

Single Support Framework

Armenia 2014-2017

SUMMARY

Since 1999, the Partnership and Cooperation Agreement (PCA) provides the legal framework for EU-Armenia bilateral relations. An ENP Action Plan was adopted in 2006 and prolonged in 2011.

Negotiations on an Association Agreement (AA), including a Deep and Comprehensive Free Trade Area (DCFTA), were launched in 2010 but the draft AA/DCFTA could not be initialled as planned in November 2013 at the Vilnius Summit due to Armenia's declared intention to join the Russia-led Customs Union (incompatible with the DCFTA) ¹.

A Joint Declaration on the EU-Armenia Mobility Partnership was signed in October 2011. The EU-Armenia Visa Facilitation Agreement and the Readmission Agreement entered into force on 1st January 2014.

Following comprehensive consultation with the Government, civil society organisations, multilateral and bilateral donors, international financial institutions and international organisations, a consensus has been reached regarding three priority sectors of intervention to be financed through the national envelope:

- **Private Sector Development (indicative 35%)**

The lack of policies conducive to address low competitiveness of enterprises and to ensure the diversification of the economy has prevented Armenia from reducing socio-economic inequalities. The economic growth is largely concentrated in the capital, leaving significant regional, socio-economic disparities across the country. This has led to high levels of unemployment or under-employment in different regions as well as high rates of rural to urban migration, and emigration of the national labour force. Furthermore, the Armenian economy has shown an exacerbation of uncompetitive behaviours and a tendency for the informal economy to grow. The new Armenia Development Strategy emphasises that a continuous improvement of the business environment and investment climate will remain the main priority of the state policy to increase employment, and will be aimed at facilitating the establishment of new businesses. Support in this sector will complement previous EU assistance, which targeted regional development as well as agriculture and rural development.

¹ Nevertheless, the latest version of the draft agreement was "safeguarded"/"anchored" for future possible reference via an exchange of letters between the HR/VP Ashton and the Armenian Foreign Minister Nalbandian.

- **Public Administration Reform (indicative 25%)**

In the area of public finance management, the overall direction of reforms has been positive, but further steps are required to improve certain areas such as external audit and procurement. Greater reform is required to improve the efficiency and effectiveness of public service in Armenia and, demonstrating the priority for the Government to pursue reforms in this area, a number of national strategies related to different aspects of public administration reform are currently being implemented or are under preparation. Similarly, a draft policy paper on Civil Service reforms for 2014-2020 addresses the lack of clear-cut personnel structure as well as the lack of career- and merit-based pay structures and job descriptions. Anti-corruption efforts form a key part of EU support. In order to improve public sector transparency and quality of public policy, support to the development of Armenian statistics based on international standards and the EU statistical principles will be provided as well.

- **Justice Sector Reform (indicative 20%)**

Since 2009, the EU has supported the Armenian reforms in the justice sector, and progress was indeed achieved over the last years, particularly through the adoption of relevant legislation. However, progress remains insufficient to meet some of the main reform objectives, such as ensuring the independence of the justice sector, and the proper implementation of laws. As highlighted by the EU in the last ENP Progress Reports, a number of human rights related concerns, such as non-discrimination, remain to be addressed in Armenia. The Armenia Development Strategy includes the improvement of the justice system, with the aim to ensure a judicial power, which is fair, efficient and accountable to the public. In recognising that such reforms are long term processes, further assistance from EU remains justified.

- **Complementary support for capacity development**

This support will address the implementation of priority commitments deriving from EU agreements and the dialogue on mobility, where not already covered by sector assistance. It will be focused on approximation to EU legislation and technical standards.

- **Complementary support to civil society**

In addition to sector specific assistance, additional measures in favour of civil society will be made available. Funding from this component will be geared towards supporting the role of civil society in building stronger democratic processes and accountability systems outside the 3 sectors of concentration. The development of civil society's professionalism and capacities, including their ability to form national associations and networks, and improving the delivery of services will also be targeted.

<i>Indicative allocation 2014-2020</i>	€252,000,000 – €308,000,000
<i>Indicative allocation for the 1st period (2014-2017)</i>	€140,000,000 – €170,000,000
<i>Breakdown for the 1st period</i>	
<i>Private Sector Development</i>	35 %
<i>Public Administration Reform</i>	25 %
<i>Justice Sector Reform</i>	20 %
<i>Complementary Support for Capacity Development and Institution Building</i>	15 %
<i>Complementary Support for Civil Society</i>	5%