

***ARMENIA:  
COUNTRY STRATEGY EVALUATION***

Final Report

Volume II - Annexes

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*Evaluation for the European Commission*







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This evaluation was commissioned by:

**the Evaluation Unit common to:**

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Directorate General for Development and  
External Relations Directorate-General

This evaluation was carried out by EGEVAL

*The evaluation was managed by the evaluation unit who also chaired the reference group composed by members of the services EuropeAid, Relex, DG ECFIN and the European Commission Delegation to Georgia and Armenia*

*The opinions expressed in this document represent the authors' points of view which are not necessarily shared by the European Commission or by the authorities of Armenia.*



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## **Annex 1 – Terms of Reference**





EUROPEAN COMMISSION  
EuropeAid Co-operation Office

General affairs  
Evaluation

**EVALUATION OF THE COMMISSION'S  
COUNTRY STRATEGY FOR ARMENIA**

**TERMS OF REFERENCE**

Final version

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# TERMS OF REFERENCE FOR AN EVALUATION OF THE EUROPEAN COMMISSION'S COUNTRY STRATEGY FOR

## 1. INTRODUCTION: FRAMEWORK AND OBJECTIVES OF THE STUDY

Systematic and timely evaluation of its expenditure programmes has been defined as a priority of the European Commission (EC), as a means of accounting for the management of the allocated funds and of promoting a lesson-learning culture throughout the organisation. Of great importance also, particularly in the context of the programmes of the External Relations Directorates-General, is the increased focus on *impact* against a background both of greater concentration on results-based management and of encouraging partner Governments to focus their policies better.

The Commission Services have requested the Evaluation Unit of the EuropeAid Co-operation Office to undertake an Evaluation of the European Commission's country strategy for *Armenia*. The present evaluation is part of the 2004 evaluation programme as approved by the Board of the EuropeAid Co-operation Office.<sup>1</sup>

The main objective of this evaluation is to assess the Commission's past and current assistance to Armenia and to provide the Commission's policy-makers and managers with a valuable aid both for the implementation of the current Strategy and Indicative Programmes, and for future programming.

## 2. BACKGROUND

### 2.1 DEVELOPMENT CONTEXT

Armenia's political situation is stable but fragile, and has been influenced by unstable regional context in particular the conflict with the Republic of Azerbaijan over Nagorno-Karabakh.

At the beginning of the 90s, the newly independent Armenia entered into a period of radical changes that involved the political, social and economic system and coincided with an unprecedented energy crisis due to disruption of former economic ties, transportation blockade and tangible reduction of fuel import, as well as closure of the Armenian Nuclear power station. GDP shrunk making it in 1993 only 46, 6% of 1990 level, the largest decline in GDP among the NIS (Newly Independent States).

As a consequence of economic crisis some 645.000 jobs were lost in non-agricultural sector.

Economic growth in Armenia restarted in 1994 and has been sustained at a quite high rate averaging 6.68% in the period 1994-2002<sup>2</sup>. However, this is partly dependent on considerable flows of international aid and large remittances from the Diaspora.

According to official statistics, up to 2001 employment did not increase as a result of economic growth, with as a consequence a 48% overall rate of poverty and 20% in extreme poverty. The main reason identified for this was that the economic growth in Armenia has

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<sup>1</sup> The 2004 evaluation programme can be consulted on the Web page of the evaluation unit <http://europa.eu.int/comm/europeaid/evaluation/index.htm>

<sup>2</sup> Source : Republic of Armenia Poverty Reduction Strategy Paper , Yerevan 2003

not been broad-based and has been concentrated in few economic clusters linked to grant investments and loans.

The level of poverty varies across regions, with the majority of poor people living in the zones in the north-west of the country affected by the 1988 earthquake.

Women represent 53% of the poor and 65% of the unemployed. The Government aims at lowering poverty to 41% in 2005 in the optimistic scenario.

External debt amounted to 44.1% of GDP in 2000. While the fiscal situation has recently been improving the government's position is still under pressure from the high level of external debt-stock estimated at one billion \$ at the end of 2002, which put strict limit on foreign borrowing with sovereign guarantees.

Although EU-Armenia trade remains negligible in absolute terms, in 2000 the EU accounted for 36% and 34% of Armenian exports and imports respectively. This is three times more than US-Armenia trade, but it is essentially because of trade in diamonds which are polished in Armenia and re-exported to the EU (Belgium).

Armenia ranks low in terms of human and social development as compared to many developing and transition economies. At some €500 (760 USD in 2001) GDP per capita is lower than the average for NIS economies.

## **2.2 EU external assistance**

Based on the Partnership and Cooperation Agreement (PCA) which entered into force on 1 July 1999, the EU's cooperation objectives are to build a relationship with Armenia in which the respect of democratic principles, the rule of law and human rights, as well as the consolidation of a market economy are fostered and supported.

Since 1991, EU has been supporting Armenia through TACIS, ECHO, EAGGF, the Food Security Programme and Exceptional finance Assistance to a total of over €330 million, not including TACIS Regional Programme.

The Delegation of the European Commission in Tbilisi, Georgia, is also accredited to the Republic of Armenia. The Delegation opened a Branch office in Armenia located in Yerevan in November 1999.

The TACIS Coordination Unit introduced TACIS in Armenia and initiated a coordination process with the line ministries and with other donors.

In December 2001, the Commission adopted a Country Strategy Paper as the strategic framework within which the EC assistance will be provided from 2002 to 2006. The CSP is mainly guided by the priority of PCA and the Poverty Reduction Strategy of the Government of Armenia.

Whit the adoption of CSP, TACIS priorities in Armenia have evolved. Institutional, Legal and administrative support have remained a priority. However, private sector development and infrastructure (energy) have been replaced by support in addressing the social consequence of transition in order to be more in line with the PRSP recently adopted.

Regarding the energy sector, the EU focuses on the creation of a fund to contribute up to €100 million to alternative energy sources, provided that government commits itself to closing the Medzamor nuclear power plant.

The Food Aid/Food Security Programme has been a significant sector of the Commission's support through out the whole period. The FSP has allocated €61 million in Armenia since 1996. A new allocation of €20, 3 million has been adopted for 2002-2003.

EC Exceptional Financial assistance allowed Armenia to make early repayment on its international debt and supported the implementation of IMF and WB programmes by adding incentives to necessary structural reforms.

More detailed information on the country programme for Armenia could be found at the following web address: [http://europa.eu.int/comm/external\\_relations/armenia/csp/index.htm](http://europa.eu.int/comm/external_relations/armenia/csp/index.htm)

### **3. SCOPE OF THE EVALUATION**

The main coverage of this evaluation will be:

- an *evaluation* of the of EC co-operation with *Armenia* (even if not presented in a formal strategy document), and of its implementation over the period 1996-2002
- an *assessment* of the relevance, logic and coherence, as well as the intended impacts of the EC Country strategy and National Indicative Programmes for 2002-2006.

### **4. THE EVALUATION'S BASIC METHODOLOGY AND APPROACH**

The basic approach to the evaluation will consist of three *main phases*; encompassing *five methodological components* at the core of which is a set of *evaluation questions* (see 4.3)

#### **4.1. Three Main Phases**

- Desk Phase<sup>3</sup>
- Field Phase
- Final Report-Writing Phase

#### **4.2. Five Methodological Components<sup>4</sup>**

- Structuring of the evaluation

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<sup>3</sup> It includes interviews in Brussels and could include a short mission to the country

<sup>4</sup> These components are not entirely sequential

- Data Collection
- Analysis
- Judgements
- Dissemination and feedback

#### **4.3. Evaluation Questions.**

The Evaluation of the Strategy and co-operation programme should be based on a set of Key Evaluation Questions (normally a maximum of around 10). The questions will be identified in the first instance by the evaluation team after examining key documentation and after a round of bilateral meetings in Brussels and contacts with the EC Delegation in the field. For each Evaluation Question at least one Judgement Criterion should be identified, and for each such criterion appropriate quantitative and qualitative Indicators should be identified and specified.

The Evaluation Questions, Judgement Criteria and Indicators are first discussed and agreed with the Evaluation Unit, and the Reference Group (see point 5 below) and are validated by the Evaluation Unit.

The choice of Evaluation Questions determines the subsequent phases of information and data collection, methods of analysis, and derivation of final judgements.

In addition to the specific judgements on the Evaluation Questions but based on them, the evaluators should arrive at an overall assessment of the EC co-operation programmes and strategies with *Armenia*.

#### **4.4. Reports**

The following outputs will be produced during the evaluation (they are described in more detail in section 7):

- Launch Note
- Inception Note
- Desk Phase Report
- Final Report
- Power Point Presentation of the evaluation for dissemination seminars

## **5. RESPONSIBILITY FOR MANAGEMENT AND MONITORING OF THE EVALUATION**

The primary responsibility for the management and monitoring of the evaluation will rest with the Evaluation Unit of EuropeAid Co-operation Office.

The progress of the evaluation will be followed closely by a *Reference Group* consisting of members of the Relex family services as well as other relevant Directorates General under the chairmanship of the Evaluation Unit.

The Reference Group will in practice act as the main professional interface between the Evaluation Team and the Commission Services. The Group's principal function will be:

- to discuss the Terms of Reference;
- to discuss the inception note and subsequent notes and reports produced by the consultants;
- to provide the consultants with information and documentation;
- to advise on the quality of work done by the consultants;
- to assist in assuring feedback of the findings and recommendations from the evaluation into future programme design and delivery.

## **6. THE ASSIGNMENT**

In accordance with the basic approach set out above in section 4, and in order to answer the evaluation questions and produce an overall assessment, this section accounts for the main issues to be covered by the evaluation.

### **6.1. The logic and hierarchy of objectives**

The consultants should identify and explain in a logical diagram the hierarchy of strategy and programming objectives at the various levels in terms of their intervention context and logic. They should assess their relevance both to the Commission's more general objectives and to the country's priorities; assess the intended results of each objective, indicating how these intended results fit within broader and changing contexts (economic, political, sociological, cultural, environmental). The consultants should also identify the assumptions, risks, and conditionalities attached to each objective.

The logical diagram will help in identifying the main areas for the evaluation questions and in determining the areas where EC programmes were/are supposed to impact (it will also help in assessing the changes that occurred in those areas).

### **6.2. Identification of Evaluation Questions**

In general questions will refer to the following main areas:

- Design and relevance of the strategy/programme: it includes relevance to the EC general objectives, relevance to the country needs and priorities, consistency between the strategy and the NIP.

- Achievement of main objectives: assessment of how far the intended outputs and results were achieved (including performance against the indicators set out in the Indicative Programme) - (*this is country-specific and the logical diagram should help in identifying the appropriate questions*). This area should relate to the focal sectors in the Strategy/NIP (as a minimum). The consultants should identify all recorded impacts, including any unintended ones, and compare these to the intended impacts. The assessment will also require identifying the changes which occurred in the areas on which EC programmes were supposed to impact.
- Implementation of EC co-operation: to the extent that the interventions were effective, an assessment of the co-operation programmes in terms of how far funding, personnel, regulatory, administrative, time and other resources and procedures contributed to or hindered the achievement of results.
- 3Cs: co-ordination and complementarily with MS and other donors, coherence with EU policies
- Sustainability of the strategy and its component programmes: that is the extent to which their results and impact are being, or are likely to be, maintained over time;
- Key cross-cutting issues: for example gender, environment, human rights, good governance and institutional capacity building;

The questions will call upon one or the other of the five standard DAC evaluation criteria with different weight.

## **7. THE EVALUATION'S THREE PHASES INCLUDING REPORTING<sup>5</sup>**

### **7.1. Desk phase**

The Contractor will prepare, within 10 working days of receipt of these Terms of Reference, a *Launch Note* setting out 1) the understanding of the ToR, 2) the proposed general approach to the evaluation, 3) the proposed composition of the Evaluation Team (with CVs), and 4) a budget proposal.

On approval of this *Launch Note* by the Evaluation Unit (following amendment where agreed), a 'launch' meeting might be arranged between the Evaluation Unit, the Reference Group, the Contractor and the Team leader.

Once the *Launch Note* has been approved the work will proceed to the *Structuring Stage*, which shall lead to the production of an *Inception Note*. During this stage the Evaluation Team will hold meetings with the relevant Commission Services and examine all relevant key documentation on recent and current Commission co-operation programmes with *Armenia*, including data on the relevant Regulations and Instruments. They will take into account any relevant documentation produced by local institutions and other donors.

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<sup>5</sup> All reports shall be drafted in English

On the basis of the data collected, the Evaluation Team will develop the logic (see section 6.1), which will be presented in the Inception Note. The Note shall include an analysis of the logic presented; in particular analysis of possible gaps in the logic (see further section 6.1 on the purpose of the logic). Furthermore, the Note should include a description of the development co-operation context of *Armenia* and a presentation of preliminary evaluation questions.

The Note will initially be discussed with and validated by the Evaluation Unit and the Reference Group. Once this is done the Team will proceed with *the final stage of the Desk Phase* of the evaluation during which they will:

- Formulate the *Evaluation Questions* and for each Question, specify appropriate **judgement criterion** (or criteria); and select relevant quantitative and qualitative **indicators** for each Judgement Criterion identified;
- Propose suitable methods of **data and information collection** both in Brussels and in Armenia - additional literature, interviews both structured and open, questionnaires, seminars or workshops, case studies, etc. - indicating any limitations and describing how the data should be cross-checked to validate the analysis;
- Present appropriate **methods of analysis** of the information and data collected, again indicating any limitations;
- Indicate the basis to be used for making the **judgements**, which should be directly related to the Judgement Criteria.
- Identify activities, projects and programmes for in-depth study in the field.

This phase should include a short preparatory and exploratory visit by the team leader and selected members of the evaluation team to *Armenia*.

At the conclusion of this work, the Evaluation Team will present to the Evaluation Unit a *Desk Phase Report*. This report shall set out in full the results of this first phase of the evaluation including all the above listed tasks and a final confirmation of the full composition of the Evaluation Team, including local consultants. The Reference Group and the Evaluation Unit will discuss the report. The field mission shall not start before the proposed approach and methodology have been approved by the Evaluation Unit.

After the Reference Group has discussed this Desk Phase Report, the Evaluation Team will be given up to 10 working days to produce a revised Desk Phase Report.

## **7.2. Field phase**

Following satisfactory completion of the first phase and formal acceptance of the Desk Phase Report, the Evaluation Team will proceed to Armenia and to Georgia (Tbilissi Delegation is still the one accredited to Armenia) to undertake the field mission. The fieldwork, the duration of which should be cleared with the Evaluation Unit, the Reference Group and the Delegation (typically around three weeks), shall be undertaken on the basis set out in the Desk Phase Report and agreed with the Evaluation Unit, the Reference Group and the Delegation. If during the course of the fieldwork any significant deviations from the agreed methodology or schedule are perceived as being necessary, these should be explained to the Reference Group through the Evaluation Unit.

At the conclusion of the field study the Team will:

- (i) give a detailed *on-the-spot de-briefing to the Delegation* on their preliminary findings;
- (ii) give a *presentation of the preliminary findings to the Reference Group*, shortly after the return from the field, to discuss the preliminary findings.

### **7.3. Final report-writing phase**

The evaluators will submit the *Draft Final Report*, in accordance with the agreed time schedule, using the structure set out in Annex 3, taking due account of comments received during de-briefings. The final report should include, as well as the coverage of each evaluation component, a section synthesising the main overall conclusions of the evaluation. If the Evaluation Unit considers the report of sufficient quality (on the basis of the grid in annex 4), it will circulate it for comments to the Reference Group, which will convene to discuss it in the presence of the Evaluation Team.

On the basis of comments expressed by the Reference Group and the Evaluation Unit, the Evaluation Team should make the appropriate amendments. The revised draft final report will be presented at *a seminar in Armenia*. The purpose of the seminar is to present the preliminary findings, conclusions and recommendations to the Delegation and relevant local stakeholders. The consultants should prepare a (*Power point*) presentation for the seminar. This presentation will be considered as a product of the evaluation (as the reports).

On the basis of the comments expressed at the seminar and on the basis of further comments from the Reference Group and the Evaluation Unit, the Team will prepare the *Final Report*, in accordance with the timetable. The evaluators may either accept or reject the comments made by the Reference Group, the Delegation, or relevant stakeholders, but in case of rejection they shall motivate and explain their reasons in writing.

The final report (as well as previous reports and notes) must be of very high quality (*the judgement will be done on the basis of the evaluation grid in annex 4*). Conclusions and recommendations should be based on the findings related to section 6. The findings, analysis, conclusions and recommendations should be thorough. They should reflect a methodical and thoughtful approach, and finally the link or sequence between them should be clear.

The (*power point*) presentation will be revised in accordance to the final report and provided to the Evaluation Unit.

## **8. DISSEMINATION AND FOLLOW-UP<sup>6</sup>**

After approval of the final report, the Evaluation Unit will proceed with the Dissemination of the results (conclusions and recommendations) of the evaluation. The unit will: (i) make a formal judgement on the evaluation using a standard quality assessment grid (see annex); (ii) prepare a 2-page Evaluation Summary (EvInfo) following the standard DAC format; (iii) prepare and circulate a three-column Fiche Contradictoire. All three documents will be published on the Web alongside the Final Report.

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<sup>6</sup> per memoire item

## 9. THE EVALUATION TEAM

The Evaluation Team should possess a sound level of knowledge and experience in the following fields: relations with countries of the former Soviet Union, country strategy analysis, macroeconomics, public administration and legal reform, social and regional development, food aid/food security, transport and energy, and vocational training. The Team should also have proven knowledge and expertise of (i) evaluation management and evaluation techniques, and (ii) the region in general and Armenia in particular. The Team should include as appropriate local consultants (but particularly during the field phase) with in-depth knowledge of key areas. The local consultant should be identified sufficiently early in the desk phase so that the consultant can assist the Team during the desk phase and also prepare the field phase.

The team composition will initially be agreed between the contractor and the Evaluation Unit but may be subsequently adjusted if necessary due to the findings of the desk phase.

## 10. TIMING

The dates mentioned in the following section are indicative and may be changed with the agreement of all concerned.

Launch Note	early July 04
Preparatory mission in Armenia	end August- early Sep 04
Submission of Inception Note	mid Sept 04
Steering Group Meeting to consider the Inception Note	end Sept 04
Submission of Desk Phase Report	end October 04
Steering group meeting to consider Desk Phase Report	mid Nov 04
Field Mission	end Nov.-mid Dec 04
Briefing of field mission findings	early Jan 05
Submission of draft Final Report	mid Jan 05
Steering Group Meeting to consider draft Final Report	end Jan 05
Submission of revised draft Final Report	mid Feb 05
Presentation Seminar for Delegation and Local Stakeholders	early March 05
Approval of the Final Report	end March 05

## **11. COST OF THE EVALUATION, AND PAYMENT MODALITIES.**

The overall cost of the evaluation should be around €180.000.

The budget for the seminar (fees, per diems and travel) will be presented separately in the launch note.

The payment modalities shall be as follows:

30% at acceptance of the Inception Note,

50% at acceptance of Draft Final Report,

20% at acceptance of Final Report.

The invoices shall be sent to the Commission only after the Evaluation Unit confirms in writing the acceptance of the reports.

The costs related to the seminar will be invoiced and paid separately.

## Annex 2 – Selected Economic Indicators

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Population (end of year, million)</b>		3,6	3,7	3,7	3,8	3,1	3,2	3,1	3,1	3,1	3,1	3,1	3,0	3,1
<b>GDP and GDP per capita</b>														
GDP (in billions of dram)		na	62,5	4,3	187,0	522,3	661,2	804,3	955,4	987,4	1.033,3	1.177,2	1.357,0	1.618,3
GDP per capita in US\$		na	74,3	125,2	172,7	408,9	507,0	522,2	605,1	589,8	615,4	679,8	788,9	893,8
<b>Real GDP and output growth rates</b>														
GDP Level (1990=100)	100,0	88,3	51,4	46,9	49,4	52,8	55,9	57,8	62,0	64,0	67,9	74,4	84,0	95,7
Real GDP Growth (% change in real terms)		-11,7%	-41,8%	-8,8%	5,3%	6,9%	5,9%	3,4%	7,3%	3,2%	6,1%	9,6%	12,9%	13,9%
<b>Output and expenditure (percent change in real terms)</b>														
Private consumption		na	na	-26,3%	5,2%	9,0%	3,8%	7,3%	5,3%	1,4%	5,9%	15,2%	5,8%	na
Public consumption		na	na	2,2%	-3,2%	0,2%	-2,4%	-2,3%	-2,2%	1,3%	-0,3%	3,3%	-3,2%	na
Gross fixed capital formation		na	na	-7,8%	44,9%	-17,3%	10,3%	2,1%	12,0%	0,6%	8,7%	24,8%	19,9%	na
Exports of goods and services		na	na	na	na	-7,8%	-9,7%	28,9%	8,9%	6,5%	16,6%	20,8%	25,0%	na
Imports of goods and services		na	na	na	na	-10,3%	-5,5%	24,4%	5,0%	-8,1%	5,1%	1,2%	9,4%	na
Industrial gross output		na	-48,2%	-10,3%	5,3%	1,5%	1,4%	0,9%	-2,5%	5,2%	6,4%	3,8%	14,2%	14,9%
Agricultural gross output		na	2,1%	-18,5%	3,2%	4,7%	1,8%	-5,9%	13,1%	1,3%	-2,3%	11,6%	4,4%	4,3%

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
<b>Sectors' contribution to real GDP</b>															
Share of industry in GDP (%)	44,5%	48,6%	43,5%	30,7%	34,8%	27,8%	27,7%	22,5%	19,9%	21,2%	21,9%	20,1%	20,4%	21,5%	(3)
Share of agriculture and forestry in GDP (%)	12,6%	20,2%	28,7%	46,3%	41,7%	38,5%	33,5%	29,4%	30,8%	27,0%	23,1%	25,5%	23,6%	21,5%	(3)
Share of construction in GDP (%)	18,0%	10,4%	5,6%	4,1%	6,0%	6,5%	7,7%	16,3%	17,5%	16,7%	19,6%	na	na	na	(3)
Share of services in GDP (%)	24,9%	20,8%	22,2%	18,8%	17,4%	27,7%	31,1%	31,8%	31,8%	34,9%	35,2%	na	na	na	(3)
<b>Prices and exchange rate</b>															
Consumer prices (annual average, % change)		na	1346%	3732%	4962%	175,8%	18,7%	14,0%	8,7%	-0,7%	-0,8%	3,2%	1,2%	4,7%	(0)
Exchange rate (Dram per US\$, annual average)		na	2,1	75,0	188,7	405,9	414,0	490,8	504,9	535,1	539,5	555,1	573,4	578,5	(0)
<b>Public finance (% of GDP)</b>															
General government balance		-1,9	-13,9	-54,7	-16,5	-9,0	-8,5	-5,8	-4,9	-7,2	-6,3	-3,8	-0,6	-1,2	(0)
General government expenditure		28,0	46,7	82,9	44,1	28,9	26,1	25,5	25,6	26,5	22,8	20,8	19,5	18,9	(0)
<b>External account (in millions of US\$)</b>															
Current account		na	na	-66,8	-103,8	-218,4	-290,7	-306,5	-402,5	-306,9	-278,0	-200,5	-160,4	-186,7	(4)
Trade balance		na	-102,0	-98,0	-181,3	-403,0	-565,5	-659,9	-681,9	-568,1	-587,6	-535,6	-483,9	-656,1	(4)
Merchandise export		na	83,0	156,2	212,5	270,9	290,3	232,5	220,5	233,5	297,5	341,8	507,2	613,4	(4)
Merchandise import		na	185,0	254,2	393,8	673,9	855,8	892,4	902,4	801,7	885,1	877,4	991,1	1.269,4	(4)
Foreign direct investment, net		na	0,0	0,8	8,0	25,3	17,6	51,9	232,4	122,0	104,2	69,9	109,7	120,9	(4)
Gross reserves, excluding gold, end year		0,0	1,0	14,0	32,0	100,0	171,0	243,0	298,0	305,0	314,0	329,0	439,0	451,0	(0)
External debt stock		na	na	na	200,0	387,0	533,0	679,0	787,0	855,0	862,0	906,0	1.026,0	1.106,0	(0)
Gross reserves, excluding gold, in months of imports		na	na	0,6	0,9	1,5	2,1	2,9	3,9	3,8	3,8	3,6	4,5	4,3	(0)
Debt service (in % of export of goods and services)		na	na	na	3,4%	20,9%	20,3%	14,2%	19,0%	14,3%	10,7%	9,7%	10,2%	11,6%	(0)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
<b>Monetary sector</b>															
Broad money, M3 (end-year, % change)			na	1.072,0	684,2	68,7	35,1	29,2	36,0	13,6	25,8	15,8	40,3	12,7	(0)
Domestic credit (end-year, % change)			na	910,5	1.510,6	68,0	27,8	6,3	60,8	3,7	12,3	-9,8	-8,1	-9,6	(0)
<b>Unemployment (annual average) (%)</b>		na	3,5%	6,3%	6,6%	6,7%	9,3%	10,8%	9,4%	11,2%	10,6%	9,8%	10,8%	10,1%	(5)

- Sources:
- (0) EBRD transition reports and transition reports update (1999, 2000, 2001, 2002, 2003, 2004), World Bank.
  - (1) official figures, based on 2001 census.
  - (2) World Bank data.
  - (3) Source: UNDP report, "Growth, inequality and poverty in Armenia".
  - (4) AEPLAC statistics
  - (5) based on official data. Unofficial estimates indicate substantially higher unemployment



## Annex 3 – Inventory of EC Interventions in Armenia 1996-2004

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
11214	BUDGET SUPPORT	Food security programme	EUROPEAN COMMISSION FOOD SECURITY PROGRAMME	janv-96	déc-02	57.000.000 EUR	Direct financial support to secure financing of eligible budgetary expenditures in the following areas: operating expenditures (excluding wages and salaries, social contributions and budget co-financing of international projects and programmes) of the Ministry of Agriculture, State Cadastre and Real Estate Committee, National Statistical Service, Ministry of Social Security.	Food security
n. a.	BUDGET SUPPORT	Macro-financial assistance	EXCEPTIONAL MACRO FINANCIAL ASSISTANCE TO THE ARMENIAN GOVERNMENT - SUPPORT TO THE STATE BUDGET	janv-98	déc-04	58.000.000 EUR	The aim is to help the Armenian Government repay its debt to the EU and to use this support as an incentive for the authorities to implement necessary structural reforms.	Macro-financial assistance (DG ECFIN)
<b>BUDGET SUPPORT Total</b>						<b>115.000.000 EUR</b>		
1126	ENERGY	Coal	HYDROCARBON POTENTIAL ASSESSMENT	sept-99	févr-01	2.000.000 EUR	An essential element of interstate oil and gas trade and exports is the assessment of the hydrocarbon resources that are or could be available to support over time. Therefore it is important that the countries participating in the INOGATE programme have the means to a) assess their hydrocarbon reserves, particularly gas reserves, b) assess the investments that are required to upgrade probable reserves to proven reserves, c) maintain adequate date production, reserves depletion and additions so as to be able to design resource exploitation policies.	Regional Inogate
1207	ENERGY	Gas - Oil	PRICING & FINANCING / GAS SUPPLY	mars-96	déc-96	270.000 EUR	Assist Ministry of Energy and Fuels to design and implement a new strategy for the tariff, billing and collection mechanism for the supply of gas in Armenia. The project is also focusing on extending	Tacis national

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
							and strengthening the ongoing national energy conservation programme initiated back in 1991.	
1259	ENERGY	Gas - Oil	PROMOTION OF INVESTMENT OPPORTUNITIES TO INTERNATIONAL OIL COMPANIES IN THE ROA	juin-96	oct-97	300.000 EUR	Demonstration of economic stability in Armenia. Demonstration of attractiveness of the economic stability in Armenia and preparation of a draft petroleum law. Inform as many International Oil Companies (IOC) as possible about the new opportunities for the Exploration and Production (E&P) activities in Armenia. Completion of the established databank.	Tacis national
1199	ENERGY	Gas - Oil	GAS INDUSTRY DEVELOPMENT	juil-97	juin-99	1.900.000 EUR	a) Assessment of the structural integrity of the main gas pipeline system based on a statistical evaluation. b) Elaboration of a rehabilitation plan for the national gas transportation system. c) Transfer of experience to enable the local staff to carry out similar investigations in the future.	Tacis national
1119	ENERGY	Gas - Oil	FEASIBILITY STUDY FOR OIL & GAS PIPELINES THROUGH THE CASPIAN SEA	oct-97	oct-99	580.697 EUR	Rehabilitation studies of existing gas transmission network; feasibility study for oil and gas pipelines through the Caspian Sea; institutional issues and strengthening of regional cooperation.	Regional Traceca
1117	ENERGY	Gas - Oil	INOGATE SUPPORT GROUP	nov-97	nov-00	33.333 EUR	Provide technical assistance and training to countries participating in the INOGATE programme with the aim of a) promoting the regional integration of the oil and gas pipeline systems, b) facilitating oil and gas transport both within the region and towards the export markets of Europe.	Regional Inogate
1204	ENERGY	Gas - Oil	RESTRUCTURING OF THE GAS SECTOR	déc-97	sept-99	1.000.000 EUR	a) Identify a rational and modern organization structure for the gas sector and provide the Government with an appropriate restructuring plan, b) establish a suitable framework for the development of private initiative in the gas sector, c) provide Armgasprom with a modern system for the control and operation of the transport network, d) upgrading the infrastructure already constructed.	Tacis national

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1118	ENERGY	Gas - Oil	INSTITUTIONAL ISSUES & REGIONAL CO-OPERATION	nov-97	févr-00	166.603 EUR	To design a mutually acceptable framework to improve and maintain safe and reliable conditions for oil and gas trade and transit both for interstate trade in Central Asia, the Caucasus and Western CIS countries and for exports, and practical solutions for the payment of commodities and services related to oil and gas interstate trade and to finance future projects.	Regional Interstate
1121	ENERGY	Gas - Oil	AUDIT OF INFRASTRUCTURE IN THE CAUCASUS	janv-98	janv-00	327.201 EUR	Promote the regional integration of gas transmission systems of Armenia, Azerbaijan and Georgia. Facilitating gas transport both within the region and towards the export market countries through investments into rehabilitation, modernisation and expansion of gas transmission facilities in Armenia, Azerbaijan and Georgia.	Regional Traceca
1122	ENERGY	Gas - Oil	AUDIT OF EXISTING INFRASTRUCTURE OF GAS SUPPLY SYSTEMS FROM CENTRAL ASIA TO THE CAUCASUS, UKRAINE, MOLDOVA & BELARUS	janv-98	janv-00	195.326 EUR	To audit the existing gas transmission infrastructure; to assess its operational value to a gas pipeline system operator; to identify the measures that need be taken or the investments that need to be realized to ensure that the audited infrastructure will be able to operate safely and within acceptable environment and economic conditions.	Regional Inogate
1120	ENERGY	Gas - Oil	REHABILITATION OF CRUDE OIL TRANSPORT NETWORKS	oct-98	oct-99	627.778 EUR	Study Parts I and II a) to identify priority rehabilitation, modernisation and rationalisation oil and oil products pipeline projects in the countries participating in the INOGATE programme, assess their technical and economic feasibility and rank them, b) carry out the audit of the main crude lines to Europe.	Regional Inogate
1127	ENERGY	Gas - Oil	COMPLEMENTARY FEASIBILITY STUDY FOR OIL & GAS TRANSPORTATION FROM THE CASPIAN SEA REGION TO	oct-99	avr-02	250.000 EUR	Assess the technical, economical, environmental and operational feasibility of creating new complementary interconnecting export systems (routes) from the producing areas of the Caspian Sea Region to Europe/EU Market (to the existing/planned international oil and gas pipeline	Regional Inogate

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
			CENTRAL & EASTERN EUROPE				connection suitable to access the markets of Western, Central and Eastern Europe).	
n. a.	ENERGY	Gas - Oil	FISCAL METERING STATION IN KOGHB	nov-99	sept-00	2.575.527 EUR	Enhance the security of gas supply in the RA by providing the KOGHB power station with a complete gas flow measurement components.	Regional Inogate
1125	ENERGY	Gas - Oil	PRIORITY ENERGY INVESTMENTS / OIL & GAS INFRASTRUCTURES	nov-99	oct-02	833.176 EUR	To identify and select priority investments that meet predefined technical, operational and economic criteria; to set up the technical and other conditions for these investments to be implemented efficiently on a pilot basis with the support of Tacis financing and the participation of local counterparts, firms and experts; to train local firms in project identification, preparation, evaluation and supervision and more generally implementation techniques, including the possibility of local assembly and manufacturing of project components establishing joint venture(s).	Regional Inogate
n. a.	ENERGY	Gas - Oil	INO GATE SUPPORT GROUP	janv-01	sept-03	0 EUR	To continue to provide assistance for the implementation of the INOGATE objectives (cooperation bw producer and transit countries, coordination of information by establishing a network of regional INOGATE coordinators, encouraging to help develop transport and oil/gas pipeline systems in the region).	Regional Inogate
1376	ENERGY	Gas - Oil	SMALL SCALE INVESTEMENTS FOR REGIONAL OIL & GAS INFRASTRUCTURE	août-01	août-03	2.500.000 EUR	Promoting the regional integration of the oil and gas pipeline systems, facilitating oil and gas transport both within the region and towards the export markets in Europe. Identification and selection of priority investments that meet predefined technical operational and economic criteria. Setting up the technical and other conditions for those investments to be implemented, efficiently with the support of TACIS financing and preparation of local counterparts, firms and experts. Monitoring the installation of the investments optimizing all components which will enhance the standardization of selected investments in terms of	Tacis national

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
							operational, environmental, maintainability, safety and health conditions.	
11213	ENERGY	Gas - Oil	GAS SECURITY OF SUPPLY TO ARMENIA IN THE FRAMEWORK OF THE CLOSURE OF THE MEDZAMOR NUCLEAR POWER PLANT	oct-02	oct-04	3.000.000 EUR	The proposed project aims at enhancing the security of gas supply to the Republic of Armenia in the frame of the planned closure of the Medzamor Nuclear Power Plant at the earliest possible date. The project takes into consideration the regional energy interdependence context and the energy diversification policy of the country characterised mainly by access to gas supplies from Iran.	Regional Inogate
n. a.	ENERGY	Gas - Oil	FEASIBILITY STUDY FOR A SATELLITE MONITORING SYSTEM AND ACCIDENT PREVENTION SYSTEM FOR THE SECURITY OF GAS TRANSPORT AND STORAGE INFRASTRUCTURE	juin-03	oct-04	1.000.000 EUR	To study the feasibility of a network being created to link the national and regional control centers in the INOGATE countries into a central observatory for gas security that will facilitate the exchange of information and lead to a more efficient use of resources.	Regional Inogate
n. a.	ENERGY	Gas - Oil	SUPPLY OF EMERGENCY AND LABORATORY UNITS FOR GAS STATIONS IN THE CAUCASUS	juin-03	déc-03	600.000 EUR	To improve gas safety in the Caucasus by providing mobile emergency and laboratory units to each of the 3 beneficiary countries and training to the local personnel of each of the gas stations on the safe use of the new equipment.	Regional Inogate
1194	ENERGY	Nuclear Power and electricity	HYDRO-POWER STATION AT DEBET/JERMUK	janv-96	déc-96	100.000 EUR	Transfer of Western know-how in Computer Aided Design will be in the form of training supplied by Electricité de France.	Tacis national
1206	ENERGY	Nuclear Power and electricity	SAFETY OF NUCLEAR FACILITIES	mars-96	mars-99	2.000.000 EUR	a) Establishment or adaptation of guidelines for common quality assurance specification and common project procedures. b) Identification of the detailed technical needs.	Tacis nuclear safety

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1258	ENERGY	Nuclear Power and electricity	WORLD ASSOCIATION OF NUCLEAR OPERATIONS (WANO) - ADVISORY COMMITTEE ACTIVITIES	mai-96	mai-98	60.000 EUR	Facilitate cooperation among Eastern and EU nuclear utilities and operators participating in the EU programmes through exchange of information.	Regional Interstate
1257	ENERGY	Nuclear Power and electricity	TRAINING OF PERSONNEL FROM NUCLEAR POWER PLANT I	juil-96	août-98	1.060.064 EUR	Training practical operating actions under normal, abnormal and emergency conditions within complete shift crews by the provision of simulator training at the Grrreifswald Training Center, improvement of interaction within the shift crew, refreshing the theoretical knowledge about safety related problems of NPP.	Tacis nuclear safety
1275	ENERGY	Nuclear Power and electricity	LICENSING OF RELATED ACTIVITIES OF MEDZAMOR NUCLEAR POWER PLANT	août-96	déc-97	699.544 EUR	a) Provide technical assistance to Armenian Nuclear Power Plant in licensing of the measures to be implemented and financed by Tacis. b) Transfer on practical cases know-how and methodologies for technical safety evaluation.	Tacis national
1271	ENERGY	Nuclear Power and electricity	ON SITE ASSISTANCE TO MEDZAMOR NUCLEAR POWER PLANT I	oct-96	déc-96	79.655 EUR	To allow the western Utilities, in charge with the On-Site Assistance to Medzamor NPP, to discuss with plant staff structure concrete planning of the activities envisaged and to collect detailed technical information and data necessary to adequately prepare the assistance programme and technical attachments.	Tacis nuclear safety
1285	ENERGY	Nuclear Power and electricity	ON SITE ASSISTANCE TO MEDZAMOR NUCLEAR POWER PLANT II	mars-97	sept-03	3.999.992 EUR	The general aim of the cooperation is to combine the experience of the selected EU Utility with the experience and needs of Armenia Nuclear Power Plant Unit 2 operator with a view a) to improve the operational safety of the Nuclear Power Plant, b) carry out specific /safety related projects which normally include equipment supply.	Tacis nuclear safety

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ Instruments
1284	ENERGY	Nuclear Power and electricity	MEDZAMOR NUCLEAR POWER PLANT / MULTIFUNCTIONAL SIMULATOR	avr-97	déc-98	1.365.470 EUR	Supply of one multifunctional simulator for the Armenian VVER-440 type NPP. The main objectives are a) to improve nuclear training, b) to allow user appropriation of the tool by giving them some means to upgrade it, c) to prepare future extension to full scale simulator.	Tacis national
1294	ENERGY	Nuclear Power and electricity	PROCUREMENT SERVICES / NUCLEAR SAFETY ASSISTANCE	déc-97	déc-00	4.092.000 EUR	Purchasing of equipment.	Tacis national
1306	ENERGY	Nuclear Power and electricity	REGULATORY METHODOLOGY / NUCLEAR REGULATORY AUTHORITY	avr-98	juin-99	300.000 EUR	Development and strengthening of a nuclear safety regulatory regime in Armenia in compliance with internationally accepted criteria and practices. a) improvement of the structure and working procedures of Armenian Nuclear Power Plant, b) introduction of a system of nuclear safety regulations, guidelines and standards to be adopted or developed by Armenian Nuclear Power Plant, c) improvement of inspection practices.	Tacis national
1320	ENERGY	Nuclear Power and electricity	ASSISTANCE TO THE ENERGY STRATEGY CENTRE	oct-99	oct-00	955.716 EUR	Assistance to the Energy Strategy Center of Yerevan for the performance of a comprehensive review of the energy sector of Armenia in order to identify an optimal number of options to be developed to replace the capacity of Unit 2 of Medzamor Nuclear Power Plant. In accordance with the project objectives, the Contract foresees the implementation of the following tasks. 1) Assistance for the design of a national Energy security and Diversification Plan. 2) Assistance in the implementation of and investment in selected new energy projects.	Tacis national
1331	ENERGY	Nuclear Power and electricity	TRAIN PERSONNEL OF NUCLEAR POWER PLANTS II	avr-00	nov-00	248.710 EUR	Train and qualify the operating personnel of the nuclear power plants ROVNA in Ukraine and MEDZAMOR in Armenia.	Tacis nuclear safety

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ Instruments
1290	ENERGY	Nuclear Power and electricity	TRAINING OF PERSONNEL FROM NUCLEAR POWER PLANTS III	mai-01	oct-01	231.410 EUR	Training of practical operating actions under normal, abnormal and emergency conditions within complete shift crews by the provision of simulator training at Greifswald Training Center.	Tacis national
n. a.	ENERGY	Nuclear Power and electricity	ON SITE ASSISTANCE TO MEDZAMOR NUCLEAR POWER PLANT II	sept-01	sept-03	3.129.363 EUR	To improve the operational safety of the Nuclear Power Plant unit 2.	Tacis nuclear safety
11261	ENERGY	Nuclear Power and electricity	TRANSFER OF EUROPEAN REGULATORY METHODOLOGY AND PRACTICES TO THE NUCLEAR SAFETY AUTHORITY OF ARMENIA	nov-01	mai-03	270.000 EUR	This project represents the second phase of the transfer of Western European regulatory methodologies and practices to the Nuclear Safety Armenian Agency (NSAA). The wider objective of the project is to support and strengthen the national nuclear safety regulatory system in Armenia. The specific objectives are : Strengthening the foundation and the structure of the regulatory system ; ensure improved understanding and further incorporation of western regulatory practices in Armenia.	Tacis nuclear safety
n. a.	ENERGY	Nuclear Power and electricity	OPERATIONAL SAFETY PROJECTS FOR THE MEZAMOR NPP	juin-03	Unknow n date	8.000.000 EUR	The common objective of the 3 projects outlined in the Action programme 2000 is to improve the operational safety of the Medzamor NPP. Problematic addressed: 1/ Primary circuit emergency make-up pumps, 2/ improvement in the instrumentation and control system, 3/ leak before break concept application and related equipment implementation.	Tacis nuclear safety
n. a.	ENERGY	Nuclear Power and electricity	SUPPORT TO THE NUCLEAR SAFETY AUTHORITY OF ARMENIA	juil-03	janv-05	300.000 EUR	To strengthen the national nuclear safety regulatory system in Armenia.	Tacis nuclear safety

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ Instruments
11249	ENERGY	Nuclear Power and electricity	ENHANCEMENT OF THE SAFETY ASSESSMENT CAPABILITIES OF THE ANRA FOR THE LICENSING OF THE MEDZAMOR NPP SAFETY IMPROVEMENT	déc-03	déc-05	1.000.000 EUR	The main objective of the current project is to provide technical assistance to Armenian Nuclear Regulatory Authority (ANRA) and its Technical Safety Organisation (TSO) in licensing actions. The project will continue to transfer know-how resuming previous actions on operational safety. It will provide support for regulatory review of Nuclear Power Plant (NPP) safety assessment.	Tacis nuclear safety
11224	ENERGY	Nuclear Power and electricity	SUBSTITUTION OF THE NUCLEAR POWER THROUGH THE DEVELOPMENT OF HYDROPOWER CAPACITY	déc-03	déc-04	1.200.000 EUR	The project aims at enhancing the hydropower capacity of Armenia and therefore at allowing an earlier closure of the Medzamor NPP. Rehabilitation component concentrates on the recovery of the original design capacity of some key large HPPs (to be identified) and improve the stability of the electrical grid. Feasibility study deals with the identification of bankable small and medium projects necessary to increase the hydropower capacity of Armenia by approximately 70 MW.	Tacis national
n. a.	ENERGY	Nuclear Power and electricity	ENHANCEMENT OF THE CAPABILITIES OF THE ARMENIAN NUCLEAR REGULATORY AUTHORITIES FOR LICENSING THE DECOMMISSIONING OF THE MEDZAMOR NPP	janv-04	janv-06	900.000 EUR	To transfer know how in the decommissioning to the ANRA and the local technical safety organisation, to provide the EC with an independent expert evaluation on the nuclear safety aspects of Medzamor decommissioning.	Tacis nuclear safety
1202	ENERGY	others	EXTENSION & STRENGTHENING OF ENERGY CENTRE	juin-96	mars-98	1.100.000 EUR	a) Assist the Ministry in the implementation of its regional energy integration policy, particularly as regards supply of hydrocarbons to Armenia. b) Prepare the ESC to its future role of designing and implementing an energy development policy.	Tacis national

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ Instruments
1203	ENERGY	others	ENERGY SECTOR IMPLEMENTATION UNIT ESTABLISHMENT	juil-96	janv-98	950.000 EUR	The Project Implementation Unit establishment in the Ministry of Energy under the responsibility of the Deputy Minister with the specific task to promote and expedite the implementation phase of projects and activities in the energy sector and to develop local expertise in all the phases of the project cycle, including negotiation with the international institutions and local and international contractors.	Tacis national
1124	ENERGY	others	STUDY ON THE GEO-POLITICS OF ENERGY IN THE TRANS-CAUCASUS & CENTRAL ASIA & IMPLICATIONS FOR THE EUROPEAN UNION	sept-96	mars-97	4.271 EUR	In the view of the importance of strategic and political factors issues relating to the exploitation and export of CIS energy resources should be analysed in terms of overall geopolitical context of the Central Asia and Transcaucasus. The analysis should include 1) the political dynamics of the CIS and surrounding regions - notably the Middle East and South Asia. 2) The impact of the interests and priorities of major international actors. 3) The two or three most likely scenarios for the unfolding and culmination of the debate. 4) The stakes involved for the EU and policy recommendations.	Regional Inogate
1201	ENERGY	others	EXTENDED ECONOMY, POWER SYSTEM SECURITY	nov-96	oct-97	235.714 EUR	Establishment of a regional Dispatch Center under the umbrella of Pontonel with its new charter.	Regional Inogate

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
<b>ENERGY Total</b>						<b>50.441.550 EUR</b>		
1263	GOVERNANCE	Customs - Borders	CUSTOMS	oct-96	oct-99	1.723.333 EUR	Technical Assistance and training actions a) to assist the partner countries in the creation of modern customs services capable of serving a market-based economy and b) to create suitable customs and customs-related legislation.	Tacis national
1185	GOVERNANCE	Democracy	ASSISTANCE TO PARLIAMENTARIANS	févr-96	févr-97	15.005 EUR	The project has two objectives a) to promote the understanding and optimal use of parliamentary procedures and techniques, among parliamentarians in Central and Eastern Europe. b) To promote mutual understanding, working relationships and dialogue between parliamentarians of all parties and citizens' organisations in the environmental field.	Regional Democracy
1169	GOVERNANCE	Democracy	CONFERENCE / PARLIAMENTARY PRACTICE TOP-DOWN	mai-97	juin-97	3.846 EUR	The conference aims to assess programmes intended for parliaments, which have been implemented since the transition process started in central and eastern Europe.	Regional Democracy
1384	GOVERNANCE	Democracy	SUPPORT TO THE NATIONAL ASSEMBLY OF RA	sept-02	févr-04	1.000.000 EUR	To identify and assist in addressing relevant organisational and administrative issues, to upgrade the skills of staff to perform their duties in different stages of the legislative process, to identify the primary needs of the Chamber of Control and provide necessary technical assistance, to facilitate and strengthen the cooperation between the National Assembly and EU member states.	Tacis national
11201	GOVERNANCE	Executive Bodies	TACIS CO-ORDINATING UNIT - 1996-1997	sept-96	août-97	333.333 EUR	Assist the Tacis-CU to act as interface of the Tacis Unit in Brussels for planning activities and programmes funded by EC. Preparation of Indicative Programmes. Preparation of annual Action Programmes Follow up implementation of the Action Programmes.	Regional Interstate
1286	GOVERNANCE	Executive Bodies	JOINT VIENNA INSTITUTE INTRODUCTORY COURSES	mai-97	mai-98	71.429 EUR	Joint Vienna Institute Introductory Courses program aims to provide a foundation basic in western economics for officials who are involved in economic policy advice and implementation.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
11239	GOVERNANCE	Executive Bodies	TACIS CO-ORDINATING UNIT 1997-2000	oct-97	juil-00	1.450.000 EUR	Assist the National Coordinating Units to act as interface of Tacis Unit in Brussels for planning activities and programmes funded by the EC. To assist in the performance of the Tacis Coordinating Unit's activities.	Regional Interstate
1280	GOVERNANCE	Executive Bodies	TRAINING OF THE MEMBERS OF PARLIAMENT	déc-97	déc-98	199.335 EUR	Promoting democracy and strengthening the National Assembly (GoA).	Small Project
1311	GOVERNANCE	Executive Bodies	TRAINING IN DIPLOMACY	oct-98	mai-99	18.196 EUR	Agreement between the European Commission and the "Diplomatische Akademie" to provide participants from the NIS and Mongolia with advanced, policy oriented training in diplomacy.	Small Project
1368	GOVERNANCE	Executive Bodies	SUPPORT TO THE NATIONAL CO-ORDINATING UNIT - NCU (2000-2001)	août-00	juil-01	416.667 EUR	To contribute to the promotion of a transition to market economy and reinforcement of democracy and the rule of law in the Republic of Armenia. The specific project objectives, as set out in the ToR are to improve and strengthen the planning and coordination capacity of the Government of Armenia in relation to EU-support and related external assistance programmes.	Regional Interstate
1333	GOVERNANCE	Executive Bodies	ASSISTANCE TO REFORM OF THE CIVIL SERVICE	août-00	févr-02	999.924 EUR	To strengthen the overall effectiveness and coordination of Armenia's public administration, by assisting the improvement of institutional structures, functional divisions and coordination mechanisms at the three levels of government.	Tacis national
1342	GOVERNANCE	Executive Bodies	SUPPORT TO THE NATIONAL CO-ORDINATING UNIT - NCU (2001-2002)	août-01	juil-02	416.667 EUR	To contribute to the promotion of transition to a market economy and reinforcement of democracy and the rule of law in the Republic of Armenia. The specific project objectives, are to improve and strengthen the planning and coordination capacity of the Government of Armenia in relation to EU-support and related external assistance programmes.	Regional Interstate

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
11233	GOVERNANCE	Executive Bodies	SUPPORT TO THE NATIONAL CO-ORDINATING UNIT- NCU (2002-2003)	oct-02	sept-03	384.615 EUR	The Wider Objective to which the project will contribute is the promotion of a transition to a market economy and the reinforcement of democracy and the rule of law in the partner states. The Immediate Objective of the project is to improve and strengthen the planning and coordination capacity of partner governments in relation to EU support and related external assistance programmes.	Regional Interstate
11253	GOVERNANCE	Executive Bodies	SUPPORT TO THE NATIONAL COORDINATING UNIT- NCU (2003-2004)	oct-03	sept-04	384.615 EUR	The wider objective to which the project contributes is the promotion to a market economy and the reinforcement of democracy and the rule of law in the partner states. The immediate objective of the project is to improve and strengthen the planning and co-ordination capacity of partner governments in relation to EU support and related external assistance programmes.	Regional
1272	GOVERNANCE	others	CONSERVATION FOUNDATION LAW	oct-96	déc-96	2.563 EUR	Build-up a cadre of lawyers, administrators and environmental scientists in the NIS whose professional remit is drafting legislation and /or developing communications networks locally, regionally and internationally.	Regional Interstate
1171	GOVERNANCE	others	EC/NIS JUSTICE & HOME AFFAIRS STUDY	janv-97	févr-97	26.994 EUR	Report proposing areas of cooperation in Justice and Home Affairs, both at the global level of the NIS and specific to individual countries, where appropriate specific subjects potential pilot projects for technical assistance and to prepare terms of reference and resource requirements for another detailed project design study following the conclusions of this mission.	Regional Interstate
1312	GOVERNANCE	others	REFORM OF THE PENITENTIARY CODE	mars-99	mai-99	0 EUR	To provide support to a legal and democratic society formation in accordance with the requirements of a civil society, and the norms of international law, through the establishment of a reformed system for the execution of criminal penalties and to facilitate the accession of the RA to the Council of Europe.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1230	GOVERNANCE	Policy Making	POLICY ADVICE ON WORLD TRADE ORGANISATION MEMBERSHIP	mars-98	sept-00	2.699.700 EUR	Provision of assistance with the implementation of obligations taken on through WTO membership with regard to general trade policy and transposition of WTO obligations into domestic law. Fostering the legal approximation of Armenia's economic legislation to that of the EC, including the areas where specific obligations are taken on under the PCA. Support Armenia's WTO accession through assistance during the negotiations on accession to WTO. Know-how transfer with respect to the above objectives to local staff and government officials.	Tacis national
11225	GOVERNANCE	Policy Making	ACCESSION WORLD TRADE ORGANISATION	oct-98	juil-00	0 EUR	The project aims at providing technical assistance, support in the negotiation process of Armenia's WTO accession and fulfilment of WTO agreement requirements and implementation.	Tacis national
1328	GOVERNANCE	Policy Making	DRUGS CONTROL, MULTI-SECTORAL ASSISTANCE & INSTITUTION BUILDING IN THE CAUCASUS	mars-00	oct-00	14.049 EUR	Review the situation in Georgia, Armenia and Azerbaijan, to define the cooperation possibilities between the countries in the current legal framework, the role of the national authorities and possible international actors in the region.	Regional Interstate
1329	GOVERNANCE	Policy Making	DEVELOPMENT OF LORI MARZ	avr-00	oct-01	1.000.000 EUR	Assist development of Lori Marz administration in order to provide better services to the population. Build the institutional capacity to design and implement a Marz development programme. Design a catalogue of investment and trade opportunities in the Lori Marz. Develop a coherent HR training and development policy.	Tacis national

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
11226	GOVERNANCE	Policy Making	AEPLAC PHASE I	juil-00	juil-01	0 EUR	In line with the highest priority given by the Armenian Government in the implementation of the PCA, the broad objective of the project is to promote the integration of Armenia into world economy, by stimulating and reinforcing its economic, political, social and technical capacity. Improve the policy making of GoA and the Armenian Parliament in key areas of the PCA. Assist Armenia in meeting its obligations under the PCA (Partnership and Cooperation Agreement) , in particular with regard to legislative approximation and other international agreements, in particular the WTO. Develop the local capacity for providing independent policy.	Tacis national
11227	GOVERNANCE	Policy Making	AEPLAC PHASE II	juil-01	déc-02	1.000.000 EUR	In line with the highest priority given by the Armenian Government in the implementation of the PCA, the broad objective of the project is to promote the integration of Armenia into world economy, by stimulating and reinforcing its economic, political, social and technical capacity. Improve the policy making of GoA and the Armenian Parliament in key areas of the PCA. Assist Armenia in meeting its obligations under the PCA (Partnership and Cooperation Agreement) , in particular with regard to legislative approximation and other international agreements, in particular the WTO. Develop the local capacity for providing independent policy.	Tacis national
n. a.	GOVERNANCE	Policy Making	CONTINUOUS SUPPORT TO AEPLAC PHASE II	déc-02	juil-03	350.000 EUR	Extension of technical and financial support to the AEPLAC to ensure the smooth implementation of Armenia's international obligations with strong emphasis on the implementation of the PCA.	Tacis national

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1378	GOVERNANCE	Policy Making	AEPLAC-PHASE III	août-03	janv-05	1.500.000 EUR	In line with the highest priority given by the Armenian Government in the implementation of the PCA, the broad objective of the project is to promote the integration of Armenia into the world economy, by stimulating and reinforcing its economic, political, social and technical capacity. Improve the policy making of GoA and the Armenian Parliament in key areas of the (PCA) Partnership and Cooperation Agreement . Assist Armenia in meeting its obligations under the PCA in particular with regard to legislative approximation and other international agreements, in particular the WTO. Develop the local capacity for providing independent policies. (Tacis Action Programme 2002-2003).	Tacis national
1377	GOVERNANCE	Policy Making	REGIONAL DEVELOPMENT OF TWO MARZES IN SOUTHERN ARMENIA	nov-03	oct-05	1.800.000 EUR	The project is mainly designed to contribute to the poverty alleviation and will address administrative, social and economic problems in close collaboration and participation of the Marzpet Administrations, civil society and the central government. Elaboration of MIS and regional development plans. (Tacis Action Programme 2002-2003).	Tacis national
1338	GOVERNANCE	Sector Reform	STRATEGIC POLICY ADVICE TO THE MINISTRY OF FINANCE	août-98	févr-99	0 EUR	a) Strategic policy advice to the Ministry of Finance & Economy for designing a medium-term budgetary framework, b) Review and assessment of existing macro-economic situation, c) Review of policy-making /planning /programming process, formulation of medium-term strategy and policies, quantification of policy package. d) Dissemination of information and consensus building.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
11231	GOVERNANCE	Sector Reform	EFFECTIVE ASSESSMENT OF PUBLIC EXPENDITURE PROGRAMMES & FORECASTING IN MACROECONOMIC FRAMEWORK	déc-03	mai-05	100.000 EUR	To enable the decision makers to formulate adequate economic and fiscal policies, make diagnoses and forecasts of economic development based on macroeconomic analytical modelling. To improve mechanisms for monitoring economic development and help recognizing economic distortions at an early stage.	TACIS: IBPP
1246	GOVERNANCE	Statistics	STATISTICS 1 (94/95) INTER-STATE	mars-96	mars-99	1.250.000 EUR	a) Ensure the strict independence of official statistics, b) Ensure quality standards at an international level, c) Protect individual data. d) Establish priorities in statistical work, e) to reduce the burden on respondents.	Small Project
1296	GOVERNANCE	Statistics	STATISTICS 2	oct-97	oct-00	2.016.667 EUR	To establish a complete and reliable informational base on energy resources production, import and their consumption for energy balance composition of Armenia it is necessary to conduct a sample survey.	Small Project
1317	GOVERNANCE	Statistics	SUPPORT TO THE MINISTRY OF STATISTICS: ADVICE TO THE REGIONAL OFFICES	mai-99	août-99	50.000 EUR	To improve the quality of statistical data provided by Marz offices to the local government for economic and social policy and decision making. The overall improvement of the quality of statistics provided to the Ministry through the improvement of data collection and collation at local levels. In each of the following fields: 1. Short-term Statistics and Surveys (especially on internal trade and services), 2. Social Statistics and Surveys, 3. Demographic Statistics and Surveys, Technical assistance: Research on the practices in the regional offices. Seminar: Presentation of international standards, and their applicability in Armenia.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1325	GOVERNANCE	Statistics	STATISTICS 4	nov-00	nov-02	425.000 EUR	1) strengthen the ability of the National Statistical Institute to operate in a democratic environment, 2) to ensure the strict independence of official statistics, 3) to establish priorities in statistical work, 4) to ensure quality standards at an international level, 5) to protect individual data, 6) to ensure proper coordination among the various procedures of official statistics, 7) to reduce the burden of respondents, 8) to develop awareness of main issues.	Small Project
n. a.	GOVERNANCE	Statistics	STATISTICAL COOPERATION PROGRAMME IV	oct-03	févr-05	400.000 EUR	This project is the continuation of the long-running cooperation between the Armenia National Statistical Service and the European Commission's Eurostat services and the programme IV that ended in 2002.	Small Project
1330	GOVERNANCE	Statistics	STATISTICS 6	janv-04	avr-05	300.000 EUR	Support to the National Statistics Service.	Small Project
<b>GOVERNANCE Total</b>						<b>20.351.938 EUR</b>		
1219	PRIVATE SECTOR	Banking	BUSINESS PLAN: BLACK SEA TRADE & DEVELOPMENT BANK	déc-96	déc-97	1.249.350 EUR	The Black Sea Economic Cooperation participating states in order to promote private and entrepreneurial activities initiative and to further the implementation of reforms in financial sector, have agreed to establish hereby the Black Sea Trade and Development Bank.	Regional Interstate
1321	PRIVATE SECTOR	Banking	EC BEUREAU FOR BANK TRAINING AND RESTRUCTURING ADVICE- EBTRA II	sept-99	mai-01	343.750 EUR	Ensure cross fertilisation of Tacis activities in the banking sector. Build upon and further develop the results achieved under EC Bureau for Bank Training and Restructuring Advice (EBTRA) one by collecting, updating developing and disseminating EBTRA materials.	Regional Interstate
1260	PRIVATE SECTOR	Financial Markets	MUTUAL & INVESTMENT FUND (PHASE II)	juin-96	janv-97	140.000 EUR	Investment Funds as a crucial instrument for privatisation and post privatisation restructuring.	Tacis national
1293	PRIVATE SECTOR	Human resources	INTER-INSTITUTIONAL EDUCATION INFORMATION SYSTEM	févr-98	févr-99	600.000 EUR	Support the development of an inter-institutional information network for the circulation of the results of higher education and scientific research in Armenia, based on an efficient information management system.	Tacis national

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1315	PRIVATE SECTOR	Human resources	FEASIBILITY STUDY FOR THE DEVELOPMENT OF INFORMATION SYSTEMS	oct-98	oct-99	499.868 EUR	Consideration of joint venture companies creation with European organizations.	Tacis national
1270	PRIVATE SECTOR	Industry	CHAMBER OF COMMERCE AND INDUSTRY OF LYON & ARMENIA & NATIONAL INSTITUTE OF ECONOMY	mai-96	mai-97	310.000 EUR	Development of international business relations; development of a training center for management in market economy; implementation of a training programme for 4 staff members of CCI of Armenia.	Tacis national
1241	PRIVATE SECTOR	Industry	PRIVATISATION OF MAJOR ENTERPRISES	juil-96	juin-97	1.400.000 EUR	To create a framework for launching the restructuring/privatization process for those enterprises which are unsuited for mass privatization because they need profound restructuring.	Tacis national
1261	PRIVATE SECTOR	Industry	PRIVATISATION OF MAJOR ENTERPRISES IN ARMENIA- MANAGEMANT ADVICE	juil-96	déc-96	170.000 EUR	To advise the Armenian Government on the lessons learnt during the project, and their relevance for future company restructuring; assistance with dissemination the of results of the work to international donors and investors.	Tacis national
1279	PRIVATE SECTOR	Industry	NEEDS ANALYSIS OF CHAMBERS OF COMMERCE AND INDUSTRY IN THE NIS	déc-96	avr-97	9.483 EUR	To provide Tacis with a detailed understanding of the situation of the Chambers in the NIS and to assist Tacis in the preparation of a framework for further Tacis technical assistance in this sector.	Small Project
1239	PRIVATE SECTOR	Industry	EUROPEAN SENIOR SERVICE NETWORK - 1997 (ESSN)	janv-97	déc-97	1.264 EUR	To improve the economic well being of private and other farmers and those involved in cooperative agribusiness and related sectors.	Small Project
1174	PRIVATE SECTOR	Industry	NIS / STANDARDS, CERTIFICATION & METROLOGY	févr-97	août-98	83.333 EUR	Integration of the NIS into the international trading system through the introduction of a system that would permit mutual recognition in the field of standardization, testing and certification, quality assurance and metrology, between the NIS and the European Union.	Regional Interstate

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1282	PRIVATE SECTOR	Industry	INTEGRATION OF NIS BUSINESS COMMUNICATION CENTERS, PHASE I	mars-97	mars-98	5.144 EUR	As a complement on the project "Integration of business communication centers, Phase II" this project is concerned with the logistical organization of three seminars where all the directors of BCCs' one commercial and one technical staff member will meet.	Small Project
1238	PRIVATE SECTOR	Industry	EUROCHAMBERS EXCHANGE PROGRAMME	sept-97	sept-98	30.575 EUR	To provide the participating Chambers with a practical understanding of the ways in which the Chambers in the EU developed structures and services to exploit the opportunities which exist under market conditions in the 1990's, and to help the participating Chambers to develop their own response to the conditions and opportunities that they will face.	Small Project
1302	PRIVATE SECTOR	Industry	MINERAL DEVELOPMENT PROJECT	déc-97	déc-00	984.430 EUR	To foster effective and efficient usage of mineral recourses in Armenia.	Tacis national
1295	PRIVATE SECTOR	Industry	PRODUCTIVITY INITIATIVE PROGRAMME	févr-00	févr-01	1.682.574 EUR	Support the changes being implemented by Programme Initiative Productivity managers in their own enterprises through the organization of three follow up seminars in Russia.	Small Project
1323	PRIVATE SECTOR	Industry	LICENSING OF BUSINESS IN ARMENIA	févr-00	sept-00	62.090 EUR	Streamline and clarify the procedure involved in acquiring licenses. The lack of comprehensive information is a real obstacle for launching a new business activity requiring licensing.	Small Project
1305	PRIVATE SECTOR	Industry	ECONOMIC TRENDS IN ARMENIA	août-00	janv-02	373.000 EUR	a)obtaining , collating and interpreting economic statistics, as to produce a corpus of data which corresponds to internationally accepted norms, b) disseminating these economic statistics on continuous, consistent and up to date basis through regular bulletins to international and local decision makers.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
11220	PRIVATE SECTOR	Industry	STRENGTHENING THE LEGAL FRAMEWORK FOR PROMOTING THE ARMENIAN MINERAL SECTOR	janv-03	août-03	150.000 EUR	Contributing to the improvement of the regulatory and administrative framework governing the Armenian mineral sector in order to attract mining investors with appropriate protection of the environment. Prepare a Draft Model Development Agreement; discuss and review with Government necessary amendments to fiscal and non-fiscal legislation arising since the enactment of the Mineral Prospecting and Mining Law and Mining Code.	Tacis national
11259	PRIVATE SECTOR	Industry	SUPPORT TO THE EU CHAMBER OF COMMERCE IN ARMENIA	nov-03	nov-04	150.000 EUR		Small Project
11211	PRIVATE SECTOR	Industry	SUPPORT TO THE DEVELOPMENT OF IT	janv-04	janv-06	1.800.000 EUR	The overall objective of this project is to support the development of a national and regional IT strategy. The specific objective is linked to the outcomes and recommendations of an IT Conference in April 2002 and will mainly focus on. Support to the design and implementation of a Master Plan on the IT sector including the elaboration of a legal and regulatory framework (in coordination with WB and USAID projects). Support to a Regional Training Center, IT training centers at vocational and higher educational level related to the French University. (Tacis Action Programme 2002-2003).	Tacis national
1288	PRIVATE SECTOR	Information, media and communication	TRAINING IN ACCOUNTING FOR POSTAL COMPANIES	mai-97	oct-97	45.000 EUR	To improve the technical competence of the participants and to intensify cooperation between the participating postal companies (Georgia, Armenia, Azerbaijan, Uzbekistan, Tajikistan, Turkmenistan, Kazakhstan, Kyrgyzstan and Mongolia) as a contribution towards making the relevant region more independent.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1301	PRIVATE SECTOR	Information, media and communication	POSTAL REGULATION DEVELOPMENT CONFERENCE	déc-97	juin-98	21.219 EUR	Illustrate the role of effective postal services in promoting economic and social development, underline the need for the government to support the postal service and refrain from interfering in its operation, examine the regulatory and financial relationship between government and the postal service.	Regional Interstate
1218	PRIVATE SECTOR	Sector Reform	INSURANCE LEGISLATION & SUPERVISION	juin-97	oct-97	0 EUR	a) To assess the level of development of the Armenian insurance sector and define priorities with the Ministry of Finance and Economy in terms of legislative drafting. b) to provide clear guidance on complete Insurance Law based on international standards. c) to determine the follow up requirements for the smooth implementation of expert's recommendations or other problems that may have become apparent during project.	Tacis national
11256	PRIVATE SECTOR	Sector Reform	SUPPORT TO DEVELOPMENT OF BANKRUPTCY PRACTICES IN ARMENIA	nov-03	août-04	100.000 EUR	In the framework of legislation, economy and private sector development the following should be carried out, Creation of a database on bankruptcy cases with an analytical software, Elaboration and distribution of a manual on business regulation legislation involving all stakeholders.	Small Project
11257	PRIVATE SECTOR	Sector Reform	ESTABLISHMENT OF ARBITRATION COURTS AT THE REGIONAL CHAMBERS OF COMMERCE AS AN ALTERNATIVE TO COURT SYSTEM	déc-03	déc-04	100.000 EUR		Small Project
1265	PRIVATE SECTOR	Small & Medium Enterprises	TACIS EUROPARTENARIAT, GENOVA	juil-96	juin-97	25.000 EUR	To encourage and support SMEs in the NIS to do business with enterprises from the EU, the PHARE countries and the other NIS.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1262	PRIVATE SECTOR	Small & Medium Enterprises	WOOD WORKING CENTRE / PCP II	juil-96	juil-98	216.000 EUR	To run as a demonstration scheme a small to medium size enterprise and provide hope to emerging enterprises during the difficult time of social and economic transformation; to substitute import requirements and to improve housing standards and insulation through production of doors and windows and other wooden components.	Tacis national
1244	PRIVATE SECTOR	Small & Medium Enterprises	TACIS EUROPARTENARIAT, LULEA	nov-96	août-97	25.000 EUR	To encourage and support SMEs.	Small Project
1173	PRIVATE SECTOR	Small & Medium Enterprises	REINFORCING THE MANAGEMENT ADVICE & SERVICES FACILITIES	févr-97	janv-99	949.850 EUR	a) TA to setup management advice & derive facility as independent Armenian consultancy, b) Revitalization and restructuring of up to 6 privatized enterprises, c) Secure management advice and services facility sustainability and disseminate success cases.	Tacis national
1243	PRIVATE SECTOR	Small & Medium Enterprises	1994-NIS PARTENARIAT	févr-97	mai-98	125.000 EUR	To stimulate trade and business cooperation between SMEs throughout the NIS.	Small Project
1172	PRIVATE SECTOR	Small & Medium Enterprises	INTEGRATION OF NIS BUSINESS COMMUNICATION CENTRES, PHASE II	févr-97	févr-98	15.833 EUR	To ensure an efficient and effective communication between the Tacis BCCs in the NIS; to ensure a standard approach of BCCs communication to countries outside the NIS; to integrate all future Tacis BCCs into the existing network; to increase the number of business links of SMEs throughout the NIS.	Small Project
1283	PRIVATE SECTOR	Small & Medium Enterprises	TACIS EUROPARTENARIAT, ATHENS	avr-97	avr-98	12.500 EUR	Encourage and support SME in the NIS to do business with enterprises from the European Union through a) Actions to train and inform all National Counsellors from the NIS about their tasks with regards to Europartenariat and the procedures applicable to the Tacis involvement, b) Actions to support the National Counsellors from the NIS and Mongolia participating in the Europartenariat event.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1289	PRIVATE SECTOR	Small & Medium Enterprises	TACIS EUROPARTENARIAT, CLERMONT-FERRAND	juil-97	janv-98	9.423 EUR	a) Encourage joint ventures and other forms of long time cooperation between SMEs from across the NIS, b) Reinforce the position of Tacis BSCs' by giving the National Counsellors a chance to make contracts with new clients and develop the future relationships between participants and BSCs', c) Give NIS managers an opportunity to get acquainted with the business climate in Europe.	Small Project
1256	PRIVATE SECTOR	Small & Medium Enterprises	ARMENIAN BUSINESS SUPPORT CENTRE (ABSC)	juin-98	juin-00	750.000 EUR	Strengthen the Armenian BSC which has the goal to provide technical assistance in establishing and promoting small and medium enterprises (less than 500 employees) in Armenia, and to assist the sector in establishing foreign economic links.	Tacis national
1314	PRIVATE SECTOR	Small & Medium Enterprises	FORMULATION OF S.M.E. POLICY & STRATEGY	déc-98	mai-99	203.000 EUR	To foster the development of SMEs in all sectors of the Armenian economy as a primary source of economic growth and job creation. To encourage the development of an ethical enterprise code, to improve the regulatory and fiscal environment, to improve the financial environment for SME. The immediate objectives of the project are to assist the Ministry of Industry and Trade: 1. To formulate a development policy and strategy to accelerate the growth of existing SMEs and to promote the emergence of new SMEs, 2. To have the government adopt and implement the proposed SME Development strategy, 3. To clearly define the role and functions of the Ministry Industry and Trade with respect to the implementation of SME policy.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1324	PRIVATE SECTOR	Small & Medium Enterprises	ASSISTANCE TO POST-PRIVATISATION & PRIVATE SECTOR DEVELOPMENT	déc-99	juil-02	1.949.005 EUR	Contribute to the development of the private sector and especially SME in local, regional and international markets by providing assistance through local consulting companies. To create an environment conducive to the development of private sector in Armenia. To help private companies in adapting to the changing nature of an economy in transition. To develop local provision of consultancy services to enterprises. To improve the performance of Armenian private companies in local, regional and international markets, increasing output, quality, exports, employment, profitability and long-term sustainability.	Tacis national
1385	PRIVATE SECTOR	Small & Medium Enterprises	SUPPORT TO SME DEVELOPMENT	août-02	déc-04	1.400.000 EUR	Improve the competitiveness of SMEs in Armenia. Review the results of ongoing EC Programmes in Armenia and determine the "impediments to development" of the Armenian SME community.	Tacis national
11219	PRIVATE SECTOR	Small & Medium Enterprises	EUROPEAN UNION PROGRAMME FOR CONSULTING DEVELOPMENT OF PRIVATE ENTERPRISES IN ARMENIA	oct-02	avr-04	1.485.000 EUR	To assist enterprises to transform themselves so as to survive and to compete in market economies. To transfer western "know-how" and develop enterprise management and technical skills in Armenia, developing local consultancy capacity. To develop a capacity of local resources, to raise the quality and capabilities of local professional consultants and to increase the awareness and benefits of consultancy support in enterprises. To support the enterprise management to make and sustain the necessary changes.	Tacis national
1334	PRIVATE SECTOR	Tourism	TOURISM TRAINING	août-00	avr-01	60.000 EUR	1) Provide training on the basic tourism skills to key personnel in the tourism sector, 2) Improve the effectiveness of product development and promotional activity in the tourism industry, 3) Raise customer service standards, 4) Develop improved cohesion amongst the various interdependent sectors of the tourism industry.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
<b>PRIVATE SECTOR Total</b>						<b>17.536.691 EUR</b>		
1157	TRANSPORT	Air, rail, road, water	IMPROVEMENT OF ROAD TRANSPORT SERVICES	mars-96	juin-97	83.333 EUR	1) Improve the operating environment for road transport enterprises in Armenia, Azerbaijan and Georgia, in order to facilitate the development of the domestic and international road transport industries in the region. 2) Provide viable private autonomous road transport operators with technical assistance in order to strengthen their market position, in order to help them obtain an equitable market share in the road transport sector.	Regional Traceca
1153	TRANSPORT	Air, rail, road, water	PORT NETWORK PLAN	mai-96	mai-97	119.948 EUR	Additional consultancy services for the ferry terminals of Baku and Turkmenbashi. Pre-qualification of contractors for execution of works, tendering, tender evaluation, contract negotiations and preparation of contracts. All necessary input to the EBRD project documents needed during the project preparation including environmental assessment and monitoring according to the EBRD procedures.	Regional Traceca
1152	TRANSPORT	Air, rail, road, water	TRADE & TRANSPORT, JOINT VENTURE FOR THE TRANS-CAUCASUS RAILWAYS	mai-96	mars-97	618.667 EUR	a) to promote cooperation in the region, b) to encourage mutual cooperation between the regions and promote use of the Europe. Trans-Caucasian rail transport corridor.	Regional Traceca
1156	TRANSPORT	Air, rail, road, water	RAILWAYS INTER-STATE TARIFF & TIMETABLE STRUCTURE	juil-96	janv-98	214.286 EUR	The encouragement of trade, through tariff and timetable coordination between the various railways of the TRACECA Region with a view to providing a cost effective rail network which is responsive to market requirements. Important supporting objectives for the TRACECA route must be a) the coordination of maritime tariffs and timetables, for traffic using the Ports of Baku, Krasnovodsk and Aktau, b) the encouragement of trade by rationalising customs procedures at rail border crossings and ports, c) introduction of free trade zones at ports or other favourable locations.	Regional Traceca

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1149	TRANSPORT	Air, rail, road, water	IMPLEMENTATION OF RAIL FREIGHT TRAFFIC MANAGEMENT & INFRASTRUCTURE SYSTEMS	août-96	août-98	121.429 EUR	Install Rail Tracker on all railways on the main TRACECA freight corridors. Since these railways are interconnected, albeit with sea-leg, the combination of Rail Tracker and the ACIS protractor module would ensure the creation of an integrated logistics chain for the railway mode across the entire corridor.	Regional Traceca
1266	TRANSPORT	Air, rail, road, water	AIR TRAFFIC CONTROL TRAINING & SOUTHERN AIR ROUTES PHASE I	oct-96	oct-97	628.324 EUR	To promote safe and efficient control of aircraft operating into airport in the Southern Ring and overflying the airspace.	Regional Interstate
1159	TRANSPORT	Air, rail, road, water	ROADS MAINTENANCE	juil-97	oct-98	356.946 EUR	Improve construction of bituminous pavements, in order to minimise the sum of vehicle operating costs over the road network and the cost of road construction and maintenance.	Regional Traceca
1255	TRANSPORT	Air, rail, road, water	REGIONAL AIR SERVICES IN THE CAUCASUS	mars-98	déc-98	98.288 EUR	To improve the operational, financial and marketing performance of the national airlines in the Caucasus through technical assistance and knowledge transfer.	Regional Traceca
1316	TRANSPORT	Air, rail, road, water	TECHNICAL ASSISTANCE & TRAINING AT THE ARMENIAN ROAD DIRECTORATE	déc-98	déc-00	163.970 EUR	Give laboratory engineers and technicians skills and autonomy for carrying outside, testing, research and inspection tasks connected with road works. Emphasis was placed on standard methods for testing, on pavement design techniques, on conformity checking and quality controls both in the performance of work and in the development of constituent materials.	Regional Traceca
1162	TRANSPORT	Air, rail, road, water	INTERNATIONAL ROAD TRANSPORT TRANSIT FACILITATION	oct-99	mars-01	395.921 EUR	The general aim of the programme is to assist the TRACECA Region States to create the most favourable conditions for road transport in terms of economic operations in line with current UN/EC and EU standards, by setting up and equipping a regional road transport training center as well as to train their future trainers.	Regional Traceca

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1326	TRANSPORT	Air, rail, road, water	SOUTHERN RING AIR ROUTES - PHASE II	févr-00	févr-01	333.333 EUR	Expand the operation of CNS/ATM systems to cover the NIS region and to promote increased air transport safety. Feasibility Study with the objective of identifying how the Southern Ring countries can participate in the EGNOS project. Build relations with partner countries - minimize the costs for CNS ground infrastructure - limit the complexity of procedures - ensure local knowledge.	Regional
1168	TRANSPORT	Air, rail, road, water	FEASIBILITY STUDY FOR REHABILITATION OF ROAD LINK BAKU-YEREVAN-TBILISI	déc-00	avr-02	645.711 EUR	In Armenia: prepare a feasibility study and tender documents for the rehabilitation and reconstruction of deteriorated sections of the road Tbilisi-Yerevan-Red Bridge.	Regional Traceca
11221	TRANSPORT	Air, rail, road, water	REHABILITATION OF CAUCASIAN HIGHWAYS	nov-02	nov-04	666.667 EUR	To support the Caucasian Republics in road maintenance, and cope with growing local and international transport flow by improvement and provision of a better level service on route corridors, reduce costs in road transportation, prevent deterioration of pavements by timely intervention, strengthen the national road construction and maintenance capacities through transfer of technology.	Regional Traceca
1151	TRANSPORT	Multimodal	TRADE FACILITATION, CUSTOMS & FREIGHT FORWARDING	déc-96	févr-97	114.286 EUR	To promote a transport corridor between Europe and the Caucasus/ Central Asia through greater regional harmonization and integration with international transport and trade practices.	Regional Traceca
1165	TRANSPORT	Multimodal	CONTAINER TERMINAL	mai-99	mai-00	1.000.000 EUR	No document.	Regional Traceca

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
11241	TRANSPORT	Multimodal	HARMONISATION OF BORDER CROSSING PROCEDURES	nov-01	nov-03	0 EUR	To promote a transport corridor between Europe and the Caucasus/ Central Asia through harmonisation and integration with international transport and trade practices, to promote the movement of traffic along that corridor. To harmonise border crossing procedures within the region and align them with EU.	Regional Traceca
11242	TRANSPORT	Multimodal	UNIFIED POLICY ON TRANSIT FEES AND TARIFFS	déc-01	déc-03	0 EUR	To achieve a more transparent tariffs and transit fees structure and the removal of illegal, nonphysical barriers to effective international trade and transport services within Traceca.	Regional Traceca
11216	TRANSPORT	Multimodal	CAPACITY DEVELOPMENT FOR SENIOR TRANSPORT SECTOR OFFICIALS	avr-03	mars-05	170.000 EUR	Transfer Western European know-how to the top level railway administrations and the custom authorities, to the port authorities of the Black Sea and Caspian Sea ports along the TRACECA Corridor as well as the customs offices and other involved agencies.	Regional Traceca
n. a.	TRANSPORT	Multimodal	INTERNATIONAL FEDERATION OF FREIGHT FORWARDERS ASSOCIATIONS (FIATA) FREIGHT FORWARDERS TRAINING COURSES	oct-04	mars-06	0 EUR	To help the NIS region's young freight forwarders industry to develop its practices to western standards by providing it with specialist training. And to encourage to promote any necessary changes in the broader issue of regulation and access to profession.	Regional Traceca
1154	TRANSPORT	Networks	FORWARDING MULTI-MODAL TRANSPORT SYSTEMS	févr-96	janv-97	500.000 EUR	Assess the condition of the multi-modal transport system, determine priority actions for the design and development of a commercially oriented multi-modal transport system, and services in the TRACECA Region. This is to be achieved , first by enhancing the capability of various groups of technical and administrative staff, and secondly, through providing assistance and training to inter modal organizations on multi-modal business management.	Regional Traceca

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1161	TRANSPORT	Networks	RAILWAYS RESTRUCTURING / TELECOMMUNICATIONS	août-97	déc-98	1.373.438 EUR	The development of the rail, maritime and road transport corridor linking the Georgian Black Sea harbours with the Caspian harbours and further the Central Asian Republics by setting up of an efficient telecommunications network linking the various TRACECA countries.	Regional Traceca
1160	TRANSPORT	Networks	TRACECA INTERMODAL SERVICES: TECHNICAL ASSISTANCE TO THE SOUTHERN REPUBLICS OF THE NIS	juin-98	août-00	228.100 EUR	Traceca corridor is promoted for inter modal transport, a) inter modal service from the EU to Central Asia is established, b) Assistance to the inter modal terminals of the ports of Poti, Baku, Turkmenistan and Aktau and the inland terminals in Yereven Bukhara and Almsty is given.	Regional Traceca
1163	TRANSPORT	Networks	PAN-EUROPEAN TRANSPORTATION CORRIDORS & AREAS IN THE NIS	nov-98	nov-01	25.000 EUR	Within the activities of the concept of the Pan - European Transport Infrastructure Investment Partnership, to add the activities related to the TINA process, to the benefit of the littoral countries to the Black Sea. To do so it is proposed to extend the TINA secretariat to include the TACIS recipient States, parties of the Black Sea Pan-European Transport Area and those having sections of Pan-European Transport Corridors on their territory.	Regional Traceca
1166	TRANSPORT	Networks	TRAFFIC FORECASTING / CASPIAN SEA & CHARADZEV BRIDGE	sept-99	sept-01	285.714 EUR	Investments in the transport sector within the TRACECA states. Transport data base and traffic forecasting model established and institutionalized in the eleven TRACECA countries (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan , Moldova, Mongolia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).	Regional Traceca

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1146	TRANSPORT	Networks	SUPPORT TO THE TRACECA COORDINATION TEAM	déc-99	déc-00	150.000 EUR	The project basis is the TARCECA programme which was engendered by Conference organised by the European Commission. The objectives are a) to stimulate cooperation among the participating republics in all matters pertaining to the development and improvement of trade within the Region, b) to promote the Central Asian -Trans Caucasian - European Transport Corridor, c) to identify problems and deficiencies in the Region's trade and transport systems.	Regional Traceca
1164	TRANSPORT	Networks	INTER-GOVERNEMENTAË JOINT COMMITTEE / IMPLEMENTATION OF A BASIC AGREEMENT	janv-00	nov-00	156.964 EUR	The objective of the consultancy mission is defined as support of activities of National Facilitation Commissions a) to regulate questions concerning implementation and application of the basic agreement and its technical annexes, b) facilitate access to the transport market for each mode of transport, c) ensure traffic safety, security of goods and environmental protection in the region, d) develop a data bank of information on national and international transport legislation, transport policy, management and economic statistics and make this information available to participating states.	Regional Traceca
1167	TRANSPORT	Networks	SUPERVISION OF AN OPTICAL CABLE SYSTEM FOR COMMUNICATION TO RAILWAYS	mai-00	mars-03	2.114.286 EUR	Support the full use of TRACECA transport corridors through Caucasus and provide means for efficient transmission of telecommunications companies throughout the Caucasus region. It will enhance safety and security for railway operations and simultaneously enable the private telecom operators to penetrate the Transcaucasus communications market.	Regional Traceca
11240	TRANSPORT	Networks	INTER-GOVENMENTAL JOINT COMMITTEE FOR IMPLEMENTATION OF BASIC	janv-01	janv-02	0 EUR	To increase the competitiveness of Traceca corridor d by improvement of the co-operation among Traceca states. To achieve the proper functioning of National Commissions in each partner state. To co-ordinate of Traceca projects between beneficiaries, Permanent Secretariat ,	Regional Traceca

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
			AGREEMENT				International Financial Institutions and local partners.	
n. a.	TRANSPORT	Networks	SUPPORT TO THE INTERGOVERNMENTAL COMMISSION (IGC) FOR THE IMPLEMENTATION OF THE TRACECA BASIC MULTI LATERAL AGREEMENT (MLA)	févr-01	févr-02	0 EUR	The ICG administers and promotes the MLA and its Technical Annexes, but also increasingly serves as a regional consultative body for trade and transport issues.	Regional Traceca
n. a.	TRANSPORT	Networks	TRACECA COORDINATION TEAM	nov-01	nov-03	0 EUR	To promote TRACECA as a mean of increasing trade and cooperation in and through the region and integrating the member countries into the international economic structure.	Regional Traceca
11234	TRANSPORT	Networks	COMMON LEGAL BASIS FOR TRANSIT TRANSPORTATION	nov-02	nov-04	0 EUR	To perceive legal barriers and to remove the same through harmonization of national transit transport legalization by means of enhancing transparency and efficiency, achieving consolidation of completion and free market practices and bringing TRACECA countries closer to relevant EU transport policy.	Regional Traceca
n. a.	TRANSPORT	Networks	TRADE FACILITATION AND INSTITUTION SUPPORT	oct-04	oct-06	0 EUR	To follow-up of the implementation of simplified rules applicable to transport and transit developed within previous TRACECA projects and to provide additional service and systems that will assist the current freight transport users and enhance the marketing capabilities of the TRACECA corridor, including link roads connecting with other corridors, notably Russia.	Regional Traceca

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
<b>TRANSPORT Total</b>						<b>10.564.611 EUR</b>		
1139	EDUCATION	Various	RESTRUCTURING OF TEACHING MEDICAL SCIENCES - I	janv-96	janv-97	49.955 EUR	To reform administration and management. To introduce new curricula and didactic methods as well as reform processes of examination and grading. To renew and update existing library and didactic methods as well as reform processes of examination and grading, To renew and update existing library and information recourses. To retain and prepare new generations of teaching staff.	Small Project
11206	EDUCATION	Various	JOINT DEVELOPEMENT OF UNIVERSITY MANAGEMENT & ADMINISTRATION	mars-96	mars-97	48.800 EUR	To increase the planning and management capacity of the Yerevan State University (YSU). To analyse the structure of the management organisation of the Yerevan State University (YSU) to design working procedure in order to adapt and improve this structure to the increasing changes and technologies that the universities in Armenia are facing, to train specialized staff in the weaker management areas of the partner state university.	Small Project
1137	EDUCATION	Various	INTERPRETATION & TRANSLATION TEACHING DEVELOPMENT	mai-96	mai-97	47.450 EUR	To provide Armenian colleagues with up-to date teaching techniques and methodology in the field of foreign languages based on the active exchange of teaching staff and mobility between partner countries. To analyze need and possibilities regarding the aim of implementing new teaching technique and methodology in the field of foreign languages and translation.	Small Project
1136	EDUCATION	Various	CIVIL ENGINEERING DEGREE COURSE I	juin-96	juin-97	47.610 EUR	To provide more general courses to undergraduate level followed by specialization, where appropriate at postgraduate level. To study possibilities for deviating from traditional narrow specialized field of education towards wider general educational standards. To fit the curricula to the needs of the market. To retain professionals in correspondence with the needs of developing industry.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1170	EDUCATION	Various	PROVISION OF LANGUAGE TRAINING	juin-96	juin-98	65.221 EUR	The increase of the level of foreign language knowledge within the civil services of the partner countries, notably in the sectors of international relations, technical assistance and cooperation.	Regional Interstate
11207	EDUCATION	Various	A FEASIBILITY STUDY TO DEVELOP THE CIVIL ENGINEERING DEGREE COURSE AT THE INSTITUTE OF ARCHITECTURE & CONSTRUCTION	sept-96	sept-97	47.610 EUR	To provide more general courses at undergraduate level followed by specialization, at post graduate level. To study possibilities for deviating from traditional narrow specialized field of education towards wider general education standards. To fit curricula to the current needs of the market. To retain professionals in correspondence with the needs of developing industry.	Small Project
1133	EDUCATION	Various	DEVELOPMENT OF SOCIAL WORK II	sept-96	sept-99	673.950 EUR	To develop a new free standing BA diploma in social works and social policy administration awarded by Yerevan State University (YSU). To create a system of study through distance learning principles linking regional study centers to YSU. To establish a Center of Further Education at YSU and link it with two regional study centers at the Institutes of Higher Education in Gyumri and Vanadzor.	Small Project
11208	EDUCATION	Various	RECONSTRUCTION DE LA GESTION UNIVERSITAIRE DE L' UNIVERSITE DE MEDCINE D'EREVAN	sept-96	mars-98	64.410 EUR	To develop bases for the future cooperation within the frames of European Community Project, To renovate and reform the administrative structure of Medical University, To modernize the administrative methods of the university, To reshape the administrative apparatus from traditional centralized into flexible management service.	Small Project
11203	EDUCATION	Various	ARMBUILD	mars-97	févr-00	420.000 EUR	To enable the partner institution to meet in a sustainable manner the educational training of the construction engineering sector in the RA, by adding the establishment of an excellence within partner institution in order to provide a focus for development and dissemination of technical policy and education. To restructure curricula, To develop new teaching materials, To retrain senior	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
							and junior teaching staff, To revise system of evaluation of academic content of courses	
1134	EDUCATION	Various	RESTRUCTURING OF TEACHING MEDICAL SCIENCES - II	avr-97	avr-00	232.000 EUR	The overall objective of the project is to modernize management of the Medical University of Yerevan. To reform administration and management traditions, To introduce new curricula and didactic methods as well as reform processes of examination and grading. To renew and update existing library and information resources. To retrain and prepare new generations of teaching staff.	Small Project
1300	EDUCATION	Various	ESTABLISHMENT OF AN ACCOUNTANCY TRAINING CENTRE	déc-97	juin-99	999.976 EUR	Increase the number of Armenian accountants able to perform accounting and auditing practices complying with International Accounting Standards (IAS) and International Standards of Auditing through training courses designed and delivered locally. Establish an Accountancy Center, develop the curriculum and train trainers.	Tacis national
1140	EDUCATION	Various	CIVIL ENGINEERING DEGREE COURSE II	janv-98	janv-01	515.730 EUR	To enable the partner institution to meet in sustainable manner the educational and training needs of the construction engineering sector in RA.	Small Project
11202	EDUCATION	Various	UNIVERSITY - INDUSTRY LIAISON CENTER WITH REGIONAL OUTREACHES	sept-98	sept-00	196.472 EUR	To strengthen the interaction between the University and business/industry sectors in Armenia coherent with the State Engineering University (SEU ) strategic plan for effective operation in a new and changing economic environment. To create a University - Industry Liaison Center with regional outreaches located at the SEU regional campuses.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1141	EDUCATION	Various	FINANCE & INTERNATIONAL BANKING - I	sept-98	sept-00	199.435 EUR	To reform the system of higher education in the field of economics in the RA. To update curricula of Yerevan Institute of National Economics (YINE) financial-accounting faculty, particularly in the field of " Finances and Credit" and " Accounting and Audit" academic programmes. To match offered academic programmes to the requirements of market economy. To offer training to the teaching staff. To obtain new academic materials. To reorganise library database and enrich library selection of materials and translations.	Small Project
1309	EDUCATION	Various	VOCATIONAL EDUCATION & TRAINING (VET) NATIONAL OBSERVATORY	oct-98	janv-04	12.500 EUR	Assist the National Observatories (the Partner organizations) by transferring know-how through a twinning programme.	Regional
1143	EDUCATION	Various	UNIVERSITY-INDUSTRY LIAISON CENTRE	avr-99	avr-01	198.140 EUR	The project, in charge of establishing the University-Industry Liaison Center (UILC) meets numerous needs of the recipient organization, while the latter is supporting the project very well. The project helped to develop a number of services, for students, and for cooperation companies.	Small Project
1144	EDUCATION	Various	FINANCE & INTERNATIONAL BANKING - II	juin-99	juin-01	200.000 EUR	The purpose of the compact project is to review the curricula of the participating Yerevan State University so as to refine and restructure step by step its overall content in the subject area of finance and international banking. To upgrade the existing center of Consulting Service at the Yerevan State University, in order to enable the Yerevan branch of the university to offer consulting to the regional economic sectors. To improve the teaching quality through training frameworks developed for teachers and students.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
11205	EDUCATION	Various	SPECIALISATION IN SUSTAINABLE ENERGY ECONOMICS & MANAGEMENT IN THE STATE ENGINEERING UNIVERSITY	sept-99	sept-01	185.096 EUR	To create within the State Engineering University (SEU) a branch for specialisation in sustainable energy economics and management for the needs of Armenian energy producing, distributing and transporting enterprises, organisations, companies and agencies. To create a specialised branch for the specialisation in sustainable energy economics and management at the SEU. To organise training of graduates and retraining of specialists currently employed in energy relating business.	Small Project
1142	EDUCATION	Various	SPECIALIZATION IN ECONOMICS OF AIR TRANSPORTATION	oct-99	oct-01	196.271 EUR	To establish a sector of air transport economics within the already existing department of transport of State Engineering University (SEU). To develop curricula for the specialisation in air transport economics to start on new generation of specialists in this field that will be based on international experience and potential of the SEU. To provide the sector with all needed didactic and technical material.	Small Project
1350	EDUCATION	Various	ARMENIAN DISTANCE LEARNING NETWORK	mars-01	mars-03	247.690 EUR	To improve knowledge and skills of community-based staff working in health and welfare through the establishment of a network of organizations at a national and regional level delivering high quality and accessible distance learning. To evaluate, upgrade and extend range of distance learning materials on social work and social policy, introducing audiovisual elements and locally generated case study materials. To explore possibilities of new technologies for delivery of distance learning.	Small Project
1349	EDUCATION	Various	ECONOMIC EDUCATION REFORM AT THE AGRICULTURAL UNIVERSITY	mars-01	mars-03	286.870 EUR	The overall objective is to promote reforms in the higher education system of the Republic of Armenia, to support the adjustments of educational needs to the changed economic and social conditions. To improve B.Sc. and MSc programs in agricultural economics at the	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
							Armenian Agricultural Academy by adjusting economic curricula, training of younger scientific staff members and modernization of teaching equipment.	
1348	EDUCATION	Various	ESTABLISHING A STUDENT CAREER SERVICE CENTER	mars-01	mars-03	225.440 EUR	The overall objective is to improve interface between the university and labour market coherent to the changes of economic environment. To assist career selection and career development goals of the Sate Engineering University (SEU), To support job search process of the SEU graduates. To help potential employers of the SEU find appropriate candidates for their job vacancies.	Small Project
11244	EDUCATION	Various	DEVELOPMENT OF OCCUPATIONAL THERAPY IN ARMENIA & GEORGIA (FACILITATE PARTICIPATION OF THE DISABLED IN ARMENIA & GEORGIA)	sept-03	sept-06	247.851 EUR	Establish a network of co-operating universities and practical centers to provide Occupational Therapy (OT) education. Analyse and revise the relevant products of former projects. Implement modules in OT in a flexible BA/MA structure.	Small Project
11243	EDUCATION	Various	ESTABLISHMENT OF NATIONAL CENTERES OF EXCELLENCE IN BIOMEDICAL & VETERINARY EDUCATION	sept-03	sept-05	82.333 EUR	To develop and restructure higher education in biomedical and veterinary sciences in Armenia and Azerbaijan compatible with the European system based on the experience acquired in Georgia.	Small Project

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
11245	EDUCATION	Various	INTRODUCTION OF ENVIRONMENTAL STUDIES IN SOUTH CAUCASUS REGION	sept-03	sept-05	89.895 EUR	Introduction of environmental studies in agricultural curricula in the South Caucasus region, establishment of universities network for dissemination of knowledge and concern of environmental problems.	Small Project
11255	EDUCATION	Various	SUPPORT TO THE DEVELOPMENT OF A STRATEGIC & LEGAL FRAMEWORK FOR VET REFORM IMPLEMENTATION	nov-03	mai-04	199.000 EUR	To put in place a comprehensive strategic setting for the reform of the Armenian VET system and to provide the legal framework for the effective development and implementation of Tacis project "Support to the Reform of Armenian VET system".	Tacis national
1380	EDUCATION	Various	SUPPORT TO THE DEVELOPMENT OF AN INTEGRATED VET SYSTEM	janv-04	juil-06	2.500.000 EUR	The proposed project has the main objective to support the development of the VET (Vocational Education & Training) component of this programme. Support to the design and implementation of VET law. Support to the implementation of VET reform. (Action programme 2002-2003).	Tacis national

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
<b>EDUCATION Total</b>						<b>8.279.705 EUR</b>		
1336	OTHER SOCIAL SECTORS	Employment	ASSISTANCE TO EMPLOYMENT POLICY I	févr-00	août-01	1.000.000 EUR	Strengthen the Government's institutional capacity to address the social implications of the transition to a market oriented economy. The project envisages the establishment of an effective and motivated government administration capable of providing relevant services in the field of labour and employment.	Tacis national
11222	OTHER SOCIAL SECTORS	Employment	ASSISTANCE TO EMPLOYMENT POLICY II	févr-02	juil-02	232.730 EUR	To support the future labour market development, two other subjects are important and requested from the employment services: Consolidation of production schools for training of unemployed which are based on the cooperation with enterprise schools. Consolidation of job and career counselling system.	Tacis national
1268	OTHER SOCIAL SECTORS	Health	LIEN: MOUGHNI HEALTH TRAINING	août-97	août-99	272.000 EUR	1) Ensuring better social integration of deprived, or marginalised sections of the population, or minority groups. 2) Development of sustainable social and health programmes where existing infrastructures and services are weak in order to help disadvantaged target groups (the elderly, the handicapped, etc.).	Small Project
1291	OTHER SOCIAL SECTORS	Health	REFORM OF HEALTH SYSTEM - 2	oct-97	déc-98	1.000.000 EUR	Assist the Ministry of Health of Armenia in the implementation of health care system reform by improving the planning and management institutional capacity.	Tacis national
1332	OTHER SOCIAL SECTORS	Health	N.G.O.'s IN MENTAL HEALTH	déc-99	déc-01	148.008 EUR	1) Development of NGO sector and strengthening of individual NGOs, 2) Impact on legislation and policy making, 3) More accessible community based services.	Small Project
1292	OTHER SOCIAL SECTORS	Social Security	DECENTRALISATION OF SOCIAL SECURITY SYSTEM	nov-98	nov-99	1.000.000 EUR	Support the implementation of the social security reform under the current effort decentralisation of the system, after the introduction of a new territorial administration.	Tacis national

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1310	OTHER SOCIAL SECTORS	Social Security	SOCIAL INSURANCE IDENTIFICATION NUMBER SYSTEM	janv-99	juin-99	115.000 EUR	1. To develop the principles and mechanisms of introduction of social insurance identification numbering system, regarding to the MSS concept on social insurance and its strategy on pension reforms (individual account). 2. To improve the efficiency of the management of the social security with a system of listing and control.	Small Project
1319	OTHER SOCIAL SECTORS	Social Security	CLEANING OF DRINKING WATER IN GYUMRI HOSPITALS	déc-99	déc-01	95.839 EUR	1) Distribution of the donation collected by the mother organization in France. 2) Material and moral support to the population, in particular to those having suffered during the 1998 Earthquake, to orphans and refugees. 3) Creation of cultural and spiritual ties between Armenia and France.	Small Project
<b>OTHER SOCIAL SECTORS Total</b>						<b>3.863.577 EUR</b>		
1277	ENVIRONMENT	Various	COMMON ENVIRONMENTAL POLICIES	déc-96	déc-98	333.333 EUR	a) Provide the recipient countries with the capacity to address effectively the serious environmental problems which they face. b) Improve the process of project identification and preparation for future investment . c) Facilitate the development of common or coordinated regional responses to environmental problems, particularly those of transboundary nature.	Regional environment (JEP)
1276	ENVIRONMENT	Various	ENVIRONMENTAL AWARENESS & MEDIA	déc-96	juin-98	241.414 EUR	The objectives are defined as follows a) to raise awareness of solutions to environmental problems, b) to build the capacity of selected groups in tackling environmental problems, the target groups for the programme, the general public, media workers, NGOs, legislators.	Regional environment (JEP)
1281	ENVIRONMENT	Various	ENVIRONMENTAL AUDITING	mars-97	août-98	127.499 EUR	a) teach the skills of environmental auditing b) introduce the general skills needed for environmental auditing and identification of appropriate low-cost improvement measures in industrial sectors c) build upon existing local technical skills in specific areas d) training seminar on environmental auditing.	Regional environment (JEP)

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1287	ENVIRONMENT	Various	ENVIRONMENT / DISSEMINATION SEMINARS	oct-97	oct-98	13.308 EUR	Assist the NIS to develop effective capacity to address the serious environmental problems, disseminate information in relation to methods and techniques for cleaner production methods.	Regional environment (JEP)
1298	ENVIRONMENT	Various	DORBIS + 3 FOR THE TACIS COUNTRIES	oct-97	août-98	16.220 EUR	a) Assistance in the phase of review of data, in particular by Dorbis +3 working contracts for Central and Eastern European countries, b) assistance in analysing recent reports. c) enabling the attendance of NIS experts in preparatory meetings of the Dorbis +3.	Regional Interstate
1299	ENVIRONMENT	Various	WIDENING OF THE ENVIRONMENTAL ACTION PLAN TO THE NIS & MONGOLIA	déc-97	déc-99	732.000 EUR	a) Integration of environmental considerations into the process of economic reconstruction to ensure sustainable development, b) Development of institutional capacity in the NIS, c) Immediate programmes to bring relief to regions where human health or natural ecosystems are severely jeopardized by environmental hazards.	Regional Interstate
1304	ENVIRONMENT	Various	LONG-TERM CO-OPERATION OF TACIS COUNTRIES WITH THE EUROPEAN ENVIRONMENTAL AGENCY	avr-98	avr-99	14.996 EUR	Help the NIS develop common or coordinated responses to environmental problems by strengthening and harmonising their capacities regarding data provision.	Regional Interstate
1307	ENVIRONMENT	Various	PARTICIPATION OF PARLIAMENTARIANS IN ENVIRONMENT CONFERENCES	mai-98	août-98	18.167 EUR	To inform and train parliamentarians about the implications of, and opportunities from the huge resources available in global financial markets and economic/ financial instruments for effecting environmental change.	Small Project
1308	ENVIRONMENT	Various	NEW REGIONAL ENVIRONMENTAL CENTRES	juil-98	sept-99	339.994 EUR	Only contract available, hence nowhere to take project details information from.	Regional environment (JEP)

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1327	ENVIRONMENT	Various	JOINT ENVIRONMENTAL PROGRAMME (JEP)	févr-00	févr-03	401.474 EUR	JEP supports the NIS and Mongolia in the further implementation of their National Environment Action Plans (NEAP). 1) To use Tacis assistance to leverage IFI finance into the region (at a ratio 1:15). 2) To facilitate close collaboration, initially between the World Bank (and possibly with other IFIs) and Tacis in the identification and preparation of investment projects for World Bank and other financing. 3) To carry out pre-feasibility and feasibility studies on suitable projects. 4) To transfer know how in project development and pre-feasibility studies to the region.	Regional environment (JEP)
n. a.	ENVIRONMENT	Various	SUPPORT FOR THE IMPLEMENTATION OF ENVIRONMENTAL POLICIES AND NATIONAL ENVIRONMENTAL ACTION PROGRAMMES	juil-01	mars-03	0 EUR	Help the NIS achieve environmental goals.	Regional Interstate
1375	ENVIRONMENT	Various	JOINT RIVER MANAGEMENT PROGRAMME	janv-02	janv-04	0 EUR	To support the prevention, control and reduction of adverse transboundary pollution impact caused by the quality of the Kura, Tobol, Seversy Donets and Pripyat.	Regional Interstate
11254	ENVIRONMENT	Various	STRENGTHENING ENVIRONMENTAL INFORMATION AND OBSERVATION CAPACITY IN NIS	avr-02	nov-03	125.000 EUR	The long-term objective of the present project, up to and beyond the Kiev conference, is to help integrate Eastern European Caucasus and Central Asia (EECCA) environmental information and management systems into the main stream of European practice and thus help countries in creating sound conditions for economic transition.	Regional

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
11215	ENVIRONMENT	Various	ENVIRONMENTAL INFORMATION EDUCATION & PUBLIC AWARENESS	sept-02	mars-05	416.667 EUR	The project aims at improving the quality of environmental decisions by incorporating public interests. It will provide assistance to public officials, NGOs, the media and the public to continue the implementation of the Aarhus Convention. The Aarhus Convention guarantees the right of access to information , public participation and access to justice in regard to environmental decision making and is part of legislation in each country.	Regional Interstate
n. a.	ENVIRONMENT	Various	GRANT TO THE REGIONAL ENVIRONMENT CENTRE FOR THE CAUCASUS	déc-02	déc-03	0 EUR	The long-term objective of this project is to help integrate NIS environmental information and management systems into the main stream of European practice and thus help countries in creation sound conditions for economic transition.	Regional Interstate
11229	ENVIRONMENT	Various	REFORM OF THE THECHNICAL LEGISLATION SYSTEM TO IMPLEMENTATION OF TECHNICAL REGULATIONS & VOLUNTARY STANDARDS	sept-03	juin-04	200.000 EUR	To reform the standardization system in the Republic of Armenia and to assist the transition to the practice of development of legislative acts on safety of products, works and services in the areas of human health and environmental protection based on the technical regulations used in the EU.	TACIS: IBPP
11260	ENVIRONMENT	Various	DEVELOPMENT OF INTEGRATED SOLID WASTE MANAGEMENT PLANTS IN ARARAT & VAYOTZ DZOR	janv-04	janv-05	150.000 EUR	Development of master plans for solid waste management in Ararat and Vayotz Dzor Marzes.	TACIS: Policy advice
<b>ENVIRONMENT Total</b>						<b>3.130.072 EUR</b>		
1278	AGRICULTURE	Banking	AGRICULTURAL CO-OPERATION BANK OF ARMENIA (ACBA - STRENGTHENING)	juil-97	juil-99	1.000.000 EUR	To promote professional farming in Armenia. To increase ACBA operational efficiency and to develop its capacities in terms of geographical coverage and product range to serve the higher portion of the rural population.	Tacis national

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
1178	AGRICULTURE	others	REGIONAL AGRICULTURAL REFORM PROJECT II	mars-96	mai-98	1.233.333 EUR	1) Address immediate food needs, 2) Encourage supply response and increase local production in food grains, 3) Promote the development of agricultural sector.	Regional Interstate
1264	AGRICULTURE	others	DEVELOPMENT OF AN INDEPENDENT AGRICULTURAL TRADE UNION	août-96	avr-98	149.666 EUR	Formation de 18 a 20 Agriculteurs Armeniens qui deviendront des leaders de structures agricoles regroupées en associations syndicales.	Small Project
1318	AGRICULTURE	others	IMPROVING AGRICULTURE & FOOD TRADE AMONG THE NIS	juil-99	juil-01	116.667 EUR	To provide assistance in the three main areas covered by the Agreement on Agriculture (domestic support, export subsidies and market access) to those CIS transition economies to meet WTO membership criteria.	Regional Interstate
11230	AGRICULTURE	others	PILOT PROJECT OF INTEGRATED LAND ADMINISTRATION	mai-03	mai-04	200.000 EUR	To establish efficient coordination for land privatization, formation of legislative field for the sector's regulation and title registration procedures and ensure effective cooperation among all participants in the land management sphere.	TACIS: IBPP
<b>AGRICULTURE Total</b>						<b>2.699.666 EUR</b>		
1274	CIVIL SOCIETY	Democracy	CIVILIAN CONFIDENCE BUILDING MEASURES	nov-96	sept-97	66.667 EUR	The project will contribute to conflict prevention and conflict resolution in the region. It will complement what is being done at a state level by the OSCE, the UN and others.	Regional Democracy
1273	CIVIL SOCIETY	Democracy	DEVELOPMENT OF YOUNG MEN'S CHRISTIAN ASSOCIATION NATIONAL MOVEMENT	janv-97	nov-97	107.624 EUR	A cross cultural sharing framework where fundamental issues like identity, independence, conflict resolution, ecumenism, democracy are dealt with.	Small Project
1180	CIVIL SOCIETY	Democracy	DEMOCRACY: BOTTOM - UP	juil-97	déc-97	15.087 EUR	Contribute to the creation of a human rights ethos in the countries concerned whereby the general public is made aware that the rule of law and what it implies. Organization of a Conference " European Initiative for Democracy" Brussels, Autumn 1997.	Regional Democracy

Project Number	AREA SUPPORTED	Sub AREA	Project Name	Start Date	End Date	Budget	Summary	Programme/ instrument
n. a.	CIVIL SOCIETY	Democracy	REHABILITATION OF THE VICTIMS OF TOTALITARISM AND CIVIL WARS IN THE NIS	janv-00	sept-03	0 EUR	To contribute to the eradication of torture and the successful rehabilitation of all torture survivors in the NIS.	EIDHR
n. a.	CIVIL SOCIETY	Democracy	SETTING UP OF A TRADE UNION RIGHTS MONITORING NETWORK AND BUILDING COOPERATION BETWEEN TRADE UNION ORGANISATIONS IN CEEC AND NIS	déc-00	déc-03	0 EUR	To promote the respect of trade union rights and the rule of law in the region by developing the public's understanding and knowledge of basic trade union rights.	EIDHR
n. a.	CIVIL SOCIETY	Democracy	THE SOUTH CAUCASUS NETWORK FOR CIVIL ACCORD	janv-01	janv-03	0 EUR	To promote the respect of trade union rights and the rule of law in the region by developing the public's understanding and knowledge of basic trade union rights.	EIDHR
n. a.	CIVIL SOCIETY	Democracy	EIDHR MICRO PROJECTS PROGRAMME	janv-04	janv-05	500.000 EUR	To respond rapidly to requests from Armenian NGOs that are designed to promote and protect human rights and democratisation as well as initiatives aimed at conflict prevention and resolution.	EIDHR
1187	CIVIL SOCIETY	Information, media and communication	TRANSCAUCASIAN MEDIA PROJECT	févr-96	févr-97	83.333 EUR	The project is geared to support the mass media, to support the mass media, to help them interact with the media in other European countries and in the process of doing so to monitor the media and to study its impact on the situation.	Regional Democracy
1186	CIVIL SOCIETY	Information, media and communication	MEDIA MONITORING & ASSISTANCE UNIT, CIS	févr-96	mars-99	66.102 EUR	Serve as a useful channel of communication between the EU and the media professionals in the CIS and within the CIS. Support media professionals in the CIS in getting acquainted with the guidelines, regulation, legislation and ethical norms regarding democratic and pluralistic media.	Regional Interstate

## **Annex 4 – The Commission’s intervention logic in Armenia**

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### **From a demand-driven cooperation to a cooperation based on a policy dialogue**

Until 2000 the identification process of EC interventions in Armenia heavily relied on the National Coordinating Unit, a government institution within the Ministry of Finance but financially supported by the European Commission. The NCU proposed to the EC a list of projects prepared through consultations with the various government agencies in need of technical assistance. Indicative Programmes were designed on the basis of this list, taking into account the priorities identified by the Armenian side, the concentration areas of the Tacis programme as stated in the Tacis Regulations, the comparative advantage of EC cooperation and the resources allocated within the overall Tacis budget to the cooperation with Armenia. The role of the Coordinating Unit in this identification process was the most important since the European Commission was not directly represented in Armenia, this country being under the responsibility of the EC Delegation in Georgia.

Important changes took place from 2000.

First, the Partnership and Cooperation Agreement signed between the European Union and Armenia entered into force in July 1999. This induced a change in the nature of the cooperation between the EC and its partners in Tacis countries from a demand-driven cooperation to a cooperation based on a policy dialogue.

Second, in December 1999, the EC opened a representation office in Yerevan, thus allowing for a much closer relation between the EC staff and the Armenian government. Since 2003, this office is headed by a senior civil servant of the European Commission. In September 2004, it was given the status of an EC Delegation, but remains under the responsibility of the Head of the EC Delegation in Tbilisi.

Finally, the EC cooperation with Armenia was given a strategic background through the elaboration and adoption in November 2001 of a Country Strategy Paper 2002-2006.

The decision of the European Council in June 2004 to include Armenia into the European Neighbourhood Policy<sup>1</sup>, should further strengthen the policy dimension of the EC cooperation with this country.

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<sup>1</sup> Press release of the 2590th Council Meeting, General Affairs and External Relations, Luxembourg 14 June 2004.

## **The intervention logic proposed by the Country Strategy Paper 2002-2006**

On the 27 December 2001, as requested by the Tacis Regulation, the European Commission adopted a Country Strategy Paper defining the strategic framework within which the EC cooperation with Armenia will develop over the period 2002-2006.

This document underlines that “based on the Partnership and Cooperation Agreement, the EU’s cooperation objectives are to build a relationship with Armenia in which the respect of democratic principles, the rule of law and human rights, as well as the consolidation of a market economy are fostered and supported”.

It defines Armenia as a developing country and consequently, in line with the Statement of the Commission and the Council of November 2000 on the European Community’s Development Policy, it makes poverty reduction the primary focus of the Commission’s development assistance to Armenia.

Based on these principles, the Country Strategy Paper states:

“The EU/EC will:

- Continue to work on the implementation of the PCA, with a focus on the approximation of legislation and reforms;
- Contribute to creating the conditions for poverty reduction and sustainable economic growth, raising deteriorating social standards and improving the living conditions over the longer term”.

These principles are reflected in the Indicative Programme for 2002/2003 through:

- On the one hand the continuation of AEPLAC, a project started in 2000 with a view to assist the Armenian government in the adjustment of its institutional and legal framework; as far as needed AEPLAC can be complemented by specific interventions financed from the Tacis Policy Advice Programme;
- On the other hand, a support to the improvement of vocational training and higher education.

The 2004/2006 Indicative Programme enlarges the scope of EC interventions in support to the adjustment of the institutional and legal framework to an assistance to the reform of the energy policy and to a support to local self-governance and the development of regions.

The Country Strategy Paper deals with all EC interventions in Armenia, whatever the financing instrument on which they rely, and stresses the need for a close coordination between these various instruments. But the National Indicative Programme is restricted to those interventions that are financed from the National Tacis programme except for the technical assistance provided to the Ministry of Agriculture and the Ministry of Labour and Social Affairs under financing of the Food Security Programme. Other instruments such as Macro-financial assistance, Nuclear Safety, Traceca, Inogate, or EIDHR are not included in the National Indicative Programme, although financial allocations to these instruments exceed those of the national programme.

When interventions financed from other budget lines than the National Programme are included in the picture, the current intervention logic of the EC does not very much differ from the one that prevailed during the previous period. There are however two significant differences between these two periods:

- The current intervention logic inserts the objectives of transition to a market economy and a democratic society within the overall goals of the EC cooperation policy: poverty reduction, sustainable economic development, integration into the world economy. Indeed the transition to a market economy, if successful, should lead to a sustainable economic development and an integration into the world economy, while making possible an alleviation of poverty. The transition to a democratic society should in its turn favour a fair distribution of the national income, thus contributing to poverty alleviation;
- Activities in support of private sector development have been withdrawn from the current agenda of the EC cooperation.

In spite of these differences, it is possible to represent in one single graph the intervention logic of EC interventions over the period 1996-2004. Graph 4 is such a representation of the EC strategy.

At the input level, one will find 9 of the 11 clusters of activities previously defined. The cluster relative to emergency aid has been left aside to the extent where ECHO interventions do not primarily aim at inducing long term effects but to cope with situations of humanitarian emergency arising from wars, civil unrest or natural disasters. We also left aside the interventions in support of environment policies; all have a regional character and would therefore be more convincingly presented within a regional logframe.

The nine clusters deliver specific outputs, which are expected to induce outcomes. These outcomes are themselves relatively specific to each activity cluster. But they complement each other in the achievement of the two Tacis objectives:

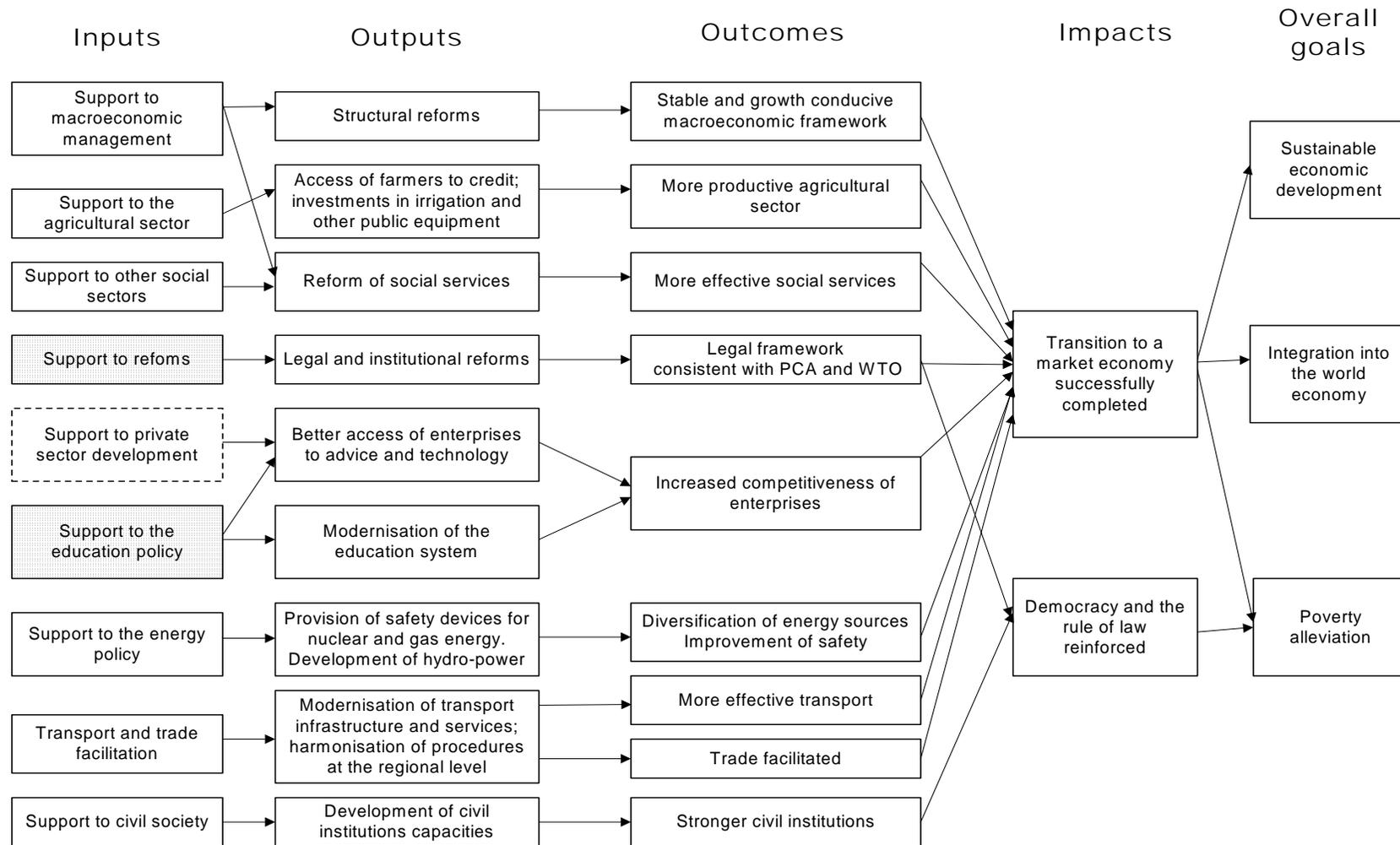
- transition to a market economy,
- transition to a democratic society.

Finally, achieving these objectives should allow to meet the overall goals of the EC cooperation policy:

- sustainable economic development,
- integration into the world economy,
- alleviation of poverty.

In the input column boxes in grey correspond to those activities that are financed from the Tacis National Programme; the box in dotted lines identify an activity (support to the development of the private sector), which is discontinued in the current Indicative Programme; other boxes correspond to activities financed from the Regional Programme, from the Food Security programme and from the macro-financial assistance programme.

**Graph - EC intervention logic in Armenia 1996-2006**



## Annex 5 – Background information to Evaluation Questions 2 to 7

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**Question 2: To what extent did Commission interventions contribute to the development of the private sector and the integration of the Armenian economy into the world economy?**

### 1. Sectoral background

The contribution of the private sector to GDP in 2003 was estimated at 74 per cent. This share is growing steadily thanks to the privatisation of remaining state-owned enterprises and still more to the dynamism of the SME sector. Over the three year period 2001-2002 more than 20,000 new SMEs have been registered.

According to the National Statistical Service there are currently around 110,000 SMEs in Armenia. But experts' opinion suggests that only 40-45 per cent of registered enterprises are in regular operation, with 30-35 per cent operating only periodically or below full capacity, and the remaining 25 per cent either not at all or waiting launch of operations. Indeed, although the dynamism of the Armenian SME sector is beyond question, there exist no reliable statistics on SMEs or on related employment figures. Many enterprises remain informal or report only a proportion of their activity and labour force.

The legal and regulatory framework for private enterprises is rather favourable. With an Economic Freedom Index of 2.58<sup>1</sup> and a 42<sup>nd</sup> position in the Heritage Foundation's 2004 survey of business conditions in 155 countries, Armenia fares much better than neighbouring countries<sup>2</sup> and compares well to some EU countries<sup>3</sup>. Armenia's index and ranking have improved year after year since 1996, when the country ranked 104<sup>th</sup> with an index of 3.69.

The problems that exist relate to enforcement of this legal environment as illustrated by corporate taxation. Entrepreneurs complain that taxation is arbitrary and in practice negotiated with the tax administration rather than settled on the basis of their accounts. The tax administration rejoins that enterprises' books do not reflect actual economic performance. Indeed independent observers confirm that most enterprises do not report genuine results and employment figures.

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<sup>1</sup> The Economic Freedom Index ranges between 1 (Best possible mark) and 5. Countries with an index included in the 2.00 to 2.99 range are considered as « mostly free ».

<sup>2</sup> Georgia (100th, Index 3.34), Azerbaijan (103rd, 3.38), Turkey (113th, 3.46), Russia (124th, 3.56).

<sup>3</sup> The Heritage Foundation survey ranks France 44th with an index of 2.63.

Unreliable reporting of enterprises' results induces banks to be extremely cautious when providing credit and to request solid guarantees from their debtors. This situation might also have a role in the high level of interest rates; they currently stand at 16 per cent for short term credits, at a time when the inflation rate, which accelerated to 8.4 per cent in 2003, has since slowed down again to less than 5 per cent.

Corruption and lack of independence of the judiciary are other serious hindrances to the development of enterprises.

Armenia joined WTO in 2003. There remain no significant legal restrictions to foreign trade and capital flows. But a major problem in relation to trade and international economic relations is the blockade of Armenian borders by Azerbaijan and Turkey.

## **2. Government policy**

The development of SMEs is a key component of the GoA's poverty reduction strategy. The first priority listed in the PRSP is to ensure sustainable high economic growth. The document states that "major directions related to the poverty reduction aspects of economic growth policies will be enhancement of self-employment and the promotion of small businesses".

Indeed, a SME Development Policy and Strategy, prepared with the support of a TACIS small project, was adopted in 2000 prior to the release of the PRSP. This document underlines that SME development focuses on social and political as well as economic objectives. It is seen as the main instrument for supporting economic growth, creating work places and enhancing the living standards of the population. But SME development is also instrumental in the formation of a middleclass in society, and hence to social and political stability. The strategy document analyses the various hindrances to the development of SMEs (lack of fiscal incentives; unavailability of credit; small size of the domestic market; bureaucracy and corruption; underdevelopment of business information and consulting systems; weaknesses of the vocational education and training system; etc.) and lists concrete measures for their removal.

The SME Development Strategy led to the creation of a National Centre for Small and Medium Entrepreneurship Development (SME DNC) supervised by a Board of Trustees of 13 members, of which eight represent the business community. The SME DNC has currently 3 regional branches and plans to extend its coverage to all regions in 2005. It is the implementation instrument for SME State Support Programmes adopted annually by the government<sup>4</sup>. The DNC provides credit guarantees; delivers training courses and business information; assists enterprises in implementation of norms and standards and of ISO quality systems; subsidises high technology investments and enterprises participation in international commercial fairs; is involved in the creation of business incubators and techno-parks; and coordinates foreign donor interventions in support of private sector development.

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<sup>4</sup> The Budget of SME State Support Programme in 2005 is AMD 300 million (approximately EUR 500,000).

At sector level, the GoA places special focus on Information Technologies. This sector was strongly developed in Armenia in the time of the former Soviet Union. Furthermore software may be exported through the international telecommunication network, an important advantage for a country with closed borders.

### **3. Commission Interventions**

Until recently the European Commission has provided direct support for development of the private sector in Armenia. From 1996 to 2003 37 projects with a total budget of EUR 15.7 million targeted this objective. Among these projects the largest, financed from the TACIS National Programme, aimed at establishment of business support units. In the initial period this objective was associated with restructuring of state-owned enterprises in preparation for their privatisation. Later the objective moved to the creation of a business advice sector to assist SMEs in their development. Frequently these interventions combined a relatively large project with a budget in the range of EUR 750,000-1.5 million, with much smaller projects financed from the small project budget lines of the National Programme.

The Country Strategy Paper 2002-2006 removed Private Sector Development from the priorities of the Commission's cooperation with Armenia. This decision aimed at preventing a scattering of Commission resources over too large a number of sectors as required by the TACIS regulation 2000/06. The Commission may also have considered that its intervention in support of Private Sector Development was at risk of duplicating those of other donors active in this sector, notably USAID, UNDP, GTZ and DFID.

In spite of this decision one larger project in direct support of SME development was implemented in 2002/04. This project, which had been identified prior to the adoption of the CSP, was carried out in cooperation with the EBRD-affiliated Turn Around Management Group.

Finally a EUR 1.8 million project in support of the development of the IT sector was included in the 2002-2003 TACIS Action Programme. Its implementation started in January 2004. The main focus of this project is on development of training capacities. It is therefore considered as interfacing with the education sector. But it is fully consistent with the emphasis put by the GoA's industrial policy on the IT sector.

Besides these activities directly aimed at promoting development of the private sector, the Commission has since 1998 been continuously supporting the endeavours of the GoA to establish an institutional and legal framework conducive to the development of enterprises and to the integration of Armenia into world trade. Indeed, the 2002-2006 CSP for Armenia identifies institutional, legal and administrative reforms as one of the two concentration sectors for the Commission's cooperation with Armenia.

In practice this activity began in 1998 with a project in support of Armenia's accession to WTO. From 1999 it was continued through the Armenian-European Policy and Legal Advice Centre (AEPLAC). The objective of this institution is to carry out analyses and to provide advice to the Armenian government on key strategic issues affecting the country's

transition to a market economy. The contract for running AEPLAC has already been renewed twice since the establishment of the Centre<sup>5</sup>. The end-date of the current contract (AEPLAC III) is July 2005, but a tender for a new term for the project is in preparation.

**Question 3: To what extent did Commission interventions contribute to the development of the agricultural sector?**

**1. Sectoral background**

In the earlier years following independence, in a context of economic collapse, Armenia's agricultural sector played the role of a social safety net. An egalitarian land reform measure distributed land previously cultivated by collective farms to former agricultural workers, laid-off industrial workers and refugees from the Karabakh conflict. Some 335,000 family-owned farms replaced less than thousand large collective farms, thus providing means of subsistence to hundreds of thousands of people. Employment in the agricultural sector increased nearly two-fold.

But this dramatic structural change of the sector also created serious difficulties for its development. Most of the new farmers lacked the technical and managerial knowledge needed to manage a farm successfully. The available machinery, designed for the needs of large farms, was unusable on small plots. No system existed to collect, process and market agricultural products delivered in small quantities by hundreds of thousands of farms, nor to supply them with credit, improved seeds, fertilisers, or animal feed stuffs. Agricultural production shifted towards self-subsistence with cereals and potato production developing at the expense of fruit, vegetables, wine and animal products, which provide higher output per hectare and which in Soviet times were exported to other republics of the Union.

Since the mid-1990s agricultural production has restarted growing relatively rapidly<sup>6</sup>. But the situation of farmers has hardly improved, notably because of unfavourable developments in the prices of agricultural products. In any case, with an average area of 1.4 ha of arable land, farms are too small to ensure an adequate income to their owners unless they specialise in highly intensive irrigated crops. Marketing and processing capacities as well as distribution of inputs remain poorly developed. Furthermore in rural areas there are few opportunities for complementing farm incomes with revenues from hired work. The PRSP progress report notes that, whereas the percentage of the population below the poverty line has dropped between 1999 and 2003 from 58.3 per cent to 39.7 per cent in urban areas, progress has been much slower in rural areas where the percentage of the poor declined over the same period from 50.8 per cent to 47.5 per cent<sup>7</sup>.

<sup>5</sup> But with a new contractor from AEPAC III in 2003.

<sup>6</sup> According to the National Statistical Service agricultural output grew by 4.6 per cent a year in volume terms between 1998 and 2003.

<sup>7</sup> Another reason for this result is that the eligibility criteria of the Poverty Family Benefit scheme exclude farmers who are assumed to make their living through the exploitation of their farm.

With more than one-third of the population living in rural areas, and one-fourth of the labour force employed on family farms<sup>8</sup>, development of rural areas and of the agricultural sector is key to the alleviation of poverty.

## 2. Government policy

In a sub-chapter devoted to rural poverty reduction, the PRSP states that “the growth of agricultural production will continue to be the main factor for the reduction of rural poverty”. Agricultural output is projected to grow from 2003 to 2015 at an average annual rate of 2.2 per cent with the marketed share of agricultural production increasing over this period from 40 per cent to 75 per cent. The PRSP, while pointing out that enlargement of farms is one of the main preconditions for enhancing productivity, does not forecast a reduction in agricultural employment but on the contrary an increase by about 0.2 per cent a year. This probably reflects a worry of the GoA that rural migration takes place before other sectors of the economy are able to absorb additional labour freed from the agricultural sector. Measures expected to contribute to agricultural and rural development include more effective use of water for irrigation, development of credit, introduction of effective mechanisms for the operation of the land market and land collateral, establishment of a land insurance system, renovation and extension of the rural road network, and development of non-farm employment in rural areas.

In 2004 the Ministry of Agriculture issued an Agricultural Sustainable Development Strategy. The objectives of the strategy are:

- “Increase of agricultural gross production and production profitability;
- Efficient use of producing capacities: land, water, labour, research and technical resources;
- Improved food safety;
- Rural poverty reduction and prevention of rural migration, increase of non-agricultural activities in rural areas;
- Improvement of agricultural infrastructure, enhancement of production share of produce ensuring high profitability;
- Integration to international agricultural process.”

A key merit of this strategy document is that it has been developed and is owned by the MoA<sup>9</sup>. But it also has serious weaknesses. It does not provide a convincing analysis of the measures and activities that should or could be undertaken to achieve the objectives of the strategy, nor does it differentiate the role and responsibilities of the various stakeholders involved in the development of the agricultural and rural sector. It may be noted in this respect that, whereas the Law on Local Self-Government endows local governments with the responsibility for the provision of most infrastructure services (water supply; sewerage;

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<sup>8</sup> In 2003, rural population stands at 1,150.5 thousand, that is 35.8 per cent of a total population of 3,212.2 thousand. The total labour force is estimated at 2,008.4 thousand, of which 503,5 thousand are active on peasant farms. (Source: NSS).

<sup>9</sup> The Ministry of Agriculture did not take ownership of a previous agricultural development strategy prepared in 2002 with the assistance of the FAO.

irrigation; construction, maintenance and operation of roads and bridges), these have not been underpinned by adequate financial resources to fulfil their mandate, nor are the local capacities adequate. Whereas the main challenge is to move from self-subsistence to market-oriented agriculture, the expected results of the MoA strategy are expressed, in the old manner, in terms of yields and physical outputs by product. However the document mentions that the strategy will be regularly monitored and periodically revised, thus keeping the door open to improvements.

### 3. Commission Interventions

During the period covered by the evaluation, the Commission supported the development of the agricultural sector through two main interventions:

- Four projects implemented from 1992 to 1999 with an aggregated budget of EUR 2.1 million funded by the TACIS National Programme led to the establishment and development of the Agriculture Credit Bank of Armenia (ACBA);
- Since 1996, the EC Food Security Programme (FSP) has provided financial support to the Ministry of Agriculture and to the State Committee for Real Estate Cadastre (SCC), together with technical assistance to the MoA. From 1996 to 2004 EUR 21.8 million, have been allocated to the MoA<sup>10</sup> and EUR 19.1 million to the SCC.

FSP contributions are decided on an annual basis<sup>11</sup>. Release of funds is contingent on fulfilment by the GoA of a relatively large number of conditions listed in a Memorandum of Understanding. These conditionalities are negotiated between the GoA and the Commission<sup>12</sup>. They relate to institutional reforms, public expenditure management, and measures specific to the sectors (Agriculture, Cadastre, Social Affairs) supported by the programme. Prior to disbursement of funds, mid-term and final reviews financed from the technical assistance component of the programme check for fulfilment of conditionalities.

In addition to the two main interventions mentioned above, a TACIS small project contributed to the development of an agricultural economics curriculum at Agricultural University level and another one to the implementation of a pilot project of integrated land administration at the SCC. TACIS projects in support of regional administrations in the Lori, Ararat and Vayots Dzor provinces may contribute to agricultural and rural development to the extent that they enhance the capacity of regional administrations to design and implement infrastructure development plans and deliver public services more effectively.

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<sup>10</sup> This figure excludes technical assistance.

<sup>11</sup> However the FSP currently under preparation should cover the two-year period 2005-2006 (budget years 2006 and 2007).

<sup>12</sup> In practice, the main negotiators on the Commission side are the European technical assistants attached to the Ministry of Finance and Economy and to the Ministry of Agriculture.

**Question 4: To what extent did Commission interventions contribute to the development of an education system that meets the needs of Armenia's transition process to a market economy and a democratic society**

## **1. Sectoral background**

In Soviet times Armenia was one of the most educated republics of the former Soviet Union. But the education sector severely suffered from the economic and social crisis of the 1990s.

In 2003, there were 1,439 public general education schools operating in Armenia. They employed 46,000 teachers and were attended by 498,500 students. Due to a declining birth rate and to emigration, the overall number of school-aged children is continuously decreasing.

Secondary education is currently compulsory up to the 9<sup>th</sup> grade<sup>13</sup> and free of charge. Although slightly declining, education enrolment has remained high: 97 per cent in basic education<sup>14</sup>; 61 per cent in upper secondary education; and 38 per cent in higher education in 1999/00. Income-related inequalities in the access to education hardly exist in primary education and the first grades of secondary education, but become significant in upper secondary education: average gross enrolment rates in the age group 15-17 vary from 0.80 to 0.63 from the highest consumption quintile to the lowest. In spite of state support to students belonging to poor families, discrepancies in the access to higher education are still more pronounced with enrolment gross rates at 18-25 varying from 0.24 to 0.11 in relation with the family consumption quintile<sup>15</sup>.

Preliminary vocational education (craftsmanship) is provided to about 2,700 students in 26 upper secondary vocational schools and 12 middle professional colleges. Duration of this training varies from one to three years depending on the previous education level of the students. As for middle level vocational education, it is provided in 85 public vocational colleges and schools and 23 private vocational training institutions to students who have received a complete secondary education. 29,500 students attend middle level vocational education in public institutions and 1,800 in private institutions.

Higher and post-graduate professional education is provided to 59,500 students in 16 state universities and to about 22,500 students in 73 private universities of which 34 are accredited<sup>16</sup>.

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<sup>13</sup> The GoA plans to extend compulsory education to 12 years.

<sup>14</sup> This statistic is however contradicted by a UNDP survey (EPEAS), which suggests a decline of the enrolment rate from 96.5 per cent in 1996 to 92.9 per cent in 2001. Uncertainties on population figures negatively impact on the estimation of enrolment rates.

<sup>15</sup> Source: World Bank, Public Expenditure Review, 2003.

<sup>16</sup> All figures on the number of education institutions and students were provided by the National Statistical Service, except figures for universities, which were provided by the National Tempus office in Armenia.

The education sector suffered during the 1990s from chronic under-spending with public expenditures for the sector as low as 2.0 per cent of GDP at the end of the 1990s as compared to 4.7 per cent on average in OECD countries<sup>17</sup>, although Armenia, which has a relatively young population, has to spend more than most developed countries to ensure the same level of educational achievements. This lack of resources, further aggravated by a low level of execution of the budget, resulted in very low salaries paid to teachers, deferred maintenance of schools and equipment, and virtually no allocations for improving the quality of education services through teacher training, libraries and other learning resources. The distribution of resources between the various levels of education is similar to what it is in OECD countries with two-thirds of the budget going to primary and secondary education and 16 per cent to higher education in 2002<sup>18</sup>.

The education system is also characterised by a low level of efficiency of public expenditures with a students/teacher ratio in general education of 11.2 in 2002 and a teacher average annual working load of 612 instructional hours, both figures being significantly below the OECD average.

## 2. Government policy

The PRSP states that “ensuring quality education and enhancing its accessibility in the medium and long run are among the most important factors for economic growth, as well as poverty and inequality alleviation. Further development of the sector is perceived as the first priority for economic progress”.

The document further states that “increasing public financing of the education sector and improving the general situation will be considered a priority for the entire programme period”. Over the 2004-2015 period education expenditures should increase by an average of 13.5 per cent per annum in nominal terms, with expenditure growth rates above this average during the first five years. By 2015 public expenditures in the education sector should reach 4.0 per cent of GDP.

In the first years of the programme, increases in public spending on education will mainly be channelled to the general education sector. From 2009, priority will be given to professional education (middle level vocational education and higher education).

Indeed since the beginning of the years 2000 public expenditures in the education sector have started to increase as a percentage of GDP. The MTEF 2005-2007 plans a continuation of this trend with a growth rate of public expenditures in the sector growing by 14.2 percent a year in nominal terms from 45.7 billion AMD in 2004 to 68.1 billion in 2007 and bringing the ratio of public education expenditures to GDP to 2.9 per cent. General education will be the main beneficiary of this effort with expenditures in this sub-sector increasing by 15.7 per cent a year.

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<sup>17</sup> Source: Government of Armenia, Poverty Reduction Strategy Paper, 2003.

<sup>18</sup> Source: World Bank Public Expenditure Review, 2003. The complement to 100 per cent reflects expenditures for the overall MES administration, pre-schools and extra-curricular schools.

At the same time the government is implementing with the support of a 10-year World Bank project rationalisation measures intended to enhance the efficiency of public expenditures in the sector. The students/teacher ratio should be raised to 16 in 2008, the teachers' workload will be increased, the average number of pupils per class will also be increased, and schools will be merged if necessary. A new curriculum for general education has been adopted in 2004. Teachers are trained in aligning their teaching to this new curriculum and using active and skill-based methods of teaching. Improved efficiency of the education system leaves room in the budget for raising teachers' salaries.

These rationalisation measures are accompanied by an extensive reform of the legal framework governing education. In 1999 a new law on education was adopted, and complemented in 2000 by a decree defining standards for general education. A strategy for the development of vocational education and training designed with support of the European Commission has been adopted in 2004 and a law on vocational education is currently undergoing an approval process. A strategy for the development of higher education is being developed.

Management of the education sector has also undergone deep changes. In particular schools have been given the ability to manage their own budget based on per pupil funding. Universities are autonomous by law.

Armenia has signed the Bologna Declaration of 1999 and all subsequent documents.

The GoA considers favourably the development of private providers in secondary and high education. There is in the MES an Agency for Licensing and Accreditation, which provides licences to private secondary schools and VET colleges, while licensing and accrediting private universities.

### **3. Commission interventions**

Until recently Commission interventions in the education sector were concentrated on higher education. With the exception of one large project funded from the National Programme that aimed at establishing an accountancy training centre, these interventions consisted of small projects most of them in the framework of the Tempus programme, which started its activities in Armenia in 1995. Altogether 24 Tempus projects involving ten universities have been implemented during the period 1996-2004 for a total budget of EUR 4.6 million. In addition mobility grants were provided to Armenian academics to help them work on specified activities in other countries. It can be noted that private accredited universities and their academic staff are eligible to Tempus support as are public universities.

Since 2003, the Commission, while continuing to support higher education, has extended the field of its activities to vocational education. In 2003/04, a EUR 200,000 project assisted the GoA in the design of a strategic and legal framework for a reform of vocational education and training. This project created the conditions for the implementation from January 2004 of a EUR 2.5 million project in support of the VET reform.

Altogether between 1996 and 2004 the Commission devoted EUR 8.3 million to the education sector.

**Question 5: To what extent did Commission interventions contribute to meeting Armenia's energy needs with a reliable, sustainable and safe energy supply system?**

## 1. Sectoral background

In the context of economic collapse that followed the independence of Armenia, electricity production fell from 16,000 GWh in 1989 to 5,673 GWh in 1994. Since that date, in spite of a sustained recovery in the Armenian economy, it has stagnated at around this level.

In 2004, electricity generation reached 5,821 GWh. The Medzamor nuclear power plant supplied 41.0 per cent of this production<sup>19</sup>, hydro-electricity plants 31.2 per cent and gas fuelled thermal units 27.8 per cent.

Armenia is trading electricity with Iran, exporting during the summer season and importing during the winter season. The balance of these exchanges is slightly positive in favour of Armenia. Armenia is also exporting electricity to Georgia. The poor condition of the Georgian grid is a major factor limiting these exports. Altogether net exports accounted for 12.8 per cent of electricity production in 2004.

**Electricity production and trade (in GWh)**

	2002	2003	2004
Sevan Cascade	0.382	0.503	0.527
Vorotan Cascade	1.132	1.322	1.286
Hrazdan TPP	1.305	1.312	1.396
Yerevan TPP	0.289	0.217	0.223
Medzamor ANPP	2.247	1.997	2.389
<b>Total Generation</b>	<b>5.355</b>	<b>5.351</b>	<b>5.821</b>
Import from Iran	0.257	0.251	0.213
Export to Iran	- 0.379	- 0.289	- 0.464
Export to Georgia	- 0.210	- 0.220	- 0.497
<b>Total Consumption (including losses)</b>	<b>5.023</b>	<b>5.093</b>	<b>5.073</b>

*Source: Ministry of Energy*

Households are the main consumers of electricity (36.0 per cent of total consumption) ahead of industry (23.0 per cent). Irrigation (6.5 per cent of total consumption) and transport (4.3 per cent) are other significant consumer.

<sup>19</sup> The share of the NPP in total electricity generation reflects to some extent a policy choice of the GoA, which considers the NPP as the cheapest source of electricity. As demonstrated by a Commission-funded study by CarlBro, a reduction of technical and commercial losses and a more adequate maintenance of thermal power plants would make possible a significant reduction of Armenia's reliance on nuclear electricity.

In contrast with electricity consumption, sales of gas grew from 791 million cubic meters in 1994 to 1,221 million m<sup>3</sup> in 2004. The power sector remains the first consumer of gas with a total consumption of 537 million m<sup>3</sup> in 2004. But the main drivers of gas demand are the industrial and residential sectors (respectively 275 million m<sup>3</sup> and 223 million m<sup>3</sup> in 2004). The government favours decentralised gas heating following the collapse of most urban heat distribution systems. In most towns gas should be distributed at the gate by end-2007, earlier than planned.

## 2. Government policy

The organisation of the Armenian energy sector has undergone substantial changes over the last few years.

In the framework of a debt-equity swap agreed upon in 2003 to settle the issue of an old debt of Armenia to Russia for the supply of nuclear fuel, the financial operations of the Medzamor NPP were entrusted to the Russian company RAO-UES<sup>20</sup>, while the property of the Hrazdan thermal production units was transferred to the Russian government and their operations entrusted to RAO-UES. In a subsequent deal for the provision of fresh nuclear fuel, ownership of the Sevan cascade hydropower units was transferred to RAO-UES.

Other changes in the organisation of the sector included the privatisation of electricity distribution and its transfer to a company 100 per cent owned by Midland Resources<sup>21</sup>; gas supply, transport and distribution is controlled by ArmRusGasprom, a joint stock company whose shareholders are Gasprom (45%), the Armenian government (45%) and Itera (10%).

The Armenian government is currently looking for partners to develop the country's electricity production capacity:

- The construction of a 700 mm pipeline for the import of Iranian gas is about to begin soon. Completion of this project is planned for 2007 and would initially allow Armenia to import 0.5 million m<sup>3</sup> of gas a year. However Iranian gas should be paid for through the supply of electricity;
- Discussions are also taking place with the Iranian government for the construction of a 140 MW hydropower plant on the Arax river at the border between the two countries, and the renovation of the Armenian network north of Karajan;
- On the 29 March 2005, Armenia secured a USD 150 million loan from the Government of Japan to build a 200 MW modern gas-fuelled Thermal Power Plant Combined Cycle to replace the aging Yerevan TPP; construction of this new facility would take four years;
- The RAO-UES company has recently expressed interest in completing unit 5 of the Hrazdan TPP, which would add about 440 MW to electricity production capacity;
- Other projects currently circulated among bankers comprise several hydropower plants identified by a EC-funded study and whose total capacity would be about 80 MW.

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<sup>20</sup> RAO-UES is 53 per cent owned by the Russian government.

<sup>21</sup> According to statements by the chairman of RAO-UES in February 2005, Midland Resources has offered to the Russian company to purchase the assets of the Armenian power grid.

As regards the Medzamor Nuclear Power Plant, the Commission, when drafting in November 2003 the Nuclear Safety Indicative Programme 2004-06, considered that “a Memorandum of Understanding including an Armenian commitment for a closure date could be signed in the near future”. However no agreement could be reached during the talks that took place in 2004. The official position of the Armenian government, as expressed in a letter dated 14 October 2004 from the Deputy Minister of Energy to the EU-Armenia Cooperation Council, is as follows:

*“We are ready to shut down the station before the expiration of the design period, if equal and alternative capacities are installed”.*

*“The MNPP could be replaced by two thermal (combine cycle) units with 208 MW capacity each. Since this will mean switching to gas, which is essentially a more expensive fuel than the nuclear, implementation of the thermal scenario will significantly increase electricity tariffs”.*

Indeed, in addition to the development of energy sources alternative to the NPP, the GoA subordinates their commitment to closure of the NPP to financial compensation for the higher cost of electricity supplied by non-nuclear capacities.

In support of their refusal to take any commitment on a closure date of the Medzamor NPP, the GoA presents technical and financial as well as safety-related arguments:

- The NPP delivers a constant base load production impossible to reach with hydropower plants, whose production fluctuates seasonally, and only to a certain extent with thermal units;
- The cost of fuel/KWh at the NPP is one fifth of the cost of fuel/KWh at a TPP<sup>22</sup>;
- Safety improvements have been implemented both before and after restarting of the plant in 1995. The government has decided on a new programme of safety enhancements. A special group of international experts under chairmanship of Mr Birkhofer, a former head of the German Society for Reactors Safety, has been appointed to advise the authorities on safety issues.

At the official ceremony organised in March 2005 for the signature of the agreement with the Japanese Bank for International Cooperation on the financing of the new TPP at Yerevan, the Armenian Minister of Energy declared that “this new facility cannot serve as a substitute for the nuclear plant”<sup>23</sup>.

Armenian experts point out that the NPP has been designed for operating over 30 years<sup>24</sup>. It was connected to the grid in 1980, but did not operate during five years. They therefore consider that its “normal” operating period runs until 2015.

<sup>22</sup> Generation prices of electricity are evaluated by the Public Service Commission at AMD 3.424 per kWh (+ a fixed component of AMD 2,188/KWh/month) for Medzamor against AMD 14 per kWh (+ AMD 396/KWh/month) for the Hrazdan thermal power station and AMD 10.4 per kWh (+ AMD 240.7/KWh/month) for large hydropower stations. But it must be noted that the price of electricity of nuclear origin is calculated without making any provision for decommissioning the NPP.

<sup>23</sup> Quoted from Armenialiberty.org, 29 March 2005.

<sup>24</sup> Furthermore, the Russian Nuclear Regulatory Commission recently extended to 40 years the life-time of this type of reactor (VVER/440/230 but referred to as VVER/440/270 after their safety equipment has been upgraded).

### 3. Commission interventions

The Commission has been extremely active in the Armenian energy sector in which it invested EUR 50.4 million over the period 1996-2003 through the TACIS national and regional (Interstate and INOGATE) programmes and through projects financed from the Nuclear Safety Programme.

The main areas of interventions have been:

- Safety improvements to the Medzamor NPP through the provision of equipment, on-site assistance and training of plant personnel (EUR 27.1 million);
- Design safety (EUR 1.3 million);
- Support to the Armenian Nuclear Regulatory Authority (EUR 3.7 million);
- Rehabilitation of the Vorotan cascade hydro-power plant (EUR 2.6 million);
- Analysis of the energy sector, identification of alternative energy sources, provision of equipment to improve security and safety of gas supply (EUR 19.5 million);
- Capacity building in the government services in charge of the energy sector and establishment of an Energy Strategy Centre (EUR 3.2 million).

All these interventions were implemented with a view to allowing early decommissioning of the Medzamor NPP, which is considered to involve unacceptable safety risks because of its design and also because it is built on a seismic zone.

In addition to these interventions, the Commission proposed allocating a EUR 100 million grant to a multi-donor fund to cover the costs of developing sources of energy alternative to Medzamor and of decommissioning the nuclear power plant<sup>25</sup>. EURATOM would complement the Commission's grant with a EUR 138 million loan to cover the decommissioning costs. Release of the Commission's grant is contingent on a binding commitment of GoA to an early closure date for Medzamor.

**Question 6: To what extent did Commission interventions contribute to alleviating the social consequences of transition, in particular poverty?**

#### 1. Background

The economic crisis, still aggravated by the conflict with Azerbaijan, that followed independence of Armenia, resulted in a widespread impoverishment of the population.

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<sup>25</sup> A provision of EUT 70 million has been made for that purpose in the Nuclear Safety Indicative Programme 2004-06.

In 1996, 54.7 per cent of the population was poor of which more than one quarter very poor<sup>26</sup>, a situation that remained almost unchanged in 1999. But the National Statistical Service's most recent economic survey of household incomes shows that significant improvements have taken place over the last few years: the percentage of Armenians living below the poverty line decreased to 42.9 per cent in 2003, and the percentage of very poor people to 7.4 per cent<sup>27</sup>. This result far exceeds the government's stated objectives in the PRSP. The survey also notes a reduction in the Gini coefficient for total income, which however at 0.434 still indicates a high level of social polarisation<sup>28</sup>.

**Table 1 - Dynamics of the main poverty indicators in Armenia (% of population)**

	1996	1999	2001	2002	2003
Not poor	45.3	44.95	49.1	50.3	57.1
Poor	54.7	55.05	50.9	49.7	42.9
Of which very poor	27.7	22.91	16.0	13.1	7.4

Source: NSS

Besides the increase of incomes induced by economic growth<sup>29</sup>, factors influencing this progress include improvements in targeting social assistance, in particular the Poverty Family Benefit discussed in more detail below. Figures from the NSS survey show that the poor and very poor rely heavily on social transfers from the government (11.8 per cent and 19.7 per cent of total income respectively<sup>30</sup>). It must also be noted that those who are categorised as 'not poor' rely heavily on assistance from relatives abroad (15.1 per cent of total income).

In contrast to the situation that prevailed in 1999, the percentage of poor has become smaller in urban areas (39.7 per cent) than in rural areas (47.5 per cent). There are furthermore wide regional discrepancies in the incidence and depth of poverty: in 2003,

<sup>26</sup> The household survey classifies as 'poor' the sector of the population whose average monthly per capita expenditure is lower than the value that determines minimal living standards, and as "very poor" the sector of the population whose average monthly per capita expenditure is lower than the cost of the minimum consumer basket for food products.

<sup>27</sup> Data from the 2003 Nationwide Sample Survey of Households, funded by the Commission via the EC-Food Security Programme.

<sup>28</sup> The Gini coefficient is a number between zero (complete equality) and one (maximum inequality) that measures the degree of inequality in the distribution of income in a given society. Among the NIS the highest figure is registered in the Russian Federation (0.46 in 1999). Georgia and Azerbaijan also exhibit high Gini coefficients : 0.41 and 0.42 respectively. Less unequal distribution of income is registered in Estonia (0.37), Lithuania (0.34), Latvia (0.32) and Belarus (0.26). Source : World Bank, Making transition work for everyone, 2000.

<sup>29</sup> Over the past five years, per capita monthly incomes rose by approximately 36%, including rises to public sector workers and increases in pensions. Remittances also increased by approximately 24%. Unemployment was reduced to 10.1% although unofficial figures suggest a much higher rate – up to 31.2 per cent according to the Labour Force Survey.

<sup>30</sup> Figures based on the post-transfer situation taken from the 'Social Snapshot' publication based on the NSS. There have been issues raised about the methodology used by the NSS – low sample size, tendency of poor people not to recognise/classify themselves as poor, etc.

72.2 per cent of the population of the Shirak marz (region) were poor while in Yerevan and in the Tavush marz the proportion of poor people is close to 30 per cent.

In contrast to developing countries elsewhere, the poor in Armenia, as in most transition countries, do not suffer from a high level of deprivation across the other dimensions of well-being. The legacy of the Soviet educational and health systems is a relatively well-educated and healthy population. However some issues of non-material poverty (such as access to education and healthcare) are emerging as a consequence of inadequate funding of public services.

Trafficking in women and children is also of concern, with Armenia identified as a source and transit country for women and girls trafficked for sexual exploitation. Trafficking for labour exploitation is also recorded.

## 2. Government policy

Poverty alleviation is an explicit priority of the GoA. The Poverty Reduction Strategy Paper (PRSP), which provides a framework for tackling poverty up to 2015, was developed over a two-year period of extensive consultation and was formally adopted in August 2003. In January 2003 an Action Plan for implementation for the period 2004-2006 was adopted.

The PRSP has two main objectives:

- To reduce the current level of poverty and social inequality, measured in terms of income available to households; the goal is to reduce the number of the poor to 29.1 per cent of the population by 2010 (compared with 50.9 per cent in 2001);
- Reducing human poverty, measured by standards of health, education and access to drinking water. The achievement of these objectives is seen as contingent on increasing the level of public spending on key services and on measures to enhance the efficiency of government structures and the level of public spending.

Central to the GoA's poverty reduction strategy are increased incomes, including increased minimum salaries to correspond to the general poverty line; a progressive increase in the salaries of employees working in the social sector and in public administration in general; a reduction in salary inequalities; and enhancement of pensions and of the efficiency of targeting social benefits and allowances.

As regards social security and social insurance in particular, the Government's strategy can be summarized as follows<sup>31</sup>: increasing the Government's financial capacities, thereby allowing increased expenditures on the social security sector (specifically increasing state budget expenditures on social security and social insurance from 4.8% in 2003 to 5.6% in 2006); improving the legislative frameworks across the sector; and improving the efficiency of the various instruments (Family Benefit, 'Food for Work' etc.), ensuring that the instruments for supporting vulnerable groups (children, orphans, disabled, unemployed etc.) are both efficient and effective.

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<sup>31</sup> Based on the PRSP Action Plan Chapters 4 and 6.

The Armenian social insurance and social protection system currently comprises:

- *Social insurance* that covers unemployment, maternity and sickness benefits as well as several types of pensions, particularly including old-age and disability pensions;
- A range of *social assistance programmes* of which the most significant are the Poverty Family Benefit; a single (lump sum) payment for new-born (funded by the State Social Insurance Fund); childcare allowance for working mothers (for children under two years of age) and public works programmes such as the “Food for Work” programme;
- *Social welfare services* provided to certain categories of the population including social and medical rehabilitation services for veterans and people with disabilities; residential and home care for the elderly; and residential care for children without parental care;
- *Price discounts* for some groups of the population (mainly for WW-II veterans).

In addition a range of humanitarian, charitable and developmental programmes are in place including: humanitarian aid for the poorest families in four marzes and in Yerevan city; free food in charity soup-kitchens; and home care for the elderly and other programmes.

Out of a total budget of AMD 36.5 billion for social insurance and social security in 2004, the Family Benefit scheme was allocated AMD 16.1 million, that is 44.1 per cent of the budget<sup>32</sup>.

The Family Benefit system, which was put in place in 1999, recognises the household as the basic unit for targeting state assistance<sup>33</sup>. Eligibility for benefit for registered families<sup>34</sup> is assessed through a proxy means test derived from the so-called Paros system used in the 1990s for allocating humanitarian assistance. It takes into account a number of factors (family members’ ability to work; type of housing; location; ownership of production means; car ownership; total family income; and others). The information is collected and verified by a Specialist from the Social Services Centres and includes home visits. Data is maintained in the databases of the Regional Centres.

Up to 2001 the amount of benefit was calculated using a base benefit (AMD 3,500), plus an additional AMD 1,300 per family member. In 2002, in a situation of reduced resources allocated to the programme, a new approach was used which involved increases in both the base benefit (to AMD 4,000) and in the amount per family member (to AMD 1,500), the additional amount however being paid only for children. Two negative results occurred: approximately 20,000 families were excluded from the system and the average amount of Family Benefit dropped from AMD 7,400 (EUR 13.3) to 6,495 (EUR 11.6).

The benefit per child was increased in 2003 from AMD 1,500 to 2,000 and once again in 2004 to AMD 3,000 with the additional total amount for all other family members set at 2,500. At the same time the targeting of the system was further tightened. Of the 216,000

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<sup>32</sup> Source : MTEF 2005-2007.

<sup>33</sup> Contrary to the Soviet approach, which involved provision of state privileges to specific categories of persons e.g. elderly, children, people with disabilities.

<sup>34</sup> Registration is left to the initiative of households, but local municipalities are closely involved in outreach and identifying households.

families registered in the system in 2004, around 169,000 families receive either Family Benefits or some form of lump sum assistance.

Social assistance also includes state support to orphanages. There are currently eight state run orphanages and five private orphanages in Armenia, with a range of 'boarding schools' for children who board for part of the week. At the present time there are approximately 1,150 children under full-time care in Armenian orphanages, and approximately 11,000 children living part-time in 52 'boarding schools' under the management of the Ministry of Education and Science, Marz or community. It must be noted that the term 'orphan' includes children with parents whose parental rights have been terminated or who have been forced through economic circumstances to put their children into institutional care.

### 3. Commission interventions

Over the period covered by the evaluation, the Commission supported the endeavours of the Armenian government to address social issues through two main instruments: TACIS technical assistance projects, and financial and technical support provided to the Ministry of Labour and Social Issues (MoLSI)<sup>35</sup> through the Food Security Programme (FSP).

TACIS technical assistance projects targeted:

- The social security system: in 1999 a project supporting decentralisation of the social security system with a budget of EUR 1.0 million and a small project to develop the principles and mechanisms of a social insurance identification numbering system;
- The health sector: in 1997/98 a relatively large project (EUR 1.0 million) preparing a reform of the health sector; and in 1997/99 and 2000/01 two small and more narrowly focused projects (health training, mental health) with a total budget of EUR 0.4 million;
- Employment policy: two projects in 2000 and 2002 for a total budget of EUR 1.2 million.

In the social sector, the FSP has focused on three areas:

- Budget support to the Family Benefit system;
- Targeted budget support and technical assistance to the MoLSI;
- Introduction of sound public finance management principles via the Ministry of Economy and Finance and a direct oversight of the MoLSI budget.

Over the period 1996-2004, the FSP allocated 43.6 per cent of a total budget of EUR 76.5 million<sup>36</sup> to Family Benefits (25.5%, i.e. EUR 19.5 million) and to the MoLSI (18.1%, i.e. EUR 13.8 million).

The FSP also provided budget support for the NSS to carry out the Household Survey, as well as methodological support.

<sup>35</sup> Up to 2003, Ministry of Social Security.

<sup>36</sup> Excluding technical assistance whose budget on the same period amounts to EUR 4.5 million.

In addition to these interventions, TACIS projects in support of regional administrations may have an indirect contribution to the alleviation of social problems to the extent that they help local administrations prioritise public investments and improve the delivery of public services.

**Question 7: To what extent did Commission interventions contribute to strengthening democracy and the rule of law?**

**1. Sectoral background**

On 25 January 2001, Armenia became a member of the Council of Europe, thus committing itself to complying with the obligations placed on all Member States of the Council in respect of implementation of democratic principles, enforcement of the rule of law and respect for human rights. The Monitoring Committee of the Council of Europe closely monitors the progress achieved by Armenia in the development and enforcement of its political and legal framework, and reports to the Parliamentary Assembly, which on this basis issues Resolutions and may decide on sanctions. The Venice Commission, an advisory body of the Council of Europe, examines draft laws prepared by the Armenian government and presents observations to the Armenian government with a view to ensuring that new laws comply with the principles promoted by the Council. During one single year, 2004, the Monitoring Committee carried out three missions in Armenia, in January, April and September, each of them followed by the adoption of a Resolution of the Parliamentary Assembly<sup>37</sup>.

The 1995 Constitution set up in Armenia a system of government organised through a strong executive. Executive power is yielded by the President of the Republic, who appoints and dismisses the Prime Minister and the members of the Government, fills all civil posts, can dissolve the National Assembly, can decline to promulgate a law and can ask the Assembly to reconsider its decision. A revision of the Constitution is currently under preparation and should be put to the citizens in a referendum in June 2005 at the latest<sup>38</sup>. Observers consider it unlikely that the new Constitution will embody substantial changes in the distribution of powers.

Matters for concern highlighted by the Council of Europe's monitoring reports notably include the following<sup>39</sup>:

- Lack of independence of the judiciary. The Head of State “appoints and dismisses the State Prosecutor and the other prosecutors, the members and the presiding judge of the Constitutional Court and judges at every level of jurisdiction, and authorises any

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<sup>37</sup> Resolutions n° 1361, 1374 and 1405 (2004).

<sup>38</sup> A previous draft of a revised Constitution submitted to a referendum in 2003 did not attain the percentage of votes necessary to be adopted.

<sup>39</sup> Sentences between brackets are taken from the Monitoring Reports presented at the Council of Europe in 2004.

judicial or administrative proceedings that may be brought against them”. Furthermore NGOs suspect judges to be frequently corrupted.

- Lack of maturity of the political class. This applies to the ruling majority and to the opposition as well. “Too many politicians behave like oligarchs whose first concern is the defence of their (chiefly financial) interests”.
- Elections falling short of international standards. This was true of the Presidential election and of the Parliamentary elections, both held in 2003, which were marred by biased media coverage during the election campaign, irregularities in the lists of voters, acts of intimidation and disruption of polling, substantial manipulations and frauds on polling day, and falsification of the result protocols and of the counts. The Council of Europe reports note that malpractices were observed on both the ruling coalition and opposition sides.
- Limited autonomy of local authorities. “The Law of Local Self-Government enacted in 2002 is far from consistent with the recommendations of the Council of Europe”. In particular, the government may dismiss elected mayors on request of the government-appointed regional governor. The mayor of Yerevan, a city which includes close to 40 per cent of the total Armenian population, is appointed by the Head of State.
- Absence of pluralism of electronic media and potential restrictions on freedom of expression. In April 2002, one year before the Presidential and Parliamentary elections, the broadcasting licence of one of the main television channels was withdrawn. Since then, all bids presented by the TV company in the successive tenders for broadcasting frequencies were turned down. The situation is more favourable in the press sector. There are many newspapers in Armenia, some being severely critical of the ruling coalition. Article 318 of the Criminal Code is a threat to freedom of expression since it prescribes a penalty of up to two years in prison for insulting a representative of the ruling authority in the mass media, in a publication or in a speech.
- Corruption. “Even though Armenia can suffer comparison with its neighbours, the issue remains serious”. The 2004 classification of “Transparency International” concerning corruption places Armenia 82<sup>nd</sup> among 145 countries<sup>40</sup> with an index of 3.1 on a scale where 10 is the best possible mark.

Besides these shortcomings, the Council of Europe’s reports also highlight positive developments:

- Armenia is a party to 30 Council of Europe conventions and “has satisfied almost all of its commitments in this regard”.
- A Law on the civil service has been adopted, which organises rigorous procedures for the recruitment and evaluation of civil servants, and protects the latter against the possible consequences of changes at the political level.
- A bill on the Human Rights Defender (Ombudsman) was adopted in October 2003 and took effect on 1 January 2004. This law is along the lines recommended by the Council of Europe Parliamentary Assembly although, as a transitional arrangement until the new Constitution is adopted, the Head of State rather than the National Assembly appoints the Ombudsman.
- Protocol N° 6 to the European Convention on Human Rights abolishing the death penalty has been ratified.

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<sup>40</sup> Turkey ranks 77<sup>th</sup> (index 3.2), Russia 90<sup>th</sup> (2.8), Georgia 133<sup>rd</sup> (2.0) and Azerbaijan 140<sup>th</sup> (1.9).

- A Law on alternative military service has been adopted.
- Responsibility for prisons has been transferred from the police, which has a reputation for ill-treatment of detainees, to the judiciary power.
- Armenia adhered to the Group of Countries to Fight Corruption (GRECO) established within the framework of the Council of Europe. In June 2004, the President issued a decree establishing a Council to Fight Corruption, chaired by the Prime Minister. This council supervises the activities of a monitoring committee set up to implement anti-corruption strategy. Civil society is represented in this body<sup>41</sup>.
- A Law on the organisation of gatherings, meetings, rallies and demonstrations came into force in May 2004. Although the Venice Commission recommended modifications to this Law, it provides as it stands the first-ever legal basis in Armenia for holding demonstrations.

## 2. Commission Interventions

The Partnership and Cooperation Agreement between Armenia and the European Union states (article 5): “the political dialogue shall foresee that the Parties endeavour to cooperate on matters pertaining to the strengthening of stability and security in Europe, the observance of the principles of democracy and the respect and promotion of human rights (...) and shall hold consultations, if necessary, on relevant matters”.

Title VII of the PCA on “cooperation in matters relating to democracy and human rights” provides that “the Parties shall cooperate on all questions relevant to the establishment or reinforcement of democratic institutions”. It indicates that “cooperation shall take the form of technical assistance programmes intended to assist, *inter alia*, in the drafting of relevant legislation and regulations; the implementation of such legislation; the functioning of the judiciary; the role of the State in questions of justice; and the operation of the electoral system”.

The Commission supported democratic progress through large projects financed from the TACIS national programme:

- A capacity building project at the National Assembly (EUR 1.0 million);
- Regional development projects in the Lori Marz (Province), then in the Ararat and Vayots Dzor Marzes (EUR 2.8 million).

through a handful of small projects implemented by NGOs for a total budget of EUR 1.0 million including the 2003/04 EIDHR programme with a budget of EUR 500,000; and through co-financing of activities carried out in Armenia and at the regional level by the Council of Europe.

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<sup>41</sup> It must however be noted that, according to opinion polls, the population does not give credence to this institution to tackle seriously the issue of corruption.

## Annex 6 – List of people met

Person	Institution	Position
Garik ADAMYAN	Armenian National Coordinating Unit	Director
Tigran AGHABEKYAN	EBRD Business Advisory Services Programme (former EU BAS Programme)	National Programme Director
Ruben AGHGASHYAN	State Engineering University of Armenia	Vice Rector
Natalya ARTSRUNI	Armenian Development Agency	Investment Promotion Director
Tigran ARZUMANYAN	National Academy of Sciences of Armenia	Chief Expert, Foreign Relations Department
Aram AVAGYAN	Support to the Development of Integrated VET System Project	Project Director
David AVAKIAN	Delegation of the European Commission to Georgia and Armenia, Branch Office in Yerevan	Task Manager
Alexander AVANESSOV	United Nations Development Programme	Deputy Resident Representative
David AVETISSIAN	Ministry of Finance and Economy	Deputy Minister
Andranik AVETISYAN	Yerevan State Humanitarian and Technical College	Director
Ara AVETISYAN	Ministry of Education and Science	Deputy Minister
Samvel AVETISYAN	Ministry of Agriculture	First Deputy Minister
Hovhannes AZIZYAN	Poverty Reduction Strategy Paper (PRSP) Secretariat, MFE/GTZ	Local Coordinator
Aleksander BAGHDASARYAN	German Technical Cooperation	Local Coordinator
Laura BAGHDASARYAN	Investigating Journalists of Armenia / Research Center “Region”	Director
Filaret BERIKYAN	Ministry of Labour and Social Issues, Armenia	Deputy Minister
Tsoghik BEZHANYAN	Ministry of Labour and Social Issues, ‘Employment Service’	Head of Job Counselling and Information Dpt
Thomas BLACK	Support to the Development of Integrated VET System Project	Team Leader
Virginia BLANCO MON	European Commission, EuropeAid Cooperation Office, A4	Coordinator social affairs
Pierre BORGOLTZ	European Commission, RELEX E3	Principal Administrator
Nara CHIRKINYAN	Training and Development Co .Ltd	Business trainer OD Consultant
Andrew CORNWELL	Open university Consultant	Consultant on Tempus project follow up
Stathis DALAMANGAS	European Commission, EuropeAid Cooperation Office	Principal Administrator

Person	Institution	Position
Arman DARBINYAN	UNICEF, Armenia	Child Protection Officer
Tigran DAVTYAN	Ministry of Trade and Economic Development	Deputy Minister
Stephano DI CARA	European Commission, RELEX	Principal Administrator
Sebastien DUBOST	European Commission, Food Security Programme	Technical Assistant
Eva ERICSSON	Lund University-Sweden	Project coordinator-Tempus project
Torben HOLTZE	Delegation of the European Commission to Georgia and Armenia	Head of Delegation
Areg GALSTYAN	Ministry of Energy	Deputy Minister
Nerses GEVORGHYAN	Ministry of Education and Science	Head of the Foreign Languages Department
Arsen GHAZARYAN	Union of Industrials & Businessmen (Entrepreneurs) of Armenia	Chairman
Stepan GHISHYAN	Agriculture Cooperative Bank of Armenia	General Director
Simon GHONAKHCHYAN	Prime-Minister Office	Head of Economic Department
Tigran GNUNI	Institute of Energy	Deputy Director
Lise GRANDE	United Nations Development Programme	Resident Representative
Armen GRIGORYAN	United Nations Development Programme, De-mining Project	Project Manager
Irina GRIGORYAN	EC-Food Security Programme in Armenia	Local Expert
Nikolay GRIGOYAN	Public Services regulatory Commission	Vice Chairman
Dr. Hrayr GYONJYAN	Technical Assistance to National Coordinating Unit, Armenia	Local Expert
Yiannis HADZIYIANNAKIS	EC-Food Security Programme in Armenia	Team Leader
Ludmila HARUTYUNYAN	Yerevan State University, Department of Social Sciences	Dean of Department Director of the Center for regional Integration and Conflict resolution
Sona HARUTYUNYAN	Agency "Employment Service of Armenia", Ministry of Labour and Social Affairs	Head of Agency
Robert HYNDERICK	European Commission, EuropeAid Cooperation Office, F5	Administrator
Samvel HOVAKIMYAN	Chamber of Commerce and Industry of Armenia	Executive Director
Gohar HOVNIKYAN	National Coordinating Unit, Ministry of Economy and Finance, Armenia	Director
Ara HOVSEPYAN	UK Department for International Development	Head of Section

Person	Institution	Position
Hovhannes IGITYAN	European Union Chamber of Commerce in Armenia	Executive Director
Avetik ISHKHANYAN	Helsinki Committee of Armenia	Chairman
Helen ISPIRYAN	EC-Food Security Programme in Armenia	Expert – Social Sector
Tigran JRBASHYAN	AEPLAC	National Director
Dr. Manfred KAISER	Armenian National Coordinating Unit	Team Leader
Lana KARLOVA	TEMPUS Tacis Programme in Armenia	Coordinator
Massoud KEYAN	PA consulting	Head of office
Victoria KESHISHYAN	Ministry of Energy	External Relations
Alexander KOCHARIAN	Ministry of Energy	Head of the Department of Renewable Energies
Haik KOTANIAN	National Assembly of the Republic of Armenia	General Secretary
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Tigran XXX	Centre for Strategic Studies	Director



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## Annex 8 – Remarks on the evaluation report (1st draft) and ADE’s comments and actions

	REMARKS RECEIVED	ADE’S COMMENTS AND ACTIONS
	<b>RELEX</b>	
1	<p>Concerning Staff in Yerevan/Tbilisi and references to quality and ability for having a policy dialogue (e.g. page 77,86, 91):</p> <p>Here I can first join our office in Yerevan, asking what exactly the consultants mean when they state that the status and the capacity of the Yerevan Office remain below requirements. They should please elaborate. The explanation given during the last meeting was not really satisfying. On the Contrary, I hear from the Head of Delegation in Tbilisi that continuous dialogue with the government in Armenia works actually very well, there are no difficulties for any staff member to talk and exchange views with counterparts in the government frequently/even daily and the Head of Delegation himself also comes quite often to Yerevan for talks with the government. It would therefore be interesting to know how the consultants came to the conclusion that a policy dialogue is not assured, who perhaps complained about this, to what time period it refers and why they obviously did not ask the views of the delegation concerning this. I hear from the Head of Delegation that the consultants never talked to him in person, which I think is rather strange. In my view it would be “a must” for any evaluation exercise to meet and talk to the Head of Delegation in the relevant country, especially in order to check allegations and critical points.</p>	<p>The evaluation team leader met Mr Holze on 14 September 2004. During this talk Mr Holze made clear that since a Commission Branch Office had been opened in Yerevan in December 1999, follow-up of the Commission’s activities in Armenia has been entrusted to this office. Staff of the Delegation confirmed that no document relative to the Commission’s activities in Armenia could be retrieved in Tbilisi for the files are either in Yerevan or have been stored in archives without being labelled.</p> <p>The issue raised by the remark refers to a sentence of the report (p.75) which reads: “staff members of the EC Branch Office have neither the sectoral qualifications, nor the status necessary for the conduct of a dialogue with the Government on global or sectoral policy issues.”</p> <p>The report also points out that “for about one year the EC office in Yerevan has been headed by a senior Commission official. Previously it had been managed by staff members recruited under time-bound contracts”. It further adds that “in addition to the acting Head, the EC Branch office employs a small team of five task managers, of which two are European expatriates”. We could have added that the second expatriate has been appointed to the office very recently, in January 2005.</p>

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
		<p>As pointed out by a member of the Reference Group, office staff members have been recruited mainly because of their linguistic qualifications. None of them has the sectoral qualification that would be required to conduct an in-depth policy dialogue with the Government on sectoral policy issues. Furthermore Armenian nationals recruited by the Commission on time-bound contracts may not be in a position to conduct on behalf of the Commission a sometimes tough policy dialogue with “their” government.</p> <p>We nevertheless cancelled the litigious sentences.</p>
2	<p>The time period in general:</p> <p>As already stated under 1) it is often unclear to which time period exactly the consultants refer in their draft report. They should please clarify this whenever necessary and possible in order to avoid giving wrong pictures or leaving room for misinterpretations. I would think, that this is especially useful when the consultants describe shortcomings and express critics in the report. I think it would contribute to more clarity if they could state please which time period is concerned and express whether improvements or changes took place until now or what are already known plans for the future. (I think this is extremely important to give the right picture and it is therefore necessary to look also beyond the period 1996-2002 which is agreed in the ToR for this exercise.)</p>	<p>Consultants consider that this remark is not well grounded. Commission interventions commented in the report are precisely dated. Whenever developments have taken place, which impacted on Commission interventions (e.g. EQ 6; EQ 10) this has been noted. See also item 18 below.</p> <p>Evaluators took into consideration all Commission interventions up to the end of 2004. Whenever this is relevant, reference is made in the recommendations to the projects included in the 2004/05 Action Programme.</p>

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
	<p>Shortcomings and critical points mentioned in the draft report:</p> <p>As also already mentioned in our last meeting, reading through the report it doesn't become always very clear whom the consultants would like to blame for described shortcomings and failures (GoA, Commission, others ???...). It would help very much if they could make clear statements, whom they consider to be the responsible and why they actually arrived at certain conclusions (e.g. the mentioned lack of donor coordination, where in my view it does not become clear that the failure is with the GoA)</p>	<p>Donor coordination is certainly not supportive of this remark. Conclusion of the relevant evaluation question reads (p.72): "Donor coordination in Armenia suffers from serious weaknesses, <u>notably because of a lack of leadership on the side of the Government</u>".</p> <p>In several other places the report points out on developments that have negatively impacted on Commission interventions (e.g. in EQ6 the impact of institutional instability on the sustainability of TACIS projects in the social sectors; the lack of a policy agenda on the GoA's side prior to the adoption of the PRSP).</p>
4	<p>On the recommendations:</p> <p>The recommendations are rather general and don't contain really new messages Where the Commission could profit from. Being involved in the exercise of drafting an ENP Action Plan for the future I expected more concrete proposals for measures, activities and improvement.</p>	<p>Most recommendations have been redrafted. But they have to be closely related to the conclusions, which themselves have to be derived from the answers to evaluation questions.</p>
5	<p>On Human Rights/ Democracy/ Rule of Law:</p> <p>These issues will actually belong to the Commission's envisaged priorities in an ENP Action Plan, but even for the past (as mentioned in the last meeting) information is obviously lacking on the consultants' side (see therefore list of projects which was sent separately; see e.g. EIDIHR projects in the list and the joint programme with CoE after the 3 Caucasus countries acceded the CoE. The latter is a regional programme and therefore not included in the mentioned list. AIDCO should have first hand information on this.) The report sounds a bit as if the Commission had not only not done enough, but had also not even cared about the above mentioned issues.</p>	<p>At the meeting of the Reference Group a member of the group supported the consultant's view that democracy and human rights have not been up to now a priority of EC interventions in Armenia. As noted in the report, the NIP 2004/06 does not even mention the word "democracy".</p> <p>EIDHR projects are mentioned in the presentation of Commission interventions (p.62), which also include the EIDHR national project of 2004 not included in the table sent by AidCo.</p> <p>The Commission joint programme with CoE was mentioned on page 65, but not in the paragraph devoted on page 62 to the presentation of Commission interventions. This has been corrected.</p>

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
		However the draft final report under-estimated the potential contribution of regional development projects to democratic progress. This has been corrected and resulted in a more balanced assessment of the Commission's achievements in this field.
6	<p>On FSP:</p> <p>I would like to refer again to the comments made by the FSP team from Yerevan, where the main critical points have been mentioned. I also fully support the points made by ECFIN.</p>	See items 53, 55, 65 to 81
7	<p>On Energy:</p> <p>(Question 5, page 42) Following points received from Yerevan should please be taken on board:</p> <p>Point 1 Sectoral background (page 42): It should be reflected here that Armenia has a comfortable electricity generation security margin, and that the fact that Medzamor NPP produces 41% of the overall generation in Armenia is a consequence of a policy choice based on tariff considerations, as Medzamor produces cheap electricity, rather than on a technical constraint. But, as the consultants rightly put it in footnote 31, this price does not include provisions for decommissioning.</p> <p>Point 2 Government policy, last par. (page 44): NPP connection to the grid was not in 1985, but in 1980. Therefore, operating period should run until 2015, and not 2020 as mentioned.</p> <p>Point 3, 3rd bullet point (page 45): the TACIS project of rehabilitation of the major Vоротan HPP should be mentioned here.</p> <p>Point 3, last par. (page 45): it should be mentioned here that the 100 MEUR grant was supposed to be complemented by a 138 MEUR</p>	<p>Point 1. Consultants do not agree. As stated by AidCo (see below item 44) "the Armenian energy sector remains extremely vulnerable". Factors of vulnerability of the electricity system are detailed on page 45.</p> <p>Point 2. Right: unit 2 is operational since December 1979. Report has been corrected.</p> <p>Point 3.3<sup>rd</sup> bullet point. Vоротan HPP. Report corrected.</p> <p>Point 3, last par. Report corrected.</p> <p>Point 4. OK with respect to the price issue. Report corrected. Correction also made on page 67.</p> <p>As regards the interconnection of the electricity grids between Armenia and Azerbaijan, what is meant in the report is not for Armenia to rely on</p>

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	<p>EURATOM loan to cover decommissioning cost.</p> <p>Point 4, Judgment criterion 1, 2<sup>nd</sup> par. (page 46): The report writes: “<i>The establishment of peaceful relations between Armenia and Azerbaijan would considerably ease this situation. Armenia would be able to import from Azerbaijan large quantities of gas at a low price and to secure its electricity supply against production incidents through connection of its grid to the Azeri one</i>”. First, it cannot be stated that the Azeris would provide gas <u>at low price</u> to Armenia, as there is no reason for them not to apply international tariff. If Georgia receives a (very limited) portion of low price gas, this is only due to its strategic transit position. After all, Armenians will have to pay a relatively high price for Iranian gas. Second, connection to the Azeri grid is unlikely to protect Armenia from electricity shortage in the short-mid-term as Azerbaijan itself faces a deficit of electricity. [See also repetition page 67, 4<sup>th</sup> par.]</p> <p><u>Recommendation 33 on Energy (page 93):</u> “<i>Withdraw from the sector or initiate a security check of Medzamor NPP</i>” This recommendation appears to be either too radical (<i>withdrawal</i>) or too narrow (<i>security check</i>). Given that Armenia is likely to continue operating Medzamor NPP, and that the EC cannot ignore nuclear safety concerns at its (almost) borders, it would have been useful if the report had identified ways for the EC to continue assistance in this context, beyond a simple security check.</p>	<p>permanent supply of electricity from Azerbaijan, but to secure its electricity supply against <u>production incidents</u>.</p> <p>Recommendation 33 (renumbered Recommendation 10) related to the energy sector has been redrafted.</p>
8	<p>On Regional Cooperation (question 8, page 66), please take into account the following points received from Yerevan:</p> <p>(a) Judgment criterion 1, 4<sup>th</sup> par., (page 67), the reports reads : « <i>The INOGATE programme has had an important contribution to securing gas supply to Armenia, in particular through such projects as the <u>feasibility study</u> of a satellite monitoring system for the security of gas transport and storage...</i> ». It was not a feasibility study, but the <u>installation</u> of a SCADA.</p>	<p>(a): Title of the project implemented from June 2003 to October 2004 is: “<u>Feasibility study</u> for a satellite monitoring system and accident prevention system for the security of gas transport and storage infrastructure”.</p> <p>(b): At the Fourth Annual Meeting (Conference) of the Intergovernmental Commission (IGC) TRACECA, held in Baku on 21-22 April 2005, the Islamic Republic of Iran and Pakistan were invited as</p>

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	<p>(b) Same, 5<sup>th</sup> par., page 67: Iran should be added to the list of Armenia's neighbors, which are members of TRACECA.</p> <p>(c) Same, 6<sup>th</sup> par., page 68: The TRACECA-funded project of "rehabilitation of the Yerevan/Karmir Blur Rail Cargo Terminal" should be mentioned.</p> <p>(d) Judgment criterion 1 does not mention an important positive impact of TRACECA on Armenia: all TRACECA projects in Georgia and westward to Ukraine, Romania, Bulgaria and Turkey have largely benefited Armenia. Cargo from and to Armenia transit through TRACECA-improved infrastructure such as Georgian railways, Poti, Batumi, Illychevsk, Varna ports. Moreover, besides the investment projects, TRACECA trade facilitation projects along that road have had a direct impact on Armenia.</p>	<p>"candidates for joining the Basic Agreement". Armenia did not participate in the 4<sup>th</sup> Conference. The report has been updated.</p> <p>(c) Report completed.</p> <p>(d) Report completed.</p>
9	Joint programme with CoE is quoted on page 65 (but not in a very explicit way)	<p>The report reads: "The Commission's activities in the field of democracy, human rights and the rule of law also include Joint Programmes with the Council of Europe. These mainly consist in the organisation of seminars, training programmes, expert meetings and study tours. Both organisations share the cost of these activities, generally on a 50/50 basis. In 2004, the focus of these activities in Armenia was on judiciary issues. In Armenia the role of the Commission in such activities is mainly restricted to its financial contribution; implementation is ensured by the Council of Europe through its local representation."</p> <p>What would be a more explicit way of reporting this cooperation between the Commission and the CoE?</p>
10	Please note that the final decision on installing a regional Delegation in Yerevan has been taken by the GoA in the meantime.	Report has been up-dated.

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
11	It should be taken the MCC development into account when talk about poverty reduction	In November 2004 Armenia has been included in a list of 16 countries eligible for MCA financing. The GoA has presented to the MCC a four-year investment programme of USD 175 million concentrating on irrigation and rural roads. But no commitment has been taken up to now by the MCC. Relevance of this information for the evaluation is not obvious.
	<b>EC DELEGATION IN ARMENIA</b>	
12	<u>Question 5 (pp.42-48)</u> : Rather good presentation of the situation regarding energy in Armenia (note: I spent days with the expert on energy – Mr. Audigier – who was quite experienced and opened. We met together all relevant officials of the ministry of energy – including Dep. Minister Galstian - and visited some plants, including the Hrazdan TPP). Of course, this presentation could be more detailed. But as a “global picture” it is for me quite complete, with all majors stakes clearly presented (even if the national currency is the Dram – AMD – and not ARD.)	Acronym for dram changed into AMD.
13	<u>Question 6 (pp.48-59)</u> : The presentation of the Armenian social insurance and social protection system depicts what exists in the texts, but doesn't give any assessment of the reality (i.e. an idea of the gap between “theory” and “reality”). Contacts with NGO's and other donors would have definitely helped the evaluators to better understand what is going on in the field, and therefore to better assess the logic behind Commission interventions. On FSP support to the MLSA, see FSP's comments provided separately. p. 53: “ <i>poverty alleviation was not an explicit objective of the earlier TACIS projects</i> ”. The PRSP and the PCA, in the frame of which <i>all</i> TACIS projects are conceived and implemented, aim specifically, among other	There may be disparities between theory and reality as regards the Armenian social protection system. Nevertheless reports consulted by the evaluators (notably: World Bank, Improving social assistance in Armenia) suggest that this system, in particular the Family Benefit scheme, is effectively targeted on the most needy and has had a major contribution to the substantial reduction in the number of very poor observed since this scheme is under implementation.  On p.53. The report refers to “earlier” projects, that is projects identified prior to the adoption of the PRSP and the PCA. It underlines that “the lack of a more explicit ‘poverty focus’ at individual project

	<b>REMARKS RECEIVED</b>	<b>ADE'S COMMENTS AND ACTIONS</b>
	<p>things, at alleviating poverty. EC interventions in that quite wide field should be seen from a wider perspective than the one exposed here, taking into account other donors' activities and coordination between <i>all</i> the implemented projects. It is therefore incorrect to state that "<i>the poverty issue was indirectly addressed</i>" when this was the background of a majority of EC funded projects (see also FSP's comments).</p>	<p>level was understandable given the lack of a poverty agenda on the part of the Armenian government in the earlier years." To make things clearer the first sentence has been redrafted as follows: "Poverty alleviation was not an explicit objective of earlier TACIS projects, which had been identified prior to the adoption by the Commission of a country strategy paper, which makes of poverty alleviation the core objective of the Commission's cooperation, and prior to the design by the GoA of a Poverty Reduction Strategy".</p>
<p>14</p>	<p><u>Question 7 (pp.59-66)</u>: A general comment: The development of sustainable democracy in Armenia is an obvious objective of the EC in that country. Almost all projects implemented (in social, education or even energy fields) contribute in one way or another to sustainable development and transition towards a more democratic society. Why the evaluators did retain a very narrowed understanding of the concept of democracy (freedom of media, national assembly, etc...), leading them to conclude that the Commission was almost absent in supporting the democratic transition, with only two projects? It's true that implication of the Commission in this important field could be increased, but the evaluators have to bear in mind other donor's interventions (and obvious need not to overlap their activities) and limited resources of the EC. See also previous comments on the number of NGOs supported by the EC (p.65). Concrete recommendations and views of the evaluators on how conditionalities linked with democratic development could be implemented in forthcoming TACIS AP (and above all ENP action plan), as suggested on p.66 (link with FSP conditionalities) would have been of key interest.</p>	<p>Consultants retained of democracy the understanding adopted by the Council of Europe when assessing the situation of democracy, human rights and the rule of law in Armenia.</p> <p>The Commission has been given by the TACIS regulations, then the PCA, an explicit mandate to promote democracy. This is not the case for other multilateral donors.</p> <p>As noted above (See item 5) the report has been modified to include the contribution of regional development projects to democracy.</p>

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15	<p><u>Question 8 (pp.66-69)</u>: The role played by the EU Special Representative in the settlement of the regional conflicts (not even mentioning the Minsk Group or the EU member states...) should not be kept under silence when speaking about the “political dimension” of the regional cooperation. It's obvious that the EC has to coordinate its activities with these institutions as regional cooperation is impossible without political will.</p> <p>A point not mentioned in the evaluation, when speaking about regional projects (and which could be a good subject on which to make recommendations) is the relative confusion within the line ministries between national and regional action plans, preparation of ToRs in Brussels and Yerevan, project managers based in Yerevan or Brussels, etc. The issue of deconcentration and its weaknesses has unfortunately not been addressed. Reflections on how the regional cooperation could be increased (for instance within the ENP framework) would have been more than welcome.</p>	<p>Report completed: The OSCE/Minsk Group and the EUSR have been included in chapter 2 (Context) and in EQ.8</p> <p>Problems raised by overlapping responsibilities between ministries are addressed under Evaluation Question 9 on donor coordination.</p> <p>The issue of deconcentration is addressed under Evaluation Question 10 on the implementation mechanisms of Commission assistance.</p>
16	<p><u>Question 9 (pp.69-73)</u>: There are actually as many strategies of interventions as there are fields of interventions. So, speaking in terms of one single Commission's strategy linked with donor's strategy is irrelevant – or too general and therefore useless. Absolutely <i>ALL</i> projects implemented are carried out in cooperation with other donors, at least knowing what they are doing and with the will to avoid any duplication (the GoA is of course attentive to that as well). Giving a list of all cooperations would require weeks of work, as each single project finds its place in a global (and often very complicated) sectorial picture. The GoA is aware (may be not enough, but this is another debate), as well as the other donors, of lacks of coordination. However, working</p>	<p>The report points out that, in spite of a lack of leadership on donor coordination of the side of the Government (which was underlined by all the donors interviewed by the evaluators), duplications of interventions have been avoided except in seldom cases (e.g. capacity building at the National Assembly).</p> <p>Nuclear Safety Programme. The consultants have been misled by the NSP Strategy Paper 2002-2006, which does not make any reference to Armenia except to tell that an Armenia country-specific strategy would be prepared, which has however never been released. The report has</p>

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	<p>groups in the main areas – but, generally speaking, coordination can be definitely improved. Views of the evaluators on how to do it would have been more than useful.</p> <p>The EC has never decided to suspend its nuclear safety programme as stated on p.71.</p> <p>If the evaluators pretend to give (even a rough) picture of donors interventions in the energy field (judgment criterion 2, paragraph 2), they should not forget EBRD and KfW, plus all other bilateral donors (JBIC...)... this could constitute a full report by itself - but which would allow to really assess pertinence of the EC coordination with these main donors.</p>	<p>been corrected.</p>
<p>17</p>	<p><u>Question 10 (pp.73-78):</u> A constructive reflection on the way the PCA meetings are held (frequency, too general talks, no bidding agreements on both sides, etc.) would have been more useful than presenting to EU staff the PCA cooperation mechanisms. The role of the NCU (p.76) is absolutely not understood (cf. any ToRs of the project “Technical Assistance to the NCU” - TANCU), whereas the key role of the delegation in preparing the AP (and ToRs) in a constant dialogue with the authority is simply ignored. Did the evaluators meet people from the NCU? The very last paragraph (p.78) <i>“the move from a demand driven approach to a policy-based approach to cooperation between the commission and Armenia is still an on-going process. It is still hampered by inadequate capacity of the EC Branch Office in Yerevan to conduct permanent policy dialogue with the Government. Should this problem be solved, the usefulness of the NCU would then become questionable”</i> deserves detailed explanations from the evaluators on almost each word used. The concepts they refer to are vague and not defined (what is for instance a “policy-based approach”? Is it right to oppose it to a “demand-driven approach”, as if this last one was not</p>	<p>Consultants have been denied access to the minutes of PCA meetings.</p> <p>Activity of the NCU, in particular in the preparatory work to the 2004/05 AP, is described in some detail in the report. Sentences which might have suggested an involvement of the NCU is the drafting of APs have been reworded.</p> <p>Demand-driven cooperation and policy-driven cooperation are concepts commonly used by the Commission (See for example the Commission’s comments on the ENPI Regulation).</p>

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	based on any policy?) and the role and functions of the NCU are obviously not understood (again, see ToRs of any TANCU project for Armenia).	
18	Conclusion 1: <i>“the Commissions intervention in Armenia lack a clear country strategy”</i> . Numerous strategic frameworks exist and are taken into account by the EC (PCA, PRSP and others) reflected clearly in all TACIS strategy papers, AP, etc. – including, of course, TACIS projects. It was the choice of the EC not to embark into a ten year strategy for Armenia. Views of the evaluators on what should be this “multi-year” strategy would be especially useful now the EC is preparing the ENP action programme.	Conclusion 1 actually reads: “During the period covered by the evaluation [1996-2002], Commission interventions in Armenia lacked a clear country specific strategy”. The report further develops this statement. It point out, in particular, that the implementation of the Country Strategy Paper actually started in the second half of 2003 when the first projects included in the 2002/03 AP were contracted.
19	Conclusion 2: doesn't refer at all to Commission intervention....	This conclusion has been removed from the report.
20	Conclusion 3: what are the criteria allowing the evaluators to asses that <i>“the Commission addressed a too large number of sectors/issues, thus being enable to ensure the continuity that would have been necessary to ensure the sustainability of intervention outcomes”</i> (p.80)? What is the logic behind this statement? Would the evaluators deplore that EC assistance was not focused on a few areas only? Which ones? And why such arbitrary choices, meaning that most of the areas listed in the PCA would not have been covered? What would be in this context the meaning of a Technical Assistance approach?	Resources allocated to the TACIS National Programme in Armenia – EUR 5 million a year – are extremely limited when compared to the number of areas listed in the PCA. The Tacis Regulation of 1999 states that “the indicative and action programmes shall cover at most three of the eligible areas of cooperation”. From 1998 to 2001 TA projects in the social sectors successively addressed the social security system, the health system, the employment policy. These projects did not deliver sustainable results. By comparison, continuity of Tacis interventions in support of the establishment and development of ACBA have had a major contribution to the success of this intervention.
21	Conclusion 4: the fact that the word “democracy” does not appear in the title of a project does not mean that this project does not deal with	See consultants' comments under item 14.

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	democracy (see previous comments on that topics and reference to a global strategy of transition towards democracy and market economy values, implemented in good cooperation with other donors).	
22	Conclusion 6: successful enforcement of the reforms (which supposes development of monitoring tools) is indeed a weak point in the Armenian transition (and could even constitute the basis of some "conditionalities" to further EC assistance...). But limited TACIS funding could not allow such a monitoring so far. The issue of corruption is addressed in cooperation with other donors.	No comment.
23	Conclusion 7 (agriculture): see FSP's comments	See below item 67
24	Conclusion 16 (energy): TACIS support to increase and sustain the thermal energy generation capacities cannot be ignored. The same about TACIS financed studies on Medzamor decommissioning. Both are much more important projects than the rehabilitation of the Yerevan-Tbilisi road (under TRACECA) quoted as example.	The report referred to Commission interventions in the energy sector without differentiating Tacis and other instruments. Report has been revised with Tacis explicitly mentioned..
25	Conclusion 17: have the evaluators any proposal on that topic?	Unfortunately consultants do not have solutions for breaking political deadlocks.
26	Conclusion 18: the role played by the TACIS funded project AEPLAC in Armenia joining the WTO cannot not be ignored!!	The role of AEPLAC in relation to WTO accession is not ignored. Under conclusion 18 the report reads: "The Commission provided technical assistance to the GoA in the negotiations which led to Armenia's accession to WTO in 2003 and helped the Government in the implementation of its post-accession commitments." Furthermore AEPLAC activities, notably as regards WTO accession, are presented in EQ 1 on private sector development.

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27	Conclusion 19: see comment on Conclusion 17...	Unfortunately consultants do not have solutions for breaking political deadlocks.
28	Conclusion 20: it seems incredible that the evaluators believe that the dialogue between Armenia and the EC is conducted only during (yearly) PCA meetings and missions carried out by officials from Brussels. These meetings and missions are of course of key importance – but the <i>daily</i> contacts the Delegation has with all the beneficiaries and partner can not be simply ignored. Moreover, what are the proofs that the “ <i>capacity of the delegation is below requirements</i> ” (p.86)? What are these requirements? Is there any complaint reported to the evaluators relative to “under-performance” of the delegation’s staff?	The report mentions the missions to Yerevan of officials of the Delegation to Georgia and Armenia. It also notes that the opening in Yerevan of a branch office of the Delegation creates more favourable conditions for a permanent policy dialogue. The report does not say that “ <i>capacity of the delegation is below requirements</i> ” but that “ <i>status and capacity of the Yerevan Branch Office and of its staff remain below requirements</i> ”. Anyhow this sentence has been removed from the revised report (See above consultant’s comments under item 1).
29	Conclusion 21: “ <i>the effectiveness and sustainability of the Commission’s projects implemented in the second half of the 90s and the early 2000s left to be desired</i> ” (p.86). On which serious and comprehensive evaluation is this statement based? What are the proofs of this non-effectiveness? Why the evaluators don’t give us their views on how to avoid such failures in the future?	The conclusion reads: “An improved environment, but also changes in the implementation modalities of the Commission’s interventions, impacted positively on their effectiveness and sustainability”. The quoted sentence refers to the projects implemented between 1998 and 2001 in social sectors, whose outcomes are analysed under EQ.6.
30	Conclusion 23: yes, donors’ coordination could be improved. But how? Evaluators’ views on that point would have been appreciated.	See Recommendation 14
31	Recommendations 1, 2 and 3: good points – are being actively considered for the ENP action plan	No comment.
32	Recommendation 4: “ <i>stronger focus on a limited number of areas</i> ”. Which ones? Why? It is not consistent with the PCA.	Unless the volume of resources allocated to Commission interventions in Armenia is substantially increased, the Commission cannot pretend to address in an effective manner all the issues raised in the PCA. (See

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		above consultants' comments under item 20 and remark of the Delegation under item 63). The recommendation has been redrafted to include proposals for intervention areas, which are presented in some more detail in the following recommendations.
33	Recommendation 5: good point, but there is here confusion between <i>two</i> levels of analysis: the national plan for implementation of the PCA refers to approximation of the Armenian legislation to the EU practices, by the Ministry of justice mainly and indeed with the assistance of AEPLAC, a project set-up for that specific purpose (see ToRs of AEPLAC). Implementation of the newly adopted laws don't fall at all under the scope of AEPLAC's activity.	The report doesn't tell that the implementation of laws falls under the scope of AEPLAC activity. On the contrary, it points out (and regret) that the Commission did not pay enough attention to the implementation issue.
34	Recommendation 6: see FSP's comments	Recommendation has been redrafted.
35	Recommendation 7: it is first of all very arguable that the EC " <i>is the only multilateral donor with a mandate to promote democracy, human rights and the rule of law</i> ". Second, it would be useful to explain in that context, in what sense democracy should be made a priority. The consultants should perhaps further elaborate, what they mean by this. Raise of financing? (A project worth a few thousands euros effectively supporting for instance the reform of the legislation on media or freedom of speech <i>cannot</i> be compared with a project of rehabilitation of a hydro power plant worth several million euros.) Number of projects? (Does not mean for sure an improved efficiency...)	Tacis regulations and the PCA give the Commission a clear mandate to support transition to a democratic society. To the consultant's knowledge no other multilateral donor has been given such a mandate.  According to the Delegation (See above item 14) "almost all projects implemented (in social, education or even energy fields) contribute in one way or another to sustainable development and transition towards a more democratic society". The consultants' main recommendation is precisely to treat democracy as a transverse issue and, accordingly, to make sure that projects are designed so as to enhance their contribution to democratic progress.

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
36	<p>Recommendation 10: Unrealistic recommendation. The EC cannot move backwards on the Medzamor issue and simply withdraw from the energy sector. Ongoing/forthcoming projects are closely coordinated with <i>all</i> involved donors. It was never said that Medzamor (440 MW) will be replaced by renewable energies only (but by a combination of renewable <i>and</i> alternatives, mainly thermal and hydro). It indeed makes sense to us to try to prioritize development of endogenous and cheap sources of energy (hydro mainly). Hence for instance the feasibility studies carried out on the development of hydro potential in Armenia under the AP 2000. What mean exactly the evaluators by a “<i>safety check</i>” of the nuclear power plant? What would be the purpose of such an exercise? It would have been much more productive and useful to get from the evaluators recommendations on what should be the next steps in the EC/Armenia dialogue on Medzamor, particularly in the light of the ENP, instead of such general comments.</p>	<p>This recommendation has been revised.</p> <p>As indicated under Evaluation Question 4 a NPP security check is an in-depth assessment of all safety-related issues: design of the NPP, quality of construction, dedication of operators, credibility of the Nuclear Safety Authority, quality and regularity of maintenance, existence of realistic emergency procedures in case of accident, etc. Such a check is carried out by highly specialised institutions, notably the two mentioned in the report: the International Atomic Energy Agency and the West European Nuclear Regulatory Authority.</p>
37	<p>Page 16 Now that the ENP Armenia Country Report is a public document, I recommend that the Consultants use it as a source, e.g. for Total EC assistance to Armenia. The CR has a nice table on CR page 6. Earlier, I had sent you EC Erevan's excel sheet with an overview of Armenian projects during the last year.</p>	<p>Unfortunately the CR does not provide a breakdown of the EC assistance by sector.</p>

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38	<p>Page 27 + 32</p> <p>Judgment criterion 2: Commission interventions supported the driving forces of economic change.</p> <p>Not enough said on AEPLAC as driving force for economic change. True, the Steering Committee includes, besides representatives of the main relevant ministries, representatives of entrepreneur organisations. But AEPLAC III ToR do much more for economic change: "priorities for legislative adaptation should be selected on the basis of what can best and most rapidly improve Armenia's prospects for faster and better development... creation and functioning of a market economy ... should command special consideration"</p> <p>Key areas mentioned in AEPLAC III ToR are:</p> <p>Company Law, Bankruptcy legislation</p> <ul style="list-style-type: none"> <li>▪ Competition, Trade &amp; Investment</li> <li>▪ Banking, financial Services and accounting</li> <li>▪ Customs and Standardisation</li> <li>▪ Protection of intellectual property</li> <li>▪ Public procurement</li> </ul> <p>Overall, AEPLAC has been underestimated (page 32, third line from top). It is not true that "Government officials tend to downplay the role of AEPLAC". This Phase III of AEPLAC benefits the Prime Minister's Office directly and is an essential support for the Prime Minister's reform agenda. In conversation with the Prime Minister he regularly praises AEPLAC and is a fervent supporter of Armenia's roadmap for European integration.</p>	<p>The report has been amended to include elements taken from the AEPLAC ToR.</p> <p>Consultants' statement: "Government officials tend to downplay the role of AEPLAC" relies on an interview with the Deputy Minister of Trade, who is co-chairman of AEPLAC's Steering Committee. But the report explains that this position very probably originates in the tensions that arose under AEPLAC II between the project team and the Government and notes that the situation has improved under AEPLAC III.</p>

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
39	Page 28 bottom paragraph “The problems that exist relate to enforcement of this legal environment. Neither government agencies nor enterprises act in compliance with the rules.” This is too sweeping a statement.	All informants met by the consultants pointed out that lack of a proper enforcement of the legal framework is a serious problem. The report illustrates such a situation through the financial reporting of enterprises and the taxation of profits. But the statement wording has been softened.
	<b>AIDCO</b>	
40	p.26 (bottom of the page): the last paragraph of this page means that nuclear safety support aims at the rehabilitation of a major infrastructure: the Medzamor nuclear power plant. However, it must be immediately clarified that the objective of the nuclear safety programme is not to rehabilitate Medzamor NPP. <u>This plant can not be upgraded to a safety level comparable to international level at a reasonable cost.</u> Nuclear safety projects in favour of MNPP aim only to palliate deficiencies to increase the nuclear safety level.	The sentence has been modified.
41	- p.42: The Armenia energy background gives an incomplete image of the Armenia power sector. The table concerning electricity production and trade should at least be accompanied with a note expressing that gross generation capacity in Armenia permit to cover the requirement of electricity provided technical and commercial losses are decreased and proper maintenance of the existing thermal sector is achieved. This is clearly demonstrated by Commission financed specific studies. These studies were discussed in February 2004 within the EU-Armenia Joint Working Group in a contradictory way.	A footnote has been added to the report. It points out that Armenia's heavy reliance on nuclear electricity reflects to some extent a policy choice of the Government.

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
42	- p.44 - first bullet point: the statement about the need of a doubled capacity to replace the installed nuclear capacity is wrong. As discussed inside the Armenia EU Joint Working Group the objective is not to increase the available electricity capacity but to develop an efficient production park which would allow insuring the supply (present and forecasted) taking into consideration cost of production and impact on the environment.	These bullet points do not represent the consultants' views but list the arguments presented by the GoA in support of their refusal to close the Medzamor NPP. Nevertheless the doubling of capacity has been removed from the report.
43	- p.45: the exact figures concerning the nuclear safety programme (two first bullets) including the supply of equipment are the following: - On site assistance: €27.1 million - Design safety: €1.3 million - Armenian Nuclear Regulatory Authority: €3.7 million Projects already decided to implement amount to €2,550 million and budget available for future annual projects in 2005 and 2006 amount to €3 million.	The report has been revised.
44	The Armenia energy sector remains extremely vulnerable because the Armenian policy did not create the conditions for the sector to be upgraded. The Armenian authorities rely upon nuclear power which is cheap because of the amortized investment. Such a policy does not create the conditions for the modernisation of the sector and maintain an obsolete system. It cannot be expected that the international community will provide for free all the investments required to modernize the electricity sector in Armenia.	No comment.
45	-p.46 The reference to forecasts should be much more cautious. GDP has increased over the past years but Carl Bro has shown that the GDP growth is disconnected from the energy consumption and past forecasts have overestimated the energy consumption (SOGIN, Ministry of	The report underlines that up to now GDP growth did not induce any significant increase of electricity consumption.  The CarlBro study is mentioned in the footnote added on page 42.

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	Energy). Therefore to consider an elasticity of one for electricity consumption in relation to GDP growth would require a careful examination. In addition, <u>Carl Bro has shown that closure of MNPP is possible with existing capacity or limited additional investment.</u> Nevertheless it is recognized that this would have an impact on electricity prices and on the worsening of the security of supply by increasing the dependence towards the only existing energy supplier and towards the sole gas.	
46	- p.47: The statement that the safety equipment and the capacity building of the ANRA have significantly reduced the risk associated with the Armenian nuclear sector is misleading. Improvement have been achieved to the safety of the plant but it can not be drawn the conclusion that the MNPP is at the level of internationally recognised safety level, since fundamental deficiencies can not be solved.	The report underlines that “compliance of Medzamor with international safety standards cannot be assessed without an in-depth analysis by international experts”. But it seems reasonable to assume that safety equipments, on-site assistance and personnel training provided by the Commission, as well as capacity building projects implemented by the Commission at the ANRA, have achieved their objective of reducing the risks associated with the Armenian nuclear sector. The report does not tell more than that.
47	- p.71: in the second paragraph, the comments regarding the suspension of the activity of its nuclear safety programme is wrong. The Commission continues on site assistance to the plant, supply of equipment and supports to the regulatory authority. Future action is still to be examined in light of budgetary availabilities, expected life time of the plant and Armenian position about operation of the plant.	See above under item 16.
48	- p.84: Commission intervention improves the safety of the Medzamor NPP but this does not correspond to the development of an energy infrastructure as suggested by the title. Medzamor NPP should be closed as soon as possible and, as mentioned earlier, TACIS nuclear safety	Title of the conclusion refers to the EC support to the development of thermal and hydropower plants. Wording of the paragraph has been revised in order to avoid confusions between safety measures in the nuclear sector and Commission interventions aiming at the development

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
	projects are implemented in order to increase the nuclear safety level and not with the objective that this plant should continue to operate.	of alternative energy sources.
49	- p.85: the last paragraph under point 17 is too short. The agreement with the government of Armenia was: agreeing on a closure date for the Medzamor NPP requires having a sufficient electricity generation capacity to insure electricity supply. However, the Government of Armenia at the last discussion in Yerevan (early 2004) required the fulfilment of additional conditions, notably a package of €800 million which would also compensate the impact on Armenia economy of higher electricity prices. This could not be accepted.	This information has been included in EQ5 on energy and the conclusion completed.
50	- p.87: point 23: the Commission took great care of the required donor's coordination in the energy and nuclear safety sectors and the statement that it remains unsatisfactory does not correspond to the reality.	This conclusion refers to donor coordination in general, and not specifically to donor coordination in the energy and more specifically in the nuclear sector. Donor coordination in the energy sector is dealt with in EQ.9. A footnote has been added to the report.
51	p.91: there is no logic and no evident benefit to include nuclear safety actions programme inside the TACIS national programme. The coherency of the EU support to Armenia nuclear power plant and to others similar plants in other CIS countries require to maintain the nuclear safety programme as an independent multi-country programme.	Reading the NSP Strategy Papers suggests that, besides common technical features, situations regarding the management of the nuclear sector, the political background, the energy policy, or donor coordination significantly differ from one country to the other.
52	- p.93: the recommendation at point 33 is a political non-sense. To withdrawn from the sector would have the consequence to leave Armenia under full control of Russian energy sector without the political back-up of the international community to develop its energy sector in a modern and efficient way. Under the same point, it is recommended an assessment of the safety Medzamor NPP. These works are conducted by	This recommendation has been redrafted.

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	<p>the AIEA in Vienna and these results are taken into consideration by the international community.  <u>The alternative is not between withdrawn of energy sector or initiates safety check of the Medzamor power plant. The recommendation must be continued to push for the reform of the energy sector to close as soon as possible the Medzamor NPP.</u></p> <p>NB: There are hazardous formulations in this paragraph (“renewable energies have the reputation to be expensive”). In the case of Armenia, hydropower could be a very good solution to provide base load at an affordable cost with low operating cost compared to Natural Gas.</p>	
	<b>UNIDENTIFIED CONTRIBUTOR ON FOOD SECURITY</b>	
53	<p>I feel that the report indicates problems in the understanding of the nature of this programme.                      First of all it is a <b>budget support programme</b>. The fact that it has been targeted to specific budget lines does not mean that it has to be analysed as a project that would have been implementing these specific activities. Focusing on the end-use of the Commission's Euros is incorrect in the case of a budget support programme. Targeting merely secures funding for the budget lines concerned. Indeed, in Armenia, the budget lines that have been targeted by the programme were at risk of suffering from incomplete execution, in particular during the first years. But because funds are fungible, the impact of the budget support is much broader. The main achievements have to be seen in the sectoral policies that have been developed with the support of this programme, and in the area of Public Finance Management, particularly the budgeting aspect.</p>	<p>EQ3 and EQ6 have been deeply revised. In particular, the tables comparing the volume of resources targeted to the MoA and the MoLSI and the total budget of these ministries (which had been taken from the FSP monitoring reports) have been removed.</p> <p>As pointed out in the remark, FSP is a form of sectoral budget support. In practice the instrument supports policies implemented by the MoA and the MoLSI. Consultants do not see why it would be illegitimate to examine how far these policies are consistent with Tacis objectives.</p>

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	The other important aspect is that this budget support is a <b>sectoral</b> one. The regulation governing the use of these funds gives it a clear sectoral focus. The complementarity with TACIS has been developed as far as possible, but the Food Security Programme cannot be seen as an instrument that could have been used to implement the general objectives defined in the Programming document of TACIS. Though the level of funding was important, the programme could not have been used with a more general focus.	
	<b>ECFIN</b>	
54	The recommendations, as they are formulated, are not very interesting in the sense that they are self-evident (enfoncent les portes ouvertes...). In particular, the recommendations point to the shortcomings of Tacis that are perfectly known to the Commission and will in principle be largely corrected in the future ENPI.	In the revised version of the report recommendations are preceded by a short presentation of the ENPI.
55	Now, let us turn to the FSP. The note from the Commission Delegation on the spot identifies precise shortcomings and mistakes of the Report. The FSP team in Tbilisi and Yerevan is definitely well placed to point to these mistakes. Clearly, the Report as it is now is not satisfactory in its part on the FSP and should be revised substantially based on the comments prepared by the Delegation. In addition, we may suggest to draw on the expertise on the management and design of FS Programmes available within DG AIDCO to provide adequate support/guidance to the consultant for the revision of the Report. We think that the weakness of the FSP-related chapters of the Report comes in part from the fact that the consultant chose not to review the FSP programme as such, but rather as one of the tools used to support two particular sectors/themes – agriculture and social consequences of	Evaluation questions were agreed with the Reference Group of the evaluation. They either deal with Commission interventions in a given sector or with transverse issues. FSP is examined as one of the financial instruments used (along other instruments) by the Commission in the agricultural and social sectors.  The consultants fully acknowledge that FSP is a form of budget support and do not oppose FSP to budget support operations proper. What they do is to compare FSP implementation mechanisms in Armenia (annual programmes, targeting of resources, lack of a sector policy discussed

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	transition. Apart from the obvious errors/misunderstanding on the exact nature of FSP (it <b>is</b> a form of budget support and therefore cannot be opposed to budget support operations proper, as it is done in the Report), the consultant nearly completely ignores the role the FSP has played in the reform of the budgetary process and in other aspects of public finance management in Armenia – probably one of the major contributions of the FSP to the transition in the country. In fact, in supporting, both through appropriate conditionality and related technical assistance, the public finance management reform, the FSP has been contributing to the improvement of the macroeconomic management and to institutional reform at large.	with the donor community, detailed conditionalities focussing on processes rather than performance, etc.) with budget support as it is currently implemented by the Commission in other countries in accordance with Commission guidelines for the implementation of macro and sectoral budget support programmes.  The report does not ignore the role the FSP has played in the reform of the budgetary process and in other aspects of public finance management in Armenia.
	<b>EC DELEGATION (First set of remarks)</b>	
56	The analytical approach of the contractor is questionable as it leads to false conclusions. Why for instance define main areas of co-operation by listing projects and then finding the ‘common link’ between them, and then defining “ <i>overall goals</i> ”, when the overall goals are precisely the objective and not the consequence of EC’s intervention? They of course <i>precede</i> the elaboration of projects. What is missing is a structured analysis of the Country Strategy Paper, National Indicative Programme and Action Programme in terms of “EC response” to a given political, social and economic situation.	The EC strategy and interventions logic is analysed in chapter 3 of the report. This analysis points out (i) that prior to 2001 and the release of a Country Strategy Paper the Commission had no explicit strategy; (ii) that this strategy was first reflected in the 2002/03 Action Programme whose implementation (signature of contracts) started in the second half of 2003; (iii) that earlier Commission interventions were prompted by demands from the GoA channelled by the National Coordinating Unit; (iv) that these interventions addressed a large variety of sectors/issues.
57	This draft report is generally rather poorly documented, relying on incomplete data (however easily obtainable, such as a list of projects) and “ <i>experts’ opinion</i> ” (p.74). A key dimension of the EC intervention in Armenia is to ensure synergies between projects. The categorization presented on p.25 is incorrect, as it leads for instance the contractor to wrongly conclude that the EC has implemented only one project supporting the democratic transition (p.27), when the PCA as a whole	All statements presented in the report are based on findings duly reported in the report.  Annex 2 of the report is a complete list of projects implemented by the Commission in Armenia from 1996 to 2004.  On Commission interventions in support of democracy, see above item

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
	and the main part of the projects implemented over the last 15 years in fact deal with transition to a better democratic society. This categorization is therefore misleading.	5. Experts' opinion is mentioned only once in the report in relation to statistics on SMEs, which are unanimously acknowledged as unreliable.
58	The contractor has failed to understand the essence of the intervention of the European Commission in Armenia and of its dialogue with that country, when concluding, for instance, that <i>"TA C/S technical assistance projects remained short of delivering their expected outcomes, They suffered from being implemented in a context of institutional instability and financial crisis"</i> (p.59). If the conditions for implementation had been good, there would have been no need for assistance. In this respect, we would expect from the evaluation an analysis of the projects impact in a given difficult environment.	Relex requests the consultants to make clear, when relevant, who they consider to be responsible for weaknesses of Commission interventions (See above item 3). This is what the consultants are doing here when stating that institutional and financial instability in the 1990s negatively impacted on the sustainability of Commission interventions.
59	Often statements in the draft final report are out confused. For example, (p. 66), under the heading of Democracy and Rule of law, point 4 Conclusions <i>"And finally the (commission missed an opportunity to play a role in the PRSP preparation process, which represented an innovative attempt to open a public debate on major economic and social issues"</i> . Furthermore, the fact that the PRSP was adopted in 2003 does not mean that the EC assistance to Armenia didn't have any frame of cooperation before that date as suggested in many occasions. The PCA is still the reference document for TACIS and more generally for EC intervention in Armenia, The contractor seems surprised that <i>"most beneficiaries were government agencies"</i> (p. 27), certainly forgetting that the TACIS programme is meant to deliver technical assistance to governmental institutions, as stated in the PCA.	Consultants still consider that in a country where involving the Civil Society in policy-making is far from being a tradition, the PRSP preparation process was an innovative and positive development towards a more democratic society.  The PCA addresses such a large variety of issues that it can hardly provide operational guidelines to Commission intervention programmes. Should it nevertheless be the case, support to democratic institutions should have been given a much larger share in the Commission's actions programmes for democracy is a major theme of the PCA.  Invited to tell whether "Commission interventions supported the driving forces of economic change" the consultants noted that "most beneficiaries of Commission interventions were government agencies" but that SMEs had been the target group of the Commission-funded

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		Business Support Centres, and that representatives of entrepreneur organisations are represented in the Steering Group of AEPLAC.
60	The evaluator analyse the role played by the EC Delegation in the dialogue with national authorities, when saying for instance that <i>“staff members of the Ed Branch office have neither the sectoral qualifications, nor the status necessary for the conduct of a dialogue with the Government on global or sectoral policy issues”</i> (p.75). Whereas Action Programmes and general strategy of the EC in Armenia are indeed not only elaborated in Yerevan, the Delegation would like to have clarifications, evidence and reasons of this statement and see constructive recommendations for the Commission. This statement is rather confusing when para 3 on page 75 is saying <i>“the highly motivated staff members of the delegation described as having an in depth knowledge of Commission procedures and as highly committed to their tasks”</i> .	See item 1.
61	The contractor also failed to understand the concept of cooperation with the donors' community, even if it recognizes that <i>“there are examples where the Commission success fully cooperated with other donors”</i> (p.70). Cooperation with the other donors has always been a priority of the Commission in Armenia, Successful cooperation does not happen “by chance”, as suggested in the report, but is the result of regular coordination with all the stakeholders, including the donors' community and all the line ministries. The contractor completely underestimated the role played by the delegation and its staff in this crucial area. Coordination and cooperation could of course always be improved, and we would have expected from the contractors concrete and realistic recommendations to reach this key-objective, instead of rather vague and negative statements on that point.	All donors interviewed by the consultants, including the staff of the Commission's office in Yerevan, underlines that donor coordination is a serious problem in Armenia, notably because of a lack of leadership on the side of the government.

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62	Based on questionable categorization of EC projects into “big families”, the contractor blames the EC for not implementing enough projects supporting democratic transition, through NGOs for instance. Curiously, he states on p.65 that “11 NGOs were allocated a budget in the 2003-2004 programme, This is a very low figure considering that there are some 2,000 NGOs in Armenia”. Is the Commission expected to co-finance all these NOOs? What would the contractor consider as a “fair” level of co-financing? This thinking in quantitative terms rather than qualitative cannot help to understand value and impact, although limited, of EIDHR and NGO projects in a particular and rather difficult context of Armenian civil society.	See above item 5.  The paragraph partly quoted by the Delegation continues as follows: “But at the same time it reflects a scattering of resources since each project develops independently of the others.” The consultants do not recommend to support a greater number of NGOs, but suggest that the Commission makes use of its financial leverage to encourage NGOs coordinating their activities and undertaking combined actions. The paragraph has been reworded in order to prevent misunderstanding.
63	The contractor moreover forgot that the Council of Europe along with other donors (USAID, UNDP and numerous NOOs) implement projects in Armenia specifically targeted at democratic issues (development of media, education, cooperation with NGOs, etc.). For the sake of delivering effective assistance to Armenia it is therefore deemed more relevant to concentrate TACIS interventions on fields that could be covered by TACIS only - such as institutional reform, or energy - than to spread our assistance in all fields, for the sake of “being present everywhere”. The contractor contradicts himself when he states on p.80 that <i>‘the Commission addresses a too large number of sectors/issues’</i> .	The consultants do not see any contradiction in their position.  They maintain that during the period under evaluation (1996-2004) the Commission has addressed a too large number of issues without the desirable continuity. At the same time they underline that supporting the transition to a democratic society is not an issue among others but one of the two goals of the TACIS programme and a major theme of the PCA, which should accordingly have been given more attention. As pointed out by the UNDP ResRep, when interviewed by the consultants, the Commission is the only multilateral donor who has been explicitly given mandate to promote democracy.
64	The draft report contains too many incorrect factual statements, as for instance: the Commission never decided “to <i>suspend its activity in Armenia of its Nuclear safety Programme</i> ”, as written on p. 71; the ToRs of the current TACIS project “support to the ministry of Labour and Social	On Nuclear Safety the report has been corrected (see above item 16)  TACIS project in support of the MoLSI. What the consultants intended to tell is that prior assistance from UNICEF to the GoA in developing

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	<p>Affairs” were never prepared with the assistance of UNICEF as stated on p. 72; the NCU covers FSP activities as well as those of TACIS (p.76-77); FSP and TACIS teams communicate and cooperate regularly and are informed about activities of the other one, as AP 2004/2005 can demonstrate (pp.74-75); in no way FSP is “disconnected from other EC interventions” (p.77 and p.87); the role of the NCU is not to substitute to the EC Delegation in Yerevan in drafting Action Programmes, etc. and therefore there it is absurd to suggest for the NCU to disappear when the capacity of the EC Delegation will be increased (p. 78).</p>	<p>policies for de-institutionalising children currently in residential institutions has paved the way for the Commission’s project. Wording of the report has been revised.</p> <p>The fact that the 2004/05 AP (not yet adopted at the time of the evaluators field mission) includes Tacis projects aimed at providing the MoA and MoLSI with a technical assistance complementing the FSP one, does not contradict the report statement that during the period covered by the evaluation FSP activities have been disconnected from Tacis interventions.</p> <p>Consultants are extremely surprised to learn that the NCU covers FSP activities as well as those of Tacis. They were told the opposite by the NCU staff. Furthermore while the NCU has a rich documentation on TACIS projects, they do not have one single report or document on the FSP, a situation which is likely to make their coverage of the programme rather difficult.</p> <p>Consultants still do not see what is the usefulness of collecting project proposals from a large range of ministries - what the NCU is doing - if cooperation is going to adopt a policy-based sectoral approach.</p>
	<b>FOOD SECURITY TEAM</b>	
65	<p>The entire analysis on the FSP instrument is fundamentally wrong and any subsequent conclusions or recommendations cannot be taken seriously. The arguments to substantiate our claim follow below and are organised in the following fashion:</p> <p>1. The evaluators <u>failed to understand the policy context</u> in the areas of social security and agriculture and were unable to understand the policy</p>	

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
	<p>reform agenda of the Government that is supported by FSP.</p> <p><b>2.</b> The evaluators <u>do not understand the basic principles of <i>budget support</i></u> as an instrument for development.</p> <p>It follows that we are all in the embarrassing and unpleasant position to “explain the obvious”, It is also rather curious how could the consultants, involved in this particular evaluation, arrived to such bizarre and unsubstantiated conclusions on FSP that were never picked-up by the FSP reviewers — notably 6 review missions in the last three years covering 3 FSPs — whose ToR also specify an on-going evaluation of the rationale of the instrument in Armenia.</p> <p>It has to be said — something that is particularly suspicious — that the consultants keep quoting the FSP 2000 (support to the 2001 state budget) review, that took place 3 years ago, that was arguably the worst ever produced. One has to wonder why they chose to ignore the 6 reviews reports that followed as mentioned above and that addressed the more current and relevant issues of FSP.</p>	<p>FSP reviews do not assess the relevance, effectiveness or efficiency of the programme but only check whether the government has met conditionalities and therefore whether funds can be released.</p> <p>The only FSP review whose scope extends beyond these limits and in which an attempt was made to assess the relevance of the programme is the review of FSP 2000. This is why consultants referred to this review.</p>
66	<p><b>Social security</b></p> <p>The consultants claim throughout their analysis on evaluation question 6 that FSP is too ‘narrow’ in its support to social security and that puts in question whether the reforms supported will have a “long-lasting effect”. Of course the consultants do not provide any arguments or evidence to properly substantiate these claims.</p> <p>Please consider the following:</p> <p><b>In 2002</b>, following intensive discussion between Government and the EC it was decided that the FSP should focus in assisting the Ministry of Social Security (now known as Ministry Labour and Social Affairs) in</p>	

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
	<p>developing a comprehensive policy framework for childcare and child protection and allocating resources for the delivery of the related state services. It is important to note that this area is top priority since there are approximately 11,000 children placed in institutions (confirmed by a UNICEF survey as well as data from the state budget) of which more than half are placed by their parents in institutions for reason of poverty. This area supported by the EC FSP is <b>not narrow but comprehensive and focussed with a clear objective of providing effective technical assistance to the Government. Such an approach .guarantees “long-lasting” effects by avoiding platitudes that is as a rule ineffective in development assistance.</b></p> <p><b>Since 2002</b>, the following actions have occurred with the assistance of EC FSP, ranked from general to specific:</p> <ul style="list-style-type: none"> <li>▪ Policy statement in the PRSP and the MTEF about the acute problems in society regarding institutionalisation of children and a Government commitment towards developing rational policy to improve the situation. The latter includes also an indicator for de-institutionalisation with a target to be reached by the end of 2007.</li> <li>▪ Strategy for the rationalisation of childcare institutions in the country and development of appropriate criteria for entry by type of institution — Government Decree adopted in March 2005 although the draft was ready in November 2004 and was part of a fierce debate between the Ministries of Labour &amp; Social Affairs and Education &amp; Science. More than 90% of institutionalised children are in “special boarding schools in the jurisdiction of the latter.</li> <li>▪ Timetable for the development of a new and comprehensive child protection system at national and regional level replacing the problematic post-Soviet commissions on guardianship delinquency etc. — Government Decree adopted in December 2004.</li> </ul>	<p>Consultants agree that the draft report does not render full justice to the FSP achievements. Information provided in this remark has been included in the report. Answer to the evaluation question has been revised accordingly.</p>

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
	<ul style="list-style-type: none"> <li>▪ Development and adoption of minimum welfare standards for children in line with the Vienna Convention on the rights of the child to be implemented in childcare institutions and serve as general guidelines for the welfare of all vulnerable children — Government Decree adopted in August 2004.</li> <li>▪ Development of a strategy offering alternatives to institutionalised care. The relevant Government Decree is expected before September.</li> <li>▪ Rationalisation of the mandate of the department of Family, Women and Children to work in a complementary fashion with the newly created post of Supervisor of Orphanages and Childcare towards achieving the objectives outlined above — relevant Ministerial Orders issued in March 2004,</li> <li>▪ A Pilot social assistance service (programme) “<i>State Assistance to the Graduates from Childcare Organisations in the Republic of Armenia</i>” was developed and included into the state budget in 2003, It has been outsourced to a local NGO for implementation and has served as a clear exercise on how social service delivery can, and should be outsourced to professional organisations in civil society.</li> </ul> <p>The EC in its attempt to streamline and focus all its instruments in Armenia and after considerable efforts of the Delegation used Tacis resources to complement FSP TA. The FSP resident TA team is now supported by Tacis project <i>Support to the Ministry of Labour and Social Affairs for the introduction and Development of Policy Alternatives to Institutionalised Childcare in Armenia</i>. The ToR are very specific in the ways the consultants of this Tacis project are supposed to complement FSP and assist Government.</p>	

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
	<p>Moreover, due to the fact that the FSP is a budget support instrument <b>the objective is to allocate resources within the state budget</b> for all of the issues described in the bullet points above. <b>Once the related activities become proper Government systems they are included in the Government programming cycle i.e. the state budget as a formal part of routine Government funded services.</b></p> <p>Having considered the above I am sure one will question the validity of the entire approach taken in this evaluation report. Indicatively I quote the last paragraph on page 54 that proves beyond all doubt how the consultants entirely missed the point.</p> <p><i>°But what is of most concern in relation to the FSP is not so much the specific objectives that have been supported, but the lack of transparency as to why these have been selected and the missed opportunities for linking the considerable level of Commission funding to policy reforms that would have had a more long-lasting impact”</i></p> <p>The above statement is characteristic of the confusion by the consultants. There are indeed many more such unsubstantiated claims throughout the section that is devoted to answering evaluation question 6 and it would be pointless and time consuming to challenge every claim one-for-one. The bottom line is that the consultants do not seem to possess the necessary analytical skills and insight to do the job.</p>	

	REMARKS RECEIVED	ADE'S COMMENTS AND ACTIONS
67	<p><b>Agriculture</b></p> <p>The consultants focus exclusively on the Agricultural Strategy adopted in 2004 to evaluate the Impact of 8 years of FSP assistance in the field of agriculture, which is definitely too narrow. The consultants have failed to consider the systems put in place at the MoA with FSP assistance during these years.</p> <p>This narrow analysis is reflected in the following statements on page 39:</p> <p><i>"However sustainability of the outcome of FSP support to the MoA is more questionable"</i></p> <p>The FSP has over these years contributed to the definition, rationalisation and delivery of the basic state services that the State has to provide to farmers through the MoA. The FSP has assisted the MoA to put in place programming and monitoring systems for veterinary services, plant protection services, drainage maintenance, etc... that have increased Government's services relevance and efficiency. These systems are sustainable as they are fully integrated in the daily work of the MoA. One can only wonder what the real concerns are of the consultants and whether they really understand what sustainability really is.</p> <p><i>"It may however be regretted that the Commission, which has been providing financial support to the MoA since 1996, waited until 2002 before requesting the ministry to define its strategy. A possible explanation of this delay lies in the character of the FSP instrument, which originally had a relatively narrow focus on food security issues, and then gradually involved towards budget support for the implementation of sectoral policies in the agricultural and social sectors. This development is not yet complete."</i></p>	<p>Consultants agree that the draft report does not render full justice to the FSP achievements. The report has been amended accordingly.</p>

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	<p>The reason why the development of a proper strategy took long is because awareness and understanding on the part of key officials and subsequent capacity for policy thinking had to be developed to reach minimum standards. The important thing is that the Strategy is written and owned by the MoA and is not spoon-fed by outsiders.</p> <p>Finally, the following statement is in contradiction with the very objectives of public expenditure management reforms, i.e. “spend better, and not “spend more”:</p> <p><i>“But examination of the MoA budget suggests that agriculture might not be given the attention by the government that it deserves, considering its potential role for poverty alleviation. Budget resources planned for the Ministry of Agriculture in the Medium Term Expenditure Framework 2005-2007, at about 1.5 per cent of total budget expenditures, are extremely modest”</i></p>	<p>The sentence quoted by the FSP team is preceded by this one: <i>“The FSP has helped the MoA formulate a strategy which, even if it needs improvement, is a first and important step towards more consistent interventions by the government in the development of the agricultural sector”.</i></p> <p>Budget is an instrument for the implementation of a strategy. Accordingly another sound principle of public finance management is that budget allocations reflect the government strategy. There is currently in Armenia no evidence that the GoA intends to allocate to agriculture a volume of resources appropriate to the importance that this sector is given in the PRSP.</p>
68	<p><u>With regards to Point 2:</u> what is a budget support operation supposed to do</p> <p>Budget support operations are neither “funding mechanisms” nor projects, The objective is not to provide additional financing for the recipient Government to run extra projects until the supposed funding runs out, but to <b>complete, improve, rationalise and enhance programmes and services that are part of Government routine interventions and systems.</b> The FSP team tried to explain to the consultants that budget support is “fungible” in the state budget and that for a while now targeting has been a routine accounting exercise that cannot be taken literally. The consultants chose to ignore this important fact and did a one-for-one interpretation of EC FSP counter-value funds to the state budget as seen on page 40 of the report. A very</p>	<p>The one-for-one interpretation of EC FSP counter-value funds for which consultants are criticised is taken from the monitoring reports of the FSP.</p> <p>The statement that FSP resources are intended to “complete, improve, rationalise and enhance programmes and services that are part of Government routine interventions and systems” is highly debatable. These results may be achieved through technical assistance projects,</p>

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	<p>characteristic statement follows:</p> <p><i>“But FSP funds cannot be used for the payment of salaries and social contributions, Taking this into account, it appears that beyond the payment of salaries the state budget does not make any significant contribution to the financing of the MoA activities.”</i></p> <p>Even more amusing is the following:</p> <p><i>“Two opposite interpretations of this situation are possible. One the one hand, one may conclude that state interventions in the agricultural sector are given low priority by the MoA and that, should FSP transfers be reduced or cancelled, the MoA would be exposed to a dramatic reduction of its resources, On the other hand, one might argue that the reason why such a very large share of MoM expenditure is currently financed by the FSP is that FSP resources are targeted on the MoA as a result of a deliberate Commission decision. If this second hypothesis is the right one, the government would compensate from Its own revenue for any reduction or cancellation of FSP transfers.”</i></p> <p>This statement is a real beauty as it implies (a) that if EC FSP stops the Government will cease to run its animal health protections programme, plant protection services, drainage maintenance etc. and subsequently shut down the Ministry of Agriculture!! (b) that the EC is in charge or budgetary policy in the country!</p> <p>It is then understood why the consultants reach the absurd conclusion that:</p> <p><i>The financial contribution of the EC FSP to the MoA, [j should reach some EUR 2,5 million in 2061j and 2006, that is some ARD 1,550 million per year</i></p>	<p>leaving unanswered the question why EUR 10 million a year are transferred to the state budget (furthermore in a country where the ratio budget revenue / GDP is low and which has had to request from the IMF and the Commission a waiver on the related conditionality).</p> <p>Once again, if these expenditures would be in any case financed from the State budget, what is the value added of the FSP contribution to this budget?</p>

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	<p><i>at the current exchange rate or approximately half the MoA budget”.</i></p> <p>The € 2.5 million attached to the MoA under FSP 2005-2006 is not meant to be literally placed in the 2005 and 2006 budgets of the MoA. The € 2.5 million is the amount of budget support related to the performance of the MoA on its reform agenda as stipulated in the Financing Agreement. It would be irrational to ask Government to budget this exact amount in the state budgets of 2005 and 2006 for the MoA.</p> <p>The consultants are totally oblivious of the fact that a lot of time is required before Government policy is developed, programmed and put into the state budget as an operation, That is why, for example, the existing spending of the Ministry of Labour and Social Affairs still does not include numerous actions that will be necessary to implement the policy framework described in part 1 above.</p> <p>Another piece of evidence regarding the lack of understanding of budget support is the following:</p> <p>“Because of the structure of the FSP [NB :no relevance of this statement with what follows], <i>individual ‘project-type’ interventions such as support to the MoLSI under specific conditions are not subject to the rigour of the logframe approach. There are therefore no specific objectives for these interventions. Objectives and indicators can, however, be partly derived from the conditions attached to the budget support. These conditions are of two types:</i></p> <ul style="list-style-type: none"> <li>▪ <i>conditions relating to public expenditure management and budget execution (e.g. amendment of the Budget Methodological Instruction to ensure that they appropriately assist line agencies in the drafting of their annual budgets and communicate to the line agencies Government policy priorities on MTEF);</i></li> <li>▪ <i>conditions specific to the social sector (outsourcing of the implementation of the</i></li> </ul>	

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	<p><i>programme "assistance to the graduates from the country's orphanages network" preparation of a national framework for welfare standards for orphanages; and appointment of a Supervisor of Orphanages directly accountable to the Minister of Labour and Social Issues). Over the last three years all of these specific conditions dealt with the management of orphanages".</i></p> <p>In the context of budget support one does not want to have "parallel" logframes or indicators for the FSP (or any budget support programme). The objective is to upgrade Government systems and include proper indicators for their evaluation. It follows that in evaluating the FSP as an intervention one should evaluate the quality and improvement in those Government programmes that have been assisted.</p> <p>The general approach used in the last 3 years by FSP in improving Government programming within the state budget process involved a series of measures as follows:</p> <ul style="list-style-type: none"> <li>▪ The purpose of the Budget Methodological Instructions (BMIs) - created by the Mm of Finance for use across Government with the assistance of the FSP TA team - was to base resource allocation on clear and objective programmes that form part of the state budget.</li> <li>▪ If the consultants had paid attention they would have noticed that these BMIs require line ministries, including MLSA to present their programmes and budgets In a basic application of the Logframe (III) with a set of necessary outcome indicators. Indeed the logframe approach has proven to be a very useful tool and has also enabled line ministries to cost their programmes in a more transparent way. This process is far from perfect, but it has acquired momentum and I am sure it is understood that to reach perfection in such environments patience and perseverance is required.</li> </ul>	

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	<p>Documentary evidence of this can be found in the 2003, 2004 and 2005 examples to prove our point.</p> <ul style="list-style-type: none"> <li>MLSA and the Ministry of Agriculture have benefited from continuous FSP assistance precisely because we have on-going TA in those ministries i.e. the logframe approach is used precisely because of FSP recommendation and intervention.</li> </ul>	
	<p><b>FOOD SECURITY TEAM</b></p> <p><b>Additional remarks on subsequent versions of the Draft Evaluation Report</b></p>	
69	<p><i>“The statement that FSP resources are intended to “complete, improve, rationalise and enhance programmes and services that are part of Government routine interventions and systems” is highly debatable.”</i></p> <p>The consultant should give his arguments to debate the fact that budget aid aims at supporting budget programmes and services. If he feels this is debatable then he should question Commission policy for providing budget support</p>	<p>What the consultant finds indeed highly debatable is that FSP resources financed <b><i>routine</i></b> interventions and systems, which, as acknowledged below by the FSP experts themselves, would have been in any case financed from the state budget.</p>
70	<p><i>These results may be achieved through <u>technical assistance projects</u>...</i></p> <p>The EC policy is to favor budget aid to the “project approach” because these results are better achieved in the context of a budget support programme. Moreover, budget support programmes like the FSP Armenia are always accompanied by a technical assistance component.</p>	<p>Which results: for the government to carry out the same routine activities as usual?</p>

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71	<p><i>"... leaving unanswered the question why EUR 10 million a year are transferred to the state budget (furthermore in a country where the ratio budget revenue / GDP is low and which has had to request from the IMF and the Commission a waiver on the related conditionality). Once again, if these expenditures would be in any case financed from the State budget, what is the value added of the FSP contribution to this budget?"</i></p> <p>Once again, it is a mistake to believe that absence of budget aid, particularly in a non-targeted programme as the FSP in Armenia, would mean collapse of public services, as it implies that were FSP to withdraw from Armenia, the public vaccination campaign, the plant protection campaign, the drainage operation and maintenance would collapse at once! This idea that budget aid should necessarily increase expenditures in a particular sector goes fundamentally against basic principles of public finance management reforms (as we already put it in previous comments, the problem is not about spending more, but about spending better) and against budget aid regulations that shifted focus from input to output/outcome (performance).</p>	<p>The question raised by the consultants is: what has been the value-added of the FSP budget aid?</p> <p>The FSP experts reply:</p> <ol style="list-style-type: none"> <li>1) the state budget would have in any case financed the activities carried by the Ministry of Agriculture and the Ministry of Social Affairs (which, by the way, means that FSP resources have freed budget resources for other – unknown – purposes. The fungibility of FSP resources has been maximal);</li> <li>2) the efficiency of budget expenditures is enhanced [which is a result of TA and not of budget support].</li> </ol> <p>The question raised by the consultants remains unanswered.</p>
72	<p>As for the question of value added of FSP, consider that non-targeted budget aid helps a country to accelerate growth, by replacing or avoiding resort to internal and external deficit financing for its budget gap. But here again, the value added is measured on performance:</p> <ul style="list-style-type: none"> <li>- Is food insecurity decreasing in Armenia? Yes.</li> <li>- Is poverty reducing in Armenia? Yes.</li> </ul>	<p>Until 2006 FSP financial support has been targeted.</p> <p>FSP experts obviously confuse macro-financial assistance or structural adjustment and budget support.</p>

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73	<p>As concerns the question of the ratio budget revenue/ GDP, this is being tackled by the IMF, who envisages a 0.4% growth of this ratio per year and continued reforms in tax and customs administration. This ratio is only one of the numerous facets of public finance reforms in Armenia, a country praised by the IMF as the most successful in the CIS region</p>	<p>It remains that Armenia has had to request from the IMF a waiver for having not hold its commitments regarding the tax/GDP ratio.</p> <p>It may be useful at that stage to quote a few sentences from the Commission Guidelines on sector budget support<sup>1</sup>:                      “Sector Budget Support is defined by three criteria:</p> <ul style="list-style-type: none"> <li>▪ The focus of the policy dialogue with government is at the sector level: the Government, the Commission and other partners agree on a specific programme of development and reform at the sector level, leading to specified results;</li> <li>▪ The additional resources provided by the Commission must result in <b>additional funding for the sector</b><sup>2</sup></li> <li>▪ Any conditions placed upon the Commission’s resources relate to sectoral performance and to the impact of reforms within the sector.”</li> </ul> <p>In the case of Armenia:</p> <ul style="list-style-type: none"> <li>▪ a strategy for the development of agriculture was first adopted by the GoA in 2003; this strategy document remains quite unsatisfactory (see on this EQ 3 in the evaluation report); in the social sector the policy dialogue was restricted to the issue of orphanages and childcare; there is no donor coordination either on agriculture or on social affairs;</li> </ul>

<sup>1</sup> European Commission, Guidelines for European Commission Support to Sector Programmes, February 2003, p. 42.

<sup>2</sup> underlined in the Guidelines. This statement is specified in the document in the following manner (p.45 , Box 4.1) : “Sector budgetary aid is explicitly intended to facilitate actions which would not have taken place in the absence of the Commission’s resources. Some additionality in the level of spending is therefore required”.

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		<ul style="list-style-type: none"> <li>▪ the FSP experts themselves acknowledge that there has not been any additional funding of the Ministry of Agriculture; the same is true of the Ministry of Labour and Social Issues;</li> <li>▪ rather than sectoral performance targets, conditionalities in the form of a matrix of measures are attached to the FSP programmes; sectoral performance and the impact of reforms are not monitored.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Q3, point 4, Judgement criterion 5:</li> </ul> <p><i>“The FSP has helped the MoA formulate a strategy which, even if it needs improvement, is a first and important step towards more consistent intervention by the government in the development of the agricultural sector. Elaborating this strategy was one of the conditions attached to the FSP MoU 2002 (Budget year 2003). It may however be regretted that the Commission, which has been providing financial support to the MoA since 1996, waited until 2002 before requesting the ministry to define its strategy. A possible explanation of this delay lies in the character of the FSP instrument, which originally had a relatively narrow focus on food security issues, and then gradually evolved towards budget support for the implementation of sectoral policies in the agricultural and social sectors. This development is not yet complete.</i></p> <p><i>And the footnote: “Further developments along this line should take place in the 2005-2006 programme, in particular a move to non-targeted budget aid, an extension of the programme from one to two years, and the introduction of a fixed and variable tranche mechanism. But release of the funds will remain conditional on imports of food products, and the indicators linked to the variable instalments refer to processes rather than to performance.”</i></p>	<p>Armenia is a net importer of food products. When the FSP programme was first implemented in Armenia in 1996, the country was extremely short of foreign currency. At that time the FSP aimed at securing the imports of food products through the provision of foreign currency to the Bank of Armenia, the counter-value of these funds in local currency being transferred to the Treasury for the funding of precisely defined budget lines in the Ministry of Social Affairs, the Ministry of Agriculture, the State Committee for Real Estate Cadastre, and the National Statistical Office. Hence the obligation (still valid today) made to the GoA to prove that Armenia has imported food products for a total value at least equal to the amount of Euros supplied by the Commission.</p>

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74	<p>To state that food security issues are narrow is wrong and reflects a wrong understanding of the concept of food security.</p> <p>To state that the FSP instrument “gradually evolved towards budget support for the implementation of sector policies” is wrong, as FSP has never derived from its food security mandate, and has been a budget support operation since the beginning in Armenia.</p>	<p>FSP experts deliberately confuse under the word “budget support” on the one hand a transfer of financial resources to the state budget, which has indeed resulted of FSP support from the very beginning, and budget support as an instrument of the Commission’s development cooperation, which was first implemented in Benin in 1998, which is utilised under precisely defined conditions, and which complies with strictly defined procedures. As noted above FSP started as a financing mechanism of food imports. As the currency constraint relaxed over time the import financing dimension of the FSP faded, and the instrument gradually evolved, as stated in the evaluation report, towards something close to budget support. A matter of worry is that FSP still today does not comply with the rules and procedures defined by the Commission for its budget support programmes.</p>
75	<p><i>As for performance indicators, quantitative indicators were foreseen at the end of 3-year FSP originally designed for 2005-2007, later reduced to 2 years due to administrative reasons. The “processes” that are mentioned in relation to the variable tranche are not outputs but outcomes and hence performance related.</i></p>	<p>The FSP 2005-2006 programme will be implemented from the 1/01/2006. The evaluation is assessing what has been done, not what the Commission is planning to do. Furthermore the consultant would like to be explained how processes can be outcomes.</p>

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76	<p>Moreover, the FSP has assisted the GoA in introducing the concept of performance in public services through inclusion of performance indicators in annual budget programmes as well as in the MTEF. But the Consultant consistently refuses to recognise FSP impact on public finance management reforms. Besides, FSP 2005-2006 foresees to put in place systems that will allow to measure performance indicators as of 2007 (Rodent control system, Locust rodent system, Animal disease surveillance system etc...)]</p>	<p>It is simply not true that the consultant refuses to recognise the FSP impact on public management reforms. The evaluation report makes due reference to the FSP contributions in this area.</p> <p>However the consultant would like to point out that a lesson learnt by the donors' community as regards public finance management<sup>3</sup> is that effectively contributing to the improvement of a PFM system implies:</p> <ol style="list-style-type: none"> <li>1. a diagnosis of the strengths and weaknesses of the PFM system endorsed by the government and the donors;</li> <li>2. a comprehensive and sequenced programme of reforms prepared by the government with technical assistance of the donors as far as needed;</li> <li>3. a commitment of the government to implement this programme;</li> <li>4. a coordinated support of the donors' community to the implementation of this programme;</li> <li>5. a close monitoring of the implementation of the reform programme.</li> </ol> <p>None of these conditions apply to the FSP support to PFM reforms in Armenia.</p>

<sup>3</sup> See in particular the works of the PEFA Group jointly funded by the European Commission, the World Bank and other donors ([www.pefa.org](http://www.pefa.org)).

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77	<p><i>But examination of the MoA budget suggests that agriculture might not be given the attention by the government that it deserves, considering its potential role for poverty alleviation. Budget resources planned for the Ministry of Agriculture in the Medium Term Expenditure Framework 2005-2007, at about 1.5 per cent of total budget expenditures, are extremely modest. Furthermore one-third of these expenditures is financed from project aid provided by two foreign donors, the World Bank and IFAD."</i></p> <p>First of all, this statement is untrue as the MTEF 2006-2008 (foresees an increase of 50% of the budget of the MoA, besides WB and IFAD projects. Second, the MoA manages only part of the agricultural services. Most notably, irrigation and drainage are under the State Water Management Committee. No need to add that many activities regarding rural development are also out of MoA portfolio (rural roads, micro-credits, etc.)</p>	<p>Consultant refer to the 2005-2007 MTEF. They were not communicated the 2006-2008 MTEF which apparently introduces a dramatic change in the allocation of resources to the MoA.</p> <p>The evaluation report indeed points out that a major weakness of the so-called agricultural development strategy is precisely that it is restricted to the activities of the MoA leaving out of its scope the activities of other state bodies and still more private stakeholders.</p>
78	<p>▪ <u>Conclusion 19:</u></p> <p>"There is in Armenia evidence of linkages between policy dialogue and cooperation activities in such areas as institutional and legal reforms or the Food Security Programme."</p> <p>This statement is rather unclear. What does the Consultant mean?</p>	<p>In version 3 of the draft final report this sentence has been reworded in the following manner: "There is in Armenia evidence of linkages between policy dialogue and cooperation activities in such areas as institutional and legal reforms or the policy issues addressed in the framework of the Food Security Programme".</p>
79	<p>▪ Recommendation 21: "Agriculture and rural development: frame Commission interventions in the sector in a policy dialogue with the government (C.6)"</p> <p><i>"Agriculture is a sector to which the Commission has devoted a substantial amount of</i></p>	<p>The consultant suggests that the FSP experts have a look at the Commission Guidelines on budget support.</p> <p>They would read that at the programming stage of a sectoral budget support programme, then again at the identification stage, the Commission undertakes an in-depth assessment of the country situation in seven areas:</p>

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	<p><i>resources through a mechanism close to budget support and in which it has a nearly ten years experience of a policy dialogue with the government. Development of the sector, and more generally of rural areas, is key to the alleviation of poverty.</i></p> <p><i>The existence of a Sustainable Agricultural Development Strategy is an asset on which the Commission can build to further deepen its dialogue with the government with the view of helping the MoA to adopt a more comprehensive approach of the sector involving activities upstream and downstream of agricultural production, enlarge its perspective to the whole rural sector, and take into account the various public and private stakeholders of the sector and the role they may have in its development.</i></p> <p>In line with the ENPI Regulation the principles of sectoral budget support should replace those of the FSP (See below Recommendation ...).</p> <p>Again, this is a mistake to state that the FSP in Armenia was not “a mechanism close to budget support”. It was all but a full-fledged budget support operation.</p>	<ul style="list-style-type: none"> <li>▪ Quality of the macroeconomic management;</li> <li>▪ Existence of a MTEF;</li> <li>▪ Quality of public finance management;</li> <li>▪ Existence and adequacy of policy and strategy in the sector for which a budget support is envisaged;</li> <li>▪ Existence of adequate institutional capacities;</li> <li>▪ Existence of an effective donor coordination mechanism under leadership of the Government;</li> <li>▪ Existence of a monitoring system focusing on the outcomes of the strategy implementation.</li> </ul> <p>On the basis of this diagnosis the Commission decides whether supporting the implementation of the relevant sector policy is consistent with the objectives and principles of its development cooperation, and whether budget support is the appropriate instrument to support this policy.</p> <p>The formulation phase leads to the draft of a financing proposal in which are defined the mutual commitments of the Commission and of the Government as well as the targets assigned to the implementation of the strategy expressed through a series of performance indicators.</p> <p>During the implementation phase, which usually extends over three years, the Commission regularly monitors developments in the seven areas mentioned above, actively participates in the government-donors policy dialogue, and jointly examines with the Government and other donors whether agreed targets have been reached.</p> <p>Stating that the FSP is a full-fledged budget support programme is a totally ungrounded statement.</p>

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80	<p>▪ <u>Recommendation 22</u>: “Social sectors: frame Commission interventions in a policy dialogue with the government (C.10 &amp; C.12)”</p> <p><i>“The logic of this recommendation is similar to that presented above on the agricultural sector. Social assistance is a key priority of the Government which is committed to tackling extreme poverty and has in fact had some success in that regard, in particular through the institution of the Family Benefit scheme. The Commission has devoted substantial resources to this sector and has conducted with the government a dialogue on the design and implementation of a childcare and child protection policy.</i></p> <p>Conditions are met for a move from FSP to budget support and to expand the coverage of the policy dialogue with the government to the whole social security and social assistance system in such a way that Commission interventions can take place within a sectoral approach to social protection.”</p> <p>Idem as concerns the “move from FSP to budget support”. Besides. Could the consultant define what he means by social protection and how does he propose to operationalise it?</p>	<p>According to surveys carried out in the framework of the PRSP, there are currently in Armenia about 1 million people who are poor or extremely poor. There are in Armenia 1,150 children under full-time care in orphanages and approximately 11,000 children living part-time in “boarding schools”. Up to now, and still in the 2005-2006 programme, the FSP concentrated on the sole component of the social policy dealing with this very small sub-group of the poor population. The consultant recommends that the policy dialogue between the Government and the Commission is extended to the social policy as a whole.</p>
81	<p>▪ <u>Recommendation 26</u>: “Switch from FSP procedures to budget support procedures (C.6 &amp; C.12)”</p> <p><i>“The FSP evolved over time from a programme closely targeting food security issues to a programme which is nowadays closer to budget support as implemented by the Commission in other third countries. This process is however not complete. In compliance with the Commission guidelines for budget support, <u>switching from FSP to budget support</u> implies ensuring, among other conditions, that the programme (i) is partnership based; (ii) is linked to the national or a sectoral strategy; (iii)</i></p>	

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	<p><i>encompasses institutional development objectives; (iv) involves adequate donor coordination; and (v) aims at the achievement of results assessed through performance indicators. Furthermore, contrary to the FSP, which is managed by a dedicated service at the Commission's Brussels Headquarters and is not included in the national programme, budget support is deconcentrated and is most often a key component of the national programme implemented by the Commission in the partner country".</i></p> <p>The whole recommendation formulation has to be reviewed taking into account our above comments. As we pointed, this recommendation is unclear as it recommends shifting from obscure "FSP procedures" to "budget support procedures", while the FSP in Armenia has been a budget support operation since 1997.</p>	<p>See under item 78 the consultants' comments on this statement.</p>