

ANNEX 3

of the Commission Implementing Decision 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 Programme in support of EU-Armenia Agreements <i>ENPI/2013/024-470</i>		
Total cost	Total estimated cost: EUR 19,000,000 Total amount of EU budget contribution: EUR 19,000,000		
Aid method / Method of implementation	Project Approach Direct centralised management (grants – call for proposals and direct award; procurement of services and supplies) Joint management with UNIDO and with UNDP		
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, following the objectives of the Eastern Partnership, while supporting priority areas 1 and 2 of the National Indicative Programme 2011-2013 (democratic structures, trade and investment). This action will help prepare, negotiate, conclude, implement and monitor the agreements between the EU and Armenia in main priority areas - Association Agreement (AA), Deep and Comprehensive Free Trade Area (DCFTA) agreement, Visa Facilitation and Readmission Agreements, and Protocol on a Framework Agreement for the participation in European Union programmes. The action is expected to lead to the strengthening of Armenia's policy framework and enhancing the capacity of Armenia's civil servants, preparing the legal and technical framework through Comprehensive Institution Building in priority areas, as well as supporting Armenia's participation in EU programmes and in the work of EU agencies.

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 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 created prerequisites for 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) 2012-2025, 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 AAs including DCFTAs as well as visa facilitation and an enhanced sector cooperation. The EaP's main goal is to create favourable conditions to accelerate political association and deepen economic integration between the EU and EaP countries.

Negotiations on an **Association Agreement (AA)** between the EU and Armenia started in July 2010 and are progressing at a fast pace. As of March 2013, all chapters have been provisionally closed. The **DCFTA** negotiations were launched in February 2012 and are also progressing rapidly. The two sides intend to initial the AA during 2013, with the exception of the DCFTA chapters which should be ready for initialling in early 2014. Discussions on an **Association Agenda** to replace the ENP Action Plan are ongoing. From 2014, the implementation of these agreements will require significant technical and human resources.

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 AA, DCFTA and visa facilitation/readmission processes, was initiated in 2010 and delivered three Institutional Reform Plans (IRPs) covering these three areas.

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;
- ensure that the EU high level policy advice remains flexible to enhance effectiveness: monitor policy advice progress and change policy focus as relevant; ensure transfer to implementation through other EU instruments; anticipate focus of policy advice to reflect AA priorities.

2.4. Complementary actions

This programme is a follow-up to the previous “Framework Programmes in support of EU-Armenia agreements” launched in 2011 and 2012; the three programmes include 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, liberty and security; DCFTA-related reforms (in particular in the areas of Intellectual Property Rights (IPR), Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary issues (SPS). Assistance provided under this action is complementary to ongoing programmes in support of sector-wide reforms and legal approximation to the EU, in particular in DCFTA-related areas.

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 in DCFTA priority areas: IPR, TBT and SPS. 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 ongoing **twinning** projects covering a limited number of DCFTA areas (competition, IPR, SPS, customs, market surveillance), as well as migration and legal approximation with the Ministry of Justice. Further twinings will be launched in the areas of public internal financial control (PIFC), education (Bologna process), standardisation, investments, Public Regulatory Commission and statistics linked to DCFTA. There is still a need to approximate a large number of EU regulations in the AA/ DCFTA area, and additional twinings will be needed to guide the Armenian beneficiaries through the process.

A number of **TAIEX** workshops, study visits and experts missions have been organised with Armenian beneficiaries in areas related to the AA and DCFTA: 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 in areas relevant to the AA.

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 actions supporting AA and DCFTA related areas. The **World Bank** and the **FAO** are actively involved in food safety reforms; the World Bank, **International Finance Corporation (IFC, World Bank Group)** and **Germany** are tackling issues related to TBT and market surveillance; **Germany, Finland and Greece** are providing assistance to general trade matters; the **World Intellectual Property Organisation (WIPO)** and the **European Patent Office** are addressing the area of intellectual property rights. **UNDP** deals with capacity building of civil servants.

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 in the main areas of the DCFTA.

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 prepare, negotiate, conclude, implement and monitor its agreements with the EU in priority areas, including:

- An Association Agreement, including a DCFTA part, and an Association Agenda;
- 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 specific objectives are:

- 1) To improve the **Government's policy framework** for the AA implementation and to increase the capacity of civil servants;
- 2) To ensure **effective technical capacity** of relevant institutions, which are essential to implementing the AA, including the DCFTA, through Comprehensive Institution Building;
- 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:

Component 1: Government's policy framework and capacity of civil servants

1.1. The **policy framework** as relevant for the priority areas of the future AA and Visa Facilitation and Readmission Agreements, including strategies, action plans and other policy related documents, is improved.

The main activity of this component will be to deliver high level policy advice to targeted beneficiaries.

1.2. The **capacity of civil servants** is further strengthened in relation to **the implementation of the AA**.

The main activities will principally take the form of a specific set of capacity building actions in priority areas provided by the Public Administration Academy and other relevant centres. Activities that could be financed 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.

Component 2: Comprehensive Institution Building

The anticipated results of this support are that a) Armenian capacity to implement the AA and specific areas of the DCFTA is further strengthened; and b) Armenian authorities/institutions concerned with the implementation of the AA/DCFTA have implemented the necessary legal and technical framework according to the calendar and provisions negotiated and set in the final AA.

Main activities under this component, i.a. in the form of twinnings, will provide further support for the implementation of the IRPs, and assist Armenian institutions in preparing for the implementation of future obligations under the Association Agreement, the DCFTA and the Visa Facilitation and Readmission Agreements.

More specifically on DCFTA, the programme will support the implementation of reforms in the TBT area by restructuring and modernising the National Quality Infrastructure and its institutions in the areas of accreditation, metrology, standardisation and market surveillance, as well as support the SPS area by restructuring and modernising the National Veterinary Laboratory and associated food safety laboratories. These activities will be mainly delivered through technical assistance, and relevant equipment will be supplied to the different institutions.

Component 3: EU programmes and agencies

As a result of this programme, Armenian authorities will 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 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 and is willing and able to pursue negotiations leading to the conclusion of new agreements;
- The implementing institutions allocate the necessary human, financial and technical resources to support the implementation of the IRPs;

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; and
- High turn over of civil servants at technical level, given poor contractual conditions.

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.

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 mainly target stakeholders involved in the AA, DCFTA and Visa Facilitation and Readmission Agreements 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 in general and CIB in particular 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 AA 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. Grants: call for proposal for Twinning projects (direct centralised management)

Under the present programme, it is expected to conclude up to 3 Twinning grant contracts.

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

The Twinning calls for proposals modality will be used for implementing actions under specific objective 2 defined in section 3.1.

The activities and expected results of the Twinning calls for proposals will be in line with the expected results and activities of component 2 defined in section 3.2.

- (b) Eligibility conditions

In line with Article 15(2)(a) ENPI, participation in Twinning calls for proposals is limited to public administrations of the EU Member States, being understood as central or regional authorities of a Member State as well as their bodies and administrative structures and private law bodies with a public service mission under their control provided they act for the account and under the responsibility of that Member State.

- (c) Essential selection and award criteria

The essential selection criterion is the operational capacity of the applicant.

The essential award criteria are the technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

- (d) Maximum rate of co-financing

The rate of co-financing for Twinning grant contracts is 100%¹.

- (e) Indicative timing to launch the calls

The launch of the calls for proposals is indicatively planned during 2nd quarter of 2014, 2nd quarter of 2015 and 2nd quarter of 2016, depending for each Twinning call for proposals on the time needed to finalise the Twinning fiches, to conduct the Twinning call for proposals and to prepare the corresponding Twinning grant contracts. Twinning activities are expected to end in 2018.

- (f) Use of lump sums/flat rates/unit rates

Twining contracts include a system of unit costs, defined in the Twinning Manual, for the reimbursement of the public sector expertise provided by the selected Member States administrations. This system of unit rates exceeds the amount of EUR 60,000 per beneficiary of a Twinning contract.

4.3.2. Grant: direct award (direct centralised management)

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 take the form of an ad hoc grant directly awarded to the institution that will pay the fees. The fees will be reimbursed to the institution after receiving a payment request from the Government of Armenia and evidence of payment of the total fee. Specific provisions will be introduced in the Financing Agreement. No pre-financing is foreseen under this scheme.

¹ As foreseen for in the Twinning Manual.

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

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

- (b) Justification of a direct grant

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 the purpose of this operation is to provide a direct support to the relevant institution(s) of Armenia.

- (c) Eligibility conditions

Only the institution(s) that pay the fees for the participation in the selected internal EU programmes are eligible.

- (d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the concerned institution(s), which 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.

The essential award criteria are relevance of the proposed action to the objective as described under Component III of section 3.2 above.

- (e) Maximum rate of co-financing

The maximum possible rate of co-financing for this type of grant is 50% of the annual fee.

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

3rd quarter of 2014

4.3.3. Procurement (direct centralised management)

Subject	Type	Indicative number of contracts	Indicative quarter of launch of the procedure
Trainings to strengthen capacity of civil servants	services	3	1 st quarter of 2014
Evaluation and audit	services	Up to 3	According to needs (see section 4.7)
Communication and visibility	services	Up to 2	According to needs (see section 4.8)

4.3.4. Joint management with an international organisation

A part of this action with the objective of improving the policy framework of a number of selected public institutions will be implemented in joint management with UNDP (component 1.1) and UNIDO (component 2).

4.3.4.1. Joint management with UNDP (component 1)

The implementation of component 1.1 by UNDP is justified because this organisation has successfully implemented an ongoing policy advice project and has specific expertise in relevant policy areas. UNDP will provide an operational facility for provision of targeted policy and technical advice and will ensure sound organisation and financial management.

Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because this organisation is bound by a long-term framework agreement (FAFA). The projects will be jointly elaborated between the organisations and the Commission.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

4.3.4.2. Joint management with UNIDO (component 2)

The implementation of component 2 by UNIDO is justified because this organisation has a high degree of specialisation and competence and a specific methodology used to support partner countries to establish a National Quality Infrastructure, to assist in the implementation of Sanitary and Phytosanitary activities as well as to support policy and legal reforms in these areas.

Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because this organisation is bound by a long-term framework agreement (FAFA). The projects will be jointly elaborated between the organisations and the Commission.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

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 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. Indicative budget

Module	Amount (in EUR million)	Third party contribution (indicative)
Component 1: Government’s policy framework and capacity of civil servants		
4.3.3. – Procurement (direct centralised)	1.5	
4.3.4.1. – Joint management with UNDP	2.5	
Component 2: Comprehensive Institution Building		
4.3.1. – Call for proposals “Twinning with Member States” (direct centralised)	2.0	
4.3.4.2. – Joint management with UNIDO	11.0	2.0
Component 3: EU programmes and agencies		
4.3.2. – Direct grant (direct centralised)	1.5	
4.7. – Evaluation and audit	0.4	
4.8. – Communication and visibility	0.1	
Totals	19.0	2.0

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, a board composed of all relevant public bodies from the legislative, executive and judicial branches of the Government will steer the delivery of high level policy advice.

For component 2, a CIB steering committee, chaired by the Ministry of Economy, will oversee the progress of each IRP.

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.

For the part of the action implemented under joint management, the provisions included in the relevant framework agreement will apply.

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".

For the part of the action implemented under joint management, the provisions included in the relevant framework agreement will apply.