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ANNEX II

to the Commission Implementing Decision on the annual action plan in favour of the Republic of Armenia for 2023

Action Document for Reform and CEPA implementation Facility

ANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan/measure in the sense of Article 23 (2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

| | |
|--|--|
| 1. Title OPSYS Basic Act | Reform and CEPA implementation facility Annual action plan in favour of Republic of Armenia for 2023 OPSYS business reference: NDICI-GEO-NEAR/2023/ACT-62369 ABAC Commitment level 1 number: JAD.1350103 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe). |
| 2. Economic and Investment Plan (EIP) | Yes |
| EIP Flagship | Yes Flagship 1: Supporting a sustainable, innovative and competitive economy Flagship 4: Building resilience in the southern regions |
| 3. Team Europe Initiative | No |
| 4. Beneficiary of the action | The action shall be carried out in the Republic of Armenia. |
| 5. Programming document | Multiannual Indicative Programme (2021-2027) for Armenia ¹ |
| 6. Link with relevant MIP(s) | Priority Area 2: Accountable institutions, rule of law and security Priority Area 5: Resilient, gender-equal, fair and inclusive society |

¹ Commission implementing decision adopting a multiannual indicative programme for Armenia for the period 2021-2027 C(2021)9435 on 16.12.2021

| | | | | |
|--|--|-------------------------------------|------------------------------|-------------------------------------|
| objectives/expected results | | | | |
| PRIORITY AREAS AND SECTOR INFORMATION | | | | |
| 7. Priority Area(s), sectors | Priority Area 2: Accountable institutions, rule of law and security 150 - Government & Civil Society Priority Area 5: Resilient, gender-equal, fair and inclusive society 120 - Health | | | |
| 8. Sustainable Development Goals (SDGs) | <ul style="list-style-type: none"> • Main SDG: SDG 1 -No poverty Other significant SDGs and where appropriate, targets: <ul style="list-style-type: none"> • SDG 3 - Good Health and Well-Being • SDG 5 - Gender Equality • SDG 8 - Decent work and economic growth • SDG 9 - Industry, innovation and infrastructure • SDG 10 - Reduced Inequalities • SDG 11 - Sustainable cities and communities • SDG 12 - Responsible consumption and production • SDG 16 - Peace, Justice and Strong Institutions | | | |
| 9. DAC code(s) | 12110 Health policy and administrative management 15110 Public Sector Policy and administrative management | | | |
| 10. Main Delivery Channel | 12000 Recipient Government | | | |
| 11. Targets | <input checked="" type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Human Rights, Democracy and Governance | | | |
| 12. Markers (from DAC form) | General policy objective | Not targeted | Significant objective | Principal objective |
| | Participation development/good governance | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Aid to environment | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Gender equality and women's and girl's empowerment | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Reproductive, maternal, new-born and child health | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Disaster Risk Reduction | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Inclusion of persons with Disabilities | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Nutrition | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | RIO Convention markers | Not targeted | Significant objective | Principal objective |
|--------------------------------------|--|--|-------------------------------------|-------------------------------------|
| | Biological diversity | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Combat desertification | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change mitigation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change adaptation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Internal markers and Tags | Policy objectives | Not targeted | Significant objective | Principal objective |
| | EIP | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | EIP Flagship | YES <input checked="" type="checkbox"/> | | NO <input type="checkbox"/> |
| | Tags | YES | | NO |
| | transport | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | energy | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | environment, climate resilience | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | digital | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | economic development (incl. private sector, trade and macroeconomic support) | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | human development (incl. human capital and youth) | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | health resilience | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | migration and mobility | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | agriculture, food security and rural development | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | rule of law, governance and public administration reform | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | other | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | Digitalisation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | Tags | YES | | NO |
| | digital connectivity | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | digital governance | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | digital entrepreneurship | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | digital skills/literacy | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | digital services | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | Connectivity | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

| | | | | |
|---|---|-------------------------------------|--------------------------|-------------------------------------|
| | Tags | YES | | NO |
| | digital connectivity | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | energy | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | transport | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | health | <input checked="" type="checkbox"/> | | <input type="checkbox"/> |
| | education and research | <input type="checkbox"/> | | <input checked="" type="checkbox"/> |
| | Migration | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Reduction of Inequalities | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | COVID-19 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| BUDGET INFORMATION | | | | |
| 14. Amounts concerned | Budget line(s) (article, item): 14.020111 Eastern Neighbourhood Total estimated cost: EUR 3 000 000 Total amount of EU budget contribution: EUR 3 000 000 The contribution is for an amount of EUR 3 000 000 from the general budget of the European Union for 2023. | | | |
| MANAGEMENT AND IMPLEMENTATION | | | | |
| 15. Implementation modalities (management mode and delivery methods) | Direct management through: - Twinning grants Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.2 | | | |

1.2. Summary of the Action

The action aims to advance the implementation of the EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA) while supporting the Government of Armenia in the wider reform process, in particular sectors further contributing to the socio-economic integration of displaced people in Armenia, namely healthcare, social protection and employment strategies.

The action serves as a flexible instrument and a rapid response tool for the Commission providing targeted sectoral, horizontal and cross-sector support while responding to the emerging, unforeseen and fast evolving needs of Armenia. The action is in line with and contributes to the EU priorities in Armenia, in particular the EU-Armenia CEPA², the Multi-annual Indicative programme for Armenia for 2021-2027³, as well as the Eastern Partnership agenda of recovery, resilience, and reform⁴, and the country level implementation plan for the Gender Action Plan III⁵. The action also builds on the Economic and Investment Plan as an important tool, both for the Government of Armenia as well as the EU, in driving key reforms and contributing to reducing economic, energy and connectivity dependencies and supporting socio-economic development. Due to the facility's flexible nature, it is not possible to list concrete SDGs the facility will target as these will be determined at the projects level.

The current crisis context in Armenia following the mass influx of over 100 000 refugees from Nagorno-Karabakh in September 2023 has added enormous pressure to the country's already fragile social-economic infrastructures, severely affected by the shocks of recent years. The COVID-19 pandemic, the Nagorno-Karabakh conflict and the political crisis in 2021 have had significant socio-economic impact and slowed

² [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22018A0126\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22018A0126(01))

³ https://neighbourhood-enlargement.ec.europa.eu/system/files/2022-01/C_2021_9435_F1_ANNEX_EN_V2_P1_1621110.PDF

⁴ https://www.eeas.europa.eu/sites/default/files/1_en_act_part1_v6.pdf

⁵ https://www.eeas.europa.eu/sites/default/files/documents/Country%20Gender%20Profile_%20ARMENIA_ENG.pdf

down the pace of reforms. The accumulation of these internal and external shocks has uncovered structural weaknesses of the country, in particular within the social and healthcare systems, which together with institutional and capacity gaps of the Government, unveiled the country's low resilience to unforeseen hardships.

The expected socio-economic impact caused by the integration of the displaced population in Armenia's social protection structures will need to be mitigated by ongoing and future reform processes. A **strong shock resilient social protection system** in Armenia becomes a greater urgency in view of the enormous demand created by the arrival of over 100 000 displaced persons who represent around 3% of the population of Armenia, and will thus require support to the on-going reforms on social assistance and employment. The **healthcare system** is also facing greater pressure to respond to demands of free of charge access to primary healthcare, including sexual and reproductive health care services and psychosocial support, as well expansion and enhancement of healthcare institutions across Armenia. This created an urgent need to support the finalisation of the healthcare reform and its roll out.

The Government of Armenia has already started taking steps to reform the social protection sector, including with the support of the EU and UN agencies (UNICEF, UNDP, WFP). The Government plans to adopt the umbrella Strategy on Employment and Social Protection as well as revise the Law on Social Assistance with revised eligibility criteria for social assistance programmes. The Government has also strengthened its ambition to increase public health financing and plans to adopt a legislative package of the reform of the health care sector in coming months. The major component of this reform is to introduce a comprehensive health insurance programme and increase pensions and minimum wages. These reforms at such scale could benefit from sharing EU best practices and support through mechanisms such as Twinning.

At the same time, in view of the current volatile situation in Armenia and rapidly evolving concerns, the nature of the reforms process and investment needs are difficult to predict. Armenia finds itself in an uncertain geopolitical and economic context. Despite substantial economic growth in recent years, the country still faces lack of foreign direct investment, limited human capital, and connectivity constraints both within Armenia and with other countries. In addition to being a landlocked country, the closed borders with Azerbaijan and Türkiye severely limit Armenia's economic diversification possibilities and geopolitical room for manoeuvre. In addition, Armenia almost completely depends on Russia for gas and grain supplies, with very few options for alternative sources. This gives Russia substantial economic and political leverage, in addition to being a formal security guarantor of Armenia, contributing to further uncertainty.

In spite of these challenging circumstances Armenia has gone through major political changes which led to a reinforced engagement in a number of reforms areas, with a Government committed to democracy building, considering CEPA as a blueprint for reforms as well as the modernisation of the country. The socio-economic recovery and overall resilience building is one of the most important priorities for the Government of Armenia. This is also one of the main objectives of the Economic and Investment Plan and its flagships in the country. This action aims to improve the Government's capacity to develop close complementarity between the ongoing reform processes and future investments in key sectors in the country.

Therefore, this action will provide the EU with a flexible multi-purpose toolkit in order to respond positively and swiftly to various ad-hoc requests from the Government as well as other organisations when implementing reform-oriented actions in Armenia. The action will target, among others, the socio-economic recovery of Armenia, in view of supporting the integration of the displaced population in Armenia, as well as the institutional development of the country. Taking into account the unfolding challenges in Armenia expected in the period ahead, the action aims to ensure sustainability of reforms, provide certainty of EU funding and support, in particular in relation to the health and social protection sectors.

1.3. Beneficiary of the action

The Action shall be carried out in the Republic of Armenia, which is included in the list of Official Development Assistance (ODA) recipients.

2. RATIONALE

2.1. Context

Following Azerbaijan's military operation in September 2023 as the latest escalation in the three-decade long conflict, almost the entire Armenian population of Nagorno-Karabakh – over 100 000 people – have fled to Armenia. A significant proportion of this population are vulnerable groups that require special assistance, including estimated 12 000 elderly, 30 000 children, 9 000 people with disabilities and people with chronic health conditions. According to UNFPA, approximately half of the displaced people are reported to be women and girls⁶. The military offensive was followed by a ceasefire agreement and a signature of a decree dissolving all independent Nagorno Karabakh institutions as of 1 January 2024. Thus, the majority of refugees will likely stay in Armenia indefinitely and the Government now faces the challenge to integrate them into Armenian social support structures and ensuring the socio-economic recovery of host communities.

In response to the influx of people, the Government of Armenia has already put in place cash support schemes, with a cost of around EUR 125 000 000 million over the next six months. The Government estimates the overall cost of integrating refugees in Armenia to be around EUR 1 billion. Contributing to these efforts will require increased support and close coordination among donors, including the EU and its Member States. This is already happening on the ground among donors and with civil society, and through the leadership of Deputy Prime Minister Tigran Khachatryan. However, coordination within the government could be further improved.

Armenia is a landlocked country, with a population estimated at 2.963 million⁷, bounded to the north and east by Georgia and Azerbaijan, and to the southeast and west by Iran and Türkiye, respectively. Borders with Azerbaijan and Türkiye are closed, significantly limiting Armenia's trade diversification opportunities as well as energy and transport connectivity. Armenia is an upper middle-income country with a gross domestic product (GDP) per capita of USD 5,080 in 2022, based on the criteria by the Development Assistance Committee of the Organisation for Economic Co-Operation and Development (OECD/DAC). Despite Armenia's economic growth of 12.6% in 2022, its weak connectivity and constant tensions with Azerbaijan undermine the prospect of a sustainable growth.

Around 64% of the population lives in urban areas and 36% live in rural areas. According to the National Statistics Service⁸, in 2020, 57% of the urban population lived in the capital city of Yerevan. As of 1 January 2021⁹, 47.2% of the population of the country were men and 52.8% were women. The poverty rate in 2019 (described as income equal or less than USD 5.5/day in 2011 purchasing power parity (PPP) terms) amounted to 44% and gradually declined to 23.5% in 2022¹⁰. The proportion of women suffering from poverty is higher than that of men (54.7% and 45.3% respectively). The influx of Karabakh-Armenians constitutes an increase of almost 3% of the population.

⁶ UNFPA situation report 2, 16 October 2023, [ARM CO SitRep#2_Oct_2023_Refugee Response \(unfpa.org\)](https://www.unfpa.org/sites/default/files/pub-pdf/ARM_CO_SitRep#2_Oct_2023_Refugee_Response)

⁷ IMF: <https://www.imf.org/en/Countries/ARM>

⁸ National Statistical Committee of the Republic of Armenia: The Demographic Handbook of Armenia https://www.armstat.am/file/article/demog_2021_2_.pdf

⁹ ibid

¹⁰ IMF: <https://www.imf.org/en/Countries/ARM>

The action will contribute to the implementation of the Comprehensive and Enhanced Partnership Agreement signed between Armenia and the European Union (EU) in 2017 and entered into full force since 2021. The Agreement plays an important role in the EU-Armenia relations, in particular through legislative approximation to EU norms in many sectors. It also provides a framework for the EU and Armenia to work together on a wide range of areas, including social protection, health, and good governance. The Agreement remains a blueprint for the country's strategic reforms. The latest EU-Armenia partnership implementation report¹¹ published in May 2022, highlighted that supporting Armenia's post-hostilities and post-COVID-19 pandemic socio-economic recovery is a top priority for the EU going forward. This was reflected in the EU's programming for the years 2021 and 2022, which included actions such as: fostering investment in micro, small and medium enterprises (SMEs), sustainable jobs, young people, the digital economy, public administration reform, police and migration service reform; and socio-economic resilience.

The action will contribute to the implementation of the Economic and Investment Plan for the Eastern Partnership (EaP) and its flagships for Armenia – a tool for advancing the recovery, resilience and reform agenda and enhancing CEPA implementation. The plan mobilises public and private investments and enables the EU to work together with other international financial institutions to design and implement projects in priority areas such as economic growth, connectivity, green and digital transition, socio-economic resilience and education. The Economic and Investment Plan, which includes key flagship initiatives identified jointly with the Armenian authorities, is a critical element to support the broader socio-economic recovery and resilience. Its main initiatives target SME development, green growth, connectivity, socio-economic development of the southern regions, and digital transformation, in line with the CEPA objectives. Overall, Armenia has been performing well under the Economic and Investment Plan in regional comparison, with a significant number of investments already mobilised in sectors ranging from SME support to education.

The action is consistent with the country's Government Programme 2021-2026 approved in November 2021. The programme reflects on the country's commitments under CEPA and consists of six sections: security and foreign policy, economy, development of infrastructures and human capital, law and justice, and institutional development.

The action will build on the achievements, learnings and innovation of the following EU funded projects:

- **Support to CEPA monitoring, implementation and communication (2023-2027)**, EUR 7 million bilateral technical assistance project with the aim to support the reform process in Armenia, CEPA implementation, deployment of the High Level Advisor, strategic Government of Armenia communication, general communication of the EU Delegation and support to CSOs in Armenia in monitoring CEPA.
- **Building a resilient social protection system in Armenia (2022-2026)**, EUR 6.5 million contribution agreement between the EU and UN agencies (UNICEF, UNDP and WFP) contributing to inclusive, resilient and sustainable socio-economic recovery and growth in the post COVID-19 pandemic and post-conflict period, in line with the EU-Armenia CEPA provisions.
- **Support for Improvement in Governance and Management (SIGMA) (2022-2024)**, a joint initiative of the OECD and the European Union with the objective to strengthen the foundations for improved public governance, support socio-economic development through building the capacities of the public sector, enhance horizontal governance and improve the design and implementation of public administration reforms, including proper prioritisation, sequencing and budgeting.
- **Support to Economic Governance, Business Environment and Justice Functional Review (2021-2024)**, an EUR 2.5 million trust fund between the EU and the World Bank, which supports the improvement of economic governance strengthening the Government's capacity to support public-private partnerships and its public procurement framework, as well as reinforcing fiscal sustainability; support the Government to identify policies aimed at (i) strengthening business environment; (ii)

¹¹ <https://data.consilium.europa.eu/doc/document/ST-9214-2022-INIT/en/pdf>

supporting small and medium enterprises ; (iii) increasing firm productivity; and assist the Ministry of Justice in drafting comprehensive assessment of the judiciary sector.

- **Solidarity for Health Initiative (2020-2022)**, a regional EU-WHO initiative in Eastern Partnership countries addressing the COVID-19 pandemic and building resilient health sector.
- **The Team Europe Initiative for Resilient Syunik (2022-2027)**, a joint effort of the EU, the European Investment Bank (EIB), and 10 EU Member States Austria, Czechia, Estonia, Finland, France, Germany, Lithuania, Poland, the Netherlands and Sweden, with Switzerland as an external partner. It is part of the EIP, namely Flagship initiative ‘Building resilience in the southern regions of Armenia. The main objective is to contribute to Syunik region's sustainable socio-economic and institutional development. This initiative now serves as a usual platform for the EU’s support. Furthermore, 14 Member States and Participating States of the Union Civil Protection Mechanism (UCPM) have offered in-kind assistance to Armenia including shelter, medical supplies, medicines and food items, as well as medical support.
- **COVID-19 Resilience contract for Armenia (2020-2021)**, EUR 30 million budget support programme which tackled socio-economic and health aspects of COVID-19 crisis in Armenia.
- **EU4Gender Equality Reform Helpdesk (2021 - 2024)**, EUR 2 million, which aims to increase the knowledge base and use of gender analysis in decision-making and reform by the government, civil society and EU delegation to deliver effective and equal outcomes for all, both women and men.

2.2. Problem Analysis

Armenia has experienced multiple internal and external shocks over the past three years: the COVID-19 pandemic; the conflict in and around Nagorno-Karabakh in 2020 and continued tensions since (including the a military escalation in September 2022); post-conflict domestic political turmoil, including snap elections in 2021; and risks related to the impact of Russia’s war of aggression against Ukraine.

Most recently, following the military intervention by Azerbaijan on 19-20 September 2023, and the massive exodus of refugees to Armenia, the EU will focus on supporting the Government of Armenia to cater to the immediate needs and the socio-economic integration of the displaced population. All these events had a significant impact on the socio-economic resilience of the country and slowed down the pace of reforms. These also unveiled the country’s low resilience to external shocks, the weakness or lack of institutional capacity, but also setbacks in EU assistance to react swiftly enough to unforeseen and fast evolving needs of Armenia. Given the volatile context and the precise needs which are difficult to predict, there is a need of more flexibility in EU assistance in order to support reforms in line with the EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA). In addition, the Economic and Investment Plan remains an important investment tool for both the Armenian Government and the EU in driving key reforms in the country and contributing to reducing economic, energy and connectivity dependencies of Armenia while strengthening its socio-economic resilience. A flexible EU rapid response tool support would help filling in the gaps of the emerging, unforeseen and fast evolving needs of Armenia arising within the current context as described in previous sections.

Institutional capacity

The EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA) is referenced as a strategic blueprint for key reforms in Armenia in the Government Programme 2021-2026. The latest EU-Armenia Partnership Implementation Report of 18 May 2022 acknowledges the challenges Armenia has faced throughout 2020 and 2021 and their impact on the reform process. Although the report recognises progress in the justice and constitutional reforms, vocational education and training, research and innovation, digitalisation, it also underlines the need for increased efforts in the institutional development in order to deliver on the ambitious reform agenda in line with CEPA. The CEPA implementation process is also underpinned by deadlines, which may be difficult to achieve due to the weak or lacking capacity of both the public and private sector, expertise, communication for and by the stakeholders.

Moreover, in terms of institutional development, Armenia is also still yet to successfully implement one of its most important reforms – public administration reform (PAR). Although the PAR Strategy has been adopted in May 2022, little progress has been recorded so far with limited political support. Additionally, the capacity of the Government to deliver its reform agenda is hindered by numerous further obstacles, such as the implementation of evidence-based policies due to lack of good data collection and analysis. Digital transformation can also play a key role in this context. Good governance and capacity-building of state institutions also remain a challenge. In addition, the reforms of the public finance management and civil service have also slowed down due to staff turnover and recent developments in the country.

The impact of the COVID-19 pandemic, the 44-daywar of September 2020 and its aftermath in the country has been exacerbated by the influx of over 100 000 Karabakh Armenians. These events have uncovered some difficulties of EU assistance in responding swiftly to the fast-emerging needs and assisting the Government handling crises adequately, for instance, when capacities of the social and healthcare systems are overstretched. While the situation in Armenia remains volatile due to the several consecutive crises and rapidly evolving challenges, the nature of the reforms process and investment needs are difficult to predict in short and medium term. Since 2018, the Government of Armenia demonstrated that despite the challenges it can carry out important reforms (in particular the justice reforms) as well as react and absorb shocks through appropriate measures, which was demonstrated by the management of the COVID-19 pandemic. Nevertheless, some responses have been insufficient, not comprehensive enough, or had some shortcomings. Therefore, providing the EU with a flexible multi-purpose basket action driven toolkit to respond positively and swiftly to ad-hoc requests from the Government, other organisations, and to meet unforeseen emerging needs, is key to ensure the sustainability of reforms in a timely manner and provide certainty of EU funding and support.

To support policy development, coordination and strategic planning of the GoA, the action will also aim to enhance policy dialogue at a higher-level among relevant stakeholders, when appropriate, to facilitate decision-making at central government as well as sectorial level. This aims to contribute to provide strategic advice on political, institutional and financial feasibility of the reforms to ensure their effective implementation. The policy dialogue structure will be further defined during the inception phase.

Socio-economic recovery and resilience

The socio-economic recovery and resilience, in particular of the southern regions, is currently one of the most important priorities of the Government of Armenia, which is also reflected in the objectives of the Economic and Investment Plan and its flagships for Armenia. The Ministry of Labour and Social Affairs launched a reform process of the social protection system in Armenia. This includes legislative changes, draft of an umbrella strategy and testing pilot services by Territorial Unified Social Services in the Syunik region. The latter is also supported through the EU-UNICEF contribution agreement in 2022 of EUR 6.5 million. Within the next years, the Government of Armenia plans to also gradually introduce a comprehensive health insurance programme and to increase pensions and minimum wages. These reforms at such scale could benefit from sharing EU best practices and broader EU support throughout implementation with targeted capacity building such as Twinning.

The Government has initially estimated that the cost of the integration of over 100,000 refugees, including housing/accommodation is up to EUR 1 billion. In the short/medium term Armenia will spend around EUR 100 million for one off payment (AMD 100,000) and for monthly pay outs (AMD 50,000, ca EUR 120/month) per refugee during the next 6 months. Coordination within the GoA is challenging. Within the remaining few months of 2023, Armenia will need to identify the financial means to cover the costs of integrating the displaced population for the year 2024.

The uncovered vulnerabilities in the socio-economic sphere in Armenia notably includes the health care system. Historically, the share of the budget allocated to the health care sector has been low, with an average of 5.8% between 2014 and 2019, increasing to 7.25% in 2020 and 2021 due to COVID-19. Moreover, in 2021, 84.3% of health spending was paid out-of-pocket, making access to affordable health care impossible to the poorest groups of the population. A reform of the health care system and its financing is therefore necessary.

A national health strategy is included in the Government Programme for 2021-2026, which foresees a reform of the primary health care system with a view to improving its efficiency. In February 2023, Armenia launched a national plan to introduce a comprehensive health insurance system, with the goal of providing health insurance to the entire Armenian population by 2027. The insurance is foreseen to be introduced in stages and it should result in decreased mortality rates, support to people with disabilities and increased availability of basic medical services for all population groups. Furthermore, the Ministry of Health also plans to carry out construction and re-equipment of medical centres.

At the same time, Armenia's economy experienced a double digit (12.6%) and relatively diversified growth throughout 2022, which translated into a budget surplus of 0.9 percent of GDP, a sharp reduction of public debt, currency appreciation against the dollar and the euro, 7% growth in consumption, and 4.5% growth in exports. Implementation of the public finance management (PFM) reform in Armenia, which slowed down after 2020, is equally important. The Ministry of Finance will ensure that the upcoming PFM Strategy 2024-2028 will be based on the public expenditure and financial accountability (PEFA) assessment results which is currently ongoing in Armenia.

However, it should be noted that despite the remarkable economic growth and a stable macro-economic situation in the past year of 2022, even if in part fuelled by the influx of Russian citizens and trade flows, this trend might be temporary since it is not based on solid foundations. Moreover, as referred above, considering the lukewarm relations with Russia, there are risks that Russian companies could drastically increase the price of gas, petrol and diesel that would put Armenian economy under additional pressure.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

The **Deputies Prime Minister's (DPM) Office**, are tasked with monitoring the CEPA implementation, updating the CEPA Roadmap, donor coordination activities and monitoring of the ODA in Armenia, and economic and financial issues. The Office is the official responsible body for the implementation of PAR. The Office will play a key role in the action in terms of coordination of activities and their implementation.

The **Ministry of Health** elaborates and implements the policies of the Republic of Armenia Government in the healthcare sector. The Ministry would play a key role in the components of the action that may deal with health reform, introduction of universal health insurance system and universal health coverage.

The **Ministry of Labour and Social Affairs** implements policies in labour and social security sectors. The Ministry would be involved in any component related to social policy and security, employment, labour and equal opportunities.

The **Ministry of Territorial Administration and Infrastructure** (MTAI) is responsible for the territorial administration and local self-governance policy development, development and implementation of infrastructure development policy in the regions and communities of Armenia and increasing of the efficiency of work of local self-governance bodies. The Ministry would play a key role in any component with a local government dimension.

The **Ministry of Economy** develops the Government's economic policy related to, *inter alia*, business environment improvement, agriculture, and small and medium enterprises. It would play a key role in any component of the action that will deal with the start-up ecosystem and green tech, tourism and agriculture sectors.

The **Ministry of Finance** oversees the public finances of the country and is one of the competent authorities to decide on financial incentives and taxation matters, as well as budget contributions to local government. The Ministry would play a key role in any component related to public finance management, including green PFM, and macroeconomics.

Depending on the needs that might arise throughout the implementation of the action, other Ministries and Governmental institutions may also be targeted by the action.

2.3. Lessons Learned

The action will build upon the significant experience amassed by the EU and other donors from implementing programmes in the past. This action will draw on the findings and lessons learned to inform its approach and ensure best practices are followed.

In 2018, Armenia embarked on an ambitious democratic reform path, however, the crises of COVID-19 and the Nagorno-Karabakh conflict and its aftermath slowed down the pace of reforms and unveiled that in view of the volatile context and rapidly evolving situation, the nature of the reform process and investment needs are difficult to predict in short-medium term. It also uncovered challenges of the EU assistance to respond swiftly to the fast-emerging needs and assist the Government handling crises adequately, for instance when capacities of the social and healthcare systems were often overstretched. Although the Government of Armenia demonstrated its commitment to carry out key reforms while reacting and absorbing shocks, some responses to the various crises have been insufficient or not comprehensive enough.

The pace of the implementation of CEPA has been evaluated as positive, with achievements recorded in justice and anti-corruption sectors. Similarly, Armenia performs relatively well under the Economic and Investment Plan (EIP) in regional comparison, with investments already mobilised in sectors ranging from support to access to finance to SMEs, to support to the education, to green and digital transformation. To support the reform process in Armenia in line with CEPA and further advance on key sector investments under the EIP which are much needed in the country, there is a need for a more flexible financing mechanism that would be able to react promptly to unforeseen and emerging needs and filling in the necessary gaps of EU assistance in the country. This assistance could range from crisis stemming from the Nagorno-Karabakh conflict, such as further needs of the displaced population in the territory of Armenia, to strengthened institutional capacity of the Government, to meeting the future environmental and digital needs.

The key lessons learned from EU and donor programmes in Armenia include the importance of collaborative approaches that consider local perspectives, building capacity of individuals and organisations, policy and legal frameworks that promote sustainability, and meaningful engagement of civil society organisations (CSOs). Donor programmes involving CSOs require transparency and accountability mechanisms, flexibility in programme design, and long-term support for sustainability. The competing priorities of the Government, changes in leadership, and the abovementioned recent crises can pose challenges for the implementation of long-term development initiatives.

Another important lesson learnt from EU programmes implementation is the importance of the policy dialogue and donor coordination with the development partners present in Armenia. Most of the donor coordination in the country is done on an unofficial basis, with various donor partners taking the lead in different sectors (such as the EU leading the donor coordination in justice and education, UNICEF in social protection etc.). As referred above, in response to the influx of the displaced population, the international donor community on the ground mobilised efficiently amidst increased efforts for coordination by the EU and UN agencies. The Government of Armenia is leading the response, in close cooperation with the international donors, albeit facing capacity constraints. The UNHCR led the development of the Armenia Refugee Response Plan (RRP) together with the Deputy Prime Ministers' office. The plan aims to support 196,000 people including refugees and local host communities, proposing a 97 million USD financing cost, together with 60 partners (11 UN, 6 INGOs, 41 NGOs and 2 RLOs)¹². In complementarity the Government has presented a needs assessment under

¹² The Armenia Refugee Response Plan (October 2023-March 2024), coordinated by UNHCR, is an inter-agency planning, coordination and fundraising tool which contributes to operationalising the refugee's coordination model. It is designed to support and complement the Government of Armenia response to the refugee situation through international solidarity, with short term to medium-long term measures focused on resilience.

its Humanitarian Response Plan for Forcibly Displaced Persons from Nagorno-Karabakh¹³ in coordination with international partners. This assessment is complementary to the RRP.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The **Overall Objective/Impact** of this Action is to:

The EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA), the Government of Armenia's reform process and socio-economic development are advanced.

The **Specific Objectives (Outcomes)** of this action are:

1. Implementation of the EU-Armenia Comprehensive and Enhanced Partnership Agreement, along with wider reforms by the Government of Armenia, and the Economic and Investment Plan (EIP), is supported and progressed;
2. The capacity of the Government of Armenia to enhance the reform process and respond to crisis is improved.

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Contributing to Outcome 1 (or Specific Objective 1)

- 1.1 Customised ad-hoc support to the implementation of CEPA and EIP commitments and wider reform agenda is delivered.

Contributing to Outcome 2 (or Specific Objective 2)

- 2.1 Armenian Government's capacity in terms of structure, resources and introduction of new systems/tools to enhance the reform process and respond to crisis is improved.

3.2. Indicative Activities

Activities related to Output 1:

- Capacity building (gender sensitive competence-based training, coaching, mentoring, etc.) and/or technical assistance (advice, proposals on capacity, organisational and work process aspects) to the Government of Armenia and public bodies related to gender sensitive policy making and reform implementation.

Activities related to Output 2:

- Capacity building (competence-based training, coaching, mentoring, etc.) at institutional, inter-institutional and individual levels.
- Technical assistance (advice, proposals on capacity, organisational and work process aspects).

3.3. Mainstreaming

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G0. The action will include deliberate targeting of women with the aim of contributing to achievements of SDG 5 (Gender Equality) but due to the nature of the project (smaller actions that still need to be defined), it is not feasible to carry out a full gender analysis. Communities in Armenia maintain a conservative stance towards women empowerment

¹³ <https://www.gov.am/en/news/item/10406/>

citing cultural values. It is against this backdrop that the proposed action will use the opportunities to promote gender equality as an integral part of this intervention. This will include promoting the welfare of women and positioning them for leadership. Some specific activities in the action document carry with them the gender dimension. Specific attention will be brought to the gender issues mainstreaming when drawing up contracts linked to the action document. The activities will be coordinated with the EU4Gender Equality Reform Helpdesk. Wherever appropriate, data will be collected and analysed in a gender segregated way. As referred, above, around 52% of the refugees from are women. While no reliable data is available, among the 25 000 displaced families there is a significant number of female-headed households, which have additional vulnerabilities and are at greater risk of poverty. The project will hence have a direct impact on women and men as final beneficiaries of the Action. During the implementation stage and through policy dialogue, a focus on gender-specific issues will be taken into account.

Human Rights

A human rights-based approach will be applied throughout the programme, focusing on:

- Advancing social rights, including protection of socio-economic rights and empowerment of those affected by shocks;
- Building the capacity of duty-bearers to respect, protect, and fulfil the social rights of communities; and
- Making sure the non-discrimination principle is applied with regard to the selection of target groups and involvement in the programme activities, prioritising inclusive and participatory methodologies of engaging with beneficiaries.

In addition, the action will explore reasons as to why some stakeholders are not participating in mainstream development with a view to recommending measures that will address this trend by adopting strategies that promote inclusivity and participation that are at the centre of a development initiative.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that whilst the project does not target disability inclusion specifically, it does feature in several activities.

Democracy

The action will strengthen the democratisation process of the country by strengthening the country’s institutional capacity and the ability to deliver reforms in line with the CEPA’s objectives.

Conflict sensitivity, peace and resilience

The action’s aim is to strengthen the institutional capacity of the Government of Armenia to promptly react to crisis and thus strengthen country’s overall resilience to internal and external shocks.

Disaster Risk Reduction

Disaster Risk Reduction will be mainstreamed through the action to support the Government of Armenia to react to crisis, but also through strengthening Government’s capacities and expertise to formulate evidence based environmental policies.

3.4. Risks and Assumptions

| Category | Risks | Likelihood (High/ Medium/ Low) | Impact (High/ Medium/ Low) | Mitigating measures |
|----------------------|------------------------------------|---|---|--|
| External Environment | Possible military escalation along | Medium | High | Unwavering support for Armenia’s sovereignty and territorial integrity, as |

| | | | | |
|---------------------------------|--|--------|--------|--|
| | the borders of Armenia-Azerbaijan border. | | | well as continuous efforts to enhance Armenia's resilience. Facilitation process put in place by the EU to work towards a peace agreement between Armenia and Azerbaijan. The EU Monitoring Mission in Armenia aims to contribute to the stability along the Armenian side of the international border with Azerbaijan. Relevant measures to be undertaken as needed. |
| Planning, Processes and Systems | Lack of political will to undergo structural reforms | Low | High | Advocacy, continuous policy dialogue and consultations with the concerned country stakeholders. |
| People and the Organisation | High staff turnover at the targeted Ministries and Government bodies | Medium | High | Institutionalisation of policy dialogue and inclusion of the capacity building activities in the national training structures and training of trainers, where relevant. |
| Planning, Processes and Systems | Prevalence of short-term ad-hoc approach to development in practice | Medium | Medium | Advocacy, continuous policy dialogue and consultations with the concerned country stakeholders. |
| Planning, Processes and Systems | Change of priorities among the Government stakeholders; | Medium | Medium | Advocacy, continuous policy dialogue and consultations with the concerned country stakeholders. |
| People and the Organisation | Insufficient or ineffective coordination among the various components and donors | Medium | Medium | Enhanced role of the EU Delegation to ensure coordination and frequent monitoring. |

External Assumptions

The following external assumptions are assumed:

1. The Government of Armenia and relevant sectorial Ministries continue commitment to engaging and leading a strategic development reform process, involving the European Union and other key donor organisations or partners.
2. Stable political and security situation in Armenia as well as in the region.
3. Resistance to change in working culture is limited among staff in the government administration and public bodies.
4. The level of coordination between public entities does not prevent CEPA and wider reforms implementation.

5. Resistance to change in the management of the EIP project pipeline remains limited among staff in the government administration.

3.5. Intervention Logic

The Facility will contribute to the advancement of the EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA), the Government of Armenia Reform process and socio-economic development (Impact). It will do so through various contracted interventions in a highly flexible and adaptive manner.

Interventions will leverage change among key target groups and their situation. These changes will be manifested in progress in implementation of the EU-Armenia Comprehensive and Enhanced Partnership Agreement, along with wider Government of Armenia reforms and the Economic and Investment Plan (Outcome 1) and abilities and competencies of the Government of Armenia to enhance the reform process and respond to crisis are improved (Outcome 2).

It is assumed that the following external conditions will act as enabling factors in the attainment of these outcomes, namely:

- The security, political and financial situation remains relatively stable in Armenia as well as in the wider region, and
- The Government of Armenia and relevant sectorial Ministries continue to be sufficiently committed to engaging and leading a strategic development reform process, involving the European Union and other key donor organisations or partners.

In order to ensure Outcome 1, the various interventions under this facility will deliver a customised ad-hoc support to the implementation of CEPA and EIP commitments and wider reform agenda (Output 1.1) and improve Armenian Government's capacity in terms of structure, resources and introduction of new systems/tools to enhance the reform process and respond to crisis (Output 2.1) in order to ensure Outcome 2.

Individual contracts under this Action may relate to more than one output or even outcome, as may be required according to demand from the Government of Armenia and its public administration.

3.6. Indicative Logical Framework Matrix

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities).

In the following table, indicators will be gender-specific, wherever appropriate

| Results | Results chain: Main expected results | Indicators | Baselines (values and years) | Targets (values and years) | Sources of data | Assumptions |
|------------------|--|---|------------------------------------|--|---|---|
| Impact | The EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA), the Government of Armenia's reform process and socio-economic development are advanced. | 1. Number of reforms to which the Facility has contributed 2. Number of identified challenges which are addressed by the Government | 1. Zero 2. Zero | 1. Two 2. Two | EU Reports | <i>Not applicable</i> |
| Outcome 1 | 1. Implementation of the EU-Armenia Comprehensive and Enhanced Partnership Agreement, along with wider reforms by the Government of Armenia, and the Economic and Investment Plan (EIP) is supported and progressed. | 1.1 Number of reforms (including utilising evidence based policy-making) in line with CEPA, the Government Programme and EIP, with assistance of the Facility (disaggregation: Under implementation/ implemented) | 1.1 Zero | 1.1 Two (1 under implementation and 1 implemented) | 1.1 EU Reports | The Government of Armenia and relevant sectorial Ministries continue to be sufficiently committed to engaging and leading a strategic development reform process, involving the European Union and other key donor organisations or partners. |
| Outcome 2 | 4. The capacity of the Government of Armenia to enhance the reform process and respond to crisis are improved. | 2.1 Number of public policies/ reforms developed/revised, and/or under implementation with the Facility support. | 2.1 Zero | 2.1 Two | 2.1 EU reports (Facility/contracts reports) | The security, political and financial situation remain relatively stable in Armenia as well as in the region. |

| | | | | | | |
|-----------------------------------|--|---|------------------------------|-------------------------------|------------------------------|---|
| Output 1 related Outcome 1 | to 1.1 Customised ad-hoc support to the implementation of CEPA and EIP commitments and wider reform agenda is delivered | 1.1.1. Number of public entities supported with capacity building or technical assistance (disaggregated according to public officials and public bodies) 1.1.2. Number of staff having acquired competences in gender sensitive policy making and implementation (disaggregated according to sex) | 1.1.1 Zero 1.1.2 Zero | 1.1.1 Two 1.1.2 Twenty | Facility reports (contracts) | Resistance to change in working culture is limited among staff in the government administration and public bodies |
| Output 1 related Outcome 2 | to 2.1 Armenian Government's capacity in terms of structure, resources and introduction of new systems/tools to enhance the reform process and respond to crisis is improved. | 2.1.1 Number of public entities supported with gender sensitive capacity building and technical assistance, including on coordination. | 2.1.1 Zero 2.1.2 Zero | 2.1.1 One | Facility reports (contracts) | Resistance to change in the management of the EIP project pipeline remains limited among staff in the government administration |

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Republic of Armenia.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3.1 will be carried out and the corresponding contracts and agreements implemented, is 60 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 financing Decision and the relevant contracts and agreements.

4.3. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁴.

4.3.1. Direct Management (Grants)

4.3.1.1. Twinning Grant

a) Purpose of the grant

The grant will contribute to the achievement of both specific objectives of the action.

b) Type of applicants targeted

Applicants must be EU Member State administrations and/or their mandated bodies.

4.3.2. Indirect Management with a pillar-assessed entity¹⁵

A part of this action may be implemented in indirect management with a pillar-assessed entity, which will be selected by the Commission's services using the following criteria:

- Proven necessary logistical and management capacity (human resources, organisational setup, etc.);
- Proven long-term and diverse experience, established procedures and tools for channelling assistance in a sustainable manner as evidenced by achievements within previous similar actions/projects;
- Proven sound knowledge of the Eastern Partnership countries and Armenia in particular;
- Proven reputation and credibility among beneficiaries.

The implementation by this entity entails both specific objectives of the action.

¹⁴ [EU Sanctions Map](#). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

¹⁵ The signature of a contribution agreement with the chosen entity is subject to the completion of the necessary pillar assessment.

4.3.3. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances

If the implementation modality under indirect management as defined in section 4.3.2 cannot be implemented due to circumstances outside of the control of the Commission, the modality of implementation by grants under direct management would be used according to section 4.3.1.

If the implementation modality under direct management as defined in section 4.3.1. cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by indirect management with a pillar-assessed entity would be used according to section 4.3.2.

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 and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5. Indicative Budget

| Indicative Budget components | EU contribution (amount in EUR) | Third-party contribution, in currency identified |
|---|--|---|
| Grants – total envelope under section 4.3.1 | 1 400 000 | N.A. |
| Indirect management with a pillar-assessed entity – total envelope under section 4.3.2 | 1 500 000 | TBC |
| Evaluation – cf. section 5.2 Audit – cf. section 5.3 | 100 000 | N.A. |
| Strategic communication and Public diplomacy – cf. section 6 | will be covered by another Decision | N.A. |
| Totals | 3 000 000 | TBC |

4.6. Organisational Set-up and Responsibilities

It is foreseen that implementing partners will bear the responsibility to engage with the other programme stakeholders. The EU Delegation will be closely involved in the management of the action and will oversee the overall coordination. It is foreseen that this will include the following key structures:

- A Steering Committee will be set up with the involvement of implementing partners as well as the national and sub-national authorities of the involved municipalities of Armenia. The EU Delegation will support the mobilisation of participants. As key rights holders, representatives from the respective municipalities will be invited, including local authorities and community representatives. The detailed modalities of the Steering Committee will be agreed upon during the inception phase and reflected in a Terms of Reference. The Steering Committee is expected to meet twice a year, and the EU Delegation will chair the Steering Committee.

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. PERFORMANCE MEASUREMENT

5.1. 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 Outputs and contribution to the achievement of its Outcomes, and if possible, at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the logframe matrix.

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).

Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring:

- a) the implementing partners will have specific responsibilities for monitoring and reporting under this action;
- b) common indicators will, as much as possible, be used in order to allow for the action wide reporting; and
- c) indicator values could be measured at regional level or at country level and then harmonised depending on the nature of the activities.

5.2. Evaluation

Having regard to the nature of the action, a mid-term evaluation will be carried out for this action or its components via independent consultants contracted by the Commission. It will be carried out for problem solving, learning purposes, in particular with respect to assess the progress of implementation of all different components of the action.

The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations (private sector, NGOs, etc.) levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least 45 days in advance of the dates envisaged for the evaluation exercise and 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 following the best practice of evaluation dissemination. 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.

5.3. Audit and Verifications

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 audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [*Communicating and raising EU visibility: Guidance for external actions*](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions, and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

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. Visibility and communication measures should also promote transparency and accountability on the use of funds. Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and the EU Delegation fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.