

EUROPEAN COMMISSION

> Brussels, 25.11.2013 C(2013) 8257 final

COMMISSION IMPLEMENTING DECISION

of 25.11.2013

modifying the Commission Implementing Decision C(2013) 5182 on the Annual Action Programme 2013 in favour of Armenia to be financed from the general budget of the European Union

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (ENPI)¹, and in particular Article 12 thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002² (hereinafter referred to as 'the Financial Regulation'), and in particular Article 84(2) thereof,

Whereas:

- (1) The Commission has adopted the ENPI Strategy Paper 2007-2013³ for Armenia and the Multiannual National Indicative Programme for the period 2011-2013⁴, point 4 of which provides for the following priorities: democratic structures and good governance; trade and investment, regulatory alignment and reform; and socio-economic reform and sustainable development.
- (2) The Commission has adopted on 2 August 2013 the Decision C(2013) 5182 on the Annual Action Programme in favour of Armenia setting the maximum contribution from the European Union at EUR 54 million.
- (3) The objective of the action "Framework Programme in support of EU-Armenia Agreements", as set in Annex 3 to the Decision C(2013) 5182, is to prepare, negotiate, conclude, implement and monitor Armenia's agreements with the EU in priority areas, including an Association Agreement with a Deep and Comprehensive Free Trade Area (DCFTA).
- (4) Following Armenia's recent announcement to join the Eurasian Customs Union, the conclusion of an EU-Armenia Association Agreement, including the DCFTA part, is no longer possible. Thus EU assistance to the implementation of the Association Agreement has consequently become irrelevant.
- (5) It is therefore appropriate to modify Annex 3 to the Decision C(2013) 5182 in order to adapt it to the current situation. Whereas support measures for the implementation of an Association Agreement, including a DCFTA, are withdrawn (EUR 13 million), support for the other EU-Armenia agreements, such as the Visa Facilitation and Readmission Agreements, and other EU-Armenia cooperation as originally foreseen is

¹ OJEU L 310, 9.11.2006, p. 1

OJ L 298, 26.10.2012, p. 1.

³ C(2007)672

⁴ C(2010)1144

maintained and new support for civil society is made available. The other actions included in the Annual Action Programme supporting Agriculture and Rural Development – ENPARD Armenia, and Regional Development, as set in Annexes 1 and 2 to the Decision C(2013) 5182 respectively, are not modified.

- (6) This Decision complies with the conditions laid down in Article 94 of Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (hereinafter referred to as 'the Rules of Application').
- (7) The measures provided for in this Decision are in accordance with the opinion of the ENPI Committee set up under Article 26 of Regulation (EC) No 1638/2006,

HAS DECIDED AS FOLLOWS:

Article 1

Financial contribution

The maximum contribution of the European Union authorised by Decision C(2013) 5182 is reduced to EUR 41 million to be financed from budget line 19 08 01 03 of the general budget of the European Union for 2013.

Article 2

Annexes

Annex 3 of Decision C(2013) 5182 is replaced by Annex to this Decision.

Done at Brussels, 25.11.2013

For the Commission Štefan FÜLE Member of the Commission

ANNEX

of the Commission Implementing Decision modifying the Commission Implementing Decision C(2013)5182 on the Annual Action Programme 2013 in favour of Armenia to be financed from the general budget of the European Union

Action Fiche for Framework Programme in support of EU-Armenia Agreements

1. IDENTIFICATION

Title/Number	Framework Program Agreements <i>ENPI/2013/024-470</i>	me in support of EU	Armenia
Total cost	Total estimated cost: EUR 6 000 000 Total amount of EU budget contribution: EUR 6 000 000		
Aid method / Method of implementation	Project Approach Direct centralised management (grants – call for proposals and direct award; procurement of services)		
DAC-code	15110	Sector	Public sector policy and administrative management

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

This proposed Framework Programme in support of EU-Armenia Agreements is an integral part of the European Neighbourhood Policy (ENP), following the objectives of the Eastern Partnership, while supporting priority area 1 of the National Indicative Programme 2011-2013 (democratic structures). This action will help conclude, implement and monitor the agreements between the EU and Armenia in the priority areas of Visa Facilitation and Readmission Agreements and Protocol on a Framework Agreement for the participation in European Union programmes as well as to support the implementation of the EU-Armenia ENP Action Plan. The action is expected to enhance the capacity of Armenia's civil servants through Comprehensive Institution Building, to strengthen the capacity of civil society in monitoring reforms implementation in Armenia, as well as to support Armenia's participation in EU programmes and in the work of EU agencies.

Whereas Armenia had finalised the negotiations for an Association Agreement, including a Deep and Comprehensive Free Trade Area, with the EU, Armenia's announcement to join the Eurasian Customs Union on 3 September 2013 made the conclusion of the agreement impossible. Consequently, EU assistance to the implementation of the Association Agreement

has become irrelevant whereas the EU can continue to support other EU-Armenia agreements and Armenian reform efforts.

2.2. Context

2.2.1. Country context

2.2.1.1. Economic and social situation and poverty analysis

Armenia's economic performance has strengthened in 2012. Growth has reached 6.4% in 2012 with particularly strong performance in agriculture, agro processing, and in mining and services. Construction is showing signs of recovery. Growth is expected to moderate to 4.3% in 2013, as the economy returns to trend and given conditions in Europe and Russia.

According to the National Statistics Service "Social Snapshot and Poverty in Armenia" published in 2012, the poverty level in 2011 reduced as compared to the previous year. In 2011, more than a third of the population (35.0%) was poor, 19.9% was very poor and 3.7% was extremely poor. While in 2011 the poverty level was reduced against 2010, both the incidence of poverty and its severity increased as compared to 2008. The economic decline in 2009 and 2010 over 2008 led to deteriorated living conditions and increased poverty incidence. As a result of the global economic crisis, the poor suffered the most, while the rich increased their wealth even further.

2.2.1.2. National development policy

The Armenia Development Strategy (ADS) 2013-2025, still at a draft stage and successor to the Sustainable Development Programme (SDP), is the main national development policy document. The main objective of the ADS is to sustain economic growth and create jobs. The core areas are: (1) growth of employment, (2) development of human capital, (3) improvement of social protection system and (4) institutional modernisation of the public administration and governance. Overall, the draft ADS represents a good effort to move towards sustainable economic growth. However, it will benefit significantly from being strengthened and developed further. The Government fully owns the main objective of its national development strategy and is committed to realising it through a number of specific policies. An essential element of the Strategy will be a comprehensive monitoring and evaluation and performance assessment framework, including a regular and inclusive review process.

2.2.2. Sector context: policies and challenges

It is in the context of the **Eastern Partnership** (**EaP**) political framework that the EU and EaP countries should forge deeper contractual relations in the form of visa facilitation and enhanced sector cooperation. The EaP main goal is to create favourable conditions to accelerate political association and deepen economic integration between the EU and EaP countries.

The **Visa Facilitation Agreement** was signed in December 2012 and the **Readmission Agreement** in April 2013. In addition, the EU has already launched a Mobility Partnership with Armenia in October 2011; providing a flexible and legally non-binding framework for the movement of people.

The **Comprehensive Institution Building** programme (CIB), which focuses on core Armenian institutions involved in the EU-Armenia agreements was initiated in 2010 and delivered three Institutional Reform Plans (IRPs).

A Protocol to the EU-Armenia Partnership and Cooperation Agreement on a Framework Agreement governing the general principles for the participation of Armenian institutions in EU programmes was concluded in December 2012.

2.3. Lessons learnt

A number of lessons can be drawn from past evaluations and the EU Results Oriented Monitoring (ROM) reports related to capacity building instruments:

- avoid a top-down approach and ensure that the beneficiary is fully engaged in the design, implementation, monitoring and evaluation phases of EU assistance;
- ensure that the assistance is demand-driven and policy sector driven;
- avoid capacity substitution;
- ensure systematic donor coordination;
- ensure the beneficiary understands the need for planning of financial and human resources in the state budget to support a successful implementation of the programme.

2.4. Complementary actions

This programme is a follow-up to the previous "Framework Programme in support of EU-Armenia agreements" approved in 2011, which also includes a dedicated component for the **Comprehensive Institution Building (CIB)** programme. CIB in Armenia is focused on three key reform areas (pillars): general coordination of AA/DCFTA negotiation; justice, freedom and security with a specific focus on the EU-Armenia Visa Facilitation and Readmission Agreements; DCFTA-related reforms. Assistance provided under this action is complementary to on-going programmes in support of sector-wide reforms and focuses on areas not affected by Armenia's announcement to join the Eurasian Customs Union.

The **EU Advisory Group** (EUAG) created in 2009 has been very active, especially in the DCFTA negotiation process, both in terms of policy and legal reforms. With the support of the EUAG, a number of strategies have been elaborated. The group also supported the negotiations of the visa facilitation and readmission agreements, and provided advice in the areas of rule of law and human rights. The current project will continue its activities until April 2014.

A **Flagship Initiative** (a EUR 3 million project with the French Migration Office as lead) and several projects funded through the **thematic Migration Programme** (under the Development and Cooperation Instrument - DCI) are supporting the EU Mobility Partnership in the context of visa facilitation and readmission agreements.

There are a number of on-going **twinning** projects including in the areas of migration and legal approximation with the Ministry of Justice. Further twinnings may be launched in areas such as public internal financial control (PIFC), education (Bologna process), investments, and statistics.

A number of **TAIEX** workshops, study visits and experts missions have been organised with Armenian beneficiaries in areas related to approximation with the EU: accreditation, education, economic zones, cybercrime, agriculture, financial services, etc. – further support through this instrument can be made available. **SIGMA**, a project implemented by the OECD

and fully funded by the EU has increased its activities in Armenia to focus on PIFC, public procurement, civil service reform and the newly established Ethics Commission.

Other complementary actions are being implemented through **EU funded regional programmes** including the following sectors: economic cooperation (EastInvest, SME facility, small business support programmes); cross-border cooperation and integrated border management (Flagship Initiative). The Programme will endeavour to complement the results of these regional projects and create synergies with them.

The ENPI Civil Society Facility (CSF), the Non State Actors – Local Authorities (NSA-LA) thematic programme and a project on "Support to democratic governance in Armenia" under the ENPI bilateral portfolio, will also contribute to the capacity building of civil society organisations.

A number of international donors are also involved in related areas, such as the United Nations Development Programme (UNDP) which supports the capacity building of civil servants, and the World Bank, the United States Agency for International Development (USAID), Council of Europe, the United Nations International Children's Emergency Fund (UNICEF) and International Organisation for Migration (IOM) which support the justice and migration sectors. A number of donors are engaged with civil society including UNDP, USAID, the German Agency for International Cooperation (GIZ), and the Open Society Foundation.

2.5. Donor coordination

As CIB coordinator, the Minister of Economy co-chairs the CIB steering committee with the EU Delegation. Members of the steering committee include all relevant Ministries and agencies which ensure coordination with other donors in their respective areas. There is also a possibility for other donors to participate in the financing of the CIB programme. In addition, the EU Delegation has already launched thematic donor coordination meetings.

However, the primary role of the Government in the coordination process needs to be strengthened and the EU Delegation will support this in 2013, through technical assistance to the Ministry of Economy as EU assistance coordinator.

3. DETAILED DESCRIPTION

3.1. Objectives

The **overall objective** of this programme is to support the Republic of Armenia to conclude, implement and monitor its agreements with the EU in priority areas, including:

- Visa Facilitation and Readmission Agreements;
- A Protocol to the Partnership and Cooperation Agreement on a Framework Agreement on the general principles for the participation in the EU programmes.

The programme will also support the implementation of the EU-Armenia ENP Action Plan.

The **specific objectives** are:

1) To improve the **capacity of Armenian civil servants and ensure effective technical capacity** of relevant institutions;

2) To reinforce civil society and its role in promoting EU-Armenia cooperation, monitoring the implementation of reforms, and increasing public accountability in Armenia;

3) To further **improve Armenia's cooperation with the EU** by fostering its participation in EU programmes and in the work of the EU agencies in priority areas.

3.2. Expected results and main activities

The expected **results and main activities per component** of this programme are as follows:

<u>Component 1</u>: Strengthening the capacity of civil servants – Comprehensive Institution Building

This component is expected to result in further strengthening the capacity of civil servants in relation to the implementation of EU-Armenia Agreements, in particular the Visa Facilitation and Readmission Agreements, as well as the EU-Armenia ENP Action Plan.

The main activities will take the form of a specific set of capacity building actions in priority areas provided through the Public Administration Academy and other relevant centres. Activities could include the following: enhancement of organisational and coordination arrangements (including functional reviews, and process mappings), training of civil servants, short-term secondments of Armenian experts to Member States, establishment of assistance centres, support to set-up and restructuring of Management Information Systems.

<u>Component 2</u>: Reinforcing civil society

The expected results of this component include the reinforced capacity of Armenia's civil society in promoting EU-Armenia cooperation and its enhanced role in monitoring the implementation of the Armenian reform agenda and increasing public accountability.

The main activities in this area will include support for civil society initiatives aimed at enhancing the role and capacities of civil society in promoting EU-Armenia cooperation and monitoring reforms and increasing public accountability in areas covered by the EU-Armenia agreements, in particular the Visa Facilitation and Readmission Agreements, as well as the EU-Armenia ENP Action Plan; capacity building of civil society through training; and strengthening the role of the Eastern Partnership Civil Society Forum National Platform including contributing to finance its secretariat.

<u>Component 3</u>: EU programmes and agencies

As a result of this component, Armenian authorities should participate effectively in the EU programmes and in the work of the EU agencies linked to current or future priority sectors of the negotiated EU-Armenia agreements / ENP Action Plan and EU assistance programmes.

The main activity will consist of direct financial support of up to 50% of the "entrance fees" necessary for participation.

3.3. Risks and assumptions

The primary assumptions are:

- The Government remains firmly committed to its reform agenda;
- The Government maintains its commitment to enhanced political and economic relations with the EU.

Major risks, as stated in the country's risk management framework, developed by the EU, can be summarised as follows:

- Political instability;
- Macro-economic imbalances inhibit Armenia's capacity to provide co-financing;
- Weaknesses in the legislative process, compounded by a deficient system for the coordination of legal approximation and the implementation of laws and regulations;
- Deficiencies in a number of PFM areas: internal control, procurement procedures, external audit;
- Corruption and fraud;
- Lack of willingness by donors to coordinate their support;
- High turnover of civil servants at technical level, given poor contractual conditions; and
- Low capacity of civil society in formulating and managing project interventions.

The mitigating measures are as follows:

- Enhancing policy dialogue, involving all technical levels and actors, to ensure political commitment and budget availability;
- Drafting a new anticorruption strategy and implementing associated measures;
- Implementing Public Administration Reforms;
- Enhancing donor coordination mechanisms; and
- Enhancing the capacity of non-governmental organisations for project formulation and implementation.

3.4. Cross-cutting issues

In the implementation of the Programme, specific attention will be paid to gender equality, notably in providing a more gender balanced access to capacity development activities such as training.

3.5. Stakeholders

The programme will target stakeholders involved in the implementation of the Visa Facilitation and Readmission Agreements and the ENP Action Plan as well as relevant line Ministries and agencies interested in cooperation within the framework of the EU programmes and agencies. The **Ministry of Economy** as the National Coordinator of the EU Assistance will be a key actor in coordinating and prioritising the areas of support, in order to ensure the necessary ownership. It needs to coordinate the beneficiary line ministries and agencies involved in the identified priority areas. The **Ministry of Foreign Affairs** (MFA)

and the **Ministry of Territorial Administration** (including State Migration Services) are central to the implementation of the Mobility Partnership. **Public Administration Academy** and other relevant education institutions will be the main partners in delivering training to civil servants. **Civil society organisations** will be involved in the identified areas when relevant. **International donors** involved in the priority areas will be encouraged to ensure proper coordination in order to avoid overlaps.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 60 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Implementation components and modules

Under the CIB component, and in the framework of the implementation of each Institutional Reform Plan, a financial contribution of at least 20% (parallel procurement) will be required whenever EU funding is used for supply of EU norm driven equipment.

4.3.1. Grant: direct award (direct centralised management) to the Secretariat of the Eastern Partnership Civil Society Forum National Platform in Armenia

A direct operating grant is envisaged within Component 2 for the Secretariat of the Eastern Partnership Civil Society Forum National Platform in Armenia, covering its functioning costs during the fiscal year 2014 or 2015.

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The objective of the direct award under Component 2 is to support the functioning and to reinforce the capacity of the Secretariat of the Armenian National Platform (ANP).

(b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposal to the Secretariat of the ANP.

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified because of specific competence and specialisation of the Secretariat of the ANP in coordinating the activities of the ANP and its administrative power to coordinate a large number of organisations. Secretariat of the ANP was registered with the objective of providing organisational and technical assistance to the National Platform and creating an open forum for Armenian civil society. The Secretariat was established in May 2013 and it was founded by 8 ANP members as a union of non-profit legal entities. Today the ANP comprises more than 180 civil society organisations.

(c) Eligibility conditions

Not applicable.

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the concerned organisation.

The essential award criteria are relevance of the proposed work programme to the objective of this programme, design, effectiveness, feasibility, sustainability and cost-effectiveness.

(e) Maximum rate of co-financing

The maximum rate of co-financing is 90 %.

The maximum possible rate of co-financing may be up to 100 % in accordance with Article 192 of the Financial Regulation if full funding is essential for the support to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative quarter to contact the potential direct grant beneficiary

2nd quarter of 2014.

4.3.2. Grant(s): direct award (direct centralised management): participation in the EU programmes and in the work of the EU agencies

Implementation of Component 3 (EU programmes and agencies) will take the form of a reimbursement of up to 50% of the corresponding accession fee(s). This reimbursement will be done through ad hoc grant(s) directly awarded to the institution(s) that will pay the accession fee(s). The fee(s) will be reimbursed to the institution(s) after receiving a payment request from the relevant Armenian institution(s) and evidence of payment of the total fee(s). No pre-financing is foreseen under this scheme.

(a) Objectives of the grant(s), fields of intervention, priorities of the year and expected results

The objective of the direct award is to contribute up to 50% of the annual fee(s) for the participation of Armenia to selected internal EU programmes.

(b) Justification of a direct grant(s)

Under the responsibility of the authorising officer by delegation, the grant(s) may be awarded without a call for proposal to the relevant institution(s) of Armenia.

Under the responsibility of the authorising officer by delegation, the recourse to award of a grant(s) without a call for proposals is justified because the purpose of this operation is to provide a direct support to the relevant institution(s) of Armenia.

(c) Eligibility conditions

Not applicable.

(d) Essential selection and award criteria

Regarding Component 3, the essential selection criteria are financial and operational capacity of the concerned institution(s). The essential award criterion is the relevance of the proposed

action to the objective as described under Component 3 of section 3.2 above. These criteria will be verified by ensuring that the institution(s) are the one(s) in charge of the payment of the fee(s) and that the payment of the entire fee(s) has been done.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing is 50% of the annual fee(s).

(g) Indicative quarter to contact the potential direct grant beneficiary

3rd quarter of 2014.

4.3.3. Grants: open call for proposals (direct centralised management) for Component 2 of the programme

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results:

The main objective of the grant call scheme is to finance a number of civil society initiatives aimed at enhancing the role of civil society in promoting EU-Armenia cooperation and monitoring reforms and increasing public accountability in areas covered by the EU-Armenia agreements, in particular the Visa Facilitation and Readmission Agreements, as well as the EU-Armenia ENP Action Plan.

(b) Eligibility conditions

Proposals must be presented by civil society organisations active in Armenia.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call, design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 90 %.

The maximum possible rate of co-financing may be up to 100 % in accordance with Articles 192 of the Financial Regulation if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative quarter to launch the call

First quarter of 2015.

4.3.4. Procurement (direct centralised management)

Subject	Туре	Indicative number of contracts	Indicative quarter of launch of the procedure
Component 1: Strengthening the capacity of civil servants	services	2	4 th quarter of 2014

Component 2: Reinforcing civil society	services	1	4 th quarter of 2014
Evaluation and audit	services	Up to 3	According to needs (see section 4.7)
Communication and visibility	services	1	According to needs (see section 4.8)

4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 21(7) of the basic act (ENPI) on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. <u>Indicative budget</u>

Module	Amount (in EUR million)	
Component 1: Strengthening the capacity of civil servants – Comprehensive Institution Building		
4.3.4. – Procurement (direct centralised)	2.0	
Component 2: Reinforcing civil society		
4.3.1. – Direct grant (direct centralised)	0.05	
4.3.3. – Call for proposals (direct centralised)	1.5	
4.3.4 – Procurement (direct centralised)	0.2	
Component 3: EU programmes and agencies		
4.3.2. – Direct grant(s) (direct centralised)	1.85	
4.7. – Evaluation and audit	0.3	
4.8. – Communication and visibility	0.1	
Totals	6.0	

4.6. **Performance monitoring**

Overall, this programme will be monitored through the Results-Oriented Monitoring (ROM) system for EU funded projects and programmes.

For component 1, the CIB Steering Committee, co-chaired by the Ministry of Economy and the EU Delegation, and composed of all relevant public bodies from the legislative, executive and judicial branches of the Government, will steer the delivery of capacity building activities.

4.7. Evaluation and audit

The programme may be subject to an evaluation in order to assess the relevance, efficiency, effectiveness, impact and sustainability of its achievements. Independent evaluators may be contracted by the European Commission in accordance with its internal procedures.

In addition, the European Commission may mobilise ad hoc audit missions if deemed necessary.

4.8. Communication and visibility

Throughout the implementation of the programme, the best possible visibility will be sought through actions to be organised in cooperation with all relevant stakeholders, in line with the "Communication and Visibility Manual for EU External Actions".