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Action Fiche for Armenia AAP 2011 part 1

1. IDENTIFICATION

Title/Number	Framework Programme in support of EU-Armenia agreements (CRIS: ENPI/2011/23010)		
Total cost	EU contribution: EUR 19.1 million		
Aid method / Method of implementation	Project approach – direct centralised management and joint management		
DAC-code	15110	Sector	Public sector policy and administrative management

2. RATIONALE

2.1. Sector context

The Government of Armenia regards European integration as a fundamental priority of domestic and foreign policy. In the Government's view, European integration is one of the most efficient ways to achieve political, economic and social modernization of the country.

The actions under this programme are designed to directly support the implementation of the ENP Action Plan and the National Indicative Programme for Armenia. Concretely, they are directly related to Priority areas 1 (Democratic structures and good governance) and 2 (Trade and investment, regulatory alignment and reform) of the NIP 2011-2013.

In the context of the preparations for the negotiation of a Deep and Comprehensive Free Trade Area (DCFTA) with the EU, the government of Armenia is in the process of approving a set of strategies, notably the food Safety Strategy (with the accompanying Action Plan for its implementation), and in the field of market surveillance a governmental strategy (concept) on inspection reform in Armenia is under implementation since late 2009. This reform builds on horizontal and vertical measures. The horizontal measures include coordination, dialogue and cooperation between the state and the business community, elimination of overlapping functions and training. The vertical measures concern the inspectorates and aim at introducing risk-based inspection systems, inspectors' behaviour rules and transparent procedures. In the area of Technical Barriers to Trade, the Quality Infrastructure Strategy was adopted in December 2010 and an implementation plan is being developed in early 2011.

The negotiations on the Association Agreement with Armenia were launched on 19 July 2010, with good progress made. . The future agreement will entail closer political association and deeper economic integration, and span political dialogue, human rights, education and youth exchanges, promotion of business and investment. The negotiations on the DCFTA will be launched once Armenia will achieve sufficient progress in implementing the key recommendations to be met.

The Comprehensive Institution Building (CIB) programme is intended to support capacity building of a number of core institutions that are central in the negotiation and implementation of future agreements between the EU and Armenia. A Memorandum of Understanding on the CIB

framework document was signed with Armenia on 26 November 2010. Armenia has been supportive of the CIB Programme from the outset and has worked constructively to finalise the Framework Document, to complete the CIB Assessment Grid and to identify those institutions and clusters of institutions that would benefit from the support available under the CIB. The Framework Document covers three main areas: coordinating structures of the AA, DCFTA preparations, and support for the implementation of the future Visa Facilitation Agreement and Readmission Agreements.

The Twinning and Technical Assistance and Information Exchange (TAIEX) programmes, introduced through the European Neighbourhood Policy Instrument and the ENP Action Plan, will play an essential role in the achievement of the National Indicative Programme priorities.

This programme will consist of three components: preparation for implementation of the CIB programme, implementation of the CIB programme and other technical assistance/Twinning for support to other areas of cooperation under the EU-Armenia agreements.

This Action Fiche fully reflects the results of the comprehensive consultation process between the European Commission and the Government of Armenia on the content of the CIB programme, carried out in the course of 2010.

2.2. Lessons learned

The previous and current assistance projects for implementation of the Partnership and Cooperation Agreement have identified weak administrative capacity of the beneficiary institutions, inefficient governmental structures, low absorption capacity for external assistance and other issues as the main obstacles in efficient implementation of EU-funded assistance.

Despite opening access to the Institution Building Instruments (IBIs) like Twinning for Armenia already in 2007, their use until 2009 was rather limited. The first project "Support to the Office of the Human Rights Defender of the Republic of Armenia" started to be implemented in 2009, followed by the second Twinning project "Ministry of Economy of the Republic of Armenia: Regulatory Management/Standard Cost Model ". However, in 2010, three more Twinning projects have been signed (Statistics, Civil Aviation, Competition), seven Twinning fiches have been prepared and a call for proposals for 5 of them have been launched in January 2011.

To avoid risk of under-spending and to increase the ownership of undertaken changes, interventions under this framework programme need to be based on real needs of the beneficiary institutions, identified by the beneficiaries and assisted by the experts in relevant areas both on the central coordination level as well as in line ministries and agencies. A more thorough assessment of the most adequate instruments to be used for each assistance request by the Government has to be carried out in the programming cycle.

2.3. Complementary actions

The assistance planned under this Framework Programme will complement and extend Twinning and Technical Assistance initiatives funded through the ENPI Annual Action Programmes 2007-2010, notably those interventions financed under Priority Area 1 of the National Indicative Programme, *Support for democratic structures and Good Governance* and Priority Area 2, *Support for regulatory reform and administrative capacity building*. In particular, the assistance will be closely aligned with on-going projects such as *EU Advisory Group to the Republic of Armenia*, *Support to Armenian Programme Administration Office for Twinning and TAIEX*

operations and will synergise with on-going interventions in support of judicial reform, trade, public finance reform and migration.

There has been a significant upswing in interest in the Twinning instrument: there are now 12 Twinning projects at various stages of development and implementation. Of these, nine are directly linked to CIB priorities in the areas of Justice Liberty and Security and DCFTA.

The Framework Programme will also complement work currently being done by multilateral and bilateral donors: the World Bank is actively involved in standardisation, metrology and accreditation; the Food and Agricultural Organisation is supporting reforms to Sanitary and Phytosanitary measures; the World Bank, International Finance Corporation and Germany are tackling issues related to Technical Barriers to Trade; Germany, Finland and Greece are providing assistance to general trade matters; the World Intellectual Property Organisation and the European Patent Office are addressing the area of intellectual property rights.

2.4. Donor coordination

There is a systematic donor coordination framework co-chaired by the World Bank (WB), the International Monetary Fund (IMF), the United Nations Development Programme (UNDP) and the Commission in which all donors and bilateral agencies are invited to contribute. The meetings are organised in thematic groups covering, among other things, economic development, governance, rule of law, health, education and environment. The Government of Armenia counterpart to the donor coordination framework is the Ministry of Economy, which in 2008 took over the donor coordination role which was previously assigned to the unified Ministry of Finance & Economy. Within the Ministry the essential donor activities are carried out by the European Integration Department.

3. Description

3.1. Objectives

The overall objective of the Framework Programme is to enhance Armenia's capacity to negotiate, conclude and implement the future Association Agreement, prepare for the negotiations and negotiate a DCFTA, Visa Facilitation and Readmission Agreements between Armenia and the EU and to meet the objectives of the EU-Armenia ENP Action Plan.

The specific objectives are:

- To assist the Armenian authorities, notably the CIB Coordinator, to prepare for the implementation of the Comprehensive Institution Building programme by providing support to the key institutions covered by the CIB programme.
- To ensure effective institution-building of a limited number of core institutions that are central to preparing the ground for and implementing the future Association Agreement, DCFTA, Visa Facilitation and Readmission Agreements.
- To support the relevant institutions within the Armenian public administration to comply effectively with the commitments set forth in the EU-Armenia ENP Action Plan.
- To assist the national authorities to carry out the preparatory, supervisory, monitoring, audit and evaluation work necessary for the timely and efficient launch and implementation of actions in the framework of ENPI annual programming exercises in the priority sectors identified in the EU-Armenia ENP Action Plan.

3.2. Expected results and main activities

The Framework Programme is expected to result in the following:

- Enhanced capacity of the Armenian authorities to prepare for, negotiate and conclude the future Association Agreement, DCFTA, Visa Facilitation and Readmission Agreements
- Strengthened institutional, technical and human resource capacities within the core institutions to manage, implement and monitor their respective components of the agreements
- Strengthened capacity to participate effectively in the programming exercises in priority sectors in line with the EU-Armenia ENP Action Plan/Association Agenda

Main activities foreseen under each component are as follows:

Component 1: Preparatory work for the development of the CIB Institutional Reform Plans

1.1 Support to the CIB Coordinator and to the Ministry of Foreign Affairs

Policy advice and technical assistance to the CIB Coordinator, the Minister of Economy, and his staff in the overall coordination of Armenia's participation in the CIB, the final selection of the core institutions, the prioritisation of interventions and the selection of implementation modalities. In addition assistance will be provided to the Minister of Economy in his role as National Coordinator to ensure synergies between the support provided through the CIB and that delivered through other elements of the National Programme or other bilateral and multilateral donors.

Policy advice and technical assistance to the Ministry of Foreign Affairs will also be provided given its overall role of coordinating the negotiations on the AA.

1.2 Support to the development of Institutional Reform Plans (IRPs)

The Programme will foster the development and design of Institutional Reform Plans for selected CIB institutions. The instrument chosen to support the development of an IRP at any given institution will be dependent on existing interventions and the capacity available within the institution itself. Technical assistance to the selected core institutions to conduct specific institutional assessments and elaborate comprehensive Institutional Reform Plans based on the existing strategic framework will be provided following the development of a common methodology for IRP development currently being elaborated by the technical assistance contract mentioned below.

Priority will be given to the development of the IRP in the first strand of the CIB Framework Document - Strengthening of the institutional structure for Association Agreement negotiations, as well as the support for the Diplomatic Academy and the Translation Centre, the latter playing a key role in the preparation of negotiations.

Component 2: Support to the implementation of the CIB Institutional Reform Plans

Support will be provided through technical assistance/Twinning/TAIEX/SIGMA and training to the selected core institutions to enable them to start to implement their Institutional Reform Plans.

In addition, the assistance may be targeted at the procurement of supplies and/or equipment in order to strengthen the technical capacities of the core institutions.

The 3 Institutional Reform Plans to be developed with the key stakeholders cover the following clusters as defined in the CIB Framework Document (indicative breakdown of distribution of CIB resources in brackets according to the Framework Document):

- a. Strengthening the institutional structure for Association Agreement negotiations (10-15% of overall CIB budget), leading reform institutions: the Ministry of Foreign Affairs, the Diplomatic Academy and the Translation Centre;
- b. Justice, Liberty and Security, including to support the negotiations on a Visa Facilitation Agreement and a Readmission Agreement (20-25% of overall CIB budget), leading reform institutions: Ministry of Foreign Affairs and Ministry of Justice, Ministry of Territorial Administration, Migration Agency, National Security Services;
- c. Preparing for the negotiations of the Deep and Comprehensive Free Trade Area (60-70% of overall CIB budget). As a priority, support will be given to the leading reform institution, the Ministry of Economy, in its coordinating function for the DCFTA preparations, followed by support for a selected number of the following implementing institutions:
 - Cluster 1 SPS – The recently established Food Safety Agency which will include the services of the Ministry of Health, Ministry of Agriculture, State Hygiene Inspectorate, State Food Safety and Veterinary Inspectorate, Inspectorate of Plant Quarantine and Farming, Customs, State Revenue;
 - Cluster 2 TBT – Ministry of Economy, National Institute of Standards, National Institute for Metrology, Conformity Assessment bodies, Agency of Accreditation, Market Surveillance agencies;
 - Cluster 3 IPR – Ministry of Economy, Agency for Intellectual Property, Ministry of Justice, Police services.

Priority will be given to support the IRPs covering the strengthening of the institutional structure for Association Agreement negotiations, as well as the support for the Diplomatic Academy and the Translation Centre; as well as strengthening of the DCFTA coordinating structure.

Steps are being taken by the EU Delegation to assist in the preparation of the IRPs in the form of specific technical assistance contracts (as exemplified by the framework contract to support to Ministry of Economy in the development of the overall architecture for the CIB implementation in harmonisation with other instruments). Such support will facilitate the endorsement of IRPs by the Government of Armenia during 2011.

Component 3: Other Technical Assistance and Twinning (implementation of the EU-Armenia ENP Action Plan)

- Support to relevant areas of cooperation under the EU-Armenia agreements. Actions under this component will support the country's reform agenda in line with ENP AP commitments, and the development of institutional and administrative capacities for regulatory approximation and implementation of ENP AP commitments in sectors recognised as priorities, as well as identification and formulation of actions related to implementation, follow up and monitoring of actions. This component will cover other sectors and institutions than those benefiting from the CIB Programme, including support to the electoral process.

3.3. Risks and assumptions

The principal risks to implementation are:

- Potential national and/or regional instability
- Delays in the establishment of structures/identification of officials to coordinate the CIB on the Armenian side
- Delays in the elaboration and conclusion of the necessary documentation (IRPs)
- Lack of institutional, technical and human resource capacities to absorb the available assistance efficiently and effectively
- Macro-economic imbalances inhibit Armenia's capacity to provide co-financing
- Middle ranking officials are resistant to the proposed institutional and operational changes

The primary assumptions are:

- The Government of the Republic of Armenia remains firmly committed to its reform agenda
- The Republic of Armenia maintains its commitment to enhanced political and economic relations with the European Union and is willing and able to pursue negotiations leading to the conclusion of new agreements (Association Agreement, DCFTA, Visa Facilitation and Readmission agreements)
- The selected core institutions are able to draft comprehensive Institutional Reform Plans within the requisite timeframe
- The selected core institutions allocate the necessary human, financial and technical resources to support the implementation of the IRP

3.4. Crosscutting Issues

Implementation of this framework programme will directly contribute to good governance by improving the work of public institutions and management of public resources. It will also directly contribute to poverty reduction, good governance and respect for human rights and integration in world economy. In addition, in preparation of projects under this framework programme, attention will be paid to take account of gender equality, impact on environment and sustainable development.

3.5. Stakeholders

A comprehensive stakeholder analysis has been carried out jointly by the EU and the Armenian authorities as part of the preparatory work for the elaboration of the CIB Framework Document. The following institutions have been identified as the primary stakeholders.

Reform challenge 1: Preparing for the negotiations and negotiating the AA

Stakeholders: Ministry of Foreign Affairs, Diplomatic Academy, Translation Centre

Reform challenge 2: Justice, liberty and security

Stakeholders: Ministry of Foreign Affairs and Ministry of Justice, Ministry of Territorial Administration, Migration Agency, National Security Services

Reform challenge 3: Preparing for the negotiations of the DCFTA

Stakeholders: Ministry of Economy

Cluster 1 SPS – Food Safety Agency, Ministry of Health, Ministry of Agriculture, State Hygiene Inspectorate, State Food Safety and Veterinary Inspectorate, Inspectorate of Plant Quarantine and Farming, Customs, State Revenue Committee; Cluster 2 TBT – Ministry of Economy, National Institute of Standards, National Institute for Metrology, Conformity Assessment bodies, Agency of Accreditation, Market Surveillance Agencies; Cluster 3 IPR – Ministry of Economy, Agency for Intellectual Property, Ministry of Justice, Police.

The CIB Programme should also be open to participation and funding of other donors like EU Member States and international organizations and international financial institutions.

4. Implementation issues

4.1. Method of implementation

The main implementation mode will be direct centralised management, by means of service, grant, framework, twinning and supply contracts. For component 2 supply of EU norm-driven equipment could be envisaged.

In specific circumstances and based on the needs and requests from the beneficiary, one or more standard contribution agreements for the implementation of this framework programme could be signed with international organisations, except for twinning projects.

Two international organisations are considered for joint management: the UNDP and/or the Organisation for Security and Cooperation in Europe (OSCE). Both of these meet the conditions as required by the Financial Regulation. These two organisations are well established in Armenia and have sufficient expertise in the implementation of European Commission-funded projects in the areas covered by this action. The precise formulation of the expertise needed in the context of the CIB programme will depend on the content of the IRPs which are developed by the Government and currently planned for completion by autumn 2011. Their content will allow the selection of the most appropriate International Organisation(s) among the two.

4.2. Procurement and grant award procedures

1) Contracts

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

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

2) Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the

principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.
- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

3) Joint management with an International Organisation

In cases of an agreement with an international organisation, all contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

4.3. Budget and calendar

The overall estimated budget of this framework programme is EUR 19.1 million. At this stage the allocated amount for each component is indicatively EUR 6.7 million for Components 1 and 2, and EUR 12.4 million for Component 3. If the money from one component is under utilised, it could be reallocated for the implementation of another component.

The Government of Armenia is expected to contribute to the implementation of this framework programme financially or in kind. At least 20% co-financing will be required when community funding will be used for supply and infrastructure contracts under this action fiche. A minimum requirement for all projects is for the beneficiary institution to provide the long-term project experts with adequate office space and basic communications. The exact share of technical assistance projects and supply contracts is not defined as it will greatly depend on the Government's ability to provide the necessary co-financing.

It is foreseen that the operational duration of the action will be 48 months from the signature of the contracts / contribution agreement(s).

4.4. Performance monitoring

For the purpose of the European Commission, the projects under this framework programme will be monitored throughout their implementation by Results-Oriented Monitoring System of Projects and Programmes of External Co-operation. For overall monitoring of the implementation of the CIB programme, it is envisaged to set up a Steering Committee, to involve all national stakeholders and donors, as well as all relevant project representatives.

4.5. Evaluation and audit

Evaluation and audit will be decided by the European Commission on a case-by-case basis and will be carried out with the support of technical advice of external consultants recruited by the

Commission. A mid-term evaluation and final evaluation of the CIB programme implementation is envisaged.

4.6. Communication and visibility

Each project under this framework programme will have its own communication and visibility component and budget, according to the EU Manual on Visibility of External Actions.