

**Initial Concept Note**  
**Potential priority areas for ENPI National Indicative Programme (NIP) for the**  
**Republic of Armenia**  
**2011-2013**

**Introduction**

The National Indicative Programme for the Republic of Armenia (hereafter ‘Armenia’) 2007-2010 sets out the key priority areas for EC assistance to Armenia. As this will expire in 2010, the EC is now beginning preparations for a new NIP to cover 2011-2013. This process will be carried out for all ENPI countries during 2009.

This list of potential priority and sub-priority areas in this paper is derived from the EU-Armenia ENP Action Plan, jointly agreed between Armenia and the EU and adopted in November 2006. It sets out the strategic objectives of the cooperation between Armenia and the EU, and, as such, forms the basis for intensive EU-Armenia cooperation. Country Strategy Paper 2007-2013 for Armenia remains largely valid after the Midterm Review.

An attempt has been made to take 68 actions within the Action Plan and draw out a usable number of areas for assistance. Where appropriate, two or more areas identified here could be combined at the Indicative Programme stage, to ensure the synergies between them are fully accounted for in the Annual Programmes which will be identified on the basis of the Indicative Programme.

In total, a maximum of three overall priority areas can be identified. As this indicative programme will be valid for three years, the aim should be that no more than three sub-priorities are identified per priority.

This paper should be used as a basis for discussions with the government of Armenia, and with all other stakeholders, including Civil Society, EU Member States, and other donors, with a view to identifying the key priorities and sub-priorities for EC assistance under the European Neighbourhood and Partnership Instrument (ENPI) NIP 2011-13.

As such, the conclusions drawn in this paper for each sector do not represent the final view of the EC, but an initial desk-assessment for discussion with stakeholders. The EC would welcome input from all stakeholders on what specific needs and opportunities there are in key areas, which areas are the highest priority, which areas may need better coordination, and input on the lessons that stakeholders have learned in key areas.

**Next Steps**

First programming missions will take place in early 2009 with officials for the Brussels headquarters of the Commission visiting Armenia for discussions with the government, and other stakeholders and donors. The key inputs required are views from stakeholders

on the needs and possibilities for assistance in key areas. The input from this mission will be analysed, and a set of priority areas for inclusion in the NIP proposed. A second programming mission in spring 2009 will allow further discussion of the priorities identified during the first mission.

### **Lessons Learned**

Due to the comparatively long lead-in times for the implementation of EC programmes, no projects under the current NIP have been completed at this time. For this reason, it is difficult to draw concrete lessons from current ENPI programmes. However, disbursements have been made under the 2007 Sector Budget Support Programme for reform of the VET, and benchmarks are largely being achieved. Initial analysis is that this is likely to be an effective approach to sector reform in Armenia.

Despite some negative experiences in other countries, Construction and Investment projects in Armenia may represent a comparative advantage for the EC's national programmes, also in light of the need for more EU visibility. Complicated procedures and multi-stakeholder projects tend to mean, however, that progress in EC-funded construction projects is slow, and such projects have often suffered serious implantation problems. Also, other donors, such as the US, have significant funds earmarked for infrastructure investment and construction. Armenia signed in 2006 an agreement with the US for a Millennium Challenge Corporation programme of around \$235 million for construction project for roads, and irrigation systems.

The EC should seek to focus on its comparative advantages in areas such as sector reform, public administration reform, public finance management, approximation with EU standards. Some investment projects may be envisaged through ENPI. For large scale infrastructure investments, the Neighbourhood Investment Facility has been established by the EC to provide grant funding in support of lending operations by International Financial Institutions, and this, rather than the ENPI National Programme should be the key source of EC funding for infrastructure construction and investment.

Key horizontal issues should also be taken into account, including Climate change, Migration, Aid for Trade, Rising Food Prices and Drugs. These represent global policy priorities for the EU. Whenever possible these issues should be mainstreamed rather than leading to the definition of specific priorities and sub-priorities.

### **Donor Coordination and aid effectiveness**

The EC identifies its own comparative advantages as being in legislative reform and approximation, through instruments such as Twinning, and through larger programmes to support wider sector reform. While EC assistance is, due to the nature of the EC itself, and the financial and other procedures which it is subject to, difficult to deploy rapidly and flexibility. It is for this reason that we encourage other EU Member States, which have resources that can be deployed rapidly and flexibly, to participate in joint

programming processes. The objective of this is to maximise the impact of donors which may have smaller financial envelopes by giving the opportunity for these resources to be used in ways which the EC could not use its own funds, but in coordination with larger EC programmes.

Areas which require only small-scale assistance should not be identified as priorities for EC assistance, but should be discussed with other donors. An exception to this may be made when sub-priority areas are identified under the heading of legislative reform, approximation, and institutional capacity building, which could be pursued using the twinning instrument.

The EC will continue to intervene mostly through budget sectoral support. This means that our areas of realistic intervention through this aid delivery mechanism are limited to the sectors where there is (or there is likely to be) a national strategy.

### **Civil Society Cooperation**

The comparative advantages of the ENPI instrument are in sector reform, legislative reform approximation, and institutional capacity building. The EC has dedicated instruments for funding civil society projects, in the form of the European Instrument for Democracy and Human Rights, and the Thematic Programme for Non-state Actors and Local Authorities, and these should remain the primary funding mechanisms for civil society organisations (CSOs) looking for project funding.

CSOs have several important roles to play in the process of developing the new NIP. Firstly, their advice, information and expertise in key areas is extremely useful in understanding and defining priorities. Secondly, CSOs have a key role in monitoring the progress made both by the government of Armenia and donors such as the EC. The process of developing the new NIP should go beyond obtaining input from CSOs, and promote dialogue not just between the EC and CSOs, but between Civil Society and the government of Armenia as well.

**Potential areas for intervention**

**1) Democracy and the rule of law, human rights and fundamental freedoms**

- **Strengthening democratic institutions**
- **Reform of the Judiciary**
- **Strengthening of respect for human rights and fundamental freedoms**
- **Civil service reform**
- **Fight against corruption**

*EC Assistance*

The EC support has focused on the Sectoral Budget Support to Justice Reforms with (18MEUR) under AAP 2008.

The EC has a joint regional EIDHR programmes with the Council of Europe (total of € 4 million), is supporting Armenia from the EIDHR country based-support scheme (€ 1,2 Million from 2007/2008), and 1.5 Mio EUR under the NSA and Local Authorities in Development instrument for 2007/2008. In addition, the EU Advisory team of 9 experts (with a budget of 0.81 M € financed from the Stability Instrument) will be launched shortly. The EC will also launch a twinning to Support to the Human Rights Defender's Office.

The EC has also supported Armenian European Policy and Legal Advice Center, AEPLAC with considerable funding.

*Active Donors (2007 data)*

There are many active donors in this key area. On strengthening democratic institutions, FL, IT, PL, UK and USA are all active. In the area of judicial reform, UK and USA are active. On civil service reform, UK is an important donor. US is working in the area of anti-corruption.

FR, PL, SW, UK and US are actively supporting projects for strengthening of respect for human rights and fundamental freedoms, including cooperation with, and strengthening of, Civil Society organisations.

*[To be completed after discussions with interlocutors and donors during the first programming mission and once the updated donors' coordination matrix is available in March 2009.]*

### *Initial Analysis*

This is clearly a key area for intervention, in particular in the context of the internal political problems in Armenia. It is the essential part of the EU-Armenia ENP Action Plan, and of the ENP policy itself. A certain progress has been made so far. Most significant Donors to Armenia are active in this field. Due to the need for the wide range of specific and relatively small projects required, there are opportunities for smaller donors, but effective coordination is essential. Judicial reform remains an area with real needs.

This area has become of increasing concern in Armenia, particularly in relation to the freedom of the media and freedom of association. Both issues should be however addressed first of all at a political level but some projects supporting the respective CSOs and independent media is an area for financial assistance. Reform of the legal framework could be undertaken through twinning projects. Several donors are supporting the development of civil society, and the ENPI instrument may not be best placed to provide this form of assistance.

### *Conclusion*

The EC could continue to use sector budget support in this area, though it is not a standard practice in the EC assistance. There is a need for a thorough analysis of the effects of the assistance given in this area in. A widening of twinning could be a possibility in this area. It could be part of a wider priority on good governance.

The EC should take steps to ensure that CSOs are actively involved in sector programmes, and that CSOs have as much access as possible to the EIDHR and the horizontal programme for Non-State Actors and Local Authorities. Actions for CSO networks may be appropriate in the context of Nagorno-Karabakh. Anti-trafficking should be closely examined as a potential area for assistance in the new NIP. A link to active labour/migration management measures under the Mobility Partnership might be considered.

## **2) Cooperation on peaceful resolution of conflicts**

- **Promote sustained efforts towards the peaceful resolution of the Nagorno Karabakh conflict**

### *EC Assistance*

EC is supporting several regional initiatives like SCAD and REC. The EC has also been examining opportunities to support confidence building measure (CBMs) to assist in the settlement of the Nagorno-Karabakh conflict, and after any settlement.

*Active Donors (2007)*

EE (civil protection capabilities), FR (police cooperation), US (operations support programme in defence sector) and UK (conflict resolution support) are the key donors in this sector. UK, FI, FR and PL are active in supporting regional cooperation initiatives. UK and US support the projects towards the peaceful solution of the Nagorno-Karabakh conflict.

To be further discussed with different interlocutors and donors during the first programming mission and to be completed once the updated donors' coordination matrix is available in March 2009.

*Initial Analysis*

The Initial analysis is that this area will require considerable attention in the next programming period. The EC has the Instrument for Stability at its disposal for short-term actions for conflict resolution, and for rapid actions if a settlement is reached. However, confidence building measures involving Armenia, Azerbaijan and de facto Nagorno-Karabakh authorities and assistance to develop joint programmes should be included in the new NIP, in particular projects aiming at better preparation of the societies in both countries for the compromise agreement. In addition, provision should be made for potential post-settlement activities.

*Conclusion*

In this area, projects linked with the settlement of the Nagorno-Karabakh conflict should be a key priority in the new NIP.

**3) Cooperation in the Field of Justice, Freedom and Security**

- **Cooperation on border management**
- **Migration Management**
- **Fight against organized crime, including trafficking in human beings drugs**
- **Money laundering**
- **Anti-corruption**
- **Police and judicial co-operation**

*EC Assistance*

The possibility of negotiating of the EU-Armenia Mobility Partnership was mentioned in the Communicate on the Eastern Partnership published in December 2008. The main

## DRAFT FOR DISCUSSION ONLY

objective of the Mobility Partnership is to ensure the responsible joint management of migratory flows in the interests of the EU, its partners and the migrants themselves. Initiatives taken under the partnership will aim to promote a better framework for the movement of persons and legal migration, in particular by increasing the Republic of Armenia's ability to manage migration and by implementing measures to inform, integrate and protect migrants and returnees, while respecting economic and social conditions in Armenia.

### *Active Donors (2007)*

AT and FI are active donors in projects related to fight against organised crime. US works in against trafficking in human beings, especially in women and children and smuggling illegal migrants and anti-money laundering

[To be further discussed with different interlocutors and donors during the first programming mission and to be completed once the updated donors' coordination matrix is available in March 2009.]

### *Initial Analysis*

It is not focal area for donors. The Mobility Partnership will soon be the subject of the negotiations with Armenia, and implementing it will require support from the EC. The JLS Subcommittee will also be established in the coming months. The cooperation in JLS matters is going to deepen. Should there be progress in terms of opening of border with Turkey, considerable investment is needed for the border management in the southern border.

### *Conclusion*

Taking into account the perspective of the launching the Mobility Partnership and Visa facilitation and readmission agreement, the growing needs for the deepening cooperation in JLS matters, and the possibility of the opening of border with Turkey (and possibly with Azerbaijan?), there is a need for financial support and expertise in this area. Lessons should be drawn from previous EC assistance to identify potential actions in this area. Coordination between donors will be strengthened through the Mobility Partnership. It is a potential area for the NIP. Anti-trafficking is a horizontal priority for the EU, and is one area where the ENPI instrument may have a comparative advantage, particularly as Armenia is going to establish the Mobility Partnership.

## **4) Trade-related issues, market and regulatory reform**

- **Improve trade regulation and movement of goods**
- **Customs**
- **Standards, technical regulations and conformity assessment procedures**
- **Sanitary and phyto-sanitary issues**
- **Right of establishment, Company Law and Services**
- **Financial services**
- **Taxation**
- **Competition policy**
- **Intellectual and industrial property rights**
- **Public procurement**
- **Statistics**
- **Public Internal Financial Control and related issues**
- **Enterprise policy**

#### *EC Assistance*

Twinning Facility (€5m) in the area of the improvement market economy and strengthening economic growth through structural reforms. Twinning on the support to the Department of Foreign Economic Cooperation and Investment will be launched shortly.

The EC is implementing a programme for Food Security, and a number of projects on health and food safety, animal health including support to the Ministry of Agriculture. A €0.2m project for phytosanitary and veterinary services has been prepared.

#### *Active Donors (2007)*

US is active donor in the trade and investment capacity, regulatory framework for financial services, taxation, intellectual property, SMEs development related programs. No assistance is foreseen for the Armenian government in complying with international legislative and administrative practices for standard, technical regulations and conformity assessment, customs area, food safety and trade facilitation and other trade related issues.

To be further discussed with different interlocutors and donors during the first programming mission and to be completed once the updated donors' coordination matrix is available in March 2009.

#### *Initial Analysis*

This has not been a focal sector for many donors. Experience has shown though that a great deal of the work needed in this area is related to the areas detailed under Sustainable Economic Growth and Sustainable development.

This area is extremely wide, and requires a large number of targeted interventions in view of further increased trade and investment relations with the EU and a possible Free Trade Agreement. There are clearly still needs, but resources must be carefully targeted and coordinated for maximum sustainable impact. This area is a key area of comparative advantage for the EC as a donor, and implementation of the Action Plan and any successor in these areas is key to Armenia's progress.

### *Conclusion*

This is likely to be a key area, but generally requires smaller, targeted activities such as Twinning rather than sector support programmes. In the context of the preparatory process to the D&C FTA, there is a need for more comprehensive approach and NIP may be used as a tool for assistance.

### **5) Economic and social reform and sustainable development. Cooperation in specific sectors, including transport, energy, environment**

- **Support for SMEs**
- **Support to poverty reduction**
- **Support for agricultural and rural development**
- **Human development**
- **Transport**
- **Energy**
- **Information Society and media**
- **Environment**
- **Research, development and innovation**
- **Education, training and youth**
- **Public Health**
- **Culture]**

### *EC Assistance*

The EC assistance is focusing on the Budget Support in Vocational Education and Training (16 M€) from AAP 2007. A sectoral budget support programme on the VET is foreseen for AAP 2009 (with 15 M€).

The EC also did a pilot sector budget support for VET and child care of 7.5 M€ under TACIS 2006.

The EC has provided considerable assistance under the TACIS instrument and the Instrument for Nuclear Safety).

### *Active Donors (2007)*

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US is the main donor in the area of enhancing economic development and poverty reduction supporting several projects (Business Enabling Environment programme, Private Sector Productivity programme, Workforce development, Policies, regulations and Systems programme, Social Services Programme and Social Assistance, Agricultural Sector productivity etc.). IT is also visible donor in this sector along with the World Bank. IT has committed €500m for the rural poverty eradication programme. In sustainable development, UK is a donor, with a focus on implementation of Regional Development Plans.

US is a key donor in the energy and environment projects. FR supports cooperation on nuclear safety (ECONET). FR, IT and US support cooperation in the field of education, training and youth. FR, IT, IE and US are active donors in health sector reform. US are key donor in humanitarian assistance.

[To be further discussed with different interlocutors and donors during the first programming mission and to be completed once the updated donors' coordination matrix is available in March 2009.]

### *Initial Analysis*

*The poverty reduction continues to be a key area of concern for Armenia.* The EC has already committed to large programmes in VET and cooperates with Armenia on the Food Security programme. The EaP puts emphasis on economic and social cohesion. Rural development remains a key challenge and prioritisation of this area may create an incentive for the Government to develop a comprehensive rural development programme. The focus in this area under ENPI should be on planning for regional development and on capacity building for local authorities, rather than on direct infrastructure investment. Funding should be sought from the International Financial Institutions, and, *if necessary, from the Neighbourhood Investment fund (NIF) to leverage this.*

Work is ongoing, and, as other donors are planning work in this area, an assessment of the needs for EC assistance should be made. The main priorities are energy and transport. In energy area, the main concern is Nuclear Power Plant Medzamor. Armenia should take a firm commitment for a final closure date. This would be conditional upon the start up of the new NPP by 2016. Short term safety measures, as defined in the technical working group coordinated by the IAEA will have to be implemented.

There are large-scale needs in this area, particularly with regards to energy security, energy efficiency, and European networks. Access to energy and energy efficiency tends to be a great problem in Armenia. The overall priority of climate change means that energy efficiency and alternative energy sources could be considered for inclusion, but large scale investment should come from IFIs, and the NIF should support and leverage this, rather than the ENPI national programme.

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In the area of transport, there is a need to take into consideration the proposals to develop infrastructure projects linking Armenia with Black Sea ports, in particular a highway to Batumi. A possible opening of the border with Turkey may create new demands for the rehabilitation of the transport links. This is an area in need of investment. However, the volumes of financial assistance likely to be available for the new NIP are not sufficient to commit to large-scale investment programmes. Assistance to leverage IFI investment, for the regulatory framework, twinning, technical assistance, traffic planning, European Networks, norms and standards, may however be possible.

Although the EC has regional programmes in this sector, Environment and climate change have been identified as horizontal EC priorities. This is a potential sector for sectoral budget support, and the country-level needs should be carefully examined.

### *Conclusion*

This is an important area of intervention. There may be a possibility for smaller, targeted assistance through Twinning etc. Transport could be included under the headings of economic and regional development, but should not be included as a stand-alone priority. The NIF should be the primary source of EC funding for investments, with Twinning and TA supporting where necessary.

In energy area, the NIF should be the major source of EC funding in this area, rather than the ENPI National Programme, unless the ENPI National Programme can be shown to be the most appropriate mechanism to leverage additional funding through piloting initiatives.

*Needs in education and culture sectors should be examined carefully on the basis of the experiences from other countries, and the previous experiences in VET area.*

## **FINAL REMARKS**

Taking into account that the implementation of the projects under the ENPI for Armenia started only in 2007, it is difficult to assess at this stage their real effects. In general, priority areas included in the NIP for 2007-2010 need some update, as well as most sub-priorities to reflect the main elements of the Eastern Partnership and its priorities.

**ANNEX – Outline of the current ENPI Armenia NIP 2007-2010**

Financial resources available for Armenia under the National Indicative Programme for 2007- 2010 are estimated at €98.4 million.

The indicative breakdown of resources are:

Priority area 1: Support for Strengthening of Democratic Structures and Good Governance (€ 29.52 million = 30 %)

Priority area 2: Support for Regulatory Reform and Administrative Capacity Building (€29.52 million = 30%)

Priority area 3: Support for Poverty Reduction Efforts (€39.36 million = 40%)