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ANNEX II

of the Commission Implementing Decision on the Annual action plan in favour of Armenia for 2021

Action Document for EU Resilience Facility for Armenia (AAP 2021)

ANNUAL ACTION PLAN

This document constitutes the annual multiannual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan/measure in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS Basic Act	EU Resilience Facility for Armenia Annual action plan in favour of Armenia for 2021 CRIS number NDICI-GEO-NEAR/2021/043-475 OPSYS reference: ACT-60629/ JAD.1001202 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe).
2. Team Europe Initiative	Yes (partially) Targeted recovery initiatives in Southern Armenia – Syunik region
3. Zone benefiting from the action	The action shall be carried out in Neighbourhood East, Armenia, with many activities focusing on the Syunik region
4. Programming document	EU-Armenia Multiannual Indicative Programming Document (MIP) 2021-2027 ¹
5. Link with relevant MIP(s) objectives/expected results	Resilient, sustainable and integrated economy Resilient, gender equal, fair and inclusive society
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	16010 Social Protection 32130 Small and medium-sized enterprises (SME) Development 43042 Rural Development 73010 Immediate post-emergency reconstruction relief and rehabilitation

¹ C(2021)9435.

7. Sustainable Development Goals (SDGs)	Main SDG SDG 8: Decent Work and Economic Growth Other significant SDGs and where appropriate, targets: SDG 1: No poverty SDG 4: ensure inclusive and equitable quality education SDG 9: Industry, Innovation, and Infrastructure SDG 10: Reduced inequalities			
8 a) DAC code(s)	250 – Business and other services 32130 – Small and medium-sized enterprises (SME) development 15110 - Public Sector Policy and Administrative Management 160 – Other Social Infrastructure & Services			
8 b) Main Delivery Channel	40000 Multilateral Organisations 60000 Private sector institution 20000 Non-governmental organisations and civil society 90000 – Other			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	<u>Connectivity</u> Tags: transport people2people energy digital connectivity	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	COVID-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14.020111 Eastern Neighbourhood Total estimated cost : EUR 23 000 000 Total amount of EU budget contribution : EUR 23 000 000 ² Indicatively, the Austrian Development Agency (ADA) would be the entity chosen to implement Outcome 1, Outputs 1.1, 1.2, 1.3, for an EU contribution of EUR 11 000 000 ; the possible amount of the contribution from ADA remains unknown at this stage			
MANAGEMENT AND IMPLEMENTATION				
13. Implementation modalities (type of financing and management mode)	Project Modality Direct management through: - Grants Indirect management with entities to be selected in accordance with the criteria set out in section 4.3.2.			

² Of which EUR 10 000 is envisaged for the EU contribution to the Team Europe Initiative “Resilient Syunik”. Indicatively, under this specific action, the Austrian Development Agency (ADA) is envisaged as the main implementing/co-financing partner.

1.2. Summary of the Action

The aim of the programme is to support inclusive, resilient and sustainable socio-economic recovery and growth following the COVID-19 pandemic and in the aftermath of the hostilities in and around Nagorno-Karabakh. In line with the EU-Armenia Comprehensive and Enhanced Partnership Agreement³ (CEPA) framework, the Joint Communication on the Eastern Partnership policy beyond 2020⁴, the Joint Staff Working Document on the Recovery, resilience and reform: post 2020 Eastern Partnership priorities⁵, the UN Sustainable Development Goals (SDGs), the EU-Armenia 2021-2027 Multi Annual Indicative Programme (MIP) and the Armenian government priorities on socio-economic recovery, this programme will focus on recovery and resilience-building through promoting private sector competitiveness and investments, and strengthening the national social protection system to support vulnerable groups and regions most affected by the socio-economic shocks, mainstreaming green and digital agendas.

Many actions of the Programme will focus on the Southern region of Armenia – Syunik, significantly affected by the hostilities in and around Nagorno-Karabakh and its aftermath and will be implemented through a Team Europe approach. One specific action will be implemented in Gyumri, Shirak region – which is one of the Armenia's focal regions. In order to enhance Armenia's resilience, the programme will support private sector development and strengthen regional and local social systems, building on support to small and medium- sized enterprises in particular in Syunik, as well as skills development to increase the employability of disadvantaged groups, including conflict-affected people displaced from Nagorno-Karabakh. The action will also address the development needs in Syunik, complementing the EU humanitarian and early-recovery support in line with the humanitarian-development-peace nexus. The Programme will support piloting of social assistance programmes in the region, as well as facilitating integration of the displaced population in Syunik and addressing existing vulnerabilities and inequalities of the local population.

To complement and enable interventions on regional and local level, the programme will in addition support national level initiatives aimed at promoting a conducive policy and regulatory environment for private sector development and social service delivery. The programme will focus on strengthening the private sector competitiveness through an enabling business and trade environment, investment climate and respective private sector engagement and institutional support, including through the Team Europe approach, – mainstreaming the twin ecological and digital transformations and delivering tangible investments. The programme will capacitate inclusive, sustainable, high added-value small businesses and export-driven ventures. Support will be provided for mobilising the Armenian diaspora for investment and trade as a conduit for "building back better" by leveraging impact finance, knowledge and expertise in the private sector and the entrepreneurial and science ecosystems.

Part of the programme will support the establishment of a green culinary and hospitality management school and entrepreneurship centre, as an anchor project in the second largest city in the country, Gyumri (in northern Shirak region) which is emerging as a regional tourism growth pole.

The programme will also focus on strengthening the national social protection system for addressing the socio-economic consequences of shocks such as COVID-19 and the hostilities in and around Nagorno-Karabakh. The programme will aim to capacitate the national systems for data analysis and design of shock responsive assistance, strengthen coordination, delivery systems and capacitate social welfare workforce for targeted, effective service delivery, as well as to support the roll out of Unified Social Services, implementation of territorial social plans and other pilot targeted social protection programmes better responding to the needs of shock affected groups and regions.

³ Official Journal of the European Union L 23/4, 26.1.2018.

⁴ JOIN(2020) 7 final.

⁵ SWD(2021) 186 final.

The programme contributes to the following flagship initiatives for Armenia as set out in the Economic and Investment Plan for the Eastern Partnership: Supporting a sustainable, innovative and competitive economy – with direct support for 30 000 SMEs; and Building resilience in the Southern regions. It aims to leverage potential investments under the European Fund for Sustainable Development (EFSD+).

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG 8 Decent Work and Economic Growth, while also contributing to SDG 1 No Poverty, SDG 9 Industry, Innovation and Infrastructure and SDG 10 Reduced inequalities.

2. RATIONALE

2.1. Context

Armenia is a small, landlocked upper middle-income country with a population of about 3 million, highly concentrated in the capital Yerevan and vicinity (approx. 1.1 million). Yerevan also provides more than half of the national Gross Domestic Product (GDP) as the dominant industrial and service centre of the country. This indicates the need to develop potentials of other locations in the country, especially in peripheral regions.

Over the last decades Armenia has made significant steps towards the establishment of a functioning market economy, however until now it has remained a limited market with several structural challenges such as: low productivity, low value-added production, overreliance on traditional agriculture and extractive industries, insufficient numbers of small and medium-sized enterprises (SMEs) etc. Armenia has also made some progress in improving the general business regulatory environment, implementing few structural reforms to reduce government regulation, red tape, and simplifying business regulations. The country's ranking in the Doing Business Index actually slightly deteriorated from 35th to 47th position in 2015-2020. Net foreign direct investment (FDI) inflows have been decreasing in recent years and are not large enough to significantly accelerate the development of a wider production base or adoption of more advanced technologies.

In 2020, the socio-economic impact of the COVID-19 crisis and the hostilities in and around Nagorno-Karabakh were considerable, causing severe contraction of the economy (GDP drop by est. 7.4%, mainly associated with decline in service sectors such as trade, travel, real estate activities, arts and entertainment, accommodation and food service). Following a dynamic growth in recent years, SMEs suffered profound losses in turnover, employment, experiencing liquidity problems etc., with the smallest operators, and vulnerable groups (women and low-skilled labour) being hit the hardest. As the crisis deepens, unemployment rates are increasing significantly.

Social impact of the pandemic and the hostilities have been and is expected to be profound. While the poverty rate has been declining steadily since 2010, reaching 26.4% in 2019, it is estimated that the poverty rates will go up. Poverty is notably higher among children (29.2%), there are notable geographical disparities with half of the regions having higher poverty rates than the national average⁶. World Bank analysis reveals that the COVID-19 crisis has caused welfare losses through declines in labour income, remittances and private transfers, supply chain disruptions and business closures. The effects of the pandemic on households' incomes suggest that poverty could increase by 8.4 to 9.4 percentage points compared to 2019. There are significant regional disparities between Yerevan and the regions of Armenia. The poverty headcount is highest in urban areas outside the capital city, with elevated levels of unemployment and emigration. Poverty in rural areas is 26.8%. Over two-thirds (70%) of Armenia's poor people live in secondary cities and rural areas.

⁶ Social Snapshot and Poverty in Armenia 2019 Statistical Committee of the Republic of Armenia

Additionally, the 2020 hostilities have led to dire consequences for the displaced population and hosting and border communities in Armenia. Some 90 000 people relocated from Nagorno-Karabakh to Armenia, while some have returned to Nagorno-Karabakh upon signature of declaration on ceasefire. Around 21 000 people remain in Armenia unable or unwilling to return back. The Government has designed several immediate response measures to support the displaced families in need for food and shelter; however, in a longer run issues of housing and employment are yet to be addressed.

Currently the social protection system targets vulnerable groups through a number of programmes – state social assistance programmes (Family Living Standards Enhancement Benefit is the Government programme with biggest coverage), social security programmes, social protection programmes, state social insurance programmes, employment programmes and a system of allowances. Ongoing reforms focused on the roll-out of Unified Social Service operations across Armenia with the aim to define a common strategic vision for a social protection system, redefine criteria for social assistance, integrate social service centres and strengthen the role of social workers in case management and referrals, as a step toward improving the system.

The Government of the Republic of Armenia, declared its commitment to deliver on a comprehensive reform agenda based on the rule of law, protection of rights, fight against corruption and good governance. The Comprehensive and Enhanced Partnership Agreement (CEPA) between Armenia and the EU was ratified by the National Assembly of Armenia on 11 April 2018 and by the European Parliament on 4 July 2018. The CEPA fully entered into force on 1 March 2021. The Agreement provides a solid base for further enhancing the reform agenda in areas of mutual interest, in political, economic and sectorial fields. The EU-Armenia CEPA, contains a vast spectrum of cooperation provisions related to economic competitiveness, which are the basis for structured assistance aiming to improve Armenia's position as a trade partner and more broadly, as an economic partner. CEPA also focuses on employment, social policy and equal opportunities.

The proposed Programme builds on the priorities of the Armenian government, those of CEPA and the Joint Communication on the Eastern Partnership policy beyond 2020, and contributes to the objectives of the Economic and Investment Plan (EIP) for the Eastern Partnership: Investing in resilient and competitive economies and societies and the flagship initiatives for Armenia.

The Programme will build on the results of private sector development and social protection system strengthening programmes and initiatives implemented through EU and other donor funding in Armenia. It will complement and seek for synergies with the existing initiatives implemented in the framework of EU4Business, which focuses on support to the private sector as a conduit for sustainable and inclusive growth. The programme will seek coordination with other main partners in private sector development and social protection system strengthening, in particular EU Member States, as well as the United States Agency for International Development (USAID), Asian Development Bank (ADB), United Nations Development Programme (UNDP), World Food Programme (WFP), the World Bank (WB) and United Nations Children's Fund (UNICEF) and other international and local organisations.

In the spirit of the humanitarian-development-peace triple nexus, the present Action will seek to complement the on-going EU-funded humanitarian and early recovery projects, addressing the needs of the most vulnerable conflict-affected persons in the sector of basic needs and livelihoods. As a complementary measure, and with an objective of contributing to socio-economic recovery efforts at all levels including social service delivery and empowerment of change makers (such as youth and women) grant support will also be provided to civil society organisations through the regional Eastern Partnership (EaP) Civil Society Facility for Inclusive and Resilient Societies. The Action will also support and leverage potential EIP investments from international and development financial institutions and private sector along priority sectors. The programme will aim to give a “green” focus wherever appropriate.

2.2. Problem Analysis

Short problem analysis

Despite witnessing a rapid convergence in recent years the Armenian economy still experiences growth and private sector development constraints, exacerbated by the pandemic and the recent hostilities in and around Nagorno-Karabakh. Competitiveness, productivity and inclusiveness issues continue to be a heavy drawback to the Armenian economy, of relevance during the post-pandemic economic recovery. For Armenia as a small economy, export diversification, in terms of products and services but also geographically, is crucial for accelerated growth and greater economic resilience. Improving the policy and regulatory environment is an essential condition for accelerated economic recovery and building back better.

SMEs in Armenia are generally engaged in low value-added activities such as trade and unsophisticated production or services, mostly using low-skilled labour, and without investments into new technologies. Labour productivity of SMEs is well below the Organisation for Economic Cooperation and Development (OECD) average – and significantly below that of large companies. According to the OECD's SME Policy Index 2020, Armenia performs below the Eastern Partnership countries' average in terms of green transition. The export contribution of SMEs remains relatively small. Armenian SMEs face a number of barriers in their access to export markets, such as low productivity and competitiveness, associated costs in logistics and marketing and limited awareness of exporting procedures.

The Investment Climate Action Plan developed by the European Bank for Reconstruction and Development (EBRD)⁷ identified short- and long-term reforms that have the potential to bring high economic and social pay-offs through increased foreign and domestic investments, a more dynamic productive sector, additional exports, a balanced and sustainable economic growth model and ultimately more job opportunities for its citizens. In addition, mobilising the Armenian diaspora as a conduit for economic development remains much below its potential. The Armenian diaspora is considered as a strong potential source of increased investments and trade opportunities, as showcased by the diaspora's positive involvement in information and communications technology (ICT) related clusters and collaboration with the national counterparts on sector policy reforms. For a small transition economy like Armenia, the large diaspora can play an important role in: (i) fostering investment and trade through business networks, and (ii) diffusion of knowledge, for the private (skills, science, technology and innovation- STI) and the public sectors. Traditional diaspora organisations are moving away from humanitarian and charity-based support towards a more development-focused agenda.

Developing Armenia as a regional innovation hub through science, technology and innovation (STI) and digital transformation across both the private sector and public sector dimensions is a priority of the Armenian government in its economic recovery and growth programme. Skills and jobs in Science, Technology, Engineering and Mathematics (STEM) are expected to become a significant source of growth and crucial for the country's transition towards a predominantly innovation-led and knowledge-based economy that promotes green growth. E-commerce and digital financial services have the potential to boost Armenia's economic integration by improving access to goods and services markets.

A comprehensive and profound set of actions is needed in Armenia to support a rapid, resilient and sustainable recovery with important green, digital, and social dimensions. The programme will contribute to strengthening competitiveness through an enabling business and trade environment, investment climate and respective private sector engagement and investment by leveraging Team Europe efforts and resources, including the instruments of the EIP and EFSD – mainstreaming the twin ecological and digital transformations in line with the EIP.

⁷ Under the EU Structural Reform Facility, EBRD carried out a comprehensive diagnostic on the investment climate in Armenia which analysed bottlenecks to private sector development and formulated strategic priority interventions in an "Investment Climate Action Plan (ICAP) for Armenia".

The two concurrent and compounded crises of 2020 are expected to have profound consequences for the national social protection system exacerbating pressure and numerous challenges faced by the population and authorities. A large share of the population of Armenia remains vulnerable to shocks; many households that escaped poverty are still at risk of falling behind if shocks such as unemployment, natural hazards, or severe illness hit⁸. Poverty in Armenia has several distinctive features – regional disparities, multiple and overlapping deprivations and vulnerability to shocks. Many households experience multiple and overlapping deprivations linked to deficits in the human capital endowment, including low levels of education and access to health; insufficient access to economic opportunities and inadequate access to good housing conditions, well-functioning infrastructure and public services⁹. High unemployment, together with limited coordination between employment services and social assistance, create poverty traps that threaten the inclusiveness of economic growth. Also, regional disparities constrain inclusive growth and, together with the demographic changes, adversely affect Armenia's long-term growth prospects.

The hostilities in and around Nagorno-Karabakh have had a significant impact on the Southern regions of Armenia; the region of Syunik has witnessed an influx of displaced people over 3300 of which have remained in the region for permanent residence. While some of those displaced people have already benefited from the EU-funded humanitarian assistance including some early recovery actions, continuous support to the most vulnerable, aid-dependent individuals remains an important issue as not all conflict-affected people will be able to swiftly resume their livelihood activities. Due to the hostilities in and around Nagorno-Karabakh in certain areas of the border regions of Syunik, access to intercity roads, previously utilised irrigation resources, agricultural and pasture lands is either limited or impossible. The post-hostilities realities pose significant challenges for the region and further exacerbate existing inequalities.

The COVID-19 pandemic and the hostilities in and around Nagorno-Karabakh added a significant burden on the social protection system (SP) and highlighted the need for integrating shock responsiveness into the SP system in Armenia. The Government of Armenia addresses the needs of the vulnerable groups affected by the pandemic and the recent hostilities via the national social protection system. In an immediate response to the pandemic, the government in April-May 2020 launched 25 economic and social measures to mitigate the pandemic at an estimated cost of 2.3% of GDP, as well 17 measures (including cash assistance) to address the immediate needs of the displaced population. Assessments show that where there had already been progress to set up frameworks for shock response (e.g. Yerevan municipality) timely and effective response was possible to offer, while the absence of established systems and processes have created significant delays in response¹⁰.

Building a planned shock responsive system is crucial to be able to address the immediate needs of the most vulnerable groups, while a more comprehensive reform of the social protection system is necessary to address the larger shortcomings of the system. Despite having relatively well-targeted social safety net programmes, there are concerns about targeting of the programmes and insufficient coverage for the extremely poor and vulnerable. It is estimated that only one out of three poor people, as officially defined, is covered by the family benefit system (FBP), 60% of households in the poorest quintile do not receive any form of social assistance, pointing to high exclusion errors¹¹. The administration of various social benefits (social services, the FBP, categorical benefits, pensions, and employment services) is fragmented, resulting in coverage gaps. Links between the social assistance system and employment services are missing, challenging efforts to activate FBP beneficiaries. Also, processes for eligibility verification and control systems for cases of error and fraud are not fully digitalized, leading to inefficiencies.

⁸ World Bank Poverty & Equity Brief Armenia 2019

⁹ Diana Martirosova, Osman Kaan Inan, Moritz Meyer, and Nistha Sinha. 2017. "The Many Faces of Deprivation: A Multidimensional Approach to Poverty in Armenia." World Bank Policy Research Working Paper No. 8179. Washington, DC: World Bank. Available at: <http://hdl.handle.net/10986/28356>.

¹⁰ <https://www.unicef.org/eca/media/14826/file>

¹¹ <https://documents1.worldbank.org/curated/en/523501552357219076/pdf/armenia-cpf-fy19-fy23-february-27-final-update-3-4-19-03062019-636876792405788612.pdf>

Shock-proofing the social protection system would require building support from a range of different governmental institutions, changing/strengthening the policy and legal framework, programmes to ensure better targeting and coverage of services, adapting/improving delivery systems, digitalisation and interoperability of data management systems and building institutional capacity on national and local level. Wider systemic challenges are also to be taken into account, which include a common vision for systemic reform, financing of the social protection system, cooperation among social service providers in addressing the multiple vulnerabilities of families and children, as well as quality of social/case management work, availability and quality of community-based services.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action.

Small and Medium Enterprises – SMEs in Armenia suffer from multiple structural and skills-related drawbacks which were exacerbated by the COVID-19 pandemic. SMEs need support in terms of entrepreneurship and business management skills, finance, access to markets, technology and know-how assistance, as evidenced by earlier actions in private sector support in Armenia implemented by the EU and other donors. Women and young entrepreneurs are important contributors to the overall economic development; thus, the proposed action will promote gender and youth mainstreaming in a cross-cutting manner.

Ministry of Economy (MoE), other ministries and regulatory bodies – responsible for the overall economic regulatory framework and economic development, the MoE is the key stakeholder dealing with business and trade environment. It recently has undertaken a strategic reform revision and planning, following its acquisition of responsibilities for the agriculture sector. Key business and trade regulatory bodies and national business support organisations operate under the remit or in close cooperation with MoE.

The **Ministry of Territorial Administration and Infrastructures (MTAI)** plays an important role in regional development policy planning and oversight/coordination and funding allocations for social services delivered on regional and local levels. The MTAI also plays an important role in securing critical public and business-related infrastructure and is involved in regional economic development policy. The regional Administration of Syunik marz is responsible for implementation of development projects in the region.

The Ministry of Environment (MoEnv) is responsible for the development and implementation of policy in the areas of protecting natural resources, including the atmosphere, water, soil, mineral resources, flora and fauna, specially protected areas, forests, climate change, environmental monitoring, and the management of hazardous waste. The Ministry also ensures the maintenance of data collection and monitoring, issuing licenses, permits in the field of the environment and providing Environmental Impact Assessment (EIA) expertise.

The **Ministry of High-Tech Industry** is active in digitalisation, communication, information technology and information security.

The Office of the **High Commissioner for Diaspora Affairs** is responsible for developing and implementing the strategies, policies and programmes for all Armenia-Diaspora relations; it places a special focus on attracting, institutionalizing and supporting diaspora investments, promoting the development of friendly business relations in Armenia, consolidating and involving diaspora organisations in Armenia's regional development and attracting the diaspora's professional potential to strengthen public institutions.

The **Ministry of Labour and Social Affairs (MoLSA)** administers the social protection system in Armenia. MoLSA is responsible for policy making and implementation acting through Unified Social Service and its

Territorial Offices, the National Institute of Labour and Social Research and the Social Services Technology and Awareness Center Foundation “NORK”.

The **Ministry of Education, Science, Culture and Sport** is responsible for the elaboration and implementation of national policies in the field of education and science.

The **“Investment Support Center” Foundation (“Enterprise Armenia”)** is a state institution established by the Government of Armenia to serve as a national Investment Promotion Agency. “Enterprise Armenia” operates as a “single-window” providing comprehensive support to foreign and local businessmen and investors. The Head of the Board of Trustees of Enterprise Armenia is the Deputy Prime Minister of the Republic of Armenia.

Numerous **civil society organisations** (CSOs) are engaged in the social protection sector reform and are relevant partners of the government and of the international community in the implementation of reforms. The CSOs will play an important role in the implementation of actions related to the strengthening of the social protection system and piloting of services for local resilience building.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to support green, inclusive, resilient and sustainable socio-economic recovery and growth in the post-pandemic and post-hostilities period, in line with the EU-Armenia CEPA provisions and the EIP flagship initiatives for Armenia. The objectives of the action also align with the objectives of the Team Europe Initiative (TEI) ‘Targeted recovery initiatives in Southern Armenia – Syunik region’, which will explicitly support inclusive, resilient and green socio-economic recovery in Syunik focusing on investments, sustainable employment and income-generation opportunities as well as services to support vulnerable groups affected by the hostilities in and around Nagorno-Karabakh and the COVID-19 pandemic. The commitment of the EU’s contribution to the Team Europe Initiatives foreseen under this action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners’ meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

The **Specific Objectives (Outcomes)** of this action are

Outcome 1: Enhanced private sector competitiveness for increased socio-economic impact and attracting investments

Outcome 2: Strengthened shock responsive social protection system.

The outputs contributing to **Outcome 1:** Enhanced private sector competitiveness for increased socio-economic impact and attracting investments are:

- 1.1. Inclusive, green, market-driven, sustainable, high added value and investable small businesses and export-driven ventures incubated and accelerated on in Syunik (aligned with TEI on Southern Armenia- Syunik)
- 1.2. Local community development initiatives and investments supported in Syunik (aligned with TEI on Southern Armenia- Syunik)
- 1.3. Strengthened business capacity for compliance with international trade regulations and enhanced institutional capacity for investment climate and trade reforms

- 1.4. Enhanced skills and employability
- 1.5. Enhanced diaspora business and policy engagement, and leverage of investment and expertise for the Armenian private sector and science; diaspora investment pipeline catalysed. Capacities for science, technology and innovation are increased
- 1.6. Participation (partial reimbursement up to 50% of the annual fees) of Armenia in various EU programmes such as Horizon Europe, Creative Europe, COSME and other relevant programmes is supported

The outputs contributing to **Outcome 2: Strengthened shock responsive social protection system** are:

- 2.1. Enhanced capacity to design, monitor and evaluate targeted shock responsive social assistance interventions and increased interoperability of social protection workflows with wider data management systems
- 2.2. Enhanced legal and policy framework for shock responsive social protection
- 2.3. Strengthened integrated delivery systems for social assistance and capacitated social welfare workforce
- 2.4. Piloted targeted programmes/initiatives to address complex and multi-dimensional risks and to better respond to the needs of shock affected groups (focus on Syunik and other affected borderline regions) (aligned with TEI on Southern Armenia- Syunik)

3.2. Indicative Activities

Activities related to **Output 1.1**

- Incubation and acceleration of SMEs
- Provision of access to finance matching tools for the recovery of businesses (including the agri-food sector)
- Skills trainings with focus on inclusion of youth, women, people with disabilities, disadvantaged groups

Activities related to **Output 1.2**

- Support to multi-sectoral measures in municipal and social infrastructure for the recovery of areas affected by the conflict in Syunik to address the basic infrastructure needs of vulnerable groups, including displaced people
- Community-based irrigation investments in Syunik (including introduction of water-saving advanced technologies, in particular smart irrigation systems)
- Green energy solutions and investments

Activities related to **Output 1.3**

- Capacity of the private sector to comply with cross-border requirements and technical regulations, value chain integration with the EU is enhanced
- Capacity of the private sector to comply with EU regulations requirements; export promotion and business innovation; e-commerce is enhanced
- Capacity building for state institutions related to trade and export enabling environment, e.g. export promotion; SME support, investment promotion and other relevant investment climate, business environment, financial sector policies (mapping, assessment, strategy, operational planning coaching and training, performance measurement, etc.)
- Improvement of policies and technical regulatory frameworks in food safety and quality management
- Key procedural and regulatory obstacles to trade in selected value chains are identified through public-private dialogue, addressed and reformed

- Transparency of trade regulations and procedures is improved

Activities related to **Output 1.4**

- Establishment and operationalisation of a commercially sustainable green culinary and hospitality management school and entrepreneurship centre in Gyumri
- Development of educational and entrepreneurship programmes, cooperative food market, sustainable food systems, climate tech, etc.

Activities related to **Output 1.5**

- Diaspora science engagement programme: scientists and researchers engaged with the private sector, such as placement of Armenian diaspora scientists/researchers in private companies and research and education institutions
- Research and science grant schemes deployed
- Strategic advice, studies, capacity engagement of diaspora expertise in support of (ii) entrepreneurship, (ii) science, technology and innovation (STI) ecosystems and (iii) economic development policies
- Matching and other types of access to finance facility for diaspora investments

Activities related to **Output 1.6**

- Partial reimbursement of membership fees for EU programmes

Activities related to **Output 2.1**

- Social protection system assessments/diagnosis focusing on the analysis of existing services and mechanisms and human resource capacities as well as the overall feasibility of the system to holistic and resilient response to shocks and fragility
- Supporting digitisation of data collected for social protection programming; data cleaning for targeted evidence-based policy planning
- Increasing interoperability and standardisation of data across programmes and actors
- Development of rapid beneficiary registration, assessment and service provision tools focusing on various modalities and multi-stakeholders participation
- Strengthening social protection M&E systems; putting in place mechanisms for inter-institutional learning from past crises to strengthen systems on that basis, feeding into future preparedness
- Establishing a monitoring system for tracking the services provision and quality of services the persons with disabilities are entitled to receive

Activities related to **Output 2.2**

- Supporting the development/ implementation of a Labour and Social Protection Strategy and a Unified Social Services Development strategy
- Reviewing social protection policy/strategy/legislation from the perspective of risks and stressors that the country typically faces for ‘shock proofing’
- Reviewing/adapting needs assessment algorithms, the targeting of existing social assistance programmes to ensure those are relevant and effective for shock response, incorporating vulnerability criteria into routine targeting
- Development of contingency plans and financing strategies to ensure continuity of social protection service delivery in the aftermath of shocks
- Developing guidance for shock-responsive policy planning
- Modernization of social work implementation procedures
- Technical support with the introduction of a human rights approach-based disability assessment and eligibility determination system in Armenia in line with the WHO International Classification of Functioning, Disability and Health

Activities related to **Output 2.3**

- Building capacity for administrative systems for user-centric integrated social service delivery
- Capacity building for social workers and social service providers
- Introduction of performance assessment mechanisms for social workers
- Re-equipment of Unified Social Service Territorial Centres: computer equipment, vehicle, server subsystems
- Support coordination within the social protection sector (across government and nongovernmental actors) and cross-sectoral coordination at local level

Activities related to **Output 2.4**

- Support to an evidence-based scaling-up coverage of existing social assistance programmes to areas/groups affected by shocks
- Expanding and piloting new evidence based social assistance programmes and integrated services to increase the range of assistance modalities offered to vulnerable groups (with a focus on territorial social planning; services for victims of domestic violence etc.)
- Supporting rehabilitation and psycho-social support in Syunik to displaced persons and host communities
- Promoting the integration of the displaced population in Syunik through access to permanent housing
- Reducing energy poverty by providing access to installation-ready green, affordable, energy efficient solutions to vulnerable groups such as schools with adequate building conditions in non-gasified areas and low-income families in Syunik (and other effected regions)

3.3. Mainstreaming

All activities will be designed, implemented and monitored in line with principles of good governance, human rights and gender equality, as well as youth empowerment.

Environmental Protection & Climate Change

Outcomes of the Environmental Impact Assessment (EIA) screening (relevant for projects and/or specific interventions within a project).

The EIA screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

Outcome of the Climate Risk Assessment (CRA) screening (relevant for projects and/or specific interventions within a project).

The CRA screening concluded that this action is low risk (no need for further assessment).

Environmental protection and climate change mitigation will be priorities by the programme focusing on

- including cost-effective environmental mitigation and enhancement measures where appropriate.
- building awareness and capacity for green growth and recovery and integrating environment and climate change into socio-economic development plans.
- improving data collection and including relevant environmental and climate change indicators in the action's monitoring and evaluation system.

Gender Equality and empowerment of women and girls

Gender equality and empowerment of women and girls will be prioritised by the programme focusing on

- promoting women's leadership .
- promoting effective and gender-responsive strategies in the priority areas of the programme.

- supporting women's entrepreneurship, skills development and employment through targeted capacity building; economic empowerment and access to finance.
- making sure that women are represented and listened to in decision-making in public activities supported within the framework of the Programme.
- improving data collection on the gender-differentiated impacts of private sector development and shock responsive social protection systems to inform gender-responsive policies and action.

Human Rights

A human rights based approach will be applied throughout the programme, among others, by focusing on

- advancing social rights, including protection of socio-economic rights and empowerment of vulnerable groups affected by shocks such as COVID-19 and conflict.
- building the capacity of duty-bearers to respect, protect, and fulfil the social rights of vulnerable groups.
- making sure the non-discrimination principal is applied with regards to the selection of target groups and involvement in Programme activities, prioritising inclusive and participatory methodologies of engaging with beneficiaries.

Democracy

Good governance will be mainstreamed in the future programme interventions through processes promoting transparency of planning and consultation process, result-based monitoring and increased participation of local residents in the implementation of the Action.

Conflict sensitivity, peace and resilience

The Programme will focus on building institutional resilience to maintain/restore livelihoods in the face of shocks (COVID-19, conflict) and sustain progress towards national development goals.

Particular efforts will be put in order to promote actions in the Syunik region. The action will contribute to regional development through contributing to the improvement of economic opportunities and quality of life in the shock affected Southern region of Armenia.

3.4. Risks and Lessons Learned

Category ¹²	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1	Geo-political tensions, political developments within Armenia	M	H	<ul style="list-style-type: none"> - Continued political dialogue within the European Neighbourhood, especially in the Caucasus region - Intensive support, political and policy dialogue with the Armenian Government and other national stakeholders on promoting democracy, rule of law and other basic principles, expressed among others by CEPA

¹² Risk (category) can be related 1-to the external environment; 2-to planning, processes and systems; 3-to people and the organisation; 4-to legality and regularity aspects; 5-to communication and information

1	Global economy uncertainty and volatility, or a downturn, with possible impacts on the economic performance of the country, forcing the government's focus and resources away from its reform agenda	M	M	<ul style="list-style-type: none"> - Engagement with other international organisations such as the World Bank, the WTO on maintaining conditions conducive to global stability and growth - Close monitoring of macro-economic and Public Finance Management policies in Armenia - EU and other Development Partners' support to PFM and macro-economic reforms
3	Business risks inherent in final beneficiaries/SMEs operations (low business skills, poor business planning, resulting in liquidity issues, insolvency, bankruptcy etc.)	M	M	<ul style="list-style-type: none"> - Working with recognised, professional organisations which pre-empt key business management and financial risks in various stages of SMEs development (business support organisations, micro-finance, diaspora networks) - Devising and implementing complex instruments of SMEs support (combining business skills development, access to market, micro-finance, technology and know-how transfer)
3	Low skilled work force in general	M	M	<ul style="list-style-type: none"> - VET, planning education in AM investment, support to skill development
2	Duplication with other EU and donors' initiatives	L	M	<ul style="list-style-type: none"> - The Action will enhance coordination mechanisms between the development partners for the implementation of complementary initiatives.

Lessons Learned:

Economic development policies are sustainable when authorities (central and local) work with partners, i.e. private sector, public organizations and civil society to improve the local business environment, and thus create the conditions for private sector-led economic growth and employment generation. Public-Private Dialogue for better policy-making is a pre-condition for business-friendly reforms. Interventions in private sector development are highly effective when comprehensively addressing from a systems perspective key challenges, including entrepreneurial/business management skills, finance, technical/technology support and market development.

EU4Business initiative interventions confirm that capacity building/technical assistance programmes in particular in private sector support are efficient when provided through the engagement of entrepreneurs, investors and peers with a focus on coaching and mentoring. The private sector should be engaged as an implementing partner for leveraging knowledge and skills, ideas and finance. The utilisation of blended access to finance schemes (e.g. matching funding) leverages long-term impact financing and ensures ownership and "skin in the game" by beneficiaries. All grant support for SMEs and investment needs to be at least matched

by other investment resources. Support to private sector should focus on sustainable and profitable business models; impact criteria are being used by investors based on long-term development frameworks with focus on the environment, energy, clean drinking water, sanitation, SDGs, corporate governance, corporate social responsibility, linkages to local communities, Environmental Social Governance (ESG) accounting, etc.

Development support, mechanisms and solutions need to be agile, responsive and adaptive if they are to address effectively dynamically changing challenges. Allowing more experimentation, iteration and systems innovation, as well as learning, can boost results and the effectiveness of development interventions. In addition, local problems merit local solutions beyond ready-made products.

The Action builds on the EBRD's Investment Climate Action Plan (ICAP) priority areas for private sector development and for future reforms. These areas include access to finance, capacity building, support to public administration to design, implement and monitor key investment climate reforms, conducive export-related policies, etc. The Joint Messages of the EU and development partners (2019) also outlined important reform agenda topics in the field of business environment, SMEs and trade facilitation - such as reduction of regulatory burden of the businesses, public-private dialogue, support to the non-banking sector and capital markets, corporate governance, as well as a number of priorities in diversification of the export markets (export promotion policy framework, business support etc.), which are reflected in the Action.

3.5. Intervention Logic

The underlying intervention logic for this action is to support the socio-economic development mainly of the Syunik region and to strengthen an enabling environment for green, inclusive, resilient and sustainable socio-economic recovery. It will encourage tangible investments and growth in the (post-)pandemic and post-hostilities period, in line with the EU-Armenia CEPA provisions, the EIP and leveraging EFSD+ instruments, and contributing to the Neighbourhood Investment Platform where feasible. National interventions will facilitate and catalyse the implementation of the regional activities. Within the Team Europe approach, efforts and resources will aim at also mainstreaming the twin ecological and digital transformations.

Focusing on the two pillars of economy and society, the Action aims to enhance the resilience of Armenia and in particular of the Southern region Syunik (in line with the EIP flagship) by contributing to economic recovery and social system strengthening. In order to contribute to enhanced resilience in Syunik and to promote a balanced regional development, the Action will primarily focus on the most pressing needs identified in the South of Armenia, i.e. support to local SMEs, investment, community development and infrastructure projects, local social services and initiatives to address the need of the conflict affected, vulnerable population in Syunik targeting both the hosting communities as well as the displaced persons from Nagorno-Karabakh. In particular:

- Small businesses, export-driven ventures with high growth potential and investment will be supported in Syunik. Support will emphasize the need on focusing on greener recovery, high-value sectors, sustainable and responsible business models and sustainable infrastructure to ensure long-term prosperity.
- In parallel, skills development will be targeted in Syunik to increase the employability of disadvantaged groups. The Action will integrate the promotion of youth and women entrepreneurship.
- Targeted regional development initiatives will be funded in Syunik to address priority needs identified in the region - agriculture development, small-scale irrigation solutions, renewable energy investments, green affordable energy solutions for public/municipal institutions and support to enhancing relevant municipal infrastructure.
- To ensure the proper delivery of services and at the same time accessibility for different social groups support will be channelled to strengthen the regional/local delivery systems and build capacity of the

social workforce. Support will be provided to roll-out of the Unified Social Service model and territorial social planning, focusing at the same time on skills of social workers.

- Targeted social protection programmes will be supported to address complex and multi-dimensional risks and to better respond to the needs of shock-affected groups. Within the targeted pilot social programmes support will be channelled for integration of the displaced population in Syunik, addressing housing, rehabilitation and psycho-social needs.
- The socio-economic development of Syunik and other regions is contingent on a conducive and enabling policy and regulatory environment for private sector development, investment and delivery of targeted social services. Thus the Action will also include national level overarching interventions. With regards to the business environment, the Action will focus on predictable and transparent business, trade and investment regulations and policies that are crucial for a landlocked country's trade development (also in view of strengthening trade relations with the EU). At economic governance level, support will aim to catalyse trade reform and optimise the policy mix, including the capacities for public and private actors to engage in trade policy-making as well as financial sector reforms. Quality institutions delivering for the business matter for economic growth. In particular, the Action will hence target the relevant institutions responsible for enabling a good environment for exports. The trade facilitation component of this Action will furthermore aim to address bottlenecks within businesses on meeting the requirements for international trade. Such enabling environment activities are of particular importance for a border region like Syunik, which has a key role to play in terms of cross-border trade and connectivity.
- In addition, a specific action will also be taking place in the Northern Shirak region to build on the efforts invested into the poorest focal regions in the previous programming phase. The programme will thus support the establishment of a green culinary and hospitality management school and entrepreneurship centre as an anchor project in the second largest city in the country, Gyumri, which is emerging as a regional tourism growth pole.
- Private sector competitiveness will be further boosted through diaspora-focused actions aiming to leverage investment and knowledge across the EIP flagship areas, including the regions of Armenia. The underlying intervention logic for this action is that diaspora networks in the development of STI, international trade and attraction of diaspora-connected investments are a clear opportunity in the recovery period to enhance the structure of the Armenian private sector. The diaspora engagement component of this Action aims to contribute to sustainable social and economic development via focus on: (i) STI, trade support through business networks, private sector investment, diffusion of knowledge and innovation and accompanying investments; (ii) science engagement (young experts for science and business) and STI support schemes and (iii) involvement in public policy for economic governance.
- To lay foundations for establishing a shock-resilient and efficient social protection system on regional and local levels the Action envisages to support shock-proofing of the national social protection system by focusing on all building blocks of functional systems – legal/policy framework, design and monitoring, delivery mechanisms and capacity to deliver, coordination and implementation of targeted pilot programmes. The social protection delivery system is a centralised function of the Ministry of Labour and Social Affairs and its territorial units, with little or no inclusion of local government functions. Therefore, in order to enhance capacity for designing needs-based shock responsive social assistance interventions and address the needs of vulnerable groups in Syunik (and across Armenia) the Action aims to support and strengthen the national level capacity for data collection and analysis. This Action would focus on the digitalisation of data and interoperability of databases for more effective and targeted planning. Support will be provided to strengthen the targeting mechanism for social assistance benefits by leveraging ICT tools that can enhance the interoperability of administrative databases, together with stronger accountability mechanisms to ensure that the system is responsive to citizens' needs. The legal and policy framework will be targeted to provide an enabling framework for social protection to support the needs of vulnerable groups affected by shocks. Support

will be provided for comprehensive strategic planning (Labour and Social Protection Strategy) as well as reviewing/adapting/delivering needs assessment algorithms and targeting mechanisms, working procedures etc.

The Action will seek to complement the on-going EU-funded humanitarian and early recovery projects, including on early recovery, addressing the development needs of the most vulnerable conflict-affected persons in the sector. As a complementary measure, and with an objective of contributing to socio-economic recovery efforts at all levels including social service delivery and empowerment of change makers (such as youth and women) grant support will be provided to civil society organisations through the regional Eastern Partnership (EaP) Civil Society Facility for Inclusive and Resilient Societies. The Action will leverage potential EIP investments via Team Europe Initiatives, international and development financial institutions and private sector along priority policy first sectors, including through blending and other financial instruments.

Key assumptions for the implementation of the Action is that the Government of Armenia will progress on its transformative reforms' agenda prioritising both pro-economy and pro-business policies and support to private sector and SME development, as well as social rights and social protection agenda and support to shock-proofing the national and local social protection systems. It is assumed that macro-economic stability will be maintained and that the regional political and security situation remains stable. Another set of assumptions focuses on a sufficient capacity of implementing partners, i.e. national regional and local governmental and non-governmental entities, to contribute to a successful implementation of the Action.

3.6. Indicative Logical Framework Matrix

Results	Results chain: Main expected results	Indicators	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To support green, inclusive, resilient and sustainable socio-economic recovery and growth in the post-pandemic and post-hostilities period, in line with the EU-Armenia CEPA provisions.	Proportion of population living below poverty line	26.5 % (2019)	Tbc	<ul style="list-style-type: none"> Official statistics 	<i>Not applicable</i>
Outcome 1	1.Enhanced private sector competitiveness for increased socio-economic impact and attracting investments	1.1 # of jobs supported/sustained by the EU, disaggregated for green jobs 1.2 # of goods and services with increased intra-regional trade in Armenia-EU relations by at least 25%	1.1 0 1.2 0	1.1 10000 (3000) 1.2 10	<ul style="list-style-type: none"> Official statistics Project reports Baseline and end line surveys Adopted policies 	Government progresses on its transformative reforms' agenda, including the rule of law, fight against corruption, democratisation, pro-economy and pro-business agenda Government committed to private sector and SME development

Outcome 2	2. Strengthened shock responsive social protection system	2.1. Proportion of population covered by targeted, needs-based, citizen-centric social protection services , disaggregated by sex, age and disability, employment status, income and displaced persons	2.1 0	2.1 tbc	<ul style="list-style-type: none"> •Official statistics •Project reports •Baseline and end line surveys •Opinion surveys •Adopted policies 	Government committed to social protection system strengthening and shock responsive planning Macro-economic stability No significant increase or expansion of the conflict in Nagorno-Karabakh
		2.2 % of users of social services in target regions satisfied with the targeting and quality of citizen-centred social services, disaggregated by sex, age and disability	2.2. 0	2.2 70%		
		2.3 Total government spending in social protection programmes as a proportion of the national budget and GDP	2.3 0	2.3 tbc		
Output 1 related to Outcome 1	1.1. Inclusive, green, market-driven, sustainable, high added value and investable small businesses and export-driven ventures incubated and accelerated;	1.1.1 # of beneficiaries disaggregated by sex, age and disability with access to business advisory services with EU support: a) firms b) individuals	1.1.1 0	1.1.1 a)500 b) 1000	<ul style="list-style-type: none"> •Official statistics •Project reports •Baseline and end line surveys •Opinion surveys •Adopted policies 	
		1.1.2 # of MSMEs with access to comprehensive EU support including a small grants component:	1.1.2 0	1.1.2 200		
		1.1.3 # of entities implementing impact investments, social	1.1.3 0	1.1.3 at least 50		

		entrepreneurship, including women led social enterprises, governance and CSR projects with EU support:				
Output 2 related to Outcome 1	1.2. Local community development initiatives and investments supported in Syunik	<p>1.2.1 # of grants to support multi-sectoral measures in municipal and social infrastructure in Syunik</p> <p>1.2.2 # of community based agriculture, access to new pastures and irrigation related initiatives funded</p> <p>1.2.3 Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (km²)</p> <p>1.2.4 Renewable energy generation capacity installed (MW) with EU support</p>	<p>1.2.1 0</p> <p>1.2.2 0</p> <p>1.2.3 0</p> <p>1.2.4 0</p>	<p>1.2. at least 16</p> <p>1.2.2 24</p> <p>1.2.3 100</p> <p>1.2.4 tbc</p>	<p>•Official statistics</p> <p>•Project reports</p> <p>•Baseline and end line surveys</p> <p>•Opinion surveys</p> <p>•Adopted policies</p>	
Output 3 related to Outcome 1	1.3. Strengthened business capacity for compliance with international trade regulations and enhanced institutional capacity for investment climate and trade reforms	<p>1.3.1 # of businesses trained on EU regulations/requirements on expert promotion and e-commerce</p> <p>1.3.2 # of businesses complying with EU cross-border requirements and technical regulations</p> <p>1.3.3 # of SMEs excelling internationally with EU support</p>	<p>1.3.1 0</p> <p>1.3.2 0</p> <p>1.3.3 0</p>	<p>1.3.1 at least 200</p> <p>1.3.2 at least 100</p> <p>1.3.3 50</p>	<p>•Official statistics</p> <p>•Project reports</p> <p>•Baseline and end line surveys</p> <p>•Opinion surveys</p> <p>•Adopted policies</p>	

		1.3.4 # of state institutions trained on trade and export enabling environment,	1.3.4 0	1.3.4 10		
		1.3.5 # of processes related to Armenia's practices on trade, investment and business which have been influenced	1.3.5 0	1.3.5 at least 3		
Output 4 related to Outcome 1	1.4. Enhanced skills and employability	1.4.1 # of beneficiaries with access to –educational programmes on cooperative food market, sustainable food systems, climate tech, etc. disaggregated by sex, age and disability	1.4.1 0	1.4.1 500	<ul style="list-style-type: none"> •Official statistics •Project reports •Baseline and end line surveys •Opinion surveys •Adopted policies 	
		1.4.2 # of educational and entrepreneurship programmes focusing on cooperative food market, sustainable food systems, climate tech, etc.	1.4.2 0	1.4.2 at least 2		
		1.4.3 Commercially sustainable green culinary and hospitality management school and entrepreneurship centre in Gyumri established	1.4.3 no	1.4.3 yes		
Output 5 related to Outcome 1	1.5. Enhanced diaspora business and policy engagement, and leverage of investment and expertise for Armenian private sector and science; diaspora investment pipeline catalysed. Capacities for science, technology and innovation are increased.	1.5.1 # of projects involving Diaspora know-how and resources implemented with EU support	1.5.1 0	1.5.1 20	<ul style="list-style-type: none"> •Official statistics •Project reports; grant reports •Baseline and end line surveys 	
		1.5.2 # of research and science grant schemes deployed	1.5.2 0	1.5.2 40		

		1.5.3 # of Diaspora scientists and researchers engaged with the private sector.	1.5.3 0	1.5.3 100	•Opinion surveys •Adopted policies	
		1.5.4 # of jobs created as a result of Diaspora investment projects	1.5.4 0	1.5.4 tbd		
Output 6 related to Outcome 1	1.6 Participation (partial reimbursement up to 50% of the annual fees) of Armenia to the European Commission in various EU programmes such as Horizon Europe, Creative Europe, COSME and other relevant programmes is supported	1.6.1 # of programmes supported	1.6.1 0	1.6.1 at least 3	•Official statistics •Project reports	
Output 1 related to Outcome 2	2.1. Enhanced capacity to design, monitor and evaluate targeted shock responsive social assistance interventions and increased interoperability of social protection with wider data management systems	<p>2.1.1. # of social protection system assessments/diagnosis of the capacity of the system to respond to shocks and fragility;</p> <p>2.1.2 Availability of cleaned, standardised, digitised and interoperable data collected by MOLSA</p> <p>2.1.3 # of Unified Information System Modules and related digital tools developed for targeted assistance and evidence based policy planning</p> <p>2.1.4 # of developed beneficiary registration, assessment and service provision digitaltools</p>	<p>2.1.1 0</p> <p>2.1.2 no</p> <p>2.1.3 0</p> <p>2.1.4 0</p>	<p>2.1.1 at least 1</p> <p>2.1.2 yes</p> <p>2.1.3 5</p> <p>2.1.4 at least 1</p>	<p>•Official statistics</p> <p>•Project reports</p> <p>•Baseline and end line surveys</p> <p>•Opinion surveys</p> <p>•Developed tools</p>	

		2.1.5 Availability of monitoring system for tracking the services provision and quality of services to vulnerable groups	2.1.5 no	2.1.5 yes		
		2.1.6 Availability of digitised M&E system for inter-institutional learning	2.1.6 no	2.1.6 yes		
Output 2 related to Outcome 2	2.2 Enhanced legal and policy framework for shock responsive social protection.	2.2.1 Availability of guidance for shock responsive policy planning	2.2.1 0	2.2.1 1	<ul style="list-style-type: none"> •Official statistics •Project reports •Baseline and end line surveys •Adopted policies/strategies 	
		2.2.2 # of shock-proofed social protection policies/strategies revised/developed and adopted	2.2.2 0	2.2.2 at least 4		
		2.2.3 # of citizen-centric, evidence based and better targeted social protection services offered to vulnerable groups	2.2.3 0	2.2.3 at least 3		
		2.2.4 # of contingency plans and financing strategies developed to ensure continuity of social protection service delivery in the aftermath of shocks	2.2.4 0	2.2.4 at least 2		
Output 3 related to Outcome 2	2.3. Strengthened integrated delivery systems for social assistance and capacitated social welfare workforce.	2.3.1 # of social workers trained	2.3.1 0	2.3.1 at least 200	<ul style="list-style-type: none"> •Official statistics •Project reports •Baseline and end line surveys •Opinion surveys 	
		2.3.2 # of unified social service centres equipped	2.3.2 0	2.3.2 15		
		2.3.3 Availability of digitized performance assessment mechanism for HR management and promotion for employees of	2.3.3 no	2.3.3 yes		

		unified social services/social workers			•Adopted polices/tools	
		2.3.4 Availability of a functional coordination body in social protection sector	2.3.4 no	2.3.4 yes		
Output 4 related to Outcome 2	2.4. Piloted targeted programmes/initiatives to address complex and multi-dimensional risks and to better response to the needs of shock affected groups	2.4.1 # of people directly benefiting from EU supported interventions that aim to reduce social and economic inequality; disaggregated by sex, age and disability	2.4.1 0	2.4.1 20 000	<ul style="list-style-type: none"> •Official statistics •Project reports •Baseline and end line surveys •Opinion surveys; evaluations •Adopted programmes/i initiatives 	
		2.4.2 # of displaced people or vulnerable individuals from host communities disaggregated by sex, age and disability, assisted with EU support	2.4.2 0	2.4.2 3000		
		2.4.3 # of territorial social assistance programmes/plans developed/piloted	2.4.3 0	2.4.3 at least 3		
		2.4.4 # of social service provision centres targeting vulnerable groups set up/supported	2.4.4 0	2.4.4 at least 4		
		2.4.5 # of conflict-affected people benefiting from rehabilitation services and psycho-social support; disaggregated by sex, age and disability	2.4.5 0	2.4.5 at least 1000		

		2.4.6 # of conflict-affected people benefiting from access to housing; disaggregated by sex, age and disability	2.4.6 0	2.4.6 at least 2000		
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4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with Armenia.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3.1 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

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

4.3. Implementation Modalities

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

4.3.1. Direct Management (Grants)

4.3.1.1. Grant(s): direct award - participation in EU programmes

Implementation of this component will take the form of a reimbursement of up to 50% of Armenia's corresponding membership fees in EU programmes. This reimbursement will be done through ad hoc grant(s) directly awarded to the institution that will pay the membership fees.

a) Purpose of the grant(s)

The grant will contribute to the specific objective and results described in section 3.1, Outcome 1, Output 1.6. The purpose is to co-finance the participation of Armenia in the EU Programmes, such as "Horizon Europe", towards strengthening respective socio-economic sectors. This will be achieved by means of reimbursement of a share of the annual participation fee required from Armenia for being part of such programmes.

b) Type of applicants targeted

Public administration in Armenia in charge of the relevant EU programme.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because as a government institution responsible for payment of membership fees for the respective EU programme, the beneficiary is in a legal monopoly situation (cf Article 195(c) of financial regulation).

4.3.1.2. Grant: direct award - Simonian Educational Foundation - TUMO

(a) Purpose of the grant

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

The purpose of the grant is to catalyse impact investment with a focus on the creation of a self-sustainable green culinary school in Gyumri as envisaged in Outcome 1, Output 1.4 of this Programme.

(b) Type of applicants targeted

Non-governmental organisation (NGO) with an impact investment/social enterprise profile.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to Simonian Educational Foundation – TUMO.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because this action has specific characteristics requiring a specific type of beneficiary for its technical competence and specialisation (cf. article 195 (f) of the financial regulation).

TUMO has been running a successful and financially self-sustaining non-profit educational network in the capital Yerevan and in the regions. The network has been operating since 2011, with a focus on technology, design, crafts, culinary arts and climate change education, and with an operational model and proprietary know how that are uniquely relevant to the planned action. TUMO has specific experience and assets needed to implement the action proposed in this programme, including i) impact investment experience in the city of Gyumri, ii) culinary arts experience, iii) unique methodology for managing self-sustainability and self-generated revenue streams, iv) experience in building and operating large facilities, and v) proprietary content in green technology and environmental pedagogy. TUMO Studios focuses on revitalizing local arts and crafts, including culinary arts. TUMO have acquired the site of Gyumri's historical central market and have pledged to return it to the public commons, to be deployed in the implementation of the action. Based on a request from the municipality of Paris, TUMO is continuously developing climate change related educational content in the form of highly interactive and hands-on modules on topics including decarbonisation, vegetation, green architecture and responsible consumption.

4.3.1.3. Grant

(a) Purpose of the grant

The purpose of the grant is to catalyse diaspora investment and policy engagement in line with Outcome 1, Output 1.5.

(b) Type of applicants targeted

Legal entities working in the domain of diaspora investment and policy engagement.

In order to be eligible for a grant, the applicant must comply with the following criteria:

- Be a legal person
- Be an international organisation, NGO, or economic operator such as SMEs

4.3.2. Indirect Management with a Member State Organisation or an international organisation

4.3.2.1 Indirect Management I

A part of this action contributing to achieving Outcome 1, Outputs 1.1, 1.2, 1.3 of this Programme may be implemented in indirect management with entities, which will be selected by the Commission's services using the following criteria:

- An established operational presence in Armenia;
- Strong management and operational capacity;
- Specific expertise, technical competence and experience in the respective field and in specific areas specified at the selection stage, in particular private sector development, investment, trade facilitation and community-based support;
- In depth understanding of the situation in Armenia in the respective field of operation, and its strengths and weaknesses, including the capacity to mobilise sufficient expertise in a short time and presence in the country;
- Added value, co-financing, as well as innovative approaches proposed by the entity to effectively reach sustainable results;
- Adherence to EU values and principles such as transparency, absence of conflict of interest and attention to cross-cutting issues, in particular as regards gender and human rights;
- Prior experience and a strong track record of implementing actions.
- Adherence to EU values and principles such as transparency, absence of conflict of interests and attention to cross-cutting issues, in particular as regards gender and human rights.
- Prior experience and a strong track record of implementing actions.

4.3.2.2 Indirect Management II

A part of this action contributing to achieving Outcome 2 of this Programme may be implemented in indirect management with entities, which will be selected by the Commission's services using the following criteria:

- An established operational presence in Armenia;
- Strong management and operational capacity;
- Specific expertise or technical competence in shock-response social protection system strengthening, Prior experience and a strong track record of implementing actions on shock response and social protection system strengthening.

The implementation by these entities entails:

- Support to enhancing institutional capacity to design, monitor and evaluate targeted shock responsive social assistance interventions;
- Support to ensuring interoperability of social protection data with wider data management systems;
- Support to enhancing legal and policy framework for shock responsive social protection;
- Support to strengthening unified/ integrated delivery systems for social assistance and building capacity of social welfare workforce;
- Support to piloting targeted programmes/initiatives to better response to the needs of shock affected groups in Syunik (and other affected or borderline regions).

4.3.3. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances (one alternative second option)

If due to exceptional circumstances outside of the Commission's control negotiations with the entrusted entities fail and implementation of the action under indirect management described in section 4.3.2 reveals to be unfeasible, this action may be implemented in direct management via the grant modality with the following types of entities: legal persons, non-profit making, non-governmental organisations.

If due to exceptional circumstances outside of the Commission's control the actions in direct management as described in section 4.3.1. reveals to be unfeasible, these actions may be implemented in indirect management with a Member State Organisation or an international organisation.

4.4. Scope of geographical eligibility for procurement and grants

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

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution, in currency identified
Objective 1: Private sector development	17 500 000	
Indirect management, cf. section 4.3.2.1	11 000 000	TBC
Grants (direct management) - cf section 4.3.1.1, 4.3.1.2, 4.3.1.3	pm	TBC
Objective 2: Strengthened shock responsive social protection system, composed of	5 200 000	N.A.
Indirect management, cf. section 4.3.2.2	5 200 000	N.A.
Grants – total envelope under section 4.3.1	6 500 000	
Evaluation – cf section 5.2. Audit – cf Section 5.3.	300 000	
Communication and visibility – cf. section 6	N.A.	N.A.
Totals	23 000 000	

4.6. Organisational Set-up and Responsibilities

The EU Delegation will be responsible for the overall management of the programme and will set up organisational arrangements at the level of envisaged individual contracts. Detailed terms of reference/description of the action will be developed, including the management structure, the experts' team and the composition of the Steering Committee in charge of the supervision of the project. Ministries and agencies being key stakeholders in the priority areas of support will be consulted in the process of design of the description of the action and closely involved in the implementation and steering of the programme.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix.

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

Roles and responsibilities for data collection, analysis and monitoring will be determined. The action will be implemented through contract(s) with implementing partner(s). Implementing partner(s) will be responsible for the establishment of the necessary baseline, the collection of data, monitoring and reporting at the contract level. The results achieved and recorded at the contract level will be attributed to measuring the overall progress at the level of outputs. SDG indicators, data disaggregated by gender and, if applicable, any jointly agreed indicators be taken into account.

5.2. Evaluation

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

Mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to effectiveness and efficiency of the instruments used in targeting the beneficiary group and assess progress and the validity of the approach.

Final evaluation will be carried out for accountability and learning purposes at various levels.

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

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

5.3. Audit and Verifications

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

6. COMMUNICATION AND VISIBILITY

Communication and visibility is a contractual obligation for all entities implementing EU-funded external actions, to advertise the European Union's support for their work to the relevant audiences.

To that end they must comply with the instructions given in the [*Communication and Visibility Requirements of 2018*](#) (or any successor document), notably with regard to the use of the EU emblem and the elaboration of a dedicated communication and visibility plan, to be completed for every action at the start of implementation.

These obligations apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), contractors, grant beneficiaries or entrusted entities. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

Communication and visibility measures may be funded from the amounts allocated to the action. For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds.

Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and concerned EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before work starts. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.

For communicating on Team Europe Initiatives, the EU and its Member States can rely on the specific guidance on the Team Europe visual identity.

The strategic communication for all AAP 2021 Action Documents will be covered by the service contract foreseen in the CEPA Reform Facility under AAP 2019. This shall ensure streamlining the joint communication efforts of the EU and Armenia to deliver on critical reforms and achieve a greater impact and outreach.