

Annex 3 – Annual Action Programme 2012 for Armenia

1. IDENTIFICATION

Title/Number	Framework programme in support of EU-Armenia Agreements CRIS Number: ENPI/2012/023-584		
Total cost	EU contribution: EUR 15 million		
Aid method / Method of implementation	Project approach – direct centralised management / joint management		
DAC-code	15110	Sector	Public sector policy and administrative management

2. RATIONALE

2.1. Sector context

The Government of Armenia regards European integration as a fundamental national priority, which is reflected in the recent Armenian strategies and progress towards new EU-Armenia agreements.

The *Sustainable Development Programme* (SDP) 2008-2021, the main national development strategy of Armenia, pursues a broad range of areas such as employment and labour, rural development and agriculture, infrastructure development, regional development, anticorruption strategy and reforms in public management and judiciary system. Also, the institutional modernisation of the country is one of the priorities under the SDP.

The negotiations for an EU-Armenia Association Agreement were launched on 19 July 2010 and are progressing well. The future agreement will entail closer political association and deeper economic integration, as well as further educational and youth exchanges, promotion of business and investment, among other things. After the recent green light from the EU Council, the negotiations on the Deep and Comprehensive Free Trade Area (DCFTA) and the Visa Facilitation / Readmission agreements should also be launched soon. In the context of the preparation for the DCFTA negotiations, the Government has approved a set of strategies, notably on the intellectual property rights protection, the quality infrastructure and the food safety system development.

The *"Strategy for Accelerating the reforms in the Republic of Armenia within the framework of the Eastern Partnership"*, adopted by the President in 2011, identifies priority actions to support legislative approximation, institutional and operational capacity strengthening in the fields relevant to this programme. In particular, in its part II "Economic field", the strategy targets food safety and sanitary-phytosanitary (SPS), intellectual property rights (IPR) and technical barriers to trade (TBT) reforms; part II is about justice, liberty and security (SPS) field. The *"White Paper on Republic of Armenia Reform Agenda within the EU Integration Context"* from the Armenian Government aims to translate the Strategy in more concrete actions, including in the areas "Democratic institutions and strengthening of efficient administration" (Direction 1) and "Trade and investments, harmonisation of regulations and reforms" (Direction 2).

Armenia has been an active supporter of the Eastern Partnership including the Comprehensive Institution Building (CIB) initiative, and has worked constructively to complete the necessary preparatory steps. They have included concluding a Memorandum of Understanding with the EU, together with the CIB Framework Document and Assessment Grid in order to identify those institutions that would benefit from the support available. The CIB *Institutional Reform Plans (IRPs)* were adopted by the Government in December 2011 in order to identify gaps in institutional capacity, to formulate a series of interventions and to indicate the required resources (finance, equipment, technical assistance and training). They cover the areas of overall Association Agreement (AA) coordination, Justice, Liberty and Security (JLS) and DCFTA. The IRP-DCFTA targets three 'clusters': IPR, TBT and SPS.

The areas covered by the proposed programme are in line with the EU assistance priorities, as established in the National Indicative Programme (NIP) 2011-2013, sub-priority 2.1 "Promoting Trade and Investment, in particular through Market and Regulatory Reform, including in the areas of Business Environment, Taxation and Customs; support for preparation of a future DCFTA with the EU". The programme also supports the implementation of the EU-Armenia ENP Action Plan, particularly its Priority area 4 "Further improvement of investment climate and strengthening of private sector-led growth".

2.2. Lessons learnt

Drawing upon the results of past evaluations (TACIS, ENPI) and the Results Oriented Monitoring (ROM) reports, it is possible to distil a number of important lessons when tackling issues of capacity strengthening in Armenia:

- The need to ensure that the beneficiary assumes ownership and coordination of the assistance and is fully engaged in the design, management, implementation and monitoring phases of actions;
- The importance of providing a critical mass of support to the reform process and avoiding stand-alone projects;
- The need to ensure that there is a pre-existent reform agenda with strategies and a policy framework, prior to the delivery of support by donors;
- The need of a flexible approach to adjust the support to potential changes in needs and requirements vis-à-vis the progress of reforms;
- The need to coordinate the support with other donors.

These lessons learnt will be translated into better design and implementation of individual actions to be funded from this programme in closer coordination with the Government.

2.3. Complementary actions

This programme will follow up and complement existing and planned EU actions. In particular, it will and reinforce the capacity building activities provided under the first phase of the CIB support (AAP 2011), which focused on strengthening the three CIB 'pillar' coordinating agencies (Ministry of Economy, Ministry of Foreign Affairs and Ministry of Justice). Also, assistance provided will be closely coordinated with the relevant sector budget support programmes in the DCFTA area (under the AAPs 2010, 2011 and 2012) which are helping to prepare and implement specific strategies and action plans to align laws with the relevant EU *acquis*. In addition, the EU Advisory Group (EUAG) is currently working for

Armenian institutions involved in the DCFTA negotiations with five specific advisors (Trade, IPR, Food Safety, Phytosanitary and Customs). Furthermore, with an ongoing Twinning project in the IPR area, three planned Twinning will support the institution building in SPS, market surveillance and customs.

The programme will also complement work currently being done by multilateral and bilateral donors: the World Bank (WB) is actively involved in standardisation, metrology and accreditation; the FAO is supporting reforms to SPS; WB, International Finance Corporation (IFC) and Germany are tackling issues related to TBT; 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. The Government of Armenia has started a process of reform of the civil service and its administrative processes in order to build a more effective and result-oriented public administration with the necessary neutrality, impartiality and professionalism. Related support is provided by the EU through SIGMA as well as UNDP.

2.4. Donor coordination

There is a systematic donor coordination framework co-chaired by WB, IMF, UNDP and the EU in which all donors and bilateral agencies are invited to contribute. The meetings are organised in thematic groups covering, among other subjects, economic development, governance, rule of law, health, education and environment. To avoid duplication, the specific areas of intervention of the proposed programme have been discussed with relevant donors and organisations, and coordination of actions will also be ensured during the implementation phase. The Government counterpart to the donor coordination framework is the Ministry of Economy, and its Programme Administration Office (PAO) also acts as the CIB coordinator.

The CIB programme is also open to participation and funding of other donors such as EU Member States, international organisations and international financial institutions. A donor conference on the CIB was organised in December 2011, during which the recently adopted IRPs were presented to several donors in order for them to identify their possible support.

3. DESCRIPTION

This programme will support the implementation of the CIB Institutional Reform Plans (IRPs) adopted in December 2011, structured along the three pillars of AA coordination, JLS and DCFTA.

3.1. Objectives

On the basis of the IRPs, the overall objective of the programme is to support the Republic of Armenia to negotiate, conclude and implement new contractual relations between Armenia and the EU (Association Agreement, DCFTA, Visa Facilitation / Readmission Agreements) and to meet the objectives of the EU-Armenia ENP Action Plan.

The specific objective is to enhance the overall technical and coordination capacity of a number of core institutions that are central to preparing the ground for and implementing the future EU-Armenia agreements.

3.2. Expected results and main activities

The programme is expected to result in the following:

- Increased compliance of the relevant institutions within the Armenian public administration with the commitments set forth in the EU-Armenia ENP Action Plan;
- Improved institutional and technical capacity of core institutions to manage, implement and monitor their respective components of the agreements;

The main planned activities are as follows:

- Association agreement coordination: Establishment of an Information, Communication and Technical assistance Centre, supporting the Translation Centre at the Ministry of Justice, strengthening the capacity of diplomats and civil servants on EU related matters;
- Justice, Liberty, Security: Strengthening of migration services and border management system;
- DCFTA:
 - IPR: IPR enforcement actions; specialisation of courts; customs procedures; registration and maintenance of IPR; procedures for storage and destruction of seized goods; institutional strengthening and improved sector coordination; public awareness.
 - TBT: Institutional restructuring and strengthening in standardisation, metrology and accreditation; integration within international systems; approximation of technical regulations and market surveillance requirements to EU standards; education and training on quality assurance and safety controls.
 - SPS: Pursuing the process of legal approximation with the EU and institutional reforms in line with the Food Safety Strategy; strengthening human resource capacities at Ministry of Agriculture and Food Safety Service; public awareness.

3.3. Risks and assumptions

The principal risks to implementation are:

- National / regional instability;
- Lack of institutional, technical and human resource capacities and high staff turnover result in a failure to absorb the available assistance efficiently and effectively;
- Macro-economic imbalances inhibit Armenia's capacity to provide co-financing and/or to provide adequate budgetary support to the core institutions.

These risks will be mitigated through continuous monitoring of the relevant sectors as well as through regular policy dialogue with Armenian stakeholders and involved implementing agencies. Also, successful implementation of technical assistance projects will require a carefully designed planning process based on proper sequencing.

The primary assumptions are:

Armenia remains firmly committed to its reforms agenda and to enhanced political and economic relations with the EU and is willing and able to pursue negotiations leading to the conclusion of new agreements (Association Agreement, DCFTA, VFA/RA);

- The selected core institutions allocate the necessary human, financial and technical resources to support the implementation of the IRPs;
- The outcome of the parliamentary elections of May 2012 will not interrupt the reforms in Armenia.

3.4. Cross-cutting issues

All initiatives under this programme will be designed and implemented in accordance with principles of good governance and human rights, gender equality and environmental sustainability, as per the relevant EU guidelines.

3.5. Stakeholders

The Ministry of Economy is the overall CIB coordinator, and the following institutions have been identified as the primary stakeholders of the programme:

- 1) AA coordination: Ministry of Foreign Affairs (lead service), Police, Ministry of Justice;
- 2) JLS: Ministry of Justice (lead service), Prosecutor's Office, Chamber of Advocates, State Migration Service, Police, Ministry of Foreign Affairs, State Security Service, Ministry of Diaspora, Ministry of Labour.
- 3) The DCFTA area (with Ministry of Economy as the overall lead service) is divided in 3 main clusters and related institutions such as: Cluster 1 (SPS) - Ministry of Health, Ministry of Agriculture, State Hygiene Inspectorate, State Food Safety and Veterinary Inspectorate, Inspectorate of Plant Quarantine and Farming, Customs, State Revenue Committee; Cluster 2 (TBT) - Ministry of Economy, National Institute of Standards, National Institute for Metrology, Conformity assessment bodies, Agency of Accreditation, Market surveillance agencies; Cluster 3 (IPR): Ministry of Economy, Agency for Intellectual Property, Ministry of Justice, Police, Customs, Non-state institutions such as unions of artists.

In addition, other relevant civil society groups and, though indirectly, the donor community are among the stakeholders of this programme.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The implementation method is direct centralised management through procurement (service and supply) and grant contracts.

In specific circumstances, based on the needs and requests from the beneficiary, one or more Contribution Agreements could be signed with an International Organisation, in accordance with the conditions of Article 53d of Council Regulation (EC, Euratom) No 1605/2002.

Three international organisations are considered for joint management: the United Nations Development Programme (UNDP), the International Organisation for Migration (IOM) and the World Bank (WB). All of these meet the conditions as required by the Financial Regulation and have signed framework agreements with the European Commission. These three organisations are well established in Armenia and have sufficient expertise in the implementation of European Commission-funded projects in the areas covered by this action. The precise formulation of the expertise needed in the context of the CIB programme will

depend on the prioritisation of activities under the IRPs by the Government of Armenia, which will allow the selection of the more appropriate of the International Organisation(s).

International Organisation	Tentative fields of intervention
UNDP	Support to the strengthening of Sanitary and Phyto-sanitary measures in the context of the DCFTA negotiations, Support to strengthening of Intellectual Property rights and other Trade related issues
IOM	Management of legal and illegal migration, border management, other fields relevant to the promotion of human rights and the rule of law
World Bank	Support to address Technical Barriers to Trade, including Standardisation, metrology, Accreditation, Market surveillance and Conformity Assessment

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of tasks previously delegated to the beneficiary country, international organisation or delegatee body under, respectively, decentralised, joint or indirect centralised management.

4.2. Procurement and grant award procedures

1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the ENPI regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 21(7) of the ENPI regulation.

2) Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget of the European Communities. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80% of total eligible cost. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the General Budget.

3) Specific rules for Joint Management

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the relevant International Organisation.

4.3. Budget and calendar

The total budget for the proposed action is EUR 15 million. The Government of Armenia is expected to contribute to the CIB financially or in kind. A minimum financial contribution of 20% will be required when EU funding is used to purchase EU norm-driven equipment (supplies). A minimum requirement for all projects is that the beneficiary institutions provide adequate office space and basic communications for use by long-term project experts. The indicative budget is as follows:

CIB pillars	Indicative EU contribution(*)
Association Agreement (AA)	EUR 1 Million
Justice, Liberty, Security (JLS)	EUR 3 Million
DCFTA	EUR 11 Million
Total	EUR 15 Million

(*) These amounts include audit, evaluation and visibility costs.

The indicative breakdown of the budget for each implementation modality is as follows:

1.	Service contract(s)	EUR 9 million
2.	Supply contract(s)	EUR 3 million
3.	Grants	EUR 1,5 million
4.	Contribution agreement	EUR 1,5 million
TOTAL		EUR 15 million

Foreseen operational duration of the action will be 60 months from signature of the Financing Agreement. Procurement procedures are expected to be launched within 24 months and contracts concluded within 36 months following the entry into force of the Financing Agreement.

4.4. Performance monitoring

This programme will be monitored through the Results-Oriented Monitoring (ROM) system for EU funded projects and programmes. For overall monitoring of the programme, it is envisaged to set up a Steering Committee, involving all national stakeholders and donors.

4.5. 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. In case of joint management, and where applicable, the provisions included in the relevant framework agreement(s) signed with the international organisation(s) will apply.

4.6. 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". In case of joint management, and where applicable, the provisions included in the relevant framework agreement(s) signed with the international organisation(s) will apply.