

Project Fiche - Component 1

Title:	Support to the “National Programme for PCA Implementation”		
Indicative cost:	EC Contribution: € 4.5 million		
Aid method:	Project Approach – centralised management		
DAC-code	15010	Sector	Economic and development policy/Planning

1. Rationale

1.1 Strategic Framework

Armenia, the European Union and its 25 member states are linked by a Partnership and Co-operation Agreement (PCA) signed in 1996 and entered into force in 1999. Armenia is a member of the Council of Europe since 2001 and of the WTO since 2002. Under the PCA, Armenia has taken the commitment to gradually reform its legislation and institutions in compliance with the *acquis communautaire* and EU best practices. The inclusion of the country in the European Neighbourhood Policy (ENP) in 2004 marked a decisive achievement in its way towards the EU. A five-year ENP Action Plan, currently under preparation, is expected to be adopted in early 2006. One of its main priorities is to grant Armenia easier access to the EU internal market, implying that the country needs to fully adhere to Community standards and regulations.

The integration into the European Union is a long-term strategic priority for the Republic of Armenia. The EU integration is a long-run and complicated process involving almost all spheres of economic, social and political life and engaging large-scale human resources. It requires resources allocated particularly for that purpose, trained and specialized staff and a very clear governance system. For that purpose, a National Programme (NP) for PCA implementation building on the experience of the new EU member states has been developed with the decisive support of the EC's prominent project in Armenia: AEPLAC (Armenian European Policy and Legal Advice Centre). Particular attention has been paid to needs assessment and on the implementation methodologies to be developed. From its side, the GoA has created an ad-hoc Commission fine-tuning the NP before its adoption, *a priori* without any major change, in early 2006.

Once adopted, this NP will undoubtedly serve as a sound basis for the preparation of future Action Plans (AP) under the new ENP and will in that sense become one of the key driving forces of the development of EU-Armenia relations. Its implementation is therefore of paramount importance in the EC-Armenia dialogue and for Armenia.

But implementation of this NP requires significant improvement of the management capacities of the relevant administrations as well as some structural changes in the GoA, as observed in the new EU member states before their accession. The intensification of

the EU/Armenia political dialogue, the booming trade relations with the EU (1st trade partner of Armenia) and the increasing volume of co-operation have indeed revealed a clear need to rethink the organisational structure of the Government, in order to better cope with the challenge of the implementation of the PCA and future EU/Armenian relations. In particular, the creation of a leading “EU integration body” relayed by some “EU integration departments” in the line ministries is seen by the GoA as a determining condition to deepen the EU integration process¹.

The EC has provided assistance through AEPLAC (and a dedicated Policy Advice project in 2005) to assist the GoA in identifying what these “EU integration structures” should be, taking into account experience of the newly accessed EU member states and particularities of Armenia. The NP developed by the GoA with the support of AEPLAC (and therefore very likely to be adopted with almost no modification) proposes to create mainly: *i*) an EU integration Department under the Prime Minister office, *ii*) EU integration divisions in all relevant ministries and at the National Assembly and *iii*) EU information and documentation centres. The present programme aims at providing assistance to the GoA to set up these structures, in line with article 43 of the PCA.

In this new organisation chart, AEPLAC is likely to remain an independent centre (possibly further financed by the EC as under previous TACIS AP), but its integration into a larger EU integration structure cannot be ruled out by the time the TA component of this last TACIS AP will be implemented (in the end of 2007 at the earliest, as the current phase of AEPLAC ends in October 2007). Indeed, in the long run AEPLAC aims at becoming a structure independent of EC financial support, either a sustainable private research centre (type “think-tank”) or a structure integrated in to the GoA.

Because of this foreseeable restructuring, the current programme does not focus precisely on further support to AEPLAC but adopts a wider and more pragmatic approach, on implementation of the National Plan (NP) for implementation of the PCA and on strengthening of the capacities of the Armenian authorities to deal with EU integration matters.

To secure proper implementation of this NP, a special attention will have to be paid to the enhancement of the management skills and implementation capacities of the Armenian authorities, especially of staff of those newly created EU integration structures (for instance in the ministries not directly involved in EU integration before the adoption of the NP). The proposed assistance will therefore focus on further capacity building in the governmental structures and institutions in order to consolidate what has been achieved by previous TACIS projects and previous phases of AEPLAC in terms of legal approximation and transfer of know-how.

This will include of course a well-structured human resource development strategy, but experience shows that adoption of electronic governance principles is the best way to

¹ Indeed, several entities are currently involved in this EU integration process. The MFA leads the political dialogue and chairs the EU-Armenia Cooperation Council, when the Ministry of Finance and Economy (MoFE) is responsible for the design and implementation of the EU assistance programmes. Within this Ministry, an EU Technical Assistance Coordinating Unit (EUTACU) identifies and designs assistance projects – a function likely to be refined under the ENP. A Twinning PAO is expected to be created in 2006. The Ministry of Trade and Economic Development (MTED) plays also a decisive role in approximation of trade legislation and chairs the EU-Armenia Sub-committee on Trade. Exist as well an ad-hoc Commission at the NA for integration into EU structures and an Inter-Agency Working Group coordinating the elaboration of the ENP Action Plan coordinated by the Minister of Trade. From its side, AEPLAC focuses on PCA implementation and plays a key advisory role in this EU integration process.

decouple managing skills of administrations faced with such a challenge as approximation of legislation and implementation of the PCA, including 16.000 pages of EU legislation.

Development of Information Technologies (IT), and particularly e-Governance principles, is recognized as a key priority by the GoA, hence previous TACIS support to “paperless ministries” reforms will find a natural continuation with this project. Furthermore, this e-governance component will not only improve management capacities, but will also facilitate access to “on-line information” (Armenian laws, EU *acquis communautaire*, proposed amendments for approximation...) for officials and civil society and decisively increase transparency and reliability of the whole administration system.

The targets developed above fully coincide with the objectives of the EC Country Strategy Paper (CSP), the National Indicative programme, and of course the PCA (including NP) and the ENP strategy.

1.2 Lessons Learned

TACIS has been offering TA to Armenia in the field of PCA implementation mainly through AEPLAC, since 1999. The project has been largely delivering what expected, contributing for instance to Armenia joining the WTO in 2002, plus of course the support to the GoA for the preparation of the National Programme of PCA Implementation in 2005. AEPLAC is as of today the only EC funded project focusing primarily on PCA implementation. The project entered in its fourth phase in October 2005 (running till October 2007 - 24 months), preparing itself for future emancipation from the EC assistance and possible merging into a governmental EU integration structure. However, complexity of the PCA implementation process clearly speaks for continuation of assistance to the GoA through an AEPLAC-like project, even if it won't be called AEPLAC.

Support to the EU Technical Assistance Coordinating Unit of the Ministry and Finance (EUTACU) has been rolled over from AP to AP, allowing this structure to significantly develop and actively participate in the identification, co-ordination and implementation of TA projects. With the adoption of the NP and the new ENP instruments taking over from the traditional TACIS tools, the functions and place of the NCU might significantly evolve. The assistance aiming at developing planning and coordination capacities this programme intends to deliver is therefore likely to be channelled through a newly created “EU integration department” (if any) encompassing activities of the current NCU. Special attention will have to be paid on avoiding loss of skills accumulated in the current NCU.

1.3 Complementary Actions

The European Commission currently implements or is about to launch the following projects related to the current TA fiche on support to implementation of the PCA :

- AP 04-05 : AEPLAC phase 4 (Oct. 2005 – Oct. 2007);
- AP 04-05 : Support to NCU (launched in Feb. 2006)
- AP 04-05 : Policy Advice on creation of EU integration structures in the GoA (Oct. 2005)
- AP 04-05 : Creation of an EU/International law chair at the YSU (start: spring 2006)

- EIDHR projects
- AP 02-03: Policy Advice projects to support the State Commission for the protection of Economic Competition;
- AP 02-03: support to the European Chamber of Commerce in Armenia (EUCCA).

1.4 Donor Coordination

The EC has, by definition, a leading and almost exclusive role in PCA implementation process. The Delegation entertains constant exchange and coordination with all major donors (USAID, DFID, IMF, WB, UN, GTZ ... and EU member states) implementing projects in all PCA related fields and co-operation is satisfactory. Information is regularly shared at the occasion of Heads of Mission and Donors meetings (where EU Member States participate as well) and as often as needed at the working level. Government of Armenia has significantly improved its co-ordination capacities over the last few years, avoiding duplication or overlapping of projects.

2. Country Context

2.1 Co-operation related policy of beneficiary country

Armenia is a landlocked country with still high poverty level. Despite the quasi -absence of natural resources, the country has been managing to sustain a two -digit GDP growth over the last decade thanks to a proactive policy of structural reforms and to traditional comparative advantages in sectors like sciences and information technologies. The EU is today the first trade partner of Armenia, which expects to get the “market economy status” in 2006. Integration into the European Union is a long-term strategic priority for this ex-USSR country.

The re-election of President Kocharyan in 2004 ensured certain continuity in the political landscape with no major ministerial reshuffling and no negative impact on implementation of EC cooperation projects. Rapprochement to the EU and implementation of the PCA remains a high priority on the Armenian agenda as testifies the extreme attention paid to the elaboration of the ENP Action Plan .

2.2 Sector Context

Article 43 of the PCA calls for assisting Armenia in its efforts to approximate its legal framework to EU legislation in a number of fields affecting the business environment: investment, custom law, company laws, banking laws, intellectual property, financial services, public procurement, etc. Yearly EU-Armenia sub-committees on trade and related issues are the occasion to review progress made by Armenia and to confirm, according to the community of EU businessmen in Armenia that, despite a two digit economic growth over the last years, there is still a large scope for improvements, especially regarding the implementation of laws. In fact, implementation of the newly adopted regulations is still difficult as most administrations lack sufficient capacity. Th is programme will therefore continue providing assistance to these administrations to implement the PCA (i.e. transposition of the EU *acquis communautaire* into the Armenian legislation) and to build capacity in relevant administrations, thus fostering economic and social devel opment of the country.

3. Description

3.1 Objectives

The project's aim is to improve the governance and social/economic situation in the country through implementation of the NP and strengthening of the capacities of the relevant institutions, in line with the EU *acquis communautaire* and ENP principles. The project will therefore continue promoting PCA implementation and legal approximation by reinforcing the capacity to apply, enforce and monitor the legislation, as well as improving the capacities to analyze and prioritize.

AEPLAC has been delivering key inputs to build these capacities in the GoA and to develop the NP/PCA. But implementation of this NP clearly goes beyond its mandate and technical capacities. Indeed, whereas AEPLAC's assistance was targeting mainly the GoA (with the Prime Minister office being the formal beneficiary of the project), implementation of the NP under the guidance of the GoA will involve much more actors and will consequently require larger capacities. A new pragmatic approach should be developed, reflecting the increased ownership of the GoA. This programme envisages therefore delivering assistance not only through AEPLAC (should the structure still exist by end 2007) but as well through a larger leading "EU integration Department" at governmental level.

Regarding needs assessment, it is assumed that, by 2007, the current fourth phase of AEPLAC will have significantly contributed to enhance the capacities of the Armenian authorities to implement the PCA and to deal with ENP related issues. A comprehensive assessment of AEPLAC phase 4 activities will have therefore to be carried out for the elaboration of a detailed implementation strategy of this programme.

Nevertheless, it is already clear that this programme will pursue the following objectives:

- Further assisting the GoA in developing, formulating and implementing legislative and economic policies in line with EU/PCA and WTO requirements;
- Further assisting the GoA to set-up the identified "EU integration structures" ;
- Further assisting the GoA in its overall capacities of programming, prioritisation, coordination and monitoring of the NP implementation process ;
- Further assisting the GoA in developing and implementing an e-governance Action Plan with a special focus on the objective of this programme ;
- In addition to the abovementioned components, and in case the national authorities finally give their agreement to the implementation of twinning projects, the Commission will take all necessary steps to set up the appropriate structures enabling the start of twinning operations in the following years.

3.2 Expected results and main activities

Expected Results

- EU Integration Departments and EU integration structures foreseen in the NP are established under the full ownership of the GoA. These structures are fully staffed with efficient trained civil servants and equipped with prioritising, planning, coordination and monitoring capacities as well as screening of legislation tools;

- Subsequent training mechanisms and EU integration/information centres are established; civil servants are trained and have a deep understanding of European approximation and integration issues, able to support the overall strategy for EU harmonisation/integration of the GoA to EU standards and to move Armenia closer to Europe and to secure, to a certain extent, ownership and sustainability of the EU integration process;
- Management capacities (including paper flow) in administrations are improved, increasing decision making ability and transparency thanks to a pertinent e-governance approach; civil society and interested groups obtain on-line access to certain governmental services and PCA related legislation; a solid e-governance system, including training mechanisms, is established;
- The general capacity of the Armenian authorities to deal with EU integration matters and to monitor EU integration process is significantly improved and relevant governmental bodies prove to be able to act in partnership with EU institutions to deliver reforms improving social and economic environment;
- Should the need be confirmed with the Armenian authorities, a PAO dedicated exclusively to twinning projects could be set-up, according to relevant AIDCO contractual procedures and regulations.

Main Activities

On the basis of the envisaged structural changes at the GoA and National Assembly levels for the implementation of the PCA National Programme (NP) and future ENP, the foreseen activities are:

- Support to the gradual establishment of adequate EU integration structures, including the elaboration of subsequent managerial, coordination and e-governance strategies;
- Further support to the GoA to implement the NP and future ENP, through provision of technical assistance (TA) on development, formulation, approximation and implementation of legislation. This will include, among others, the following activities:
 - § Further support to elaborate an implementation strategy and to develop a clear benchmarking approach at general and sectoral levels;
 - § Assist the GoA to develop NP implementation monitoring tools and mechanisms to assess the impact of the legislative, administrative and institutional reforms on socio-economic development of the country;
 - § Building on results of AEPLAC previous support, provide, where particularly needed, specific short term expertise or TA in specific priority areas (paying a particular attention on the economic and business environment);
 - § Support to the setting up of a legal translation and information mechanisms, with the participation of the TACIS project on EU legislation Chair at the Yerevan State University.

- Support the GoA in designing an adequate strategy for capacity building at all levels of the reformed structure involved in NP implementation and future ENP. This will include, among others, the following activities:
 - § Build and develop skills and technical capacities of the line Ministries (civil servants, including the future asset of the current National Coordinating Unit), state agencies, National Assembly (civil servants and involved parliamentarians) and other relevant authorities in charge of the implementation of the NP;
 - § Increase the capacities and curricula development of the relevant training Institutions (training centres of the Ministries, Public Administration Academy...);
 - § Further elaborate and implement of an e-governance Action Plan (building on the results of previous TACIS projects) in support to the implementation of the NP and future ENP for a more transparent and efficient public administration as well for an increased public awareness on EU integration issues (civil society, interests groups, NGOs, unions..) ;
 - § Organisation of relevant study tours in EU Member States and in particular in the new accession countries.

3.3 Stakeholders

This programme will target the GoA and the overall administrative system, but will focus primarily on ministries dealing with PCA implementation (Finance and Economy, Foreign Affairs, Trade, Justice, Education, Agriculture...) and, more specifically, on newly created EU integration departments of these ministries. More generally, it will benefit as well to the civil society as a whole - including business community and all economic and political actors – thanks to a faster and simplified access to information via e -interfaces.

3.4 Risks and Assumptions

- The political situation remains stable;
- The GoA does not postpone the adoption of the NP ;
- The GoA remains committed to implementation of the PCA and provides human and financial resources ;
- The GoA envisages a reasonable budget for carrying out the NP;

3.5 Conditionalities

Assistance is conditioned upon commitment to the PCA and to the implementation of the NP supported by regular reports on implementation of the PCA/NP.

Assistance is also conditioned to the commitment of the GoA to develop an attractive and coherent remuneration policy, aiming at avoiding excessive staff turnover in institutions dealing with EU integration issues.

3.6 Crosscutting issues

Good governance, legislative reform, democratization, economic growth , environment, gender and improved business climate.

4. Implementation issues

4.1 Implementation method

Centralised management. The project is intended to be implemented through one service contract, following one tender. In case the project includes a twinning component (see 4.3 below), an approximate amount of € 600.000 would be set aside for a separate service contract, purpose of which would be to provide TA to the establishment of the necessary twinning-related structures. Prior to this, a separate framework contract of approximately (and maximum) € 200,000 would be necessary to prepare the above-mentioned contract. Finally, per possible twinning project, it would be necessary to foresee an approximate amount of € 1.1 million.

4.2 Budget and calendar

The total budget indicatively foreseen is 4.5 million EUR .

The project duration is intended for an indicative period of 24 months.

It is indicatively foreseen to launch the tender during the last quarter 2006 - first quarter 2007.

4.3 Procurement procedures

All contracts implementing the financing agreement must be awarded in accordance with the procedures and standard documents laid down and published by the European Commission for the implementation of external operations in force at the time of the adoption of the programme estimates in question.

In case the national authorities finally give their agreement to the implementation of twinning projects, the Commission , within the frame of this project, will take all necessary steps to set up the appropriate structures enabling the start of twinning operations in the following years.

4.4 Performance monitoring

The project will be monitored by the TACIS monitors and closely followed by EC Delegation in Yerevan.

4.5 Evaluation and audit

An ex-post evaluation should be performed by the TACIS monitors a year after the project's implementation ends.