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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX I**

of the Commission Implementing Decision on the Annual Action Programme 2020 of the Republic of Armenia Part 2

**Action Document for COVID-19 Resilience Contract for Armenia**

**ANNUAL**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

<b>1. Title/basic act/ CRIS number</b>	<b><u>COVID-19 Resilience Contract for Armenia</u></b>  CRIS number: ENI/2020/042-847 financed under the European Neighbourhood Instrument
<b>2. Zone benefiting from the action/location</b>	Neighbourhood East  The action shall be carried out at the following location: Armenia
<b>3. Programming document (if applicable)</b>	Single Support Framework for EU support to Armenia 2017-2020 <sup>1</sup>
<b>4. Sustainable Development Goals (SDGs) (if applicable)</b>	SDG 1 No Poverty SDG 2 Zero Hunger SDG 3 Good Health and Well-being SDG 8 Decent work and Economic Growth SDG 16 Peace and Justice, strong institutions
<b>5. Sector of intervention/ thematic area</b>	All sectors

<sup>1</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/armenia\\_ssf\\_2017-2020\\_final.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/armenia_ssf_2017-2020_final.pdf)

<b>6. Amounts concerned</b>	Total estimated cost: EUR 30 000 000 Total amount of EU budget contribution: EUR 30 000 000			
<b>7. Aid modality(ies) and implementation modality(ies)</b>	Budget Support <b>Direct management</b> through: Budget Support: State and Resilience Building Contract			
<b>8 a) DAC code(s)</b>	General Budget Support 51010 (100%)			
<b>8 b) Main Delivery Channel</b>	12000 – Recipient government			
<b>9. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	x	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	x	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	x	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	x	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with disabilities	x	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	x	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	x	<input type="checkbox"/>	<input type="checkbox"/>
<b>10. Internal markers</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Migration	x		
	COVID response			X

## 1 BACKGROUND AND CONTEXT DESCRIPTION

### 1.1 Context and problem description

In line with the 2017-2020 Single Support Framework for Armenia, the response by the EU to the impact of the COVID-19 pandemic under the “Team Europe” approach calls for a new budget support programme.

#### COVID-19 POLICY RESPONSE/ROADMAP FOR RECOVERY

The COVID-19 pandemic has seriously affected Armenia with substantial socio-economic impact on the population. Health and public institutions, especially in the regions, are under pressure to mobilise resources and deliver a coordinated response to the pandemic, while the slowdown of economic activities has had an impact on state’s finances.

The government has been gradually introducing restrictions aimed at stopping the spread of the virus. A **state of emergency** was declared in mid-March 2020, including closure of businesses and limitations on movement. These measures were eased since 4 May in an attempt to mitigate the economic impact.

Despite sustained and robust growth in 2017-2019 when GDP growth was averaging 6.8%, Armenia has limited tools to cope with the COVID-19 related shock and its economy is predicted to enter a recession in 2020 and contract by 1.5%<sup>2</sup>.

The **government announced an Economic Support Package** of EUR 283 million (around 2% of GDP) to mitigate the impact on business and the agriculture sector as well as strengthening social assistance. However, notwithstanding stronger public finances in recent years, Armenia will face a significant challenge to counteract this crisis on its own for long. Therefore, supporting the government’s actions to **increase economic and financial resilience of the state’s institutions** in response to the crisis is aimed to ensure that the most needy and vulnerable people would receive support in the most efficient and timely manner. The support will also enable the Government of Armenia to reinforce its long-term commitment to build socially just, resilient and climate neutral economy, thus delivering on the Green Agenda based on CEPA and SDGs frameworks in line with the spirit of the EU Green Deal.

#### Health response:

To put in place appropriate medical response to COVID-19, Armenia is diverting significant resources and personnel from other sectors of health services. Armenia has also recognised that in the context of COVID-19 socially and economically vulnerable communities are more affected than general population and is identifying methods to support them.

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<sup>2</sup> International Monetary Fund. *Confronting the Covid-19 Pandemic in the Middle East and Central Asia*. <https://www.imf.org/en/Publications/REO/MECA/Issues/2020/04/15/regional-economic-outlook-middle-east-central-asia-report#MENAP> (Accessed on 19 May, 2020)

To fight the pandemic, with the support of World Health Organization (WHO), Armenia employed several specific measures aimed at strengthening the healthcare system:

- Enhanced laboratory testing capacity through creating a network consisting of a reference Polymerase chain reaction (PCR) laboratory and six PCR laboratories for the diagnosis of COVID-19 cases;
- Enhanced medical staff capacity through COVID-19 oriented training;
- Improved COVID-19 healthcare infrastructure (increased number of beds to around 1800 and ICU to 186)

It will also be important to ensure that Occupational Safety and Health (OSH) issues are taken into consideration in the process of economic recovery to help a sustainable containment of the pandemic.

#### Social response:

Despite tangible results to reduce poverty, many households are still at risk of falling behind with the current socio-economic shocks. The existing state-provided safety nets and social protection systems are largely insufficient.

The COVID-19 outbreak has added additional pressure on the already overburdened social service delivery systems, and exacerbated the vulnerabilities of affected populations, including the elderly, people with disabilities, women and men belonging to minority communities, returning labour migrants, victims of increased domestic violence, prisoners, etc.

Reacting to the COVID-19 outbreak, on 18 March, Republic of Armenia Government has announced a 60 million EUR support package for urgent social assistance to the most vulnerable groups, which was set to take place in a form of cash transfers. Specifically, this package targets:

- People with health problems, who need to be encouraged to stay home, specifically the elderly people living alone; and
- People depending on daily wages, which are unable to earn income at the moment and face problems of affording basic expenses. This group also includes people with double vulnerabilities - e.g. single mothers raising children with disabilities, large family with one breadwinner, in some cases students from marzes who have to pay rent in Yerevan and in general all people working on daily hire basis.

#### Economic response:

As a response to the crisis, the government announced a **Socio-Economic Support Package** of EUR 283 million, around 2% of GDP to mitigate the socio-economic issues related to the pandemic, although this includes a variety of direct spending, state-sponsored loans and increased investment.

The Government's plan is composed of immediate and medium-term perspectives. It is indicative and subject to further modifications depending on COVID-19 trends in the country. It includes the measures already undertaken to support economic recovery following the impact of the COVID-19 outbreak.

The socio-economic assistance plan totals AMD 150 billion (approximately EUR 283 million) and consists of three major components:

- 25 billion AMD (EUR 47 million) direct economic assistance to support businesses; providing additional liquidity to businesses through co-financing, refinancing and subsidies, supporting businesses and individuals working in agriculture;
- 25 billion AMD (EUR 47 million) direct social assistance for urgent social support;
- 80 billion AMD (EUR 151 million) direct assistance to programmes for long-term economic development, to restructure the economy in accordance with the post-crisis situation.
- 20 billion AMD (EUR 38 million) direct support to reserve funds for necessary redistributions.

In order to increase the efficiency of the ongoing social and economic support measures, the Government of Armenia has signalled the intention to consolidate support actions into a unified medium-term COVID-19 socioeconomic response/recovery plan.

## **1.2 Other areas of assessment**

### **1.2.1 *Fundamental values***

Armenia has demonstrated commitment to fundamental values - as also set out in the EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA). Overall, the reforms in the human rights sector in Armenia in recent years yielded visible progress, particularly in the area of administrative justice, criminalisation of torture, drafting the new Criminal Procedure Code and providing important safeguards of human rights protection in other pieces of legislation. The detailed elaboration of all civil, political, social, and economic human rights in the Constitution is also a step forward.

Overall concerns persist in terms of discrimination. High-level commitment and formal strategy-level decision to regulate related matters exists. A standalone legislation defining and addressing discrimination practices needs to be developed. The law on “Preventing violence in the family, protecting the victims of violence in the family, and restoring harmony in the family” was adopted in 2017, however relevant mechanisms to enforce the law are still to be developed and implemented. Gender equality is also area of great concern just as implementation and enforcement of existing laws, including in the area of children's rights remains inadequate.

Effective supervision of fundamental labour rights remains an issue until a fully-fledged labour inspectorate is re-established and operational.

### 1.2.2 *Macroeconomic policy*

Armenia has been implementing stability-oriented policies that contributed to high growth rates while improving fiscal sustainability. Based on the latest available estimates, the COVID-19 crisis is however expected to impact the country significantly:

- Economic activity in Armenia has weakened considerably as of March when the country borders were closed and a nationwide lockdown to contain the spread of the virus was imposed. In addition, the country will be negatively affected by reduced global demand, including for tourist services. Remittances, which account for a high share of the country's economy, are likely to drop considerably and lead to lower domestic consumption.
- As a result, Armenia is set for a recession in 2020 (the International Monetary Fund (IMF) expects a contraction of 1.5%).
- The fiscal deficit is projected to widen considerably, to 5% of GDP as per the IMF, on drop in revenues and higher expenditures, including ones related to support the healthcare sector. In this context, the near-term outlook for public debt has deteriorated, with the debt level expected to exceed 60% of GDP at the end of 2020<sup>3</sup>.

Moreover, in April 2020 Fitch Ratings revised the Outlook on Armenia's Long-Term Issuer Default Ratings (IDR) from Stable to Negative and affirmed the IDRs at 'BB-'. The authorities have announced the following measures to cope with the crisis:

- Subsidised loans, grants and credit guarantees for companies affected by COVID-19 to cover running costs
- Loans and grants to companies in sectors affected by the crisis
- Funds with public and private contributions to mitigate the effect of the crisis
- Social support to individuals who lost incomes due to the crisis and their families
- A cut in the base interest rate
- Urging commercial banks to revise credit terms with companies affected by the crisis

Overall, Armenia's response to the situation represents about 2% of GDP. The Central Bank of Armenia's regulatory and supervisory responses have aimed to balance the goals of preserving financial and banking system stability, and sustaining economic activity.

The authorities also agreed additional support from the IMF. The Armenian authorities made a decision to draw on the accumulated rights under the precautionary IMF facility and agreed a higher access under the programme. On 18 May, the IMF Board concluded the second

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<sup>3</sup> Source: IMF Press Release, April 9, 2020

programme review and approved the ‘augmented access, which resulted in an immediate disbursement of US\$280 million.

Close monitoring of the situation will be performed in coordination with the IMF and other partners such as World Bank during formal and informal Public Financial Management (PFM) donor coordination meetings.

In conclusion, the response to the crisis is assessed as relevant and credible to restore key macroeconomic balances.

### 1.2.3 *Public Financial Management*

Armenia has demonstrated progress in PFM and Domestic Revenue Mobilization (DRM) through the following key reforms/developments:

- **Adoption of the new strategic documents:** in November 2019, the Government adopted the new 2019-2023 PFM Reform Strategy and Action Plan which mainly focuses on improvement of fiscal management, external audit and parliamentary oversight, State Non-Commercial Organisations (SNCOs) accountability framework, public procurement, public financial control and internal audit, the arrangements and quality of Program Budgeting implementation and the Medium-term Expenditure Framework (MTEF)/budget process, particularly with respect to strategy-budget linkages.
- **Policy linked budgeting:** programme-based approach has been fully institutionalised in the budget and MTEF process. Programme classifications were used as a primary basis of classification in the 2020-2022 MTEF and 2020 state budget.
- **Public procurement:** according to data provided by the Ministry of Finance (MoF), the level of non-objective single source procurement was 0.55% in 2018 and 4.86% in 2019 (versus 7.5 in 2015). Further regulatory amendments were enacted to streamline and speed up the process of public procurement. The MoF cooperated with SIGMA on options to strengthen the independence of the Procurement Appeals Body (PAB). The reform of the PAB is foreseen in 2021.
- **Extra-budgetary operations:** Pursuant to amendments to the Treasury System Law and the Law on State Non-Commercial Organisations, all SNCO accounts were transferred to the Treasury Single Account.
- **Public Internal Financial Management and Control /Internal Audit:** The gap analysis of the existing financial control system was completed. The methodology for the assessment of the internal audit function in public entities was finalised and the relevant Minister of Finance decree drafted.
- **Domestic Revenue Mobilisation:** in December 2019, the Government approved the State Revenue Committee’s strategic plan for development and revenue administration 2020-2024, envisaging a comprehensive effort to strengthen the institutional, technical and human capacity for tighter revenue administration. Also, in 2019, due to tightening of administration, tax revenue performance was significantly better than expected. The year closed with a 16.4% year-on-year increase in tax revenues and state duties, which form 93.5% of the State budget revenues.

The new PFM Reform Strategy 2019-2023 remains relevant and credible. It has been based on key international diagnostics (e.g. 2019 SIGMA Baseline Measurement, 2019 Public Investment Management Assessment, 2019 Fiscal Transparency Evaluation, 2017 TADAT) and widely consulted with all relevant stakeholders. It is also aligned with the new Government programme, thus ensuring full political support. The crisis context will however require close monitoring of exceptional procedures or derogations used by the authorities. They should come with the necessary safeguards/oversight in line with the regulatory framework.

The PFM-oriented policy dialogue under this contract will complement the ongoing policy dialogue in the context of the Government-led Donor Coordination Mechanism with a focus on 2019-2023 PFM Reform Strategy Implementation.

#### **1.2.4** *Transparency and oversight of the budget*

The entry point is met since 2020-2022 MTEF and 2020 state budget were published and budgetary information is generally accessible, timely, comprehensive, and sound. External audit and control are also performed. The crisis context will however require close monitoring of strengthening of policy negotiation and scrutiny in budget decision making. The practice of developing citizens' budget and execution reports have also need to be entrenched into the MTEF/budget process.

There have been notable improvements in budget transparency and oversight in the recent years due to a number of legislative and process changes, as well as improvements in the structure, content and presentation of budget documents. Following the shift to full-fledged programme budgeting implementation starting from the 2019 State budget, the approach has now been fully institutionalised in the MTEF/budget process. From the 2019 state budget onwards, budget execution reports are also prepared in Program Budgeting format and contain information on the implementation of performance targets.

The simplified versions of the state budget and state budget execution reports are being prepared and published on the Ministry of Finance website starting from the 2018 State Budget and 2017 State Budget execution report. The MoF has been engaged in a dialogue with key Civil Society Organizations<sup>4</sup> active in PFM matters regarding the content and structure of simplified budget documentation, as well as ways to increase citizens' awareness and engagement in the budget process. Importantly, state agencies are now required to publish MTEF/budget bids on their official websites and produce evidence of public consultations for new financing requests.

Legislative requirements for budget oversight have strengthened due to the Constitutional amendments of 2015 and subsequent amendments to the Law on the Audit Chamber (2018). This has been supported by the establishment of the Budget Office in the Parliament and the formation of public accounts and audit sub-committee within the Standing Committee on Financial, Credit and Budgetary Affairs in March 2019. Starting from 2017<sup>5</sup>, the Audit

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<sup>4</sup> Transparency International, Armenian Lawyers' Association, EDRC

<sup>5</sup> First real-life ISSAI compliant audits were conducted in 2018; in 2017 the audits were implemented in a pilot regime



Chamber has been implementing financial, compliance and performance audits guided by the International Standards of Supreme Audit Institutions (ISSAI) requirements. Both in 2018 and 2019, the value of financial and compliance audits exceeded 25% of state budget expenditures. A gradual improvement in quality of the respective audit reports is noted.

The new PFM Reform Strategy 2019-2023 aims to address the remaining gaps and weaknesses. It includes, inter alia, further measures to strengthen the practical arrangements for Program Budgeting implementation, strengthening the capacity of the National Assembly Budget Office to deliver quality analytical services to Members of Parliament and National Assembly Committees and measures to improve the SNCOs accountability framework. The new PFM strategy is also expected to ensure continued focus on strengthening the Public Financial Management and Control system, the internal and external audit functions and the latter’s compliance with ISSAI principles and standards.

**2 RISKS AND ASSUMPTIONS**

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Government’s capacity to deliver on broader society’s socio/economic expectations in a strategic and efficient manner during COVID-19 outbreak	M	Intensifying/re-orienting EU support to assist the Government in reaching its COVID 19 -related short/medium term objectives and supporting a medium term response strategy to COVID-19
Government’s technical capacity to balance the fiscal gap in the context of ongoing economic crisis	M	Provision of relevant technical assistance by Development Partners; Intensifying Government-Development Partners coordination to help the Government to address the issue in the most efficient manner (together with IMF, World Bank, Asian Development Bank, etc.)
Planned PAR/service delivery reforms (e.g. finalisation of the institutional setup and sectoral strategies, swift decision-making processes) will be delayed	H	Intensifying policy dialogue with the Government at the highest level to facilitate/expedite the progress of the ongoing PAR/service delivery reforms
Slow progress in improving public	M	Providing further support

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
investment management/ tax collection systems		for development of the Public Investment Management (PIM) pipeline and prioritisation process; providing support to strategic Action plan for tax gap identification; intensifying policy dialogue and donor coordination in the field.
Duplication with other EU and donors' initiatives.	L	The Action will enhance coordination mechanisms between the development partners for the implementation of complementary initiatives.
Health system's capacity to respond to immediate Covid-19 threat and simultaneously work on system improvement measures	M	The Action will enhance coordination mechanisms between the development partners, such as WHO.
The operational capacity of the government to implement the resilience contract and reach to the most vulnerable groups of society/business in the most efficient and timely manner during Covid-19 outbreak	M	Intensifying policy dialogue with the Government at the highest level to facilitate/expedite the progress of the resilience contract; Provision of relevant technical assistance by Development Partners
Economic recovery orientation could be less mindful towards green economy, environmental protection and climate change mitigation.	M	Continuous policy dialogue of the EU to promote the implementation of sustainable and environmentally friendly policies. Action's synchronization with EU4Climate and EU4Environment initiatives.
Supervision and improvement of	H	Continuous policy

Risks	Risk level (H/M/L)	Mitigating measures
Occupational Safety and Health could not be adequately taken into account during economic recovery.		dialogue of the EU to promote OSH. EU-funded projects in Armenia supporting OSH supervision and labour inspectorate re-establishment.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>- The Government will have a political unity on how to tackle COVID-19 outbreak;</li> <li>- The Government will ensure business continuity and progress on its sectoral reforms; (PAR, Public Investment Management, Tax reform);</li> <li>- Decision-making procedures by relevant authorities is overall timely and coherent.</li> <li>- Government priorities are communicated clearly;</li> <li>- Effective coordination within development partners, CSOs, social partners and private sector is in place.</li> </ul>		

### 3 COMPLEMENTARITY, SYNERGY AND DONOR COORDINATION

In the EU response to the crisis, synergies are sought between this programme and the following operations/initiatives:

- ‘Public Finance Policy Reform Programme in Armenia’ ENI/2015/038-229
- ‘Support to Public Administration Reform in Armenia: Better Service Delivery through a More Efficient and Responsive Public Administration’ ENI/2016/039-595
- ‘Support to Human Rights Protection in Armenia’ ENI/2014/032-771
- ‘Support to Justice Sector Reforms in Armenia’ ENI/2020/042-019
- EU4Climate
- EU4Environment

TAIEX and Twinning, in line with the Team Europe spirit, are fully committed to support Armenia’s efforts in its post COVID-19 recovery.

In the response of the international community, close coordination will be ensured between the EU and the following entities:

- International Monetary Fund
- World Bank
- Asian Development Bank
- United Nations agencies including the International Labour Organisation

For the purpose of ensuring complementarity, synergy and coordination, the Commission may sign or enter into joint donor coordination declarations or statements and may participate in

donor coordination structures, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union.

In the health dimension, the Resilience contract will complement the EU-funded and WHO-implemented ‘EU COVID-19 Solidarity Programme for the Eastern Partnership’.

#### 4 DESCRIPTION OF THE ACTION

The Action consists of a new budget support contract.

Results chain			Indicator <sup>6</sup>	Source of data
IMPACT	Impact (overall objective)	To support Armenia’s response to Covid-19 outbreak and mitigate negative effects of the pandemic in health, social and economic dimensions	<i>% of people in poverty</i>  <i>% of people under poverty line having received additional direct support under Government’s schemes</i>  <i>Status of economic (GDP) growth/contraction in 2020</i>	United Nations Development Programme Human Development Report, Government reports; external assessment
	Outcome 1 (specific objective)	Tax policy improved	<i>Status of Government’s tax policy framework</i>	Ministry of Finance reports; external assessment. International Financial Institutions reports
OUTCOME(S)	Outcome 2 (specific objective)	Existing system of public investment at planning and allocation stages improved	<i>Status of Government’s PIM plan</i>	Ministry of Economy reports; external assessment, IFIs reports

<sup>6</sup> Formulation of the indicators has to be in a neutral form starting with the measurement unit as in the example (number of; percentage of; status of). Please note it is NOT required to specify baselines and targets.

Results chain			Indicator <sup>6</sup>	Source of data
	Outcome 3 (specific objective)	Health system adequately equipped to deal with COVID-19 crisis and better prepared to deal with health emergencies in medium/long term	<i>Number of Covid-19 patients treated in hospitals</i>	Ministry of Health reports; external assessment, IFIs reports
	Outcome 4 (specific objective)	Vulnerable people (women and men) and businesses provided with support to cope with negative socio/economic effects during COVID-19 outbreak	<i>Number of vulnerable people and businesses having benefited from targeted social and economic assistance during COVID-19 outbreak</i>	Government reports; external assessment; IFIs reports
INDUCED OUTPUT(S)	Induced Output(s) related to Outcome 1	Tax policy action plan designed and adopted	<i>% of additional fiscal space enabled/created by reducing tax gap and raising tax to GDP ratio in the medium term</i>	Government reports; external assessment, IFIs reports.
	Induced Output(s) related to Outcome 2	2.1 Strategic Public Investment Framework, pipeline created and operationalized and projects selected according to systematic appraisal techniques	<i>% of public investment projects launched/implemented as part of PIM pipeline</i>	Government reports; external assessment; IFIs reports.
	Induced Output(s) related to Outcome 3	3.1 Capacity to hospitalize Covid-19 patients increased	<i>Number of fully equipped Intensive Care Units (including monitors and ventilators) available in hospitals in Yerevan and in the regions</i>	Ministry of Health reports; external assessment, WHO reports
	Induced Output(s) related to Outcome 4	4.1 Vulnerable people are provided with immediate financial assistance  4.2 Covid-19 affected Small-medium enterprises (SMEs) and Micro-enterprises are injected	<i>Number of vulnerable people assisted with Government support</i>  <i>Number of SMEs and micro enterprises managing to remain</i>	Government reports; external assessment, IFIs reports

Results chain		Indicator <sup>6</sup>	Source of data
	with emergency funding	<i>operating as a direct result of Government support</i>	
	4.3. Resident business entities or individual entrepreneurs in agricultural sector received funding secured by socio/economic assistance plan	<i>Number of businesses/individuals continue to be operating as a result of support/funding through available Government schemes</i>	
	4.4. Jobs preserved in business from 2 to 50 employees through lump-sum assistance in the amount of the salary of every 5 <sup>th</sup> employee	<i>Number of business entities managing to remain operating as a result of support/funding received through available Government schemes and number of jobs preserved</i>	

For that purpose, the budget support contract will assist Armenia through financial transfers providing liquidity to state's treasury, policy dialogue, performance and capacity development.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities will be carried out and the corresponding contracts and agreements implemented, is 12 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

### **5.3 Implementation of the budget support component**

#### **5.3.1 Rationale for the amounts allocated to budget support**

The amount allocated for the budget support component is EUR 30 000 000.

#### **5.3.2 Criteria for disbursement of budget support**

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the government's short/medium-term socio-economic stimulus plan as response to COVID-19 and continued credibility and relevance thereof;
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances;
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme;
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive and sound budgetary information.

b) The performance indicators for disbursement that may be used for variable tranches will aim at promoting actions and measuring their effects in the response to the COVID-19 crisis, and will constitute EUR 6 million (out of EUR 30 million).

- 1) Strategic Action plan to reduce the tax policy gap prepared by the Ministry of Finance/Government and published (EUR 1.5 million).
- 2) Strategic Public Investment Framework, database of domestically and externally funded projects as well as a pipeline, created and operationalized (EUR 1.5 million).
- 3) Equipped Intensive Care Units (including patient monitors and ventilators) (EUR 0.6 mln)
- 4) Vulnerable families having received financial assistance as per available Government schemes (EUR 0.6 mln)
- 5) SMEs and micro-enterprises having received support through available Government schemes (EUR 0.6 mln)
- 6) Resident business entities or individual entrepreneurs in agricultural sector having received support through available Government schemes with particular attention to environment and climate (EUR 0.6 mln)
- 7) Entities having benefited under the job preservation scheme through lump-sum assistance provided in the amount of the salary of every 5<sup>th</sup> employee (EUR 0.6 mln)

The chosen performance indicators and targets to be used for disbursements will apply for the duration of the action. However, in duly justified circumstances, the Armenian Government may submit a request to the Commission for the targets and indicators to be changed.

Note that any change to the targets should be agreed ex-ante at the latest by the end of the first quarter of the assessed year. The agreed changes to the targets and indicators shall be agreed

in advance and may be authorised in writing (either through a formal amendment to the financing agreement or an exchange of letters).

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

### 5.3.3 *Budget support details*

The budget support component consists of a fixed and a variable tranche to be disbursed indicatively end June 2020 and beginning June 2021, respectively.

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into AMD will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

## 5.4 **Indicative budget**

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution, in currency identified</b>
<b>Budget support</b>	30 000 000	NA
<b>Evaluation and audit (ex-post)</b>	N.A. (To be covered by Global Allocation, TCF or CEPA Reform Facility)	NA
<b>Total</b>	30 000 000	NA

## 5.5 **Organisational set-up and responsibilities**

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

## 5.6 **Performance and Results monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results as measured by corresponding indicators, using as reference the simplified Logframe matrix (for project modality) available in section 4 or the partner's strategy, policy or reform



action plan list (for budget support). While submitting reports to the EU, the implementing partner has to ensure the credibility of the information provided which will be used for disbursement of the funds.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.7 Evaluation**

Having regard to the importance of the action, an ex-post evaluation(s) will be carried out for this action or its components via independent consultants contracted by the Commission.

The evaluation of this action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The Commission shall inform the implementing partner at least 60 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

## **5.8 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. It is foreseen that audit services may be contracted under a framework contract.

## **5.9 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 at the start of implementation.

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.