

**«ՀԱՉԱՐԱՄՅԱԿԻ ՄԱՐՏԱՀՐԱՎԵՐ»  
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**PARTICIPATORY PROCESSES TO  
MILLENNIUM CHALLENGE  
ACCOUNT ARMENIA PROGRAM**

**ՀԱՄԱՌՈՑ ԱԿՏԱՐԿ**

Մարտ 2007

In 2005, the MCC Board of Directors selected 17 out of 64 beneficiary states as eligible for funding under the Millennium Challenge Account (MCA). These countries are: Armenia, Benin, Bolivia, Cape Verde, Georgia, Ghana, Honduras, Lesotho, Madagascar, Mali, Mongolia, Morocco, Mozambique, Nicaragua, Senegal, Sri Lanka, and Vanuatu.

On March 27, 2006 the MCC signed a five-year, \$235.65 million Compact with the Government of Armenia. The Compact is focused on one goal: the reduction of rural poverty through a sustainable increase in the economic performance of the agri-

cultural sector. Armenia plans to achieve this goal through ensuring sustainable and long-term growth in the agriculture sector.

The resources will be directed to:

- intercommunity and rural roads,
- construction and renovation of irrigation infrastructures, water pipes, reservoirs and pumping stations,
- as well as the component of sustainable development of agriculture: “water-to-market” to create higher value agricultural products, to support the transition to more profitable agricultural production, as well as by

infrastructural assistance through technical and credit resources. It is anticipated that the Program will have a tangible impact on approximately 750,000 people, or 75% of the rural population, and is expected to reduce the rural poverty rate and boost annual incomes.

On September 29, 2006 the Compact officially entered into force. Millennium Challenge Account-Armenia (MCA-Armenia), a State Non Commercial Organization was established by the Government of Armenia, to govern transparent implementation of the Compact signed between the MCC and the Government of Armenia.

For MCC, the Consultative process is aimed to make it possible for governments, through MCA, to implement two things: first of all to collect information from the society, which will strengthen development and efficiency of the Proposal, as well its further implementation; and provide the public with information, to strengthen the accountability. It is not intended to be a substitute for economic analysis or government decision-making, but rather a complementary tool that informs those processes by gathering first-hand information about poverty and economic conditions. The Consultative Process is, by its nature, a strategic undertaking.

The MCC is committed to the consultative process as a key driver of Compact development and successful Compact implementation and set the following preconditions<sup>1</sup>:

**In 2004 the Government of the United States of America announced the creation of a foundation to provide special financial support to countries in need of assistance to counter the challenges of the new Millennium. The initiative is based on the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people. In the same year the Millennium Challenge Corporation (MCC) was established with mission to reduce global poverty through the promotion of sustainable economic growth.**

**To be eligible for MCC assistance, the country would take responsibility to implement policies that promote political and economic freedom, investments in education and health, control of corruption,**

<sup>1</sup> Fiscal Year 2007, Guidance for Compact Eligible Countries, Chapter 13: Guidelines for Conducting a Consultative Process, page 3

1. First of all the government of the particular country should take into account the local-level perspectives of the rural and urban poor;

2. In every step consults with the private sector and NGOs, the business community, and other donors in the eligible country.

In Armenia the development of PRSP was the first experience of developing a program through a wide-range of the consultation process. Being the first big experience both for the government and the civil society institutions, it became a phase of clarification of the requirements and mechanisms necessary for the process.

Experience of mechanisms used in the participatory processes during the development and implementation of PRSP have been taken into consideration in the consultation process in preparing and current implementation stages of the Armenian MCA program.

In particular, there can be highlighted some mechanisms used in the PRSP participatory processes, which have played a role in designing the consultation process for the Armenian MCA program:

- Meetings and discussions in marzes (regions) (there live main beneficiaries of the program),

**The announcement for proposals did not include any instructions. In result, received proposals included programs from the community centers for handicapped children to information technologies' development.**

- Focus-group discussions,
- Use of printed materials and booklets for increasing public awareness; it is equally important to involve the mass media on both national and regional levels:  
In the PRSP implementation process the

and respect for civil liberties and the rule of law. This responsibility was measured by performing well on 16 different quantitative and qualitative policy indicators.

Particularly, in “Ruling Justly” category the indicators are:

- Civil Liberties,
- Political Rights,
- Voice and Accountability,
- Government Effectiveness,
- Rule of Law,
- Control of Corruption.

In the “Investing in People” category the indicators are:

- Immunization Rate,
- Public Expenditure on Health,
- Girls' Primary Education Completion Rate,
- Public Expenditure on Primary Education.

In the “Economic Freedom” category the indicators are:

- Cost of Starting a Business,
- Inflation Rate,
- Days to Start a Business,
- Trade Policy,
- Regulatory Quality,
- Fiscal Policy.

The information on abovementioned indicators is collected from independent institutions such as Freedom House, World Bank Institute, Heritage Foundation and others. After analyzing the indicators, if the country is eligible to MCC requirements, it can submit a Compact Proposal to MCC.

By close cooperation with MCC, the country which has received the assistance must demonstrate commitment to clarify impediments of its development, ensure active participation of civil society and develop appropriate programs. Participation requires the highest level of responsibility.

mechanism of civil society participation in the governing bodies of the program was established. Of course the similar mechanism would be used in the Armenian MCA program.

## The initial stage and the beginning of the consultative process

**T**he initial stage and the beginning of the consultative process

The first announcement on starting a MCC consultative process was made by the government on June 4, 2004. By widely spreading the announcement, the government called on society to present opinions to be included in the MCC Proposal.

Moreover, Discussions and consultations were held in Yerevan and all marzes of Armenia during the period of June-September, 2004 by the government. Proposals were received from different representatives of society also by e-mail, which was an innovative approach for Armenia. In result, more than 1200 individuals participated in the consultative process and some 230 written proposals were received, based on which should be prepared Armenia's Proposal to MCC. The announcement created a big interest in society. Different business expectations were generated, because the big part of the abovementioned 230 written proposals were not program directions, but just business plans.

It should be mentioned, that the announcement for proposals did not include any instructions (proposal application form, financing level, target groups, etc.). In result, received proposals included programs from the community centers for handicapped children to information technologies' development.

In the Armenian Proposal development stage special bodies were created: Board of trustees and Working group.

### **a. Board of trustees**

For organizing Armenian program proposal development works, the

Board of Trustees of MCA-Armenia was established by the President decree on May 31, 2004, in which were included Chief Advisor to the President (Deputy Chairman of the MCA Board of Trustees); ministers of Finance and Economy; Transport and Communication; Agriculture; head of Stat Water Committee; and the Board was headed by the Prime Minister. This governing body was responsible for strategic decision making in the process. The main functions of the Board were:

- to inform public about MCC priorities,
- to present the possible directions of MCA-Armenian program and to ensure the broad participatory process, as well as to develop program goals based on the PRSP priorities, adopted by the government in 2003,
- clarification of consultative process implementation mechanisms, which were meetings and discussions with governing bodies integrated in the PRSP processes; discussions and special events with the private sector, which would involve in the process persons and institutions which were not integrated in the abovementioned bodies.

The Board of Trustees was established parallel to the consultative process. From the structure and membership of the Board it is clear that the government had already decided for itself the desired MCA proposal priorities. Thus it is not clear why the

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government collected proposals from public

### **b. Working Group**

At the same time with the Board of Trustees a Working Group was established, which would organize daily activities. At the initial stage 12 representatives from state bodies, and also representatives from two NGOs (“National Union of Farmers” and “Armenian National Forum”) comprised the Working Group to develop MCC Armenian Proposal. These NGOs were elected with no transparent criteria and procedures. The Working Group had the following goals:

- To finalize the results of the consultative process,
- To finalize impediments of economic growth and poverty reduction based on researches and analyzes of different state bodies,
- To clarify possible ways of MCC Armenian program.

To develop the final version of MCC Armenian proposal the Board of Trustees included in the process also an expert group, which was expected to:

- prepare the own analyzes of the impediments of economic growth and poverty reduction and present the overall views of the non governmental sector on those issues.
- make additional research on presented proposals during the consultative process and present programs and invest-

ment directions for Proposal development based on those.

- make evaluation of economic efficiency of separate investment projects and present proposal for the final version of the Armenian Proposal to the MCC.

In the consultative process the analyzing of proposals from the public was organized in one way, and the impediment of economic growth and poverty reduction in the other way. As a result, investment targets of the Proposal were developed as a combination of the abovementioned two ways. Works of the final Proposal development were mainly done by the independent experts. Also, an expert group has been chosen as the consulting group which was responsible for the PRSP development<sup>2</sup>. As a result, the PRSP development case was continued, when initially created by public proposal, the final paper was transformed to expert work “independent” from the society.

For the ensuring of the continuation of the consultative processes discussions have been organized in Yerevan and marzes, in the form of focus groups. During the organized discussions there were some concerns from participants, that missing in the Proposal was NGOs participation to the MCA-Armenia implementation monitoring and evaluation processes. Regarding this, ensuring transparent and open election mechanisms of society representatives in the governing bodies of the Program; creation of opportunities for the independent monitoring for NGOs and mass media were highlighted by the discussions' participants.

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<sup>2</sup>The same group is responsible for the PRSP update.

## Governing Council and Stakeholders' Committee

**A**rmenian-American Governance Agreement is signed in September 26, 2006, by which were defined organizing structure of the MCA-Armenia and the functions of Governing Council and Stakeholders' Committee.

The Governing Council mainly doing controlling functions over the program implementation. It consists of 11 voting members, plus the Environmental Observer and the MCC Observer. 6 of voting members represent Armenian government and appointed by the Prime Minister of Armenia:

- (i) the Prime Minister;
- (ii) the Senior Economic Advisor to the President;
- (iii) the Minister of Finance and Economy;
- (iv) the Minister of Transport and Communication;
- (v) the Minister of Agriculture; and
- (vi) the Minister of Territorial Administration.

5 voting members are representatives from civil society and appointed by the Stakeholders' Committee. Each Civil Society Member shall be appointed for a one year term, and any individual so appointed may, with the consent of the Stakeholders' Committee, be reappointed for one or more additional one year terms.

Stakeholders' Committee also appointed the Environmental Observer, which is a representative of an environmentally- focused NGO. But if one of the civil society members on the Governing Council already represents an environmentally-focused NGO, then such civil society member shall also act as the Environmental Observer. The Environmental Observer also appointed for a period

of one year.

The Stakeholders' Committee is a representative body of the main beneficiaries of the MCA-Armenia Program. It is called to ensure broad public participation to the different stages of Program implementation. The Stakeholders' Committee realizes its actions by meetings, creating and functioning special committees, other ways.

According to the Agreement, the Stakeholders' Committee should consist of maximum 15 representatives of various beneficiaries of the Program, including NGOs focused on environmental issues, the Water User Associations and farmer groups). Members of the Stakeholders' Committee represent rights of non-governmental sector and have a right be informed about any information regarding the Program. The Stakeholders' Committee consists of 15 members, from which:

- 9 representatives from NGOs,
- 2 representatives from the Water User Associations,
- 2 representatives from farmer groups,
- 2 representatives from beneficiary communities.

During the MCA-Armenia Program a community of NGOs was created, by which initiative has been set a working group of 18 people worked from 16 February till 6 March 2006. This group developed and in 6 March 2006 adopted the regulation on Election of Civil Society Representatives for the Stakeholders' Committee. According to that regulation NGOs elected their representatives by simple election. At the same time the Ministry of Agriculture of Armenia appointed 2 farmers, representatives from the Communities'



Union and the Water User Associations were involved.

9 representatives from civil society in the Stakeholders' Committee are selected for different times: 3 candidate-organizations (with the most votes) for a period of 2 years; 2 candidate-organizations for a period of 1 year. During the first year of the Committee's operation the 6th representative of civil society will undertake its responsibilities for a period of 2 years,

the 7th representative – for 1 year, the 8th representative – for 2 years and the 9th representative – for 1 year.

The election of 5 civil society representatives for the Governing Council under MCA-Armenia Program took place in May 31, 2006. 2 Water User Associations, 1 farmer and 1 NGO were elected.

The election of 2007 will take place in the near future.

## Consultative process of the Millennium Challenge Program implementation stage

In contrast with the PRSP participatory processes Millennium Challenge Program implementation stage can be counted as more participatory. All steps in Program implementation are more transparent. Around the Program implementation meetings and actions are regularly organized in marzes, with the population of those communities who are the direct beneficiaries of the Program. By the Program implementation staff training programs are also organized in the places.

Civil society has more real role in the latest. Particularly, the NGO representatives always engaged in evaluation committee for election of an appropriate expert for the vacancy in MCA-Armenia Foundation. Also, civil society representatives are more active in this Program and try to control its implementation. Particularly, as a result of civil society representative's comment there were highlighted and solved problem, regarding the existence of the renovation of the same roads as in MCA, as well as in other programs.

Concerns and lessons learned

· Opportunities for civil society participation are still inadequate for ensuring full participation, as well as independent monitoring. Also, there is a need to increase capacities of civil

society representatives engaged in the consultative process especially in monitoring activities. In this extent only it can be expected civil society institutions will have full and active participation in both the consultative and program management processes. The same problems are related also to mass media and especially their regional branches.

· Similar to the PRSP processes, the participation of representatives of remote communities and NGOs in the consultative process for MCA implementation is also limited. One of the reasons, in particular, is the inadequate communications or their absence, which limits the use of information sources (the internet, the press, TV), resources for participation the Yerevan meetings are limited.

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## The Social Policy and Development Center (SPDC)

The Social Policy and Development Center (SPDC) is a nonprofit, non-governmental organization established in 2004. It is an independent and critical voice that does not depend on government funding and is not affiliated with any political party.

The aim of the SPDC is to create a new physical and conceptual space with an explicit agenda to bring new and fresh thinking about social development. SPDC promotes social policy that creates new and better ways to meet needs, solve problems and build better communities with particular attention to the three core issues of poverty reduction, fighting corruption and social integration, in contributing to the creation of a community that enables the building of secure, just, free and harmonious society offering opportunities and higher standards of living for all. SPDC believes in the enduring need for strong social policy to fight poverty and corruption, ensure social and economic security and achieve social justice.

### Relevant sources:

- ◆ Proposal for Millennium Challenge Account (MCA) Assistance
- ◆ Millennium Challenge Compact between the United States of America Acting through the Millennium Challenge Corporation and The Government of The Republic of Armenia
- ◆ Governance Agreement by and among Millennium Challenge Corporation, the Staff of the Government of the Republic of Armenia, on Behalf of the Government of the Republic of Armenia and Millennium Challenge Account – Armenia S.N.C.O.
- ◆ Republic of Armenia President Decree on Creating the Board of Trustees of the Millennium Challenge Account Armenia Project NH-96-N
- ◆ Republic of Armenia Prime Minister Decree on Creating the Millennium Challenge Account Armenia Project Working Group and Organizing Its Activities 355-A

## Recommendations

For successful implementation of the Program it is necessary to continue and improve the engagement of civil society representatives in all components of the Program. Especially important are broad public participation in monitoring and evaluation stages, which will allow for controlling the Program and enhancing efficiency.

Besides, as it is related to large amounts of money, very important is ensuring transparency of the processes.

There are no accountability mechanisms for the Program governing bodies. Accountability mechanisms for governing bodies should be revised and their activities should be open and

transparent for the public.

The Stakeholders' Committee should find better ways of outreach marz population, whereas currently MCA-Armenia's web-site is the main source of reaching public. The same problem exists also in The Governing Council.

For civil society, participation to this kind of Programs is a unique kind of capacity building. Improvements of the participatory process in transition from the PRSP to MCC are already a result of this and it can be only hoped that real enhancement of civil participation will allow an increase of efficiency of the programs implemented in the country.