

ARMENIA

2002 TACIS ACTION PROGRAMME

1. Identification

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| <i>Form of programme:</i> | National |
| <i>Beneficiary Country:</i> | Armenia |
| <i>Budget year:</i> | 2002 |
| <i>Financial allocation</i> | €10 million (<i>including €0.6 million for Tempus to be implemented by DG Education & Culture</i>) |
| <i>Budget Line:</i> | B7-520 |
| <i>Legal basis:</i> | Council Regulation (EC, EURATOM) No 99/2000 of 29 December 1999 concerning the provision of assistance to the partner states in Eastern Europe and Central Asia. |
| <i>Duration:</i> | Contracts financed under this programme shall enter force no earlier than the signature of the Financing Memorandum in due form by the competent signatories, and no later than 31.12.2005. The technical activities provided for under this programme and all contracts must end by 31.12.2006. |
| <i>Programming:</i> | Unit ER.E.3 |
| <i>Implementation:</i> | AIDCO Directorate A |
| <i>Remarks:</i> | No administrative expenditure will be financed under this programme. |

2. Summary of the programme

The Country Strategy Paper 2002-2006 and the National Indicative Programme 2002-2003 for Armenia were approved by the Tacis Committee of 28 November 2001. This Action Programme 2002-2003 is developed fully in line with these strategic documents. The proposed activities are focused in two areas of co-operation: institutional, legal and administrative reform, and support in addressing the social consequences of transition. Three initiatives are proposed for support to institutional, legal and administrative reform: further support to the Armenia-European Policy and Legal Advice Centre, support for the development of an IT strategy, and further support for regional development in the marzes. Activities in the area of social consequences of transition will focus on the development of an integrated vocational education and training system. In addition, support will be provided through the following small project programmes: Tempus, Statistics, and Policy Advice. The programme will also include a small allocation for BISTRO.

3. Country update

- 3.1 A detailed country assessment can be found in the Country Strategy Paper 2002-2006, and the Indicative Programme 2002-2003, both presented to the Tacis Committee in November 2001. This section provides a short summary and up-date of some of the key points.
- 3.2 As regards Nagorno-Karabakh, bilateral talks, between Presidents, have been suspended since May 2001. However, more recently, both sides have issued statements emphasising the need for a peaceful solution. Both the OSCE Minsk group and the US are expected to make further efforts towards negotiation of a settlement. Armenia is expected to join the World Trade Organisation by the end of 2002.
- 3.3 Economic growth in 2001 was at 9.6%, however this figure is expected to decrease to 5/5.5% in 2002 despite further investment in agriculture and industry. Inflation is set to rise to approximately 3.5% by the end of 2002.
- 3.4 The EU's objectives in Armenia, stemming from the 1999 Partnership and Co-operation Agreement, are to support development of democratic principles, rule of law and human rights and a market economy. From a regional perspective, the EU wishes to develop a politically stable and economically prosperous Caucasus, which gives it a particular interest in the resolution of the Nagorno-Karabakh conflict. The third meeting of the EU-Armenia Co-operation Council took place in Luxembourg on 30 October 2001. The main conclusions were that the EU and Armenia would continue to work together on continued co-operation with the Minsk group, implementation of the PCA via the Tacis programme, promotion of democracy and human rights, improvement of relations with Turkey, further dialogue on Medzamor nuclear power plant and implementation of the Poverty Reduction Strategy Paper. The next meeting will be held in October 2002.

4. Co-ordination with other donors

- 4.1 Two round-table meetings were held during the project identification mission in February 2002, one with the EU Member States, and one with other key donors (with participation from World Bank, EBRD, USAID, OSCE *inter alia*).
- 4.2 Both the Germans and the British highlighted their plans with regard to regional development issues. Tacis will co-ordinate with both, notably with respect to the choice of administrative region (Marz). The Americans are principally working with municipalities, rather than with the Marz administrations at this point. The Government has highlighted the importance of the IT sector to a number of donors. The donor community will need to ensure effective co-ordination as donors plan their involvement in the follow-up to the Regional Conference held in Yerevan in April 2002. While a number of donors are active in the education sector as a whole, there is little or no involvement in the VET system, apart from the planned Tacis intervention.

5. Lessons learnt from past EC Assistance

- 5.1 To date, as stated in the CSP, the EC provided a total of over €280 million from 1992-2001, including almost €70 million through the Tacis national action programme allocations.
- 5.2 This Action Programme will build on past Tacis activities in Armenia in a number of ways. First, as regards the Armenia-European Policy and Legal Centre (AEPLAC), benefit has been gained not only from the first two phases of AEPLAC, but also from the experience of establishing and operating a number of similar centres across the NIS region. A key aspect of AEPLAC's success to date has been the clearly defined tasks, notably in the context of the benchmarking exercise, which has enabled the Government to prioritise and to prepare effectively for key PCA meetings. The new initiative in Regional Development draws on a number of previous Tacis activities. Most clearly, the positive experience of assisting the Lori Marz administration in developing a regional economic development strategy lies behind the proposal to assist the Armenian Government with the roll-out of the essential elements of the model to the other regions of Armenia. Furthermore, the project will also benefit from Tacis work on general Civil Service Reform and from the experience in the regions of developing effective instruments for Employment Policy. The work in the sphere of employment policy will also be instrumental in the proposed intervention in the VET sector, where the challenge will be to ensure that the VET system adapts more effectively to the new demands of the labour market.

6. Programme Components

6.1. Support for Institutional, Legal and Administrative Reform.

- 6.1.1 Three initiatives are foreseen in terms of support for institutional, legal and administrative reform. First, strengthening the Armenian Government's capacity to implement the PCA remains a high priority. Further support is thus foreseen for the Armenia-European Policy and Legal Advice Centre (AEPLAC). The detailed design of Phase III will of course be dependent in part on the progress made under the current (second) phase. However, three key areas are likely to be: legal approximation (Article 43 of the PCA); benchmarking for the implementation of the PCA (a useful tool for identifying priority strengths and weakness in the government's capacity to implement the PCA); and providing targeted support to assist the Government in defining effective policies in the identified priority areas of the PCA. The project will also maintain a regular series of publications in the field of legal and economic developments in Armenia, notably the quarterly Armenian Economic Trends.
- 6.1.2 Second, Tacis will build on successful work undertaken in the sphere of regional development in Lori Marz. In 1996, the Law on Local Self-Government was passed, creating 11 administrative regions (Marzes), and decentralising certain powers to the regional level. A Tacis project from AP 1998 helped develop a model of regional development in Lori Marz. This model has attracted a lot of interest, both in the Government and within the donor community. The current proposal will work in two other Marzes, using the methodology developed in Lori. The project will develop institutional capacity to design and implement a development programme both at the Marz and local level. This will include the development of a

human resources policy, a management information system and a communication strategy within the Marz. Particular attention will be paid to developing a participatory approach, involving the different levels of administration, the private sector, NGOs and the local communities. The choice of two focal Marzes will be closely co-ordinated with other donors, who have expressed an interest in participating in the roll-out of a model of regional developing, drawing on the Lori experience, to the other Marzes in Armenia.

- 6.1.3 Third, a top political priority for the Armenian Government is the development of an effective strategy for information and communication technologies (ICT), to capitalise on traditional, local expertise in this sector. In April 2002, the Government hosted a regional conference in the context of the EU's Caucasus Information Technology Initiative with the objective of creating the basis for South Caucasus integration into the global information community (E-Caucasus). The project will build on the outcomes and recommendations of the conference. The aim is to assist with the design and implementation of a strategy for development of the IT sector. Particular attention will be paid to analysing and improving the legal and regulatory framework, to support this objective (tackling issues such as copyright, data protection). Furthermore, support will be provided to the establishment of a Regional Training Centre for ICT in the Caucasus.

6.2. *Support in Addressing the Social Consequences of Transition*

Education has been identified as a key issue in the context of the Interim Poverty Reduction Strategy Paper. This point was underlined in both the Country Strategy Paper and the Indicative Programme, approved by the Tacis Committee in November 2001. The Government has adopted a State Programme for Educational Policy (2001-2005). The vocational education system has suffered particularly during the period of transition. There has been little or no donor involvement in the sector to date. This project proposes to focus on the development of an integrated vocational education and training (VET) system in the framework of the overall reform of the education system in Armenia. The project will comprise three main components: first, tackling VET policy and structure (notably the division of responsibilities between central and regional government, and the overall financing of the system); second, proposing and implementing reform in a number of key institutions in the VET sector; third, ensuring the VET system is adapted to the local labour market, by enhancing the participation of the business community in the reform and functioning of the VET system.

6.3 *Small Project Programmes and Bistro*

Allocations are foreseen for the following small project programmes: Tempus, Statistics, Policy Advice, and Bistro. Tempus is a key instrument of co-operation in the field of higher education. This complements the work planned on the VET system in the context of reform of the education system. This will be implemented by DG Education and Culture. High quality statistical information is essential for developing well-targeted government policies. Eurostat will continue its co-operation with the Armenian State Statistical Committee. Policy Advice and Bistro are both useful instruments that allows Tacis to provide support to projects with more limited budgets, where particular needs are identified. The Policy Advice Programme will include support for the optimisation of "standards in higher education".

7. Complementary EC Assistance

EC Assistance to Armenia in 2002 may also be provided through the following instruments: the Tacis Regional Action Programme; Exceptional Financial Assistance and the Food Security Programme.

8. Programme Implementation

The Action Programme will be implemented in accordance with the following elements:

8.1 Implementation & Management

8.1.1 Contracts financed under this programme shall enter force no earlier than the signature of the Financing Memorandum in due form by the competent signatories, and no later than 31.12.2005, being the expiry date of the associated Financing Memorandum. Therefore:

- Any relevant contract or grant must have entered force, having been signed by all the relevant parties, by this expiry date.
- Any contracts or grants that have not been entered force, having been signed by the signature of all the relevant parties by this expiry date will be not be finalised but will be cancelled and considered null and void.
- Any balance of funds under this programme that has not been used to fund contracts or grants that are in force by this expiry date will be de-committed as soon as possible thereafter.
- No addenda adding funds from this programme to any contract or grant may be entered into after this expiry date.

8.1.2 The deadline by which all contractual activities under this programme must cease is no later than one calendar year after the expiry date of the relevant Financing Memorandum (i.e. by 31.12.2006). Therefore:

- No addenda to any contract or grant funded by this programme shall be entered into after the implementation deadline¹.

8.1.3 The Programme will be implemented by the Commission in conjunction with the Armenian authorities on the basis of financing memoranda (see Article 3(5) of Regulation 99/2000), project counterparts and contracting firms and institutions. For the government of Armenia, the general co-ordinating responsibility will be with the Tacis National Co-ordinator, supported by the National Co-ordinating Unit (NCU).

8.1.4 The Programme will be managed by EuropeAid Co-operation Office, with deconcentration of management responsibility for project implementation to the Commission Delegation for Georgia and Armenia. The procedures laid down in Art 13 of the Council Regulation (EC, Euratom) No. 99/2000 are applicable to this Programme.

¹ Note that the end date for contractual activities refers to project implementation activities, and not the date for submission of final report or final invoice.

8.2 Monitoring, Evaluation and Audit

8.2.1 Monitoring & Evaluation

In addition to regular follow-up and controls carried out on the spot, if necessary by the Commission services and the Court of Auditors, a contract has been concluded with independent consultants to monitor the programme. This contract covers the whole Tacis programme, and will work upon requirements for periodic assessments of project progress against objectives. These will include on-the-spot visits to projects and interviews with stakeholders. Reporting will be in standardised formats giving scores to aspects of project performance.

8.2.2 Audit

Operations financed under this programme will be subject to supervision by the relevant Commission services and the Court of Auditors to be carried out on the spot if necessary. The accounts and records of expenditure under the present Programme may be checked at regular intervals by an external auditor contracted by the Commission, without prejudice to the responsibilities of the Commission, including the European Antifraud Office (OLAF), and the Court of Auditors.

8.3 Tendering Procedures

The contracts for services, works and supplies shall be concluded in accordance with the tendering and contract award procedures laid down in the Financial Regulation, Council Regulation 99/2000 and the "Manual of instructions for contracts concluded for the purpose of Community co-operation with third countries" (adopted by the Commission on 10 November 1999).

9. Cost and financing

The Programme will be financed through a Community grant of €10 million, allocated as follows among the different actions:

| <u>Area/Project</u> | <u>Total Area (€million)</u> |
|--|------------------------------|
| 1. Support for Institutional, Legal and Administrative Reform. | 5.1 |
| - Armenia-European Policy and Legal Advice Centre (AEPLAC) – Phase III | |
| - Support to the development of IT | |
| - Regional development of Marzes | |
| 2. Support for the Social Consequences of Transition. | 3.0 |
| - Support to the development of an integrated VET system | |
| 3. Small Project Programmes | 1.6 |
| - TEMPUS | (0.6) |
| - Statistics | (0.3) |
| - Policy Advice | (0.7) |
| 4. Bistro | 0.3 |
| 5. Reserve | 0 |
| Total | 10.0 |

10. Government Commitment. Conditionalities.

Assistance 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.

LIST OF ANNEXES

Project fiches with log-frames.