

SUMMARY

Annual Action Programme 2018 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 (EUR 2.5 million) 22 04 02 02 (EUR 33.5 million) 22 04 03 03 (EUR 10 million)
Total cost	EUR 46 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

EU-Armenia relations

Armenia has been part of the **European Neighbourhood Policy (ENP)** since 2004 and in the **Eastern Partnership** since its creation in 2009. The **Comprehensive and Enhanced Partnership Agreement (CEPA)** between the EU and Armenia, signed in November 2017, is a key instrument towards deeper and expanded cooperation between the EU and Armenia.

In line with the CEPA, Armenia and the EU have jointly developed **Partnership Priorities**, signed in February 2018, which will guide future bilateral cooperation in key areas structured along the priorities confirmed at the Brussels Eastern Partnership Summit. The EU support for Armenia is based on **Single Support Framework for EU support to Armenia 2017-2020** (SSF 2017-2020) in which the indicative allocation for the 2nd sub-period (2017-2020) amounts to 144 – 176 mln EUR.

The **Mobility Partnership with Armenia** was signed in 2011. Following, the EU-Armenia **Visa Facilitation and Readmission Agreements** were signed and entered into force in January 2014. At the Eastern Partnership Summit in Brussels on 24 November 2017, the EU and Armenia concluded negotiations for a new **aviation agreement**.

The EU is Armenia's main export market and second largest source of imports, with a 26% share in total exports and a 22% share in total imports. Since 1 January 2014, Armenia has benefitted from the EU's **Generalised Scheme of Preferences (GSP+)**.

Political situation

The Armenia 'Velvet revolution'. A series of anti-government protests took place in Armenia from April to May 2018 staged by various political and civil groups led by Member of Parliament Nikol Pashinyan (head of the Civil Contract party) who declared it a '**Velvet Revolution**'. As a result of the protests, the Parliament elected Nikol Pashinyan Prime Minister on 8 May.

Elections. On 2 April 2017, Armenia held parliamentary elections under the new Constitution and the new Electoral Code. According to the OSCE/ODIHR, the elections were well-

administered and fundamental freedoms were generally respected. At the same time, the OSCE/ODIHR noted that there were credible reports of widespread vote buying, intimidation of civil servants and private company employees as well as abuse of administrative resources.

Holding snap, genuinely free and fair elections (foreseen in the spring 2019) is one of the priorities of the new government, which is fully committed to bringing the election-related legislation in line with the international standards in order to ensure the transparent electoral processes and to increase the public trust towards the government.

Human Rights. The basic **human, political, economic and social rights** of Armenian citizens remain insufficiently protected. Citizens know little about their rights and responsibilities, and the lack of trust in the legal system continue to prevent the majority of people to claim their rights.

Civil society and media. Civil society and media are key agents in the **fight against corruption** which has emerged as a priority to the new Government. While some organisations prioritise this work and have the capacity and knowledge to carry it out, their efforts have borne little fruits due to the environment in which they were conducted.

Economic situation.

Armenia is a landlocked country with limited natural resources and with a population of around 3 million. Based on OECD/DAC criteria, Armenia is classified as a lower middle-income country with Gross Domestic Product (**GDP**) per capita 3,800 USD (2017). Armenia's economic performance has recovered to 7.5% GDP growth in 2017. The **unemployment** rate—which declined only marginally, from 18 percent in 2016 to 17.8 percent in 2017—remains among the highest in the region. The unemployment and more generally, the lack of economic opportunities have contributed to significant outflows of economically active population.

SMEs. There is a lot of potential in the development of the **SME sector**. In 2016, there were around 78,000 SMEs in Armenia, making 98% of all registered and functioning legal entities and contributing to around 40% of GDP. In 2016, around 302,000 people were employed in SMEs accounting for approximately a quarter of total employment in Armenia.

Agriculture. One of the priority areas for the Government is agriculture and rural development. According to the official data provided by the National Statistical Service of Republic of Armenia (RA), as of 2016, around 33.6% of the total employed population in the country was engaged in **agriculture**. The Agricultural sector is accounting for 15.9% of GDP with 96.8% of gross agricultural product produced by small farms, and 3.2% by commercial organisations. Out of 915 communities in the RA, 866 are rural communities.

Tourism. Armenia is a unique **touristic destination** with a rich and diverse cultural heritage. According to the Ministry of Economy in 2017, around 1,494,779 visitors crossed Armenian border with a tourist visa, resulting in an increase of 18.7% compared to 2016. The direct contribution of Travel & Tourism to GDP was AMD231.7bn (USD477.7mn), 4.4% of total GDP in 2017 and is forecast to rise by 8.5% in 2018. Tourism in Armenia directly supported 44,500 jobs which makes 3.9% of total employment.

Culture and creative sector. The strategic role of cultural heritage and contemporary culture and creativity is becoming more visible in Armenia. According to the 2017 UNESCO culture for development indicators report, the cultural and creative industries (CCI) account for at least 3.3% of GDP and cultural occupations account for 4.86% of total employment in Armenia. At the global level, trade in creative goods and services currently accounts for almost 3.7% of the global trade. CCI contribute to growth, enable diversification of national economies, generate income and create employment.

3. Summary of the Action Programme

The present Annual Action Programme (AAP) intends to provide a package of assistance in favour of Armenia in line with the Single Support Framework for EU support to Armenia 2017-2020. All actions are fully in line with the "Eastern Partnership 20 Deliverables for 2020" and focus on three priority sectors: economic development and market opportunities, strengthening institutions and good governance, and mobility and people-to-people contacts.

The actions proposed within this AAP are coherent with the national policy framework and developmental priorities of Armenia, in particular with the Armenia Development Strategy (ADS) 2014-2025, the Armenian Regional Development Strategy 2016-2025, the Agriculture Development Strategy for 2010-2020, the Strategy and Action Plan for the Protection, Use and Promotion of Historical and Cultural Monuments 2016 – 2020 and the Government Programme 2017-2022.

The AAP is comprised of the following actions:

- **Action 1/ EU4Armenia: Regional Development**

This action programme will encourage private sector growth in Armenia with particular focus on the three Northern regions of the country (Shirak, Lori and Tavush) that have been selected by the Government of Armenia as pilot regions and with the creation of the Comprehensive and Enhanced Partnership Agreement (CEPA) facility through the banking sector, it will promote Small and Medium Enterprise (SME) development.

The action aims to empower entrepreneurs in Armenia with the tools, resources and enabling environment to start, grow and scale-up their businesses. It also aims to help reduce inequalities through ideation, incubation and acceleration of bottom-up, market-driven ventures in smart agriculture, innovative tourism, creative industries and technology industry.

The programme seeks to catalyse Armenia's innovation economy in close collaboration with the private sector as well as with development partners. Furthermore, it will seek to engage international network of investors.

- **Action 2/ EU4Citizens: Deepening Democracy**

As a response to the recent political changes, the Action will focus on enhancing democracy in Armenia through strengthening the participation of civil society in the political life, accountability and transparency of the government.

The Action consists of two components. The first component "Increased trust in Government" will primarily support the credibility and transparency of National Assembly elections in 2019 through creating a more enabling environment for participatory governance, with an emphasis on the regions. It will additionally reinforce existing mechanisms for human rights promotion and protection. Through the support to Open Government Initiatives, it will enhance open governance and broader civic participation.

The second component "Deepening civic engagement in Armenia" focused on expanding the understanding of participatory democracy and tools to engage as an active citizen, will empower Armenians to demand more openness and accountability at national and local levels. Actions under the second component will ensure that civil society expertise is provided to the government in the process of policy design and reform implementation. A media facility under this component is aimed at strengthening independent and professional media. Actions advancing gender equality and strengthen the civic participation of women are foreseen. Lastly, transition support will include the advice from experts who will seek to bring together people from different walks of life, communities and sectors to identify connectors and dividers in society.

4. Communication and visibility

Each action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of the implementation and supported with a separate budget allocation as part of the programme.

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. The Delegation of the European Union to Armenia will closely monitor the use of the Communication and Visibility manual for EU external action by beneficiaries.

5. Cost and financing

EU4Armenia: Regional Development	EUR 38,5 million
EU4Citizens: Deepening Democracy	EUR 7,5 million
Total EU contribution to the measure	EUR 46 million

The Committee is invited to give its opinion on the attached Annual Action Programme 2018 in favour of the Republic of Armenia.



This action is funded by the European Union

ANNEX 1

of the Commission Implementing Decision on the Annual Action Plan 2018 of the Republic of Armenia

Action Document for EU4Armenia – Regional Development

<p align="center"><u>ANNUAL PROGRAMME</u></p> <p>This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.</p>	
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1. Title/basic act/ CRIS number	EU4Armenia – Regional Development 2018/041-609 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 2017-2020	
4. Sector of concentration/ thematic area	Sector (2) – Economic development and market opportunities	DEV. Aid: YES
5. Amounts concerned	<p>Total estimated cost: EUR 41 250 000</p> <p>Total amount of EU budget contribution EUR 38 500 000</p> <p>This action is co-financed in joint co-financing by:</p> <ul style="list-style-type: none"> – Austrian Development Agency for an amount of EUR 2 000 000 <p>This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 750 000.</p>	
6. Aid modalities and implementation modalities	<p>Project Modality</p> <p>Direct management</p> <ul style="list-style-type: none"> – grants –call for proposals and direct award – procurement of services <p>Indirect management with</p> <ul style="list-style-type: none"> – Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) 	

	<ul style="list-style-type: none"> – Austrian Development Agency (ADA) – European Bank for Reconstruction and Development (EBRD) through Neighbourhood Investment Platform (NIP) <p>The Government of the Republic of Armenia will not provide any co-financing in terms of property or financial obligations.</p>			
7. a) DAC codes	43010 - Multisector 250 – Business and other services 311 – Agriculture 321 – Industry; (32130) SME development; (32161) Agro-industries 332 – Tourism			
b) Main Delivery Channel	13000 - Third Country Government (Delegated co-operation)			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	x	<input type="checkbox"/>
	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	<input type="checkbox"/>	x	<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 thematic flagships	Human development, incl. decent work, social justice and culture; Food and nutrition security and sustainable agriculture.			
10. SDGs	Main SDG Goals: (i) Decent Work and Economic Growth and (ii) Zero Hunger Secondary SDG Goals: (i) Ensure Sustainable Consumption and Production, (ii) Gender Equality and (iii) Industry, Innovation and Infrastructure			

SUMMARY

This Programme will encourage shared and inclusive private sector growth in Armenia with particular focus on the three Northern regions of the country (Shirak, Lori and Tavush) that have been selected by the Government of Armenia as pilot regions, and with the creation of a CEPA (Comprehensive and Enhanced Partnership Agreement) facility through the banking

sector to promote SME (Small and Medium Enterprise) development. The action aims to empower entrepreneurs in Armenia with the tools, resources and enabling environment to start, grow and scale-up their businesses. The programme also aims to help reduce inequalities experienced by the most vulnerable groups and individuals in the target regions. It will do so through ideation, incubation and acceleration of bottom-up, market-driven ventures in smart and sustainable agriculture, innovative tourism, creative industries and technology industry. In addition to boosting entrepreneurship by providing direct support to the innovative ideas with high growth potential, and accelerating venture through enhanced access to finance, it will contribute to creating an enabling environment for further sustainability and replicability.

The Programme seeks to catalyse Armenia's innovation economy in close collaboration with the private sector as well as with development partners, while ensuring high visibility of EU support to entrepreneurs in Armenia. Furthermore, in the framework of a pipeline approach, it will seek to engage international network of investors, for sustainable regional development and growth.

Furthermore, the Programme will establish a Creative Hub which will support the promotion of creative industries as a driver for economic growth and increased social inclusion, ensuring the participation of both women and men. The planned support will build on synergies and encourage inter-sectorial collaboration. The Programme will capitalise on various EU programmes, including EU4Business, Pilot Regional Development Programme, COSME, and Creative Europe.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Armenia is a landlocked country with limited natural resources and with a population of around 3 million. Based on OECD/DAC criteria, Armenia is classified as a lower middle-income country with GDP (Gross Domestic Product) per capita 3,800 USD (2017). Armenia's economic performance has recovered to 7.5% GDP growth in 2017, much higher than the actual growth in 2016. The unemployment rate—which declined only marginally, from 18 percent in 2016 to 17.8 percent in 2017—remains among the highest in the region. The unemployment and more generally, the lack of economic opportunities have contributed to significant outflows of economically active population. As a consequence, the communities remaining behind are made up disproportionately of women, elderly men and women, and children.

Competitiveness of the private sector and leveling the playing field are crucial to Armenia's ability to achieve sustainable and inclusive growth, ensuring that no-one is left behind. There is a lot of potential in the development of the SME sector. In 2016, there were around 78,000 SMEs in Armenia, making 98% of all registered and functioning legal entities and contributing to around 40% of GDP. In 2016, around 302,000 people were employed in SMEs accounting for approximately a quarter of total employment in Armenia¹.

World Bank Doing Business Report ranked Armenia 47rd (out of 190 countries) in 2017. However, the ranking of Armenia in the Global Competitiveness Index (GCI) report for 2017/18 was significantly less favourable with Armenia ranking 73rd out of 137 countries. A

¹ <http://www.mineconomy.am/en/449>

slight improvement has been made over the previous ranking (79th out of 139 countries in GCI 2016/17). Nevertheless, Armenia's competitiveness index remains low reflecting weaknesses in innovations, market size, financial market development, macro-economic environment, as well as high negative responses for areas such as corruption, access to finance, tax rates and regulations, and inefficient government bureaucracy. The high level of skilled emigration is reflected in Armenia's poor ranking in "Country capacity to retain talent" indicator (97th) and for the "Country capacity to attract talent" indicator (96th).

According to the official data provided by the National Statistical Service of Republic of Armenia (RA), as of 2016, around 33.6% of the total employed population in the country was engaged in agriculture. The Agricultural sector is accounting for 15.9% of GDP with 96.8% of gross agricultural product produced by small farms, and 3.2% by commercial organisations.

Out of 915 communities² in the RA, 866 are rural communities. A high level of migration from rural communities (both out of the country and to urban communities within the country) has been registered in recent years because of low socio-economic living standards in these communities. The **economic disparities are significant** between all the ten *marzes* (regions), as well as between urban and rural communities.

The high dependency on one sector in rural communities leads to the lack of diversification of income sources as well as its seasonality. Therefore, development of non-agricultural sectors which have growth potential such as rural tourism, processing industry, crafts and IT would greatly contribute to enlarging permanent income opportunities in rural communities, reducing emigration and generating opportunities, including for women, youth and elderly population, as well as persons with disabilities.

Armenia is a unique touristic destination with a rich and diverse cultural heritage. According to the Ministry of Economy in 2017, around 1.494,779 visitors crossed Armenian border with a tourist visa, resulting in an increase of 18.7% compared to 2016. There has been a steady increase in the number of visits starting from 2010, with a decline only in 2014 caused by the economic downturn in Russia. However, compared to Georgia with 7,5 million international visitors annually, the growth potential of tourism sector in Armenia remains relatively significant.

The direct contribution of Travel & Tourism to GDP was AMD231.7bn (USD477.7mn), 4.4% of total GDP in 2017 (and is forecast to rise by 8.5% in 2018, and to rise by 4.2% pa, from 2018-2028, to AMD380.4billion (USD784.3million), 4.5% of total GDP in 2028.).³ This figure primarily reflects industries' actors such as hotels, travel agencies, airlines, transport, restaurants, and leisure services. Tourism in Armenia directly supported 44,500 jobs (3.9% of total employment) and visitors' exports generated around AMD529.8billion (USD1,092.4million) (29.2% of total exports in 2017). Moreover, T&T investment in 2016 was AMD52.8bn (4.7% of total investment).

In addition to tourism development, cultural heritage and reproduction of national traditions, Cultural and Creative Industries (CCI) which support international tourism are also recognised as a separate sector with high growth potential, associated with wine and cultural tourism, including souvenir making, promotion of national cuisine, application of national

² The number before the consolidation of communities.

³ World Travel and Tourism Council annual report (2018).

clothing and development of applied arts. In fact, the term "Cultural and Creative Industries" encompasses a diverse and dynamic spectrum of disciplines, including architecture, archives, libraries and museums, artistic crafts, audio-visual/digital arts (e.g. cinema, videogames, multimedia and television), tangible and intangible culture heritage, design (including fashion design), music and literature, performing arts, publishing, marketing and communications, radio, visual and tech-related arts.

According to the 2017 UNESCO culture for development indicators report, the cultural and creative sector accounts for at least 3.3% of GDP and cultural occupations account for 4.86% of total employment in Armenia.⁴ CCI are dynamic and rapidly expanding sectors in the global economy. At the global level, trade in creative goods and services currently accounts for almost 3.7% of the global trade. CCI contribute to growth, enable diversification of national economies, generate income and create employment.

The objective of the proposed Programme is to increase innovative and high-growth potential ventures in the mentioned areas, which will translate into more and better-paid jobs in Armenia. Moreover, agriculture, tourism and CCI have been prioritised to further support export development in Armenia.

1.1.1 Public Policy Assessment and EU Policy Framework

The **Comprehensive and Enhanced Partnership Agreement (CEPA)** between the EU and Armenia, signed in November 2017, is a key instrument towards deeper and expanded cooperation between the EU and Armenia. CEPA reinforces the bilateral commitment on sustainable development and inclusive economic growth through prioritization and support to SME development (including tourism, agriculture and creative industries), enterprise and innovation policy, regional development, etc.

This programme is fully in line with the **Single Support Framework 2017-2020**. Economic development and market opportunities through further improvement of business environment, contribution to fair competition between economic actors, and development of human capital to ensure inclusive growth, is identified as one of the four priority sectors of the European Union cooperation with Armenia.

The **Joint Declaration of the Eastern Partnership Summit** of May 2015 in Riga reiterates the need to strengthen the business dimension of the Eastern Partnership to the benefit of local, regional and European SMEs and businesses. The Declaration welcomes the EU cooperation programmes supporting the development of SMEs in the Eastern Partnership partner countries. The importance of cooperation and regulatory convergence is also stressed where appropriate, in particular in the field of agriculture and rural development.

The **European Neighbourhood Policy (ENP) review** from November 2015 puts forward EU's support to its partners to modernise their economies aiming at smart and sustainable growth. It focuses on supporting the SME sector as a primary creator of employment. EU's commitment to support sustainable and inclusive policies, investment in modernisation of agriculture, as well as support to diversification of income creating activities in the rural areas is further emphasised.

⁴ <https://www.culturepartnership.eu/en/article/cdis-armenia>.

The programme is in line with the 2017 **Joint Staff Working Document on Eastern Partnership 20 Deliverable for 2020: “Focusing on Key Priorities and Tangible Results”** which lists economic development and market opportunities as its priority. It states that improving the business environment for SMEs remains the key. In particular, this can be achieved by helping the partners to overcome challenges such as a complex operational environment, lack of relevant skills required to start up and grow their business (including marketing), poor public-private dialogue, constraints in accessing foreign markets, and limited access to finance. Modernisation of economies, for example in the area of agriculture and fisheries, greening of the economy, and digital markets are the other key priorities.

The **Armenia Development Strategy (ADS) 2014-2025**⁵ sets overcoming regional development disparities and ensuring even regional development as the country's development priority. ADS aims at encouraging and promoting economic growth and social development in the *marzes* and communities. It highlights the need for making Armenia a country producing high-value and knowledge-based goods and services, anchored in the Armenian creative human capital.

These policy papers are further complemented by the **Armenian Regional Development Strategy 2016-2025**, which is fully in line with the Programme by emphasising the need to develop competitiveness of all regions on the basis of their endogenous potentials, and high level of regional cohesion with special attention given to the least developed territories and border areas.

The Programme is also building on sector-specific relevant strategies such as the **Agriculture Development Strategy** for 2010-2020⁶. This document names the following priorities: gradual replacement of imported food by the local production, and increased self-sufficiency in basic food products; increased productivity of existing farms; improving the quality of education in rural communities and promotion of non-agricultural employment, crafts, and processing of agricultural products, as well as support in development of agricultural services and agro tourism in rural areas.

The **Strategy and Action Plan for the Protection, Use and Promotion of Historical and Cultural Monuments**⁷ 2016 – 2020 aims to develop projects aiming at protection and usage of cultural monuments, as well as tourism infrastructure development. In addition, the **Government Programme 2017-2022** envisages that the number of tourists visiting Armenia will reach at least 3 million by 2022.

The above-mentioned key strategic policy documents are clearly coherent with the priorities and objectives of the Programme. In addition, Armenia is in the process of elaborating a new Innovation Development Strategy as well as discussing the Digital Transformation Agenda 2018-2030.

Finally, the main geographic focus of this Programme will be in the three Northern Regions of Armenia (but not exclusively in those regions), as approved by the Government of Armenia. It includes Shirak region, one of the poorest regions of Armenia still suffering from the consequences of the 1988 earthquake.

⁵ A new Development Strategy is under consideration.

⁶ Currently the Ministry of Agriculture is drafting new strategy, which has not been approved yet.

⁷ Protocol Decree No. 36, September 15, 2016.

1.1.2 Stakeholder analysis

The **final beneficiaries** of the programme are Armenian citizens, in particular **rural population**, whose living standards will improve as a result of economic growth in the region; **local entrepreneurs/entrepreneurial talents** who will have an opportunity to turn their ideas into profitable businesses or to accelerate their existing ventures.

The **key stakeholders** are the following:

Entrepreneurs, Small and Medium Enterprises and private ventures involved in the sectors of agriculture, tourism, creative industries and the technology sector, in particular in Armenian Northern regions.

Women and youth entrepreneurs are important contributors to overall economic development, thus the proposed action will promote gender and youth mainstreaming in a cross-cutting manner.

The Ministry of Economic Development and Investments elaborates and coordinates the implementation of innovation, high-tech, SME development policies in Armenia.

Business Armenia is Armenia's National Authority for Investment and Export promotion. Business Armenia provides in depth services to foreign investors, including the provision of requisite information on Armenia's business climate, investment opportunities and relevant legislation, ground support, business introductions, as well as liaison with governmental institutions. Business Armenia assists Armenia based businesses, in particular SMEs, in expanding export volumes and diversifying export markets through assisting companies in increasing the level of export readiness, providing them with financial assistance within the scope of specific governmental programs and organizing trade fairs showcasing export products to international buyers and distributors.

The Ministry of Agriculture develops and implements projects relating to the spheres of agro-provision, intergovernmental cooperation in the field of agriculture, plant-growing, cattle-raising, irrigation and projects increasing the productivity of the soil usage.

Tourism Committee (TC) was established in 2016 as a state agency affiliated to the Ministry of Economic Development and Investments. The STC is responsible for tourism policy development and implementation at national level, tourism marketing and promotion. The capacity of the agency to ensure the enabling environment for tourism service providers is instrumental for the growth of the sector. The STC action plan for the upcoming years highlights the need to raise awareness about Armenia through intensive marketing campaigns in targeted markets. Armenian Tourism Development Foundation (ATDF) was established in June 2017 with the mandate to assist the Tourism Committee in implementing tourism marketing policies and tourism product development. ATDF's marketing policy aims to strengthen, develop and promote Armenia's image as a favourable country for tourism on the Global market. Successful marketing strategy and international branding of the country are key for sparking the interest of potential visitors and increasing the number of incoming tourists.

The Ministry of Culture is developing the policy in the sphere of culture. The purpose of the Ministry is to maintain and replenish the cultural heritage, promotion and development of contemporary art by developing drafts of legislation, targeted programs, strategies, concepts, and short-term development programs. It is currently the main stakeholder in developing and promoting CCI.

Art foundations are another key stakeholder. Creative Armenia is an arts foundation which established a public-private partnership with the Ministry of Culture on creative industries. It is dedicated to discovering, developing and fuelling creative talent and enterprises. With the aim to build new cultural infrastructure, Creative Armenia as a partner of the Ministry of Culture is one of the key stakeholders for connecting the local talents with Diaspora's global network and international creative industries.

1.1.3 Priority areas for support/problem analysis

A wider understanding of regional development needs to be fostered, with a focus on entrepreneurship, growth-enhancement and job-creation initiatives (infrastructure and non-infrastructure), in parallel with ensuring that gender inequalities are addressed and that the capacities amongst rights holders and duty bearers to promote and protect labour rights are developed with the aim to improve the quality of life of the citizens of Armenia.

There is a prevalence of undiversified economic structures (in most rural regions with subsistence agriculture as the dominant activity) and relatively weak position of regions (and the country) in terms of human development. Since 2000, the economic development in Armenia has focused on Yerevan, concentrating wealth in the capital and creating clearly articulated differences in population wellbeing across regions of Armenia. In order to promote redirection of public, as well as private investments from Yerevan to the regions, entrepreneurial talent and private sector development in the regions need to be further fostered.

Main areas of export include mining and certain processing industry sectors (e.g. brandy-making, tobacco production) which engage large-size companies in sectors with low sophistication, low added value, limited links to regional and global value chains and growth potential. **The export contribution of SMEs remains relatively small.** To SME development, the existing entrepreneurial landscape needs to be leveraged and further nurtured. A funnel, with the objective to create a process through which start-ups can mature from idea generation to internationalisation, needs to be put in place with the necessary enabling environment for building the ecosystem which supports and encourages entrepreneurs. **A significant gap remains in access to finance in the following enterprise stages/sectors: (i) new businesses/early stage SMEs; (ii) innovative start-ups; (iii) internationalization of SMEs.**

There are significant barriers for women's engagement in entrepreneurship. The World Bank Systematic Country Diagnostic (2017) assesses that more participation in entrepreneurship and the narrowing of the gender gap would contribute to fostering a productive private sector that creates more jobs. Women's lagging participation in entrepreneurship represents a misallocation of Armenia's human resource potential. Calculations suggest that the gender gaps in participation and in entrepreneurship result in a loss of economic output equivalent to 5 percent of GDP.⁸

Low Productivity in Agriculture

⁸ World Bank Systematic Country Diagnostic, Future Armenia: Connect, Compete, Prosper (2017)

One of the priority areas for the Government is agriculture and rural development. Firstly, agriculture is one of the most important components of the food industry and has a high export potential in niche sectors. Secondly, development of agriculture also means an increase in agriculture efficiency, increased and equal wages for both men and women, and a decrease in emigration. Ministry of Agriculture estimates that in case where the farmers would have an annual wage of EUR 10,000 they would not emigrate. It can eventually lead to non-agricultural jobs in rural areas, which would contribute to a more balanced and inclusive regional development.

The need for increase in **productivity and sustainability in agriculture** is even more important due to the limited land resources. The important parameters of agriculture productivity, such as average yield from one hectare or animal milk and meat, are quite low resulting from the limited use of modern methods of agricultural cultivation system processes and poor condition of agricultural equipment. Currently, the majority of equipment has passed its depreciation point. Modern seeds and modern species of animals producing more milk and meat are not used, which also affects productivity. Areas with the highest productivity and sustainability potential should be the primary focus of development and support.

The SMEs struggle with food losses caused by the lack of **post-harvest infrastructure**, leading to higher costs and less opportunities for farmers to market their products beyond the peak production season. Reducing post-harvest losses would lead to more efficient resource utilization (land, water, and labor), higher incomes for the farmers, and improved food security. Appropriate post-harvest infrastructure is also one of the components of the sustainable and resource-efficient agriculture. While the post-harvest infrastructure refers mostly to the horticulture sector it can also be understood broader, including examples such as availability of raw milk cooling equipment, cold chamber storage, better transportation, etc.

A large share of **agricultural production of Armenia is currently not marketable**, especially in foreign markets. The inappropriate quality and quantity is the main reason. The **food safety system** of Armenia is not poorly developed. There is a need for capacity building in food safety and modernising quality infrastructure. For smaller farms or food production facilities the quality certification remains problematic. Limited use of trade intelligence is another issue, which is limiting SME capacity to access new markets and understand the export requirements. Furthermore, limited coordination between the associations and cooperatives result in SMEs' low position in the value chains.

The majority of farmers do not use efficient methods of work, either because of lack of knowledge or their unwillingness to change their habits. There is also a **low level of penetration of technologies** in agriculture. The number of modern agricultural farms has increased during the last few years, and several new fruit gardens and greenhouses were built using the latest technologies. However, their total number remains very low. To trigger the change in mind-set and to demonstrate the benefits of smart/ innovative and sustainable agriculture, there is a need to support the development of successful ventures acting as real-life role models.

The Programme will support measures to increase (local, domestic, and foreign) market access for producers as well as production, promotion and marketing of **niche products**. The Programme will also promote the use of innovative farming in organic agriculture through technology, research, and knowledge exchange. It will promote innovation throughout different subsectors in agriculture, to improve productivity growth, sustainable use of resources, and resilience in agriculture at all levels – product, process and marketing

innovation. Focus will also be on involving women farmers and entrepreneurs; youth; and other vulnerable groups.

Untapped Opportunities for Developing Tourism

The Northern regions have a unique geographical advantage, taking into account their proximity to one of the two Armenia's open borders, and the existing cultural assets and natural landscape. There is great potential for tourism development. In addition, the proximity to Georgia allows tapping into the growing pool of its international visitors. Georgia's annual number of international visitors in 2017 was 7,5 million (out of which 3,5 million were tourists⁹), compared to Armenia's 1,5 million tourists.

In 2017, the World Economic Forum's Travel & Tourism Competitiveness Index ranked Armenia 84th out of 136 countries, indicating that Armenia still has room for improvement. The main shortcomings out of 13 indicators were: environmental sustainability, price competitiveness, air transport, ground infrastructure, tourism service infrastructure, and preservation and sustainable use of cultural and natural resources. Armenia's best ranking was in safety and security, with a rank of 34th.

Currently, the majority of visitors either stay only in Yerevan or make day-trips to the regions. Thus, the income generated from tourism is concentrated in Yerevan and does not benefit the rural areas. Tourism approach needs to be reoriented to offer more **diverse tourism products** and to tackle the issue of **seasonal** tourism demand, which is currently concentrated between May to October. Armenia has not yet been discovered by the international visitors as a unique, authentic niche tourism destination. Considering global trends in the tourism development formulated as "experience-based discovery tourism" and the progressive growth of the number of visitors in the region (in particular in Georgia), as well as strategic targets aiming at doubling the number of visitors and extending the length of visits, it is clear that to meet international standards and comply with visitors' expectations, development of the "destination places" and innovative services in Armenia should be a priority.

Attention must be shifted from typical "classic tours" to **promoting specialized products** tailored to the needs of more demanding consumers, including facilitation of international low-cost flights to the regions of Armenia as a vehicle for fostering regional economic development and competitive tourism market. The development of adventure and outdoor tourism (eco-tourism, nature tourism, mountain hiking, white-water rafting and kayaking, climbing, paragliding, etc.), as well as impact tourism, has lots of potential and could be further explored.

This move will require better trained and qualified workforce, more targeted promotion, **higher quality facilities and services**, and a more business-friendly environment, targeting gender discriminative barriers for women farmers to engage in entrepreneurship and economies of scale. Further developing adventure tourism in Armenia, new capacities of housing and catering units, as well as creation of skills of site interpretation and guiding around the destination place, should be considered to make possible to develop new tours with longer stay at the site.

⁹ Tourists are considered individuals that spend more than 24 hours in the country.

The Tourism Committee and the Armenian Tourism Development Foundation need further capacity enforcement to have sufficient staff, professional skills and financial resources to create an enabling environment for entrepreneurs to seize the diverse opportunities in this sector. To properly address the target audiences, there needs to be reliable quantitative and qualitative statistical data and research. Lack of **data** further inhibits development of adequate state policy and/or effective evaluation of inbound and domestic tourism industry. Tourism development is currently mostly driven by existing products rather than responding to market needs.

Furthermore, this inhibits the **promotion and marketing** which should be further developed through carefully constructed promotional plans for each target market, and upgraded to modern trends in travel promotion and distribution, including through the expanded use of information technologies.

Collaboration between booming IT start-up scene in Armenia and a high growth potential for creative industries, would benefit the tourism sector and potentially lead to cost-effective and innovative marketing approaches.

Capitalising on Creative Industries (CCI)

As international tourism is steadily growing and the strategic role of cultural heritage and contemporary culture and creativity is becoming more visible, the emerging CCI should be further explored in Armenia. The CCIs have a multi-faceted character which impacts both economic and social development.

The CCIs have great potential in Armenia, in particular because of the initiatives like TUMO Centre for Creative Technologies which offers free training to 7000 young persons annually, in animation, game development, web design and film-making, and an existing network of schools (music, dancing and art) that are a legacy of the Soviet time. Creative professionals, however, rarely transfer their innovative ideas and research to profitable ventures, as they often lack the necessary business-related skill-set, as well as an enabling environment. Most independent entrepreneurs in creative industries also struggle with self-promotion, branding and market positioning.

The CCI sector currently lacks intermediary organisations bringing together different stakeholders to create networks and clusters and establish creative hubs. These hubs would give the sector more leverage and contribute greatly to building the regional ecosystem, which currently has a limited variety and suboptimal quality of entrepreneurship support infrastructure (e.g. lack of mentorship). It would also allow to connect with the existing ICT dynamics and introduce business development services and private investors to the sector.

The small size of the market means that to enlarge the audiences and scale up the activities, the start-ups need to think of internationalisation already in the initial stages. The notable trend of local firms shifting from outsourcing/custom software services to higher value added products is already emerging in ICT, paving way for CCI. The existing extensive links to the successful Diaspora Armenian entrepreneurs, could lead to knowledge transfer, funding and resource leverage. The growth in digital media, globalisation, cross-border and cross-cultural collaboration also means that there is a need for different type of strategic and relational skills which are relevant for working in plural and multi-layered markets. The development of creative industries will also support the development of marketing skills in Armenia that are key to ensure the export-oriented objectives of the Government.

The role of creative industries for economic growth was recognized by the Government of Armenia through the creation of a dedicated public-private partnership platform between the Ministry of Culture and the arts foundation Creative Armenia. This first public-private partnership in the field of creative industries focuses on incubation of creative projects to be viable and competitive in the international marketplace; acceleration of creative careers for the global stage; offering support, including business and marketing skills to artists and upholding international best practices.

Innovation and Information and Communication Technology (ICT) as a growth engine

The significance of a conducive ecosystem for innovation and economic growth is evident in the ICT sector which is currently among the fastest growing, innovation-based sectors in Armenia. As the sector matures and establishes itself internationally, the potential for replicability, as well as cross-sectorial ventures could be further explored. These might lead to potential shortcuts in tackling the existing bottlenecks in innovative ways, contributing to spill-over effect, and leading to knowledge transfer.

The Government of Armenia has a strategic aim of transforming the country into a R&D centre for high-tech and innovative businesses. Armenia's participation in the Horizon 2020 programme as an associate member, is an important element in the Government's strategy in support of innovation as a pillar for economic growth and sustainable development. Participation in Horizon 2020 has opened up new opportunities for the country's universities, research institutions and enterprises, in particular through international research projects and funding for innovative entrepreneurship, but also via access to the EU pool of expertise and knowledge related to science policy management, research infrastructures development, etc.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
1. Geo-political tensions in the Caucasus, political developments 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 Public Finance Management policies, - EU and other Development Partners' support to PFM and macro-economic reforms.

2. Lack of marketable ideas for quality ventures generated in the incubation phase	M	- The outreach and idea generation phase will be driven by hackathons, thought-provoking conferences with international role-models, boot camps for industry, business angel networks, engaging with universities and youth.
3. Limited growth potential of the ventures which graduate the incubator	M	- Detailed screening of the applicants, with the support from the private sector representatives will be carried out, - Intense coaching and mentoring will be provided to the selected companies.
4. Lack of ventures that would benefit from the programme acceleration component.	M	- The access to finance component of the acceleration will have to be designed with ambition, but in line with the pipeline of potential programme that could be supported through the banking sector.
5. Security situation in the border regions deters visitors and limits the potential profitability of tourism ventures.	L	- As responding to the market need is one of the core selection criteria in deciding on the ventures accepted to the incubator, the possibility of including activities with high risk is minimised, - Careful monitoring of the situation in Tavush border region.
6. Private sector support reinforces existing negative stereotypes and categories of marginalisation.	M/H	Analyse to assess for unintended human rights impacts and put in place mitigating measures to target opportunities for left behind groups and individuals (to be carried out during the inception phase of the programme).
Assumptions		
<ul style="list-style-type: none"> - The Government maintains or enhances its foreign policy objectives of strengthening the political and economic relationship with the EU. - The Government continues its engagement to improve business climate allowing private initiative to develop in the targeted sectors and regions. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Avoiding skewing incentives

If the support provided by donors is too rigid, it might end up skewing incentives of the entrepreneurs, which could lead to ineffective spending of grant money, rather than value creation and business development. Furthermore, evidence shows that the start-ups benefit the

most from combination of investment type support with extensive knowledge transfer, i.e. smart money.¹⁰ The programme will observe the principles of additionality and continuity, based on sound analysis, and intervening where market failure exists. It will rely on the entrepreneurs to identify the low hanging fruits in their communities and recognise the existing growth potential of the region. To maximise the success rate, the idea generation will be a bottom-up process, letting the market decide. In addition to creation of new ventures, the programme will also explore what has already been established and leverage the potential of the existing value chain.

Selecting the Right Team

Venture capitalists often fund start-ups not just based on their business plans, but also by evaluating the core team to see if they will be able to give the start-up the necessary competitive advantage in the market. A business will not grow without the right people in the driving seat. The people behind the idea are even more vital during the start-up phase, where achieving the necessary milestones is highly dependent on the quality and motivation of the team. Thus, the selection procedure needs to emphasize on both the business proposals and the individual entrepreneurs. This will be achieved in the design of the seed funding scheme that will include mentors, who will be both supporting the ventures in the incubation and acceleration phase, and participating in the selection process. Among the mentors there will be a number of women who can be important role models for young women interested in innovation.

Having a gender equality perspective and making use of the five Rights Based Approach working principles in the selection process will also help to ensure confidence in the process and contribute towards development of a political and business culture of promotion of equal rights and opportunities. Targeted measures will be adopted to ensure that persons with disabilities are not excluded and that there are equal opportunities for women and men.

Taking a pipeline approach

To address the issues of limited exposure to sources of problems prone for technology-based solutions, lack of in-depth managerial talent to grow and scale a company, and limited depth of the regional ecosystems, entrepreneurship support infrastructure needs to be reinforced. Intervening in ad hoc and in a non-structured way does not bring the desired change and is not sustainable. Innovative and fast growing enterprise development requires specific policy interventions building on an existing ecosystem, and combating gender stereotypes in education.

3.2 Complementarity, synergy and donor coordination

EU support

The proposed Programme will capitalize and seek for synergies within numerous EU programmes and initiatives. The programme will in particular seek to complement the **EU4Business** programmes which are supporting private sector development through various instruments and projects at regional and national levels, further contributing to the start-up ecosystem in Armenia. Most notably it will build on the experience of Support to SME

¹⁰ “Mapping Study of SME Finance Tools and Defining Vision for the Future of SME Finance in Armenia”, D. Pavluts, 2017.

Development in Armenia (EU SMEDA), co-funded by the German BMZ¹¹ which seeks to improve the business and investment climate and support the creation and development of innovative and technology-based SMEs in Armenia, strengthen the private sector, and the capacities of Armenian SMEs to foster competitiveness, as well as ensure proper implementation of innovative business management practices. It targets the development of alternative funding mechanisms for innovative start-ups and existing companies, further complementing the SME Finance and Advice Facility established in collaboration between EU and EBRD.

EU SMEDA is also contributing to the **EU4Innovation** programme by focusing on improved linkages between research institutions and the private sector in order to achieve a better rate of commercialisation of ideas. Using the methodology proposed in this programme, it seeks to inject innovation in the newly established ventures through incubation and pre-acceleration, to maximise their potential for scaling up and internationalisation. This programme will build on the success and lessons learned and provide further input to **Horizon 2020** and COSME.

Synergies with **EU4Digital** can be found in all of the pre-identified sectors. Including marketing and promotion in tourism and creative industries, as well as digitisation of agriculture.

Support to greening SMEs is part of the new **EU4Environment** programme, which was launched in 2018. This includes facilitating the work of SME clubs on resource efficiency and cleaner production, which were previously established in Ararat, Tavush, Kotayk and Lori. Some 60% of these clubs' participants are from the food industry and agriculture sectors.

In addition, the EU will further build on the success of its programmes in agriculture, including Organic Agriculture Support Initiative, implemented by Austrian Development Agency and ENPARD budget support and technical assistance. The Programme will directly benefit from Annual Action Plan 2015 support to Vocational Education and Training in agriculture colleges as highly trained human capital is a vital prerequisite for generating and scaling any venture.

Moreover, Armenia has joined **Creative Europe Programme** in 2018, which opened doors to local operators to engage in wider European cooperation. Participation in Creative Europe gives an access to co-funding opportunities, as well as to diverse partnerships, international visibility and know-how, providing further sustainability and potential follow-on funding for creative industry ventures.

Donor coordination

Preliminary coordination meetings have been organised to ensure that the planned activities are complimentary to the existing ecosystem and will bring value by bridging the existing gaps and building on the results achieved. As the programme is a fusion of different sectors with the ultimate aim to bring shared growth to the regions of Armenia, donors' involvement will be analysed through a prism of sectoral interventions. Wherever applicable, synergies will be created with similar initiatives.

With the EU support, Ministry of Agriculture is in the process of piloting an online donor coordination platform titled “Development Cooperation Framework”, which aims to ensure better cooperation between all stakeholders engaged in agricultural development in Armenia.

¹¹ German Federal Ministry for Economic Cooperation and Development.

The platform will seek to minimize overlaps and ensure more coordinated work. This will provide a more transparent and streamlined approach to the sector which has various stakeholders and will allow to better position the planned activities.

In the tourism sector, the Tourism Committee of the Ministry of Economic Development and Investments has taken the lead in donor coordination. The World Bank (WB), USAID/Smithsonian, GIZ and UNDP are currently the main actors involved in the tourism sector. WB loan is paving the way for improvements in infrastructure and access to regional sites. USAID/Smithsonian project has developed number of tourism products for the regions and tour operators to diversify their offers. These are still to be kick-started and thus based on the success during the piloting phases could be considered for scaling up. UNDP has developed a methodology for mapping the tourism assets of villages and rural areas of Armenia, which provides a great roadmap/ initial mapping of potential ventures which could be developed in these locations. GIZ has initiated a capacity building of Vocational Education institutions concentrating on wine to further develop the wine tourism potential in Armenia and is providing technical assistance to the Tourism Committee.

In addition, there are many private foundations and initiatives contributing to the tourism and creative industries sector development, such as British Council, Creative Armenia, Digital Pomegranate, TUMO Centre for Creative Industries, etc. IDeA Foundation has greatly contributed to the development of two main tourism destinations in Armenia – Tatev and Dilijan. Izmirlian Foundation is working on revitalising Meghri historic district in the South of Armenia. Gyumri and Vanadzor Technoparks have been established to bring the growth created by the ICT sector to the regions.

3.3 Cross-cutting issues

The programme will contribute to addressing **equity and inclusiveness** in economic growth by bridging entrepreneurial talents in rural, remote, mountainous, and boarder regions to global markets. **Gender Equality** will be at the core of the selected, incubated and accelerated ventures to tap into the valuable resource of talented women and girls, and foster their empowerment and equal participation in the funnel of innovative high-growth potential ventures. The action will introduce concrete measures on promoting women and girls entrepreneurship and addressing barriers faced by women entrepreneurs. The Gender Action Plan II will be applied throughout the programme's implementation. Youth entrepreneurship will be addressed in a cross-cutting manner. Pursuant to EU obligations under the Convention on the Rights of Persons with Disabilities, equal access to the processes and products under the project will be promoted for persons with disabilities.

Environmental sustainability will be ensured through innovative, smart and green ventures mainly in agriculture, but also in tourism and creative industries. The actions funded under this project will be in line with EU standards on environment. When required by the relevant EU Directives; Strategic Environmental Assessments and Environmental Impact Assessments will be carried out according to EU standards.

Furthermore, there are many opportunities for creating cross-cutting synergies within the programme, from agro-tourism ventures to creative industry's impact on encouraging international tourism. Establishment of Creative Hub and support to audio-visual ventures, will lead to an emerging pool of talents with expertise which is vital also in marketing and branding Armenia.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The **overall objective** of the programme is the realization of shared and balanced inclusive growth in the Northern regions of Armenia through bolstering smart and sustainable agriculture, innovative tourism and creative industries.

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

Objective 1 To incubate and pre-accelerate innovative market-driven ventures which offer solutions to region-specific challenges.

- Result 1.1. Pipeline of investable and high added value agriculture ventures created;
- Result 1.2. Pipeline of investable and high-value innovative tourism ventures created;
- Result 1.3. Creative Hub established to nurture and grow new generation of entrepreneurial talent in creative industries (design, audio visual and innovation);
- Result 1.4. Pipeline of investable and innovative technology ventures with international market focus created;
- Result 1.5. Winter sport facilities developed in Shirak region.

Objective 2 To accelerate existing small and medium sized companies with high growth potential to scale-up their socio-economic impact through the creation of a CEPA facility.

- Result 2.1. Locally and internationally competitive companies in the agriculture sector accelerated;
- Result 2.2. Tourism service providers companies and creative industries accelerated;
- Result 2.3. Armenian SME export to EU is increased in particular to ensure compliance with the EU regulation requirements in line with CEPA requirements.

Objective 3 To support the enabling environment to enhance the impact of the regional ventures and change-makers.

- Result 3.1. Capacity of agricultural stakeholders developed, critical quality infrastructure established for increasing efficiency and sustainability, and export opportunities in agriculture and irrigation sector enhanced in Northern Armenia;
- Result 3.2. Capacity of tourism and innovation stakeholders developed and strategic marketing framework for tourism realized to enhance travel industry and visitor economy.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goals -- (i) Decent Work and Economic Growth and (ii) Zero Hunger but also promotes (i) Sustainable Consumption and Production, (ii) Gender Equality and (iii)

Industry, Innovation and Infrastructure. This does not imply a commitment by the Republic of Armenia benefitting from this programme.

4.2 Main activities

Incubation

Main activities will be similar in all the selected growth-oriented sectors (agriculture, tourism, creative industries and technology sector) and will be based on the business lifecycle approach: **generation of innovative ideas** through facilitation and ideation to seek solutions to the problems identified by corporates, network of entrepreneurs, researchers and customers/users, representing both women and men so as to acknowledge the particular challenges faced by women in entrepreneurship and farming. This will feed into early stage pipeline and facilitate new team formation and launching new, bankable enterprises with potential for multiplication effects in the regions. It will also provide the basis for a selection procedure which will be carried out with the support from private sector representatives, leveraging their expertise in recognising ventures with high growth potential.

The selected ideas will be moved to an incubator. In the **incubation** phase, broader support will be provided to generate potentially scalable ideas, which will be validated based on deep market research to better understand the value drivers and opportunities. Support will also be provided to product/service development, early commercialisation and business managerial skills. Mentorship will be the key in supporting the start-ups throughout the process, tapping into local and global network of mentors, entrepreneurs, and business angels. The logic is to engage follow-on investors early and throughout the programme which will increase the likelihood of successful follow-on financing. Idea, pre-seed and seed funding will be provided for initial product/service development and launching the venture.

As a flagship programme one or multiple **Creative Hubs** will be created to serve as an incubator and accelerator for creative industry ventures (from music, film production, design, etc.) based on the public-private partnership platform of the Ministry of Culture and Creative Armenia Foundation. The core objective of the hub will be to facilitate project and business development and build communities which will contribute to experimentation across disciplines and profiles. The Hub will take on different functions and offer various services and products – including working locations and offices, master classes and mentoring and coaching. Taking into account the gender division in education and occupation in Armenia, it will also support Armenia's innovative tourism ventures potential to better access market, through various marketing/design ventures. The Creative Hub will aim to bring high visibility of EU support to creative industries' entrepreneurs in Armenia.

The programme will also incubate and directly support the development of **winter activities** in Shirak, a promising niche market, through the construction of shelters/facilities and the development of the needed business-driven ecosystem to maintain them.

Acceleration

For the established, mature SMEs **acceleration programme will be launched, through the creation of a banking facility ("CEPA facility")**, to leverage the existing high growth

potential companies already active in the market, in the sectors of smart and sustainable agriculture, innovative tourism and creative industries. The acceleration program will contribute to SME's ability to implement value added projects via investment grants and improved access to debt, taking into account particular barriers for women entrepreneurs. It will contribute to increasing business sophistication, internationalisation and value creation. Main activities in the accelerator will be focused on strengthening the pipeline of investible companies in the local market. This will be achieved through an investment grant. The CEPA facility will target green field projects, investments in agriculture and value chain development, as well as tourism and creative industries (indicatively 70% of the grant facility will be invested in those sectors¹²) in Northern Armenia (indicatively 70% of the grant facility will be invested in those regions). Investments will be supported through a banking facility that would tentatively support 20% of a green field investment through a cashback scheme for a maximum grant of EUR 500,000. Furthermore, EU and the Government of Armenia could jointly decide to grant an additional indicative support of 10% in specific sub sectors of strategic importance to support growth in the regions, such as the post-harvest infrastructure development. The banking facility will ensure high visibility and impact of EU support to Armenian SMEs, in particular through the investment grant component.

Enabling environment

For the ventures to succeed, the existing bottlenecks in the ecosystem will be addressed by (i) providing capacity building to the key government agencies, (ii) improving the quality infrastructure linked to agriculture export-oriented ventures, (iii) supporting the development of efficient irrigation, (iv) supporting the marketing and promotion of Armenia as a world class tourism destination, (v) supporting the development of low-cost flights from the EU to Gyumri, and (vi) supporting innovation, technology transfer and clustering with involvement of business, education and science; as well as support to Horizon 2020 participation including via a contribution to Armenia's membership fees for the programme.

4.3 Intervention logic

Process

To build and nurture the entrepreneurial culture and capitalize on Armenia's strong legacy in scientific research and innovation, the intervention logic follows a **systematic company building model** that feeds into Armenia's emerging start-up ecosystem. The programme seeks to create a pipeline of ventures which are creating bottom-up innovative solutions to real life problems at the same time addressing barriers to women in entrepreneurship, by injecting innovation in all stages of development of the business ventures, with the ultimate aim of job creation in the rural areas, improving living standards for the Armenian people, and growth of knowledge economy in Armenia.

As velocity of change is vital in the start-up market, and smaller, flexible systems adapt quicker, the most promising ventures are driven by entrepreneurs pro-actively seeking for market opportunities, leading to new and disruptive ideas which have higher growth potential.

¹² The CEPA facility will not support directly hotel construction, but could support Bed and Breakfast development.

Thus, the programme is designed to tap into the existing and high potential intellectual capital in the regions through **empowering the local change-makers** and by providing a more conducive innovation ecosystem through introducing modern methodologies and quality infrastructure.

The programme will help to identify promising and bankable new as well as existing ventures and provide them with finance, technical expertise, mentoring, marketing “know-how”, and business models to emerge, grow, internationalise, connect to global value chains and strengthen links with domestic and foreign investors. Furthermore, the **mentors** supporting the start-ups throughout their entrepreneurial journey will serve as entry points for the emerging companies to the local and global networks. Once the regional ventures which tend to operate in silo, are integrated to the business network they have a much bigger chance to succeed. This will expose them to domestic and foreign investors/business angel networks and allow to further leverage Armenia’s global Diaspora to facilitate knowledge transfer and internationalization. In addition, the incubation and acceleration schemes will promote a strong investment-oriented approach and mind-set, including adherence to corporate governance standards, development of business management skills, accounting, financial literacy, transparency, use of equity-based financial instruments, etc., thus contributing to the overall competitiveness of Armenian SMEs.

Synergies will be sought between different sectors, in particular ICT, agriculture, tourism and wider creative communities. To enrich and enlarge the tourism offer, CCI could contribute greatly to active and creative tourism, including through developing cost-effective and high impact marketing campaigns. As the success of hi-tech outsourcing and the ICT industry has been more visible, the CCIs have remained in the shadows of the technological advancements.

The CCIs in Armenia lack **joint platform** for information sharing, networking and advocacy. To alleviate the fragmentation of the small closed communities mostly centralised in Yerevan, and to get a head start in the emerging market and to improve and promote the conditions for the development of business-driven CCI, with a particular focus on audio-visual, the programme will create a cultural incubator (music, film, design and craft industry) and accelerator. It will be founded on the assumption that enterprises which collaborate are more innovative, productive and competitive. The resources, potential for growth and position in the industry are as important as other aspects. The Hub will support initiatives in different levels of development – emergent, mature with national market presence, and mature with international market presence.

Organization

The Austrian Development Agency will incubate and pre-accelerate agricultural ventures (result 1.1) and support the enhancement of the enabling environment in the area of agriculture (result 3.1).

GIZ will incubate and pre-accelerate tourism ventures (result 1.2; 1.5;) and technology ventures (result 1.4), support the enhancement of the enabling environment for tourism and innovation (result 3.2).

Visibility and direct impact of EU support to SMEs and entrepreneurship will be enforced by ADA and GIZ in all start-up/early stage businesses support, as well as in the enabling environment activities.

Support to Armenia's participation in Horizon 2020 via membership fees contribution will be implemented through the Ministry of Education/National Science Committee (result 3.2).

The development of one or more creative hub(s) (result 1.3) will have a focus on strong visibility of EU support to creative entrepreneurs in Armenia.

EBRD will support the acceleration of existing SMEs with high growth potential (result 2.1/ 2.2/ 2.3) through a banking facility, ensuring high EU visibility via the investment grant component.

The Government of Armenia and relevant state agencies should agree and be fully involved with the design, implementation and coordination of the projects.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this decision and the relevant contracts and agreements.

5.3 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹³.

5.3.1.1 Grants: call(s) for proposals "Creative Industries Hub" (direct management)

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

These Call(s) for Proposals aims at supporting the creative industries sector and ecosystem in Armenia (result 1.3) via a bottom-up, and market-driven approach. The main objective is to create sustainable regional hub(s) which will incubate and accelerate innovative, knowledge-based creative SMEs in the sector of audio-visual/digital arts and design, etc.

The Government of Armenia committed to provide the necessary public spaces for respective activities. The Government will pursue contributing to this action through providing infrastructure for the implementation of the action.

(b) Eligibility conditions

In order to be eligible for a grant, the applicant must:

- Be established in Armenia.

¹³ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- Be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity/ entities, not acting as an intermediary.

Subject to information to be published in the calls for proposals, the indicative amount of the EU contribution is EUR 3.000,000, and the grant may be awarded to sole beneficiaries or to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 36 months.

(c) Essential selection and award criteria

The essential selection criteria are the operational capacities of the applicant.

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

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under these calls is 80 %.

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 timing to launch the calls

Q1 2020

(f) Exception to the non-retroactivity of costs

The Commission authorises the eligibility of costs prior to the submission of the grant application as of 1 January 2019.

5.3.1.2 **Grant: direct award "Participation in the EU Framework Programme for Research and Innovation Horizon 2020" (direct management)**

Implementation of this component will take the form of a reimbursement of up to 50% of Armenia's corresponding membership fees for Horizon 2020. This reimbursement will be done through ad hoc grant directly awarded to the institution that will pay the membership fees (Ministry of Education and Science/National Science Committee).

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

The objective of the direct award is to contribute to the strengthening of the Research and Innovation sector in the Republic of Armenia and to foster its integration into the European Research Area (Result 3.2). The grant will support Armenia's participation in the EU Framework Programme for Research and Innovation Horizon 2020 through a contribution of up to 50% of the annual membership fees.

(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 the relevant Armenian institution.

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 the purpose of this operation is to provide a direct support to the relevant government institution of Armenia. As a government institution responsible for payment of Horizon 2020 membership fees, the beneficiary is in a legal monopoly situation.

(d) 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 taking into account a gender perspective, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 50% of the annual fees for participation in the Programme.

(f) Indicative trimester to conclude the grant agreement

2 trimester of 2019.

5.3.1.3 Procurement (direct management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Evaluation and communication	Service	3	2019 Q1
Audit	Service	1	2020 Q1

5.3.1.4 Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Results 1.2, 1.4, 1.5 and 3.2 of this action may be implemented in indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), which has been pillar assessed. This implementation entails activities as per sections 1.2, 1.4, 1.5 and 3.2. This implementation is justified because GIZ has a proven expertise and technical competence in the areas of intervention. In Armenia, GIZ is the leading development agency in the area of private sector development recognized by stakeholders as a trusted international partner. Moreover, GIZ has long standing experience in Armenia in the Tourism sector through its regional programme "Private Sector Development and Technical Vocational Education and Training South Caucasus (PSDTVET)". GIZ is managing the EU-funded SME Development in Armenia programme which focuses on improvement of the business environment and support to innovative technology-based SMEs. Furthermore, GIZ is well-placed to promote alignment with EU best practices.

The entrusted entity would carry out the following budget-implementation tasks launching calls for tenders and for proposals; defining eligibility, selection and award criteria; evaluating

tenders and proposals; awarding grants, contracts and financial instruments; acting as contracting authority concluding and managing contracts, carrying out payments.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 January 2019 in exceptional and duly substantiated cases with prior consent by the EU Delegation.

5.3.1.5 Indirect management with Austrian Development Agency (ADA)

Results 1.1 & 3.1 of this action may be implemented in indirect management with Austrian Development Agency (ADA), which has been pillar assessed. This implementation entails activities as per sections 1.1 and 3.1. This implementation is justified because ADA's proven expertise and competence in the areas of intervention. In Armenia, ADA is the leading development agency in the field of agriculture, recognized by stakeholders. Over the past years it has implemented ten projects in the agriculture sector, where ADA has unique and substantial experience in various subsectors such as livestock/dairy and horticulture, including co-funding of the ENPARD value-addition project. ADA co-funds and implements the EU-funded Organic Agriculture Support Initiative. ADA agreed with the Government of Armenia as of 2012 to have agriculture as the main focus of the agency in its cooperation strategy, with the major goal to increase productivity and incomes.

The entrusted entity would carry out budget-implementation tasks such as launching calls for tenders and for proposals; defining eligibility, selection and award criteria; evaluating tenders and proposals; awarding grants, contracts and financial instruments; acting as contracting authority concluding and managing contracts, carrying out payments, etc.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 January 2019 in exceptional and duly substantiated cases with prior consent by the EU Delegation.

5.3.1.6 Indirect Management with the European Bank for Reconstruction and Development (EBRD)

Results 2.1, 2.2 & 2.3 of this action may be implemented in indirect management with the European Bank for Reconstruction and Development. EBRD (pillar assessed) has proven track record in Armenia and the region in providing finance schemes for acceleration and internationalization of small and medium sized companies with high growth potential. In particular, the CEPA facility will be built on the model of the DCFTA facility implemented in Georgia, Ukraine and Moldova. EBRD implements the Armenia EU-funded SME Finance and Advice Facility which deploys EU funds on a blended basis with the funds of EBRD through two components: establishment of an equity fund and SME advice component. Activities foreseen will be implemented in the framework of the Neighbourhood Investment Platform (NIP).

The entrusted entity would carry out budget-implementation tasks such as launching calls for tenders and for proposals; defining eligibility, selection and award criteria; evaluating tenders and proposals; awarding grants, contracts and financial instruments; acting as contracting authority concluding and managing contracts, carrying out payments, etc.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 January 2019 in exceptional and duly substantiated cases with prior consent by the EU Delegation.

5.4 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 as 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.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution (amount in EUR)
Tourism and innovation <i>result 1.2/ 1.4/ 1.5/ 3.2</i>		
5.3.1.3 – Indirect management with GIZ	13,500,000 (*)	
5.3.1.2 – Direct grant Horizon 2020 (direct management)	2,000,000	
Agriculture <i>result 1.1/ 3.1</i>		
5.3.1.4 – Indirect management with ADA	9,700,000	2,000,000
Creative industry <i>result 1.3</i>		
5.3.1.1. Call for proposals "Creative Industries Hub" (direct management)	3,000,000	750,000
CEPA facility - Acceleration of SMEs in targeted sectors <i>result 2.1/ 2.2/ 2.3</i>		
5.3.1.5 – Contribution to NIF (EBRD implementing)	10,000,000	
5.8 – Evaluation, 5.9 - Audit	200,000	
5.10 – Communication and visibility	100,000	
Total	38,500,000	2,750,000

(*)The following activities have been indicatively earmarked in the following way: EUR 9,5 million for incubation of tourism ventures, realization of the strategic framework of marketing and promotion of Armenia as a tourism destination, capacity building for state tourism stakeholders, development and design of tourism destination hubs, etc; EUR 0.5 million for winter sports development; EUR 3.5 million in innovation and technology.

5.6 Organisational set-up and responsibilities

A Steering Committee shall be set up to oversee and validate the overall direction of the action. It will agree on the annual work plan and provide comments on the technical and financial reports and validate them. The Steering Committee may take the necessary measures to ensure the proper implementation of the project according to the framework of the action.

The project Steering Committee shall be made up of:

- a representative of the EU Delegation (co-chair);
- a representative of the beneficiary country (co-chair);
- a representative of the GIZ (co-chair);
- a representative of the ADA (co-chair);
- a representative of the EBRD (co-chair);
- representatives of relevant beneficiaries of the action (as members);
- representatives of EU Member States, development partners, business associations and other civil society organisations might be invited (as observers) in order to monitor the programme implementation.

Furthermore, an ad-hoc Steering Committee will be created between the EU and the representative of the Government before the signature of each delegated agreement, to ensure that the implementation partners proposed in the programme (ADA, GIZ and EBRD) implement contracts in line with the signed financing agreement and mutually agreed objectives.

5.7 Performance monitoring and reporting

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 (including gender indicators), using as reference the logical framework matrix. 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).

5.8 Evaluation

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

The mid-term evaluation will be carried out for learning purposes, in particular with respect to replicating activities of the action in other sectors.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the innovative components of this action.

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 project premises and 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.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in January 2021 and in December 2024.

5.9 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.

Indicatively, one contract for audit services shall be concluded under a framework contract in 2023.

5.10 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 which 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 5.5 above. The programme will be branded under the generic name "EU4Business".

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.

Indicatively, one contract for communication and visibility services shall be concluded in 2019.

6 APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ¹⁴

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective Impact	Realization of shared and balanced growth in the Northern regions of Armenia	Real GDP Growth, (i) latest year and (ii) average over last 5 years**	7.5% (2017); 3.6% (2013-2017)	6.4% (2021) ¹⁵ ; 6.0% (2018-2022)	National Statistics Service (NSS) annual reports	
Specific objective(s): Outcome(s)	1. To incubate and pre-accelerate innovative market-driven ventures which offer solutions to region specific challenges.	a) Score at the support services for SMEs and start-ups index; b) Position in the capacity for innovation ranking	3.93 ¹⁶ (2016); 59 th out of 137 (2017-2018)	4.2 (2022) 51 st (2021-2022)	SME Policy Index; Global Competitiveness Index	The business environment does not deteriorate significantly
	2. To accelerate existing small and medium sized companies with high growth potential to scale-up their socio-economic impact.	a) Position in the business sophistication index; b) Score at the internationalisation of SMEs index; c) Sex-disaggregated data on SMEs;	68 th out of 137 (2017-2018); 3.37 (2016)	62 nd (2022); 3.7 (2022)	Global Competitiveness Index; SME Policy Index	The business environment does not deteriorate significantly

¹⁴ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

¹⁵ Armenia Development Strategy 2012-2025

¹⁶ 1 being the weakest and 5 the strongest indicator

	3. To support the enabling environment to enhance the impact of the regional ventures and change-makers	a) Position in the Ease of Doing Business WB ranking; b) Position in the Global Competitiveness - Institutions ranking c) Sex-disaggregated data	47 th (2018); 55 th out of 137 (2017-2018)	20 th (2022) ¹⁷ ; 50 th (2021-2022)	World Bank Doing Business report; Global Competitiveness Report	Political and security environment remains stable
Outputs	1.1. Pipeline of investable and high-profit agriculture ventures created	a) Number of new investable and high-profit agriculture ventures created b) 30% of supported ventures owned by women or having women in managerial positions	0 (2018)	At least 50 new agriculture ventures created (2022)	Project's progress report	The aspiring entrepreneurs generate marketable ideas for high-growth potential agriculture ventures
	1.2. Pipeline of investable and high-value tourism industry ventures newly created and existing ones improved	a) Number of new investable and high-value tourism created and existing ones improved b) 30% of supported ventures owned by women or having women in managerial positions	0 (2018)	At least 50 new tourism created or improved (2022)	Project's progress report	The aspiring entrepreneurs generate marketable ideas for high-growth potential tourism and creative industries ventures
	1.3. Creative Hub established to nurture and grow new generation of entrepreneurial talent in creative industries (design, audio visual and innovation)/pipeline of investable and high-value creative industries ventures newly created and existing	a) Creative Hub operational and functioning b) Number of new investable and high-value creative industries ventures created and existing ones improved c) 30% of supported ventures owned by women or having women in	None	100% (2022) At least 50 new creative ventures created or improved (2022)	Project's progress reports	Government remains committed to promoting Gyumri as a regional growth pole

¹⁷ Government Programme 2017-2022

	ones improved	managerial positions				
	1.4 Pipeline of investable and innovative technology ventures with international market focus created	a) Number of new investable and innovative technology ventures supported b) 30% of supported ventures owned by women or having women in managerial positions	50	At least 50 ventures supported in Armenia (not exclusively in the pilot regions)	Project's progress report	The aspiring entrepreneurs generate marketable ideas for high-growth potential tech ventures
	1.5 Winter sport facility developed in Shirak region	Winter facilities created and maintenance system operational in a sustainable manner	Number of tourists engaged in winter activities in Shirak region in 2018	To be estimated before signature of the Financing agreement.	Project's progress reports	Development of low cost airline between Gyumri and Europe
	2.1. Locally and internationally competitive companies in the agriculture sector accelerated	a) Value added in agriculture, GDP; b) Average monthly salary rate in the sphere of agriculture, forestry and fishery c) 30% of supported ventures owned by women or having women in managerial positions	AMD 878.5bn (2016); AMD 115,000 (2016)	AMD 2,046.8 bln (2025); AMD 204,000 (2022)	NSS annual reports	There is a substantial pool of high-growth potential ventures in agriculture sector
Outputs	2.2. Tourism service providers accelerated to offer quality customer-centric products and services	a) The direct contribution of Travel and Tourism to GDP; b) Average monthly salary rate in the sphere of culture, entertainment and recreation	AMD 200.5bn, 3.8% of total GDP (2016); AMD 112,000 (2016)	AMD 299.6 bln, 3.8% of total GDP (2027); AMD 200,000 (2022)	World Travel and Tourism Council report; NSS annual reports	There is a substantial pool of high-growth potential ventures in Tourism

		c) 30% of supported ventures owned by women or having women in managerial positions				
	2.3. Creative industry companies accelerated to increase export of service and support tourism development	a) The % of contribution of CCI to GDP; b) Average monthly salary rate in the sphere of culture, entertainment and recreation c) 30% of supported ventures owned by women or having women in managerial positions	3.3% (2014); AMD 112,000 (2016)	4.4% of GDP (2022); AMD 200,000 (2022)	NSS annual reports	There is a substantial pool of high-growth potential ventures in Creative Industries
	3.1. Capacity of agricultural stakeholders developed, critical quality infrastructure established for increasing efficiency and sales opportunities in agriculture and irrigation sector enhanced in Northern Armenia	a) Gross Agriculture Output increased in the selected value chains in the target region b) Sales of agricultural producers increased in the selected value chains in the target region	AMD 878,5bn (2016); The baseline figures for the selected value chains will be identified in the first months of implementation.	a) Increase annually by 3% in the relevant value chains (2022) b) Increase annually by 3% in the respective value chains (2022)	NSS annual reports, MoA statistics	The Ministry of Agriculture remains committed in reforming the agriculture sector There is a substantial pool of high-growth potential farmers/producers
	3.2. Capacity of tourism stakeholders developed and strategic marketing framework for Armenia's tourism product development and marketing realized to enhance travel industry and visitor	a) Number of tourists visiting Armenia; b) Number of new target countries reached	1,494,779 tourists (2017); None	2,500,000 tourists (2020); At least 2 annually (2022)	NSS annual reports; STC annual reports	The key government stakeholders in tourism marketing and promotion remain dedicated to implementing the marketing strategy

	economy					
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ANNEX 2

of the Commission Implementing Decision on the Annual Action Plan 2018 of the
Republic of Armenia

Initial Action Document for EU4Citizens: Deepening Democracy in Armenia

ANNUAL PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	EU4Citizens: Deepening democracy in Armenia CRIS number: 2018/041-608 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 2017-2020 Sector 2: Strengthening institutions and good governance Sector 4: Mobility and people-to-people contacts	
4. Sector of concentration/ thematic area	Elections Human Rights Media development Transitional Governance and citizen's participation Sustainable Development Goals	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 8 040 000 Total amount of EU budget contribution EUR 7 500 000 This action could be co-financed by potential grant beneficiaries for an indicative amount of EUR 540,000. The Government of Armenia shall not co-finance the project in terms of property and financial contribution.	
6. Aid	Project Modality	

modality(ies) and implementation modality(ies)	Direct management – Grants – call for proposal – Procurement of services Indirect management with – UNDP (Elections Basket Fund) – UNICEF (incl. actions by UNDP and UNFPA)			
7 a) DAC codes	150 - Government and Civil Society 15150 - Democratic participation and civil society; Elections (15151), Human Rights (15160) and Media and free flow of information (15153) 160 - Other Social Infrastructure and Services 16010 - Social/welfare services 16015 - Social services (incl. youth development and women+ children)			
b) Main Delivery Channel	41000 – United Nations agency, fund or commission (UN) 21000 – International NGO			
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 flagships	Human Development, a Rights-Based approach including decent work, employment and skills development opportunities, social justice and culture, reduction of inequalities, promotion of inclusive education, support for the social and economic inclusion of marginalised and excluded groups and individuals. Women empowerment, gender equality, and protection of child rights.			
10. SDGs	Main SDG Goals: <ul style="list-style-type: none"> - SDG 5 “Achieve gender equality and empower all women and girls” - SDG 16 “Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels” 			

	Secondary SDG Goals: <ul style="list-style-type: none"> - SDG 1 “End poverty in all its forms everywhere” - SDG 4 “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all” - SDG 10 “Reduce inequality within and among countries
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SUMMARY

In April and May 2018, large-scale peaceful protests by a large number of Armenian citizens across all ages, demanded a much stronger commitment to democratic governance which triggered an unexpected government change. The transition government appointed in May 2018 published a new Government programme with the primary objective of organising early National Assembly elections and pave the ground for a reform agenda based on democracy, transparency and accountability to citizens.

As a response to the political changes, the Action will focus on enhancing democracy in Armenia through strengthening the participation of civil society in the political life, accountability and transparency of the government.

The Action consists of two components:

The first component "Increased trust in Government" will primarily support the credibility and transparency of National Assembly elections through creating a more enabling environment for participatory governance, with an emphasis on the regions, through training for election officials and extending biometric identification of voters. Through targeted trainings and advise, it will additionally reinforce existing mechanisms for human rights promotion and protection including justice monitoring and public discussions on gaps in access to justice. Last but not least, through support to Open Government Initiatives, it will enhance open governance and broader civic participation.

The second component "Deepening civic engagement in Armenia" focused on expanding the understanding of participatory democracy and tools to engage as an active citizen, will empower Armenians to demand more openness and accountability at national and local levels and support them in voicing their aspirations for the future of Armenia. Actions under the second component will ensure that civil society expertise is provided to the government in the process of policy design and reform implementation.

Additionally, media facility under this component is aimed at strengthening independent and professional media. Multifaceted initiatives aim at improvements in the regulatory framework for the media sector, professionalism and ethics in journalism, and a more targeted journalistic research and actions to diversify media content.

Actions advancing gender equality and strengthen the civic participation of women are foreseen by providing access to early childhood education and care in local communities.

Last but not least, transition support will include the advice from experts who will seek to bring together people from different walks of life, communities and sectors to identify connectors and dividers in society.

The programme will build on experiences of EIDHR programming in Armenia as well as create synergies with the EU4Youth, Public Administration Reform, the Human Rights Reform and Justice Sector Reform programmes, previous electoral support, current and future EIDHR funding and the EU4Armenia programme also included in the AAP 2018.

Through these actions, which constitute an immediate response to the recent political changes, a more sustainable, transparent and democratic transition process and enhanced

citizens' participation will be created. Based on achieved results follow up actions will be developed.

1 CONTEXT

1.1 Democratisation, Governance and Human Rights context in Armenia

In 2017, Armenia reaffirmed its commitment to strengthen democracy, human rights and the rule of law through the signature of the CEPA with the EU. As a result of still limited opportunities for citizens to exercise their rights, and shrinking space for citizens to exercise direct democracy, at national and local level, the spring of 2018 brought major transition in the politics of Armenia. A long-lasting dissatisfaction with and low trust towards the authorities in the country led to broad protests. The citizens of Armenia rose to restore their agency, voice and power by transforming from passive and silent bystanders into active subjects with a strong sense of ownership of their country.

The peaceful protests ultimately turned into a so-called 'velvet revolution', which seized the country. Youth played a key role in the interface of the movement and young women played an equal role to their male peers, mobilizing their peers, families, and communities towards positive social, civic and political transformation. Citizen support towards peaceful transformation was a crucial factor in ensuring legitimacy of protests. This generated also a future expectation that the same level of communication and information from the new government to citizens will be maintained, strengthening transparency of decision making.

Therefore, as the response to the recent political changes in Armenia, the following key areas define the context for the EU support specified in this Action:

Elections. On 2 April 2017, Armenia held parliamentary elections under the new Constitution and the new Electoral Code. According to the OSCE/ODIHR, the elections were well-administered and fundamental freedoms were generally respected¹⁰. At the same time, the OSCE/ODIHR noted that there were credible reports of widespread vote buying, intimidation of civil servants and private company employees as well as abuse of administrative resources.. Following the elections the OSCE Office for Democratic Institutions and Human Rights' (ODIHR) final report noted an overall lack of public trust in the electoral process. The Statement of Preliminary Findings and Conclusions issued by the IEOM on 3 April 2017 concluded that the elections "were well administered and fundamental freedoms were generally respected. Despite welcomed reforms of the legal framework and the introduction of new technologies to reduce the incidents of electoral irregularities, the elections were tainted by credible information about vote-buying, and pressure on civil servants and employees of private companies. This contributed to an overall lack of public confidence and trust in the elections. Election day was generally calm and peaceful but marked by organizational problems and undue interference in the process, mostly by party representatives".

Holding genuinely free and fair elections is one of the priorities of the new government, which is fully committed to bringing the election-related legislation in line with the international standards in order to ensure the transparent electoral processes and to increase the public trust and to guarantee the free and fair conduct of the next elections.

Human Rights (HR). The basic human, political, economic and social rights of Armenian citizens remain insufficiently protected. Citizens know little about their rights and responsibilities, and the lack of trust in the legal system continue to prevent the majority of people to claim their rights. The National Strategy for **human rights** and its Action Plan for 2014-2016 lacked measurable targets with timelines, responsibilities and monitoring

and evaluation. In February 2017, the government adopted a new Action Plan for 2017-2019, created an inter-governmental Coordinating Body chaired by the Prime Minister, and envisaged public hearings with civil society organisations on its implementation to be held every six months. Although substantively improved, the new Action Plan would benefit from an even clearer mechanism for monitoring progress.

Civil society and media. The enabling environment for media and civil society development is quite permissive. On one hand, respect for basic freedoms in Armenia is sufficient to enable meaningful public participation. Freedom of association is guaranteed by the Constitution and regulated by a number of laws, and most importantly by the Law on Public Organizations (2016). According to OSCE/ODIHR Final Election Observation Report on 2 April, 2017, “Freedom of expression, as guaranteed by the Constitution and legislation, was broadly exercised” during the last elections. On the other hand, despite expectations raised by the new government to continue its dialogue with citizens and civil society, structured dialogue with civil society is not yet institutionalised.

Civil society and media are key agents in the fight against corruption which has emerged as a priority to the new Government. While some organisations prioritise this work and have the capacity and knowledge to carry it out, their efforts have borne little fruits due to the environment in which they were conducted.

In the networked world, civil society and media functions are widely distributed among non-formal actors, including individual citizens. The growth of citizen journalism and eye-witness culture in Armenia is reflected in the number of new information platforms, popularity of video blogging and social network channels. Citizens also take over the traditionally institutionalized monitoring and oversight functions of the civil society, by holding a spotlight over government operations through mobile applications, self-organized civil actions and citizen scrutiny of policy decisions. ICT platforms, including e-participation tools enabled by the government (e-draft, e-request, interactive budget), remain the main framework for communicating feedback to the decision makers.

According to the Freedom of the Press 2017 Index Armenia ranked partly free - 63 of 100 - compared to not free - 61 - in 2015. Digitalisation of broadcast media allows for only one TV channel per region. There is more diversity of views in the online media.

Early childhood education and care as a barrier to civic and political engagement of women: The lack of early childhood education and care in rural areas hinders women’s participation on the labour market and enhances women’s overwhelming workload in relation to unpaid domestic care work. This limits women’s capabilities in engaging in employment and gaining economic independence just as it is a barrier to their engagement in civic or political activities in their communities.

Additionally, for the children and youth, the quality of education remains poor, notably in rural areas, due to considerable shortage of professional teachers, poor infrastructure of schools and early childhood learning and care facilities including poor heating, water and sanitation. While inclusion in general education is regulated by a number of normative acts and is a function of local self-government authorities, inclusion at early childhood learning and care level is still scattered, largely depending on limited funds availability at the local level or driven by donors. The situation of children with disabilities is even more acute, as about 71% of them do not attend early childhood learning and care at all (80% in rural areas) and many parents, caretakers and early childhood educators are not aware of the importance of mental and physical stimulation for these children. Thus, children in the poorest rural areas and with disabilities cannot realize their right to education, early development and learning.

1.1.1 Public Policy Assessment and EU Policy Framework

This programme is fully in line with the **Single Support Framework 2017-2020**, which calls for 'delivering tangible results and visible improvements in the daily life of citizens'. This action has a strong link to the Annual Action Plan (AAP) 2018 'EU4Armenia Northern Armenia' Programme by ensuring that both women and men with caretaking responsibilities can participate in larger numbers in that programme and that civic engagement and respect for diversity are promoted hand-in-hand with private sector development initiatives in the pilot regions.

Soon after his appointment, **Prime Minister Pashinyan** presented a transitional Government Programme. The programme was adopted on 7 June 2018 has as overall objective: *"to enshrine the values of the non-violent, velvet and people's revolution which occurred in Armenia in April-May 2018 as the basis of public and national relations and fulfilment of revolutionary ideas as the permanent political reality"* and provide the space for an increased civic engagement. The new Government Programme also flags 10 areas of key importance of which 5 are directly or partly proposed to be supported with this new Deepening Democracy support programme:

- 1) Protecting human rights and creating favourable conditions for people to create freely and live a life with dignity and happiness;
- 2) National unity and civilian solidarity based on the rule of law and equality before the law for all;
- 3) Continuously improving the level of public education and social security;
- 4) Establishing a violence-free society and rejecting violence publicly.
- 5) Ensuring inclusive economic growth, job creation and poverty reduction;

The **Prime Minister** early announced that the government will introduce new working methods and fight monopolies while not launching a vendetta against former power holders and their affiliates. These messaging and related government actions during the first couple of months in office have sent signals of a new political and governance culture.

The **EU Global Strategy** of June 2016 emphasises the democratic values of the Union as well as the respect for and promotion of human rights, fundamental freedoms and the rule of law. This includes attention to justice, solidarity, equality, non-discrimination, pluralism, and respect for diversity. In the Neighbourhood Region, the EU commits itself to promote resilience, democracy, trust in institutions, prosperity and sustainable development and to echo the Sustainable Development Goals by including all individuals and the whole of society.

The **Council Conclusions on the Action Plan on Human Rights and Democracy 2015 – 2019** adopted in July 2015 and building on the Joint Communication "Keeping human rights at the heart of the EU agenda" reaffirms the European Union's commitment to promote and protect human rights and to support democracy worldwide. The Action Plan calls for more focused action, systematic and co-ordinated use of the Human Rights instruments, and enhanced impact of its policies and tools on the ground. This Programme is taking up EU's commitment to invest more in promoting the principles of non-discrimination, gender equality and women's empowerment in line with the **EU Gender Action Plan II** which emphasises that the EU in its external relations should enhance women's representation in

decision-making and increase women's empowerment. The EU will also invest in creating a safe and enabling environment in which civil society and independent media can flourish.

The **European Neighbourhood Policy (ENP) review** from November 2015 emphasised enhanced differentiation between and greater ownership by partner countries, assisting partner countries in their reform efforts while focusing on people as well as governments. The **Joint Declaration of the Eastern Partnership Summit** of May 2015 in Riga recalled that strengthening democracy, rule of law, human rights and fundamental freedoms are key means of achieving sustainable democracy and deep modernisation of economies and societies as called for by citizens. The **2017 Joint Staff Working Document on Eastern Partnership 20 Deliverable for 2020: "Focusing on Key Priorities and Tangible Results"** sets out in **Priority II: Strengthening institutions and good governance** a number of priority actions. In this Action, support to the early elections is an EU response to protesters call for new elections of more credible, competitive and inclusive nature and to build a government that enjoys democratic legitimacy and wants to expand the space for meaningful participatory democracy. Advancing structured dialogue with civil society – locally and regionally – is among the EaP Deliverables. Multi-stakeholder dialogues facilitating constructive participation of citizens and relevant CSOs in shaping policies and reforms are seen as key in strengthening democratic institutions.

Furthermore, the Programme addresses a number of important cross-cutting deliverables such as deepening modernisation by tapping into the intellectual and innovative potential of individual citizens, communities and civil society – including children and youth. In addition the EU and EaP countries commit to give stronger support to women's rights, empowerment and gender balance and that particular focus will be made to address the gender pay gap and to address negative gender stereotypes.

The **Comprehensive and Enhanced Partnership Agreement (CEPA)** between the EU and Armenia, signed in November 2017, is a key instrument towards a deeper and expanded cooperation between the EU and Armenia. The CEPA reinforces the bilateral commitment to Democratisation and Good Governance as well as underlines the respect for fundamental Human Rights. The CEPA also includes important objectives towards empowering Armenia's civil society and the larger public for them to contribute to sound policy-making and improve accountability. Furthermore, CEPA clearly recognizes the need for: (a) promoting lifelong learning, which is key to growth and jobs and can allow citizens to participate fully in society; (b) modernising education and training systems, including training systems for public/civil servants, and enhancing quality, relevance and access throughout the education ladder, from early childhood education and care to tertiary education.

Many Government strategies and policies are being reviewed by the new government and a close dialogue with the Coordinator of EU Assistance, line ministries and other key government representatives will be ensured. Moreover, the action will contribute to Armenia's compliance with obligations under international human rights conventions and is expected to support the government's follow-up to many of the Universal Periodic Review recommendations issued in January 2015 and other concluding observations. Several recommendations include a call upon the Government to increase budget allocations to improve gender equality as well as expand education and community services including access to pre-school facilities.

The **Constitution of Armenia** which stipulates that elections of the National Assembly shall be held on the basis of universal, equal, free and direct suffrage, by secret vote and guarantees ideological pluralism and multi-party system. The electoral support foreseen in

this action is taking into account the revisions of the Electoral Code and is designed to respond to the politically agreed priority actions to be implemented ahead of elections.

This Action also builds on the significant step that was made by the Republic of Armenia joining the “**Open Government Partnership (OGP)**” initiative in 2011. The aim of the initiative is to improve public administration through the active involvement of citizens and civil society as well as to increase its efficiency, raising the level of transparency, trust and accountability in state-citizen relations. However, the systematic approach towards open government, which would enable an integration of open government principles and approaches into other spheres of Government activities, has not yet reached the desired level in Armenia. As an example, legislative consultations have often suffered from systemic procedural issues: while processes are nominally participative, CSOs and international partners were often given very short deadlines to provide their inputs, and there is little evidence that inputs were seriously considered.

1.1.2 Stakeholder analysis

The **main direct beneficiaries** of the programme are Armenian women and men who will benefit from the increased quality and quantity of services at national and local level through mechanisms and platforms of direct engagement of the population, including young women and men, in the design and monitoring of services and decision-making for and beyond formal electoral processes. This will include **rural populations, with particular focus on: youth, adolescents, parents, community members and children of pre-school age, including children with disabilities.**

The main stakeholders of the action are as follows:

At the national level, the Government of Armenia is the authority securing the development and implementation of national policies, strategies and programmes in Armenia, thus representatives from the Government and the Office of the Prime Minister will be consulted on relevant topics and involved in all phases of design and implementation of the programme that concerns government-owned activities. The government will also be consulted on the civil society components but these aspects will be directly managed by the EU Delegation. The ministries and relevant agencies will engage in implementing different parts of the programme, whereas the Office of the Prime Minister and the Coordinator of EU Assistance will coordinate all the activities aimed at enhancing inclusive and evidence-based policies by linking all the relevant ministries and agencies and ensuring due coordination.

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. The CEC has the central role in safeguarding the citizens’ rights for free and fair elections and in increasing the accountability and credibility of the electoral process; furthermore, in view of the possible changes in the electoral code and the introduction of new technologies, the CEC capacity has to be reinforced. Another key electoral stakeholder is the Police Passport and Visa Department, which is in charge of the State Public Register and to draw up and maintain the voters list.

The Ministry of Territorial Administration and Development in their role as leading the decentralisation reform, thus will be a main stakeholder in the introduction of new mechanisms of citizen engagement and replication of the proposed interventions in other

consolidated communities, awareness raising among community members of the models, as well as ensuring monitoring, reporting and evaluation of activities at the community level. At the regional level, four regional administrations in target marzes (Lori, Tavush, Shirak and Syunik) will be involved in overall supervision and coordination of works in the establishment of early childhood learning and care services. Moreover, this will be key in areas, where such facilities are established in school premises, in terms of permissions and maintenance.

The Ministry of Education and Science, as the key guardian of education policies in the country, will guide the development of the legal and policy framework for the establishment of early childhood education and care (ECES) services, as well as ensure continuous capacity development of staff involved in teaching processes, including training, mentoring, and networking, establishment of links between academia and early childhood learning and care facilities. The Ministry of Labour and Social Affairs will be involved to the extent of local social planning, poverty reduction and reaching the most vulnerable through affordable and accessible early childhood learning and care facilities, as well as work in regards to women empowerment. The Ministry of Sport and Youth Affairs will be engaged in projects with youth and adolescents for ensuring the buy-in and subsequent roll out of the piloted models in other marzes.

Local authorities will not only propose scenarios for the setup of early childhood learning and care services based on needs assessment, but also be involved in construction works, as well as securing the sustainability of those services in the long-run through changes to Community Development Programmes and corresponding budgets. Most of the adolescents' small-scale community engagement and local advocacy projects will be implemented in coordination both with CSOs and local authorities, who will experience the influence of those projects, but also take indispensable part in supporting and guiding the adolescents.

The Human Rights Defender's Office (HRDO) is responsible for monitoring and reporting on the state of human rights protection, making proposals for legislative reforms, implementing human rights education projects and conducting research. The HRDO is entrusted with the mandate of the National Preventive Mechanism under the Optional Protocol to the UN Convention against Torture and acts as a monitoring body for implementation of the provisions of many of the UN Conventions relevant to this programme. Upon adoption of the Law on Anti-Discrimination the HRDO will most probably be entrusted with a mandate of Equality Body.

The Ministry of Justice of Armenia is the main body responsible for the policy development and implementation in justice sector. The Ministry is responsible for the development of the relevant strategy in the sector, for development of the drafts of pieces of legislation and sub-legislation in the justice sector such as the Electoral Code, as well as administers the penitentiary system, the probation system, the Service on Compulsory Execution of Judicial Acts and develops the Government's policy in the sphere of unified offices providing state services to population. Other Justice related stakeholders are the Judiciary and the General Prosecutor's office, entities that play a key role in relation to dealing with electoral complaints and ensuring a fair trial.

In the media sector, the National Broadcasting Authority is a key actor and will be invited to engage in discussions of issues such as modernisation and review of the media legislation, licencing processes and content monitoring. National and local, public and

private media operators as well as civil society organisations, media lawyers and other stakeholders will be consulted on inputs for the design of the Call for Proposal. It is expected that a wide range of actors will directly benefit from media consumption preference survey results as well as from the technical support and financial support to third party schemes.

Coordination with other donors active in the field of democratisation processes, community development, citizen participation, early childhood education and its importance for women's employment, as well as working in the target regions on social issues will be pursued to foster cooperation, avoid duplication and ensure better outcomes for both women and men as parents and Armenian children. Similar coordination will be pursued with private sector representatives and the diaspora, after mapping of interests and activities in the target regions.

Civil Society Organizations (CSOs) with the goal of ensuring proper representation of the voice of both women and men, protection of human rights, as well as good governance in general and the Armenian National Platform of the Eastern Partnership will be invited to play a key role in monitoring the implementation of the action. Civil society organizations will support the process of establishment of early childhood education and care facilities and training of teachers/pedagogues. In addition to the Armenian National Platform, some civil society thematic networks and other groups of CSOs developed in the country, but they are not consolidated enough to drive the call for structured dialogue with civil society yet.

1.1.3 Priority areas for support/problem analysis

The democratic transition of power in Armenia following weeks of peaceful protests in April/May 2018 has placed the citizen at the centre of the political process. This transition has created a window of opportunity for democratic change and greater accountability, transparency and civic participation, but also presents key challenges. The programme will address existing governance challenges and build on the unique momentum of the emerged citizenry and the potential for an increase in women's participation in decision-making and nurturing the interest of adolescents and youth in civic and political engagement. In many sectors, public consultations have already started and are expected to be expanded further with consultations reaching the citizens in the regions.

1) Democratic elections

The government has confirmed that early parliamentary elections will take place. The Armenian authorities have requested technical assistance from the UN and key donors to organise this process. In providing eventual assistance, the international community are, first and foremost, guided by the principles of **strict impartiality and non-interference** in the political process, and will ensure that the **ownership** of this process rests squarely with the **Armenian stakeholders**. The electoral assistance will respond to the Electoral Code and political agreements reached. In addition it will aim at being: a) **realistic**, given the potentially severely compressed electoral calendar; b) **targeted**, ensuring that the most pressing significant issues, such as voter registration and identification, are addressed; c) **building on the achievements** of the previous assistance; and d) **sustainable** in the long-term.

The EU is one of the most prominent supporters of democratic governance world-wide, which also includes electoral assistance. In 2006, the EU and UNDP strengthened and formalised a partnership in the field of electoral assistance with the signature of the [Electoral Assistance Guidelines](#), which were renewed in 2008 and most recently in April 2016. The Electoral Assistance Guidelines establish the Joint Task Force (JTF) on Electoral Assistance and set parameters for cooperation between the two organizations on issues such as project formulation, recruitment, visibility and operational support to the ongoing projects and troubleshooting. In Armenia, the JTF supported the UNDP designed “[Support to the Electoral Process in Armenia \(SEPA\)](#)” project funded by the EU, U.S., UK, Germany, and the Government of Armenia in response to the Government’s request for technical assistance in implementing the voter authentication process introduced in the Electoral Code in 2016. The introduction of new voter authentication technologies reduced the incidents of electoral irregularities in the polling centres and increased the transparency of the voting process that was recognized both locally and internationally.

The new government and parliamentary working groups are already discussing a series of revisions to the electoral code and, according to the established practice, will seek expert assistance of the Venice Commission and OSCE/ODIHR. The OSCE/ODIHR final report on Armenia’s 2 April 2017 parliamentary elections noted, among other, an overall lack of public trust in the electoral process. The main issues reported by both local and international observers during National Assembly elections of 2017 were intimidation and vote buying. Unfortunately, this is one type of electoral violation that is notoriously difficult to combat, as it requires multiple, coordinated approach from enforcement, public information and campaign finance sides. A potential solution should therefore consist of robust public information and voter education campaigns on both what constitutes vote buying, as well as the ways to report and prosecute it.

Real and perceived voter register inaccuracies have consistently undermined the trust in Armenian elections and the Parliamentary elections of 2017 were no exception. Given that many voters who reside abroad are in fact still registered as living in Armenia, one of the more common perceptions is that other voters may be using these votes, effectively voting more than once. An important OSCE/ODIHR recommendation is that “[t]he authorities should proactively engage in preventing any misuse of voter list entries, timely prosecuting anyone who conducts electoral malfeasance. A review of measures to guarantee the protection of voter’s private data, while ensuring that meaningful access to the lists is retained, should be undertaken”.

An UN Election Needs Assessment Mission (NAM) was conducted from 25 June – 3 July 2018; however, the new Electoral Code and related political agreements as well as expert opinions and funding available will determine the key elements of technical assistance needs and the timeline for their implementation.

2) Respect for Human Rights

Improved protection of human rights and more efficient and effective mechanisms of citizen, both women and men, participation and oversight can make an important contribution to trust towards the Government and its policies as well as cohesion within Armenian society. The protests in April 2018 and the ensuing change in government provide an opportunity to address the long-standing human rights challenges in the country. This includes putting in place an overarching human rights policy in order to implement Armenia’s international human rights obligations, as is promoted in the annual EU Human

Rights Dialogue and the Human Rights Reform Sector Programme 2016-2019. The programme has so far had mixed results and while there are commitment on both sides to continue the reforms the emphasis has been on reinforcing the legal and institutional framework; while actual service delivery is only slowly improving. This also include ensuring that ILO fundamental labour standards are effectively enforced, whilst a proper labour inspectorate has not been re-established yet.

In particular, the mixed results of the programme have indicated a need for additional actions to deliver increased human rights protection and access to justice to citizens in conflict with the law. This includes a solid framework to address discrimination, for instance discrimination and gender stereotypes faced by women in political and economic life, increasing awareness of the civil servants of the human rights based approach, introducing the private and public sector to responsibilities of business in protecting human rights, collecting information on implementation of the right to fair trial through extended court monitoring, and increasing and raising the quality of coverage of human rights issues in the media. Special attention will be paid to combating hate speech and stereotypes in the media, including online media and social networks.

Armenia has formulated two successive **National Human Rights Action Plans** as policy framework to address human rights challenges in the country, which were elaborated in cooperation with civil society organisations, the Human Rights Defender and international organizations for rights advocacy, taking into account the recommendations of various international monitoring bodies, including UN treaty bodies and UPR. However, as raised consistently by the EU, both plans were somewhat ambiguous, not clearly budgeted for, and extremely weak in terms of their monitoring, coordination, implementation and reporting. While it is expected that the transition government will have a more reform-minded stand on the **national human rights policy and “architecture”**, the situation is a window of opportunity for a much more substantial justice and human rights reform agenda.

Another gap that has to be addressed is low level of **coverage of human rights issues in the media, including discriminatory and stereotype reporting**, due to lack of knowledge by journalists and political space. Furthermore, the National Law on Equality between Women and Men and the associated strategies are widely considered as not being actively implemented. CSOs, and particularly women's rights organisations, are very interested in relaunching discussions on priority actions and realistic implementation frameworks.

One of the priority areas of the Human Rights Sector Reform programme is assistance in installing an **equality/non-discrimination framework and machinery**, for which the basis is supported through the development of an anti-discrimination framework, including the draft law on Ensuring Equality. However, the draft is widely considered to have substantial gaps, including grounds for discrimination, and more work needs to be done on the draft law to achieve international standards, also in relation to discrimination of women. The law, when passed, will establish an Equality Body, which will need to have training and understanding of its mandate and of international standards as well as to develop a methodology for its work beyond a massive job of awareness-raising, including on women's rights. Moreover, due to lacking enforcement body, the related ILO Conventions (equal pay and non-discrimination in employment) are not effectively applied.

Civil servants in Armenia have gaps in knowledge of gender equality and human rights, including the use of human rights standards and programming among government staff.

There is also lack of awareness in both the public and private sectors **of the role of the private sector in the protection of human rights**, and particularly of the UN Guiding Principles on Human Rights and Business¹. This is needed to also address some of the concerns appearing in the GSP+ dialogue with Armenia and create a better understanding that the human rights approach and gender equality are drivers of development from which both the government and the private sectors can benefit. These knowledge gaps are appreciated in many reports but an EU-sponsored training **Rights Based Approach (RBA)** that took place in Yerevan in mid-April 2018, only days before the demonstrations started also revealed a lot of interest in taking on new knowledge in this area. Many government staff requested further RBA information, training and technical support to advance this within their sector. However; this requires a much better understanding of the role and responsibility of business in protecting human rights. Given EU's prominent role in supporting private sector development and education sector reform in Armenia, this could have a significant impact on citizens, business environment and future investment schemes.

With regard to the justice sector, concerns have repeatedly been raised by various international bodies, national civil society organisations and defence lawyers to ensure the right to a fair trial, respect of the principle of presumption of innocence, and lack of equality between defence and the prosecution. This is also well documented in the EU Justice Peer Review conducted in March 2017. These concerns are supported by a low rate of acquittals (around 2%).

Finally, Armenia has recently signed the Istanbul Convention and in order to comply with its provisions more needs to be done to improve the internal policies and procedures on crime victim assistance by the Police, prosecutors, and judges.

3) Citizen-led and open governance

The Government and the EU share a commitment to regional and international standards which enable and support mechanisms of direct citizen engagement, including youth, in democratic processes and in decision-making beyond formal electoral processes.

Direct citizen action, especially of the Youth provides a crucial untapped resource for deepening democracy in Armenia. Young women and men aged 15-29 are considered as one of the most vulnerable groups of Armenia's population, affected by poverty, lack of employment opportunities, as well as social inequality and a certain degree of industrial and institutional degradation. A recent comprehensive study found that 60% of the young people surveyed are considering migrating to find better work; 9% have already made the decision and are organizing the move.

Meanwhile, as the role of the Armenian youth is being estimated anew in the light of reimagining their political role, citizen engagement in Armenia, often restricted in the past due to low levels of awareness in the active role that citizens were able to play, a dearth of tools to influence decision-making, flat interventions, gender stereotypes and discrimination, gains on importance.

In recent years initial work has been implemented, with **EU support**, to promote public access to the information on the Government activities, including by means of increasing citizen participation as well as fostering feedback in the process of decision making. A

¹ http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

significant step was made by Armenia joining the “**Open Government Partnership (OGP)**” initiative in September 2011. The aim of the initiative is to foster the improvement of the government system through the active involvement of the civil society as well as to increase its efficiency by raising the level of transparency, trust and accountability in state-citizen relations. OGP provides a crucial framework for deepening democracy in Armenia by making governments more transparent and accountable and creating mechanisms for citizens to directly provide feedback on the government performance. The EU has made an important contribution to Armenia’s OGP agenda, most notably through systematic engagement in public administration reform and investment in a wide range of e-governance initiatives just as a pilot initiative on citizens budgeting in the 52 consolidated communities was launched in late 2017. Another stream of this work has been the EU-funded #Inno4Dev project and its unconventional approach to Government Innovation.

In the **context of the political awakening and much higher expectations for citizen scrutiny of the government**, this Action will support a much broader and participatory OGP movement in the country, going beyond the conventional actors (government agencies and NGOs) and engaging citizens directly. The OGP work in Armenia has so far not engaged the younger cohort of the population, and in particular adolescent girls and boys aged 12-18. At the same time, there are very limited opportunities for adolescents to learn 21st Century skills and engage in civic activities in the regions of Armenia, which is identified as a barrier to young people's general civic and political participation.

The launch earlier in 2018 of the Armenia Baseline Measurement against the OECD/SIGMA Principles of Public Administration is expected to be an important tool for more comprehensive Public Administration Reform in Armenia. For this reason, the work proposed on the Open Government initiative may not be launched in full until the results of the Baseline Measurement is available.

4) Press freedom and vibrant media environment

Despite heavy control and censorship of the previous government, journalists and online media, played an important role in the 'Velvet Revolution' as a source of alternative reporting and a means of disseminating information among citizens.

The media environment in Armenia is changing rapidly as a result of the recent governance changes and marks after years of operational constraints in various aspects of media operation and production can be addressed in a more constructive manner in the new political context.

Armenia passed freedom of information legislation in 2003 but only in October 2015, the regulations needed for its implementation were adopted. There are no barriers to entry into the journalistic profession, and media workers have been free to form professional groups. However; journalism is generally low paid work and many journalists have faced threats, intimidation, harassment, and physical and verbal attacks in the course of their work. As a result, the quality and ethical standards of journalism has largely suffered although there are also higher quality products and standards applied by some of the Armenian media outlets.

The licensing and regulatory framework has not been open nor competitive, and was often identified as a limiting factor for media freedom and diversity. Radio and television outfits have to obtain operating licenses from the National Commission on Television and Radio (NCTR) although print and online media have not required licenses and independent media

outlets have in recent years taken advantage of the relatively open online space. The government did also not require registration to access the internet or satellite television, and both have been freely available. Government and media owners have been exercising significant direction for editorial content, which led the overall media environment, particularly the broadcasting sector, to apply various forms of self-censorship.

Small state subsidies have been available for private print media, but due in part to high distribution costs, the vast majority of newspapers are not profitable and remain financially dependent on their owners or patrons.

As in many countries, the print sector in Armenia has been diminishing for years and continues to decline amid a rise in the accessibility and popularity of online sources.. Advertising is prohibited on public television and radio, with some exceptions during special cultural and educational programs. Outlets do not always differentiate between editorial and sponsored content. Although most print outlets are privately owned, they tend to have reflected the political and ideological leanings of their owners, who are often tied to a particular political party or interest.

Television is the most popular source of news, and dozens of private channels operate alongside the public broadcaster. Russian and minority-language media are widely available. Although outlets often shield their true ownership structures, the individuals and interests behind most prominent outlets are generally known. The country officially began its transition to digital broadcasting in 2010 but has been implemented with many delays. The delays were primarily attributed to difficulties in securing decoders for socially vulnerable households, as required by law. The internet penetration rate is relatively high and has been rapidly growing in recent years. Online news media and bloggers play an important role in providing a diverse range of news and analysis.

In recent years, concerns about the sustainability of many local media outlets have been consistently raised and while this partly reflect global trend in the media sector, many Armenian media outlets have also been producing and airing content in a difficult environment with only limited access to external funding and advice on adaptation to the modernisation of the media sector.

Finally, Armenian media actors – apart from a few dedicated exceptions - have little content developed by youth and for youth just as gender discrimination and high levels of violence are common across many different types of programmes.

In recent years, the EU has not funded the media sector and a new programme. Therefore, adapted to the circumstances of political transition, the Action includes **support to advance media sector reform**. The intention is to launch a media facility to provide much needed strategic advice on mid- to long-term planning, financial and technical support to media outlets, particularly those in the regions of Armenia, and assist the media sector in transforming to new challenges and global trends in the sector while also attaining higher levels of professionalism and ethical standards.

5) Lack of early childhood education and care services and a shared responsibility among men and women of domestic chores as a barrier to women's civic, economic and political engagement

A main barrier to engage young women and mothers in civic participation and activities outside of the home is the lack of early childhood education and care services as identified in consultations with local authorities, women's rights organisations, women politicians, political parties, civil society organisations and private sector development actors. It is also widely recognised that this is a particularly prominent issue in rural Armenia where mothers and fathers have much more limited care and education facilities.

A further aggravating factor is that early childhood education and care is free in the capital Yerevan, while dependent on parent fees in rural/semi urban communities. This creates further inequity and reinforces generational poverty cycles. Early learning infrastructure has been available in larger numbers in Armenia but the number of early childhood education and care facilities fell from 1192 in 1990 to a mere 623 in 2006 (NSS, 2010). In 2016, there were 721 early childhood education and care facilities in Armenia, 432 in urban and 289 in rural areas. Many rural communities, especially the remote and small (less than 500 inhabitants) do not have early childhood education and care services at all. The communities are responsible for taking action in providing quality early childhood education and care, however, they are either not aware of efficient ways to do so, lack funds or simply do not give enough attention or priority to the issue.

Early childhood development services, especially in rural areas, may be provided in other forms than typical kindergartens and the organization of the provision within the premises of a school is of priority to the government. The Ministry of Education and Science has a good practice of organising early childhood education and care services at schools, where the children of the age of 5 to 6 have half-day educational and development programme. In line with this provision the Ministry is putting forward a strategy for transforming the schools into community centers where the early childhood education and care services (for the 2-6 year olds), a number of community services (e.g. libraries), cultural events can be foreseen to be organised, and thus, enhance the community development in a number of ways. Such community-based services open opportunities for greater engagement of citizens in service design and delivery, fostering women empowerment, allowing time for mothers to be involved in the labour market, to become economic independent alongside men.

Additionally, the possibility of organizing alternative models of early childhood development will enable the communities to involve the local human resources for the service provision. In a number of models caretakers may get employed in providing early childhood development services within the community based or home-based model upon completion of a set of training modules: this will indirectly boost the local economy and empower women especially in remote and rural areas.

The EU has identified women's participation as a missed development opportunity for Armenia in the SSF 2017-2020. The investment in a further roll-out of early childhood education and care services is identified in the Joint Analysis that underpins the SSF as one of the means to enhance women's economic and political participation. By including a significant component of work in this area, the EU reinforces its commitment of advancing gender equality, women's participation and economic empowerment as well as overall development in Armenia.

The Ministry of Education and Science is currently revising its policies and priorities, including in the area of early childhood education and care. This will include reflections on increased enrolment of the most disadvantaged children: children living in poverty, in

remote rural areas and children with disabilities and there is a strong commitment by the EU to work closely with the government to realise joint priorities.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Unexpected political changes related to the transition process	H	Diversify the actors to include more segments both inside the government and among citizens. Special focus will be driven on citizen participation to mitigate the risk of abrupt government strategy changes. In a long-run the Action will also focus on sustaining democratic institutions, which ensure consistency of development processes.
Instability of the government and the discontinuity of the administration	M	The Action will balance any possible instability in the administration with activated work on the citizen and local governance side.
Too high popular expectations that the Government will be unable to respond to	M	Engaging citizens in discussions and activities will create additional space for them to discuss, contribute to and follow reform efforts. Large visibility component will allow to assess and respond to citizens' expectations
New/reinforced societal cleavages	M	The Action will use alternative media means, including social arts, media and TV shows to reanimate social cohesion.
Compressed timeline for early elections	H	Depending on the available timeline, the suggested changes in existing procedures will be adjusted to address priority issues first and to achieve the best possible results in the given timeline.
Limited capacities and resources at the local level	M	Competitive selection of beneficiary communities/settlements and signature of MoUs for ensuring sustainability of interventions. Capacity development of local authorities.
Limited visibility	H	All visibility material will be developed with a common programme identity linked to the EUforCitizens programme rather than the implementing partners' visual identity.
Assumptions		
<ul style="list-style-type: none"> ✓ The Government has necessary political will to undertake open governance commitments. ✓ The local government will be cooperative and willing to work towards improved services and participatory administration. ✓ Citizens' apathy towards the government decreases with the advancement of open governance reforms. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Successful transition to a new political system needs to be trusted by citizens. There are several important general constraints to the country's growth linked to insufficient good governance.

- Lessons learned from “Support to Electoral Process in Armenia (SEPA)” programme conducted with funding from the EU (90%) and Governments of U.S., UK, Germany and Armenia, highlighted a number of key success factors, including flexible mechanisms for risks management and quick decision-making; collaboration of staff with advisory teams; frequent high-level coordination format; right level, volume and periodicity of communication with the national counterparts. These factors helped build and maintain trust along with guaranteeing accountability and responsiveness of the implementing agent.
- During the last decade Armenia registered a significant progress in reforming and modernising its governance systems and adopting legislation in public administration, local governance, justice and human rights including child rights and gender equality, among others; still, this process is not duly followed by effective implementation. Thus, more focus and efforts should be dedicated to implementation, analysis/review, and citizen monitoring of implementation of reforms and legislations;
- The Open Government Partnership (OGP), initiated in 2013, has become a global lab to design transformative solutions that promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance across the world. Armenia was one of the first to join this network. However, the national OGP efforts to date have been fragmented and didn't lead to transformative changes in the system. Moreover, the open governance culture did not migrate to the subnational level. Over the past three years, development partners have provided key support to the government in a range of areas, from crowdsourcing the Third National Action plan to introducing new ICT solutions to make public services more accessible. However, a more institutionalized approach is required to expand and mainstream open governance principles on national and subnational levels. Examples of extending OGP practices to subnational level, as well as reaching out to other branches of the government, have proved to be effective in Georgia, Serbia, Norway, Spain and others.
- There is no constant monitoring and evaluation within the governance sector, and despite the existence of numerous e-tools, data is not collected and analysed on comprehensive and continuous bases. This in its turn negatively affects the level of ownership and prevents citizens and civil society organisations from conducting monitoring activities. A participatory baseline assessment of participation patters in rural areas will provide a good basis for prioritising actions and measuring impact.
- Mechanisms and innovative tools for broad-based consultations over the reform should be strengthened and diversified to generate hard evidence, citizen feedback and perception analysis over reform process;
- The issues of human rights, rule of law and justice continue to be high on the agenda where continuous impunity in the system allows a broad space for violations of rights.

The new page for restoration and strengthened social cohesion provides room for opening the traditionally unresponsive institutions, for bringing services closer to people and seeking for solutions at the local level through active citizen participation in reviving the broken justice, trust and social cohesion on the ground;

- National Human Rights Institutions (NHRIs) can greatly promote public participation in their work. The [DIHR paper on NHRIs and public participation](#) provides concrete guidance on how a NHRI working in accordance with the Paris Principles can enable and support public participation, undertake advocacy, act as interlocutor between the state authorities and the population, channelling the concerns and issues of all citizens and residents in a way that reflects the human rights based approach, etc. The experiences in the region on strengthening the capacity of NHRIs, notably in Ukraine, Georgia and Croatia, can be used for tailored support to the Human Rights Defender's Office in Armenia;
- The Human Rights Reform Programme has so far had mixed results and would benefit from additional, specialised support on human rights reform issues and further awareness raising on the Rights Based Approach. The Programme is also seeking to address shortcomings in the national and local governance system (e.g. electoral reform, shortcomings in the judicial system; lack of respect of human rights; gender inequality; corruption and inefficient public administration and poor records of service delivery) that were identified in the SSF and later led to the 'velvet revolution'. Fundamental labour standards as part of human rights are not covered by any enforcement system;
- The evaluation of the EU-funded “Mitigating social consequences of labour migration and maximizing migrant’s involvement in local development” project in Armenia, which was implemented by UNICEF Armenia in 2012-2016 and targeted the negative impact of migration on families and children. Local community-driven projects should include a stronger emphasis on women empowerment in rural areas and labour market activation/income-generation.
- While community budgets are small in nature, low-cost and practical models underpinned with the necessary commitment from government and non-governmental stakeholders, adequate implementation arrangements, supported by solid theory of change and appropriate costing prove to be successful, as evidenced by a early childhood learning and care model already successfully tested in 12 Armenian communities.

3.2 Complementarity, synergy and donor coordination

While donor coordination in this sector requires further improvement, the efforts of Development Partners have been coordinated relatively well. Reforms in public administration and service delivery, support to democratisation/elections and human rights, public financial management, administrative-territorial administration, judiciary as well as anti-corruption efforts are the key areas of the EU involvement in Armenia. Assistance is provided through a mix of modalities including technical assistance, budget support, grants and loans. Besides the EU, other major Development Partners present in Armenia continue to be involved in supporting this sector.

Structural reforms and capacity development in public administration and public financial management is supported by EU, Czech Republic, Germany, EBRD, IMF, OSCE, Switzerland, UN, USAID and World Bank. EU, Germany, ADB, OSCE, Switzerland, UN, USAID and WB are supporting implementation of efficient and democratic structure of administrative-territorial organization. For further strengthening of independence and efficiency of judiciary, assistance is provided by EU, Germany, Norway, COE and USAID. Anti-corruption efforts are extensively supported by the EU, OSCE and USAID. EU, Switzerland, USAID and WB are also involved in promoting citizen-centred public service delivery and further implementation of e-governance.

The support to the next parliamentary elections is expected to be a multi-donor action (basket fund) building on the good experience of SEPA.

GIZ, USAID Switzerland and ADB will be key parties in regards to the advancement of community consolidation reforms. Finally, the programme will build upon and be in sync with other EU-funded programmes and projects in the target regions for better impact on the lives of the most disadvantaged and vulnerable families and children. The donor coordination group on social services co-chaired by the Ministry of Education and Science, UNICEF and USAID will serve as a good coordination platform for exchange of information on various projects by stakeholders in the target regions.

The programme will also explore interfaces and synergies with the recently launched EU4Youth programme in Armenia, the ongoing Human Rights sector reform programme and the ongoing or accelerated PAR reforms and the EUforBusiness programme. .

3.3 Cross-cutting issues

Youth and adolescents

The Programme will engage citizens and the government with specific attention to youth and women—two groups disproportionately affected by unemployment and poverty in Armenia. These groups bear the capacity to more actively engage in civic and political processes. The Programme will help to unleash the energy and to offer various opportunities to exercising more proactive citizenship and influence power. This Programme will also further reinforce the SSF objective of ensuring that EU support create an enabling environment for citizen's engagement and provides care for vulnerable populations.

Innovation

Innovation and citizen-centric design is the signature line of the Programme. The Programme will encourage innovative design at all levels, injecting technological innovation and human-centric approaches in national and subnational strategies. Innovation will also be applied in new communication frameworks between the citizenry and the government.

Environment

Environmental sustainability is a core value embedded in the design of the Programme. All activities will be designed and implemented in line with principles of environmental sustainability, avoiding negative effects to natural resources and physical environment. Due

to the modern and green nature of the early childhood learning and care services through use of photovoltaic panels and environmentally-friendly materials, these will contribute to mitigation of the impact on the environment and climate change.

Gender Equality

A significant objective of this Action is to enhance women's civic participation and empower them politically and economically through investing in access to affordable and qualitative early childhood education and care services while at the same time providing young women and men much understanding of the pillars of good governance and better tools to engage with their local and national government representatives and administrations. The work with adolescents is much needed in Armenia and is likewise an investment in further deepening democracy and the foundations for a more just, inclusive and tolerant society will also greatly contribute to enforcing the role of women's empowerment. The results of the action will also have an impact on fundamental human rights including child and women rights. There is a strong attempt to mainstream Gender Equality throughout all components of the Action.

Equity and leaving no one behind

In order to support the deepening of democracy in Armenia, it is critical to ensure that no one is left behind in the process focusing on the most vulnerable, deprived and excluded groups in Armenia. Relatedly, investing in children can help promote equitable, inclusive societies, allowing more women and men to effectively participate in economic development. Investments in children living in poverty help create a level playing field, providing access to the essential health, educational and nutritional services. Providing these will allow more equal access to better paying jobs later in life, as well as improve productivity, and ultimately bolster a country's economic prospects.

Some of the further cross-cutting issues addressed by the programme include reduction of poverty and emigration risks through establishment of basic services in the selected settlements/communities. Social inclusion and behavioural change are also key aspects furthered by early childhood learning and care, leading to more cohesive societies.

4 DESCRIPTION OF THE ACTION

This Programme reflects the EU commitment to democracy as a principle underpinning its external action² and is designed to build on the unique momentum of the emerged citizenry and to nudge new quality and value of participatory governance - the right of every citizen to participate in the democratic decision-making process both at local and national levels, towards good governance and equitable development.

It will help citizens of Armenia take a lead or contribute to a wide range of activities, by strengthening mechanisms of direct democracy such as civic participation, human rights, engagement of youth and women in all aspects of life for informing government programs toward community needs, building public support and trust, and encouraging a sense of cohesiveness within communities. The Programme will contribute to active citizenship models, in which citizen groups are involved in agenda-setting, decision-making and monitoring of various development processes.

The Programme will contribute to the key factors and conditions necessary for effective deepening of democracy and citizen engagement. In addition it intends to enhance access to affordable quality child care which will have a positive impact on women's empowerment and strengthen women's civic participation. The EU's policy on Human Rights Based approaches and the Gender Action Plan II will be applied throughout the Programme implementation of the component.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal(s) SDG 16 "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels" and SDG 5 "Achieve gender equality and empower all women and girls" but also promotes progress towards Goal(s) SDG 1 "End poverty in all its forms everywhere", SDG 4 "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all" and SDG 10 "Reduce inequality within and among countries. This does not imply a commitment by Armenia benefiting from this programme.

² Reflected in numerous policies, including the November 2009 Council Conclusions on 'Democracy support in the EU's external relations', the 2011 'Agenda for Change' guiding EU development cooperation, the 2015-2019 Action Plan for Human Rights and Democracy, and the new European Consensus on Development. EU actions are also in line with the 2030 Agenda for Sustainable Development, and in particular Goal 16, dedicated to the promotion of peaceful and inclusive societies.

4.1 Objectives/results and options

The overall objective is to deepen democracy in Armenia.

The specific objectives and results of the programme are:

Objective 1 – To increase trust in Government

- Result 1.1 Transparent and credible election conducted
- Result 1.2 Government openness and accountability enhanced
- Result 1.3 Respect for Human Rights increased
- Result 1.4 Structured dialogue mechanism with civil society established

Objective 2 – To deepen civic engagement in Armenia

- Result 2.1 Participatory democracy developed
- Result 2.2 Vibrant media environment in Armenia developed
- Result 2.3 Women engagement strengthened

4.2 Main activities

The planned activities target at the major pillars of the project:

- i. Increased trust in government;
- ii. Deepening civic engagement in Armenia

Component 1: Increased trust in government

With the transitional Government's main objective being organising early elections, the transparency and credibility of elections becomes of vital importance to sustain and translate the wave of citizen uprising into legitimate results. This Component proposes a multifaceted approach working at the same time on enhancing transparency and credibility of elections, strengthening the human rights framework and delivery of justice while promoting more open governance systems electoral cycle.

The composition of the Central Election Commission (CEC) is unlikely to change dramatically, but there is still a need for targeted capacity building to election officials at all levels (central, territorial and precinct). Given that electoral administration is a complex system, the proposed measures seek to address at the same time its individual parts and their interconnections, i.e. procedures, equipment, citizens and electoral commissions at all points of the electoral cycle. A robust training should be conducted country-wide on procedural, legal and moral obligations of the election officials to conduct their work without favouring any parties or candidates emphasising the importance of increasing women's participation in political decision-making. To combat vote buying and increase overall transparency and oversight of campaign finances, it is also essential to enhance the capacity of CEC's Oversight and Audit Service.

Introducing a country-wide, reliable biometric identification of voters at the polling station would virtually eliminate the possibility of voter impersonation, as the system would automatically refuse to authenticate the voter if the fingerprints do not match. This would require an update to the existing voter authentication software, possibly even hardware (both

procured during the UNDP “Support to the Electoral Process in Armenia” project, funded in part by the EU), but a challenge that persists is the collection of biometric data of all voters, which is both a time consuming and a rigorous task.

Electoral dispute resolution (EDR) mechanisms have been consistently identified in the observer reports as one of the “weak links” in the electoral process, lacking both coherent application as well as transparency. To address these issues, capacity of all the stakeholders must be increased, starting with the judges, prosecutors and the election officials. In addition, it is essential for the EDR mechanism to be clear to the voters and candidates, so that they are aware of their rights and obligations when submitting an official complaint. Capacity building in enhancing EDR mechanisms could also be expanded to judges and prosecutors.

The above-mentioned issues are persistent both for national and local elections, therefore the suggested mechanisms shall be applied to both to increase public trust and credibility of electoral processes in general. Naturally the best possible result would be achieved if the proposed measures were applied in their entirety. However, depending on the timeline of early elections, they may be applied in a selective manner prioritizing the challenges to be addressed. A fall-back position of using invisible ink to ensure the necessary safeguards could also be considered – particularly if the necessary updates to the technical solutions conflicts with the desired timing of the early elections.

The **human rights** aspect will include advice and targeted trainings to relevant government agencies on main human rights topics and strengthening the commitment to RBA across government services and in the regions and particularly the existing gender disparity. NGOs will be trained on internationally accepted methodologies for observation of court trials and monitoring implementation of court decisions.

The draft law on Ensuring Equality law, when passed, will have establish an Equality Body, which will need to have training and understanding of its mandate and of international standards as well as to develop a methodology for its work beyond a massive job of awareness-raising. Similarly, as Armenia progresses in re-establishing a fully-fledged labour inspectorate, capacity-building and training will be needed. It is proposed to invest in introducing and adapting the Rights-Based Approach (RBA) to many more line ministries and government staff, including outside of the capital, where government staff often lack even the basic human right knowledge. A stronger awareness on the importance of human rights including labour standards and rights to the private sector and at the workplace will also be fostered. With a view to enhancing accountability, there is an expectation that more will be invested in developing sector programme indicators as well as monitoring (including by the civil society) and reporting systems. Inter alia, examples from Georgia and other parts of the world will be utilized in this component.

Particular focus needs to be put on **women victims of domestic and sexual violence**. In order to understand existing challenges, evidence has to be collected through much more extensive and consistent trial monitoring by CSOs. This is an accepted technique for gathering information and identifying areas for reform. Such regular observation has, for example, has shed a great deal of light on problems and pushed forward justice reform in neighboring Georgia. The experience and information gathered is expected to inform future reform efforts with law enforcement agencies as well as future EIDHR support to civil society in this area.

Open government initiatives will be launches and tested by various groups of citizens and successful initiatives will be prepared for roll-out in a more consistent manner in line with

citizens' preferences and accountability demands. The work will capitalize on the existing achievements and lessons learned from implementation of three OGP Action Plans in Armenia and will expand the open governance mandate to subnational level, by adopting **city-specific open governance** and integrity commitments, and creating an **open data movement** in Armenia.

Specifically, eliciting the **broader participation of active citizens** and public-sector innovators in the OGP process through idea competitions, while supporting key coordination bodies through data evidence, will substantially advance the progress of OGP implementation and reposition it as a national priority among the government, thus also contributing to broader objectives of the Public Administration Reform. An Annual Governance Conference on citizens-driven topics will further highlight major achievements and successes towards deepened and participatory democracy.

The Action will support both implementation of the OGP commitments and their civic oversight. Apart from the systemic support to open governance approaches on national and subnational level, the action will envisage CSO grant schemes to ensure that civil society can provide expertise, monitoring and oversight of governance reforms and infrastructure projects. It is expected that government at all levels will have a much better understanding of the importance of adopting mechanisms to be more open and responsive to citizens.

Opening up the OGP work to **engaging young people** will increase their civic participation skills and, potentially also foster an increased use of new, and more youth-oriented, technologies for openness and accountability. The activities will build on similar interventions in other neighbourhood countries and will be adapted to Armenia's context proven and tested models for adolescent civic engagement and learning of 21st Century Skills through focusing on:

- 1) promotion of **overall life skills** enabling adolescent girls and boys to become active citizens through capacity building and community engagement, and as such contribute to more thriving communities (Upshift model);
- 2) Adolescents will learn to **apply critical thinking skills** especially with regard to information processing and media, and using media for raising awareness on social issues (Ponder);
- 3) Enable adolescents with **vital skills on conducting community needs assessments, managing campaigns, lobbying and influencing decision-making processes and leadership skills** (Podium)
- 4) Set up dedicated structured dialogue mechanisms to channels opinions formulated by civil society

The activities will be implemented in the marzes of Armenia, with outreach throughout communities, schools, youth clubs, mass media, and partner institutions. The adolescent focused activities will reach 4,100 young people, with around 1,100 adolescent girls and boys directly benefiting from the trainings. In addition, the project aims to reach 9,000 young people through on-line and social media communications.

The overall result of this component is improved protection of human rights and raised awareness of international human rights standards both by those duty-bearers that delivers actual justice and in the general population and broader civic participation of Armenian citizens.

Component 2: Deepening civic engagement in Armenia

Recent developments in Armenia demonstrate the growing **demand of women and men to be engaged in political dialogue and governance processes** beyond the electoral cycle. The approach envisages direct collaboration, co-creation and co-implementation of public services, and community life more generally, by citizens. The Action will help the Government of Armenia to adopt a youth-oriented engagement approach on various levels of policy implementation – from challenge identification to actual implementation and eventual impact validation taking a gender approach. While encouraging participatory democracy, the action will also enforce the importance of sustainable democratic institutions through mock elections and youth parliaments led or involving Euro Clubs and EU Young Ambassadors network. The Action will also create better opportunities for children, youth and women in the regions, groups with special needs such as PwDs, refugees, extremely poor, ethnic minorities, etc.

The activities aim at **encouraging youth to proactively engage in community development** by creating micro-projects. The projects initiated by youth will not replace but will complement the development strategy of local authorities, including actions like revival of public spaces, creation of web/mobile applications, youth-driven research, project-based response to specific challenges of such groups as people with disabilities, ethnic and religious minorities, etc.

Specific actions to engage these user groups will include **Dream Labs** – foresight approach of collecting citizen-driven scenarios of positive futures. The Action will also build receptive mechanisms and user-friendly within the government to ensure smooth communication processes and effective feedback loops. In the conventional paradigm of collaboration, the Government is relying on media and civil society organizations to connect to its citizenry and end-users of public services. However; newer models of democratic governance puts more emphasis on direct channels of communication and collaboration including meaningful participation.

Eventually, the enhanced youth capacity will be used to collectively monitor and evaluate the services of local and national governments through a real-time **web dashboard**, where each citizen can report and assess the government as a client of its services. The dashboard will cement the growing **demand-behaviour among web-resident young people** and will hold the decision makers transparent and accountable. A targeted grant component is included to encourage women and targeted groups such as youth, students, minority groups, women and members of excluded groups to carry monitoring of policy implementation in a more structured way, and to encourage youth-driven oversight and fact-finding initiatives over public assets.

The action will build on previous EU-funded projects and coordinate with the recently started EU4Youth projects in Armenia and strive to increase citizen satisfaction and trust by significantly improving direct participation processes in the following critical areas i) citizen2gov communication; ii) national and subnational service delivery.

Increasing investment in improving **access, quality and equity of early childhood and care services** and supporting families, parents and, particularly women, is an urgent necessity for Armenia to enhance gender equality, to increase the use of the full talent pool of the population and to enhance women's economic independence. The component assumes the creation of 40 early childhood education and care facilities in rural areas of Armenia of which at least 10 will be able to accommodate children with disabilities. Access to these centres will allow young mothers and both men and women new opportunities of empowerment, collaborative work and projects, to work and engage in income-generating opportunities, through cross-matching of skills. The models promoted

will also capitalise on public-private partnerships, contributing to community development, family enhancement and social cohesion. In addition, when preschool services are organised within school premises and with a community focus, this is also expected to enhance the community mobilisation and revival of remote and rural communities.

Selected community members, often mothers/caregivers have been trained to work with young children, thus engaging the community in early childhood learning and care delivery will foster women empowerment in various directions. The early childhood and care centres can also bring together mothers and fathers, grandparents in their aspirations for a better future for their young children, through counselling sessions on parental skills in child rearing, nutrition, health and development. The component will also promote the inclusive kindergarten through a multi-sectoral approach and involves other governmental and non-governmental agencies that provide social assistance to communities. Both types of early childhood learning and care provision vary from traditional models by the flexibility of approach, high involvement of local communities, parents in the development of the programmes that are needs-based, fit into the reality of the community and are owned by the community.

Two important actions will provide new EU support to civil society and to the media sector in Armenia. The support to civil society will **enhance civil society organisations' capacity to provide expertise to the government on policy design and reforms implementation and provide platforms for engaging citizens**. Based on discussions with the government and civil society on how to take forward a more structured policy dialogue with civil society organisations other civil initiatives and voices, the EU will launch a call for proposal for a pilot initiative that will provide a platform for continued dialogues, consultations and discussions of policy and reform priorities as well as further citizens' empowerment. Some models have already been introduced and tested by the government and more are expected to be rolled out in the course of the autumn months with the public discussions of the Electoral Code and other key draft laws and policy documents. The call will be open to both European and Armenian civil society organisations and is expected to include innovative elements of citizens-government engagement and cooperation.

An **EU Media Facility** will be established to **support reforms in the media sector and providing technical and financial support to media outlets**, particularly in the regions of Armenia to develop sustainable operational and financial strategies that reflect global trends in the media sector as well as media product demands by Armenian women and men. A large survey on media consumption and preferences has not been conducted in Armenia in recent years but could help media outlets in adapting their decisions to the reality of the media market. It is foreseen to provide both core financial support and activity-driven financial support to third parties and to complement this with expert advice and mentoring. It is also foreseen that citizens-driven journalism, investigative journalism in technical fields and youth- and gender-sensitive journalism will be further promoted. In line with a recent media sector assessment, big data collection and management as well as legal support to journalists seem to be gap areas that are also in need of support. To help small local independent media outlets overcome lack of professional expertise and equipment, a network of production centres will be made available.

As a cross-cutting element, a **large participatory monitoring initiative** is envisaged towards: sharing EU support to i) enabling Armenian women and men to contribute to advancing democracy and development in their country; ii) ensuring public legitimacy

and sustainability of democratic institutions. The will also create good EU visibility of support to creating an enabling environment for new generations to sustain participatory democracy.

4.3 Intervention logic

The EU is committed to support Armenia in the period when the country takes a major transition to deepen democracy and shape its democratic future. The proposed action will build on the extensive past support and lessons learned, and will focus on identified gaps in democratization, governance, gender equality and human rights sectors with a view to deepen democracy and participation, improve protection and respect for fundamental human rights during the transition period while also delivering tangible services for women and men as well as children in marginalized areas of Armenia. The proposed action will also support capacity development of counterparts and exchange of experience. To enable enhanced citizen monitoring systems at national and local levels, as well as a tool to increase public awareness on the achieved results, the proposed action will support the design and implementation for developing various innovative participation tools and platforms.

The visibility of this action will also largely rely on the voices of child and youth groups, common citizens – women and men -, and especially those in remote areas to provide their contributions to storytelling, the visual identity of the programme and to provide feedback on their engagement and experiences. Thus, traditional media will be trained in using micro-narratives and stories to generate a different news stream from Armenian regions. In addition to this, alternative communication mediums, such as social arts and/or TV shows will be used to enforce the image of a proactive and responsible citizen free of gender stereotypes. Eventually, as part of the visibility strategy, funding to traditional and new media, along with alternative communication means will be used to educate citizens on opportunities of direct democracy.

A model of participatory feedback and monitoring is also foreseen, which amongst other things will include two annual conferences during which discussions of the state of affairs of democratic governance and citizens engagement in Armenia will be discussed.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this decision and the relevant contracts and agreements.

5.3 Implementation modalities

The envisaged assistance to Armenia is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU³.

5.3.1.1 Grants: restricted call for proposals for an EU media facility in Armenia

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

This Call for Proposals aims at supporting result 2.2 on developing a vibrant media environment in Armenia. The main objective is to further develop the Armenian media sector and support the production of new and more diverse media products, as well as supporting a sustainable media modernisation. The project will include various schemes of financial assistance to third parties.

(b) Eligibility conditions

In order to be eligible for a grant, the applicant must:

Be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity/ entities, not acting as an intermediary.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution is EUR 2,000,000, and the grant may be awarded to a sole beneficiary or to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is maximum 48 months.

(c) Essential selection and award criteria

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

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

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80 %.

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 timing to launch the call

Q4 2018 – Q1 2019

5.3.1.2 Grants: restricted call for proposals for an Action to promote Citizens engagement

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

³ https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions_en

This Call for Proposals aims at supporting results 2.1 and 1.4 on developing Participatory Democracy in Armenia, respectively setting up structured dialogue with the government. The main objective is to build on the strong interest in civic engagement demonstrated by thousands of Armenians during the peaceful demonstrations in April-May 2018, continue to provide platforms for common citizens to follow policy discussions and reform initiatives as well **enhance civil society organisations capacity to provide expertise to the government on policy design and reforms implementation**. Financial support to third parties may be the main objective of the action.

(b) Eligibility conditions

In order to be eligible for a grant, the applicant must:

Be a non-governmental organisation specialised in democratic governance and citizens engagement.

Be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity/ entities, not acting as an intermediary.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution is EUR 400,000, and the grant may be awarded to a sole beneficiary or to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is at least 30 months.

(c) Essential selection and award criteria

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

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

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80 %.

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 timing to launch the call

Q4 2018 – Q1 2019

5.3.1.3 Procurement (direct management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Monitoring, Review and Evaluation	Service	2	2019 Q1

5.3.1.4 Indirect management with United Nations Development Programme (UNDP)

Results 1.1 and 1.2 of this Programme may be implemented in indirect management with United Nations Development Programme (UNDP), which has been pillar assessed). This implementation is justified because the solid partnership established in the EU-UNDP Joint Task Force (JTF) on Electoral Assistance and the EU utilises this partnership to implement a large proportion, if not close to all, its electoral assistance. UNDP has a proven expertise and technical competence in the areas of promoting open governance (result 1.2) and many valuable experiences from other countries that can be implemented in Armenia.

The entrusted entity would carry out the following budget-implementation tasks launching calls for tenders and for proposals; defining eligibility, selection and award criteria; evaluating tenders and proposals; awarding grants, contracts and financial instruments; acting as contracting authority concluding and managing contracts, carrying out payments. It will be explored whether one contract with UNDP will be signed covering also the contracts mentioned in 5.3.1.4 and 5.3.1.5; however, as the elections support is more urgent to advance there is a possibility that a separate contract would be needed. For transparency issues, the indicative breakdown per organisation/areas of work is included in section 5.5 Indicative Budget.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 July 2018 in exceptional and duly substantiated cases with prior consent by the EU Delegation because there will be a need for the foreseen Election Basket Fund to be ready to assist with preparations of elections as soon as the Electoral Code is adopted. In order to have staff in place by mid-September 2018 the UN is already preparing to launch recruitment.

5.3.1.5 Indirect Management with the United Nations Children's Fund (UNICEF)

Results 1.2, 1.3 & 2.1 of this action may be implemented in indirect management with United Nations Children's Fund (UNICEF), which has been pillar assessed. UNICEF has a strong track record in Armenia is working closely with government and civil society organisations. UNICEF is in other countries managing joint UN programmes funded by the EU and as the early childhood education and work with adolescents will be a substantial component (EUR 1.4 million) of this programme, it is foreseen to conclude one Delegation Agreement with UNICEF to cover all activities excluding elections as per agreement with UNICEF, UNFPA and UNDP. UNICEF will coordinate the EU Agreement and enter into agreements with the other UN agencies as per their agreed actions under this Action

Given the fact that UNICEF is a lead global advocate for the community-based social service delivery model and is at the same time well placed to coordinate this Action with the government entities involved in the implementation of this Action. UNICEF has moreover piloted a sustainable early childhood education and care model in rural areas of Armenia as well as an inclusive early childhood education model and these are likely to be reflected in the new government's education sector strategy it is very timely to invest in expanding this model. Given the slow progress of the deinstitutionalisation reform in Armenia, the further expansion of community-based services, including benefiting poor

families or families that include either children or adults living with a disability, is likely to provide an additional enabling environment⁴.

As a co-chair of the Gender Theme Group (gender coordination mechanism) UNICEF is also very well placed to ensure that women's rights organisations and women's rights advocates are well aware of the Action and that the empowerment of women goes hand in hand with priorities in the national Gender policy framework while ensuring due attention to the rights of the child and mentoring of the parents/caretakers and teachers. This will also ensure that there is not overlap with other initiatives and that synergies are achieved towards service models that provide increased access to affordable, qualitative full-time early childhood education and care services for working mothers and fathers. In addition a particular focus will be on encouraging men to be more involved in caretaking, in line with best practice of MenEngage and Promundo. UNICEF has implemented much of this work in close cooperation with municipalities and civil society organisations and engaged young and old women and men in the communities in a gender empowering manner. UNICEF will work with adolescents and youth below 18 years to expand the 21st century skills model in Armenia as is as well a leading agency in working with this target group.

The activities led by UNDP within this contract will mainly focus on Open Government Initiatives directed towards more citizens' engagement in planning, design, implementation and monitoring of government policies and programmes and empowerment of youth and women through innovative models of finding solutions to citizens, community and government issues. The EU Delegation in Armenia had a very positive experience with UNDP's implementation of the 'Women in Local Democracy' (WILD) project, which ended in late 2015. Work under result 2.1 Programme will allow UNDP to continue and expand some of this work and to engage women and men from ethnic and religious minority groups as well as persons with Disabilities to become more engaged in local democracy and national policy and governance issues, taking into account a gender perspective. The activities in 2.1 will also lend on expertise and working methods in the 'EU4Inno project' to promote new means of accountability and government-citizens relations to foster trust through inclusive policy-making, reliability and responsiveness of government towards all Armenian women and men.

Work in component 2.1 will also be complemented by further work on expanding the Swedish model of Winnet resource centres and point persons in the regions of Armenia (led by UNFPA), which was previously supported by OSCE and which Sweden has been considering to support through a regional project. In the case of concurrent Swedish and EU funding, overlaps will be avoided and given the gender inequalities in Armenia, this could facilitate expansion of the work into uncovered regions and towns. The UNFPA engagement will also include collaboration with UNICEF on actions on men's engagement to empower women and deepen the enabling environment for women's participation.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 July 2018 in exceptional and duly substantiated cases with prior consent by the EU Delegation to avoid treating the UN agencies benefitting from this contract in an unequal manner.

⁴ In line with EU policies, the focus in this action is on community-based services and no support will be provided to institutional care of children or adults in this action.

5.4 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 as 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.

5.5 Indicative budget

	EU contribution (EUR)	Indicative third party contribution, in EUR
A successful transition governance process and deepening democracy	7.500.000	
Increase trust in government <i>Results 1.1, 1.2 and 1.3</i>	1.700.000	
5.3.1.4 Direct award to UNDP - Transparent and credible election conducted	1.500.000	N.A.
5.5.1.5 Direct award to UNICEF - Government openness and accountability enhanced (UNDP-led)	200.000	N.A.
Deepen engagement of Armenia citizens <i>Result 2.1, 2.2, 2.3 and 2.4</i>	5.300.000	
5.5.1.5 Direct award to UNICEF – Participatory Democracy developed and Women's engagement strengthened (UNICEF, UNDP and UNFPA-led activities)	2.900.000	N.A.
5.3.1.1 Restricted Call for Proposals for International Organisations/CSOs – EU media facility in Armenia	2.000.000	500.000
5.3.1.2 Restricted Call for Proposals for citizens engagement initiatives	400.000	40.000
5.3.1.3 Procurement (direct management)	200.000	
5.6, 5.7 Monitoring, Mid-Term Review and Evaluation ⁵	200.000	N.A.
Contingency	300.000	
Totals	7.500.000	540.000

5.6 Organisational set-up and responsibilities

For all components, the Government of Armenia and relevant state agencies will be fully involved in the design, implementation and coordination of all projects and agree on their content. An overall Steering Committee will be established involving the EU Delegation, EU Member States all implementing partners, the government and key civil society stakeholders to ensure a coordinated and transparent process of the planning and implementation of the project in line with the objectives of the Programme.

This will be complemented by a participatory monitoring Conference organised twice during the lifetime of the project (tentatively June-September 2019 and second half of

⁵ The Audit of this Action will be financed under another budget line.

2020). These events will be planned and designed with the government and other stakeholders, including women and youth beneficiaries, organised by the UN and financed through the monitoring and evaluation contract. All of this will be coordinated by the EU Delegation.

It is likely that the UNDP will establish an Elections Basket Fund, which will have its own management structure with very regular meetings by all involved stakeholders. Members of the Steering Committee are likely to include key international diplomatic missions and donors, government representatives, the Central Elections Commission (CEC) etc. This Steering Committee will agree on the work plan for the preparations of elections and provide comments on the technical and financial updates. The Steering Committee may take additional and/or ad-hoc measures to ensure that the electoral process is prepared and conducted in a transparent and credible manner.

The Programme will debrief to other relevant civil society platforms and the media to ensure transparency of the interventions to encourage synergies with other parallel processes.

5.7 Performance monitoring and reporting

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 (every six months) 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) and feedback from recipients and participants in order to optimise impact. The reports 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 reports, narrative and financial, will cover the entire periods of the various Programme components' 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).

5.8 Evaluation

Having regard to the importance of the action, a mid-term review and a final evaluation will be carried out for this Programme or its components via independent consultants and/or through a joint mission contracted by the Commission. Individual components can include a final evaluation.

In case a mid-term evaluation is foreseen: It will be carried out for problem solving, learning purposes, in particular with respect to ensure that the Programme addresses needs expressed by the citizens and the objective to Deepen Democracy. This could also contribute to the formulation of future governance interventions and a possible second phase of this action or some components.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the the preparations for future elections, further roll-out of support measures to empower women in rural areas and better government-citizens dialogue.

The Commission shall inform the implementing partner at least 3 months 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 project premises and 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.

Indicatively, two contracts for monitoring and mid-term review services and an external evaluation service shall be concluded under framework contracts. The monitoring contract will be launched towards the end of 2018 and the evaluation contract towards the end of 2020.

5.9 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.

Audits of this action shall be concluded under another Decision.

5.10 Communication and visibility

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

Actions funded within the EUforCitizens – Deepening Democracy shall contain communication and visibility measures, which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated by each contract holder at the start of implementation with additional support through an overall visibility Action for Armenia.

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 LOGFRAME MATRIX (FOR PROJECT MODALITY) ⁶

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
IMPACT						
Overall objective / Impact	Deepen Democracy in Armenia	(1) World Bank Good Governance indicators: a) Voice and Accountability (by women and men); b) Government effectiveness (by women and men); (2) Approval (rates) related to Armenia's governance system at national and local level expressed in surveys (by women and men – below and above 25 years); (3) Public trust in the integrity of the electoral process 2018/2019; (by women and men); (4) Women's representation in National Assembly, government (minister level)	(1) World Bank Good Governance baseline figures for 2016 and 2017 (2017 data not published yet): a) 30.54 b) 49.52 (2) Caucasus Institute Survey and other similar surveys 2017/2018 data; Freedom House report (2017/2018); (3) 2017 OSCE/ODIHR Final Observation Report 2017 NA elections (low trust; extensive intimidation of voters and vote-buying by specific	(1) 30% increase in (2021) ⁷ ; x (2018-2022) (2) 25% citizens (F/M) feel they have participated in important policy events or processes and 5 policy reforms identified and appreciated; (3) Significant improvements (4) Increase to at least 30% women's representation;	(CEPA implementation reports; 1) World Bank Good Governance indicators for 2017/2018; (2) Caucasus Institute Survey 2017/2018 data; Freedom House Reports; (3) International (OSCE/ODIHR and others) domestic elections observation reports; (4) Armenian National Statistics and other sources	Political transition remains peaceful and accepted No major escalation in the NK conflict

⁶ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

⁷ Armenia Development Strategy 2012-2025

		and at local level government (governor, deputy governors, mayors and deputy mayors)	political parties) (4) Data to be updated/inserted as per August 2018: NA: X female mayors 8 out of 502 community leaders are women (2016/2017 elections results) 10% of all community council members are women (389 out of 3849)			
Specific objective(s): Outcome(s)	1) Increased trust in Government	1) Capacity of government to formulate and implement sound policies; 2) Transparent and credible elections conducted; 3) Government openness and accountability enhanced; 4) Number of women and men participating in strategic policy processes; 5) Civic engagement among project beneficiaries;	(1) SIGMA baselines; (2) Programme and project baselines	Improvements (specific targets to be agreed with government)	World Bank Good Governance reports; CEPA reports UPR OECD/Sigma reports COE reports International Center for Non-profit Law Freedom House reports	No major escalation in the NK conflict No escalation of internal cleavages or violence in society
Specific objective(s): Outcome(s)	2) Deepened civic engagement in Armenia	1) Interest among citizens and CSOs in political/current affairs issues – including adolescents girls and boys, young women and men,	Project and programme baseline data Other relevant reports	Significant improvements (TBD with project implementing partners and the government)	Project and programme baseline data Other relevant sources	Armenian women and men, and adolescents are interested in engaging in civic initiatives and politics

		<p>including PwD;</p> <p>2) Participation of citizens and CSOs in local and national policy processes including adolescents girls and boys, including PwD and young women and men, including PwD</p> <p>3) Reflection of citizens and CSO views in strategies, policies and implementation at local and national level including views of adolescents girls and boys, and young women and men, including PwD</p> <p>4) Diversified views expressed in media including voices of adolescents (girls and boys), women and men, rural and capital voices in media products</p> <p>5) Enabling environment of women's participation, including women with disabilities, in public life in rural areas and views expressed about this by adolescents (F/M) men and women</p>	<p>Number of kindergartens</p> <p>Assessment of what parents do while pre-school children are in care or education facilities</p>			
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Outputs	1.1. Transparent and credible election conducted	<p>(1) Maintain or increase transparent compared to 2017 elections (VADs etc.);</p> <p>(2) Improved Electoral Code reflecting Venice Commission and OSCE/ODIHR recommendations;</p> <p>(3) Improved implementation of the Electoral Code (abuse of administrative resources, scale of intimidation of voters and vote-buying by party; access of observers and media to polling stations);</p> <p>(4) Voters/citizens broken down by women and men, views on the Electoral Code and the overall electoral process;</p>	<p>Venice Commission and OSCE ODIHR 2016/2017 reports</p> <p>Domestic Observation reports</p> <p>Other international expert electoral reports/opinions</p> <p>Domestic observer reports</p> <p>Media monitoring reports</p>	Significant improvements	<p>Assessments of new electoral framework and OSCE/ODIHR assessment of conduct of elections</p> <p>CEPA implementation reports</p> <p>Domestic observer reports</p> <p>Media monitoring reports</p>	Electoral timelines are agreed and implemented without any major disruption or violence.
	1.2. Government openness and accountability enhanced	<p>(1) Existence of a mandated interlocutor for civil society at the level of different line ministries and state institutions incl. at regional and local level;</p> <p>(2) Existence and quality of invited spaces of dialogue and consultation for local/national and sectorial development of plans, strategy policy discussions/laws and sub laws, budgets and being provided adequate time to respond;</p> <p>(3) Civil Society/citizens oversight of public</p>	<p>SIGMA Assessment 2018</p> <p>Programme and project baseline data</p> <p>Open Government Initiative reports</p> <p>Programme and project baselines</p>	<p>Increase by 20%</p> <p>Qualitative improvements</p> <p>(to be discussed in detail with government and agreed)</p>	<p>Feedback by women and men (below and above 25 years)</p> <p>Feedback by PwD initiatives/representatives</p> <p>Programme beneficiary feedbacks (F/M)</p> <p>SIGMA Assessment 2018</p> <p>Programme and project baseline data</p>	Government staff understand the importance of government openness and accountability

		<p>procurement at local level;</p> <p>(4) Existence and quality of government initiatives to strengthen capacity to improve gender equality mechanisms and gender-sensitive public consultation and dialogue, particularly at local level;</p> <p>(5) Access by women rights, youth and PwD CSOs and women, youth and PwD in general to policy processes and reflection of their views;</p>			<p>Open Government Initiative reports</p> <p>Programme and project baselines</p>	
	Respect for Human Rights increased	<p>(1) Implementation of National Human Rights Action Plan, including funding allocations and effective monitoring and reporting;</p> <p>(2) Human Rights Based Approach trainings and awareness of Equality Law implication for specific line ministries conducted in at least 8 line ministries and new policies reflect RBA principles;</p> <p>(3) Improvements in Access to Justice and implementation of court decisions;</p> <p>(4) Number of human rights violations, particularly hate crimes and GBV cases decreased; respect for fundamental rights incl. freedoms of expression,</p>	<p>Priorities of adopted or revised NRAP;</p> <p>2018: 0</p> <p>2016/2017 baseline data from official reports</p>	<p>100% (2022)</p> <p>2021: At least 8 line ministries trained and 16 new policies reflect RBA principles;</p> <p>20% improvements (faster settlement of cases, less appeals and fewer cases submitted to ECHR;</p> <p>20% decrease in cases; faster response time by police;</p>	<p>NRAP review reports by government and CSOs; CEPA reports</p> <p>Change in policy content and implementation; Participation in trainings and interest in follow-up</p> <p>Official reports and data, reports and data collected by CSOs e.g. women's and equal rights organisation</p> <p>Programme and project monitoring and mid-term review reports</p>	<p>Government remains committed to promoting and enforcing human rights and develop policies reflecting RBA</p>

		assembly and association;				
Outputs	2.1 Participatory democracy developed	<p>(1) Bottom-up citizens (F/M) proposals on how to improve participatory governance at local and national level identified, developed and tested;</p> <p>(2) Mechanisms to facilitate structured dialogue between citizens/civil society and government at national and local level assessed and developed;</p> <p>(3) National assembly (post 2019 elections) engagement with citizens expanded;</p>	<p>2018/2019: Project baseline;</p> <p>2018/2019: Project baseline</p> <p>2018/2019: Project baseline</p>	<p>(1) x national proposals, x regional and x local proposals</p> <p>(2) x structured (e.g. sector) dialogue mechanisms introduced or improved at national level and x structured (e.g. sector) dialogue mechanisms introduced or improved at local level(s)</p> <p>(3) Format and mechanisms TBD</p>	Programme and project monitoring and mid-term review reports	Politicians and government leadership is committed to expand citizens engagement and structured dialogue
	2.2 Vibrant media environment developed	<p>(1) Media freedom and plurality in Armenia, reinforced in legislation;</p> <p>(2) Improved professionalism of media including improved quality of reporting;</p> <p>(3) Decrease in hate speech and gender stereotypes in traditional and social media;</p> <p>(4) Improvement in the financial sustainability of independent, and particularly local media;</p> <p>(5) Number and quality of</p>	<p>Freedom House reports 2017/2018</p> <p>Expert reviews of new legislation;</p> <p>UPR report 2015 and midterm review</p> <p>Other media assessments;</p> <p>Programme and Project baseline assessment data</p>		<p>Freedom House reports 2020, 2021, 2022,</p> <p>UPR report for Armenia 2020</p> <p>Other media assessments;</p> <p>Programme and project reports and final evaluation</p>	Government remains committed to promoting media freedoms and plurality

		investigative reports per year;				
	2.3 Women engagement strengthened	<p>(1) Number of rural early childhood education and care facilities (incl. data for inclusive models);</p> <p>(2) Increase in income (actual and percentage) by and number of women and men employed at rural early childhood education and care facilities</p> <p>(3) Number of impediments identified by rural and urban women and related enabling initiatives implemented;</p> <p>(4) Main impediments identified by rural and urban adolescents girls (below 18 years) and related enabling initiatives implemented and replicated;</p> <p>(5) Number and percentage of innovate civic engagement initiatives suggested and used by young women and men (by sex);</p> <p>(6) Number and percentage of adolescent boys and men above 18 years that takes more part in childcare and other domestic chores to assist their wives,</p>	<p>Programme and project baselines</p> <p>Relevant surveys</p>	<p>40 established of which at least 10 includes or can accommodate children with disabilities</p> <p>At least 50% increase in income for women and men employed</p> <p>At least 40 initiatives (3 per Marz and 10 additional (national/local)</p> <p>At least 25 initiatives (2 per Marz and 5 additional (national/local)</p> <p>At least 20% proposed and used by girls and women.</p> <p>At least 20% increase compared to baseline and better understanding of tasks that men take over.</p>	Programme and project reports and final evaluation	Acceptance of gender equality and not leading to increased violence against or intimidation of women.

		sisters and mothers in increasing their economic, civic or political engagement				
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