

SUMMARY

Annual Action Programme 2016 in favour of the Republic of Armenia to be financed from the general budget of the European Union

1. Identification

Budget heading	22 04 02 01
Total cost	EUR 20 million of EU contribution
Basic act	Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument

2. Country background

Armenia is a low-middle income country. About one third of its 3 million population lives below the poverty line. It is a landlocked country with the majority of its external borders closed. Armenia is an early transition country of low productivity. Some of the key challenges include unemployment, lack of entrepreneurship and corruption. These challenges lead to high outward migration, large inequalities within the population and across regions. A four-day war against Azerbaijan in support of Nagorno-Karabakh in April 2016 has raised additional concerns regarding the geo-political stability of the region.

3. Summary of the Action Programme

1) Background

Armenia's development strategy underlines that the improvement public administration plays (PAR) plays a key role for its economic development. Over the years Armenia has committed to a series of reforms which it seeks to implement with EU support in areas such as strengthening its justice sector, anti-corruption policies and reforming its public finance system. It has also with EU assistance achieved progress in strengthening e-governance, as well as adopted a civil service reform strategy. Weaknesses remain in ensuring coherence across PAR as well as coordinating policy making and development. Also more needs to be done to promote an open, participatory government, ensure the appropriate scale e-services, and establish a more professional, merit based civil service.

2) Coherence with ENP and programming documents

The Single Support Framework for Armenia 2014-2017 highlights PAR as one of the three sectoral priorities. The ENP review has also highlighted the need to strengthen good governance and public administration (including e-government) in the neighbourhood.

3) Identified actions

The present AAP has one action "Support to Public Administration Reform in Armenia: Better Service Delivery through a More Efficient and Responsive Public Administration". The objective is to support the PAR agenda of Armenia to improve efficiency, effectiveness, accountability and service delivery of the public administration in Armenia in view of citizens' and businesses' needs.

4) Expected results

In line with the European Principles of Public Administration the **PAR programme** (EUR 20 million) will through budget support and complementary support, contribute to the following four objectives and results:

- Enhance policy and legislative development and coordination. This will result in better institutional capacities, processes and outcomes as well as strengthened evidence-based policy-making, both of which consider the gender equality dimension.
- Greater professionalism of the civil service. This will result in a more merit-based human resources management system promoting balanced gender representation as well as an improved training system for civil servants.
- Enhance the accountability, integrity and openness in public administration. This will result in an increase of citizens' trust in public administration, improved transparency and confidence in the electoral process, a more efficient Ethics Commission and improve citizens' rights to access to information, information control and self-determination.
- Improve public service delivery through e-governance. This will result in a sustainable and efficient e-governance system, greater transparency in service delivery and the development and scaling up of e-services including in the healthcare sector.

5) Past EU assistance and lessons learnt.

Armenia has successfully engaged and implemented past and ongoing budget support programmes in the areas relevant to public administration reform.

6) Complementary actions/donor coordination.

All actions will be closely coordinated with, and build on the results of interventions and support by other donors.

4. Communication and visibility

The PAR programme will ensure adequate communication in coherence with the EU Manual on Visibility of External Actions.

5. Cost and financing

Action 1: Support to Public Administration Reform in Armenia: Better Service Delivery through a More Efficient and Responsive Public Administration

Total EU contribution to the programme

EUR 20 million

The Committee is invited to give its opinion on the attached Annual Action Programme 2016 in favour of the Republic of Armenia.



ANNEX I

**of the Commission Implementing Decision on the Annual Action Programme 2016
in favour of the Republic of Armenia to be financed from the general budget of the
Union**

Action Document for Support to Public Administration Reform in Armenia:

Better Service Delivery through a More Efficient and Responsive

Public Administration

INFORMATION FOR POTENTIAL GRANT APPLICANTS **WORK PROGRAMME FOR GRANTS**

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning calls for proposals: 5.4.1. Grants – call(s) for proposals for twinning project(s) (direct management); 5.4.2 Grant – direct award to Estonian E-Governance Academy (direct management).

1. Title/basic act/ CRIS number	Support to Public Administration Reform in Armenia: Better Service Delivery through a More Efficient and Responsive Public Administration CRIS number: ENI/2016 /039-595 financed under European Neighbourhood Instrument
2. Zone benefiting from the action/location	East Neighbourhood, Armenia The action shall be carried out at the following location: Armenia
3. Programming document	Single Support Framework for EU support to Armenia 2014 - 2017
4. Sector of concentration/ thematic area	Public Administration Reform
5. Amounts concerned	Total estimated cost: EUR 20 875 000 Total amount of EU budget contribution EUR 20 000 000 of which EUR 12 000 000 for budget support and EUR 8 000 000 for complementary support

	This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 875 000			
6.Aid modality(ies) and implementation modality(ies)	Direct management – Budget Support: Sector Reform Contract; grants – call(s) for proposal for twinning project(s); grants – direct award; procurement of services Indirect management with UNDP			
7. DAC code(s)	15110 – Public sector policy and administrative management			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	x
	Aid to environment	x	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	x	<input type="checkbox"/>
	Trade Development	x	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	x	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagship	NA			

SUMMARY

The programme is in line with the objectives of the Single Support Framework (SSF) for EU support to Armenia 2014-2017 and with the Armenian commitment to implement Public Administration Reforms (PAR) as expressed in the overall Armenia Development Strategy 2014-2025 and in various thematic strategic documents. The programme is also in line with the ENP review in particular the necessity of improving policy development and coordination capacity, depoliticise civil service, develop service delivery and e-government and increasing institutional transparency, accountability. Gender equality is addressed as a key cross-cutting issue.

The overall objective is to support the central public administration reform agenda of the Republic of Armenia to improve transparency, accountability and efficiency of the Armenian central public administration in view of citizens' and businesses' needs and in line with the Principles of Public Administration, which derive from international good governance standards.

The specific objectives of the programme are 1) to enhance policy and legislative development and coordination at the central public administration; 2) to strengthen the professionalism and well-functioning of the civil service; 3) to enhance the accountability, integrity and openness in the public administration; and 4) to improve public service delivery through e-governance. The programme will mainly support the reform of the central public administration. It will support the Office of the Chief of Staff of the Prime Minister¹ as coordinator of PAR process in the Republic of Armenia. It will also promote the full participation and involvement of citizens - as final beneficiaries/users of the public services - through innovative and participative methodologies.

The programme will be implemented through a mix of budget support and complementary support. The latter will focus on providing technical assistance building on good international and European practices. Specific support will be provided to visibility measures. The programme will harmonise with activities of other Development Partners such as the World Bank (WB), GIZ and OECD/SIGMA.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Armenia has undergone a profound transformation since independence in 1991. Sustained growth, ambitious transition reforms, as well as inflows of capital and remittances have created a market-oriented environment. However, the global financial crisis of 2008/09 had a significant negative impact on the country and eroded some of the welfare improvements that only recently Armenia has slowly started regaining though amidst a challenging external global economic situation.

¹ The Office of the Chief of Staff has the key responsibility to support Prime Minister and coordinate government work at the centre of government. It coordinates the legislative proposals and monitors implementation of the government work programme. (http://gov.am/u_files/file/documents/Gov-CHARTER-2015.pdf)

Public Administration Reforms in Armenia have been implemented until now within three main phases. The first phase of the reform has covered the 1999-2003 and has targeted the administrative system of the government, the structure and the functions of governmental agencies. A more professional civil service was created as an outcome of this reform. The second phase of the reform covered 2003-2008 and aimed at the development of the functions of other public servants, government's accountability systems and improvement of the service delivery. The third phase of the reform covered 2009-2014 and targeted the issues of modernizing the civil service, introducing e-governance and improving the quality of service delivery.

Currently the reforms are implemented in the framework of the Armenia Development Strategy (ADS) 2014-2025 that was adopted by the Government in March 2014. The ADS states that improved quality of Public Administration (PA) plays *"a key role in the social and economic development of the country"*. It also includes a specific chapter on establishing and strengthening a modern system of public administration, with a comprehensive list of reforms in the fields of electronic administration, inspection systems, local self-governance, public finance management, public investment, civil service, judicial reform and anti-corruption, among others. Furthermore, the Armenian commitment to reform is enshrined in several sector strategies addressing different aspects of PAR². These strategies are already at the implementation phase. Finally, the Armenia Government Programme 2014-2017 highlights actions in medium-term perspectives and includes a broad range of measures to improve public sector management in line with the ADS.

1.1.1 Public Policy Assessment and EU Policy Framework

This programme is coherent with the Single Support Framework (SSF) signed between the Government of Armenia and the European Commission for the period of 2014-2017. The SSF indicates Public Administration Reform as the second of the three priority sectors for EU's cooperation with Armenia.

The review of the European Neighbourhood Policy, published in November 2015 confirmed that promoting good governance, democracy, rule of law and human rights will continue to be a goal of the EU with all its partners. Accountable public administration at central and local Government level is recognised as key to democratic governance and economic development. The ENP review highlights the necessity of strengthening democratic and independent institutions; developing local and regional authorities; developing e-Governance and increasing institutional sectoral strategies have been developed.

This programme is inspired by the Principles of Public Administration³, which derive from international good governance principles and which have been developed by OECD/SIGMA. They define in detail six core areas, which the European Commission considers to be separate but closely related elements of PAR: Strategic framework of

² Civil Service Strategy and Action Plan (2016-2020), Open Government Plan (2014-2016), e-Governance Action Plan (2014-2018), Strategy of the Commission on Ethics of High-Ranking Officials (2016-2018) and Anti-Corruption Strategy and Action Plan (2015-2018).

³ <http://www.sigmaweb.org/publications/principles-public-administration-european-neighbourhood-policy.htm>

PAR; Policy development and coordination; Public service and human resources management; Accountability; Service delivery and Public financial management. This programme focuses on the following four areas of PAR:

Policy development and coordination: The ADS and the Government Programme for 2014-2017 provide general supports for the introduction of better policy-making and coordination mechanisms in Armenia. At the same time, it should be mentioned that there is no direct reference to improve policy-making even though the general logic of both papers aim at introducing more effective policy-making and policy coordination mechanisms. While there is no direct strategy in this particular area yet, the government is in the process of strengthening the steering of relevant policy development processes, and to centralise the relevant responsibilities at the Government Staff level. The WB is currently supporting the government for strengthening and establishing the relevant institutional capacity in policy formulation.

Inclusive and evidence-based policy and legislative development is not yet implemented in practise, and there are weaknesses with regard to inter-ministerial coordination of policy and legislative proposals, regular use of public consultations, use of impact (fiscal, regulatory, etc.) assessments and costing of (sectoral) strategies. The OSCE has worked closely with the Ministry of Justice and identified the key weaknesses in the legislative process in the 2014 OSCE report "Assessment of the Legislative Process in Armenia". Building on the findings of this assessment and the thematic workshops held throughout 2015 on policy making and legislative planning, RIA, public consultations and monitoring and evaluation of legislation, OSCE has provided key recommendations for developing the system in a Regulatory Reform Roadmap in February 2016.

Public service and human resources development: In December 2015 (revised in January 2016), the Civil Service Reform Strategy and Action Plan for 2016-2020 that were developed thanks to EU assistance have been adopted. The strategy sets forth the necessity to modernise the civil service system in order to ensure the highest possible level of effectiveness and efficiency of the system, to develop further merit-based system in respect to recruitment and appointment, promotion, motivation, and to improve civil servants training system. While the strategy is aligned with good practices, sets out clear and measurable objectives, it currently targets a relatively narrow number of civil servants (as compared to the total number of public employees) and gives a narrow mandate to the Civil Service Council in this regard.

Accountability: In September 2015, an Anti-Corruption Strategy and Action Plan for 2015-2018 that were developed with EU support have been adopted. The Strategy and its Action Plan aim at contributing to the progressive and consistent reduction of the corruption level in Armenia, to strengthen the confidence of citizens in public administration bodies, as well as to promote the principle of zero tolerance towards corruption through implementation of international standards in the fight against corruption. The Anti-Corruption Strategy focuses on the following four sectors: 1) collection of state revenues; 2) police; 3) education; 4) health. Furthermore, a Strategy to enhance the capacity of the Ethics Commission is in place (2016-2018). While the government has declared the prevention and fighting corruption a key priority, the strategies and action plans will now need to be implemented. Furthermore, following the adoption of a new Constitution in 2016 and to increase citizens' trust in the elections' process, a new Electoral Code was adopted 1 June 2016 introducing new technologies in respect to voter registration and identification. As identified by OSCE/ ODIHIR joint

opinion (9 June 2016), some concerns remain in particular in regard to the registration of all citizens before the elections, data protection standards, public testing and certification of the equipment, contingency planning, training of electoral staff, and need of awareness raising among voters and political parties.

The citizens' rights to good administration and access to public information are addressed to some extent. In 2014, the government has developed an Open Government Action Plan for the period 2014-2016, presenting commitments aimed at strengthening transparency, accountability and participation as a member of the Open Government Partnership. The Priorities of Open Government Action Plan 2014-2016 are concentrated on the following areas: Ensuring Transparency and Accountability; Promotion of Public Participation; Strengthening Public Integrity; Promoting Access to Information. The government has recently entrusted Kolba Innovation Lab - a UNDP project supported by the EU - to develop Armenia's third OGP Action Plan for the period 2016-2018 therefore reaffirming the commitment to a credible policy towards transparency and openness.

Service Delivery: In this area the government is very focused on e-government services. In 2009, the e-Governance Infrastructure Implementation Unit (EKENG) was established which is responsible for the framework of e-services in Armenia. In April 2014, the government presented an e-Governance Strategy 2014-2018. Based on it, In February 2015, an e-governance development action plan was adopted with the support of the donor community, and the EU in particular. The strategic framework requires creating an effective and efficient e-administration to allow citizens to access faster, cheaper and better services. During the recent years, the Government has implemented a number of activities aimed at improving service delivery via the introduction of relevant IT solution, such as business registration, vehicle registration, registration of civil status for citizens, judicial system management, etc. The very recent development in this field is introduction of e-Health system, which will be the main information management system used in health sector everywhere in Armenia in line with the Health policy system development concept paper 2015-2020.

Relating specifically to e-Governance, the policy framework is linked to the successful implementation of previous activities which created digital resources and government-wide interoperability for information systems (to be functional early 2018). This will enhance data sharing between existing database, reducing administrative burden together with re-engineering of service delivery in cost effective, efficient and transparent manner. In addition, the newly adopted Personal Data Protection law sets out the rights and liabilities of both data developers and the data subjects. To supervise the implementation of this law, the Personal Data Protection Agency was formed. As to e-health, the programme will build on the above mentioned e-Governance development action plan and particularly on its section 3 "Healthcare", the strategy of the Ministry of Health, the action plan of the E-Governance Infrastructure Implementation Unit (EKENG) and achievements of World Bank (WB) pilot project on e-health.

The overall public policy framework can be considered to be sufficiently relevant, whereas credibility would need to be further improved during implementation of the programme. Especially, in the area of policy development and coordination both the reform plans and institutional responsibilities will need to be further clarified.

From the core areas of PAR, this programme does not address **public financial management**, which is covered under three separate strategies that are being supported

by Public finance Policy Reform programme under AAP 2015. The programme supports implementation of a revised PFM Reform Strategy and Action Plan 2016-2020 that were developed with EU support, a Strategic Development Programme 2011-2016 of the Chamber of Control and a sub-Strategy for Full-Fledged Introduction of Programme Budgeting System in the Republic of Armenia (August 2015).

This programme also does not cover **local government** level and the RA Regional Development Concept. In June 2011, the government adopted the Regional Development Concept that set forth main conceptual approaches for regional development that are also included in the ADS. The Concept aims at creating a competitive environment in the regions of Armenia, at developing regional administration and self-governance administration bodies.

A related thematic area, although not directly a PAR core area except regarding accountability/administrative justice, concerns the Strategic Programme for **Legal and Judicial Reforms** 2012-2016. The Strategic Programme was approved by Order of the President in June 2012 and it aims to ensure a fair, effective and publicly accountable judicial power, increasing effectiveness of criminal justice and punishment system, increasing effectiveness of administrative justice and administrative punishments, increasing effectiveness of civil justice and perfection of civil legislation, and reforms in the advocacy system. The implementation of the strategy is currently being supported through an extensive programme under the AAP 2012.

1.1.2 Stakeholder analysis

The **main direct beneficiaries** of the programme are the Armenian citizens and the Armenian public servants. The Armenian citizens will benefit from the increased quality and quantity of public services delivered through a performant administration, e-channels and through the enhanced data protection regime championed by the newly created Personal Data Protection Agency. Furthermore, the citizens will be enabled to enhance their participation in the design and monitoring of public policies.

Armenian public servants will be encouraged to be at the centre of the programme action through developing inclusive and innovative ways of policy-making and policy implementation. The institutional capacity to provide e-services and to respond to the end-users needs will be enhanced too.

The main stakeholders of the projects are as follows:

The Republic of Armenia Office of the Chief of Staff of the Prime Minister is the main coordinator of the programme at the centre of government. The ministries and relevant agencies will be responsible for implementing different parts of the programme, whereas the Office of the Chief of Staff will monitor and ensure coherent reporting on the implementation of relevant actions under the four pillars of this programme. While some weaknesses still persist with regard to policy-making in terms of coordination and harmonisation of processes, this programme will strengthen and support in setting up a more systemic approach under the stewardship of the Chief of Staff. Innovation and participation processes will play an important role in the action. Finally, the Staff will coordinate all the activities aimed at enhancing inclusive and evidence-based policies by linking all the relevant ministries and agencies and by setting up appropriate policies' M&E systems.

The Ministry of Justice is the key stakeholder with regard to inclusive and evidence based policy and legislative development, as it manages all the legislative processes in Armenia as well as is the mandatory body in charge of the revision of the administrative procedures.

The Ministry of Health and the National Institute of Health are key stakeholders in developing e-health component of the programme given their mandate in the provision of health services.

The Commissions of Ethics (particularly the one in charge of High-Ranking Officials established in 2012) whose mandate is to ensure transparency and accountability of the public employees at different levels will be involved in the programme. Given that the Commissions have been established few years ago, their capacity and independence need to be strengthened. The Commissions are in the process of developing and needs enhanced capacity to develop their institutional and human resource capacities, as well as to introduce modern and effective methodologies and tools.

The Civil Service Council and the Public Service Training institutions are in charge of managing the civil servants and transforming the Armenian civil service into a professional and modern system. The public employment's scope is regulated by different laws and regulation and the Civil Service law concerns only part of the public employees. Therefore, the piloting role of the CS will be essential for reforming all public employment system based on modern principles.

The Central Election Commission (CEC) is a public administration body in charge of the elections and referendum processes. The CEC approves the main procedural rules, standard forms and instructions and ensures the availability of the relevant information in advance of the election day. Taking into account the central role of the Commission in safeguarding the citizens' rights for free and fair elections, increasing the efficiency and accountability of the elections process and thus, the Central Elections Commission will significantly contribute to the credibility and liability of public administration. Furthermore, in view of the new electoral code and the introduction of new technologies, the CEC capacity has to be reinforced.

The E-Governance Infrastructure Implementation Unit (EKENG) is the agency responsible for the framework of e-services in Armenia. It is in charge of the technical implementation of e-systems such as e-Identity and of the development of interoperability framework for e-Governance infrastructures. EKENG will ensure sustainability and efficiency of e-governance systems.

The Personal Data Protection Agency has been created in 2015. Its mandate is to ensure that throughout the development process of e-Governance the requirements of data protection law are in accordance with EU standards. The capacity of the Agency needs to be built.

Relevant Civil Society Organizations (CSOs) such as the unions of public employees and the National Platform of the Eastern Partnership active in PAR will play an important role in monitoring the implementation of the programme at the Steering Committee. Furthermore, CSOs and citizens will participate in the policy-making through innovative and inclusive processes.

1.1.3 Priority areas for support/problem analysis

In the area of policy development and coordination, the Government of Armenia needs to improve its policy development and policy implementation systems through enhanced coordination mechanisms as well as legislative systems. When it comes to inclusive and evidence based policy and legislative development, on the past, there have been a number of efforts – including an EU twinning - to introduce regulatory impact assessment (RIA) mechanism, which is part of policy and legislative development and coordination mechanism. Currently, there are provisions in respective legislation that legal acts should be accompanied with RIAs; in practice, such assessments are of low quality and systematically not taken into consideration by the policy-makers. Also, public consultation mechanisms on draft policy papers and legal acts are not effective. State institutions lack knowledge and capacity to conduct proper public consultations around policy documents where the expressed needs of the users and the citizens are taken into consideration. Another weakness is the lack of Monitoring and Evaluation (M&E) systems that support the implementation of reforms policies and strategies and provide feedback to enhance the implementation of current and future reforms. Moreover, the data and information collection systems mainly of the government branches need enhancement and better coordination at central level by the Government Staff to provide adequate information to the policy makers.

In the area of public service and human resources development, in 2001 Armenia started the process of reforming its civil administration system. The most significant change was the introduction of the civil service system with the adoption of the Law on Civil Service in 2001. Although the horizontal scope of civil service is rather narrow as the civil servants are around 17% of all the public servants, the law played a significant step forward as it modernised one part of the public service. Despite the reforms implemented during the past decade, the following challenges remain: (a) the scope of the civil service is narrow and does not include other services, such as tax, customs, diplomatic service and etc.; (b) the recruitment system is not modern and checks mainly knowledge of respective legislation and not the professional capacities of applicants; (c) the mobility and rotation in the public administration system does provide wide opportunities for getting servants from other services (tax, customs) to civil service and visa-versa; (d) the training system does not fully ensure continuous professional development of civil servants, and training needs analysis is not used in the system; (e) the relatively low financing of civil servants' and in general public servants' training; and (f) the work planning and performance appraisal systems are not effective, and the performance appraisal system is not fully used for promotions.

In the area of accountability, including openness and transparency of the government, in recent years, Armenia has carried out considerable work to promote public access to information on the government's activities, as well as to increase citizen participation and foster feedback thus informing the process of decision-making. However, in order to integrate open government principles into all activities of the government, to provide with information and to involve the public, more efforts are needed such as enhanced coordination, more accessible information, implementation of consulting systems for bringing citizens insights into the design of reforms and solutions and drafting of legal acts. To increase citizens' trust in the electoral system on a broader scale, the accountability of elections process has to be further addressed. In addition to continuous recommendations from OSCE/ODHIR to address the lack of impartiality of the public

administration and abuse of administrative resources in the election process, the trust of the citizens is further undermined by the lack of capability of relevant authorities to introduce effective and consistent safeguards against multiple voting and the overall accuracy of voters lists.

Beside the above identified problems to ensure appropriate public consultations, civil society capacity is generally not adequate to provide valuable inputs during policy and legal development process. The absence of innovative and participative systems to breach the gap renders the consultative task impossible.

Within the overall framework of the ADS, the government highlights the need of enhancement of integrity in the public administration. The mission of the Commission on Ethics of High-Ranking Officials and of the other Ethics Commissions established within each institution is to build trust among citizens towards public institutions, to contribute to implementing good governance as well as to ensure transparency and accountability of the public officials' activities. However, the Commission of High-Ranking Officials lacks functional and financial independence. A new legislative framework of ethics for civil servants needs to be developed and the system of ethics' commissions in public administration bodies needs to become effective. The representatives in the ethics' commissions lack the necessary capacities to perform their duties with high effectiveness. Finally, the role of the Commission of High Ranking Officials to harmonise ethics' principles needs to be strengthened.

In the area of service delivery, more specifically in the field of e-governance, Armenia has actively spearheaded a number of initiatives over the past couple of years, enhancing good governance by developing cost-efficient and transparent e-services. E-governance has promoted further social inclusion, and enabled broader engagement between citizens and the government. In 2009 the e-governance Infrastructure Implementation Unit (EKENG) was established which is responsible for the framework of e-services in Armenia. This agency is under the supervision of the Government Staff and is authorised to implement technically the e-Identity system as well as to develop the interoperability framework for the e-Government infrastructure. EKENG is also hosting the e-Citizen portal that is foreseen to act as the main gateway for the provision of e-services. Since EKENG is the leading institutions in the field of e-Governance reform, it needs to increase its effectiveness and further build its capacities.

Several e-services have already been developed. To date in the sector of e-governance Armenia has introduced electronic document management system in government institutions called Mulberry, which resulted in establishing paperless workflow and eSignature currently applied in the public administration system. It has provided the citizens with an opportunity to track the applications they have submitted to the public institutions online and view the answers from www.e-gov.am website. The Tax payer and Tax statements submission electronic system allows taxpayers to submit their statements in electronic form. Furthermore, the electronic civil status register, one-stop-shop vehicle registration, automated driver's license issuing system, on-line traffic fines tracking and payment system were developed. E-mail accounts have been set-up establishing a direct secure communication channel between the government and citizens. Another application discloses to citizens data stored about them in different government databases and shows how the government has used this data through the Citizen's personal e-Cabinet. One of the significant outcomes of the EU-Armenia cooperation in e-Governance sector has been the electronic civil registry. Currently all registrations are completed electronically. This

is a major step towards enhancing good governance, anti-corruption and increasing citizens' trust towards the government. In the same vein, the government will continue developing e-governance systems to meet users' expectations and benefit the citizens. The lack of a participative approach to the development of e-system will be also taken care by the programme via innovative and inclusive dialogue platforms between the public servants and the citizens. In addition the programme will seek to address a lack of usage in e-governance services by increasing the scale of actual users.

At the same time, the Personal Data Protection Agency, established in October 2015, is a key institution to ensure that the law on Data Protection is implemented, and that citizens' rights to informational self-determination are ensured. The Agency is a newly established institution in Armenia and there is a need for wide range capacity building activities, including institutional capacity building, introduction of new technologies, human resource capacity buildings.

1.2 Other areas of assessment

1.2.1 Fundamental values

Armenian authorities have continuously expressed their commitment, locally and internationally, towards human rights and democratic values. At the Eastern Partnership Riga summit in May 2015, both the EU and Armenia committed to further cooperation aimed at the promotion of human rights and rule of law, good governance and the strengthening the civil society. The ongoing negotiations on the new overarching agreement between the EU and Armenia include these areas too. The new EU supported Human Rights Budget Support programme 2016-2019 will scale up assistance on human rights, in particular in the areas of enhancement of elections, torture and ill-treatment prevention, anti-discrimination, gender equality/ fight against domestic violence and child protection. The budget support operation is aligned to the government's Human Rights Action Plan (2014-2016) that is under revision in cooperation with the EU. Overall, concerns regarding the right to free elections, the right not to be subjected to torture and ill-treatment, and non-discrimination persist. Gender equality, compounded by gender-based violence, is also areas of great concern just as implementation and enforcement of existing laws in the area of children's rights remains inadequate. Respect for fundamental values is also hampered by insufficient conditions guaranteeing media pluralism, the right to association with respect to trade unions, freedom of religion and other areas. The situation is exacerbated by corruption that undermines the rule of law, access to justice, and failure of courts to enforce the right to fair trial. In this regard, the government implements a comprehensive judicial reform plan supported by the EU focusing on the institutional development of the judiciary aimed at increasing the independence and accountability of the judges in line with good European standards; also, the plan foresees improvement of criminal procedure, civil procedure and administrative procedure legislation.

1.2.2 Macroeconomic policy

Overall, after the 2008-2009 crisis, the structure of the Armenian economy changed significantly with the services (around 55%) and agriculture (around 20%) sectors becoming the primary contributors to GDP and its growth. The construction sector is still to recover from its pre-crisis role in GDP growth. High dependency on remittances (mainly from Russia) and an import-oriented economy have moved Armenian consumption levels close to the GDP level. Exports continue to lag significantly behind

the level of imports and are dominated by exports of natural resources (mineral products, metals). Armenia is therefore heavily dependent on international commodity prices.

Over 2013-2015 period GDP growth showed a declining trend reducing from 7.1% in 2012 to an estimated 2.5% in 2015. In 2016, the GDP growth is expected to slow down further and is estimated at 2.2%⁴. In the medium-term perspective, economic growth remains uncertain also owing to the evolution of the Russian economic crisis with exporters exposed to the currency fluctuations. Inflation is not high and is within the ranges planned by the monetary authorities (4% +/- 1.5%) as the Central Bank has played a key role to stabilise the Armenian Dram. The Central Bank continues its commitment to a flexible exchange rate and inflation-targeting regime, except when the stability is at risk. Fiscal discipline is relatively strong with a deficit below the 3% level for the last few years, after a 7.5% deficit in 2009. In 2016, however, the budgeted deficit exceeds the 3% level and is higher than projected in the 2016-18 Mid Term Expenditure Framework (MTEF) (3.5% vs 2.8%). Public debt shows an increasing trend reaching 43.1% of GDP in 2014 vs. 40.8% in 2013. In 2015 the level of public debt is projected to approach 50% (48.2%) and exceed the mentioned level in 2016 and 2017 (50.6% and 51.6% respectively)⁵ raising concerns about its sustainability in the medium run. The level of investment is projected to decrease in 2015 (18.9% of GDP vs 22.6% in 2013 and 21.1% in 2014) but is projected to recover slowly over the medium-term to a level above 20% of GDP. The level of national savings is relatively stable and largely within the range of 14-15% of GDP over 2013-2017 period.

The EUD will closely monitor the results of the upcoming IMF mission in June in particular to assess the outcome in terms of agreed policy conditionality and the progress made by the tax policy reform.

Concerning the business climate, the World Bank Doing Business report ranked Armenia 37th (out of 189 countries) in 2014 and 45th in 2015. While Armenia performs well in areas related to opening business, it does not do so in areas related to running a business.

An important social challenge and risk is the continuous demographic loss over the last two decades, with a large proportion of economically active males having left the country. This results from lack of opportunities and high unemployment rates in the country (17.6% at the end of 2014 according to the National Statistical Service). The high level of skilled emigration is reflected in Armenia's poor rankings in the Global Competitiveness Index 2015/16, e.g. ranked 119 for "Country capacity to retain talent" indicator and 111 for the "Country capacity to attract talent" indicator. Unfortunately, so far, labour market policies to tackle the high structural unemployment have not been successful.

1.2.3 Public Financial Management (PFM)

Notwithstanding the need to advance the PFM system further, various reviews over the last decade have recognised the good dynamics of PFM reforms in Armenia apart from few areas, though very relevant. The most recent one is the Public Expenditure and Financial Accountability (PEFA) published in 2014 showing 16 out of 28 indicators ranking B and above (out of which 13 are ranked A). Strengths are in areas such as, inter alia, credibility and comprehensiveness of the budget, budget execution, and cash/debt management, while some progress is noted in terms of accounting, recording and

⁴ Source: State Budget 2016 and IMF data

⁵ Source: IMF data

reporting and revenue administration. However, continued effort is needed to improve accounting standards, public internal financial control, public procurement and external audit. While improvements are needed also in terms of MTEF and programme budgeting, progress is noted in such areas as well as the fact that the consolidation of accounts includes all in-budget donor-funded Project Implementation Units. Progress were noted also in 2015 such as the setting up of the Budget Office within the National Assembly, the strategy for full-fledged implementation of PB, the preparation of a new tax code aimed at reforming the tax system.

A new Law on Public Sector Accounting, introduces International Public Sector Accounting Standard (IPSAS) based accounting standards to be implemented in a medium-term perspective and, as mentioned above, procurement system as well as external and internal audit needs to be reinforced.

Overall, challenges remain in almost all areas of the PFM system in the country and persistent efforts to keep the momentum of reforms are important. Significant capacity building is required to enable implementation of PFM reform agenda within the set timeframe, as a number of complex changes, such as the shift to IPSAS and programme budgeting are scheduled to be fully implemented by 2018. In addition, constitutional changes relating to external audit discussed in section 1.2.4 below will also be enacted by 2018. Some of the reforms are fragmented and a coherent approach will help in designing the next phases of reforms. The EU has assisted the government in updating and upgrading the PFM reforms strategy to drive the overall process. The revised PFM Strategy was adopted in February 2016. On its basis the EU is planning a support programme in the PFM area.

1.2.4 Transparency and oversight of the budget

Armenian institutions regularly publish on official websites all the main state budget documents; the state budget, the MTEF, the state budget execution report and the audit report. According to the most recent PEFA report, Armenia scores high on comprehensiveness, public access to budget information and legislature's scrutiny while lacking quality and timeliness on reporting and audit. However, transparency is insufficient in the area of extra-budgetary activities of State Non Commercial Organisations and corporations with government shares. The state and local budget information is available to the public through the web.

The gradual move towards programme budgeting and the introduction of e-Governance present new dimensions of transparency not only of financial information but also performance and to a lesser degree policy targets and level of achievement. On a negative note, the participation of the Civil Society Organizations (CSO) in the budget cycle is very limited; partly this is due to the lack of demand and capacity of civil society, compounded by the weak influence of their submissions to the government. This lack of demand and capacity also leads to low participation of CSOs and other representatives of civil society in the budget process. This is also due to the complexity, volume and technical nature of budget documentation as well as lack of accessible budget information in a user-friendly format for citizens. The upcoming Annual Action Plan 2015 Public Finance Policy Reform Programme aims at enhancing the inclusiveness and participation of CSOs.

Armenia joined the Open Government Partnership (OGP) in 2011 and formulated its strategy on areas for improving the transparency of the Government, including in the

PFM areas, such as budget formulation, internal audit, and procurement. The World Bank BOOST project aiming at improving the quality of public expenditure data and facilitating its access and use was officially launched in July 2014.

Parliament's oversight function is gradually improving, especially in light of the introduction of programme budgeting and the shift to a parliamentary system of governance through the adoption of a new Constitution in 2015. The new Constitution extends the fundamental functions of the National Assembly to include oversight of Government's activities and reinforces the oversight role of Parliamentary Committees⁶. It also envisages establishment of investigative committees in the Parliament to look at specific issues.⁷ A budget office to enhance budget scrutiny by the legislature has been established in the National Assembly and started its operations in January 2016.

Performance of the external audit function has improved and continues to do so through on-going reform activities being implemented by the Chamber of Control. These aim at strengthening the scope and nature of audit for an effective operation of the International Standards for Supreme Audit Institutions. The new Constitution envisages a transformation of the Chamber of Control into Audit Chamber, an independent audit institution, and extends the scope of its functions to include performance and efficiency/effectiveness audit⁸.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
1. Geo-political tensions in the Caucasus, political instability within Armenia or a further downturn in the global economy diverts the government's focus and resources away from its reform agenda.	M	<ul style="list-style-type: none"> - Continued political and policy dialogue with the Armenian government - Close monitoring of macro-economic and PFM policies together with IMF and WB - EU support to PFM - Other Development Partners support to PFM and macro-economic reforms
2. Civil Society does not trust the government in the policy and legislative area	M	<ul style="list-style-type: none"> - The programme will support the necessary instruments and brokerage influence for facilitating open and frank discussions between government and civil society
3. Resistance within the public administration to reform	M	<ul style="list-style-type: none"> - Support central steering and coordination of reform processes - Internal communication and awareness campaigns on the importance of the reforms
4. Softening of government's financial and political commitment or technical	M	<ul style="list-style-type: none"> - Continued political and policy dialogue with the Armenian government - Through the Council of Europe PCF

⁶ Effective from the first session of the next sitting of the NA after the adoption of the Constitution, i.e. third Monday of January 2016

⁷ These constitutional changes will be enacted from the day of the acceptance of office by the newly elected President of the Republic of Armenia, i.e. in 2018

⁸ These changes will become effective when the new President accepts post, i.e. in 2018.

problems leading to delays in the implementation of electoral reforms		programme, EU will seek to support a government contingency plan and efforts to ensure that the introduction of new technologies is conducted appropriately for the 2017 Parliamentary elections
5. Lack of cooperation by various actors in e-Health sector	L	<ul style="list-style-type: none"> - Extensive policy dialogue with the Ministry of Health and alignment of strategies - Coordination with World Bank programme
6. Lack of capacity of the Data protection agency and trust of citizen in Armenia e-governance architecture.	M	<ul style="list-style-type: none"> - The programme will reinforce the capacity of the Data Protection Agency and support its independence. e-ID development to be realized including international best practices.
Assumptions <ul style="list-style-type: none"> - The government maintains or enhance its foreign policy objectives of strengthening the political and economic relationship with the EU. - The government maintains its commitment to the Armenian Development Strategy that aims at modernising the central public administration systems. - The government is committed to a more strategic approach on policy development and coordination, building on the recommendations of the World Bank and OSCE. - The government will ensure, under the leadership of the Chief of Staff of the Prime Minister, a coordinated monitoring and reporting structure on implementation of the strategies and action plans relevant for this programme. - The introduction of new technologies in respect of voter registration and identification is already piloted before 2017 Parliamentary election and the Government has a proper funding plan as well as contingency plan in case of technical failures. - CSO are willing to engage in a dialogue with the government and the EU. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

During the last decade, Armenia has made significant efforts to reform its public administration system. The EU supported the Armenian PAR *inter alia* through the following programmes (in bracket the Decision date):

- Twinning Projects Armenian administrations and their equivalent in EU Member States to foster PCA and ENP implementation (2007);
- "Support to Justice reform in Armenia" (2008);
- Twinning and Technical assistance Facility in support to the EU-Armenia ENP AP implementation"(2008). (This programme included the EU Advisory Group project);
- "Twinning and Technical assistance Facility in support of the EU Armenia – European Neighbourhood Policy Action Plan"(2009);
- General Budget Support Programme to the Republic of Armenia in support of the implementation of the ENP Action Plan by improving public finance management, public sector transparency and regulatory convergence in trade related matters (2010);

- Support to the Government of Armenia for the implementation of the ENP Action Plan and preparations for the future Association Agreement – Phase II (2011 and EaPIC scale up in 2013) ;
- Support to Justice Reform in Armenia – Phase II (2012);
- Public Finance Policy Reform Programme in Armenia (2015, to be signed)

Starting from 2004, the WB has supported the Armenian PAR through three Public Sector Modernisation Projects (PSMP).

An analysis of public administration reforms revealed the following key issues that need to be taken into account during the implementation of this programme:

- There is a need for a **high level ownership and leadership from the government** during implementation of public administration reforms;
- To ensure high level of effectiveness and efficiency of programme results there is need to establish **PAR coordination mechanisms under the leadership of the Chief of Staff of the Government**;
- **Objectives, targets and indicators of EU support should be realistic, but at the same time ambitious**, as well as in line with Armenian strategic documents, accompanied with necessary State Budget programmes to ensure sustainability of results;
- Enhancement of coordination of activities between donor organisations active in PAR sector is a key **for ensuring complementarity of overall support and reaching the highest level of efficiency and effectiveness**;
- The development of e-services has already contributed substantially and will further contribute to the transparency of the service delivery and reduction of petty corruption. At the same time, the work to **create a formal interoperability framework** is necessary and needs the support of both the EU and the World Bank;
- Focusing on service delivery will enhance the **visibility of the EU** by the Armenian citizens as the programme concretely aims at addressing everyday concerns of the people.

3.2 Complementarity, synergy and donor coordination

A number of international Development Partners (DPs) support Armenian public administration in the implementation of reforms, mainly EU, WB, GIZ, OECD/SIGMA and UNDP and OSCE. Regular policy and technical dialogue ex-ante, ongoing and ex-post implementation of the actions ensures the complementarity of the projects and a synergic approach.

A brief summary of the areas of interventions is as follows:

Theme	Development partners					
	EU	OECD/ SIGMA	WB	GIZ	UNDP	OSCE
1. Policy development and	X		X	X		X

coordination						
2. Accountability	X	X	X	X	X	
3. Public service and human resources development	X	X	X			
4. Service delivery	X		X			

In the area of policy development and coordination, the WB focuses on strengthening institutional capacity in policy formulation. GIZ is more active in supporting the laws and regulatory environment. OSCE has supported the Ministry of Justice in the area of inclusive and evidence based legislative development. The EU, with this programme, will focus both on policy planning, monitoring and evaluation as well as inclusive and evidence based policy and legislative development and will complement and build on the achievements of the WB and OSCE support.

In the area of accountability, the DPs complement each other. UNDP leads transparency and accountability topics with the Open Government Partnership programme. WB, EU, GIZ and OECD/SIGMA support the capacity strengthening of the ethics' system. Specifically, the EU through SIGMA provides support to the overall ethics' framework and the drafting of the code of conduct; the WB provides hardware to the Commission for High Ranking Officials while GIZ provides specific ad hoc technical assistance. The EU also provides extensive assistance through ongoing budget support programmes to strengthen the anti-corruption framework. The EU will in addition under the AAP 2015 civil society facility strengthen the capacity and engagement of civil society in the policy making process, and under AAP 2013 strengthen the institutional capacity of Armenian institutions involved in the four thematic PAR areas of this programme aiming at achieving the programme's results.

Under Public service and human resources development, the WB focuses more on the training aspects of the public servants, while the EU and OECD/SIGMA focuses more on the overall policy direction of the reforms and modernisation of the system.

Under service delivery, the WB supports the setting up of an overall E-Governance platform and support capacity building at central level, while the EU focuses more on specific e-services such as the e-ID and e-health that are complementary to WB actions.

Overall DPs' coordination needs improvement. The Steering Committee of this programme will support enhanced coordination by the Armenian institutions: through the Steering Committee, the Chief of Staff of the Government will lead the coordination of donors' actions around the ADS and the thematic strategies.

Finally this programme complements other ongoing EU interventions in the broader PAR area of PFM, Judicial System and decentralisation.

3.3 Cross-cutting issues

All activities under this programme will be designed and implemented in accordance with principles of good governance and human rights, gender equality and the inclusion of socially or economically deprived groups, wherever these issues are of particular relevance to the institutions to be assisted. In particular, a significant programme's objective will be gender equality through setting specific programme's targets during the implementation stage that are based on the national policy for gender equality. Examples of possible targets are:

- Reinforcing an effective system of personnel training and professional development aimed at the balanced promotion of women and men at various levels of public service;
- Production of sex-disaggregated data and analysis;
- Always considering the gender dimension in the delivery of services or in the making/implementation of policies and regulations emanating from this programme.

The programme will also support good governance and easier access to health services, ensuring equal opportunities for everybody with special emphasis on mother and child healthcare.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The programme supports the public administration reform agenda of the Republic of Armenia.

The **overall objective** is to improve transparency, accountability and efficiency of the Armenian central public administration in view of citizens' and businesses' needs.

The **specific objectives** and results of the programme are:

Objective 1 – To enhance policy and legislative development and coordination, which ensures gender equality dimension, at the central public administration

Result 1.1 Improved policy and legislative planning and coordination capacities at the central public administration

Result 1.2 Improved capacities for inclusive and evidence-based policy and legislative development

Objective 2 – To strengthen professionalism and well-functioning of the civil service

Result 2.1 A more professional and merit-based human resources management system, which promotes a balanced gender representation in the civil service, is in place

Result 2.2 A more modern training and capacity development for civil servants linked to gender-balanced human resource planning, performance appraisal and promotion system is in place

Objective 3 – To enhance the accountability, integrity and openness in the public administration

Result 3.1 Increased trust of citizens in public administration

Result 3.2 Increased integrity in the public sector through support to the Ethics Commission for high ranking officials and other ethics' commissions

Result 3.3 Increased citizens' rights to access information and control personal data information

Objective 4 - To improve public service delivery through e-governance

Result 4.1 Enhanced capacity of the e-governance infrastructure Implementation Unit

Result 4.2 Government e-ID related e-services in place and revised relevant administrative procedures

Result 4.3 Government e-health services in place and revised relevant administrative procedures

4.2 Main activities

4.2.1 Budget support

Budget support will focus in achieving objectives in all the four components of the programme. In line with the results under the objectives 1-4 outlined above, the support will focus on enhancing the policy development and coordination of the central public administration; on the improvement of civil service professionalism through development of training capacities and development of merit-based civil service; enhancement of accountability and transparency of public administration and ensuring of openness for civil society participation; and the introduction of modern and up-to-date e-governance solutions to ensure highest possible level of provision of public services.

In particular, budget support approach will streamline the coordination of PAR across the Armenian public sector triggering a more coherent institutional approach led by the Office of the Government Staff.

4.2.2 Complementary support

- Support to the e-service component of the programme, in particular in view of the development of e-Identity services and the integration of different governmental services into the e-government infrastructure. The creation of a new technological solution and procedure would deploy the already existing e-Identity systems, integrating the different electronic databases. It will also contribute to increase the accountability of public administration and trust of citizens in elections' outcomes by introducing new technologies in respect of voter registration and identification;

- Strengthening the capacity of selected Armenian institutions that are actively involved in PAR, especially in the area of policy development and coordination and civil service management. Institutions could include the relevant government institutions, the Data Protection Agency and others. The selected Member State agency will share expertise and EU good practices, whilst also assisting in establishment of relevant procedures, regulations and guidelines;

- Provision of ad hoc technical assistance in the PAR areas as well to review the annual targets for disbursement.

4.3 Intervention logic

This programme will support the Government of Armenia in the implementation of public administration reform as outlined in ADS, as well as other key strategic documents in the field of public administration reforms, included but not limited to Civil Service Reform Strategy and Action Plan for 2016-2020, Anti-Corruption Strategy and Action Plan for 2015-2018, and E-Governance Action Plan for 2014-2018.

In the field of **policy development and coordination** at the central public administration, building on the ongoing support of the World Bank and OSCE, the programme will seek

to support the central governmental bodies to develop the policy planning system, stressing the usage of a more inclusive approach during policy and legislative planning. Moreover, the programme will support the government with inclusive and evidence-based policy and legislative development. Two major components of evidence-based policy-making will be concentrated on: 1) monitoring of policy planning documents and publication of respective monitoring reports, which serve as evidence for further policy planning exercises and 2) introduction of impact assessment modern methodologies during policy-making and legal development. This intervention will contribute to the introduction of more effective policy and legal development approaches, as well as to the enhancement of coordination mechanisms.

In the field of **public service and human resources management**, the programme will continue EU efforts to support development of merit-based and professional civil service system in Armenia. The programme will support the development of competence- and merit based recruitment and promotion systems in the civil service, in line with the recent Armenian civil service reform strategy. Support will be provided to changing the current job descriptions into a new position classification system. Continuous professional development of civil servants is a priority for Armenia, as well as priority of EU upcoming support. The programme will work on development of real needs-based training system, which will be linked with human resource planning, performance appraisal. The logic is to introduce a Training Needs Analysis system within the civil service system and ensure that all compulsory training modules are developed in line with the results of training needs assessments.

In the field of **accountability**, integrity, and openness in the public administration, the programme will support the implementation of the Open Government Partnership 3rd and 4th Action Plans (2016-2018, 2018-2020). It will also support the Governmental decision to introduce new technologies in respect of voter registration and identification in order to increase citizens' trust in public administration, improving the accuracy of voter lists and the electoral process management. The programme will also support the institutional and human resource capacities of the Data Protection Agency and will increase of independence of the Agency. Finally, it will support the Ethics Commissions for High Ranking Officials and Commissions in other State bodies on case investigations and introduction of modern methodologies for risks assessments among others.

In the field of **service delivery**, the programme will focus on e-governance and will support EKENG, as well as improve public service delivery through e-tools, with a particular emphasis on e-IDs. In parallel, the programme will build on the pilot work developed by the World Bank on e-Health to introduce generalised digital health records for citizens, as well as e-Health management tools and modules to improve service delivery as well as accountability and efficiency of the system in line with the Armenia Health Policy system development concept paper 2015-2020.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for budget support component is EUR 12 million based on the following elements:

- Proven record of commitment of the Government of Armenia to allocate national budget resources in line with the ADS and the available sector strategies (Civil Service Reforms, OGP, E-Gov);
- The absorption capacity of the government as demonstrated by past budget support modality is proposed for areas where a sound level of policy framework, coordination and ownership of the reforms has been shown.

While the three components of the programme which will be targeted have strong strategic underlying policy documents, only two have estimated costings. The Civil Service Strategy is partly costed for an amount estimated at above EUR 1 million. The e-governance actions to be supported by this action are estimated to cost EUR 16 million and will be supported through this budget support for an estimated amount of EUR 8 million. Clearly additional costs will come from the institution building required for achieving objectives one and three, ranging from the reinforcement of the data protection agency, the ethics commission to the implementation of a streamlined legislative and strategy planning process. Finally, this programme aims at ensuring the appropriate budgetary allocations for PAR in Armenia through a constant and enhanced dialogue also around costing of reforms.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Armenian Development Strategy on Public Administration Reforms (Chapter X) and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the Public Finance Management reform programme;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement for the variable tranches will be related to the achievement of specific objectives and the main expected results of the programme. The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Government of Armenia may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Budget support is provided as direct untargeted budget support to the national Treasury (indicatively three variable tranches). The crediting of the euro transfers disbursed into Armenian drams will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

5.4 Implementation modalities for complementary support

5.4.1 Grants: call(s) for proposals for twinning project(s) (direct management)

(a) Objectives of the grant(s), fields of intervention, priorities of the year and expected results

The main objective of the twinning call(s) for proposals is to strengthen the institutional capacity of the Armenian institutions involved in the four thematic PAR areas of this programme aiming at achieving the programme's results. The project(s) will assist the Armenian counterparts requesting support through transfer of expertise and EU good practices, assisting in the establishment of management structure, workflow, relevant standard operating procedures, regulations and guidelines, as well as development of strategies and policies that also takes into consideration a gender equality dimension.

(b) Eligibility conditions

In line with Article 4(10)b of Regulation (EU) No 236/2014, participation in the twinning call(s) for proposals is limited to public administrations of the EU Member States, being understood as central or regional authorities of a Member State as well as their bodies and administrative structures and private law bodies entrusted with a public service mission under their control provided they act for the account and under the responsibility of that Member State.

(c) Essential selection and award criteria

The essential selection criterion is the operational capacity of the applicant.

The essential award criteria are the technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

(d) Maximum rate of co-financing

The rate of co-financing for twinning grant contracts is 100%⁹.

(e) Indicative timing to launch the call

Q4 2017.

(f) Use of lump sums/flat rates/unit costs

A Twinning contract includes a system of unit costs and flat rate financing, defined in the Twinning Manual, for the reimbursement of the public sector expertise provided by the selected Member States administrations. The use of this system of unit costs and flat rate financing, which exceeds the amount of EUR 60 000 per beneficiary of a Twinning contract, is subject to the adoption of a separate, horizontal Commission decision.

5.4.2 Grant: direct award to Estonian E-Governance Academy (direct management)¹⁰

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The objectives of grant are the following:

- Improve e-Governance management capacity
- Improve public service delivery through the development of digital identification services, their integration into the e-governance infrastructure, and the increase of e-identity take-up and usage
- Improve public service through the development of e-health
- Improve policy-making and policy-implementation through innovative and participative practices

With the following expected results: sustainability and efficiency of e-Governance investments improved; governmental e-services developed and integrated into the e-governance infrastructure; e-health digital resources and services are functional; e-health management systems operational; innovation policy is implemented through participation for enhanced service delivery.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to Estonian E-Governance Academy.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because this action has specific characteristics requiring a specific type of beneficiary for its technical competence and specialisation in accordance with Article 190(1)(f) of Commission Delegated Regulation (EU) No 1268/2012.

⁹ As provided for in the Twinning Manual.

¹⁰ The request to do a pillar assessment has been submitted to HQs and is being assessed.

E-Governance Academy (eGA) has specific expertise developed in the e-Governance sector in transition economies, taking especially into consideration Estonia's unique experience in successfully tackling the issues of centralised public administration with very limited resources. Thanks to the transparency brought by the development of digital society, it is now the least corrupt post-Soviet country and in the forefront of e-Governance development in the world. eGA has specific experience not only in the field of technical implementation but also in knowledge sharing of related policies, legislation, and regulation development. The areas of specific support foreseen to be provided in the AAP 2016 are the key areas of expertise of eGA on the basis of introducing an e-ID and an interoperability system which forms the backbone of e-Governance and integrated e-services provision in Estonia. This is particularly relevant as Armenia has taken the strategic decision to choose the Estonian decentralised X-road approach (Armenia e-governance Action Plan) for developing their interoperability system. Armenia has also embraced the idea of issuing an electronic ID to all the citizens, providing the basis of integrated whole-of-Government approach to e-Governance.

In addition, e-IDs lay the foundation for potential future e-Elections which are based on e-ID management and are a specific technical competence of eGA. Estonia was the first nation to hold legally binding general elections over the Internet in 2005, in 2015 Internet voting already accounted for 30,5%. eGA as an EU Member State's organisation that has a proven positive track-record and has been entrusted with the mission of sharing the Estonian experience would contribute extensively to building trust in Armenia in the identity management which is the key infrastructure of e-Governance.

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 80%.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement

Q1 2018

5.4.3 Procurement (direct management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
TA - capacity building measures for	Services	3	Q4 2017

Public Administration Reform and review of conditions			
Audit and evaluation	Services	2	Q2 2018
Communication and Visibility	Services	1	Q4 2017

5.4.4. Indirect management with an international organisation

A part of this action may be implemented in indirect management with United Nations Development Programme (UNDP) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails support to the election process including to increase their credibility and transparency through the phased roll out of e-solutions. Amongst other, as a long-term investment to build trust in Armenian election process and to promote sustainable solutions, the integrity of voters' list will be enhanced through the introduction of e-IDs which will also lay the foundation for introducing further e-solutions to the election process. New electoral technology will help to address the issues around the voter registration and the result management system. This implementation is justified because of UNDP's extensive experience in strengthening electoral systems and processes in over 83 countries, including in Armenia, its thorough understanding of the governance processes in place in Armenia, its ability to rapidly mobilize the necessary and specific expertise as well as to rapidly deploy the operational solutions required in light of short time available until the elections.

The entrusted entity would carry out the following budget-implementation tasks: running the public procurement, grant award procedures; concluding and managing the resulting contracts, including making of the related payments.

Due to the urgency to provide support to the Armenia Government for the preparation of 2017 Parliamentary elections, the eligibility of the costs incurred by the entrusted entity may be authorised as of 1 July 2016.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased is established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (amount in EUR million)	Indicative third party contribution (amount in EUR million)
5.3 - Budget support Sector Reform Contract	12	N.A.
5.4 – Complementary support	8	0.875
5.4.1. – Twinning call for proposals to support institutions active in PAR (direct management)	1.5	N.A.
5.4.2 – Direct grant to E-Governance Academy Foundation (direct management)	3.5	0.875
5.4.3 – Procurement (direct management)	0.7	N.A.
5.4.4 – Indirect management with UNDP	2.00	N.A.
5.9 – Evaluation, 5.10 – Audit	0.15	N.A.
5.11 – Communication and visibility	0.15	N.A.
Totals	20.00	0.875

5.7 Organisational set-up and responsibilities

Oversight of the overall programme will be entrusted to a Steering Committee jointly chaired by the Chief of Staff of the Republic of Armenia's Prime Minister's Office. Among others, the Steering Committee will include the Ministry of Economy, the Ministry of Finance, the EU Delegation, representatives of all ministries and institutions involved in the implementation of this programme such as the Ministry of Health and the Ministry of Justice, the Civil Service Council, EKENG, and representatives of relevant non-state actors and International Organisations such as WB, UNDP, GIZ. This set up will ensure a structured policy and technical dialogue and close coordination among all stakeholders during implementation.

The Committee will meet at least once a year to review the progress made and decide on any proposed modification to the programme.

In addition, this programme will be discussed at the annual EU Budget Support Governance Board. This process should result in strengthening the coordination between Government, the donor community and non-state actors in this area.

5.8 Performance monitoring and reporting

The performance monitoring and reporting system will be pegged to the government M&E system that the programme aims at enhancing. In particular, each sub-sector strategy (EG: e-governance, civil service reforms, OGP etc...) includes indicators and

targets that will be used to benchmark the programme M&E system also through budget support conditions.

External review missions for the verification of the compliance of the conditions attached to the release of each annual variable tranche will be carried out. These will take place indicatively in the Q2 of each year starting in 2018 and will be funded by this programme. The status of implementation of each condition will be presented at the Steering Committee and recommendations on tranche disbursement provided.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

The need for mid-term and/or final evaluation will be considered based on the programme needs and, to avoid duplications, the implementation of similar diagnostics.

5.9 Evaluation

Having regard to the importance of the action, a mid-term and a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

They will be carried out for accountability and learning purposes at various levels including for policy revision, taking into specific account the outputs and the outcomes of the programme, their sustainability and other diagnostics assessing the same programme to avoid duplication.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts and, inter alia, provide them with all necessary information and documentation, as well as access to the premises and to the activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in

agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures that shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LIST OF RESULT INDICATORS

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant to address gender related policy.

	Results' chain	Indicators	Baselines	Targets	Sources and means of verification
IMPACT					
Overall Objective	To improve transparency, accountability and efficiency of the Armenian central public administration in view of citizens' and businesses' needs	1. World Bank Good Governance indicators: a) Voice and Accountability, b) Government Effectiveness, c) Regulatory Quality, d) Control of Corruption 2. Country Policy and Institutional Assessment (CPIA) rating on a) public sector management and institutions, b) public administration, c) on transparency, accountability, corruption	1. 2014 a) 30.5 b) 46.2 c) 60.1 d) 40.4 2. 2013 a) 3.70 b) 3.50 c) 3.50	1. WB indicators: a) 64 (2017), 75 (2021) * b) 62 (2017), 75 (2021) * c) 75 (2017), 85 (2021) * d) 58 (2017), 70 (2021) * * Armenia Development Strategy 2014-25 2. CPIA Improvement in ratings (2020)	CPIA rating Reports WB, OECD, SIGMA, CoE Monitoring of the programme Evaluations
OUTCOME					
Specific Objective 1	To enhance policy and legislative development and coordination at the central public administration level	% of implementation of Regulatory Reform Road Map and WB programme of policy-development	0 [2016]	Improvement in implementation (% to be assessed) [2020]	Monitoring reports of OSCE and World Bank Independent reviews' report
Specific Objective 2	To strengthen professionalism and well-functioning of the civil service	% of implementation of the Civil Service Reform Strategy	0 [2016]	Improvement in implementation (% to be assessed) [2020]	Monitoring report of the Government and the Civil Service Council Independent reviews' report
Specific Objective 3	To enhance the accountability, integrity and openness in the public administration	% of implementation of the third and fourth Open Government Partnership (OGP) Action Plan	OGP Action Plan 2014-2016 Completion rate: 11 total targets of which: completed: 3. Substantially achieved: 1. Limitedly achieved: 6. Not started: 1. [2016]	80% of targets of the OGP Action Plan 2016-2018 and 2018-2020 are implemented including actions to enhance integrity and fight corruption in the PA system [2018]	Reports on the implementation of the OGP Action Plan Independent reviews' report

				[2020]	
Specific Objective 4	To improve public service delivery through e-governance	N of areas with quality e-services delivery	2 (e-tax and e-cabinet)][2016]	Increased number of quality e- services developed [2020]	Reports of the Government
OUTPUTS for Specific Objective 1 : To enhance policy and legislative development and coordination at the central public administration level					
IO 1.1	Improved policy and legislative planning and coordination capacities at the central public administration	(1) Extent to which the inter-ministerial and public consultation process occurs; (2) WEF Transparency Index of Policy Making; (3) Percentage of policies produced and implemented through co-production approaches	(1) to be prepared [2016] (2) 4.3 (3) 0 [2014]	(1) Increase (2) Increase (3) Increased [2020]	Independent reviews' report WEF report
DO 1.2	Improved capacities for inclusive and evidence-based policy-making	(1) Percentage of policy planning documents (strategies, action plans, programmes) yearly monitored on the basis of a M&E system and publicly reported and including gender disaggregate data and analysis; (2) impact assessment methodology adopted and used and capacity of the staff of the central administration to prepare assessment.	(1) baseline will be prepared with EU ongoing assistance; (2) requirement for impact assessment existing but no methodology adopted [2016]	(1) 80%; (2) methodology approved in line with EU best practices, respective training module developed, and concerned civil servants trained and impact assessments undertaken [2020]	Review mission assessment report; Line ministries reports; TA progress report
OUTPUTS for Specific Objective 2: To strengthen professionalism and well-functioning of the civil service					
DO 2.1	A more professional and merit-based human resources management system, which promotes a balanced gender representation for the civil service, is in place	(1) Percentage vacancies and promotions filled according to the new competence based recruitment and selection regulations to be adapted in the frame of the new law on Civil Service; (2) percentage of job description in line with new position classification system, (3) greater gender balance achieved in civil service and relevant management positions (4) classification system updated and adopted	(1) 0% as the draft law on Civil Service will be adopted in 2016, (2) 100% job description produced according to current position system and 0% according to the new position system [2016] (3 and 4 will be assessed during 2016)	(1) 100%; (2) 100% [2020]	Monitoring report from the Civil Service Council; Review mission assessment report; TA progress report

DO 2.2	A more modern training and capacity development for civil servants linked to gender-balanced human resource planning, performance appraisal and promotion system is in place	(1) Percentage of public administration with human resource plans adopted; (2) percentage of training delivered based on TNA (Training Need Assessment).	(1) 0%; (2) 0% [2016]	(1) 100%; (2) 100 [2020]	Monitoring report from the Civil Service Council; Review mission assessment report; TA progress report
OUTPUTS for Specific Objective 3 : To enhance the accountability, integrity and openness in the public administration					
IO 3.1	Increased trust of citizens in public administration	(1) Share of public information request refused by public bodies in a given year; (2) extent to which the right to access public information is enacted in legislation and applied in practice; (3) % of citizens who have trust in the ombudsman; (4) extent to which OSCE/ODIHR post-election reports assess public trust in the integrity of the electoral process	(1) (2) (3) to be assessed [2016] 4) Low [2013]	(1) decrease to be assessed; (2) (3) increase to be assessed [2020];]; (4) increase	Freedom of Information reports; independent review report; OSCE/ODIHR Election Observation Mission Final Report
IO 3.2	Increased integrity in the public sector through support to the Ethics Commission for high ranking officials and other ethics' commissions	(1) Number of cases investigated by the prosecutor general office based on Ethics Commissions' reports (risk analysis methodology)	(1) zero [2016]	(1) in line with the risk assessment report as assessed by international experts [2020]	Ethics Commissions reports; review mission assessment report; TA progress report
DO.3.3	Increased citizens' rights to access information and control personal data information	(1) Enforcement of the 2015 law on data protection; (2) capacity of the data protection agency and its independence	(1) No monitoring report; (2) 36 000 euro budget with 7 staff and agency under the supervision of the Ministry of Justice [2016]	(1) Annual monitoring report published and e-module developed to ensure citizens' rights to e-information self-determination and control over personal data; (2) Budget (2019) and MTEF (2019-2021) in line with twinning recommendation and operational independence of the agency on the basis of good international practices [2018]	Personal Data Protection Agency report; Review mission assessment report; Approved budget and MTEF; TA progress report.
OUTPUTS for Specific Objective 4: To improve public service delivery through e-governance					

IO.4.1	Enhanced capacity of the e-governance infrastructure Implementation Unit	Budget of EKENG (E-Governance Infrastructure Implementation Unit) and needs assessment	Budget [2016] and needs assessment [2017]	Budget increased and ENKENG's structure reinforced by technical assistance [2020]	Approved budget; Technical assistance report
DO.4.2	Government e-ID related e-services in place and revised relevant administrative procedures	(1) UNPAN e-governance readiness index and Transparency International (TI) corruption perception index; (2) Number of e-services developed using e-ID for the direct benefit of the citizens; (3) % of the adult population with e-ID	(1) 61 (e-governance readiness index) [2014]; 94 (TI index) [2014]; (2) 2 e-service developed (e-tax and e-cabinet) [2015]; (3) 20% [2016]	(1) Improved ranking; (2) Number of e-ID related services developed including e-residency service; (3) 90% of the Armenian resident [2020]	UNPAN and Transparency International index; Technical assistance reports; EKENG reports; Review mission assessment report
DO.4.3	Government e-health services in place and revised relevant administrative procedures	(1) Management capacity of health institutions; (2) Citizen digital health record; (3) Digital ecosystem required for e-health management module to function; (4) Number of e-health management modules functioning and integrated into e-governance structure	(1) Satisfaction survey (to be assessed); (2) non existing; (3) non existing; (4) 6 institutions have an e-health management module [2016]	(1) Increased in satisfaction thanks to change management in medical facilities where e-health management module is introduced and training programmes and new Standard Operating Procedures are implemented; (2) All Armenian citizens who applied for medical assistance have a digital health record and interoperability between health institutions is ensured; (3) Fundamental e-health standards are adopted and enforced (based on HL7 framework); core registries of diseases, drugs, medical personnel and medical facilities, as well as digital prescription module are in place; (4) Number of public hospitals, specialized hospitals and pharmacists with a functioning e-health management module [2020]	Ministry of Health and National Institute of Health and EKENG reports; Review mission assessment report; Technical assessment report