



Brussels, 2.8.2013
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COMMISSION IMPLEMENTING DECISION

of 2.8.2013

**on the Annual Action Programme 2013 in favour of Armenia to be financed from the
general budget of the European Union**

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (ENPI)¹, and in particular Article 12 thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002² (hereinafter referred to as 'the Financial Regulation'), and in particular Article 84 thereof,

Whereas:

- (1) The Commission has adopted the ENPI Strategy Paper 2007-2013³ for Armenia and the Multiannual National Indicative Programme for the period 2011-2013⁴, point 4 of which provides for the following priorities: democratic structures and good governance; trade and investment, regulatory alignment and reform; and socio-economic reform and sustainable development.
- (2) The objectives pursued by the Annual Action Programme are to support the Government of Armenia: 1) to ensure an efficient and sustainable agriculture, contributing to better conditions in rural areas of Armenia; 2) to progress towards a more balanced social and economic development in regions of Armenia; 3) to prepare, negotiate, conclude, implement and monitor its agreements with the EU.
- (3) This Decision complies with the conditions laid down in Article 94 of Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (hereinafter referred to as 'the Rules of Application').
- (4) The Commission may entrust budget-implementation tasks under joint management (indirect management with an international organisation) to the entities identified in this Decision, subject to the conclusion of a contribution agreement. The responsible authorising officer has ensured that these entities comply with the conditions of Article 53d of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities⁵

¹ OJEU L 310, 9.11.2006, p. 1

² OJ L 298, 26.10.2012, p. 1.

³ C(2007)672

⁴ C(2010)1144

⁵ OJ L 248, 16.9.2002, p.1. These provisions remain applicable until 31 December 2013 according to Article 212 of the Financial Regulation.

(hereinafter referred to as 'the Financial Regulation 1605/2002') and of Articles 35 and 43 of its Implementing Rules⁶.

- (5) It is appropriate to acknowledge that grants may be awarded without a call for proposals by the responsible authorising officer who ensures that the conditions for an exception to a call for proposals according to Article 190 of the Rules of Application are fulfilled. Where the reasons for and potential beneficiaries of such award are known at the moment of the adoption of this Decision, they should be identified therein for reasons of transparency.
- (6) This decision should allow for the award of grants in the form of lump sums and/or unit costs and/or flat-rate financing for the reasons and amounts set out in the Annex 3 on the basis of Article 124 of the Financial Regulation and Article 182 of the Rules of Application.
- (7) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of the Financial Regulation and Article 111(4) of the Rules of Application.
- (8) The Commission is required to define the term "non-substantial change" in the sense of Article 94(4) of the Rules of Application to ensure that any such changes can be adopted by the authorising officer by delegation, or under his or her responsibility, by sub-delegation (hereinafter referred to as the 'responsible authorising officer').
- (9) The measures provided for in this Decision are in accordance with the opinion of the ENPI Committee set up under Article 26 of Regulation (EC) No 1638/2006,

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the programme

The Annual Action Programme 2013 in favour of Armenia, constituted by the actions identified in the second paragraph, is approved.

The actions, the description of which is set out in the attached Annexes 1 to 3, respectively, shall be:

- Support to Agriculture and Rural Development – ENPARD Armenia;
- Support to Regional Development in Armenia;
- Framework programme in support of EU-Armenia agreements.

Article 2

Financial contribution

The maximum contribution of the European Union authorised by this Decision for the implementation of this programme is set at EUR 54 million to be financed from budget line 19 08 01 03 of the general budget of the European Union for 2013.

⁶ Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities. OJ L 357, 31.12.2002, p.1. These provisions remain applicable until 31 December 2013 according to Article 212 of the Financial Regulation.

Article 3

Implementation modalities

The budget-implementation tasks under joint management shall be entrusted to the entities identified in the attached Annexes, subject to the conclusion of the relevant agreements.

Section 4 of the Annexes referred to in the second paragraph of Article 1 sets out the elements required by Article 94(2) of the Rules of Application.

Grants may be awarded without a call for proposals by the responsible authorising officer according to Article 190 of the Rules of Application. Where known at the moment of the adoption of this Decision, the reasons for this as well as the potential beneficiaries shall be identified in the attached Annexes.

The Commission authorises the use of lump sums and/or unit costs and/or flat-rate financing exceeding EUR 60.000 per beneficiary, in accordance with the conditions set out in the Annex 3.

The financial contribution referred to in Article 2 shall also cover any possible interests due for late payment.

Article 4

Non-substantial changes

Increases or cumulated changes to the allocations of specific actions not exceeding 20 % of the contribution referred to in Article 2 shall not be considered substantial, provided that they do not significantly affect the nature and objectives of the actions.

The responsible authorising officer may adopt these non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 2.8.2013

For the Commission
Cecilia MALMSTRÖM
Member of the Commission

ANNEXES

Annex 1: Support to Agriculture and Rural Development – ENPARD Armenia;

Annex 2: Support to Regional Development in Armenia;

Annex 3: Framework programme in support of EU-Armenia agreements.

ANNEX 1

of the Commission Implementing Decision on the Annual Action Programme 2013 in favour of Armenia to be financed from the general budget of the European Union

Action Fiche for Support to Agriculture and Rural Development – ENPARD Armenia

1. IDENTIFICATION

Title/Number	Support to Agriculture and Rural Development – ENPARD Armenia <i>ENPI/2013/024-483</i>		
Total cost	Total amount of EU budget contribution: EUR 25,000,000 of which: EUR 20,000,000 for budget support EUR 5,000,000 for complementary support.		
Budget support			
Aid method / Method of implementation	Direct (centralised) management Sector Reform Contract		
Type of aid code	A02 – Sector Budget Support	Markers	BSAR
DAC-code	31120	Sector	Agricultural development
Complementary support			
Aid method / Method of implementation	Direct centralised management (procurement of services) Joint management with UNIDO and with FAO		
DAC-code	31120	Sector	Agricultural development

2. RATIONALE AND COUNTRY CONTEXT

2.1. Summary of the action and its objectives

The proposed support, in line with the EU assistance priorities, as part of priority sector 3 of the National Indicative Programme (NIP) 2011-2013, "Socio-Economic Reform and Sustainable Development", should contribute directly to achieving the Eastern Partnership key objective of reduction of economic and social disparities. In Armenia, agriculture has maintained its central importance to employment and rural incomes, as well as to domestic food supply, and as a source for expansion of exports in food and beverage products. Even if in the short term, the Government's objective is to increase the level of food self-sufficiency based on the current geo-political situation, the ultimate goal is the full integration of Armenian agricultural production and agro-processing into international food markets.

The Programme's overall objective is to support the Government in ensuring an efficient and sustainable agriculture, thus contributing to better conditions in rural areas of Armenia. This is in line with the European Neighbourhood Programme for Agriculture and Rural Development

(ENPARD) approach, given the holistic focus on Rural Development. Four main priority areas will be the focus of this programme: (1) Performance of agriculture-related institutions; (2) Farmers associations, cooperatives and business oriented farmers groups; (3) Accessible and affordable food for Armenian citizen; (4) Agriculture statistics and information systems, including a national agricultural census.

2.2. Country context

2.2.1. Main challenges towards poverty reduction/inclusive and sustainable growth

According to the National Statistics Service "Social Snapshot and Poverty in Armenia" published in 2012, the poverty level in 2011 reduced as compared to the previous year. In 2011, more than third of population (35.0%) was poor, 19.9% was very poor and 3.7% was extremely poor. While in 2011 the poverty level was reduced against 2010, both the incidence of poverty and its severity increased as compared to 2008. The economic decline in 2009 and 2010 over 2008 created prerequisites for deteriorated living conditions and increased poverty incidence. As a result of the global economic crisis, the poor suffered the most, while the rich increased their wealth even further.

Over 2008-2011, poverty incidence in rural areas increased faster than in the urban areas (7.6 vs. 7.0 percentage points). In 2011, the lowest incidence of extreme poverty was observed in Yerevan. However, in the country as a whole, the majority of the extremely poor (80%) are urban residents. This situation might be explained by the fact that subsistence agriculture has played an important role in safeguarding people against extreme poverty. Nevertheless, the rural poor were mostly involved in agriculture, with only a negligible share engaged in the non-agricultural sector.

2.2.2. Fundamental values

During 2012 Armenia made some efforts to address issues related to human rights and fundamental freedoms, although further work needs to be done, especially in the implementation and enforcement of legislation. A National Strategy for Human Rights Protection was signed into law in October 2012 and an Action Plan is being developed. Regarding democracy, the May 2012 parliamentary elections and the February 2013 presidential elections improved compared to the previous ones, but some specific reforms are still needed. Despite ongoing reform efforts, public trust in the judiciary continues to be low, and the perception of corruption is still high.

2.3. Eligibility for budget support

2.3.1. Public policy

- a) A first draft of a new Armenia Development Strategy (ADS) 2012-2025 was circulated for discussion and review with international donors at the end of 2012, before consultation with civil society. The main objective of the ADS is to sustain economic growth to create jobs and is based on 4 priorities: (1) growth of employment, (2) development of human capital, (3) improvement of social protection system and (4) institutional modernisation of the public administration and governance. Overall, the draft ADS represents a good effort to move towards sustainable economic growth. However, it will significantly benefit from being strengthened and developed further. The Government fully owns the main objective of its national development strategy (economic growth, jobs creation) and is fully committed to realising it through a number of specific policies. An essential element of the Strategy will be a comprehensive monitoring and evaluation and performance assessment framework, including a regular and inclusive review process.

- b) Policy relevance: Agriculture is a major economic sector in Armenia, accounting for 18.6% of GDP, and employing 38.6% of the population in 2010. The major part of gross agricultural product, 97.2%, is produced by small scale farms, and only 2.8% by agricultural organisations. Agriculture growth rates have fluctuated considerably over the last decade. However agriculture has maintained its central importance to employment and rural incomes, to domestic food supply, as well as a source for expansion of exports in food and beverage products. The ADS highlights "Agriculture and rural development" as one priority among 5 "direct" policies to ensure economic growth. It recognises the potential of the rural sector for employment growth and sees its development as critical to create more sustainable rural areas and reducing disparities between Armenian regions.
- c) Policy credibility: The Government adopted the "2010-2020 sustainable agricultural development strategy of the Republic of Armenia" (SADS) in November 2010. This Strategy defines 17 groups of objectives that include, in particular, introduction of anti-crisis mechanisms, development of agricultural co-operatives, ensuring food self-sufficiency, improvement of the productivity of land use and implementation of a general agricultural census. In line with the ADS, it also includes specific goals in relation to rural development including increase of employment in rural areas and the development of rural infrastructure. Agriculture is mentioned as a priority in the introductory note to the Medium-Term Expenditure Framework (MTEF) 2012-2014. The MTEF states that "the Government will emphasize expenditure targeted to the development of agriculture" even if it is planned to be financed "mostly by means of external financial assistance".

2.3.2. Macroeconomic policy

Armenia's economic performance has strengthened in 2012. Growth has reached 6.4%, with particularly strong performance in agriculture and agro processing, as well as in mining and services. Construction is showing signs of recovery. The growth is expected to remain solid in 2013, moderating to 4.3%. Inflation remains moderate, driven by the agricultural rebound and a sound policy framework, and is expected to remain within the target band (4±1.5%) of the Central Bank of Armenia (CBA) in 2013. The financial sector remains strong and well capitalized. The fiscal balance has continued to improve. A tax administration reform strategy is in place and reforms in the tax policy are implemented with the support of IMF, World Bank and the German Agency for International Cooperation (GIZ).

At a deficit below 2%, public debt (about 45% of GDP at the end of 2012) remains sustainable. Main potential sources of economic instability emanate from the stagnation of global growth, specifically in Europe and Russia, given that they are key trading partners, as well as the role of the latter as a main source of remittances. In September 2012, an IMF mission visited Yerevan to conduct discussions for the Fifth Review of the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) arrangements and the 2012 annual bilateral (Article IV) consultations. The mission determined that the programme remains broadly on track. A further disbursement of USD 51.4 million has been made available to Armenia, bringing total disbursements to around USD 327 million. The authorities expressed strong interest in a follow-up IMF arrangement after the current program concludes in mid-2013. Overall, the Armenian authorities pursue a credible and relevant stability oriented macroeconomic policy aiming at safeguarding fiscal and external stability and sustainability.

2.3.3. Public financial management

Throughout the last decade the Government of Armenia made substantial progress in improving its public financial management (PFM) systems and practices. In broader terms,

PFM reforms focus on upgrading the government's capacity to undertake fiscal management, strategic planning and budgeting, and at improving the fiduciary management/control systems to improve efficiency of public resource management. Other important elements of fiscal reforms include the consolidation of all government accounts in the Treasury Single Account and thereafter improvements of cash and debt management functions of the government. Second generation fiscal reforms address more sophisticated issues of linking budget allocations with strategic planning, and using a results framework to make informed decisions on future budget allocations. A special standing committee has been established under the auspices of the Prime Minister to oversee the PFM Systems Reform process. It is worth noting that in the PFM chapter of the Aid Effectiveness report presented at the OECD Fourth High Level Forum on Aid Effectiveness held in Busan in 2011, Armenia was one of two countries that scored the highest marks in PFM reforms.

Although the following areas of concern remain, reform processes are underway to address shortcomings with support of the EU and other donors:

- Procurement reforms: despite good international achievements (in September 2011 Armenia became party to the WTO Government Procurement Agreement), some fraud cases were discovered in late 2012 related to public procurement for supplies. E-procurement tools as well as the Procurement Complaint Review Board still need to become fully operational;
- Internal Control: despite a new law in place, auditors and senior management need to be further trained and the overall institutional control system needs to be reinforced;
- External Audit: the Armenian Chamber of Control does not apply effective ex-post audits in line with International Organisation of Supreme Audit Institutions (INTOSAI) standards;
- Anticorruption: with the expiry of the previous strategy in 2012, there is no current policy document to guide the fight against corruption in the country. The EU Delegation has commissioned a Situation Analysis of corruption in Armenia; its results will be shared with the Government with a view to devise measures to fight corruption and fraud in the public sector.

Overall, it can be confirmed that the eligibility criterion on PFM is fulfilled.

2.3.4. Budget transparency and oversight of the budget

In terms of transparency of technical/financial information and budget plans, Armenia scores well in international comparison. According to the latest Public Expenditure and Financial Accountability (PEFA) report, Armenia scores highly on comprehensiveness, public access to budget information and legislature's scrutiny, while lacking quality and timeliness on reporting and audit sides. The main weakness highlighted is on the scope, the nature, and the follow-up of external audit. On a positive note, the Government consistently publishes on the Ministry of Finance website the executive's proposals and the enacted budget.

2.4. Lessons learnt

Armenia has a history of successful implementation of EU budget support programmes since 1997, covering the areas of food security, vocational education and training, justice, and more recently PFM, public sector transparency as well as support to the Association Agreement / Deep and Comprehensive Free Trade Area (DCFTA) process. From this experience, it has become clear that setting realistic but ambitious objectives in the budget support programme can be achieved only through extensive and meaningful policy dialogue with the Government.

The process of discussions and agreement of reform conditions with the parties who will be directly responsible for the implementation of reforms has been a key phase in building ownership for the programme by the beneficiary. This will be particularly important in the sector of agriculture, and will cover in particular the Ministries of Agriculture and Territorial Administration. In line with the recommendations of the Special Report 13/2010 by the European Court of Auditors concerning the results of the ENPI in the Southern Caucasus, the choice of budget support has been carefully considered, seeking to ensure a balanced deployment of different tools, including timely and targeted complementary technical assistance.

2.5. Complementary actions

A number of complementary actions funded by the EU are or will be under implementation in the near future:

- Budget support related to the **Deep and Comprehensive Free Trade Area (DCFTA)** including specific support in the Sanitary and Phytosanitary (SPS) sector as well as in the PFM sector, including associated technical assistance (TA): Annual Action Programme (AAP) 2010 (EUR 20 million) until 2014, AAP 2011 (EUR 24 million) until 2015 and AAP 2012 (EUR 25 million) until 2016;
- The **Comprehensive Institution Building (CIB) programme** (EUR 33 million earmarked) which supports capacity building of core institutions involved in the DCFTA negotiations, including SPS-related institutions;
- The **EU Advisory Group (EUAG)** created in 2009 is providing high level policy advice in key policy areas. With its support, a number of strategies have been elaborated in DCFTA priority areas, notably SPS;
- **Vocational Education and Training (VET) budget support** providing wide ranging support to educational reform and linking better VET and employment policy, including associated TA;
- A **twinning** in the SPS area, with the objective to strengthen the relevant Armenian institutions, by up-grading the safety controls system for animal-origin food and feed up to the EU and other international standards; a **twinning** in Environment, with the objective to support the introduction of Integrated Environmental Pollution Prevention and Control (IPPC) in the country.
- Under the AAP 2013, proposed **support to regional development**, based on the PRDP (Pilot Regional Development Programme) approach. This programme will have synergies by linking farmers associations and cooperatives with the larger regional development initiative;
- A number of **TAIEX** workshops, study visits and experts missions have been organised with Armenian beneficiaries in the agriculture area – further support can be made available through this instrument;
- Some other **thematic actions** have also paved the way to the foreseen programme involving a number of civil society organisations through non-state actors and local authorities in development (**NSA-LA**) calls for proposals under the Development Cooperation Instrument (DCI); Other complementary actions are being implemented through **EU funded regional programmes** including the following sectors: Economic Cooperation (EastInvest, SME facility, TurnAround Management / Business Advisory Service - TAM-BAS) and Environment (Clima East, Forest Law Enforcement and Governance - ENPI-FLEG).

Given the significance of the sector to the overall economy of the country, it is unsurprising that there are a large number of interventions from both bilateral and multilateral donors. Care

has been taken to prevent overlap of activities, and to ensure synergies. Aid from **German Technical Cooperation** programmes includes support to SME, environment and biodiversity, value chain development based on wild plant resources and organic agriculture. Agricultural machinery is provided to farmers via Armenia-**Japan** and Armenia-**China** bilateral cooperation. **FAO** and **UNDP** supported organic regulation and stakeholder analyses and the **Dutch** Ministry of Foreign Affairs supported organic and agro-environment initiatives. **EBRD** has identified the development of agribusiness and high value-added, export-oriented industrial companies as a priority. **FAO** is assisting the Government of Armenia to implement a rural enterprise and small-scale commercial agriculture development project. **USAID** programmes are focused on completing the next stage of reforms, institutional development of the governing and regulatory bodies, and ensuring the delivery of safe, reliable, affordable and accessible public services. **World Bank** funds a number of projects: Community Agricultural Resource Management and Competitiveness Project and Irrigation rehabilitation emergency project as well as Lifeline roads improvement project. **IFC** runs the Armenia Investment Climate Reform Project, supported with funds from **Austria** and **The Netherlands**. **IFAD** investments support poor farm families so they can produce a surplus to be sold for additional income and the **Swiss Development and Cooperation** supports improvement and diversification of the income base in selected rural districts.

2.6. Risk management framework

- a) Major risks, as stated in the country's risk management framework, developed by the EU, can be summarised as follows:
 - Geopolitical situation hampers the full integration of Armenian agricultural production in international food markets;
 - Reduced budget allocation by Government to the sector;
 - Limited integration of agriculture and rural development at the policy level;
 - Deficiencies in a number of PFM areas: internal control, procurement procedures, external audit;
 - Corruption and fraud;
 - Lack of willingness by donors to coordinate their support; and
 - High turnover of civil servants at technical level given poor contractual conditions.

- b) The mitigating measures underlying this Programme are as follows:
 - EU and international efforts on conflict resolution in the South Caucasus;
 - Enhancing policy dialogue with the Government to ensure appropriate budgetary allocation to the sector;
 - Implementing Public Administration Reforms;
 - Implementing the new Procurement Law;
 - Enhancing dialogue with the Chamber of Control; and
 - Enhancing donor coordination mechanisms.

3. DETAILED DESCRIPTION OF THE BUDGET SUPPORT CONTRACT

3.1. Objectives

The **overall objective** of this Programme is to support the Government in ensuring an efficient and sustainable agriculture, contributing to better conditions in rural areas of Armenia.

The **specific objectives** of the Programme are to:

(1) **support implementation of the Government's national strategy** for sustainable agricultural development and planning, including the capacity development of national and local government structures, developing capacity for co-ordination and preparation of rural development strategies and policies as well as support to agriculture-related academic institutions;

(2) **contribute to the development of rural areas** as well as to the development of farmers associations and cooperatives, including designing appropriate pilot value adding chains, both agricultural and non-agricultural, in a number of Armenian regions;

(3) **support access to affordable food** by sustainably increasing productivity and quality of agricultural inputs and practices, strengthening post-harvest handling facilities, as well as a better management of land, taking into account the country's comparative advantages and disadvantages for production;

(4) **support to the roll-out of a general agricultural census** as well as support to better agriculture statistics;

Cross-cutting issues: Environment sustainability, climate change and disaster risk management will be at the centre of the agricultural issues tackled by this programme. They will be integrated in all components, from environmental best practices delivered to farmers associations, to land usage. One component of the programme, dealing with agricultural value chains, will directly target gender equality and human rights issues by including women and vulnerable groups in its implementation. Since this Programme focuses on the efficiency and transparency with which the government's resources are utilised in the agriculture and rural development sector, it will also help to address issues related to poverty, and access to basic needs.

3.2. Expected results

The following results are expected:

(1) Performance of agriculture-related institutions is enhanced:

- Capacity of national and local government structures developed, including improved capacity for land and territorial planning;
- Capacity in co-ordination (both inter-ministerial and with sector stakeholders) enhanced and rural development strategies and policies including economic diversification of rural areas, covering both agricultural and non-agricultural activities, prepared;
- Agricultural extension services through Rural Assistance Regional Centres strengthened;
- Training curricula and methods enhanced, to include modern agricultural business models, environment and climate change effects;
- Capacity of rural municipalities to develop medium and long term economic and social development strategies enhanced.

(2) Capacity and performance of farmers associations and cooperatives further developed and strengthened:

- Legislation to support the setup and operation of farmers associations and cooperatives enabled;
- Small farmers' cooperation enhanced, business-oriented farmers groups facilitated;
- Access to capital and development of innovative financing facilities for farmers, farmers associations and cooperatives improved;
- Access to local and international markets for Armenian agricultural and food products improved;

- Cooperation of farmers' groups and cooperatives with Rural Assistance Regional Centres enhanced;
- Capacity of farmers associations and cooperatives to participate in policy decision making for agriculture and rural development improved;
- -New business-oriented farmers groups officially registered and operational, covering both agricultural and non-agricultural activities, with a focus on value adding chains, and contributing to the development of rural areas.

(3) **Accessibility and affordability of food for Armenian citizens is improved**, taking into account environment, climate change and agricultural good practices:

- Agricultural input improved and production systems developed, in particular for livestock, fruits and vegetables (for which Armenia has a comparative advantage);
- Land usage enhanced;
- Capacity for management assessment of natural risks, including earthquakes and climate change enhanced;
- A Code for Good Agricultural Practices related to environmental safeguards introduced.

(4) Better quality **agricultural statistics**, statistical information systems developed, and a **national agricultural census** is completed.

3.3. Rationale for the amounts allocated for budget support

The total amount allocated under the NIP 2011-2013 is EUR 157 million, of which 12.7% is to be delivered under the present budget support programme. This amount is based on a broad qualitative assessment that takes into account an analysis of the following elements:

- Financing needs of the partner country;
- Allocation of national budget resources (including EU budget support) in line with development strategy and objectives and following standard national budget procedures;
- Effectiveness, value for money and impact of the specific added value that budget support will bring in achieving the partner country's policy objectives;
- Track record and absorption capacity of past disbursements and how effectively agreed objectives were achieved with budget support operations;
- Result orientation in the partner country's development strategy including a monitoring system.

Given that the agricultural sector remains significant in Armenia in terms of output (at 18.6% of Gross Value Added, this is the highest percentage in the Eastern Neighbourhood) and employs 38.6% of the population, enhancement of competitiveness and efficiency in the sector through a sector approach could lead to direct positive macroeconomic impact in terms of overall output, at least in the medium term. More agriculture output has also a positive impact on the control of inflationary tendencies. Furthermore, increases in export volume and in the production of high-added-value products support the balance of payments and the revenue side of the state budget, reducing dependence on and need for subsidies.

3.4. Main activities

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development.

3.4.1. Budget Support

This approach will support implementation of the government's sustainable agriculture policy and will allow an enhanced policy dialogue as well as better coordination among principal stakeholders through its steering committee. In addition, it will support the roll out of an agriculture census to bridge the information gap that severely limits the formulation and realisation of the most effective policy solutions.

3.4.2. Complementary support

Institution building assistance is needed in order to support the capacity development of the Ministry of Agriculture and its services. This assistance will include enhancing the coordination role of the Ministry for both agricultural and rural development portfolios. It is equally important to raise the capacity of farmers associations to participate in policy decisions on rural development and to monitor the implementation of government strategies. In this respect, capacity building of rural municipalities is highly relevant to support the implementation of rural development strategies. Support to initiatives that will add value to agricultural and non-agricultural production in rural areas is also necessary. Evaluation, audit and visibility activities will also be funded under this item. Section 4.4 provides implementation details relating to the complementary support.

3.5. Donor coordination

Donors meet on an informal basis to discuss their current involvement in the agriculture sector. FAO currently supports the Ministry of Agriculture in producing a donors' matrix comprising all projects and programmes which allows the Ministry to have a global overview of assistance and direct its requests in a more coordinated way. In addition, this programme will facilitate the setup of a more formal coordination mechanism, coordinated by the Ministry of Agriculture and supported by the EU Delegation, so that policy dialogue and projects implementation can be enhanced.

3.6. Stakeholders

The main stakeholders for the proposed programme are as follow.

The **Ministry of Agriculture**, given that their primary mission is to develop and promote state policy to develop the agro-food sector, by raising competitiveness and productivity as well as to ensure food security; The **Ministry of Territorial Administration**, which has the mission to develop and promote state policy in the field of local self-governance and regional administration (including rural development) in the Marzes (regions) and communities; The **Ministry of Economy**, with respect to promoting the country's integration into the world economy, ensuring working trade institutions and infrastructures, and adoption of internationally well-proven trade promotion and development tools and schemes; The **Small and Medium Entrepreneurship Development National Centre of Armenia** (SME DNC) is responsible for implementing SME development policy in Armenia; The **Armenian Development Agency** (ADA) assists and advises foreign direct investors and buyers on all questions relating to doing business with Armenia; The **State Revenue Committee** under the Prime Minister is responsible for taxation policy in agriculture and rural areas, as well as for customs regimes at the border; **Rural Assistance Regional Centres** have an important role through provision of consultancies, training, and information on good agricultural practices; **Regional and local municipal authorities** play an important role in implementing rural development initiatives, as well as supervising the activities of rural SME's and farmers associations and cooperatives; **Civil society organisations, farmers associations and private sector** in Armenia are all actively involved in agricultural and rural reforms and will

also be key stakeholders; The **National Statistical Services** (NSS) will be responsible for producing the agricultural census and better agricultural statistics; given the provision of budget support within the programme, the **Ministry of Finance** will have a significant responsibility in line with its role as the central fiscal authority for the Republic of Armenia.

3.7. Conclusion on the balance between risks (2.6.) and expected benefits/results (3.2.)

It can be concluded that the potential benefits and expected results outweigh the risks, given the number of strategic actions ongoing in the PFM area which will have a direct impact on governance within the agriculture sector. Significant benefits can be anticipated, through the

Country fiscal year	2014	2015	2016	
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development of a more modern and balanced agricultural and rural sector as a result of this intervention. A positive factor in this respect is the experience and capacity of the Ministry of Agriculture in co-operating with donors and managing donor funds.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.4. and 4.4. will be carried out, is 48 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Criteria and indicative schedule of disbursement of budget support

The budget support funds are broken into fixed and variable instalments. There will be a fixed tranche upon signature of the Financing Agreement, provided that the general conditions (eligibility criteria) are met, to be followed by two annual tranches, mixing fixed and variable amounts. These instalments will be disbursed upon fulfilment of general and specific conditions attached to each of them.

- a) The general conditions for disbursement of all tranches include: satisfactory progress in the implementation of the Armenia agriculture and rural development policy and continued credibility and relevance thereof; implementation of a credible stability-oriented macroeconomic policy; satisfactory progress in the implementation of Armenia PFM reform programme and satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.
- b) Specific conditions are designed to ensure capacity building of public institutions and their employees, to improve competitiveness of farmers' cooperatives and associations, to enhance agricultural inputs and practices as well as to improve quality and availability of agricultural statistics.

The indicative schedule of disbursements for the budget support funds is summarised in the table below (all figures in EUR million) based on fiscal year of the partner country.

Type of tranche	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Total
Base tranche	6.0				1.0				1.0				8.0
Variable tranche					6.0				6.0				12.0
Total	6.0				7.0				7.0				20.0

4.4. Details on complementary support

4.4.1. *Joint management with an international organisation*

A part of this action, with the objective to support the capacity building of the Ministry of Agriculture and its services, will be implemented in joint management with FAO. This implementation is justified because of the expertise of FAO and its long term successful cooperation with the Ministry. Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because the organisation is bound by a long-term framework agreement (FAFA).

The international organisation will perform activities to enhance the capacity of Ministry of Agriculture, including coordination and support to the management of agricultural and rural development strategies and policies. It will work also to raise the capacity of farmers associations to participate in policy decisions on rural development and to monitor the implementation of government strategies. Capacity building of rural municipalities, to support Ministry of Agriculture in implementing rural development strategies, will also be provided.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

4.4.2. *Joint management with an international organisation*

A part of this action with the objective to support the development of farmers associations and cooperatives, and the pilot value adding chains will be implemented in joint management with UNIDO. This is justified because of the expertise of UNIDO and its previous experience in implementing such projects that have contributed to develop rural areas. Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because the organisation is bound by a long-term framework agreement (FAFA).

The international organisation will perform activities to improve the capacity of farmers associations and cooperatives and to establish pilot value adding chains contributing to the development of rural areas.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

4.4.3. Procurement (direct centralised management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Evaluation	Services	1	2 nd quarter of 2016
Audit	Services	Up to 2	According to needs (see section 4.8)
Communication and visibility	Services	Up to 2	According to needs (see section 4.9)

4.5. Scope of geographical eligibility for procurement

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article ENPI 21(7) on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.6. Indicative budget

Module	Amount in EUR million
3.3. – Budget support	20.0
4.4.1. – Joint management with FAO	2.0
4.4.2. – Joint management with UNIDO	2.5
4.8. – Evaluation and audit	0.4
4.9. – Communication and visibility	0.1
Totals	25.0

4.7. Performance monitoring

Overall, this programme will be monitored through the Results-Oriented Monitoring (ROM) system for EU funded projects and programmes. A steering committee will be established to ensure regular and effective review and application of the recommendations made.

4.8. Evaluation and audit

The Budget support component may be subject to an evaluation in order to assess the relevance, efficiency, effectiveness, impact and sustainability of the achievements of the Programme. Independent evaluators may be contracted by the Commission in accordance with its internal procedures.

The Commission may mobilise ad hoc audit missions if deemed necessary.

For the part of the action implemented under joint management, the provisions included in the relevant framework agreement will apply.

4.9. Communication and visibility

Throughout the implementation of the programme, the best possible visibility will be sought through actions to be organised in cooperation with all relevant stakeholders, in line with the Communication and Visibility Manual for EU External Actions.

For the part of the action implemented under joint management, and where applicable, the provisions included in the relevant framework agreement will apply.

ANNEX 2

of the Commission Implementing Decision on the Annual Action Programme 2013 in favour of Armenia to be financed from the general budget of the European Union

Action Fiche for Support to Regional Development in Armenia

1. IDENTIFICATION

Title/Number	Support to Regional Development in Armenia <i>ENPI/2013/024-484</i>		
Total cost	Total estimated cost: EUR 11,750,000 Total amount of EU budget contribution: EUR 10,000,000 This action is co-financed in parallel co-financing by the Government of Armenia for an amount of EUR 1,750,000 (max 25% of the PRDP component)		
Aid method / Method of implementation	Project Approach Direct centralised management (grants – call for proposals; procurement of services)		
DAC-code	15110	Sector	Public sector policy and administrative management

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

The European Union in its Country Strategy Paper (CSP 2007-2013) acknowledges “Regional Development” as one of the main priority areas for its cooperation with Armenia. The proposed action is in line with the EU assistance priorities, as part of priority sector 3 of the National Indicative Programme (NIP) 2011-2013, "Socio-Economic Reform and Sustainable Development". In addition, Regional development is one of the priorities of the Eastern Partnership under its bilateral actions, and additional funds were made available in order to cooperate with partner countries on Pilot Regional Development Programmes (PRDPs) modelled on the EU Cohesion policy.

The Government has recognised the importance of regional development for Armenia and has had a continuous policy dialogue with the EU since 2009. The aim is to ensure that implementation of programmes and projects is taken forward within an agreed set of regional development priorities whose delivery will generate effective and sustainable results.

The main objective of this programme is to support the Government of Armenia in progressing towards a more balanced social and economic development between regions in Armenia. The main expected results are: to increase the capacity of the national and regional authorities to take forward, promote, manage, and monitor the regional development process; to create a sustainable regional development funding mechanism; to enhance coordination and

communication amongst the relevant stakeholders; to have stronger regional planning involving national, regional and local public authorities; and to implement an open grant call scheme resulting in a number of successfully implemented projects with the purpose to promote activities that support and develop the regional/local social and economic environment.

2.2. Context

2.2.1. Country context

2.2.1.1. Economic and social situation and poverty analysis

Armenia's economic performance has strengthened in 2012. Growth has reached 6.4% in 2012 with particularly strong performance in agriculture, agro processing, and in mining and services. Construction is showing signs of recovery. The growth is expected to moderate to 4.3% in 2013, as the economy returns to trend and given conditions in Europe and Russia.

According to the National Statistics Service "Social Snapshot and Poverty in Armenia" published in 2012, the poverty level in 2011 reduced as compared to the previous year. In 2011, more than third of population (35.0%) was poor, 19.9% was very poor and 3.7% was extremely poor. While in 2011 the poverty level was reduced against 2010, both the incidence of poverty and its severity increased as compared to 2008. The economic decline in 2009 and 2010 over 2008 created prerequisites for deteriorated living conditions and increased poverty incidence. As a result of the global economic crisis, the poor suffered the most, while the rich increased their wealth even further.

Disparities in Armenian regions that had previously been decreasing for five years are now increasing rapidly. This is mostly affecting rural regions where the working population is inactive, especially young adults. The issues currently facing the regional economies in Armenia include lack of economic competitiveness, limited industrial/service sector diversification, dependence on migrant worker-remittances and remittances from Diaspora, growing youth unemployment, lack of quality business infrastructure and technical innovation, and poor physical infrastructure.

2.2.1.2. National development policy

Since 2003, several overarching strategies, the Poverty Reduction Strategy Paper (PRSP), its successor, the Sustainable Development Programme (SDP) and the latest **Armenia Development Strategy (ADS)** put priority on economic development. The ADS (still at a draft stage), whose main objective is sustainable economic growth and creation of new jobs, highlights the necessity for development and implementation of targeted policies to address regional disparities and views it as one of the economic policy priorities. According to the ADS, regional development should not only contribute to the creation of a favourable economic and social environment in the whole country but also to a better delivery of public services for all citizens.

2.2.2. Sector context: policies and challenges

The delivery of regional development policy, programming, and project development in Armenia is primarily the responsibility of the Ministry of Territorial Administration (MTA).

The current position of the Government on regional development was introduced by the “**Concept on Regional Development in Armenia**” adopted by the Government in June 2011. This concept includes recognising and prioritising regional development, developing a strategy for sustainable economic development requesting regional development plans from all Marzes (Armenian administrative regions), and preparing regional development strategy and action plans of activities. More specifically, it focuses on addressing regional disparities, ensuring capacities of national, regional and local authorities to facilitate the delivery of regional development projects, reducing unnecessary overlaps and duplication, ensuring economies of scale, securing sustainable development within Marzes (and their communities), decentralising the decision-making processes and enabling a top-down/bottom-up approach to regional and local development.

Each **Marz** has a **strategic plan** itemizing aggregated key spending areas, mostly related to public sector, social and welfare assets, and some modest expenditures allocated for SME support and tourism. These plans are developed by the **Marz Development Councils** chaired by the Marzpets (Regional Governors) and involving local authorities, representatives of private sector and civil society organisations (CSOs). Thematic working groups, with the same range of stakeholders, support the Councils.

The key policy challenge is for the MTA to define a proper strategy for regional development and to roll out a Regional Development Action Plan (RDAP) reflecting the key actions necessary to contribute to the alleviation of disparities between Armenian regions. In addition, there is a need to ensure coherence and a comprehensive integration of policies managed by different Ministries that impact upon regional development. This is particularly true in the area of rural development, which will need to be further developed in close cooperation between the MTA and the Ministry of Agriculture. Finally, an effective regional development policy will require restructuring of current institutional structures in order to improve the delivery of services to citizen in regions.

2.3. Lessons learnt

A number of programmes already implemented in Armenia on regional development (two REDAM⁷ projects and regional development projects in Gegharkunik and Tavush regions funded by the UK Department for International Development) revealed the need to promote regional initiatives through consistent and concerted actions reflecting a top-down/bottom-up approach. They further showed the need for an effective policy framework as well as strong capacity of relevant stakeholders.

2.4. Complementary actions

The EU is in the process of funding a Technical Assistance project (TA Phase I – being tendered) which will support a more strategic approach to regional development and will aim to secure a solution on how to best fund, implement and manage an integrated approach based on EU best practice. This programme will also have strong synergies with two EU budget

⁷ Regional Development of Armenia – funded by the EU

support programmes: "Support to Agriculture and Rural Development - ENPARD⁸ Armenia" (Annual Action Programme 2013) and "Continuation of vocational education and training (VET) reform and development of an employment strategy" (Annual Action Programme 2009) in which a number of actions are designed to develop VET activities and a more modern agriculture in rural areas. In addition, the **ENPI Civil Society Facility (CSF)**, the **Non State Actors – Local Authorities (NSA-LA)** thematic programme and a project on "Support to democratic governance in Armenia" under the ENPI bilateral portfolio, will also contribute to capacity building of CSOs, which will actively be involved in the design, implementation and monitoring of regional development actions.

UNDP is implementing the project "Community Development: Aid for Trade" (2011 – 2013) with the general objective to foster democratic governance, reduce poverty and regional disparities, and foster economic activities at community level. The "Civil Society and Local Government Support Program (2010-2014)" funded by **USAID** and implemented by **Counterpart International** aims at increasing the level of informed and organised civic activism at the local and national levels, along with more participatory, decentralised, accountable governance that leads to a more democratic society. **The German Agency for International Cooperation (GIZ)** and the **Council of Europe** have also been funding projects in local governance.

2.5 Donor coordination

At governmental level, a Regional Development Working Group (RDWG) has been created with the objective to coordinate and monitor policies on regional development. Members of this group are from relevant line Ministries, international donors, the EU Delegation and Marzes representatives. However, this working group has, up to now, not been functioning fully and it is one of the aims of this project to strengthen it.

At the donor level, ad-hoc meetings are organised to share information on the status of projects/programmes in the regional development sector. However, as there are a high number of actors involved and taking into account ongoing or planned interventions in different regions, it is necessary to further strengthen coordination to ensure complementarity and cost effectiveness.

3. DETAILED DESCRIPTION

3.1. Objectives

Overall Objective:

To support the Government in progressing towards **a more balanced social and economic development between regions of Armenia.**

Specific Objectives:

1. **To develop the competencies and institutional capacities** of key national and regional institutions to ensure the design, review and monitoring of relevant regional development

⁸ European Neighbourhood Programme for Agriculture and Rural Development

strategies and action plans as well as their implementation through management of agreed actions and projects (Component 1);

2. **To develop a project pipeline**, ready to be financed through a grant scheme, following priorities defined in the Armenian Regional Development Plans and according to the PRDP approach (Component 2).

3.2. Expected results and main activities

Component 1: Developing the competencies and institutional capacities of key national and regional institutions

Expected results:

- **The capacity of the MTA, regional authorities and regional development councils is increased** to develop, manage, and monitor the regional development process; **Skills of existing personnel are significantly developed** and **new specialist personnel are recruited** within the MTA to provide a specific resource and expertise; **The coordination and communication mechanisms are enhanced** amongst the relevant line Ministries, regional authorities, and regional development councils to ensure better integration and effectiveness of regional development initiatives;
- A **Regional Development Strategy and Regional Development Action Plan** are approved by the Government;
- **Regional Development Plans** are evaluated and updated involving national, regional, and local public authorities and other relevant stakeholders;
- A **sustainable Regional Development funding mechanism** is created and functioning;
- **The institutional framework at regional/local level is revised**, in order to ensure a more efficient and effective delivery of services to Armenian citizens in regions;
- **Regional statistics are upgraded** as a basis for improved, evidence-based policy planning, programming, monitoring and evaluation.

Main activities:

- A technical assistance project (TA Phase II) will follow up on the results of TA Phase I project (see 2.4 complementary actions) to **further increase institutional capacity of the MTA and regional authorities** in developing and monitoring the Regional Development Strategy and related Action Plan;
- The TA project will further assist the MTA and regional authorities **to set up regular internal monitoring and review process of regional development actions**, as well as the establishment and functioning of a Regional Development Fund (or similar mechanism);
- The TA project will further support **the effective functioning of the Regional Development Working Group** to improve coordination and effectiveness of actions at the regional level;

- The MTA and the National Statistics Service will **upgrade the statistical setup** to ensure that relevant and accurate data can be collected and processed at the regional, city and local community levels.

Component 2: Developing a project pipeline, ready to be financed through a grant scheme

Expected results:

- **An open grant call scheme is launched and completed**, resulting in a number of successfully implemented projects following Regional Development Plans priorities;

Main activities:

- **Organise information days with all relevant regional actors** including national/regional Chambers of Commerce, Development Councils of Marzes (within regional authorities), regional development agencies and business centres, industry and trade associations, educational organisations, universities, technical colleges and civil society organisations, on the objectives of the grant call scheme;
- **Organise a series of regional forums** where key stakeholders will present regional profiles, including Marz Development Plans, as well as potential growth sectors. The outputs generated will assist the identification of realistic eligibility criteria for projects considered under the proposed grant scheme;
- **Launch of an open call for proposals** with the objective to finance projects relevant to the needs highlighted in the Marz Development Plans and following the PRDP approach. The MTA, regional authorities, Regional Development Councils and other relevant line Ministries will actively participate in the management, monitoring and evaluation of the selected projects;
- The TA project will **support the design of regional development projects** by organising workshops on how to design relevant proposals. This activity should actively involve women and vulnerable groups.

3.3. Risks and assumptions

Risks

Major risks, as stated in the country's risk management framework, developed by the EU, can be summarised as follows:

- Political instability;
- Lack of relevant and realisable projects to absorb funds available under the grant call scheme;
- Reduced budget allocation by Government to the sector;
- Limited integration of regional development and rural development at the policy level;
- Deficiencies in a number of PFM areas: internal control, procurement procedures, external audit;
- Corruption and fraud;
- Lack of willingness by donors to coordinate their support.

The mitigating measures are as follows:

- Enhancing policy dialogue, involving both national and regional actors and structures, to ensure political commitment, inter-ministerial coordination as well as budget availability;
- Drafting a new anticorruption strategy and implementing associated measures, including at regional and local level;
- Implementing Public Administration Reforms;
- Enhancing donor coordination mechanisms;
- EU support in the area of PFM reforms.

Assumptions

- Continued commitment from the Government to support the regional development reform agenda as well as to support the reform of the institutional framework at regional/local level;
- Active, regular participation of all relevant partners/stakeholders in the policy dialogue on regional development at national and regional levels;

3.4. Cross-cutting issues

This project will support further progress in transparency, democratisation and good governance i.e. ensuring that regional development programmes and projects clearly illustrate an integrated top-down / bottom-up approach as a basis for participation of all stakeholders at regional and local levels.

It will further promote equal opportunity and ensure that women as well as vulnerable groups will fully benefit from the regional development activities promoted. This implies putting in place specific provisions to encourage them to participate in the grant call scheme (component 2 for this project).

Actions promoted under this project will adhere wherever possible to the best environmental practices as embedded in EU environmental legislation, i.e. including the need to produce Environmental Impact Statements (EIS) for substantive physical infrastructure projects that may be generated under regional development programmes.

3.5. Stakeholders

The main stakeholders of the programme include beneficiaries at national level: mainly Ministry of Territorial Administration, Ministry of Economy, Ministry of Science and Education, Ministry of Agriculture, National Statistics Service, industry trade associations, industry sector clusters, Research and Development Councils, universities, innovation centres and other relevant civil society organisations as well as beneficiaries at regional and local level: Marzes, Local Economic Development Units, Municipalities, Community Councils, Regional Development Agencies, local chambers of commerce, SMEs associations, business centres as well as secondary and higher education institutions and regional civil society organisations.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 48 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Implementation components and modules

4.3.1. *Grants: open call for proposals (direct centralised management) for Component 2 of the programme*

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

The main objective of the grant call scheme is to finance a number of pilot projects, implementing activities that will support and develop the regional/local social and economic environment by addressing needs highlighted in the Marz Development Plans, taking into account also the nationally approved sector strategies.

Under the PRDP approach, the aim will be to provide support to the economic and social development of a number of selected regions in sectors with potential growth, promoted by the public sector as well as private-public partnerships. It will also aim at improving the functioning of regional labour markets by supporting employment creation as well as a more targeted training of the labour force.

(b) Eligibility conditions

Under the PRDP approach, proposals must be presented by eligible not-for-profit public or private sector entities:

- public sector operator, such as local or provincial authorities, Regional Development Agencies or other developmental bodies (for example, Rural Development Centres, Local Economic Development Offices, SME agencies/associations, chambers of commerce and industry, local public utility companies, tourism development bodies, local employment offices and Local Employment Councils, or higher education institutions;
- private sector operator, such as business organisations, cluster associations, industry and professional associations or other organisations such as vocational education institutions, employers and entrepreneurs associations;
- non-governmental or international organisations.

(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, 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 75 %.

The maximum possible rate of co-financing may be up to 100 % in accordance with Articles 192 of the Financial Regulation if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative quarter to launch the call

First quarter of 2015.

4.3.2. *Procurement (direct centralised management)*

Subject	Type	Indicative number of contracts	Indicative quarter of launch of the procedure
Developing the competencies and institutional capacities of key national and regional institutions (components 1 and 2 apart from call for proposals)	Services	1	1st quarter of 2015
Evaluation	Services	1	2 nd quarter of 2017
Audit	Services	1	4 th quarter of 2016
Communication and visibility	Services	Up to 2	2 nd quarter of 2015 3 rd quarter of 2017

4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 21(7) of the basic act on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

Module	Amount in	Third party
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	EUR million	contribution (Government of Armenia)
4.3.1. - Call for proposals (direct centralised)	7.0	1.75
4.3.2. - Procurement (direct centralised)	2.5	
4.7. - Evaluation and audit	0.4	
4.8. - Communication and visibility	0.1	
Totals	10.0	1.75

4.6. Performance monitoring

This project will be monitored through the Results-Oriented Monitoring (ROM) system for EU funded projects and programmes. A steering committee will be established to ensure regular and effective review and application of the recommendations made.

4.7. Evaluation and audit

The programme may be subject to an evaluation in order to assess the relevance, efficiency, effectiveness, impact and sustainability of its achievements. Independent evaluators may be contracted by the European Commission in accordance with its internal procedures. In addition, the European Commission may mobilise ad hoc audit missions if deemed necessary.

4.8. Communication and visibility

Throughout the implementation of the programme, the best possible visibility will be sought through actions to be organised in cooperation with all relevant stakeholders, in line with the Communication and Visibility Manual for EU External Actions.

ANNEX 3

of the Commission Implementing Decision on the Annual Action Programme 2013 in favour of Armenia to be financed from the general budget of the European Union

Action Fiche for Framework Programme in support of EU-Armenia Agreements

1. IDENTIFICATION

Title/Number	Framework Programme in support of EU-Armenia Agreements <i>ENPI/2013/024-470</i>		
Total cost	Total estimated cost: EUR 19,000,000 Total amount of EU budget contribution: EUR 19,000,000		
Aid method / Method of implementation	Project Approach Direct centralised management (grants – call for proposals and direct award; procurement of services and supplies) Joint management with UNIDO and with UNDP		
DAC-code	15110	Sector	Public sector policy and administrative management

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

This proposed Framework Programme in support of EU-Armenia Agreements is an integral part of the European Neighbourhood Policy, following the objectives of the Eastern Partnership, while supporting priority areas 1 and 2 of the National Indicative Programme 2011-2013 (democratic structures, trade and investment). This action will help prepare, negotiate, conclude, implement and monitor the agreements between the EU and Armenia in main priority areas - Association Agreement (AA), Deep and Comprehensive Free Trade Area (DCFTA) agreement, Visa Facilitation and Readmission Agreements, and Protocol on a Framework Agreement for the participation in European Union programmes. The action is expected to lead to the strengthening of Armenia's policy framework and enhancing the capacity of Armenia's civil servants, preparing the legal and technical framework through Comprehensive Institution Building in priority areas, as well as supporting Armenia's participation in EU programmes and in the work of EU agencies.

2.2. Context

2.2.1. Country context

2.2.1.1. Economic and social situation and poverty analysis

Armenia's economic performance has strengthened in 2012. Growth has reached 6.4% in 2012 with particularly strong performance in agriculture, agro processing, and in mining and services. Construction is showing signs of recovery. Growth is expected to moderate to 4.3% in 2013, as the economy returns to trend and given conditions in Europe and Russia.

According to the National Statistics Service "Social Snapshot and Poverty in Armenia" published in 2012, the poverty level in 2011 reduced as compared to the previous year. In 2011, more than a third of population (35.0%) was poor, 19.9% was very poor and 3.7% was extremely poor. While in 2011 the poverty level was reduced against 2010, both the incidence of poverty and its severity increased as compared to 2008. The economic decline in 2009 and 2010 over 2008 created prerequisites for deteriorated living conditions and increased poverty incidence. As a result of the global economic crisis, the poor suffered the most, while the rich increased their wealth even further.

2.2.1.2. National development policy

The Armenia Development Strategy (ADS) 2012-2025, still at a draft stage and successor to the Sustainable Development Programme (SDP), is the main national development policy document. The main objective of the ADS is to sustain economic growth and create jobs. The core areas are: (1) growth of employment, (2) development of human capital, (3) improvement of social protection system and (4) institutional modernisation of the public administration and governance. Overall, the draft ADS represents a good effort to move towards sustainable economic growth. However, it will benefit significantly from being strengthened and developed further. The Government fully owns the main objective of its national development strategy and is committed to realising it through a number of specific policies. An essential element of the Strategy will be a comprehensive monitoring and evaluation and performance assessment framework, including a regular and inclusive review process.

2.2.2. *Sector context: policies and challenges*

It is in the context of the **Eastern Partnership (EaP)** political framework that the EU and EaP countries should forge deeper contractual relations in the form of AAs including DCFTAs as well as visa facilitation and an enhanced sector cooperation. The EaP's main goal is to create favourable conditions to accelerate political association and deepen economic integration between the EU and EaP countries.

Negotiations on an **Association Agreement (AA)** between the EU and Armenia started in July 2010 and are progressing at a fast pace. As of March 2013, all chapters have been provisionally closed. The **DCFTA** negotiations were launched in February 2012 and are also progressing rapidly. The two sides intend to initial the AA during 2013, with the exception of the DCFTA chapters which should be ready for initialling in early 2014. Discussions on an **Association Agenda** to replace the ENP Action Plan are ongoing. From 2014, the implementation of these agreements will require significant technical and human resources.

The **Visa Facilitation Agreement** was signed in December 2012 and the **Readmission Agreement** in April 2013. In addition, the EU has already launched a Mobility Partnership with Armenia in October 2011; providing a flexible and legally non-binding framework for the movement of people.

The **Comprehensive Institution Building** programme (CIB), which focuses on core Armenian institutions involved in the AA, DCFTA and visa facilitation/readmission processes, was initiated in 2010 and delivered three Institutional Reform Plans (IRPs) covering these three areas.

A Protocol to the EU-Armenia Partnership and Cooperation Agreement on a Framework Agreement governing the general principles for the participation of Armenian institutions in EU programmes was concluded in December 2012.

2.3. Lessons learnt

A number of lessons can be drawn from past evaluations and the EU Results Oriented Monitoring (ROM) reports related to capacity building instruments:

- avoid a top-down approach and ensure that the beneficiary is fully engaged in the design, implementation, monitoring and evaluation phases of EU assistance;
- ensure that the assistance is demand-driven and policy sector driven;
- avoid capacity substitution;
- ensure systematic donor coordination;
- ensure the beneficiary understands the need for planning of financial and human resources in the state budget to support a successful implementation of the programme;
- ensure that the EU high level policy advice remains flexible to enhance effectiveness: monitor policy advice progress and change policy focus as relevant; ensure transfer to implementation through other EU instruments; anticipate focus of policy advice to reflect AA priorities.

2.4. Complementary actions

This programme is a follow-up to the previous “Framework Programmes in support of EU-Armenia agreements” launched in 2011 and 2012; the three programmes include a dedicated component for the **Comprehensive Institution Building (CIB)** programme. CIB in Armenia is focused on three key reform areas (pillars): general coordination of AA/DCFTA negotiation; justice, liberty and security; DCFTA-related reforms (in particular in the areas of Intellectual Property Rights (IPR), Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary issues (SPS). Assistance provided under this action is complementary to ongoing programmes in support of sector-wide reforms and legal approximation to the EU, in particular in DCFTA-related areas.

The **EU Advisory Group (EUAG)** created in 2009 has been very active, especially in the DCFTA negotiation process, both in terms of policy and legal reforms. With the support of the EUAG, a number of strategies have been elaborated in DCFTA priority areas: IPR, TBT and SPS. The group also supported the negotiations of the visa facilitation and readmission agreements, and provided advice in the areas of rule of law and human rights. The current project will continue its activities until April 2014.

A **Flagship Initiative** (a EUR 3 million project with the French Migration Office as lead) and several projects funded through the **thematic Migration Programme** (under the Development and Cooperation Instrument - DCI) are supporting the EU Mobility Partnership in the context of visa facilitation and readmission agreements.

There are a number of ongoing **twinning** projects covering a limited number of DCFTA areas (competition, IPR, SPS, customs, market surveillance), as well as migration and legal approximation with the Ministry of Justice. Further twinings will be launched in the areas of public internal financial control (PIFC), education (Bologna process), standardisation, investments, Public Regulatory Commission and statistics linked to DCFTA. There is still a need to approximate a large number of EU regulations in the AA/ DCFTA area, and additional twinings will be needed to guide the Armenian beneficiaries through the process.

A number of **TAIEX** workshops, study visits and experts missions have been organised with Armenian beneficiaries in areas related to the AA and DCFTA: accreditation, education, economic zones, cybercrime, agriculture, financial services, etc. – further support through this instrument can be made available. **SIGMA**, a project implemented by the OECD and fully funded by the EU has increased its activities in Armenia to focus on PIFC, public procurement, civil service reform and the newly established Ethics Commission.

Other complementary actions are being implemented through **EU funded regional programmes** including the following sectors: economic cooperation (EastInvest, SME facility, small business support programmes); cross-border cooperation and integrated border management (Flagship Initiative). The Programme will endeavour to complement the results of these regional projects and create synergies in areas relevant to the AA.

The **ENPI Civil Society Facility (CSF)**, the **Non State Actors – Local Authorities (NSA-LA) thematic programme** and a project on "Support to democratic governance in Armenia" under the ENPI bilateral portfolio, will also contribute to the capacity building of civil society organisations.

A number of international donors are also involved in actions supporting AA and DCFTA related areas. The **World Bank** and the **FAO** are actively involved in food safety reforms; the World Bank, **International Finance Corporation (IFC, World Bank Group)** and **Germany** are tackling issues related to TBT and market surveillance; **Germany, Finland and Greece** are providing assistance to general trade matters; the **World Intellectual Property Organisation (WIPO)** and the **European Patent Office** are addressing the area of intellectual property rights. **UNDP** deals with capacity building of civil servants.

2.5. Donor coordination

As CIB coordinator, the Minister of Economy co-chairs the CIB steering committee with the EU Delegation. Members of the steering committee include all relevant Ministries and agencies which ensure coordination with other donors in their respective areas. There is also a possibility for other donors to participate in the financing of the CIB programme. In addition, the EU Delegation has already launched thematic donor coordination meetings in the main areas of the DCFTA.

However, the primary role of the Government in the coordination process needs to be strengthened and the EU Delegation will support this in 2013, through technical assistance to the Ministry of Economy as EU assistance coordinator.

3. DETAILED DESCRIPTION

3.1. Objectives

The overall objective of this programme is to support the Republic of Armenia to prepare, negotiate, conclude, implement and monitor its agreements with the EU in priority areas, including:

- An Association Agreement, including a DCFTA part, and an Association Agenda;
- Visa Facilitation and Readmission Agreements;
- A Protocol to the Partnership and Cooperation Agreement on a Framework Agreement on the general principles for the participation in the EU programmes.

The specific objectives are:

- 1) To improve the **Government's policy framework** for the AA implementation and to increase the capacity of civil servants;
- 2) To ensure **effective technical capacity** of relevant institutions, which are essential to implementing the AA, including the DCFTA, through Comprehensive Institution Building;
- 3) To further **improve Armenia's cooperation with the EU** by fostering its participation in EU programmes and in the work of the EU agencies in priority areas.

3.2. Expected results and main activities

The expected **results and main activities per component** of this programme are as follows:

Component 1: Government's policy framework and capacity of civil servants

1.1. The **policy framework** as relevant for the priority areas of the future AA and Visa Facilitation and Readmission Agreements, including strategies, action plans and other policy related documents, is improved.

The main activity of this component will be to deliver high level policy advice to targeted beneficiaries.

1.2. The **capacity of civil servants** is further strengthened in relation to **the implementation of the AA**.

The main activities will principally take the form of a specific set of capacity building actions in priority areas provided by the Public Administration Academy and other relevant centres. Activities that could be financed include the following: enhancement of organisational and coordination arrangements (including functional reviews, and process mappings), training of civil servants, short-term secondments of Armenian experts to Member States, establishment of assistance centres, support to set-up and restructuring of Management Information Systems.

Component 2: Comprehensive Institution Building

The anticipated results of this support are that a) Armenian capacity to implement the AA and specific areas of the DCFTA is further strengthened; and b) Armenian authorities/institutions concerned with the implementation of the AA/DCFTA have implemented the necessary legal and technical framework according to the calendar and provisions negotiated and set in the final AA.

Main activities under this component, i.a. in the form of twinnings, will provide further support for the implementation of the IRPs, and assist Armenian institutions in preparing for

the implementation of future obligations under the Association Agreement, the DCFTA and the Visa Facilitation and Readmission Agreements.

More specifically on DCFTA, the programme will support the implementation of reforms in the TBT area by restructuring and modernising the National Quality Infrastructure and its institutions in the areas of accreditation, metrology, standardisation and market surveillance, as well as support the SPS area by restructuring and modernising the National Veterinary Laboratory and associated food safety laboratories. These activities will be mainly delivered through technical assistance, and relevant equipment will be supplied to the different institutions.

Component 3: EU programmes and agencies

As a result of this programme, Armenian authorities will participate effectively in the EU programmes and in the work of the EU agencies linked to current or future priority sectors of the negotiated EU-Armenia agreements and EU assistance programmes.

The main activity will consist of direct financial support of up to 50% of the "entrance fees" necessary for participation.

3.3. Risks and assumptions

The primary assumptions are:

- The Government remains firmly committed to its reform agenda;
- The Government maintains its commitment to enhanced political and economic relations with the EU and is willing and able to pursue negotiations leading to the conclusion of new agreements;
- The implementing institutions allocate the necessary human, financial and technical resources to support the implementation of the IRPs;

Major risks, as stated in the country's risk management framework, developed by the EU, can be summarised as follows:

- Political instability;
- Macro-economic imbalances inhibit Armenia's capacity to provide co-financing;
- Weaknesses in the legislative process, compounded by a deficient system for the coordination of legal approximation and the implementation of laws and regulations
- Deficiencies in a number of PFM areas: internal control, procurement procedures, external audit;
- Corruption and fraud;
- Lack of willingness by donors to coordinate their support; and
- High turn over of civil servants at technical level, given poor contractual conditions.

The mitigating measures are as follows:

- Enhancing policy dialogue, involving all technical levels and actors, to ensure political commitment and budget availability;
- Drafting a new anticorruption strategy and implementing associated measures;
- Implementing Public Administration Reforms;
- Enhancing donor coordination mechanisms.

3.4. Cross-cutting issues

In the implementation of the Programme, specific attention will be paid to gender equality, notably in providing a more gender balanced access to capacity development activities such as training.

3.5. Stakeholders

The programme will mainly target stakeholders involved in the AA, DCFTA and Visa Facilitation and Readmission Agreements as well as relevant line Ministries and agencies interested in cooperation within the framework of the EU programmes and agencies. The **Ministry of Economy** as the National Coordinator of the EU Assistance in general and CIB in particular will be a key actor in coordinating and prioritising the areas of support, in order to ensure the necessary ownership. It needs to coordinate the beneficiary line ministries and agencies involved in the identified AA priority areas. The **Ministry of Foreign Affairs** (MFA) and the **Ministry of Territorial Administration** (including State Migration Services) are central to the implementation of the Mobility Partnership. **Public Administration Academy** and other relevant education institutions will be the main partners in delivering training to civil servants. **Civil society organisations** will be involved in the identified areas when relevant. **International donors** involved in the priority areas will be encouraged to ensure proper coordination in order to avoid overlaps.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 60 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Implementation components and modules

Under the CIB component, and in the framework of the implementation of each Institutional Reform Plan, a financial contribution of at least 20% (parallel procurement) will be required whenever EU funding is used for supply of EU norm driven equipment.

4.3.1. *Grants: call for proposal for Twinning projects (direct centralised management)*

Under the present programme, it is expected to conclude up to 3 Twinning grant contracts.

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

The Twinning calls for proposals modality will be used for implementing actions under specific objective 2 defined in section 3.1.

The activities and expected results of the Twinning calls for proposals will be in line with the expected results and activities of component 2 defined in section 3.2.

- (b) Eligibility conditions

In line with Article 15(2)(a) ENPI, participation in Twinning calls for proposals is limited to public administrations of the EU Member States, being understood as central or regional authorities of a Member State as well as their bodies and administrative structures and private law bodies with a public service mission under their control provided they act for the account and under the responsibility of that Member State.

- (c) Essential selection and award criteria

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

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

- (d) Maximum rate of co-financing

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

- (e) Indicative timing to launch the calls

The launch of the calls for proposals is indicatively planned during 2nd quarter of 2014, 2nd quarter of 2015 and 2nd quarter of 2016, depending for each Twinning call for proposals on the time needed to finalise the Twinning fiches, to conduct the Twinning call for proposals and to prepare the corresponding Twinning grant contracts. Twinning activities are expected to end in 2018.

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

Twinnning contracts include a system of unit costs, defined in the Twinning Manual, for the reimbursement of the public sector expertise provided by the selected Member States administrations. This system of unit rates exceeds the amount of EUR 60,000 per beneficiary of a Twinning contract.

4.3.2. Grant: direct award (direct centralised management)

Implementation of Component 3 (EU programmes and agencies) will take the form of a reimbursement of up to 50% of the corresponding accession fee(s). This reimbursement will take the form of an ad hoc grant directly awarded to the institution that will pay the fees. The fees will be reimbursed to the institution after receiving a payment request from the Government of Armenia and evidence of payment of the total fee. Specific provisions will be introduced in the Financing Agreement. No pre-financing is foreseen under this scheme.

⁹ As foreseen for in the Twinning Manual.

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

The objective is to contribute up to 50% of the annual fee for the participation of Armenia to selected internal EU programmes.

- (b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, 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 institution(s) of Armenia.

- (c) Eligibility conditions

Only the institution(s) that pay the fees for the participation in the selected internal EU programmes are eligible.

- (d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the concerned institution(s), which will be verified by ensuring that the institution(s) are the one(s) in charge of the payment of the fee(s) and that the payment of the entire fee(s) has been done.

The essential award criteria are relevance of the proposed action to the objective as described under Component III of section 3.2 above.

- (e) Maximum rate of co-financing

The maximum possible rate of co-financing for this type of grant is 50% of the annual fee.

- (f) Indicative quarter to contact the potential direct grant beneficiary

3rd quarter of 2014

4.3.3. Procurement (direct centralised management)

Subject	Type	Indicative number of contracts	Indicative quarter of launch of the procedure
Trainings to strengthen capacity of civil servants	services	3	1 st quarter of 2014
Evaluation and audit	services	Up to 3	According to needs (see section 4.7)
Communication and visibility	services	Up to 2	According to needs (see section 4.8)

4.3.4. Joint management with an international organisation

A part of this action with the objective of improving the policy framework of a number of selected public institutions will be implemented in joint management with UNDP (component 1.1) and UNIDO (component 2).

4.3.4.1. Joint management with UNDP (component 1)

The implementation of component 1.1 by UNDP is justified because this organisation has successfully implemented an ongoing policy advice project and has specific expertise in relevant policy areas. UNDP will provide an operational facility for provision of targeted policy and technical advice and will ensure sound organisation and financial management.

Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because this organisation is bound by a long-term framework agreement (FAFA). The projects will be jointly elaborated between the organisations and the Commission.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

4.3.4.2. Joint management with UNIDO (component 2)

The implementation of component 2 by UNIDO is justified because this organisation has a high degree of specialisation and competence and a specific methodology used to support partner countries to establish a National Quality Infrastructure, to assist in the implementation of Sanitary and Phytosanitary activities as well as to support policy and legal reforms in these areas.

Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because this organisation is bound by a long-term framework agreement (FAFA). The projects will be jointly elaborated between the organisations and the Commission.

The change of method of implementation constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 21(7) of the basic act on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

Module	Amount (in EUR million)	Third party contribution (indicative)
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Component 1: Government’s policy framework and capacity of civil servants		
4.3.3. – Procurement (direct centralised)	1.5	
4.3.4.1. – Joint management with UNDP	2.5	
Component 2: Comprehensive Institution Building		
4.3.1. – Call for proposals “Twinning with Member States” (direct centralised)	2.0	
4.3.4.2. – Joint management with UNIDO	11.0	2.0
Component 3: EU programmes and agencies		
4.3.2. – Direct grant (direct centralised)	1.5	
4.7. – Evaluation and audit	0.4	
4.8. – Communication and visibility	0.1	
Totals	19.0	2.0

4.6. Performance monitoring

Overall, this programme will be monitored through the Results-Oriented Monitoring (ROM) system for EU funded projects and programmes.

For component 1, a board composed of all relevant public bodies from the legislative, executive and judicial branches of the Government will steer the delivery of high level policy advice.

For component 2, a CIB steering committee, chaired by the Ministry of Economy, will oversee the progress of each IRP.

4.7. Evaluation and audit

The programme may be subject to an evaluation in order to assess the relevance, efficiency, effectiveness, impact and sustainability of its achievements. Independent evaluators may be contracted by the European Commission in accordance with its internal procedures.

In addition, the European Commission may mobilise ad hoc audit missions if deemed necessary.

For the part of the action implemented under joint management, the provisions included in the relevant framework agreement will apply.

4.8. Communication and visibility

Throughout the implementation of the programme, the best possible visibility will be sought through actions to be organised in cooperation with all relevant stakeholders, in line with the "Communication and Visibility Manual for EU External Actions".

For the part of the action implemented under joint management, the provisions included in the relevant framework agreement will apply.

