

Country Strategy Paper 2002 - 2006

National Indicative Programme 2002 - 2003

Republic of Armenia

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Summary

The Armenia Country Strategy Paper (CSP) was adopted by the Commission on 27 December 2001, and provides the strategic framework within which EC assistance will be provided for the period 2002-2006. The CSP follows the guidelines set out in the Framework for Country Strategy Papers, and takes its basis from the Regulation for the provision of assistance to the partner countries in Eastern Europe and Central Asia (Council Regulation EC, Euratom N° 99/2000 of 29 December 1999). The CSP constitutes the Indicative Programme as described in article 3.2 and 3.3 of the Regulation and revises and updates (as foreseen in article 3.6 of the Regulation) the Indicative Programme for 2002-2003 adopted in 2000. The CSP sets out EC cooperation objectives, policy response and priority fields of cooperation based on a thorough assessment of policy agenda and political and socio-economic situation of Armenia. The National Indicative Programme (NIP, Chapter 6 of the CSP) sets out the response in more detail, highlighting objectives, expected results and conditionality for Tacis in the priority areas of cooperation for the period 2002-2003.

The Republic of Armenia (hereafter, Armenia) is committed to the implementation of the Partnership and Cooperation Agreement with the European Union which entered into force in July 1999¹. Armenia's political situation is stable but fragile and influenced by an unstable regional context and the conflict with the Republic of Azerbaijan over Nagorno-Karabakh; economically, Armenia has experienced consecutive growth since 1994, but this has partly depended on international aid and remittances from the Diaspora and it is also due to catching up the GDP level before 1991; its social situation has deteriorated considerably over the last decade. A member of the Council of Europe since January 2001, Armenia's respect for democracy, the rule of law and human rights is not particularly alarming.

The CSP is in line with the Statement on Development Policy, adopted by the Commission and the Council in November 2000 which, for developing countries like Armenia, identifies poverty reduction as the primary focus of the EU's development assistance. The EU Food Security Programme will continue to remain a priority for Armenia.

Over the time frame of this CSP, one of the main EU objectives remains the closure of the Medzamor Nuclear Power Plant, for which work is ongoing, involving the Armenian authorities, the EU Member States and the other relevant international players.

In line with the General Affairs Council's conclusions of 26/02/01 and 09/04/01, the EU will look for further ways in which it could support efforts to prevent and resolve conflicts as well as in post conflict rehabilitation in Southern Caucasus, including Armenia. An eventual breakthrough in the conflict with Azerbaijan over Nagorno-Karabakh will be considered in this respect.

The Tacis programme 2002-2003 can effectively assist Armenia by focusing on two priority areas: **(1)** support for institutional, legal and administrative reform, including: implementation of the EU-Armenia PCA; reforms in the field of higher education; development of information technologies; strengthening the effectiveness of vocational education and training; flanking measures in support of the EU Food Security Programme; **(2)** support in addressing the social consequences of transition, in particular through investments in the education sector.

The indicative budget for Tacis assistance to Armenia for the period 2002-2003 is € 10 million.

¹ Published in the Official Journal L239 of 9 September 1999.

1. EU/EC policy objectives

Based on the Partnership and Cooperation Agreement (PCA), the EU's cooperation objectives are to build a relationship with Armenia in which the respect of democratic principles, the rule of law and human rights, as well as the consolidation of a market economy are fostered and supported.

The enlargement process will bring the EU frontier closer to Armenia and the southern Caucasus.

The EU has both direct trade as well as indirect political interests in promoting regional co-operation and establishing an effective regional market of 15 million people or more, fully integrated physically and economically.

It is paramount to establish a **business climate conducive to foreign and domestic investments**, removing all obstacles, and widespread corruption above all.

The PCA provides for trade liberalisation and cooperation in a wide range of areas. **Tacis** is the main financial and technical assistance instrument supporting the implementation of the PCA and providing grant assistance for projects in priority areas that are defined on a biannual basis.

Armenia is a developing country. As reasserted by the Commission and the Council in the **Statement on Development Policy** of November 2000, the objective of **poverty reduction** is the primary focus of the Commission's development assistance.

In the light of the above, the EU/EC will:

- continue the work on the **implementation of the PCA**, with a focus on approximation of legislation and reforms;
- contribute to creating the conditions for **poverty reduction and sustainable economic growth**, raising the deteriorating social standards and improving the poor living conditions over the longer term;

The EU/EC has an interest in Armenia developing in the context of a politically stable and economically prosperous southern Caucasus. In this respect, the **conflict with the Republic of Azerbaijan over Nagorno-Karabakh (NK)** remains a major impediment to development in Armenia and in Azerbaijan and contributes to regional instability.

The decisions of the Council of Ministers in 2001 have intensified the EU's political commitment to the region, and the EU stands ready to look for further ways in which it could contribute to the resolution of the conflicts in the southern Caucasus, as well as post-conflict rehabilitation.

The EU and Armenia will continue their dialogue on the closure of the **Medzamor Nuclear Power Plant (MNPP)**. Recalling the commitments taken regarding the closure of MNPP, the EU stands ready to support Armenia in finding secure, sufficient, diversified, alternative power supplies. In this regard, the EU is consulting with other donors in order to create a Fund based upon a detailed investment and financing plan. The EU contribution to this Fund would be conditional upon agreement between the EU and Armenia on a binding date for the closure of MNPP, within the framework of a Memorandum of Understanding.

2. Policy agenda of Armenia

Armenia has reiterated that its main target in foreign policy is "**progressive integration into EU models and standards**". A high-level inter-ministerial commission on PCA implementation, under the aegis of the Ministry of Industry and Trade, has been established and meets regularly. The work of this commission supported by technical assistance provided by TACIS. The Armenian-European Policy and Legal Advice Centre (AEPLAC) which is being set up with TACIS funding will assume this policy advice and assistance role. Substantial results have been achieved already and a wide range of issues which require further work in the areas covered by the PCA have been identified. Progress is reported regularly to the EU-Armenia Cooperation Council. An evaluation of AEPLAC should be carried out over the time horizon of this CSP.

A member of the **Council of Europe** since January 2001, Armenia is formally committed to democracy and the respect of human rights.

Internally, Armenia adopted two main priorities to guide the development of the country: **resolution of the conflict with Azerbaijan over NK** and the **economic and social transformation** of the country.

Armenia also wants to play a greater role in regional transport and energy corridors, an ambition which is frustrated by the unresolved conflict and by the fact that, as consequence, its borders with Azerbaijan and Turkey remain closed. Recent studies suggest that a reopening of Armenia's borders with Turkey and Azerbaijan would result in a potential reduction in transport costs of 30-50% with total benefits of up to more than € 300 million. Armenia must prepare itself by adopting appropriate measures. In this respect, for example, the fact that Armenia recently joined the TIR convention will facilitate transport and trade conditions.

In December 2000, the Government declared the **development of information technologies**, a sector in which Armenia has developed considerable know-how and expertise since Soviet times, as a main priority to foster the economy, create jobs and raise education standards.

The confidence of the Armenian Government is justified and substantiated by the following facts. There are about 7,000 specialists in the field, with 400 new ones graduating every year. Two associations exist to facilitate the development of the IT sector in Armenia and to limit the brain drain of specialists. Two techno-park projects are under elaboration to link Armenian IT companies with the global technology market and to expand and upgrade the technological capacity of IT labour pools. 40 domestic and 12 foreign software companies employ some 300 programmers and are expanding. Many mathematicians and physicists need to undergo retraining as software programmers to take advantage of opportunities in this expanding sector of the economy. According to the Armenian Government, opportunities for the production of software components are offered by the Mars and Astarak plants, built and equipped in the '80s by foreign firms. Mars is included in the privatisation plans, as are other smaller companies, including in areas outside the capital Yerevan.

In response to locally identified needs, and in line with recommendations from the IFIs, Armenia has begun the process for the preparation and elaboration of a **Poverty Reduction Strategy Paper (PRSP)**, which develops further the Government's economic policy disclosed at the beginning of 2000. The interim PRSP (iPRSP) was published in February 2001. The full PRSP is expected to be completed in 2002.

The iPRSP identifies four main economic and political changes since independence in 1991: 1) the **earthquake of 1988**, which affected 40% of the Armenian territory and about one-third of the population; 2) the **collapse of the regional trade and payments agreement** which followed the dissolution of the Soviet Union; 3) the **conflict in NK and the resulting Azeri and Turkish blockade**, as well as other

regional conflicts; 4) the task of **replacing the central planning system** with one based on market principles.

The iPRSP confirms the existence of widespread poverty: **55% of the population² are below the poverty line³, of which 23% are the extreme poor⁴; an additional 13.5% are only marginally above the poverty line**. The strategy paper indicates that Armenia will have to embark on a long-term and concentrated effort to resolve these problems.

The main strategic directions are as follows:

- **Sustainable economic growth, driven by a more dynamic private sector.** To this effect, essential components are: early accession to the WTO; continued privatisation of public enterprises in an open and transparent manner, and use of privatisation proceeds to finance public investment projects, rehabilitation of the earthquake zone and retirement of public external non-concessional debt; creation of an environment of free economic competition; increasing the efficiency of the taxation system; reform of the financial sector; efficient development of the agricultural sector; maintaining macroeconomic stability, including efforts to strengthen tax administration and expenditure control so as to permit the clearance of the sizeable stock of state budget arrears;
- **Public administration reform and anti-corruption programme.** Transparent legal and regulatory frameworks, strong law courts, trustworthy law enforcement agencies, and better trained, properly paid civil servants and judges are required. A new civil service law was approved in 2001.. The OSCE is supporting the anti-corruption programme;
- **Enhanced human development. The most fragile sectors are education and health.** The predicament for the education sector is particularly severe, with expenditure amounting to **just 3% of state budget total expenditure or 0.7% of GDP in 2000⁵. Only 12% of this goes to higher education**. Although the target is to double the overall figure for education in terms of share of GDP (and to bring it up to 16% of the state expenditure) by 2005, this is still far from 1991 levels, when state expenditure on education amounted to 7.2% of GDP. Primary and secondary education are assisted by various international donors. This has helped to maintain the adult literacy rate at a high level (98.9% according to UNDP, but still based upon 1989 official figures). There is a clear link between poverty reduction and enhanced education standards. This should be seen in a medium/longer term perspective and must be accompanied by continued efforts by the Government to develop and implement a consistent employment policy to create jobs and halt the serious brain drain affecting Armenia.

² Population-based statistics are not fully reliable. There is in fact considerable uncertainty over the size of the population. The last census, carried out in 1989, sets the number of Armenians living in Armenia at 3.7 million. Since many have been joining the large Diaspora (over 5 million Armenians live abroad) over the last decade, in reality the figure might be lower. A new census of the population, carried out in October 2001 and the results of which are not available at the time of writing, will contribute to clarify the situation.

³ Those whose monthly consumption basket is equal to approximately € 22.

⁴ Those whose monthly consumption basket is equal to approximately € 15.

⁵ In 2000 state budget total expenditure amounted to about € 500 million and are expected to increase by about 5% in 2001.

3. Country analysis

Area (29.700 km ²)	Population ⁶ (3.8 million) in in 2000	GNP/capita ⁷ (503.3 USD) in 2000
Real GDP growth rate 6.0% in 2000	Real level of 1999 GDP as % of 1989 GDP: 42%	Inflation rate - 0.8% in 2000

3.1 Political situation

The 1995 Constitution established a system based on the division of the executive and legislative powers. The executive power is the responsibility of the President and it is implemented by the Prime Minister and his/her Cabinet, while the legislative and controlling powers are with the National Assembly (NA, 131 deputies) and an independent Constitutional Court. The latest presidential elections were held in May 1998, when Robert Kocharian, former "president" of NK, was elected. The last Parliamentary elections in 1999 were considered by the OSCE to be relatively free and fair. Despite the tragic event of 27 October 1999, when five gunmen assassinated the Prime Minister, the Speaker of the NA and other politicians in the NA, the political situation is relatively stable. The President tends however to reinforce his control over the Government and the NA, and this is leading to a polarisation of pro- and anti- Kocharian groups.

The domestic political situation cannot be separated from its **regional context**. **The war with Azerbaijan over NK has dominated Armenian politics since 1988**, before independence from the Soviet Union. The cease fire declared in 1994 has held well, if seen from the perspective of major outbreaks of fighting, but soldiers and some civilians are killed every year along the line of contact. The international negotiations conducted in the framework of the OSCE/Minsk Group continue with ups and downs, as well as intensified face-to-face meetings between the two Presidents, but have so far failed to bring a peace agreement. Whilst the more nationalistic groupings seem to have moderated the tones, the Armenian population is not sufficiently informed about the contents of the peace negotiations and there is a sort of "fear of peace", since it is unknown what peace would bring.

Armenia's foreign policy is based on developing close co-operative relations with those neighbours which are not involved in the NK conflict. **The Russian Federation is a close partner of Armenia in the region**. Armenia's agreement with Russia includes provisions for mutual defence, and Russia maintains military bases in Armenia. **Relations with Georgia and the Islamic Republic of Iran are good** and Armenia is negotiating the construction of a gas pipeline with the latter, in order to diversify its sources of energy supply, largely dependent on Russia.

Human rights issues are beginning to benefit from the involvement of the Council of Europe, for example as regards the need to respect the commitment to abolish the death penalty and to make provisions for alternative military service, in particular for conscientious objectors. There have been

⁶ See footnote 2.

⁷ See footnote 2.

allegations of torture and ill-treatment in the army which are being investigated by the prosecutor. Freedom of the media remains essential, including the rights of the opposition to which only three minutes per week are currently granted by law on national TV. At the same time, the consolidation of a professional, responsible and objective press and TV will be essential to a young and fragile democracy like Armenia.

3.2 Economic situation

Since 1994 Armenia has enjoyed **consecutive economic growth**, with **GDP growing at 6% in 2000**, and an **average annual growth of 5.4%**. However, this is partly dependent on considerable flows of international aid and large remittances from the Diaspora, the longer term sustainability of which is questionable⁸. Furthermore, the country had experienced a tremendous economic decline in the first three years of independence.

The overall economic situation and potential for sustainable development are negatively influenced by the NK conflict. It suffices to consider that military and defence expenditure accounts for 10% more than the combined education and health expenditure.

Average inflation registered a negative 0.8% in 2000 but is projected to increase to 3.4% in 2001. Interest rates remain high, and banks' refinancing rate at the Central Bank is 18%. The national currency, the Dram, is stable at about 500 Drams to € 1.

Official **unemployment was 10.7% in 2000**, but most likely at least twice that level in reality, with considerable differences among the various regions (see also point 3.3 below). **External debt amounted to 44.1% of GDP in 2000**. In the recently approved IMF Poverty Reduction and Growth Facility the Government is committed to strictly limiting the contracting of non-concessional external loans. It is also expected that virtually all new public sector loans will be concessional. State revenues from taxes and duties are below target.

Foreign direct investment in 2000 is estimated at a net total of over € 150 million, a 22% increase over 1999. In 2000, the trade balance had a deficit of some € 700 million, 30.7% of GDP. Although **EU-Armenia trade remains negligible** in absolute terms, in 2000 the EU accounted for 36% and 34% of Armenian exports and imports respectively. This is three times more than US-Armenia trade, but it is essentially because of trade in diamonds which are polished in Armenia and re-exported to the EU (Belgium).

Considerable **administrative and legislative barriers continue to affect business and investments**. The Government is determined to remove them, and assistance is being provided by various donors, especially by the WB. Measures and strategies have been adopted to address **corruption, reform the judiciary, improve tax and customs collection, accelerate the privatisation process**, but these have had limited impact so far. The currently favourable economic situation should be used to press ahead with the implementation of appropriate reforms to correct the structural deficiencies of the economy. It is crucial for the Government to continue to work towards a rapid establishment of the rules and institutions of a functioning market economy and to strengthen law enforcement. Negotiations are ongoing for membership of the **WTO**. However, the full benefit of eventual WTO membership will not materialise if Armenia's capacity to fully participate in a regional market for trade, investment and services remains limited.

⁸ Total net official development assistance received is about € 30 per capita (at official 1989 population figure), which represents 5.3% of GDP.

The bulk of Armenian state assets have been privatised over the past decade, with the **private sector now accounting for over 75% of Armenia's GDP**. However, the privatisation process is not proceeding at the expected speed, especially in the key sector of electricity distribution⁹. This raises concerns, not least with regard to budget implementation and subsequent IMF support, on which the EU exceptional financial assistance and the food security programme also depend.

3.3 Social situation

Landlocked, with scarce natural resources, Armenia has one most important asset: its people. But Armenia ranks low in terms of human and social development as compared to many developing and transition economies. At some € 500, **GDP per capita** (at the 1989 official figure of 3.8 million people, however) **is lower than the average for NIS economies**.

As recalled above, over 68% of the population is below or only marginally above the poverty line. Women represent 53% of the poor and 65% of the unemployed. The Government aims at lowering poverty to 44% in 2003 in the optimistic scenario.

The level of poverty varies across regions, with the **majority of the poor people living in the zones in the north-east of the country affected by the 1988 earthquake**. For example, in Shirak and Lory districts over two thirds of the population is below the poverty line. In the cities of Gyumri, Vanadzor, Artik, Charentsavan, Hrazdan and Kapan, the unemployment rate is 2-3 times higher than the average in Armenia. There is also a **huge inequality in the distribution of wealth**. This can be attributed to the apparent collapse of formal wages and income opportunities, and the consequent explosion of self-employment as the main source of household incomes, as well as increased corruption and the consequences of mismanagement in the early days of the privatisation.

Old social insurance and safety net mechanisms have nearly collapsed. In 1998, a variety of uncoordinated untargeted transfers in cash were consolidated, with the assistance of the World Bank, into one regular targeted family poverty benefit, which is now granted to nearly one fourth of the population, amounting to almost 2% of the GDP. The EU-funded Food Security Programme is securing 10% of this instrument. According to the IMF, pension arrears have been significantly reduced over the first eight months of 2001. However, the average pension is inadequate and unable to satisfy basic needs. Family and "clan" allegiances, which also play a large role in political life have provided the social safety net for many in Armenia where the state has simply ceased to function. Outside of the capital Yerevan, society has strong traditional structures, and women play a secondary role to men¹¹. The decline of the educational system has put back the cause of women particularly in rural society.

Very weak employment growth and the inadequacy of the education system to respond to the changing needs of the labour market are the major reason for the high level of (new) poverty. The poor make only limited investments in human capital. Reality shows that people possessing higher and vocational secondary education encounter less problems in finding job and are less exposed to poverty risks. Among the very poor, people with secondary vocational and higher education account for about

⁹ The overall reform of the energy sector, and the privatisation process in particular, is paramount also for the substitution strategy to close down the Medzamor Nuclear Power Plant (see point 1 above), which accounts for 41% of the electricity produced in Armenia. The EU and the Armenian Government are committed to close down this nuclear power plant as soon as possible, on the basis of a viable financial and investment plan. This requires efforts from the international community and must take into account, among other things, that the current debt capacity of Armenia is exhausted [query wording – see above in main text] - hence the imperative to attract private investors.

¹¹ There are only 4 women in the National Assembly, just 3% of the deputies.

20% and 13% respectively, whereas 25% of the very poor just have either primary or secondary education. Amongst the non-poor, people with higher education account for more than 50%, whereas the percentage goes down to some 40% for people with just primary education. There is however a need to improve the links between education and job creation, especially by building upon traditional skills and expertise, in order to respond to the new requirements of the changing market. In this respect, the development of **information technologies**, to which the Armenian Government attaches the greatest importance, opens up interesting perspectives.

4. Overview of past, ongoing and planned cooperation issues

4.1 EU/EC instruments

Since independence EU has given Armenia € 286.13 million of grant-based assistance which is summarised in the table below. (See Annex I for breakdown of EC assistance on an annual basis).

1991 to 2000	Total €m	% of total
Tacis National Allocations	68.9	24.07
Nuclear Safety Tacis	22	7.68
ECHO	67.75	23.67
FEOGA food aid	50.18	17.53
Food security	51.00	17.82
Exceptional Financial Assistance	12	4.28
Exceptional Humanitarian Aid	8.0	2.79
Aid to mitigate effects of Russian crisis	1.5	0.52
Total	280.33	

A. Tacis National Programme

According to the latest evaluation of the Tacis programme, there are clear advantages in concentrating on a limited number of key priorities, instead of multiplying the number of smaller projects. In addition, there must be a focus on projects and initiative which have a clear EU flavour, underlining the added value and the specificity of EU actions.

All of these recommendations have been built into the 2000-2001 Tacis National Action Programme (AP). This AP (total € 10 million) concentrates on three priority areas, namely: (1) support for institutional, legal and administrative reforms; (2) support to the private sector development and assistance for economic development and (3) development of infrastructure networks, especially in relation to energy and with the perspective of closing the Medzamor Nuclear Power Plant.

Projects financed under the 2000-2001 AP are summarised in the table in Annex II.

B. Tacis Regional Programmes

The regional programmes have both direct and indirect linkages to the mainstream technical assistance programme. As a consequence of its isolation resulting from the NK context, Armenia has not fully benefited so far from EU-supported regional programmes.

Energy: INOGATE

The regional dimension of energy is reflected in the work carried out under the aegis of the INOGATE programme, originally conceived to ensure continuity of oil and gas supply to the EU through the promotion of multiple routes.

The initiative has been successful in bringing the countries involved around the same table and in providing some support to minor infrastructure.

Transport: TRACECA

There are strong linkages associated with the reform of the transport and related sectors (customs, for example). Important infrastructure links also needed to be re-established, such as, for example, the Red Bridge at the border between Georgia and Azerbaijan. Much of the work has been carried out in the context of the TRACECA regional programme recognising the critical importance of the south Caucasus countries to the recreation of the Silk Road to Central Asia.

A major project is the supply of an optical cable system for communications to the three countries in the Caucasus. In the case of Armenia, this is most relevant also in the context of the country's policy to develop information technologies.

The major lessons to be gained from the exercise is that regional co-operation is possible where there are sufficient national convergent interest. However, regional transport cooperation cannot be addressed in isolation from the overall context of each individual country.

Environment: Regional Environment Centre (REC)

The REC, based in Tbilisi, had a difficult start. The refusal of the Azeri side to cooperate with Armenia almost led to the collapse of the project.

The lesson to be learnt is that with care and the correct choice of partners, low level cooperation projects that are apolitical have some chance of success.

C. Exceptional financial assistance

In 1998, Armenia cleared its arrears towards the Community (€ 51 million) and subsequently benefited from a new assistance package consisting of a new loan of € 28 million and a total grant amount of € 30 million, to be disbursed over the 1998-2004 period. The new loan and grant tranches for a total of € 12 million were disbursed in 1998 and 1999 under this assistance programme. A further grant disbursement

of € 5.5 million is foreseen before the end of 2001. These grants are linked to early repayment by Armenia of part of its existing debt towards the Community, amounting to € 23 million at the end of October 2001.

The exceptional financial assistance to Armenia will continue in 2002-2004; in 2002-2003, Armenia will receive a grant of up to € 5.5 million per year and up to € 1.5 million in 2004.

It is important to note that, whereas most of the macro-financial conditionalities attached to the programme are based on IMF requirements, the programme includes specific conditionalities which reflect EU policy objectives to promote progress in the reform of the following sectors: tax and budgetary issues; business climate; civil service; energy; finances; privatisation.

D. Food Security Programme (FSP)

Over the period 1996-1999, a total of € 41 million was allocated to Armenia under the EU FSP. In 2000 the EU approved a proposal for a new FSP amounting to € 20 million, which will cover the country until 2003.

During the course of 2000, the programme was re-oriented to include an explicit poverty alleviation element. The programme is now securing about 10% of the Family Poverty Benefit payments designed in collaboration with the WB (see point 3.3 above). It is also supporting food and running cost items for a group of children's care homes under the responsibility of the Ministry of Social Security.

Disbursements under the FSP are conditional upon evidence that the Government makes progress in a number of areas, including: food security and poverty reduction; land reform; market reform and information systems; social sector; agricultural reform and post-privatisation; public finance.

E. Humanitarian Assistance (ECHO)

ECHO has been present in the NIS region since the early 1990s, in accordance with its core mandate (humanitarian assistance in response to natural or man-made disasters). From 1993 to 1999, ECHO's operational funding in the southern Caucasus has been considerable, with € 64.255 million of humanitarian aid going to Armenia, € 83.34 million to Georgia and € 82.96 million to Azerbaijan.

ECHO's withdrawal from post-emergency programmes in southern Caucasus started in 1996 and was completed in 2000 with a last allocation of € 3.855 million for the three countries.

In 2000 and 2001 ECHO provided a total € 1.5 million as contribution to alleviating the consequences of the drought in Armenia.

F. Research and Technological Development

Armenia participates in the EU Framework Programmes activities, in particular INCO-Copernicus, as well as in INTAS projects. Moreover, Armenia is taking an active part in projects financed by the International Science and Technology Centre based in Moscow, which target the conversion of scientists formerly involved in research related with weapons of mass destruction.

4.2 Programmes of other donors

Annex III illustrates in a matrix the main sectors in which EU Member States and other donors are active¹².

In 2001 a new 3-year IMF Poverty Reduction and Growth Facility (total some € 100 million) and a new WB Structural Adjustment Credit (total some € 58 million) have been approved.

The **World Bank** has been active, mainly through loans, in all sectors covered also by EU cooperation instruments. In fiscal years 2002 to 2004, the WB's assistance strategy for Armenia will focus on: creating jobs through private sector development; improving governance and the public sector; human development (primary and secondary education, and health). The WB's lending programme for the period varies from some € 75 million (low-case scenario) to a high-case lending scenario of some € 175 million.

By the end of 2000 **EBRD** had signed 7 investments in Armenia for a total of € 141.8 million, focussed on energy (including privatisation of the electricity distribution system and completion of Hrazdan gas-fired power station¹³), private and financial sectors development.

USAID annual assistance to Armenia has amounted to an average of some € 126.4 million over the period 1998-2001. This includes humanitarian aid (15%), mainly fuel and wheat shipments. Current and planned assistance focus on: development of the private sector and SMEs; energy; improving the investment climate; fostering the social sector safety net; exchanges, education and training mainly for Armenians in the US and expansion of Internet use in schools; interventions in the earthquake zone.

Germany has announced a new development strategy which envisages an allocation of some € 50 million for the three Caucasus countries in 2001-2002.

Donor coordination takes place mainly on the spot in Yerevan, including at the initiative of the Armenian Government (Minister of Economy and Finance, who is also the Tacis National Coordinator). EU Member States and major donors have been consulted in the course of the elaboration of this CSP.

5. EU/EC response strategy

The EU/EC response to the challenges Armenia faces must target a number of key priorities combining policy and assistance instruments. The achievement of the main EU policy objectives described in Chapter 1 above and will reinforce the link between trade and development, a cross cutting priority. Armenia benefits from the EU GSP system and its eventual accession to the WTO is expected to foster trade and investment, a process that the EU/EC has interest to support. Equally, the EU/EC will continue to promote regional integration and cooperation, including in the areas of environment, transport, energy and telecommunications. Priority will be given also to the strengthening of a regional approach in the fight against terrorism and organised crime. In particular, with a view to a possible re-opening of the border with Turkey, that the EU supports, it will be important to consider support to the Armenian border authorities, as appropriate.

In terms of technical assistance to be provided over the period 2002-2003, the EU/EC response will take the following into account :

¹² E= ending projects; O= ongoing projects; F= forthcoming projects under AP 2000-2001; F**= proposed under this NIP.

¹³ This is an important element for the substitution strategy for Medzamor (see footnote 8 above). The EBRD has allocated some € 60 million to this project, in a loan that Armenia has almost entirely paid back already.

- (1) **Political, economic and social developments in Armenia**, and in particular the need to support the country's iPRSP in sectors that are key to economic and social development. The education sector is a top priority. The possibility offered by the Tacis programme to finance investments in the education sector when addressing the social consequences of transition (see Annex II, Tacis Regulation) will be fully exploited;
- (2) **EU policy towards Armenia**, adopting an integrated approach with regard to all instruments available. **Tacis will** support other Community instruments, and the FSP in particular, in order to strengthen overall impact and increase effectiveness. The EU/EC will fully exploit the framework provided by the PCA in all areas and technical assistance will continue to be provided in this respect. Legislative approximation is the highest immediate priority;
- (3) **Lessons learnt from past assistance**. At this stage of development, for example, creating the conditions for a business climate conducive for foreign investment can benefit from regular political dialogue, especially in the context of the PCA. There is a need to enact (and enforce) appropriate legislation, for which Tacis will continue to provide support, as well as to insist on conditionalities associated to the exceptional financial assistance. On the contrary, continuing to finance ad hoc consultancy projects and/or to fully subsidise state agencies with no clear perspective of becoming self-sustainable in a reasonable period of time brings very limited results. It is also essential to follow recommendations made in 1999-2000, according to which there is a considerable added value in focussing Tacis support on a number of limited priorities instead of multiplying the number of fields of intervention;
- (4) **Actions by EU Member States and other international players**. Not only is there the usual imperative not to duplicate efforts, but it is crucial to develop synergies in order to allow Armenia to fully benefit from the assistance received. This is why, given the heavy emphasis put by other donors – the WB in particular, but also ongoing Tacis projects - on private sector development, there is no need for the EC to provide further support in 2002 - 2003. There is instead a need for the EC to build upon work and reforms already carried out with the support from other donors, when targeting areas related to poverty reduction as contribution to the implementation of the iPRSP.

The EU/EC shall, in the light of the General Affairs Council's conclusions of 26/02/01 and 09/04/01, continue to follow closely, with all interested parties, developments on the peace process concerning the conflict with Azerbaijan over **Nagorno-Karabakh**, including with a view to support efforts to resolve the conflict as well as in post conflict rehabilitation. Support to key infrastructure, especially in the energy and transport sectors, is relevant in this context. **De-mining actions** will also form an important element of reconstruction programmes in order to ensure restoration of normal living and working conditions.

The EU and Armenia will continue their dialogue on the closure of the **Medzamor nuclear power plant** (MNPP). Recalling the commitments taken regarding the closure of MNPP, the EU stands ready to support Armenia in finding secure, sufficient, diversified, alternative power supplies. In this regard, the EU is consulting with other donors in order to create a Fund based upon a detailed investment and financing plan. The EU contribution to this Fund would be conditional upon agreement between the EU and Armenia on a binding date for the closure of MNPP, within the framework of a Memorandum of Understanding. The EU will continue to cooperate with all concerned International Financing Institutions and other relevant donors, and in particular with the European Bank for Reconstruction and Development and the World Bank.

Interventions from the **European Community Humanitarian Office (ECHO)** will continue to in case of natural or man-made disasters affecting the country, as appropriate.

The development of civil society and democracy will be given priority under the **European Initiative for Democracy and Human Rights** (EIDHR) which will focus on projects related to conflict prevention, effectively meeting the gap in the Tacis national programme, as well as addressing the issue on a broader regional scale and involving relevant NGOs and the civil society. Work will be carried out by the Council of Europe and the OSCE/ODHIR.

In parallel to the Tacis programme, the **Food Security Programme** shall remain an essential instrument contributing to: the poverty reduction policy; land reform; the related market reform and information policy; support to social sector; agricultural reform, including post-privatisation issues; good governance in public finance and public expenditure. Food security is one of the six priority areas for EU/EC support to poverty reduction objectives.

In the light of the above, **it is proposed to concentrate Tacis activities for 2002-2003 on the following priority areas** (reference to areas indicated in Annex II of Regulation 99/2000):

- Support for institutional, legal and administrative reform (priority area 1);
- Support in addressing the social consequences of transition, and in particular investments in the education sector (social reconstruction, priority area 3).

Particular attention will also be paid to opportunities for achieving horizontal environmental benefits in the activities proposed for Tacis 2002-2003.

6. Tacis National Indicative Programme 2002-2003

6.1 Support for institutional, legal and administrative reform (area of cooperation 1).

6.1.1 Support to PCA implementation

Background and justification

The Armenian Government gives the highest priority to the implementation of the PCA and, in conformity with Article 43 of the PCA, to approximation of legislation in particular.

Without further EC assistance to this process, it is extremely unlikely that sufficient financial resources can be mobilised from the Government's own resources and/or from other donors. It is also necessary to continue to provide this kind of assistance in order to maintain the necessary political pressure, at the highest level, to promote the implementation of the PCA and the approximation of legislation, an essential pre-requisite in the light of Armenia's aspirations to "integrate into EU models and standards". Among other things, this could offer opportunities for an increased exports to the EU, for example in the area of spirits and quality wines.

Objectives

To carry on work and assist the Government in PCA implementation, and approximation of legislation in particular, on the basis of the areas for further work identified by Armenian European Policy and Legal Advice Centre (AEPLAC) and the deliberations of the Government's inter-ministerial commission. To support the accession process of Armenia to the WTO.

Description

Provision of further assistance to AEPLAC in the form of expertise and software. The beneficiary is the Ministry of Industry and Trade as coordinator of the inter-ministerial commission for PCA implementation..

Expected results

Implementation of the PCA, and in particular approximation of Armenian legislation to that of the EU in the areas defined by Article 43 of the PCA.

Conditionalities, risks and assumptions

Respect for the implementation of the PCA and continued attention by the Government through regular meetings of the high-level inter-ministerial commission.

6.1.2 Support to the development of education, including vocational training and Information Technologies

Background and justification

The development of education is one of the key priorities addressed by the Government's interim Poverty Reduction Strategy Paper. If accompanied by an appropriate employment policy, increased education standards will contribute to reducing poverty and improving overall economic and social conditions.

Support to the development of education will include activities in the following three sectors: a) the reform of higher education; b) vocational training; c) promotion of Information Technologies. The latter is in fact an area to which the Armenian Government is concentrating efforts in order to capitalise on traditional assets and know-how, thus contributing to create the conditions for developing the economy in the broader sense, creating new jobs locally and reducing the brain drain. Of the three activities envisaged, the promotion of IT will be the first priority, and this will be reflected also in terms of final budgetary allocations.

A. Reform of higher education

The Government's policy and reform efforts are indicated in the National Programme for Educational Development, adopted in 2001 and covering the period until 2005. The programme, submitted to the National Assembly, includes: i) regulating the legal status of educational institutes and improving the system of management and financing through introduction of per-student financing; (ii) developing a differentiated approach towards schools in frontier, remote, and isolated regions; (iii) improving the quality of teaching by increasing the salaries of teachers and school administrators; (iv) providing textbooks free of charge to first grade students pursuant to the Education Law; and (v) improving management and financing mechanisms of vocational schools, updating the curriculum standards, and addressing issues related to alternative methods of teaching. In addition, reforms in higher education will focus on legislative and regulatory changes. The Government also submitted a draft law on graduate and postgraduate education, to cover issues of licensing and certification of higher education institutions.

Since 1998 the WB has been supporting more prioritised, efficient and stable financing for general primary and secondary education. A first Education Sector Credit (loan of some € 17 million) is being completed and the WB is considering a Second Education Credit to run from fiscal year 2004.

There is a need to support the implementation of the programme insofar as the development of higher education is concerned, thus complementing efforts by other international donors (apart from WB, USAid and Soros Foundation) which focus on primary and secondary education.

There are 16 state and 73 non-state higher education institutes, with nearly 40,000 and 20,000 enrolled students respectively, and a total number of some 5,000 professors. About 7,000 people graduate each year from higher educational institutes. The level of education is considered higher in state institutions.

Objectives

In coordination with relevant donors, and the WB in particular, to contribute to the implementation of the state programme for educational development, with regard to institutional, legal and administrative reforms in higher education. To promote exchanges and contacts with higher education centres in EU countries.

Description

Provision of assistance to the Government, and the Ministry of Education and Science in particular, for the implementation of reforms in higher and post-graduate education, as defined by the State Programme for Educational Development 2001-2005. Activities will be carried out bearing in mind the experience, the structure and the requirements of corresponding higher education systems in EU countries.

Whenever appropriate, exchanges and contacts with higher education centres in EU countries will be promoted. The beneficiary will be the Ministry of Education and Science.

Expected results

Substantial progress in the implementation of the State Programme for Educational Development, with a focus on higher education. Enhanced contacts between EU and Armenian higher education institutions.

Conditionalities, risks and assumptions

The basic assumption, and conditionality at the same time, is the commitment of the Government to implement fully the State Programme on Educational Development 2001-2005, including the increase in public expenditure for the education sector. Another assumption is that the WB and other donors will continue to support the reform of primary and secondary education. Considering that the development of the education sector is key to poverty reduction and the future of Armenia in general, the risk is low. There must be continued commitment by the Government to the poverty reduction strategy. Also, the Government must continue to concentrate efforts on an effective employment policy, stressing the link between improved education standards and job creation.

B. Strengthening of vocational education and training**Background and justification**

Among the very poor, people with secondary vocational training account for 20.04%, whereas the percentage increases to 25% for those with just primary or generic secondary education.

However, increasing unemployment and emigration indicate that knowledge acquired in secondary vocational institutions is not sufficient to find adequate employment. There is no legislation, for example, on vocational education and training, whereas there are 77 state and 62 non-state vocational schools. This is partly the heritage of the past, when acquiring knowledge was aimed at passing examinations rather than preparing for getting a job.

There is a need to link education and training to the labour market. At the institutional level, the policies of the Ministry of Education and Science and the Ministry of Social Security (Labour) require better harmonisation. The European Training Foundation (ETF) in Turin, Italy, with the Armenian National Observatory, has already looked into the matter at an initial conceptual stage and contacts have been established.

Objectives

To bring the structure and content of vocational education and training into compliance with market relations and thereby to contribute to job creation, including through a practical pilot project.

Description

Through the ETF, and in line with the State Programme for Educational Development, provision of assistance for the strengthening of vocational education and training, including legal and administrative reforms, as well as a pilot project for selected trainees, in specific sectors of the economy. Preference will be given to trainees from regions outside Yerevan. Activities can include distance learning courses. Activities will include continuous training and retraining of unemployed people, according to the needs of the labour market.

The beneficiary will be the Ministry of Education and Science. Coordination will have to be ensured with the Ministry of Social Security (Labour).

Expected results

Establishment of regular policy and institutionalised links between vocational education and training on the one hand, and labour market requirements on the other. Dedicated training for a number of selected people, especially from regions outside Yerevan.

Conditionalities, risks and assumptions

The basic assumption, and conditionality at the same time, is the political commitment of the Ministry of Education and Science and the Ministry of Social Security to cooperate closely. The project is conditional upon acceptance by the Government of Armenia to fully involve the ETF in the definition and implementation of activities in this area, according to the appropriate modalities. It is also necessary that the Government shows continued commitment to the poverty reduction strategy. Equally, the Government must continue to concentrate efforts on an effective employment policy, stressing the link between improved education standards and job creation.

C. Development of information technologies

Background and justification

In December 2000, the Government of Armenia declared that the development of information technologies (IT) is a major priority for economic development. In 2001 the Ministry of Industry and Trade developed a concept paper on the issue.

There are already several ongoing initiatives, mainly promoted by the Armenian-American Diaspora and the US are providing assistance to the American University in Yerevan. Some EU MS are already active in the sector of education in Armenia. In particular, a Université Française en Arménie has been established in Yerevan. In France, the main partners are the University Lyon III and the Chamber of Commerce of Lyon. The University, which is fully supported by the Ministry of Education, represented on the board, also receives funds from Germany and is developing joint initiatives with other EU MS (Austria, Italy), including for participation in the Tempus programme. Contacts have already been established with the European Training Foundation in Turin. There are currently three faculties (law, management and trade) in which lessons take place in French, English and German languages. There are plans to establish a fourth faculty for IT and computer sciences. The final goal of the University is to become a real European University in Armenia. The Armenian authorities want to develop a training centre for IT specialists at this University. This must be also be seen from the perspective of developing a specialised centre to serve as a reference point for other countries in the region.

Objective

To contribute to the development of capacity in information technologies in the tertiary sector of education in Armenia.

Description

Assistance will be provided primarily for the establishment of a faculty of information technologies and a training centre for IT specialists. Activities will be carried out in the spirit of the concept paper on IT development elaborated by the Ministry of Industry and Trade.

Link with job creation and companies active in the IT sector in Armenia will be stressed.

The beneficiary will be the Ministry of Education and Science. The most appropriate structure to host the activities will be identified.

Expected results

Establishment of a faculty of IT and a training centre for IT specialists.

Conditionalities, risks and assumptions

Permanent links will have to be established with IT companies in Armenia with a view to facilitate job opportunities for the graduates. It is also necessary that the Government shows continued commitment to the poverty reduction strategy. This support to IT must be regarded in the context of a broad-based national e-strategy, in which all elements of macro-economic policy, IT training and education, telecoms and broader information society policies, e-government, and IT uptake are addressed. If Armenia will not continue to be consistent in these areas, the intervention envisaged in this Tacis context will be limited.

There are two main risks associated to the development of IT in Armenia. These two risks are common to initiatives in support of IT development, and are therefore not peculiar to what is proposed here: 1) access to credit for IT companies (for the majority SMEs) remains more than problematic (high interest rates, above 20% and more; difficulty to provide collateral, etc.); 2) monopoly of telecommunication services granted to a private (foreign) company for a period of 15 years. Overall assistance being provided to Armenia by the plethora of donors in the field of private sector development, as well as possibly WTO requirements (but Armenia seems to have obtained an exemption already) should help facilitating the process. The Government is fully aware of these constraints.

6.1.3 Support to the implementation of the Food Security Programme

Background and justification

As described under point 4.1.D above, disbursements under the FSP depend upon fulfilment of government obligations in terms of policy reforms in a number of areas. Tacis can provide assistance aimed at helping Armenia in fulfilling the requirements, thus allowing the FSP to operate under better circumstances and strengthening the overall effectiveness of EU action.

Objective

To provide assistance for reforms in key sectors supported by the FSP.

Description

Assistance to the Ministries and agencies targeted by the FSP in order to meet the conditionalities set for the disbursements of tranches under the current programme which runs until 2003. Assistance will include strengthening of the budgetary expenditure capacity of Ministries and agencies concerned. The indicative budget for the period 2002-2003 will be € 0.7 million, but this will have to be revised according to the actual needs emerging during the implementation of the ongoing FSP.

If appropriate, and considering the indicative budget, the activity will be undertaken in the framework of the Policy and Legal Advice (Small Projects Programme), since this is a flexible instrument which allows for adjustments according to the specific needs in relation to the ongoing FSP, which runs until 2003.

Expected results

Fulfilment of the policy conditionalities for the disbursement of FSP. Overall strengthened budgetary expenditure capacity in Ministries and agencies targeted by the FSP.

Conditionalities, risks and assumptions

None in particular. It is assumed that the reforms in the agriculture and other related sectors continue. Early access of Armenia to the WTO will facilitate the process. There must be continued commitment by the Government to the poverty reduction strategy.

Other support under area of cooperation 1

In addition to the activities described above, support will also be provided to Armenia through initiatives such as Tempus, statistics and policy advice.

Tempus aims at supporting the reform and restructuring of the partner countries' higher education systems and their adaptation to the new socio-economic needs. It does so through interaction and balanced cooperation between institutions in the EU member States and the partner countries organised in consortia. Consortia create long term cooperation links between the partners which should evolve towards issues such as academic recognition, credit transfer and development of joint curricula. Priority areas of Tempus activities are jointly defined by the European Commission and national authorities in line with the areas of cooperation in the mainstream Tacis programme. Projects address in particular: (1) issues of curriculum development and renewal in priority areas; (2) reform and modernisation of the structure and management of higher education institutions in view of strengthening their role in the society; (3) development of skills-related training to address specific higher and advanced level skills shortage during the economic reform, in particular through improved and extended links with industry; (4) contribution of higher education and training to citizenship and the strengthening of democracy.

6.2 Support in addressing the social consequences of transition (assistance to social reconstruction, area of cooperation 3 : Assistance for investments in the education sector)

Background and justification

Longer term social and economic development will not be achieved without dramatic improvements in the education sector. 20% and 60% of schools lack water supply and dispensary respectively. The annual government expenditure per student is less than € 50 and the monthly salary of teachers is not more than € 30. As recalled above, just 0.7% of GDP, or 3% of the state budget was spent on education in 2000.

In the medium term, the link with the overall strategy of poverty reduction is obvious and calls for solidarity from the international community. The equipment and technical instrumentation are obsolete, and the majority of buildings, especially in the areas outside Yerevan, require considerable repairs.

However, investment in the education sector only makes sense if it proceeds in parallel with the implementation of the structural reforms carried out in Armenia since 1998. Assessments from major players like the WB suggest that there is genuine political commitment to carry out the reforms adopted and that the pace of the reforms - which, however, needs to be placed in the context of the overall economic difficulties that the country faces - is satisfactory.

The State Programme for Educational Development 2001-2005 identifies a number of actions for the accomplishment of school construction and rehabilitation (laboratories, water and medical supplies, textbooks, building repair, etc.). The need for computerisation is particularly stressed.

Objectives

To support the Government of Armenia in improving the infrastructure in selected state education institutions, targeting primarily higher education institutes outside Yerevan, and in particular those that cannot be covered through WB loans, other assistance and state resources.

Description

Provision of equipment, including computers, technical instrumentation and building repairs to, primarily, higher education institutes in areas outside Yerevan. The beneficiary will be the Ministry of Education and Science. The indicative budget for the period 2002 - 2003 is € 3 million.

Expected results

Selected state educational institutions, and primarily higher education institutes outside Yerevan, will be brought up to acceptable standards in terms of basic infrastructure (including water and medical supplies), equipment and technical instrumentation, including computers.

Conditionalities, risks and assumptions

Rehabilitating higher education structures cannot be an objective *per se*. The process must take place in the context of the commitment of the authorities to continue the implementation of the reforms in the sector. The relevant authorities will have to subscribe to the commitment of ensuring the sustainability of the structures that Tacis will target, in terms of both provision of services and maintenance. The overall budget allocation over the period 2002-2003 will be broken down in order to allow for a review and an assessment after the first phase. This will determine whether all conditions are fulfilled to proceed with the second phase. It is also necessary that the Government shows continued commitment to the poverty reduction strategy. Equally, the Government must continue to concentrate efforts on an effective employment policy, stressing the link between improved education standards and job creation.

It is assumed that competent organisations and NGOs, with proven experience in the sector in Armenia will be involved in the definition and the implementation of the programme.

Coordination with the EU Member States will be also a key to success. EU Member States provide occasional assistance in the form of exchanges and visiting professors. Ideally, mechanisms should be put in place in order to allow for this assistance to be provided at structures that will be rehabilitated under Tacis. This would contribute to reinforce the sustainability of EU actions and the visible impact of the EU.

7. Indicative Budget

The indicative budget for 2002-2003 is € 10 million, broken down as follows:

<i>Priority</i>	<i>Programme activity</i>	<i>Allocation (€m)</i>
Priority 1 Support for institutional, legal and administrative reform	PCA implementation through support to the Armenian-European Policy and Legal Advice Centre Support to the development of education, including vocational training and information technologies Support to implementation of FSP TEMPUS Statistics Policy and Legal Advice	7.0
Priority 3 Support in addressing the social consequences of transition - assistance to social reconstruction	Support to improvement of (higher) education infrastructure	3.0
Grand Total		10.0

8. Conditionalities

Assistance during the period 2000-2006 is provided on the basis of the existence of the necessary elements for the continuation of co-operation through assistance, in particular respect of democratic principles and human rights, as well as the obligations of Armenia as set out in the Partnership and Co-operation Agreement. The fulfilment of commitments undertaken by Armenia for the closure of the Medzamor Nuclear Power Plant will be considered also in the course of implementation of the Tacis Programme.

Selected economic and social indicators

ARMENIA

GENERAL

Area (square km):	29,700
Population 2000 (million):	3.8
Urban Population (1999) :	70.0 %
Life Expectancy (2000) :	73.2 years
Population growth rate (1990-99) :	0.8 %
Fertility Rate per woman (2000) :	1.1
Human Development Index (HDI) Rank:	72

ECONOMY

Nominal GDP 2000 (US\$) :	1.912 billion
GNP per capita 2000 (US\$):	503.3

GDP Breakdown by sector value added (2000) :

Agriculture:	22 %
Industry:	21.5 %
Services:	56.5 %

Real GDP growth rate (2000):	6.0 %
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Estimated real level of 1999 GDP as % of 1989 GDP : 42 %

Inflation:

1997	14.0%
1998	8.7%
1999	0.7%
2000	- 0.8%

External debt stock : (2000: US\$)	840.4 million
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Debt Service: (2000: US\$) :	35 million
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All figures for 2000 in million US \$	All figures in million for 2000
Exports of goods & services: 297.52	Exports to EC: 107.01
Imports of goods & services:: 885.13	Import from EC: 302.61
Current account balance : -278	Trade balance with EC: - 195.6
FDI : 104.2	FDI of European origin: n.a.

Social Development

Adult Literacy Rate:	98.3%
Primary Enrolment Rate (2000):	not available
Secondary enrolment rate (2000):	not available
Infant mortality (1999):	15.6 per 1,000 live births
Under 5 mortality (1999) :	19.4 per 1,000 births
Contraceptive prevalence rate:	not available
Access to essential drugs	40%
Access to safe water:	84%
Access to sanitation:	67%
Indicators of nutrition	
Under 5 malnutrition	3 %
Number of doctors/100,000 people:	316

Sources: *World Development Report 2000/2001*; *Human Development Report 2001*,

UN Economic Survey of Europe 2001 (1); *Transition Report 2000 (EBRD)*; *IMF World Economic Outlook (May 2001)*; *World Bank Report website*; *EBRD Investment Profile 2001*; *Interim Poverty Reduction Strategy Paper (2001)*

ANNEX 1Total EU grants to Armenia 1991 - 2000

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Tacis National Allocations	2.3	9.6	17.0	-	6.0	14.0	-	10.0	-	10.0
Nuclear Safety						10	1			11
ECHO	-	-	10.39	19.09	25.9	5.07	2.1	1.6	2.1	1.5
FEOGA	-	-	-	-	34.0	13.18	-	-	-	3
Food security	-	-	-	-	-	13.0	6.0	12	10	10
Exceptional Humanitarian Aid	-	-	8.0	-	-	-	-	-	-	-
Exceptional financial assistance	-	-	-	-	-	-	-	8	4	-
Aid to mitigate effects of Russian crisis	-	-	-	-	-	-	-	-	1.5	-
Total	2.3	9.6	35.39	24.79	65.9	55.25	9.1	31.6	17.6	34.6

Grand total 1991-2000: € 280.33 million + participation in Interstate programmes (TRACECA, INOGATE, Environment, Justice and Home Affairs...). € 1.5 million ECHO 2000 includes € 0.9 in 2001

ANNEX IITacis projects under the 2000-2001 Action Programme (total € 10 million)

Project	Institutional, legal and administrative reform	Private sector and economic development	Development of (energy) infrastructure networks
Support to the Armenia-EU Policy, Legal and Advice Centre (AEPLAC)	X		
Support to the National Assembly	X		
Support to SMEs		X	
Hydro-power development			X
Policy and Legal Advice	X	X	X
Statistics	X	X	X
Institution Building Partnership Programme	X	X	X
TEMPUS	X		

ANNEX III

Area of cooperation	European Commission*		EU MS	Other donors				
	TACIS	Other tools		UNDP	EBRD	USAID	WB	Other Donors/ Interlocutors
Institutional, legal and administrative reforms - AEPLAC - Statistics - Support to the National Assembly - Civil Service Reform - Employment policy - Regional Development - Reform in higher education - Development of IT - Vocational education and training	O+F+F** O+F F O E E+F F** F** F**		D, UK, S	X		X	X	OSCE
Agriculture & Food Security - Food Security Programme		O (FSP)	NL, D, UK, S	X		X	X	IFAD, FAO, Japan, USDA, CH
Private Sector & Economic Development - Support to the Private Sector	O+F		F, D, UK	X	X	X	X	Japan, Lincy Foundation
Macroeconomic & Financial Support - Exceptional Financial Assistance		O	NL	X			X	IMF
Infrastructure - TRACECA	O				X		X	Panarmenian Fund, Lincy Foundation
Energy - INOGATE - Development of Hydropower sector	O F		D, NL, F, GR	X	X	X	X	RF, Iran
Environment - Regional Environmental Centre (REC) - Joint River Management - Joint Environmental Projects	O O F		NL	X		X	X	OSCE, NATO
Conflict Prevention & Rehabilitation		O (EIDHR)	F	X		X		OSCE
<i>EDUCATION</i> - Tempus	O		F, UK, D	X		X	X	
Humanitarian Aid		E (ECHO) O (FSP)	D, UK, F			X	X	IFAD, FAO, Belorussia, CH
Poverty Reduction & Economic Growth Programme - Investment in education - PRSP Development	F** O	O	UK	X		X	X	
Democracy & Human Rights		O (EIDHR)	S, UK	X		X	X	

