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**COMMISSION IMPLEMENTING DECISION**

**of 29.10.2014**

**on the Annual Action Programme 2014 in favour of the Republic 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 the Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action<sup>1</sup>, and in particular Article 2 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 1605/2002<sup>2</sup>, and in particular Article 84(2) thereof,

Whereas:

- (1) The Commission has adopted the Single Support Framework (SSF) for the period 2014-2017 for Armenia<sup>3</sup>, points 3.1, 3.3 and 5 of which provide for the following priorities: 1) Private sector development, 2) Justice sector reform, including protection of human rights, and 3) Complementary support for capacity development and institution building, focusing on EU-Armenia agreements.
- (2) The objectives pursued by the Annual Action Programme to be financed under Regulation (EU) No 232/2014 of the European Parliament and of the council of 11 March 2014 establishing a European Neighbourhood Instrument<sup>4</sup> are: 1) to support private sector development in Armenia and 2) to enhance the human rights protection in the country in line with EU-Armenia agreements, including human rights provisions in the Partnership and Cooperation Agreement, European Neighbourhood Policy Action Plan and GSP (Generalised Scheme of Preferences) and related commitments.
- (3) The first action entitled "Support to SME Development in Armenia" aims to create employment opportunities by enhancing private sector development in Armenia. The specific objective is to improve the national business and investment climate and support the creation and development of SMEs. The action will be implemented through grants, service contracts and indirect management with an international organisation.
- (4) The second action entitled "Support to Human Rights Protection in Armenia" will help Armenia in implementing its national strategy and international commitments, including EU-Armenia agreements, in the area of human rights. The specific

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<sup>1</sup> OJ L77, 15.03.2014, p. 95.

<sup>2</sup> OJ L 298, 26.10.2012, p. 1.

<sup>3</sup> Decision C(2014)5101, 23.07.2014

<sup>4</sup> OJ L77, 15.03.2014, p.27.

objectives are 1) Improving the protection of human rights through enacting and implementing relevant legislation in the areas of right to free elections, torture prevention, anti-discrimination (including minorities, people with disabilities and other vulnerable groups), gender equality and child protection; and 2) Enhancing coordination and cooperation in the area of human rights and increasing capacity of relevant stakeholders. The action will be implemented through budget support, grants and service contracts. During the remaining programming period (2015-2017), further support to human rights protection in Armenia will be provided under the Justice sector reform priority of the SSF complementing this action.

- (5) 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<sup>5</sup>.
- (6) The Commission may entrust budget-implementation tasks under indirect management to the entity identified in this Decision, subject to the conclusion of a delegation agreement. However, this entity (Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH) is currently undergoing the ex ante assessment. In anticipation of the results of this review, the responsible authorising officer deems that, based on a preliminary evaluation and on the long-standing and problem-free cooperation with it, budget-implementation tasks can be entrusted to this entity.
- (7) It is appropriate to acknowledge that grants may be awarded without a call for proposals by the responsible authorising officer who ensures that the conditions for an exception to a call for proposals according to Article 190 of Commission Delegated Regulation (EU) No 1268/2012 are fulfilled. The reasons for and potential beneficiaries of such award should be identified, where known, in this Decision for reasons of transparency.
- (8) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.
- (9) The Commission is required to define the term "non-substantial change" in the sense of Article 94(4) of Delegated Regulation (EU) No 1268/2012 to ensure that any such changes can be adopted by the authorising officer by delegation, or under his or her responsibility, by sub-delegation (hereinafter referred to as the 'responsible authorising officer').
- (10) The measures provided for in this Decision are in accordance with the opinion of the European Neighbourhood Instrument Committee set up by the basic act referred to in Recital 2.

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<sup>5</sup> OJ L 362, 31.12.2012, p. 1.

HAS DECIDED AS FOLLOWS:

*Article 1*

**Adoption of the measure**

The following Annual Action Programme, constituted by the actions identified in the second paragraph and attached as annexes, is approved:

Annual Action Programme 2014 in favour of the Republic of Armenia.

The actions constituting this measure are:

- Annex 1: " Support to SME Development in Armenia";
- Annex 2: " Support to Human Rights Protection in Armenia".

*Article 2*

**Financial contribution**

The maximum contribution of the European Union authorised by this Decision for the implementation of this programme is set at EUR 19 million and shall be financed from the following budget lines of the general budget of the European Union for 2014:

- budget line 21 03 02 01: EUR 12 000 000;
- budget tline 21 03 02 02: EUR 7 000 000.

*Article 3*

**Implementation modalities**

Budget-implementation tasks under indirect management may be entrusted to the entity identified in the attached Annex 1, subject to the conclusion of the relevant agreement.

Section 4 of the Annexes referred to in the second paragraph of Article 1 sets out the elements required by Article 94(2) of Delegated Regulation (EU) No 1268/2012.

Grants may be awarded without a call for proposals by the responsible authorising officer according to Article 190 of Delegated Regulation (EU) No 1268/2012. Where known at the moment of the adoption of this Decision, the reasons for this as well as the potential beneficiaries shall be identified in the attached Annexes.

The financial contribution referred to in Article 2 shall also cover any possible interests due for late payment.

*Article 4*

**Non-substantial changes**

Increases or decreases of up to EUR 10 million not exceeding 20% of the contribution referred to in the first paragraph of Article 2, or cumulated changes to the allocations of specific actions not exceeding 20% of that contribution shall not be considered substantial, provided that they do not significantly affect the nature and objectives of the actions.

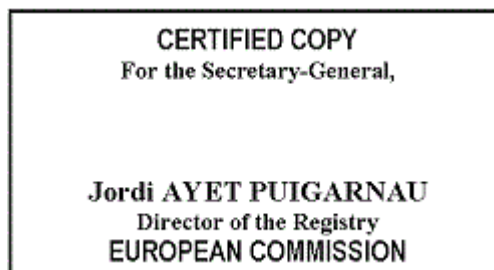
The responsible authorising officer may adopt these non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 29.10.2014

*For the Commission*

*Štefan Füle*

*Member of the Commission*



## ANNEX 1

of the Commission Implementing Decision on  
the Annual Action Programme 2014 in favour of Armenia to be financed from the  
general budget of the European Union

### Action Document for Support to SME Development in Armenia

#### 1. IDENTIFICATION

Title/Number	Support to SME Development in Armenia CRIS number: ENI/2014/030-964		
Total cost	Total estimated cost: EUR 8 200 000 Total amount of EU budget contribution: EUR 7 000 000 This action is co-financed in parallel co financing by the Government of Armenia for an amount of EUR 1 000 000 Estimated co-financing by grant beneficiaries: EUR 200 000		
Aid method / Management mode and type of financing	Sector Approach <ul style="list-style-type: none"><li>• Direct management – grants (direct award) and procurement of services</li><li>• Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)</li></ul>		
DAC-code	32130 25010	Sector	Small and medium-sized enterprises (SME) development Business support services and institutions

## **2. RATIONALE AND CONTEXT**

### **2.1. Summary of the action and its objectives**

Support to small and medium-sized enterprises (SME) development is in line with the EU Single Support Framework (SSF) 2014-2017 for Armenia. Under the private sector development sector, it corresponds to the specific objective (1.1) to improve the national business and investment climate for SMEs. In terms of Armenian strategic framework, the Armenia Development Strategy and the SME State Support Strategy are the main documents. The SSF and this programme address some of the key issues identified in them.

The action aims to create employment opportunities by enhancing private sector development in Armenia. The specific objective is to improve the national business and investment climate and support the creation and development of SMEs by strengthening the government and the organised private sector in implementing the national policy for SME development, and by facilitating incubation of innovative small businesses through grant schemes. Implementation partnership with the German Agency for International Development (GIZ) will promote alignment with the EU best practices, including the Small Business Act for Europe.

Out of the total allocation available for private sector development under the SSF in 2014 (EUR 22 million), an amount of EUR 15 million is channelled to the Neighbourhood Investment Facility (NIF) for a project aiming to diversify the sources of financing for start-up businesses and SMEs. This project is complementary to the present action.

### **2.2. Context**

#### **2.2.1. Country context**

##### *Economic and social situation and poverty analysis*

Before the 2009 global financial crisis, the Armenian economy grew by about 12 percent per year. This high growth performance resulted in improvement of the per capita income from USD 680 in 2001 to USD 3 340 in 2008. However, this was generated through an unsustainable economic model narrowly based on expansion of residential construction, domestic services, and foreign exchange inflows (including remittances). During the same period, the share of manufacturing declined from 17 to 9 percent of Gross Domestic Product (GDP), whereas large remittance inflows and appreciation of the national currency rendered domestic tradables uncompetitive and left the economy highly vulnerable to external shocks. As the global economy went into recession and external financing of the domestic construction sector was interrupted, the sector collapsed by 48 percent, and GDP per capita declined to USD 3 170 in 2009. The Armenian economy started recovering again in 2010, and according to World Bank data, the GDP per capita had increased to USD 3 850 in 2013. Growth decelerated to 3.2% in 2013 from 7.3% in 2012 and according to IMF projections is expected to rise to 4.5% in the medium term. These figures show that Armenia continues to recover economically after its GDP shrank by 14 per cent in 2009 in consequence of the global financial crisis. However, the labour market situation is difficult with an unemployment rate in Armenia of 16.2% in 2013 according to the International Labour Organisation.

According to the latest National Statistical Service "Social Snapshot and Poverty in Armenia"<sup>6</sup>, the poverty level in 2011 reduced as compared to the previous year. Poverty in Armenia in 2012 was estimated at 32.4%, nearly one in every three persons. Poverty is higher for women-headed households (about +10 percentage points) and for families with children up to 6 years of age. Poverty for men and women is, however, relatively homogeneous, as is the case for both rural and urban residents. In terms of age, children below 19 are the most likely to be poor (36%) whereas older Armenians have the lowest probability (25%). The lowest incidence of extreme poverty was observed in Yerevan. However, in the country as a whole, the majority of the extremely poor (80%) are urban residents.

### *National development policy*

The Armenia Development Strategy (ADS), which was adopted in April 2014, is the overall policy framework for sustainable socio-economic development in Armenia. It identifies cross-cutting governance issues that adversely affect economic growth, competitiveness and labour market outcomes, underlying the need to fight corruption and improve the business climate. The ADS takes into account existing direct policies to achieve its goals. In particular, it refers to the SME State Support Strategy and the Industrial Policy. It recognizes SMEs as a driving force for economic and employment growth, noting that during 2008-2011 SMEs have created 100 000 job opportunities.

The current SME State Support Strategy (2012-15), implemented through annual programmes by the SME Development National Centre of Armenia (SMEDNC), aims at ensuring a dialogue between SMEs and the State, increasing efficiency and competitiveness of SMEs, ensuring availability of business development services for SMEs, expanding the financial opportunities for SMEs, promoting innovations and research and development (R&D) activities of SMEs, assisting the establishment of new SMEs, and supporting internationalization of SMEs' activities. The annual budget allocated by the Government under the Medium-Term Expenditure Framework (MTEF) 2014-2016 to support private sector development (industrial development, competitiveness, quality infrastructure, support to SMEs, etc.) is EUR 2.5 million. This programme is designed to support the SME policies of the ADS, as developed in the SME State Support Strategy.

#### **2.2.2. Sector context: policies and challenges**

Although Armenia has improved its position in the World Bank "Doing Business ranking" in 2014, moving from position 40 to 37, the impact of measures adopted is still very limited and Armenia still ranks very low in indicators such as "trading across borders", "enforcing contracts", "paying taxes" or "getting electricity". Armenia ranks 82 in the 2012-2013 Global Competitiveness Index, with very low ranking in "intensity of local competition", "effectiveness of anti-monopoly policy", "burden of customs procedures", "judicial independence", and "financing through local equity market". Other major problematic factors listed are (1) corruption, (2) inefficient Government bureaucracy, (3) access to finance, and (4) tax regulations.

The 2012 progress report on the implementation of the Small Business Act for Europe in the Eastern Partnership (EaP) countries draws similar conclusions and highlights the necessity to strengthen public-private dialogue in order to implement conducive and innovative SME development policies. There is a need to coordinate and rationalise public-private dialogue, as for the moment this dialogue takes place in four different thematic reform Councils; including the Business Support Council, the SME Council and the Industrial Council.

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<sup>6</sup> "Social Snapshot and Poverty in Armenia" <http://www.armstat.am/file/doc/99477213.pdf> accessed April 2014



According to estimates; the number of Micro, Small and Medium Enterprises (MSME) in Armenia is approximately 134 000 of which more than 90% are legally registered. Micro-enterprises and small enterprises represent respectively more than 75% and 16% of the total MSMEs and account for around 42% of the employed population, although contributing only 30% of GDP. This can be explained by a rather large informal or self-subsistence economy. In order to address this challenge and the risk it bears for the competitiveness of registered MSMEs, the Government, with the support of the EU financed e-governance project, has created an e-business registry system to facilitate the administration of formal businesses and discourage the informal economy.

In recent years, economic growth was driven mainly by exports from the mining industry and by agro-products where SMEs contribute only 17%. Most of the SMEs are operating in the trade sector with very low added value. The share of SMEs in capturing foreign direct investment (FDI) is also very low, representing only 8% of the total FDI. It is worth noting that several investments and development partners' initiatives started in the information and communications technology (ICT) sector, targeting more specifically start-up businesses and SMEs notably through the creation of incubators and techno parks. Very recently the Government and its implementing agencies have started to promote the development of other sectors with potential added value such as chemicals, pharmaceuticals, green technology, and precise engineering.

With respect to SMEs' access to finance, following the expansion of credit in the lead up to the global financial crisis, and a 14% decline in GDP in 2009, many Armenian SMEs have accumulated high levels of debt, and thus their owner/managers do not have sufficient financial resources or access to further borrowing.

### **2.3. Lessons learnt**

The main lessons learnt from the implementation of EU projects related to economic governance and private sector development are:

- (1) It is essential to ensure strong coordination among the different EU programmes and implementing tools (budget support, twinning, technical assistance, NIF projects). Similarly, overall donor coordination is of utmost importance for the overall development impact. This programme will pay particular attention to coordination of the action with other relevant EU and other assistance, including through specific support to coordination efforts by the Government.
- (2) All equity funds for SMEs are regional and do not respond to the needs of Armenian SMEs. Equity funds favour investments both in Georgia and Azerbaijan rather than in Armenia. In particular, since 2012, the Caucasus Growth Fund managed by SEAF (Small Enterprise Assistance Fund) has realised only one operation in Armenia. A new project being prepared under the NIF, which is highly complementary to this action, will address this issue by creating a tailor-made Armenian-only facility designed to identify and establish a viable local portfolio.
- (3) There is a need to strengthen the sector policy dialogue with the Government in monitoring the implementation and impacts of the activities carried out. Different stakeholders, including civil society and the private sector, need to be involved to promote the inclusiveness of reform processes - such a mechanism is foreseen under this programme.

### **2.4. Complementary actions**

The main complementary EU action is a project under preparation - financed through the NIF (EUR 15 million channelled from the Armenia bilateral 2014 allocation under the SSF) -

aiming to diversify the sources of financing for start-up businesses and SMEs. In particular, this project will allow companies to access equity finance and will help them to improve their financial management capacity.

Other bilateral complementary EU programmes include two ongoing multi-sector budget support operations addressing public finance management, public sector transparency and trade related areas, whereas another ongoing budget support programme targets vocational education and training (VET) reform and employment policy. New programmes from the Annual Action Programme 2013 in the areas of agricultural and rural development – ENPARD<sup>7</sup> Armenia (budget support), and regional development (project approach) are due to be launched in 2014. Further trade related assistance is planned to support the modernisation of the national quality infrastructure, in order to protect consumers through the adoption of higher safety standards for Armenian products.

Complementing the ENPI regional East Invest programme, this action will specifically focus on SME associations and support to local structures representing the smallest segment of SMEs. The EU also delivers assistance through regional NIF projects such as SME Finance Facility and Small Business Support Programme (Business Advisory Services – BAS and Enterprise Growth Programme – EGP) implemented by EBRD, and the European Neighbourhood Small Business Growth Facility (through the European Fund for Southeast Europe - EFSE) implemented by the German Development Bank (Kreditanstalt für Wiederaufbau - KfW) and the Austrian Development Bank (Oesterreichische Entwicklungsbank - OeEB). EBRD is also setting up a new regional NIF project called SME Direct Finance Facility.

This programme will complement the following support provided by GIZ:

- GIZ is implementing a regional project (South-Caucasus private sector development programme from 2013 to 2016) with an estimated financial envelope for Armenia of EUR 2.5 million. This project focuses on job creation and poverty alleviation and aims at increasing the competitiveness of export-oriented SMEs. It supports the elaboration and implementation of private sector development policies, contributes to increase competitiveness of SMEs, provides technical assistance to improve VET curricula, and develops sector strategies such as in the wine sector.

Other development partners involved in the different areas are:

- EBRD is contributing to the SEAF (Small Enterprise Assistance Funds) Caucasus Growth Fund in addition to its role in implementing the regional NIF projects mentioned above,.
- The World Bank (WB), under its Development Policy Operation loan scheme (2014-15), is supporting access to finance, financial sector development, customs, tax revenue mobilisation, and business inspection reforms. Furthermore, WB is currently advising the Government on the improvement of the institutional setup of the private sector development agencies. A regional WB programme (Strengthening Auditing and Reporting in the Countries of the Eastern Partnership - STAREP) also aims at creating a transparent policy environment and effective institutional framework for corporate reporting.
- The Organisation for Economic Co-operation and Development (OECD) has been providing support, notably through an assessment of the implementation of the Small Business Act, the SME policy index in the EaP countries, and is currently implementing an EU co-funded regional programme supporting SME competitiveness in the EaP region.

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<sup>7</sup> European Neighbourhood Programme for Agriculture and Rural Development

## **2.5. Donor coordination and policy dialogue**

An informal donor coordination group led by the United Nations Development Programme (UNDP) has been set up in all the areas supported by development partners. The EU with WB is co-chairing donor coordination in the economic area. In particular, the EU Delegation chairs the donor sub group dealing with trade, investment, and private sector development. However, this donor coordination mechanism is not driven by the Government but this programme will support it in assuming such a role.

## **3. DETAILED DESCRIPTION**

### **3.1. Objectives**

The overall objective is to create employment opportunities by enhancing private sector development in Armenia.

The specific objective is to improve the national business and investment climate and support the creation and development of SMEs.

### **3.2. Expected results and main activities**

The main expected results and activities will be:

1. Improved policy making process and coordination of support to SME development - Technical assistance will strengthen the institutional capacities of SMEDNC and the Ministry of Economy (MoE) to implement the SME strategy and its action plan. This includes the setup of a result-based monitoring system and steering mechanism, which will enable MoE to better coordinate different SME support programmes. In this respect, a result-oriented public-private dialogue will also be supported, ensuring in particular the participation of micro businesses. This technical assistance will be accompanied by a financial contribution (up to 50%) to the participation fee of Armenia in the EU programme COSME (Competitiveness of Enterprises and SMEs), including the Europe Enterprise Network (EEN).
2. Strengthened private sector organisation to implement SME policies - Technical assistance will strengthen the capacity of existing local business associations and ensure the participation of micro businesses. GIZ will manage a fund and provide action grants to the business associations in view of (1) engaging more effectively in public-private dialogue, (2) providing better services to companies and promoting regularisation of informal businesses, and (3) expanding their networking with the European business community.
3. Improved process of commercialisation of ideas linking research institutions and businesses - Technical assistance will identify existing practices, advise the Government on EU best practices, and create a platform linking research institutions and SMEs. The SMEDNC and the Enterprise Incubator Foundation (EIF) capacities will be strengthened to properly to run this platform.
4. Improved design and management of existing incubators and Free Economic Zones (FEZ) - Technical assistance will provide assistance to MoE to better manage FEZ, and to EIF to improve the management of incubators (techno parks), creating a more conducive environment and coordinating efficiently the different related initiatives.
5. Diversified access to finance for innovative start-up and small businesses - Technical assistance will be provided to reinforce the capacity of the EIF in managing the "science

& technology entrepreneurship programme" and the "innovation matching grants". To complement these programmes, GIZ will manage a fund and provide action grants to support technology start-ups and SMEs promoting new products/services. Such grants aim at stimulating the rate of technology absorption, technology transfer, innovation and commercialization in the private sector, and fostering collaboration between research centres and SMEs.

The activities of this programme are in line with the principles set out in the recent Commission Communication on "A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries"<sup>8</sup>.

### **3.3. Risks and assumptions**

The primary assumptions are:

- The Government remains firmly committed to its reform agenda (as set out in the ADS);
- The implementing institutions allocate the necessary human, financial and technical resources to support the implementation of the programme;
- Businesses are ready to absorb the financial and technical assistance.

Major risks can be summarised as follows:

- Lack of capacity and high turnover of civil servants and other relevant staff undermines the implementation and coordination of the programme activities;
- Lack of political will to implement policies and reforms to improve the business climate for SME;
- Corruption, fraud and lack of public sector reform;
- Duplication with other initiatives financed by the EU and other development partners.

The main mitigation measures are:

- Capacity assessment of key stakeholders to ensure that the assistance to be provided responds to the needs and requests of the beneficiaries;
- Enhanced policy dialogue with the government, at various levels, involving civil society and business associations;
- EU assistance to reforms in the public sector including civil service reform and anti-corruption efforts;
- Enhanced donor coordination mechanisms between all development partners.

### **3.4. Cross-cutting issues**

The implementation of the programme will directly contribute to good governance by improving the work of public institutions and management of public resources. It will also directly contribute to poverty reduction through the improvement of economic opportunities for employers and employees. Furthermore, the programme will participate in improving the corporate governance of the SMEs, in particular their financial transparency.

The programme will support the introduction of gender-responsive approaches to private sector development policies and the expansion of economic opportunities for women. Specific

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<sup>8</sup> COM(2014) 263 of 13 May 2014

trainings on women's access to entrepreneurship, gender equality in corporate governance, and business management skills for women will be provided. In addition, campaigns to promote women's employment in SMEs will be organised, surveys will be conducted, and success stories about women entrepreneurs will be disseminated. Moreover, gender criteria in the selection of grantees will be introduced during the specific design of the grant components.

The impact on the environment will be carefully measured when developing and implementing projects or supporting specific economic sectors. Sustainable development will be promoted in all the activities of this programme.

### **3.5. Stakeholders**

MoE is responsible for the overall coordination of private sector development related policies in Armenia and is the main counterpart for policy dialogue. In addition, the National Competitiveness Foundation of Armenia (NCFA) plays a role in coordinating the general competitiveness agenda, ensuring policy coherence and coordination across the different sectors and entities in Armenia. For specific targeted areas, SMEDNC and EIF will directly benefit from the programme and play a significant role in implementing the activities and planned reforms.

Target groups will be SMEs, business community representatives, such as Union of Banks in Armenia, Armenian Chamber of Commerce and Industry. The Union of Employers will also receive support to facilitate the implementation of reforms.

## **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 Regulation (EU, Euratom) No 966/2012.

### **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 from the date of entry into force of the financing agreement, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

### **4.3. Implementation components and modules**

#### **4.3.1. Indirect management with a Member State Agency**

A part of this action with the objective of fostering the development of SMEs may be implemented in indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation is justified because GIZ has a proven expertise in the areas of intervention. In Armenia, GIZ is managing a complementary support through its regional programme to the SME sector. Furthermore, GIZ is well placed to promote alignment with EU best practices. The entrusted entity will implement the activities through technical assistance (experts), facilitate policy dialogue in the areas under its responsibility, and manage

a fund providing grant schemes to support innovative start-up and existing businesses. Budget implementation tasks are a core element of the activities entrusted to GIZ.

The entrusted entity is currently undergoing the ex ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the responsible authorising officer deems that, based on a preliminary evaluation and on the long-standing and problem-free cooperation with this entity, it can be entrusted with budget-implementation tasks under indirect management.

#### **4.3.2. Grant: direct award (direct management)**

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

The objective is to co-finance by means of reimbursement of a share of the annual participation fee of Armenia to COSME (EU programme) for the duration of the present action. The grant will be subject to signature of a Participation Agreement of Armenia to COSME. Should this Participation Agreement not be concluded, the corresponding funds would be allocated to other components of the action.

(b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposals to the Government of Armenia (or to the Armenian public entity appointed as responsible for this task).

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 it is identified as beneficiary in the basic act on which this decision is based. The Government of Armenia, particularly MoE and SMEDNC, is in charge of implementation of the SME development strategy at national level.

(c) Eligibility conditions

Not applicable.

(d) 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 programme: design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing:

The maximum possible rate of co-financing for this grant is 50%.

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

4<sup>th</sup> trimester 2015.

#### **4.3.3. Procurement (direct management)**

<b>Subject</b>	<b>Type</b>	<b>Indicative number of contracts</b>	<b>Indicative trimester of launch of the procedure (Q)</b>
Visibility / Communication	Service	1	Q3 2015
Audit	Service	1	Q1 2018

Evaluation	Service	2	Q3 2017, Q3 2019
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#### 4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(2)b of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

#### 4.5. Indicative budget

Categories	EU contribution	Government contribution	Grant beneficiaries	Total
	in EUR thousands			
<b>4.3.1 Indirect management with a Member State Agency</b>	<b>6 400</b>	<b>800</b>	<b>200</b>	<b>7 400</b>
Indirect management with GIZ	6 400	800	200	7 400
<b>4.3.2 Grant: direct award (direct management)</b>	<b>200</b>	<b>200</b>	<b>N.A.</b>	<b>400</b>
Participation in COSME (EU programme)	200	200	N.A.	400
<b>4.3.3 Procurement (direct management)</b>	<b>400</b>	<b>N.A.</b>	<b>N.A.</b>	<b>400</b>
Communication / Visibility	200	N.A.	N.A.	200
Evaluation and Audit	200	N.A.	N.A.	200
<b>TOTAL</b>	<b>7 000</b>	<b>1 000</b>	<b>200</b>	<b>8 200</b>

#### 4.6. Performance monitoring

The continuous technical and financial monitoring of the activities under this programme is the responsibility of the EU Delegation. Additionally GIZ as an implementing partner and contractors/grant beneficiaries will be responsible for monitoring their respective components. The EU Delegation, GIZ, and contractors/grant beneficiaries shall accordingly establish a technical and financial monitoring system for the programme, which will generate progress reports and safeguard internal control, and which will ensure the complementarity of this programme with other complementary actions. A steering committee co-chaired by the Ministry of Economy and the EU Delegation, with the involvement of business associations, civil society and the donor community, will be set up to monitor the programme implementation. Such monitoring will be based on indicators to be specified in the financing agreement (including relevant indicators specified in the Armenia SSF 2014-2017).

The EU may carry out results oriented monitoring via independent consultants, starting from the sixth month of project activities, which will be finalised at the latest 6 months before the end of the operational implementation phase.

#### **4.7. Evaluation and audit**

The programme may be subject to evaluations in order to assess the relevance, efficiency, effectiveness, impact and sustainability of its achievements. Independent evaluators may be contracted by the European Commission. Audits will be carried out respectively by the implementing partners according to the provisions set out in the respective agreements. The EU may decide to carry out external audit of the grant contracts.

#### **4.8. Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.5 above.

The measures shall be implemented (a) by the Commission, and (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.



## ANNEX 2

of the Commission Implementing Decision on  
the Annual Action Programme 2014 in favour of Armenia to be financed from the general  
budget of the European Union

### Action Document for Support to Human Rights Protection in Armenia

#### 1. IDENTIFICATION

Title/Number	Support to Human Rights Protection in Armenia CRIS number: ENI/2014/032-771		
Total cost	Total amount of the action EUR 12.2 million  Total amount of EU budget contribution EUR 12 million of which:  EUR 11 million for budget support  EUR 1 million for complementary support  Estimated co-financing by grant beneficiary EUR 200 000		
<b>Budget support</b>			
Aid method / Management mode and type of financing	Direct management Sector Reform Contract		
Type of aid code	A02 – Sector Budget Support	Markers	BSAR
DAC-code	15160	Sector	Human rights
<b>Complementary support</b>			
Aid method / Management mode and type of financing	Project Approach Direct management - grants (direct award) and procurement of services		
DAC-code	15160	Sector	Human Rights

## **2. RATIONALE AND COUNTRY CONTEXT**

### **2.1. Summary of the action and its objectives**

Support to human rights protection is in line with the Complementary provision for capacity development and institution building under the EU Single Support Framework (SSF) 2014-2017 for Armenia, since it is devoted to the implementation of EU agreements including the Partnership and Cooperation Agreement, the European Neighbourhood Policy (ENP) Action Plan, as well as requirements for the enhanced Generalised Scheme of Preferences (GSP +) and possible future Visa Liberalisation Action Plan with the EU. The Sector Reform Contract (SRC) will support the enhanced legal framework, implementation and enforcement of human rights aligned with United Nations (UN), Council of Europe (CoE), the Organisation for Security and Cooperation in Europe (OSCE) and other commitments. Armenia's constitution, international commitments and internal policy, in principle, provide protection of all fundamental political, civil, social, economic and cultural rights. However, human rights are often not sufficiently translated into concrete legal obligations, nor fully implemented.

This programme will provide a key strategic response to the challenges in the human rights protection area through a mix of sector budget support and project approach, with an overall objective to support the protection of human rights in Armenia, promoting an effective institutional, legal, enforcement and coordination system in line with the National Strategy of Human Rights Protection. It will act as a catalyst for reforms by building an inclusive human rights platform for dialogue with the Government, involving the European Union, civil society and the international community.

The focal areas of the action are right to free elections, torture prevention, anti-discrimination, gender equality and child protection. They are in line with the national policy, recommendations identified by ENP Progress Reports for Armenia, compliance with the GSP+ relevant conventions, as well as conclusions and recommendations of international human rights treaty monitoring bodies.

### **2.2. Country context**

#### ***2.2.1 Main challenges towards poverty reduction/inclusive and sustainable growth***

According to the latest National Statistical Service "Social Snapshot and Poverty in Armenia"<sup>9</sup>, the poverty level in 2011 reduced as compared to the previous year. Poverty in Armenia in 2012 was estimated at 32.4%, nearly one in every three persons. Poverty is higher for women-headed households (about +10 percentage points) and for families with children up to 6 years of age. Poverty for men and women is, however, relatively homogeneous, as is the case for both rural and urban residents. In terms of age, children below 19 are the most likely to be poor (36%) whereas older Armenians have the lowest probability (25%). The lowest incidence of extreme poverty was observed in Yerevan. However, in the country as a whole, the majority of the extremely poor (80%) are urban residents.

#### ***2.2.2 Fundamental values***

During 2013 Armenia made some efforts to address issues related to human rights and fundamental freedoms, but further progress is necessary, especially in terms of implementation and enforcement of legislation. Concerns regarding the right to free elections, the right not to be subjected to torture and ill-treatment, and non-discrimination persist. Obstacles to gender equality also continue, compounded by gender-based violence. The

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<sup>9</sup> "Social Snapshot and Poverty in Armenia" <http://www.armstat.am/file/doc/99477213.pdf> accessed April 2014

implementation and enforcement of existing laws in the area of children's rights remains inadequate. Respect for fundamental values is also hampered by insufficient conditions guaranteeing media pluralism, the right to association with respect to trade unions, freedom of religion and other areas. The situation is exacerbated by corruption that undermines the rule of law, access to justice, and failure of courts to enforce the right to a fair trial.

## **2.3. Eligibility for budget support**

### **2.3.1 Public policy**

#### **a) Brief description of the main features of the public policy:**

The government's policy on human rights has been developed in an inclusive manner, with the participation of relevant agencies and public consultations involving civil society and the National Assembly. It is formulated within the National Strategy of Human Rights Protection, adopted in October 2012, whose priorities focus on civil and political rights, economic, social and cultural rights, as well as key vulnerable groups. An Action Plan for the period of 2014 - 2016 was adopted in February 2014, indicating inter alia responsible agencies, timeframe for implementation, financial sources and expected results. The Ministry of Justice is responsible for the overall coordination and implementation of the policy. The final Action Plan was cautious in terms of setting ambitious goals in some areas, though it remained true to the scope of the strategy and is achievable within the timeframe set. The government has confirmed its commitment to revise and improve the Action Plan on an annual basis.

#### **b) Policy relevance:**

The National Strategy of Human Rights Protection is highly relevant for promoting democratic governance for Armenia, as well as the specific challenges in the area of human rights. Despite a broad spectrum of national and international commitments, Armenia still fails to sufficiently uphold human rights principles within its legal, judicial and implementation framework. The strategy aims to address weaknesses and become the primary tool for implementing commitments in this area. Moreover, it aims at strengthening accountability in the human rights sector through establishing a coordination framework and monitoring involving both state and non-state actors. If implemented effectively, the strategy will strengthen domestic accountability and will contribute to enhancing governance in Armenia, which plays a key role for a country's sustainable development. Inclusive access to services is also reflected within the policy.

#### **c) Policy credibility:**

Apart from the introduction of an alternative service system to military service and adoption of a law on equal rights and opportunities for men and women, there have been few tangible outputs in the human rights sector during 2013, while in 2012 the most visible progress was the adoption of the strategy for the sector. This slow trend in overall progress has been due to different factors including a system with numerous human rights stakeholders and lack of targeted coordination among them, insufficient financing for some institutions, as well as variable political will on sensitive topics. Regarding the latter, there is a perceived willingness on the side of the Armenian authorities to continue reforms in the areas of democracy and human rights jointly with the European Union, but appropriate implementation and monitoring need to be enhanced. Although the Human Rights Action Plan identifies financing sources for each of the planned actions, and assigns the Minister of Finance with providing funding within the scope of the budget process, it does not include a clear cost estimate for policy; the Delegation is supporting the detailed costing with the Ministry of Justice and Ministry of Finance to complete the analysis. While leading stakeholders have sufficient ownership of the policy, capacity building will be necessary. Furthermore, the overall data quality of the national statistical system is reliable.

On the basis of the assessment there is a credible and relevant sector development strategy that supports the objectives of democratic governance.

### ***2.3.2 Macroeconomic policy***

Armenia follows a stability-oriented macroeconomic policy, in view of the need to address potential sources of instability originating from both internal and external factors. While the overall budget deficit remains small, the authorities should keep on raising revenues to sustain investments. The gas price increase for consumers since mid-2013 could have repercussions on the external balance stability and lead Armenia along a negative inflationary trajectory. A protracted stagnation of the global growth might be the main source of economic instability with spill overs in trade, finance and investment channels. The external current account deficit remains a source of vulnerability, while the banking system is relatively sound. In terms of macroeconomic policies, revenue performance remains below regional and international indicators. Overall, more aggressive reforms including improvements in tax policy and tax administration are necessary. On the monetary side, Armenia applies an inflation-targeting framework. The reserves appear broadly adequate and the approach to build them up steadily very prudent. Consolidation of the high current account deficit is underway. Armenia's performance under the 2010–13 IMF Extended Fund Facility and Extended Credit Facility arrangements was sound, and in 2014 the IMF approved a new Extended Fund Facility programme of USD 125 million (SDR 82.21 million) for a 3-year period. Based on the analysis above, it is concluded that the Armenian authorities pursue a credible and relevant macroeconomic policy aiming at safeguarding fiscal and external stability and sustainability as well as at reducing the poverty ratio of the country.

### ***2.3.3 Public financial management***

Throughout the last decade the Government of Armenia made substantial progress in improving its Public Financial Management (PFM) systems and practices in an appropriate manner. PFM reforms have aimed at upgrading the government's capacity of fiscal management, strategic planning and budgeting, and at improving the fiduciary management/control systems to improve efficiency of public resource management. Overall, as documented in the Public Expenditure and Financial Accountability (PEFA) 2013 Report, the Armenian authorities have to speed up the implementation of reforms in the areas of procurement and external audit (the Chamber of Control does not have sufficient autonomy to propose law amendments). The overall PFM Strategy 2011-2020 and related sector sub-strategies are relevant and credible: they reflect the main areas of PFM system's weaknesses. Finally, a new strategy on anticorruption is in the process of drafting, set to replace the strategy that expired in 2012 with little results.

On the basis of the analysis, it is possible to confirm that the eligibility criterion is fulfilled. Overall progress in improving PFM systems is positive. However, implementation of anti-corruption measures and procurement should be enhanced.

### ***2.3.4 Budget transparency and oversight of the budget***

In the Armenian context access to information is very high and the government transparently shares the budget documentation. The state and local budgets are available to the public although their readability could be improved, and a move towards performance-based budgeting is under way. The PEFA report highlights advanced transparency aspects of the PFM system. However, significant improvements can be achieved with a move towards modern public sector accounting standards which would improve the reporting scope and enable more comprehensive audit. A major deficiency in comprehensiveness of the budget information is the absence of a financial statement on the government assets and liabilities.

Resuscitating the interest of the citizens in policy formulation and budget analysis is another ingredient for increased accountability.

Both the draft Annual Budget Law and the final adopted version of the document are regularly available. The government meets the requirement of having regularly published its budget within the past and current budget cycle.

#### **2.4. Lessons learnt**

Armenia has a history of successful implementation of EU budget support programmes since 1997, covering areas that include justice, vocational education and training, food security, PFM and public sector transparency. Although human rights is a new direction for this instrument, the lessons learnt regarding the importance of setting realistic but ambitious objectives, as well as ensuring ownership through regular policy dialogue remain valid. The evaluation of previous EU assistance to justice reforms – a budget support programme for the period 2009-2012 and a joint project on access to justice with the Council of Europe – has shown that the instrument is functioning well, demonstrated by high compliance with conditions set for disbursements. It also highlighted the need for effective sector reform coordination mechanism, which is taken on board in this SRC.

Other assistance to human rights protection, through the EU Advisory Group project, a Twinning supporting the Human Rights Defender office, and a project on electoral reforms have shown that the process of reforms has suffered from insufficient capacity and coordination among stakeholders, as well as lack of domestically-driven will for addressing sensitive topics (anti-discrimination legislation<sup>10</sup>, gender equality), issues that the new action aims to address.

#### **2.5. Complementary actions**

The EU is currently involved in several complementary programmes in the area of human rights and in the related area of justice reforms.

Thematic assistance through the European Instrument for Democracy and Human Rights (EIDHR) and the ENPI Civil Society Facility (2011-2012) will continue. The 2013-2014 EIDHR country based support scheme (CBSS) will strengthen the role of civil society in promoting human rights and democratic reform, while the 2013 Civil Society Facility allocation will enhance the role and capacity of civil society actors in monitoring reforms in public finance management, fight against corruption, justice, agriculture, border management, migration, regional development and others.

In the context of promoting the role of civil society in human rights protection, an evaluation of related support through the EIDHR CBSS in Armenia for the period of 2007-2012 indicated that insufficient capacities of NGOs affected project implementation. In direct relation to the proposed action and in order to address these concerns, the 2013 EU package for Armenia will support the role of civil society in promoting and monitoring reforms in the area of human rights. Assistance will be dedicated to developing the capacity of civil society to fulfil an active role in the implementation of this action (consultations with civil society are ongoing). This comes in addition to a project on support to democratic governance in Armenia, implemented by the British Council, which targets the creation of a sustainable legal and financial framework for civil society, capacity to engage in legal reform and advocacy, and media pluralism. The EU has also launched a civil society facility project with OXFAM focusing on reform transparency and accountability.

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<sup>10</sup> Anti-discrimination legislation was drafted by the Human Rights Defender's office, but it was not sent to the Ministry of Justice or discussed among government stakeholders due to lack of political will.

Apart from civil society-oriented actions, support to human rights is provided through the EU Advisory Group, including advice on updating the human rights policy and institutional framework (capacity development of the Human Rights Defender office, National Assembly and others). It has encouraged compliance with the recommendations of international human rights treaty bodies, and assisted draft legislation on gender equality, domestic violence and anti-discrimination. The EU also strives to enhance the role of women in the democratic process through a project with the United Nations Development Programme (UNDP), facilitating women's participation in local governance.

Within the justice sector, the ongoing second phase of budget support and technical assistance (EUR 29 million) focuses on the development of more independent, accountable and transparent justice sector, through anti-corruption measures, improving cooperation among stakeholders, revision of the criminal code, promoting alternative punishment and services to the public. Another EU-funded project with CoE is aimed at better litigating cases through the European Court of Human Rights (ECHR).

Among EU Member States, Denmark has launched a EUR 1 million project for judicial reforms in 2014, strengthening the application of the ECHR, jointly with CoE. The British Embassy has short-term projects on civil society and marginalised groups – ethnic minorities, women and lesbian, gay, bisexual and transgender/transsexual and intersexed persons. The German Agency for International Cooperation (Gesellschaft für Internationale Zusammenarbeit - GIZ) provides assistance to justice and legal reforms, as well as awareness raising on women's rights. The French Agency for Development (Agence Française de Développement - AFD) has started a project on children suffering from autism. The European Endowment for Democracy meanwhile provides support to grassroots organisations.

Other main development partners in the human rights sector are CoE, OSCE, UNDP, United Nations Children's Fund (UNICEF) and United States Agency for International Development (USAID). CoE provides technical assistance to probation with financing from Norway. OSCE is active in the areas of good governance, including media legislation, support to the Human Rights Defender office, awareness raising on human rights, judicial and penitentiary reform, as well as national and religious minorities. UNDP provides support to the Universal Periodic Review (UPR) recommendations coordination mechanism and has projects on torture and ill treatment, gender, free legal aid assessment, and supports the finalisation of the Action Plan on Human Rights Education. UNICEF focuses on child protection. USAID provides technical assistance to de-institutionalisation of children and child protection reforms, as well as gender-based violence and discrimination of people with disabilities. Synergies between the new action and donor activities will be ensured by the EU Delegation through joint analysis of SRC indicators and complementary technical support.

The overview of past support in the sector has shown that technical assistance alone has led to limited reforms. The role of the SRC would be one of a reform catalyst, creating fundamental leverage to capitalise on and promote the efforts of the overall donor community.

## **2.6. Risk management framework**

The major risks (substantial and high risks) as stated in the risk management framework are within the areas of political governance, corruption and fraud:

- Weaknesses in the constitutional and legal framework lead to insufficient guarantees of human rights, including non-discrimination;
- Lack of political will to apply measures in sensitive areas including gender equality, domestic violence, anti-discrimination, and religious freedom;

- Lack of appropriate coordination of the human rights policy implementation as well as insufficient donor coordination;
- Corruption and lack of public sector reform;
- High turnover of civil servants and other relevant staff undermines coordination and capacity measures.

The main mitigating measures are:

- Enhanced policy dialogue with the government on human rights topics, involving civil society;
- Conditions of the programme are formulated in realistic, measurable and achievable manner, reviews are performed within the foreseen time schedule;
- Timely technical assistance for support to coordination and capacity building of relevant institutions and stakeholders is developed. Enhancing donor coordination mechanisms;
- Support to reforms in the public sector including civil service reform and anti-corruption efforts.

### **3. DETAILED DESCRIPTION OF THE BUDGET SUPPORT CONTRACT**

#### **3.1. Objectives**

The general objective of the action is to support the protection of human rights in Armenia.

Specific objectives:

1. Improving the protection of human rights through enacting and implementing relevant legislation in the areas of right to free elections, torture prevention, anti-discrimination (including minorities, people with disabilities and other vulnerable groups), gender equality and child protection.
2. Enhancing coordination and cooperation in the area of human rights and increasing capacity of relevant stakeholders

Cross-cutting issues: In the implementation of the action, specific attention will be paid to cross-cutting issues - democracy and human rights, gender equality, the rights of the child, which are focal areas of the action. All efforts will be made to ensure the environmental sustainability of the action.

#### **3.2. Expected results**

*1. Improved protection of human rights through enacting and implementing relevant legislation in the areas of right to free and fair elections, torture prevention, anti-discrimination (including minorities, people with disabilities and other vulnerable groups) and gender equality and child protection:*

- i. Enhanced electoral system in line with CoE and OSCE Office for Democratic Institutions and Human Rights (ODIHR) recommendations;
- ii. Progress in torture prevention through legal, investigative and enforcement reforms;
- iii. Greater protection of persons belonging to minorities, people with disabilities and other vulnerable groups against discrimination;

- iv. Effective gender equality mechanisms and protection of victims of domestic/gender-based violence and abuse;
  - v. Improved child protection system including deinstitutionalisation of children;
2. *Enhanced coordination and cooperation in the area of human rights and increased capacity of relevant stakeholders:*
- i. Effective coordination role and capacity of the Ministry of Justice for the implementation and annual revision of the Human Rights Action Plan and international human rights commitments;
  - ii. Effective monitoring mechanisms and monitoring capacity of the Interagency Commission for the implementation of the provisions of the Human Rights Action Plan.
  - iii. Strengthened capacity of the Human Rights Defender office in providing human rights education, addressing concerns of vulnerable groups and cooperation with state institutions;
  - iv. Strengthened capacity of the Ministry of Labour and Social Affairs for the protection and promotion of the rights of the child, gender equality, rights of people with disabilities;
  - v. Strengthened capacity of the Women's Council under the Prime Minister as the National Gender Machinery;
  - vi. Strengthened capacity of law enforcement structures in the area of human rights through improved investigation and enforcement techniques and relevant education/training;
  - vii. Strengthened capacity of the National Assembly Standing Committee on Protection of Human Rights and Public Affairs;

### **3.3. Rationale for the amounts allocated for budget support**

The total amount allocated to human rights under the bilateral allocation for the programming period 2014-2017 of the SSF should range between EUR 21.3 and 23.3 million (estimated 13.7 – 15.2% of the total envelope) of which the amount allocated under the present budget support programme is EUR 12 million funded from the complementary support envelope for capacity building under the SSF. Further support to human rights protection in Armenia will be provided under the Justice sector reform priority of the SSF complementing this action.

The rationale for the indicative amounts is based on a broad qualitative assessment that takes into account inter alia an analysis of the track record and absorption capacity of disbursements of past budget support in the related area of justice sector reforms, and the financing needs of the partner country for relevant human rights reforms (estimated range of EUR 10-20 million for budget intensive reforms in the area). Budget support interventions in Armenia have proven to lead to tangible results, promoting overall reform in target areas and sectors. The indicative amounts are considered appropriate in view of the value added of this budget support programme for enhancing human rights policy reforms and policy dialogue.

### **3.4. Main activities**

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development.

#### **3.4.1 Budget Support**

Engagement in dialogue around conditions and government reform priorities, the verification of conditions and the payment of budget support.



### **3.4.2 Complementary support**

Complementary support will address the needs for enhanced coordination and cooperation in the area of human rights on a horizontal level through support to the Ministry of Justice for the implementation and annual revision of targets and performance indicators of the Human Rights Action Plan, as well as donor coordination. It will also provide assistance to the effective monitoring mechanisms and capacity of the Interagency Commission for the implementation of the provisions of the Human Rights Action Plan. In this context support to the reporting mechanisms and workflow of all responsible bodies will be provided.

Capacity development is also envisaged for other stakeholders, including the Human Rights Defender office (promoting human rights education, concerns of vulnerable groups), the Ministry of Labour and Social Affairs (implementing the Action Plan in the areas of protection and promotion of the rights of the child, gender equality, rights of people with disabilities), the Women's Council under the Prime Minister (National Gender Machinery), law enforcement structures (improved investigation and enforcement techniques), and the National Assembly Standing Committee on Protection of Human Rights and Public Affairs (overall capacity building and oversight support). The complementary support will also address awareness raising on reforms in relevant areas.

### **3.5. Donor coordination**

The EU Delegation has consistently promoted coordination among key line ministries, and encouraged structured dialogue with civil society. The Delegation holds regular meetings on cooperation and assistance with EU Member States. Cooperation with other donors is maintained through regular donor meetings on democratic governance chaired by UNDP/CoE. These donor meetings aim to involve the government and nurture their eventual leadership for donor coordination.

### **3.6. Stakeholders**

The Ministry of Justice is responsible for coordinating and implementing the National Strategy of Human Rights Protection and Action Plan and is considered the main stakeholder, while the National Security Council chairs the Human Rights Interagency Commission<sup>11</sup> responsible for monitoring the Action Plan. Other main stakeholders are the Human Rights Defender office, the Ministry of Labour and Social Affairs, the Ministry of Foreign Affairs, the National Assembly, the Police and the Prosecutor's Office and civil society.

### **3.7. Conclusion on the balance between risks (2.6.) and expected benefits/results (3.2.)**

It can be concluded that the potential benefits and expected results outweigh the risks, given the number of strategic actions ongoing which will have a direct impact on governance within the sector. Significant benefits can be anticipated, through the development of a more accountable governance system clearly responding to human rights commitments as a result of this intervention. A positive factor in this respect is the experience and capacity of the Ministry of Justice in co-operating with donors and managing donor programmes.

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<sup>11</sup> The Commission includes government stakeholders and oversight institutions, as well as five non-state actors.

## 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 Regulation (EU, Euratom) No 966/2012.

### 4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.4. and 4.4. will be carried out, is 48 months, from the date of entry into force of the financing agreement, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

### 4.3. Criteria and indicative schedule of disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows: Satisfactory progress in the implementation of the National Strategy of Human Rights Protection and related Action Plan and continued credibility and relevance thereof; implementation of a credible stability-oriented macroeconomic policy; satisfactory progress in the implementation of the PFM reform programme; satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information;

b) The specific conditions will be related to an enhanced electoral system in line with CoE and OSCE/ODIHR recommendations, progress in torture prevention, greater protection of persons belonging to minorities, people with disabilities and other vulnerable groups against discrimination, effective gender equality mechanisms and protection of victims of domestic/gender-based violence and abuse, and an improved child protection system including deinstitutionalisation of children.

The indicative schedule of disbursements is summarised in the table below (all figures in EUR millions) based on fiscal year of the partner country:

Year	2016				2017				2018				Total
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Variable tranche		3				4				4			11
Total		3				4				4			11

### 4.4. Details on complementary support

#### 4.4.1 Procurement (direct management).

Subject in generic terms	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Evaluation	services	2	Q1 2017 Q3 2018

Communication and visibility	services	1	Q4 2015
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#### **4.4.2 Grant: direct award (direct management)**

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

The objective of the grant is to support complementary activities, by strengthening coordination and carrying out capacity building tasks in the relevant human rights areas enumerated in section 3.4.

b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposals to the UNDP.

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 action has human rights characteristics requiring specific knowledge and technical competence, areas in which UNDP demonstrated to have the required expertise, skills and experience, while having also sufficient administrative capacity.

c) Eligibility conditions

Not applicable.

d) 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 programme: design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 80% of the eligible costs of the action.

The maximum possible rate of co-financing may be up to 100% in accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 if full financing is essential for the action to be carried out. The essentiality of 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 trimester to contact the potential direct grant beneficiary

Third trimester of 2015.

#### **4.5. Scope of geographical eligibility for procurement**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(2)b of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

#### 4.6. Indicative budget

Module	Amount in EUR thousands	Third party contribution
3.3. – Budget support Sector Reform Contract	11 000	N.A.
4.4.2. – Direct grant to UNDP (direct management)	750	200
4.8. – Evaluation and audit	150	N.A.
4.9. – Communication and visibility	100	N.A.
<b>Total</b>	<b>12 000</b>	<b>200</b>

#### 4.7. Performance monitoring

For fiscal years 2016, 2017 and 2018 there will be an external review mission for the verification of the compliance with conditions attached to the release of each annual variable tranche. The review missions will take place indicatively in the first quarter of 2016, 2017 and 2018 and will be funded through this programme budget. The reports of the meetings of the Human Rights Interagency Commission will be analysed.

In addition, the monitoring of the programme will be carried out by a Steering Committee co-chaired by the Minister of Justice and the Head of the EU Delegation, which will include representatives of civil society and the donor community to ensure structured dialogue with the government and close coordination among all stakeholders during implementation. Moreover, the topic will be discussed at the annual EU Budget Support Governance Board. This process should result in strengthening the coordination between government, the donor community and non-state actors in this area. The latter will also be supported through civil society complementary actions identified in section 2.5. The policy dialogue will be documented through steering committee meeting minutes and decisions, as well as relevant reports. The action will also be monitored through the Result Oriented Monitoring system.

#### 4.8. Evaluation and audit

Evaluations of budget support are envisaged in order to assess the relevance, efficiency, effectiveness, impact, sustainability and coherence of the achievements of the programme. Independent evaluators may be contracted by the Commission. Audits may be also be envisaged if necessary.

#### 4.9. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures, which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation by the Ministry of Justice and supported with the budget indicated in section 4.5 above.

The measures shall be implemented by the Commission and/or by the partner country, contractors, and grant beneficiaries. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.