	Reserve fund	9450	17234.0
	Total		17234.0

Reserve fund of administrative budget
(Objective N 54, Code 3801)

Appendix 15

N	Description of expenditure items	Number of budget item	Estimate indicator
1	Reserve fund	5450	13236.9
			13236.9

Fund budget

Appendix 16

N	Description of expenditure items	Number of budget item	Estimate indicator
1	Capital construction costs, including	6300	31786.0
	Construction of number3 m/m gas pipe (Objective N 49, Code 1001)		1225.0
	Construction of gas pipe for Masis station district (Objective N 49, Code 1001)		6400.8
	Construction of gas pipe for street 3 of district 2 (Objective N 49, Code 1001)		6960.0
	Construction of number 5 m/m gas pipe (Objective N 49, Code 1001)		1200.0
	Electrification of New Lands district (Objective N 50, Code 1801)		16000.0
2	Expenditures for design-estimate documents (Objective N 52, Code 2201)	6400	5000.0
3	Procurement of devices for equipment (Objective N 3, Code 2601)	6600	2000.0
4	Purchase of other fixed assets (Objective N 23, Code 2001)	6800	1000.0
5	Expenditures for geodesic mapping (Objective N 51, Code 1401)	7000	2500.0
6	Capital renovation expenditures, including	7700	130480.0
	Renovation of kindergartens (Objective N 1, Code 0201)		13000.0
	Rehabilitation of heating network of kindergartens (Objective N 2, Code 0301)		22500.0
	Renovation of sports school building (library building) (Objective N 22, Code 0801)		10000.0
	Rehabilitation of water pipelines of buildings' basements (Objective N 32, Code 4601)		9980.0
	Rehabilitation of lighting system (Objective N 43, Code 0901)		3000.0

Performance Budgeting

Rehabilitation of roofs of residential buildings (Objective N 29, Code 2401)		15000.0
Rehabilitation of entrances of residential buildings (Objective N 30, Code 4101)		17000.0
Road rehabilitation (Objective N 36, Code 0401)		15000.0
Rehabilitation of irrigation network (Objective N 46, Code 2501)		4000.0
Street paving (Objective N 37, Code 2901)		3000.0
Renovation of 5 th floor of Municipality (Objective N 66, Code 4701)		1000.0
Rehabilitation of external sewerages of dormitory buildings 37 and 38 (Objective N 34, Code 2801)		2000.0
Rehabilitation of external sewerages of building 34, street 5 (Objective N 35, Code 3401)		3000.0
Rehabilitation of sewerages of street 4 alley (Objective N 48, Code 3601)		3000.0
Rehabilitation of potable water pipeline of New Lands district (Objective N 47, Code 3001)		5000.0
Renovation of playground adjacent to buildings 1-6 of new-built district (Objective N 31, Code 1301)		3000.0
Rehabilitation of the bridge linking streets 5 and 6 (Objective N 38, Code 3501)		1000.0
Total		172766.0
Grand Total		444049.7

Appendix 2.

Համայնքի իրավիճակի վերլուծության փոխային ձև

1. General Information

- 1.1 _____ Marz
- 1.2. _____ community
- 1.3. Administrative territory of community a _____ ha
- 1.4. Distance of capital from community _____ km
- 1.5. Distance of community from Marz Center _____ km
- 1.6. Altitude of community center above sea level _____ m

2. Historical background

3. Brief description of physical-geographical and economic-geographical conditions (physical-geographical location, economic-geographical location, climate, conditions for developing this or that branch of economy)

Performance Budgeting

4. Demography (as of 200.... January 1)

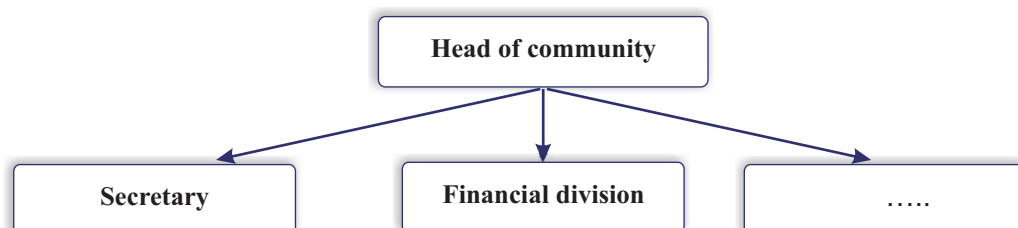
	Indicator	Unit of measure	Quantity
1.	Households	Parish	
2.	Number of population	person	
•	Men	person	
•	Women	person	
•	Preschooler children (0-6 years old)	person	
•	School children (7-17 y.)	person	
•	Middle-age population (18-60 y.)	person	
•	Elderly population (over 60 years)	person	
3.	Number of people born in 200....	person	
4.	Number of people died in 200....	person	
5.	Pensioners	person	
6.	Immigrants	person	
7.	Employable population	person	
8.	Jobless (registered in employment center)	person	
9.	Employed	person	
•	Engaged in agriculture	person	
•	Engaged in industry	person	
•	Engaged in services	person	
10.	Number of insecure families (registered in social service)	Parish	
11.	Households receiving family benefits	Parish	
•	Households involved in "Paros" system	Parish	
12.	Refugees	person	
13.	Disabled	person	
14.	Families of fallen freedom-fighters	Parish	

Indicators describing the educational level of population

No	Indicator	Unit of measure	Quantity
1.	Illiterate	person	
2.	8-year education	person	
3.	10-year education	person	
4.	Vocational education	person	
5.	Higher education	person	

5. Local self-government bodies

(Present the structure of personnel: the divisions with the number of employees)



5.1. Name, last name, paternal name, education, age, gender of community head _____

5.2. Number of Community Council members _____ persons

5.3. Name, last name, paternal name of the Community Council members _____

6. Healthcare

Institutions	Acting		Brief description of problems (e.g. inadequate conditions of building and property, need for human resource training, expectations from launching of non-operating institutions.....)
	yes	no	

7. *Brief information on the physical condition of community-owned property* _____

(Attach the list of real estate of Municipality prescribed by the RA Government Decision)

8. Nature and environment protection

Brief description (water-floods, precipitations, land-slides ...) _____

9. Education, culture and sports

Area	Description	Func-tioning		Owner-ship		Number of pupils, groups and beneficiaries	Number of employees	Brief description of provided services, issues	Investments within last years				
		yes	no	municipal	other				Year	Description of investments	Amount (AMD thousand)	source	
Preschool institutions													
Public education schools													
Out-of-school institutions	Music School												
	Fine Arts School												
Cultural institutions	House of Culture												
Libraries													
Vocational institutions													
Sports institutions	Sports School												

10. Housing and communal services

10.1. Housing

10.1.1. Number of residential houses/building _____ / _____ unit
house building

10.1.2. Number of dormitories _____ unit

10.1.3. Number of houses/buildings under the threat of collapse __ / _____ unit
house building

10.1.4. Total surface of housing stock _____ sq. m

10.1.5. Availability of street lighting network

10.1.6. Length of street lighting network _____ linear m

10.2. Waste disposal

10.2.1. Total surface of spaces subject to waste disposal and sanitary cleaning ___ ha, including total surface of Municipality streets and yards _____ ha

10.2.2. Annual volume of waste disposal _____ ton, including the annual volume of household waste disposal _____ ton

10.2.3. Waste disposal type (centralised or individual)

10.3. Potable water supply and water removal

10.3.1. Availability of potable water

10.3.2. Number of households owning personal taps _____ household

10.3.3. Number of water supply hours within a day _____ hour

10.3.4. Source of water supply (underground, spring or centralised)

10.3.5. Type of water supply (gravity flow, pump station and individual pumps)

10.3.6. Total length of trunk potable water pipeline _____ km

10.3.7. Total length of potable water network _____ km

10.3.8. Condition of water supply and water removal infrastructure (good need for little or extensive investments)

10.3.9. Retail tariff of potable water is 1 m³ _____ drams

10.4. Sewerage

10.4.1. The way of providing sewerage services (centralized or individual)

10.4.2. Organizations providing services in the area

Area	Description	Under (mention)		Investments within last years			
		Community	other	Year	Description of investments	Amount (AMD thousand)	Source
Household							
Waste disposal							
Water supply							

Performance Budgeting

11. Agriculture

11.1. Brief description _____

11.2. Agricultural orientation of community (animal breeding, growing field crops, gardening)

11.3. Total length of irrigation water pipelines _____ km

11.4. Main irrigation sources (channels, rivers, artesian waters, wells etc)

12. Industry

12.1. Brief description _____

Investments in the areas of agriculture and industry within last years

Year	Description of investments	Amount (AMD thousand)	Source	
			Municipal budget	Other

13. Road Management

13.1. Distance of community from the nearest road of state significance _____ km

13.2. Ownership (municipal, marz, republican) and type (asphalted, bituminous grouting, sand, earth)

13.3. Average width _____ m

13.4. Condition (in the event of marginal car speed
over 60 km/hour - good
40-60 km/hour - satisfactory
20-40 km/hour - deplorable
Up to 20 km/hour - impassable)

13.5. Winter passability (fully passable, limited passable, impassable)

13.6. Investments within recent years

Year	Description of investments	Amount (AMD thousand)	Source	
			Municipal budget	Other

14. Transport

14.1. Availability of transportation route from community

14.2. Number of automobiles (total) _____ unit, including
 Passenger _____ unit
 Truck _____ unit

15. Communication

15.1. Availability of telephone communication

15.2. Availability of local ATS

15.3. Number of individual telephone subscribers _____ person

15.4. Availability of internet

15.5. Mobile phone coverage

15.6. Availability of post service

15.7. Number of TV channels _____ unit

15.8. Investments within last years

Year	Description of investments	Amount (AMD thousand)	Source	
			Municipal budget	Other

Performance Budgeting

16. Trade and services

16.1. Number of small and medium trade and service units _____ unit,
 including *small stalls of trade* _____ unit
number of petrol filling stations _____ unit
number of petrogasl filling stations _____ unit

17. Other infrastructure

17.1. Availability of gas supply infrastructures

If not available, then the distance from the nearest trunk gas pipe to provide supply __ km

17.2. Availability of gas supply

17.3. Number of households connected to the gas supply __ households

17.4. Average annual consumption by households _____ m³

17.5. Condition of gas supply infrastructure (good, need for small investment, need for big investments)

17.6. Investments within last years

Year	Description of investments	Amount (AMD thousand	Source	
			Municipal budget	Other

18. Community land use

N	Land use	Total (ha)	Of which				
			I class	II class	III class	IV class	V class
1	Total land area, of which						
	- community subordinate						
	- reserve						
	- own						
2	Agricultural lands, of which						
	- arable lands						
	- perennial plants						
	- hayfields						
	- grasslands						
3	Industrial/entrails, production significance/						
4	Lands of special significance						
5	Specially protected areas						

Uncultivated agricultural lands

No	Indicator	Total (ha)
1	Total uncultivated lands (the sum of 1.1-1.4 lines)	
1.1	Saline or water-covered lands	
1.2	Unacknowledged or derelict lands	
1.3	No one wishes to lease	
1.4	Mined lands	

19. Other Information

Appendix 3.

Template for detailed description of annual objectives
Annual objective 05 01 "Maintain current level of servicing of children group x by the Day Care Center N1"

There are x groups functioning in the kindergarten, including x nursery groups, x medium age group, x senior group, x preschool group.

The kindergarten ensures harmonised development and education of attending children, lay grounds for communication in native language and on that basis mastering foreign language, introduces elementary working and ethics rules and skill, establish basis for the development of mental, spiritual, esthetical, physical and creative thinking development, prepare the children for school learning.

Human resources with respective professional qualifications work in kindergarten. The services rendered by the kindergarten comply with state and municipal criteria, state program for preschoolers. Here they consider specifics of children's age, physiology, social-psychological developments, tendencies and abilities.

Children attending kindergarten are serviced x days a week, from XXX to XXX o'clock and

Performance Budgeting

being provided with food X times a day /total calories/.

The kindergarten functions from month of X to X. In X (months) of winter the kindergarten stops functioning due to lack of heating. The Community Council has defined chargeable amount per child XAMD daily.

Performance indicators of the objective:

Indicator	Unit	Notes
Personnel	X staff-unit	
Number of children attending kindergarten	X child	
Average weight of children attending kindergarten /against the number of preschoolers/	X %	
Cost of 1 child/day	X drams	
-including food	X drams	
⋮	⋮	⋮

Total cost of implementing the objective amounts to XXX AMD thousand, of which XX AMD thousand is envisaged to finance from the Municipality budget, and XX thousand on the account of parents' resources¹.

Cost estimate of

No	Economic classification articles of budget expenditures		Amount (AMD thousand)
	Description	number	
1	Salaries and bonuses of employees	4111	XXX
2	Social protection fees	4131	XX
3	Office materials and clothing	4261	XX
⋮	⋮	⋮	⋮
	total		XX

¹ If kindergarten is a community non-commercial organization.

Appendix 4.

**Interdependence of expenditures in tables applied in the event of PB budgeting,
possibilities of checking calculations**
Projection of community financial resources

Types of revenue	200X-4 actual	200X-3 actual	200X-2 actual.	200X actual	200X actual	200X+1 proj.	200X+2 proj.	200X+3 proj.
TOTAL REVENUES		A	B	C	D



Priority setting for medium-term objectives

Sequential numbers of medium-term objectives	Medium-term objectives	Criteria (score)					Total (score)
		Number of beneficiaries	Pro-poor	
...

Performance Budgeting

Objectives and expenditures

Codes of medium-term objectives	Sequential numbers of Medium-term objectives	Expenditures (AMD thousand)	Incremental costs (AMD thousand)	Incremental costs (AMD thousand)	Total (score)
.....	= V		
.....	E		
		total	= E + V		

“Cutting line” = V = Financial revenues projected for four years = A + B + C + D

Annual objectives by priorities

Codes of medium term objectives	Codes of annual objectives	Annual objectives	Expenditures /AMD thousand/
.....
		Total	= F + K

Annual objectives and performance indicators thereof

Codes of annual objectives	Annual objectives	Expenditures /AMD thousand/	Outcomes (performance indicators)		Notes
			Unit measure	Unit quantity	
.....
.....	Total	= F + K	.....	.....	.....

Budget Report in Performance Budgeting Format

Codes of annual objectives	Annual objectives	Expenditures /AMD thousand/		Unit measure	Outcomes (performance indicators)		Comments on performance (outcomes) (deviations from planned actions, the reasons and the ways of elimination)
		Planned	Actual		Unit quantity		
					Planned	Actual	
.....
.....	Total	= F + K	.....	.....	.....	.....	.....