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**JOINT STAFF WORKING DOCUMENT**

**Report on EU-Armenia relations in the framework of the revised ENP**

# Report on EU-Armenia relations in the framework of the revised ENP

## 1. Introduction and Summary

In line with the European Neighbourhood Policy (ENP) as reviewed in November 2015<sup>1</sup>, this report seeks to encompass a new style of assessment. It covers the period from 1 January 2015 to 31 December 2017 but also seeks to take into account the important political developments to date. It focuses on key events and reform efforts, in particular in the priority areas agreed at the 2015 Riga Eastern Partnership Summit.

The Joint Communication on the European Neighbourhood Policy Review provides a political framework with an overall objective of stabilisation. This was recalled by the Council conclusions of December 2015<sup>2</sup> which reconfirmed the principles of the revised policy: enhanced differentiation, greater focus on objectives agreed with partners, increased flexibility to improve the EU's capacity to respond to crisis situations and a greater ownership by Member States and partner countries.

Following Armenia's decision in September 2013 not to initial the negotiated Association Agreement, including a Deep and Comprehensive Free Trade Area (AA/DCFTA), with the EU, and Armenia's subsequent entry into the Eurasian Economic Union (EEU) in January 2015, Armenia and the EU continued their political and trade dialogue to find a way forward for future cooperation. Negotiations on a new framework agreement were launched in December 2015, resulting in the signing of the Comprehensive and Enhanced Partnership Agreement (CEPA) on the margins of the Eastern Partnership Summit held in Brussels on 24 November 2017. The CEPA is a modern, comprehensive and ambitious agreement, which deepens the Parties' relations in political, sectorial and trade areas of mutual interest.

The EU-Armenia Partnership Priorities<sup>3</sup>, signed in February 2018, will guide future bilateral cooperation in key areas structured along the priorities confirmed at the Brussels Eastern Partnership Summit. The Declaration<sup>4</sup> adopted at the Summit reconfirmed the clear continued commitment by both the EU and the six partner countries to the Eastern Partnership. It highlighted the importance of shared values and implementation of the reform agenda, based on the results it delivers across four priority areas: (1) economic development and market opportunities; (2) strengthening institutions and good governance; (3) connectivity, energy efficiency, environment and climate change; and (4) mobility and people-to-people contacts. The Summit took stock of developments since the Riga Summit and set out a concrete plan of action for the coming years. 20 deliverables for 2020 were endorsed to bring tangible results for people, supported by a revised multilateral structure of the Eastern Partnership.

The 2015, 2016 and 2017 meetings of the EU-Armenia Joint Committee on the implementation of the Visa-Facilitation and Readmission Agreements concluded that the overall implementation of these agreements was satisfactory, allowing for consideration of the opening of an EU visa dialogue with Armenia in due course.

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<sup>1</sup> JOIN(2015) 50 final of 18 November 2015

<sup>2</sup> <http://www.consilium.europa.eu/en/press/press-releases/2015/12/14-conclusions-european-neighbourhood/>

<sup>3</sup> [https://eeas.europa.eu/sites/eeas/files/eu-armenia\\_partnership\\_priorities\\_0.pdf](https://eeas.europa.eu/sites/eeas/files/eu-armenia_partnership_priorities_0.pdf)

<sup>4</sup> <http://www.consilium.europa.eu/media/31758/final-statement-st14821en17.pdf>

In the area of deep and sustainable democracy, human rights and fundamental freedoms, a Constitutional referendum took place in December 2015, a new Electoral Code was negotiated and approved in 2016, and parliamentary elections were held in April 2017 under the new Code.

Armenia remained relatively stable in macro-economic terms. Economic growth accelerated strongly, from 0.2% in 2016 to above 6% in 2017 according to preliminary estimates of the national authorities<sup>5</sup>. The EU remained Armenia's main export market and second largest source of imports. In 2016, EU imports from Armenia amounted to around EUR 300 million, while exports from the EU to Armenia amounted to around EUR 600 million<sup>6</sup>.

Casualties from the Nagorno-Karabakh conflict reached their highest level since the 1994 ceasefire agreement after four days of fighting broke out on the Line of Contact in April 2016. The EU continued to fully support the Organisation for Security and Cooperation in Europe (OSCE) Minsk Group Co-Chairs and confidence/peacebuilding and conflict prevention activities. The High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission (HR/VP) supported continued efforts towards peace by holding bilateral meetings with the Presidents and Foreign Affairs Ministers of Armenia and Azerbaijan. The HR/VP also supported these efforts through the EU Special Representative (EUSR) for the South Caucasus and the crisis in Georgia, who regularly visited the region for high-level meetings and maintained frequent contacts with the Co-Chairs and other relevant interlocutors. On the occasion of the signature of the EU-Armenia CEPA on 24 November 2017, the HR/VP stated: "The agreement also supports the peaceful resolution of the Nagorno-Karabakh conflict. The European Union firmly believes that the conflict needs an early political settlement in accordance with the principles and norms of international law, and continues to fully support the mediation efforts and related proposals of the OSCE Minsk Group Co-Chairs in this context."<sup>7</sup>

## 2. Strengthening Institutions and Good Governance

### 2.1. Democracy, Human Rights and Good Governance

In 2017, Armenia reaffirmed its commitment to strengthen democracy, human rights and the rule of law through the signature of the CEPA with the EU. The Armenian Parliament ratified the Agreement unanimously on 11 April 2018, triggering its provisional application as of 1 June.

The **constitutional amendments** adopted through the December 2015 referendum marked a change from a semi-presidential to a parliamentary system of government. The Council of Europe's Venice Commission published two opinions<sup>8</sup> welcoming improvements on the respect of human rights and on checks and balances. The February 2016 Final Report of the Office for Democratic Institutions and Human Rights of the OSCE (ODIHR) on the

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<sup>5</sup>[http://www.minfin.am/en/content/\\_the\\_public\\_should\\_be\\_informed\\_that\\_the\\_2017\\_state\\_budget\\_has\\_been\\_over-executed\\_-\\_the\\_prime\\_minister\\_visited\\_ministry\\_o/#sthash.xGsdaj6W.dpbs](http://www.minfin.am/en/content/_the_public_should_be_informed_that_the_2017_state_budget_has_been_over-executed_-_the_prime_minister_visited_ministry_o/#sthash.xGsdaj6W.dpbs)

<sup>6</sup> [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113345.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113345.pdf)

<sup>7</sup> [https://eeas.europa.eu/headquarters/headquarters-homepage/36208/remarks-hrvp-federica-mogherini-following-signing-european-union-armenia-comprehensive-and\\_de](https://eeas.europa.eu/headquarters/headquarters-homepage/36208/remarks-hrvp-federica-mogherini-following-signing-european-union-armenia-comprehensive-and_de)

<sup>8</sup> [http://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2015\)037-e](http://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2015)037-e) ,  
[http://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2015\)038-e](http://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2015)038-e)

referendum<sup>9</sup> recommended an inclusive electoral reform to build a broad consensus, to review the electoral dispute resolution procedures and to provide all stakeholders with effective remedy.

A **new Electoral Code** was adopted by the Parliament in June 2016 and addressed some of the recommendations of the Venice Commission and OSCE/ODIHR. The new code was drafted by a governmental working group in agreement with three opposition parties and in consultation with a group of civil society representatives. To reduce the risk of fraud, the government and the opposition reached an agreement over the publication of signed voter lists and video recording at polling stations. The new Electoral Code introduced several improvements, in particular concerning electoral campaigning and voter identification, increased gender quotas on candidate lists, eliminating mandatory tests for observers and extended deadlines for post-electoral dispute resolution. However, some shortcomings remain unaddressed, including insufficient campaign finance regulations, limitations imposed on domestic observers and media, ineffective complaint and appeal procedures.

On 2 April 2017, Armenia held **parliamentary elections under the new Constitution** and the new Electoral Code. According to the OSCE/ODIHR, the elections were well-administered and fundamental freedoms were generally respected<sup>10</sup>. At the same time, the OSCE/ODIHR noted that there were credible reports of widespread vote buying, intimidation of civil servants and private company employees as well as abuse of administrative resources. In the new Parliament, the ruling Republican Party of Armenia formed a strong majority in coalition with the Armenian Revolutionary Federation. The number of standing committees in Parliament decreased from twelve to nine. In particular, the previously standalone Human Rights Committee was merged with the State and Legal Affairs Committee.

On 2 March 2018, Armen Sarkissian was elected by the Parliament as President of Armenia. He assumed office on 9 April. Serzh Sargsyan was elected Prime Minister on 17 April, but stepped down on 23 April following a wave of **peaceful protests**. After continued protests in which all sides showed general restraint and responsibility, on 8 May the Parliament elected the protest leader, MP Nikol Pashinyan, as Prime Minister. The new government was sworn in on 21 May.

Regarding the **media environment**, according to the Freedom of the Press 2017 Index Armenia ranked *partly free* - 63 of 100 - compared to *not free* - 61 - in 2015<sup>11</sup>. Digitalisation of broadcast media allows for only one TV channel per region. There is more diversity of views in the online media<sup>12</sup>.

According to the data of the Committee to Protect the Freedom of Expression (CPFE), physical violence against journalists increased in 2016 (26 journalists) compared to 2015 (23 journalists) and decreased in 2017 (11 journalists). On 23 June 2015, the police specifically targeted media representatives in order to prevent them from covering the use of force during the dispersal of the Electric Yerevan protest. Out of 24 journalists who reported hindrance of their professional activities, 14 were also subject to physical attacks and violence. Similarly, the protests following the seizure of a police station by the “Sasna Tsrer” group in July 2016

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<sup>9</sup> OSCE/ODIHR Final Report: <http://www.osce.org/odihr/elections/220656>

<sup>10</sup> OSCE/ODIHR Final Report: <http://www.osce.org/odihr/elections/220656>

<sup>11</sup> World Press Freedom Index 2015: <https://freedomhouse.org/report/freedom-press/2015/armenia>

<sup>12</sup> World Press Freedom Index 2016: <https://freedomhouse.org/report/freedom-press/2016/armenia>, OSCE Human Dimension 2016 – A report by the Asbarez Journalism Club Guymri: <http://www.osce.org/odihr/266671>

were associated with large-scale violence and impediments of the professional activities of the media. In 2017, CPFE recorded 113 cases of various types of pressure against the mass media and their representatives and 62 cases of violating the right to receive and disseminate information, including 30 against the Union of Informed Citizens NGO. 15 insult and defamation cases were initiated against media workers in 2015 and 14 such cases in 2016<sup>13</sup>.

The National Strategy for **human rights** and its Action Plan for 2014-2016 lacked measurable targets with timelines, responsibilities and monitoring and evaluation. In February 2017, the government adopted a new Action Plan for 2017-2019, created an inter-governmental Coordinating Body chaired by the Prime Minister, and envisaged public hearings with civil society organisations on its implementation to be held every six months. Although substantively improved, the new Action Plan would benefit from an even clearer mechanism for monitoring progress.

**Ill-treatment, torture, inhuman and degrading treatment** are explicitly prohibited by the law. The Civil Code amended in December 2015 stipulates that individuals whose right to be free from torture, inhuman or degrading treatment or punishment has been violated, are entitled to material compensation for non-pecuniary damages. In December 2016, further amendments to the Civil Code were made to ensure grounds for rehabilitation in a step towards compliance with the UN Committee against Torture (CAT) requirements. The new Constitution led to the adoption, in 2017, of a new Law on the Human Rights Defender. The law aims at strengthening the role of the Defender as the National Prevention Mechanism against Torture and their mandate to advocate for systemic reforms. The Criminal Code was amended to provide a definition of and to criminalise torture, but did not criminalise inhuman and degrading treatment as the UN CAT would require.

Despite these legislative improvements, serious concerns remain with regard to the continuing practice of ill-treatment and torture, particularly in police custody<sup>14</sup>. Mechanisms for accountability and opportunities for civic oversight of closed facilities could be improved. Under the Human Rights Action Plan 2014-2016, the government envisaged studying the international experience of audio-visual recording of interrogations and submitting a proposal for the introduction of such a system; so far this action remains to be implemented.

Respect for **freedom of assembly** was selective. Public protests against increased energy prices in summer 2015 and following the Sasna Tsrer hostage-taking crisis in July 2016 were marked by disproportionate use of force by the police against peaceful demonstrators, excessive use of pre-trial detention and arbitrary interpretation of legislation in order to punish opposition activists. The investigation of alleged perpetrators did not result in any meaningful sanctions.

On **equal treatment and anti-discrimination**, the new Constitution stipulates that discrimination on all grounds is prohibited. Draft laws on **anti-discrimination**, the **protection of the rights of national minorities** and the **protection of rights and social inclusion of people with disabilities** are under preparation.

A mechanism to protect lesbian, gay, bisexual, transgender and intersex (LGBTI) rights in

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<sup>13</sup> Committee to Protect the Freedom of Expression (Armenian civil society organisation); [www.khosq.am](http://khosq.am) and the Annual Report for 2017: <http://khosq.am/en/reports/annual-report-of-cpfe-on-the-situation-with-freedom-of-expression-and-violations-of-rights-of-journalists-and-media-in-armenia-2/>

<sup>14</sup> <https://rm.coe.int/16806bf46f>

Armenia is yet to be put in place. Discrimination against LGBTI remains an issue and hate crime legislation is not yet in compliance with international standards as recommended by the Council of Europe/European Commission against Racism and Intolerance (ECRI) review<sup>15</sup>.

A National Strategy on **Equality between Women and Men** was drafted for the period 2017-2021 to address shortcomings in the implementation of the previous Strategy, inter alia, lack of measurable targets with timelines,<sup>16</sup>. A new Law on prevention of violence, protection of victims and restoration of cohesion within the family was approved by a large majority in the Parliament in December 2017. The preparation of the new law was accompanied by a public awareness campaign, as in the previous period there has been opposition to this initiative by certain groups. Armenia ranked 97th of 144 countries in the World Economic Forum's Global Gender Gap Index 2017<sup>17</sup>. The improvement as compared to previous years is mainly due to the decrease of the income gender gap. In terms of political empowerment, the most notable development has been the introduction of the 25% gender quota in the 2016 Electoral Code, to be increased to 30% from 2021. Following the April 2017 elections, the proportion of women elected to the Parliament increased to 18.1 %<sup>18</sup>.

On **rights of the child, poverty and inequality**, the de-institutionalisation reforms currently undertaken are meant to address the problem of overrepresentation of children with disabilities in residential institutions that was identified by the United Nations Children's Fund (UNICEF) Office in Armenia<sup>19</sup>. The government has adopted a Concept on the Development of Alternative Services (service centres, foster care and adoption mechanisms)<sup>20</sup>. Such alternatives services are limited and do not address the needs of children with disabilities. The Government Decree on Approval of the National Strategy for 2017-2021 and the Child Rights Protection Action Plan for 2017-2021 were adopted in July 2017 and list many positive priorities, while some important aspects would need further attention (for example, working mechanisms for combatting violence and for child rights monitoring). The Child Rights Unit in the Human Rights Defender's Office (Ombudsman) was established in 2016<sup>21</sup>. Extreme child poverty rates were lower in 2015 compared to 2010-2014 (currently, 33.7% of children live in poverty and 2.5% in extreme poverty)<sup>22</sup> while still remaining above the level of 2008 (29.8% and 1.6% respectively). Some measures to address the worst forms of child labour have been taken, but there are no independent monitoring and reporting mechanisms in the quasi absence of a labour inspectorate. Reform of integrated social services (introducing individual case management and local social planning) is ongoing.

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<sup>15</sup> European Commission against Racism and Intolerance, 5<sup>th</sup> monitoring cycle, report on Armenia published in October 2016:

<https://www.coe.int/t/dghl/monitoring/ecri/Country-by-country/Armenia/ARM-CbC-V-2016-036-ENG.pdf>

Human Rights Watch World Report 2016:

<https://www.hrw.org/world-report/2016/country-chapters/armenia#e81181>,

HRW World Report 2017: <https://www.hrw.org/world-report/2017/country-chapters/armenia#e81181>

<sup>16</sup> Recommendations by UN, civil society and other stakeholders to the CEDAW Review and to the Ministry of Labour and Social Affairs; official submission to UN CEDAW by CSOs in February 2016:

[http://tbinternet.ohchr.org/\\_layouts/treatybodyexternal/Download.aspx?symbolno=INT%2fCEDAW%2fNGO%2fARM%2f24954&Lang=en](http://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=INT%2fCEDAW%2fNGO%2fARM%2f24954&Lang=en)

<sup>17</sup> <https://www.weforum.org/reports/the-global-gender-gap-report-2017>

<sup>18</sup> <https://data.worldbank.org/indicator/SG.GEN.PARL.ZS?locations=AM>

<sup>19</sup> <http://transmonee.org/country/armenia/>

<sup>20</sup> [http://www.ohchr.org/\\_layouts/15/WopiFrame.aspx?sourcedoc=/Documents/Issues/Disability/ProvisionSupport/NGOs/Save%20the%20Children%20Armenia.doc&action=default&DefaultItemOpen=1](http://www.ohchr.org/_layouts/15/WopiFrame.aspx?sourcedoc=/Documents/Issues/Disability/ProvisionSupport/NGOs/Save%20the%20Children%20Armenia.doc&action=default&DefaultItemOpen=1)

<sup>21</sup> [http://children.ombuds.am/wp-content/uploads/2017/10/Constitutional-Law-on-Human-Rights-Defender\\_ENG.pdf](http://children.ombuds.am/wp-content/uploads/2017/10/Constitutional-Law-on-Human-Rights-Defender_ENG.pdf); <http://www.un.am/en/news/497>

<sup>22</sup> [http://www.armstat.am/file/article/poverty\\_2016\\_eng\\_2.pdf](http://www.armstat.am/file/article/poverty_2016_eng_2.pdf)

**Public administration reform (PAR)** is one of the priorities of the Armenia Development Strategy until 2030, which is in the process of being finalised. This is to replace the Republic of Armenia 2014-2025 Strategic Program of Prospective Development. The Armenia Development Strategy for 2014-2025 includes a chapter on establishing and strengthening a modern system of public administration, with a comprehensive list of reforms in the fields of electronic administration, inspection systems, local self-governance, public finance management, public investment, civil service, judicial reform and anti-corruption, among others. In 2016, the Civil Service Reform Strategy and Action Plan for 2016-2020 were adopted. The Strategy<sup>23</sup> set forth the necessity to modernise the civil service system in order to ensure the highest possible level of effectiveness and efficiency of the system.

Armenia improved official **statistics** by introducing new statistical methodologies closely aligned with European standards and enhanced the public dissemination of official statistics. New indexes were collected and published on labour, social exclusion, water accounts and vital and migration data are now electronically collected and processed. EU supported the process through a project implemented by EU Member States' Statistical offices (Finland, Italy, and Lithuania), led by Denmark.

## **2.2. Foreign and security policy**

Armenia's foreign policy is based on strengthening and deepening its special partnership and allied relationship with Russia (Armenia is a member of the Eurasian Economic Union and the Collective Security Treaty Organisation/CSTO), as well as on developing and deepening its partnership and cooperation with the EU and with the United States, including under a Partnership for Peace with the North Atlantic Treaty Organisation (NATO). In November 2016, a joint Russian-Armenian military unit was established to patrol Armenian borders with neighbouring countries in accordance with a bilateral treaty.

The border with Turkey remains closed. Since 2013, the EU has supported people-to-people contacts and dialogue contributing to the Armenia-Turkey Normalisation Process.

Armenia continues to align itself with EU statements delivered at international fora as well as with Common Foreign and Security Policy (CFSP) statements. Armenian experts are actively engaged in a number of training activities in the framework of Eastern Partnership Panel on Common Security and Defence Policy (CSDP). In January 2017, Armenia hosted a High-Level Alumni Conference of CSDP Training programmes.

In the area of **fight against terrorism**, Armenia ratified the Council of Europe Convention on the Prevention of Terrorism on 17 June 2016 (entry into force on 1 December 2016). Armenian experts participate in workshops organised by the European Border and Coast Guard Agency on counterterrorism.

Regarding the **Nagorno-Karabakh conflict**, the number of OSCE-reported casualties on both sides has increased since 2014. In April 2016, four days of intense fighting broke out on the Line of Contact, marking the deadliest and most serious escalation in the series of incidents since the 1994 ceasefire. The escalation also led to civilian casualties and the heaviest loss of life of personnel since the open war in early 1990s. The lack of progress towards peace continued to impact on the population affected by the conflict.

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<sup>23</sup> <http://www.csc.am/documents/programs/strategy2016.pdf>

The OSCE Minsk Group Co-Chairs have been engaged in substantial mediation efforts. The EU has continued to fully support the mediation efforts to de-escalate tensions and advance the peace process<sup>24</sup>. The HR/VP met with the Presidents of Armenia and Azerbaijan in Vienna on 16 May 2016, prior to their summit with the Foreign Ministers of the Co-Chair countries. The HR/VP called for strict respect of the ceasefire and for negotiations on a comprehensive settlement of the conflict without preconditions. The two Presidents met again at a trilateral summit in St. Petersburg on 20 June 2016 with President Putin. At these meetings, the Presidents of Armenia and Azerbaijan reiterated their commitments to the ceasefire and a peaceful conflict resolution. The Co-Chairs also insisted that the sides respect the ceasefire agreements and re-engage in negotiations on a comprehensive settlement<sup>25</sup>. No subsequent progress was reported on measures aimed at stabilising the situation on the ground agreed at Vienna and St. Petersburg or towards substantive negotiations, while in early 2017 the security situation grew increasingly volatile. On 16 October 2017, the Presidents of Armenia and Azerbaijan held a summit meeting in Geneva organised under the auspices of the Co-Chairs of the OSCE Minsk Group. The two Presidents agreed to take measures to intensify the negotiation process and to take additional steps to reduce tensions on the Line of Contact<sup>26</sup>. As a follow-up, the Co-Chairs held meetings with the Foreign Ministers and visited the region in February 2018<sup>27</sup>.

The conflict, which needs a political settlement in accordance with international law, was the focus of high-level bilateral meetings<sup>28</sup>, as well as visits of the EU Special Representative for the South Caucasus. The EU continued to call on the parties to refrain from actions and statements that could heighten tensions and undermine the peace process, and promote an environment conducive to settling the conflict, while encouraging and backing activities that promote confidence and people-to-people contacts<sup>29</sup>. Since 2010, the EU has supported people-to-people contacts across the conflict divide in peacebuilding activities, notably through the European Partnership for the peaceful settlement of the conflict over Nagorno-Karabakh (EPNK)<sup>30</sup>.

### 2.3. Justice, Freedom and Security

A new **Judicial Code** was adopted in February 2018, which strengthened the independence of judges and received a generally positive assessment from the Venice Commission<sup>31</sup>. The application of the **Judicial Reform Strategy 2012-2016**<sup>32</sup> continued while a new Strategy 2018-2023 was drafted in 2017 with the aim of tackling further challenges, including consistent application of the law in court rulings, independence and integrity of the judiciary, as well as identifying alternative dispute-resolution mechanisms. Currently, the draft Strategy for 2018-2023 is being fine-tuned. In December 2017 it passed a short open consultation

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<sup>24</sup> <http://www.consilium.europa.eu/en/press/press-releases/2017/02/27/tusk-meeting-president-armenia-sargsyan/>

<sup>25</sup> <http://www.osce.org/mg/240316>

<sup>26</sup> <http://www.osce.org/minsk-group/350091>

<sup>27</sup> <http://www.osce.org/minsk-group/371396>

<sup>28</sup> [https://eeas.europa.eu/headquarters/headquarters-homepage\\_en/3584/Mogherini%20in%20Yerevan%20for%20talks%20on%20EU%20%E2%80%93%20Armenia%20Agreement](https://eeas.europa.eu/headquarters/headquarters-homepage_en/3584/Mogherini%20in%20Yerevan%20for%20talks%20on%20EU%20%E2%80%93%20Armenia%20Agreement) ; <http://www.consilium.europa.eu/en/press/press-releases/2017/02/27/tusk-meeting-president-armenia-sargsyan/>

<sup>29</sup> [https://eeas.europa.eu/sites/eeas/files/150325-enp\\_progress\\_report\\_2014\\_armenia\\_eng.pdf](https://eeas.europa.eu/sites/eeas/files/150325-enp_progress_report_2014_armenia_eng.pdf)

<sup>30</sup> <http://www.epnk.org/>

<sup>31</sup> <https://www.osce.org/odihr/349776?download=true>

<sup>32</sup> <http://iravaban.net/wp-content/uploads/2014/03/Strategic-programme-for-legal-and-judicial-reforms-in-the-RA-of-Armenia-eng-1.pdf>



process online. A team of EU experts provides support to further shape the strategy and launch implementation of an ambitious reform effort in this key area.

Public distrust in the system's integrity remained high<sup>33</sup>. According to Freedom House, Armenia's score in 2016 and 2017 for judicial framework and independence was 5.50 out of 7<sup>34</sup>. A Peer Review on Armenia's judicial system, with the participation of seven judges from six different EU Member States, was carried out in March 2017. It identified concrete steps forward in terms of strengthening judicial independence and efficiency as well as improving the situation of the penitentiary system. Most of recommendations were reflected in the new Strategy.

Significant progress<sup>35</sup> has been recorded in the areas of **penitentiary** and probation legislation, with further reforms planned as regards budgeting and implementation. However, challenges with regard to conditions in places of detention remain pressing.

As regards the **fight against corruption**, the latest nationwide survey data reveal that corruption remains one of the most serious problems in Armenia<sup>36</sup>. According to the Corruption Perception Index of Transparency International, Armenia's score in 2017 has placed it on the 107-110<sup>th</sup> line among 180 countries reviewed. In recent years the Armenian leadership has succeeded in reducing petty corruption/bribery in some citizen-government interactions through the application of e-services. The government has reiterated its willingness to fight corruption through the third **Anti-Corruption Strategy for the period 2015-2018**<sup>37</sup> that focuses on state revenues, police, education, and health. Armenia's Anti-corruption Council, established in 2015, is chaired by the Prime Minister and attended by representatives of various Armenian ministers, institutions, civil society organisations and international organisations. The Council has not functioned as a specialised preventive, law-enforcement or multi-purpose agency, but only advised the government on implementing anti-corruption policies. The effectiveness of the Council's operations has been challenged by the civil society experts. In December 2016, illicit enrichment was criminalised in the Criminal Code. In June 2017, the Parliament adopted an anti-corruption package which was drafted in close cooperation with civil society organisations. The package includes the Law on the Corruption Prevention Commission, the Law on Making Amendments in the Law on Public Service and the Law on Whistleblowing System and on the Anti-Corruption Commission. In May 2018, Prime Minister Pashinyan highlighted the fight against corruption as one of his main policy priorities<sup>38</sup>

The Parliament adopted amendments to the **Law on Refugees and Asylum** in December 2015. The amended law, developed with technical assistance provided by the EU, seeks to harmonise the relevant national legal framework with international and EU standards. Refugees are granted the same rights as Armenian nationals with regard to higher education and health care. Asylum seekers and refugees also benefit from free legal aid. In recent years,

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<sup>33</sup> <https://rm.coe.int/16806c2bd8>

<sup>34</sup> <https://freedomhouse.org/report/nations-transit/2017/armenia>

<sup>35</sup> 2015 Report of the Commissioner for Human Rights of the Council of Europe: <https://rm.coe.int/16806db6db>

<sup>36</sup> Transparency International 2015: The State of Corruption. Armenia, Azerbaijan, Georgia, Moldova and Ukraine; <http://transparency.am/files/publications/1436175393-0-361397.pdf>

<sup>37</sup> [http://moj.am/storage/files/pages/pg\\_4229796232272\\_razmavarutyun\\_eng\\_1\\_2\\_.pdf](http://moj.am/storage/files/pages/pg_4229796232272_razmavarutyun_eng_1_2_.pdf)

[http://www.justice.am/storage/files/pages/pg\\_4229796232274\\_mijocarumneri\\_cragir\\_ENG\\_1\\_1\\_.pdf](http://www.justice.am/storage/files/pages/pg_4229796232274_mijocarumneri_cragir_ENG_1_1_.pdf),

[http://gov.am/u\\_files/file/xorhurdner/korupcia/1141\\_1k\\_voroshum.pdf](http://gov.am/u_files/file/xorhurdner/korupcia/1141_1k_voroshum.pdf)

<sup>38</sup> <http://www.primeminister.am/en/press-release/item/2018/05/18/Prime-Minister-Nikol-Pashinyan-introduced-SRC-chairman/>

Armenia has received some 22 000 Syrian refugees of Armenian origin, representing the third highest number per capita in Europe.

Implementation of the **police reform** continued and included proposals of amendments to the Law on the Police and the Law on Administrative Offences, which set up further community police outposts and established a digitised case management system<sup>39</sup>. Important developments in the field of action against human trafficking included the adoption of the Anti-Trafficking Law, which entered into force in July 2015 and led to the review of the National Referral Mechanism (NRM) for victims of trafficking. A new National Action Plan for Combating Trafficking in Human Beings for the period 2016-2018 was adopted in July 2016 and an Identification Commission and an Investigative Committee were established. An Action Plan was put in place to follow up on the MONEYVAL<sup>40</sup>'s 5th Evaluation Round Report<sup>41</sup> of January 2016. Several legislative and regulatory amendments were adopted in order to reinforce anti-money laundering mechanisms, such as for example access to beneficial ownership information. In 2016, several changes were made to the Criminal Codes and to the Administrative Offences Code to further reinforce the control system for preventing diversion of drug precursors. A Working Arrangement<sup>42</sup> between the European Union Agency for Law Enforcement Training (CEPOL) and the Police Educational Complex of Armenia was signed in April 2017.

### 3. Economic Development and Market Opportunities

#### 3.1. Economic development

After the **slowdown of the economy** in 2016 (to only 0.2% from an average 3.4% in 2013-2015<sup>43</sup>), **GDP growth** rebounded strongly in 2017 to above 6%, according to preliminary estimates of the authorities. The recovery is linked to increased domestic demand, both by businesses and households, which is partly driven by monetary and fiscal policies but also by an increase in remittances. However, ongoing brain drain and labour migration remain challenges for long-term sustainable growth.

The **unemployment** rate declined to 18.0% in 2016<sup>44</sup>, after it peaked in 2015 at 18.5% due to the difficult labour market conditions and an unfavourable external environment. Unemployment remains very high among young people (over 30%), even for those with a university diploma<sup>45</sup>. They encounter difficulties when attempting to enter the labour market, due to a mismatch in many sectors between the education provided and the labour market needs.

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<sup>39</sup> [www.arlis.am](http://www.arlis.am)

<sup>40</sup> Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

<sup>41</sup> <https://www.coe.int/en/web/human-rights-rule-of-law/-/armenia-urged-to-develop-an-effective-national-policy-to-investigate-and-prosecute-money-laundering>

<sup>42</sup> The Decision of the Management Board of CEPOL authorising the signature of the Working Arrangement between CEPOL and the Police Educational Complex of Armenia:  
<https://www.cepol.europa.eu/sites/default/files/15-2016-MB.pdf>

<sup>43</sup> <http://www.armstat.am/en/?nid=12&id=01001>

<sup>44</sup> <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS>

<sup>45</sup> [http://www.armstat.am/file/article/sv\\_03\\_17r\\_141\\_.pdf](http://www.armstat.am/file/article/sv_03_17r_141_.pdf)

The year-end **inflation** accelerated to 2.6% in 2017 after reaching -1.4 in 2016<sup>46</sup>. This was still within the lower band of the inflation target of the central bank. The pick-up in consumer price inflation was mainly driven by sharp increases in food prices. In view of the re-emergence of inflationary pressures, the Central Bank of Armenia suspended in February 2017 its easing cycle and maintained the policy of a 6% interest rate.

Armenia's **external outlook** has gradually improved since 2015 as exports outperformed imports. This, in turn, helped narrow the current account deficit to 2.6% in 2015 and 2.3% in 2016<sup>47</sup>. Despite import recovery in 2017 that was driven by robust domestic demand, the current account deficit further contracted in the first three quarters of the year as a result of the increase in remittances and lower outflows of investment income.

Partially due to improvements in the current account, international reserves gradually increased in the last years to USD 2.2 billion in November 2017, which represents around 5 months of imports<sup>48</sup>.

In an effort to improve the medium-term fiscal situation in the country, the government has started to take fiscal consolidation measures primarily through efforts to improve tax administration and increase tax revenues. In 2016, a new **Tax Code** was adopted in order to increase tax revenue and improve tax environment. Increased revenue growth, coupled with expenditure restraint, contributed to the reduction of the budget deficit from 5.5% in 2016 to 3.3% in 2017, according to the estimates of the Ministry of Finance<sup>49</sup>. The fiscal adjustment reflects the breach of the fiscal rule as the public debt exceeded 50% of GDP at end-2016. The authorities are now seeking, in cooperation with the International Monetary Fund, to revise the fiscal rule (i.e. public debt ceiling) in order to allow for a smoother fiscal adjustment in future while safeguarding the stability of the public finances.

**Public Financial Management** (PFM) has seen an ambitious multi-annual reform programme. Consistent with the 2016-2020 PFM Strategy and Action Plan, 16 state government institutions and their subordinate State Non-Commercial Organisations (SNCOs) re-valued their fixed assets in compliance with the new accounting standards. A manual, concept note and a package of recommended legislative changes in Public Internal Financial Management and Control have been developed with EU assistance. Improved parliamentary oversight and scrutiny of the executive's management of public funds were achieved through the development and evolution of the recently established Budget Office in the Parliament. In 2015, the government decided to move towards the **Programme Budgeting Methodology**<sup>50</sup>.

The **banking sector** is being strengthened through measures aimed at ensuring sufficient capacity to withstand stress: the Central Bank of Armenia and the government have increased capital requirements and have reinforced consolidation. In addition, **business environment** has been improving in the last years, although there is still a need for greater competition in product markets and for a level playing field. The reforms initiated by the State Revenue Committee, which includes both customs and tax authorities, are bringing positive results.

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<sup>46</sup> <http://www.armstat.am/en/?nid=12&id=07001>

<sup>47</sup> [https://www.cba.am/EN/ppublications/DVQ\\_I\\_16\\_eng.pdf](https://www.cba.am/EN/ppublications/DVQ_I_16_eng.pdf),  
<http://www.imf.org/en/publications/weo/issues/2017/09/19/world-economic-outlook-october-2017>

<sup>48</sup> <https://www.cba.am/en/SitePages/statexternalsector.aspx>

<sup>49</sup> [http://finport.am/full\\_news.php?id=33149&lang=3Vengerov](http://finport.am/full_news.php?id=33149&lang=3Vengerov)

<sup>50</sup> The “Strategy for the Full Introduction of Program Budgeting System in the Republic of Armenia” was approved by the Government Protocol Decree N 38 dated 13.08.2015.

Remaining concerns<sup>51</sup> require further efforts. Armenian experts participate in customs workshops and training within the Eastern Partnership.

The authorities have taken initial steps to reduce public subsidies to address the drain on public finances by **state-owned enterprises**. Armenia has notified the World Trade Organisation (WTO) that it does not maintain any state-trading enterprise in accordance with the provisions of General Agreement on Tariffs and Trade (GATT) Article XVII.

Armenia's economy consists predominantly of **micro, small and medium enterprises** (SMEs). The SME sector accounts for around 40% of the GDP and employs approximately a quarter of the overall workforce<sup>52</sup>. The policy framework for the development of SMEs as a priority sector for the Armenian economy is outlined in the SME Sector Development Strategy for 2016-2018 and the SME Law<sup>53</sup>. Since 1 January 2016, Armenia has been a member of the EU's COSME Program (2014-2020), as a result of which new opportunities are available to support the development of SMEs, including capacity building and integration in international value chains.

**Agriculture** is an important sector in Armenia, as it contributes approximately 15.9% of GDP<sup>54</sup> and employs around 33.6% of the workforce<sup>55</sup>. Poverty levels remain high (30.4%)<sup>56</sup>, especially in rural areas. Armenia grows high-quality fruits and its wine industry is developing, but the overall value of the agricultural sector has experienced a drop recently: in 2016 the value of agricultural and fishing production fell by 3.0% as compared to the previous year. As a result of the continuous implementation of plant protection and anti-epidemic veterinary measures, the phytosanitary and animal epidemic situation has been stabilised. Within the framework of state support to fruit orchards with modern technologies, cultivations of up to 10 hectares will be provided with interest rate subsidies.

In July 2016, Armenia adopted a national **Regional Development Strategy**<sup>57</sup>, prepared with EU assistance, to support economic and social, territorially balanced and sustainable development of all Armenian regions. The strategy aims in particular at increasing competitiveness of all regions on the basis of their endogenous potential, ensuring a high level of regional cohesion and enhancing participation of regional and local actors in planning and implementation. In 2017 regions worked on completing their own development strategies within this framework<sup>58</sup>. The EU and Armenia are cooperating on targeted regional development actions in pilot regions in the north of the country, aiming at maximising the impact of EU financial assistance and visibility of EU programmes, demonstrating concrete results to citizens.

The State Committee for **Tourism** was established in 2016 under the Ministry of Economic Development and Investments to exploit Armenia's growth potential in the tourism sector by elaborating and implementing a more proactive tourism policy. The Armenian Tourism

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<sup>51</sup> [http://eba.am/wp-content/uploads/2017/12/2017-BUSINESS-ENVIRONMENT-ASSESSMENT-update\\_EBA-report\\_07-15-17-doc.pdf](http://eba.am/wp-content/uploads/2017/12/2017-BUSINESS-ENVIRONMENT-ASSESSMENT-update_EBA-report_07-15-17-doc.pdf)

<sup>52</sup> <http://www.mineconomy.am/en/449>

<sup>53</sup> [www.bso.am/wp-content/uploads/2016/02/SME-Development-Strategy.pdf](http://www.bso.am/wp-content/uploads/2016/02/SME-Development-Strategy.pdf)

<sup>54</sup> [http://www.armstat.am/file/article/armenia\\_2017\\_6.pdf](http://www.armstat.am/file/article/armenia_2017_6.pdf)

<sup>55</sup> <https://www.imf.org/en/Publications/CR/Issues/2017/07/19/Republic-of-Armenia-Selected-Issues-45108> and [http://www.armstat.am/file/article/sv\\_03\\_17r\\_141\\_.pdf](http://www.armstat.am/file/article/sv_03_17r_141_.pdf)

<sup>56</sup> [http://www.armstat.am/file/article/poverty\\_2017\\_english\\_2.pdf](http://www.armstat.am/file/article/poverty_2017_english_2.pdf)

<sup>57</sup> <http://www.mtad.am/files/docs/1656.pdf>

<sup>58</sup> <http://www.mtad.am/hy/razmavarutyunner/>

Development Foundation was created in 2017 to implement the tourism policy, to promote the image of Armenia as an attractive tourist destination and to improve Armenia's access to the world market through modernised transport.

### 3.2. Trade and Trade Related Matters

Trade between the EU and Armenia remained important during the last two years. The EU remains Armenia's largest export market and second largest source of imports, with a 26 % share in total exports and a 22% share in total imports. EU imports from Armenia amounted to around EUR 0.3 billion, while exports amounted to around EUR 0.6 billion<sup>59</sup>.

Armenia benefits from the reformed EU Generalised Scheme of Preferences (GSP+). 95% of total EU imports from Armenia entered the EU with zero duties in 2016, of which 35% entered under the GSP+ regime. The Special Incentive Arrangement for Sustainable Development and Good Governance grants Armenia duty-free access to the EU market for 66% of all EU tariff lines in return for ratification of and compliance with 27 international conventions on human rights, labour rights, environment and good governance. The EU monitors Armenia's progress and shortcomings as regards the effective implementation of these conventions. The second biennial report on the effects of GSP+, covering the period 2016-2017<sup>60</sup>, points out areas in which Armenia is expected to demonstrate progress through concrete actions, such as: effective implementation of the current and previous human rights action plans; adoption and implementation of relevant new legal framework; establishment of a functioning labour inspectorate; and bringing domestic legislation in line with the Convention on Trade in Endangered Species of Wild Fauna and Flora. Armenia has to continue to demonstrate progress in effectively implementing the conventions to maintain preferential trade access to the EU market.

In January 2015 Armenia became a member of Eurasian Economic Union and now it applies the customs duties of the EEU, resulting in a rise of import duties from third countries. Armenia also applies the **Technical Regulations** of the EEU starting from January 2016.

Trends in **foreign direct investment** (FDI) have been mixed with a significant decline registered in 2015. While FDI somewhat recovered in 2016, it remained well below its pre-2015 levels. The EU has been the main source for FDI net flows for the last few years. The Development Foundation of Armenia was established in 2015 and works on investment promotion, including with EU support. Alongside its main mission of promoting the country's economic growth, the Foundation carries out its activities with the aim of enhancing Armenia's international ranking, recognition and competitiveness.

The European Business Association (EBA) was established in 2015. It represents the coordinated voice of the European businesses at governmental level and advocates for reforms in order to improve business environment and investment climate.

**Intellectual property rights (IPR)** legislation developed with EU support was approved by the government and proposed for Parliament adoption.

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<sup>59</sup> [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113345.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113345.pdf)

<sup>60</sup> <http://trade.ec.europa.eu/doclib/html/156536.htm>

**State aid** provisions incorporated into the competition law in 2007 still need a control mechanism and implementing rules. A draft state aid control law has been with the Parliament since November 2013.

In 2016 Armenia adopted a new law on **Public Procurement** which aligns public procurement principles and procedures with the revised WTO Agreement on Government Procurement requirements. Progress has been achieved in reducing the number and value of single source procurements thus improving the competitiveness of the procurement process<sup>61</sup>. The revision of the legislative framework on **competition** is under consideration within the government after Armenia's competition policy was reviewed in the expert group of the UN Conference on Trade and Development (UNCTAD).

Following the extension of access to the **electronic procurement system** of all municipalities in 2016, all foundations and funds operating with public money were given access in 2017 to the system that now covers all forms of procurement.

#### **4. Connectivity, Energy Efficiency, Environment and Climate Change**

Enhancing transport connectivity is one of the key areas of the EU cooperation with the Eastern Neighbourhood region. In November 2017, Armenia and the EU signed a High Level Understanding defining the indicative maps of the extension of the EU's Trans-European Transport (TEN-T) core rail and road network in the Eastern Partnership countries, including Armenia. This is an important step towards the prioritisation of investments towards an efficient regional transport and logistics network.

The European External Investment Plan will further strengthen EU financial support to this sector, including through the establishment of a new guarantee mechanism.

Armenia is currently upgrading several sections of the North-South Road Corridor (on the extended core TEN-T).

The opening of modernised **border-crossing points** in line with EU standards at the border with Georgia, first in Bagratashen (M6) and Gogavan (M3) (2016) and then in Bavra (M1) (2017), helped improve efficiency of border controls and enhance security. The border-crossing points were renovated with EU support.

In addition, a Neighbourhood Investment Facility (NIF) request of EUR 5.15 million was approved for the black spots program interventions on the roads network to improve road safety.

In the area of **energy**, the new CEPA entails significant regulatory approximation to EU energy legislation. In particular, Armenia has committed to implement key EU energy efficiency, renewable energy and nuclear safety legislation as well as electricity market reforms.

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<sup>61</sup> Monitoring Report on Public Procurement 2015-2016, Transparency International – Armenia: <https://transparency.am/en/publications/view/140> ; Results of Monitoring of Armenian Public Procurement in 2016-2017, Transparency International – Armenia: <https://transparency.am/en/publications/view/191> ; Public Procurement Monitoring Reports, 2017, Transparency International – Armenia: <https://transparency.am/gnumner/bulletins/bulletin5.pdf>; <https://transparency.am/files/publications/1467124214-0-987586.pdf>

In recent years, the EU has supported the Armenian Nuclear Operator and the Armenian Nuclear Regulatory Authority in the implementation of EU stress tests (targeted safety re-assessment), in accordance with the technical specifications used as the basis of the nuclear stress tests in the EU. The Armenian National Report on the stress test was submitted to the European Commission in August 2015 and the subsequent peer-review took place in June 2016<sup>62</sup>. The nuclear power plant located in Medzamor, which had been scheduled to be shut down in 2016 as it cannot be upgraded to fully meet internationally accepted nuclear safety standards, will continue operating until 2026.

Armenia has taken ambitious steps within the "EU4Energy" programme in reforming its **energy efficiency** policy as a means for enhanced energy security. It has one of the most advanced legislative frameworks in the region as it adopted its first law in 2004 and streamlined energy efficiency standards in sectoral legislation in 2016, including in the building construction code, obliging new constructions to meet minimum energy efficiency standards. Implementation of requirements for buildings based on energy performance and improved enforcement of energy efficiency regulation is ongoing. Armenia has benefited from energy efficiency credit lines from various International Financial Institutions (IFIs), including EU blending facilities which have provided over 13 000 loans to households and businesses<sup>63</sup>. In energy efficiency, Armenia has benefitted from approximately EUR 40 million worth of assistance from the EU since 2014, including support to municipalities. In November 2017, the EU and Armenia co-hosted an energy efficiency workshop which identified main challenges in the building sector, with focus on the residential sector and multi-apartment buildings, which have a particular potential to benefit from energy efficiency reforms and investments.

The sustainable revolving fund, "Armenia Renewable resources and Energy Efficiency Fund" (R2E2), has provided turn-key services (energy audit, procurement, detailed design, financing, construction, and monitoring) for energy efficiency upgrades in 64 eligible public facilities. Notably, progress was made under the Component "Investment to public facilities" and the Fund has implemented preliminary audit in 3 000 public facilities and investment grade audit in 300 public facilities. As a result of energy audits, 64 public facilities (hospitals, kindergartens, schools, universities, street lighting systems) were assessed as meeting the project criteria and were included in the project. Secondly, relevant progress was made under the component "Technical assistance to develop energy efficiency development in Armenia": developing the Second National Energy Efficiency Action Plan for Armenia. However, the need to fund energy efficiency improvements in public buildings met with limitations of local governments' ability to attract investment under new financial instruments, due to restrictions on sovereign borrowing. The mechanisms developed under the R2E2 are designed to alleviate this problem.

The **Comprehensive Air Transport Agreement** (Common Aviation Area between the Republic of Armenia and the European Union) was initialed in November 2017. It is estimated that this agreement will bring a significantly increased number of passengers to Armenia in the first five years<sup>64</sup>. The agreement will improve market access for airlines,

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<sup>62</sup> [http://www.ensreg.eu/sites/default/files/attachments/2016-07-20\\_4259241\\_armenia\\_stress\\_tests\\_report-\\_ensreg\\_template\\_final.pdf](http://www.ensreg.eu/sites/default/files/attachments/2016-07-20_4259241_armenia_stress_tests_report-_ensreg_template_final.pdf)

<sup>63</sup> Green for Growth: 4, 205; Caucasus Sustainable Energy Efficiency Facility: 8, 926.

<sup>64</sup> [https://eeas.europa.eu/delegations/armenia\\_en/896/Armenia%20and%20the%20EU](https://eeas.europa.eu/delegations/armenia_en/896/Armenia%20and%20the%20EU)

providing better connectivity, more choice and lower fares for travelers. It will also establish a common regulatory framework in the fields of aviation safety and security.

In the area of **environment**, the Ministry of Nature Protection drafted the National Strategy and Action Plan for environmental protection and use of natural resources, which is now under consideration by the government. The institutional changes in the environmental sector in 2017 included the creation of an Environmental Protection and Mining Inspection Body and of the Environmental Monitoring and Information Center. The Ministry of Nature Protection also introduced, with EU support, a new policy and legislation on Integrated Pollution Prevention and Control. With regard to **water management**, the Armenian Water Code was revised in 2017 and adopted in January 2018, and a new model of basin management was adopted in 2017. Armenia has also developed solid waste projects and other projects focused on water in Yerevan and small municipalities, with support through the EU Neighbourhood Investment Platform (former Neighbourhood Investment Facility). It has advanced in **biodiversity management**<sup>65</sup>, notably in the improvement of legislative and institutional framework, especially as it relates to the management and establishment of new Specially Protected Natural Areas (SPNAs), the development of management plans for national parks and reserves, and the development and implementation of species conservation programmes for rare or endangered species.

Following the Fifth meeting of the EU – Armenia Partnership and Cooperation Agreement Sub-committee on Energy, Transport, Environment, Climate Action and Civil Protection in January 2018<sup>66</sup> and as stated in its conclusions, in the aftermath of the Nairit accident, the EU confirmed its availability to provide assistance to Armenia for a wider plan against hazardous waste. In addition, the conclusions stated that Armenia would work on environmental governance indicatively in 2018-2019, with a focus on enabling legislative changes related to directives on Environmental Impact Assessment and Strategic Environmental Assessment, including on public access to environmental information and public participation.

## 5. Mobility and People-to-People Contacts

Armenia has continued to implement the Visa facilitation and Readmission Agreements with the EU. In the field of **migration**, the Mobility Partnership has enhanced approximation of migration and border management to EU standards, increased security, facilitated trade, and supported the preparation of a possible visa liberalisation dialogue between the EU and Armenia. The EU has also continuously provided support to re-integrating returning Armenian migrants from Europe.

The Referral Centre for Re-integration, established with EU support in the State Migration Service, continued to serve returning migrants: over the last five years, more than 1 000 Armenian returnees received counselling on re-integration, around 900 received vocational training and around 200 received training on how to write business proposals. Furthermore, 130 business grants were awarded, of up to 5 000 EUR each. Moreover, a dozen of persons received medical assistance, as well as housing assistance (rent payment for up to three months). Quarterly Re-Integration Co-operation Fora were organised during these five years, along with annual awareness raising campaigns, job fairs for potential returnees held in the

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<sup>65</sup> Resolution no 45-6 of 26 October 2017, <https://www.e-gov.am/protocols/item/814/>

<sup>66</sup> [https://eeas.europa.eu/delegations/armenia/38916/fifth-eu-armenia-subcommittee-meeting-energy-transport-environment-climate-action-and-civil\\_en](https://eeas.europa.eu/delegations/armenia/38916/fifth-eu-armenia-subcommittee-meeting-energy-transport-environment-climate-action-and-civil_en)



EU Member States, numerous trainings, study trips, and workshops for government officials on re-integration assistance and engagement with diaspora organisations on return and re-integration. Finally, dozens of talk shows were organised, along with promotional posters in public places and on social media.

The National Strategy of the Republic of Armenia on Migration (2017-2021) was adopted in August 2017. In order to mitigate the sustained level of irregular migration of Armenians into the EU, Armenia has continued to carry out information campaigns, including through the Migration Resource Centres, which are also dealing with returning migrants.

Armenia continued to welcome refugees from Syria offering them expedited naturalisation and residence procedures, with EU support. These refugees mainly originate from the Armenian community in Syria. In July 2016, the government approved the Integration Concept framework for asylum seekers, and in February 2017 the Action Plan for its implementation was adopted.

The Armenia Development Strategy identifies the **education** sector as a fundamental tool for the sustainable development of the country. Increasing the sector's quality, effectiveness, relevance and access at all levels are top priorities.

Higher education reforms have taken place in line with the Bologna process. With the support of Erasmus+ programme, Armenian universities have been able to upgrade their administrative and organisational structures and modernise study programmes with a view to improving the match with labour market needs. 1800 students and university professors have been involved in EU-Armenia academic exchanges and mobility. Considerable progress has been registered with EU support in the **Vocational Education and Training (VET)** sector, in particular in terms of standards development, revision of qualifications and professions, teacher training, rehabilitation of 17 VET colleges and their transformation into Regional Centres of Excellence.

The national policy on **culture**<sup>67</sup> provides for measures aimed at supporting individual artists and the creation of cultural products, including participation in international festivals; promoting of cultural education and international cooperation, notably mobility of experts and creative people; and enhancing cooperation with international networks. Armenia is in the process of signing an agreement for its participation in the "Creative Europe" programme.

The government's strategic aim in the field of **innovation**<sup>68</sup> is to transform Armenia into a knowledge-based economy and R&D centre, while promoting globalization of Armenian tech firms. The IT sector is one of the most dynamically developing business sectors in the country, with support infrastructure emerging in recent years. Armenia became associated to the EU Framework Programme for Research and Innovation **Horizon 2020** in 2016, which opens up new opportunities for the country's universities, research institutions and enterprises to enhance the transformation of scientific knowledge into commercial opportunities. In November 2016, Commissioners Moedas and Hahn launched the EU4Innovation initiative in Yerevan to boost innovation throughout the Eastern Partnership. In April 2016, Armenia and

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<sup>67</sup> See Chapter 24: Culture in the Development Strategy for Armenia for 2014-2025: [https://eeas.europa.eu/sites/eeas/files/armenia\\_development\\_strategy\\_for\\_2014-2025.pdf](https://eeas.europa.eu/sites/eeas/files/armenia_development_strategy_for_2014-2025.pdf)

<sup>68</sup> See Chapter 23: Science in the Development Strategy for Armenia for 2014-2025: [https://eeas.europa.eu/sites/eeas/files/armenia\\_development\\_strategy\\_for\\_2014-2025.pdf](https://eeas.europa.eu/sites/eeas/files/armenia_development_strategy_for_2014-2025.pdf)

Georgia were connected to the pan-European GÉANT network linking the European research and education communities.

## 6. Financial Assistance

The programmed amount of EU assistance under the European Neighbourhood Instrument to Armenia over seven years (2014-2020) is between EUR 252 million and EUR 308 million. During the period 2014-2017, the EU has allocated EUR 118.5 million of financial support to Armenia under bilateral cooperation programmes. This funding was directed to three main development priorities in Armenia, indicated in the Single Support Framework 2014-2017: private sector development; public administration reform; and justice reform.

**Economic Development and market opportunities** were addressed with EUR 22.8 million focusing on improving business climate, supporting SMEs while improving access to finance through innovation, start up grants and setting up an equity fund.

EUR 51 million of EU assistance helped **strengthening institutions and supported good governance in Armenia**. Ground-breaking support to Human Rights Protection was introduced by an EUR 17 million unprecedented Budget Support Programme, which aims at: addressing some of the shortcomings in the election process in the country; advancing the adoption of a law on preventing and combating domestic violence; assisting with the adoption of a legal package to provide social services to children with disability; and amending the Criminal law to be in line with UN Conventions. This work helped confirm the potential of budget support also in the field of human rights. An EU contribution of EUR 7 million helped achieve higher levels of transparency in the April 2017 parliamentary elections, through procurement of voter identification devices and other technical support to Central Election Committee. Previous efforts made on Public Finance Policy Reform in Armenia were built on through an EU allocation of EUR 10 million. A major EU contribution of EUR 20 million provided for the period 2015-2017 supported public administration reform in Armenia and focused on a better service delivery through a more efficient and responsive public administration. Consolidation of the justice system in Armenia will be supported by an additional EUR 4 million EU programme.

**Connectivity, energy efficiency, environment and climate change** are being supported by an ambitious EU programme of EUR 10 million - "Irrigated Agriculture Development in Ararat and Armavir regions" - to accompany a loan made available by the French Development Agency (Agence Française de Développement – AfD). This action puts in place innovative sustainable mechanisms in Ararat and Armavir regions, to address the constraints of irrigated agriculture economic development and is developing financing tools to help farmers, farmers' groups and cooperatives to invest in agricultural equipment and irrigation technologies. The EU programme "EU4Energy", implemented by the Energy Community and the Energy Charter, provides technical assistance to enhance the energy efficiency policy frameworks. In the Horizon 2020 Work Programme for 2018-2020, a series of calls was launched worth EUR 200 million aimed at energy and resource efficiency in the Sustainable Process Industry (SPIRE)<sup>69</sup> and focusing on Armenia as well as the other Eastern Partnership countries.

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<sup>69</sup> [http://ec.europa.eu/research/industrial\\_technologies/sustainable-process-industry\\_en.html](http://ec.europa.eu/research/industrial_technologies/sustainable-process-industry_en.html)

**Mobility and people-to-people contacts** have been addressed by a EUR 15 million EU programme on better qualifications for better jobs focusing on agriculture vocational educational training. A new EUR 23 million EU4Innovation initiative will concentrate on enhancing education, focusing on science, technology, engineering and mathematics. Both actions aim at addressing key growth constraints related to the quality of education and at bridging the gap between labour market needs and the skills of people coming through Armenia's education system.

Civil society in Armenia is supported by a series of actions, including by Enhancing Civil Society Organisations (CSO)' contribution to governance and development processes CSO-LA (Local Authorities) with a contribution of EUR 2.3 million, as well as by actions funded under the **European Instrument for Democracy and Human Rights - EIDHR** (EUR 1.6 million) and via a EUR 4.7 million **Civil Society Facility**.

**The Neighbourhood Investment Platform** complements the bilateral envelope for Armenia by granting support to investments and by leveraging lending through IFIs, mainly for infrastructure financing. Since 2014 Armenia has benefited EUR 70 million of grants from the Neighbourhood Investment Facility leveraging EUR 412 million of investment.

## **7. Concluding remarks and future outlook**

The Comprehensive and Enhanced Partnership Agreement, signed in November 2017, demonstrates that it is possible to progress in parallel with Armenia's membership in the Eurasian Economic Union. Armenia's commitment to good governance and economic reforms under the CEPA is a solid basis for shaping the country's reform agenda and further enhance cooperation with the European Union guided by the recently signed Partnership Priorities.

By virtue of the CEPA, Armenia has taken up commitments to approximate its legislation with that of the EU in a number of key sectors. The Agreement will also strengthen political dialogue and set a solid basis for the continuation of economic and social reforms. Strong commitments to democracy, human rights and the rule of law underpin the new agreement and EU-Armenia future cooperation. The CEPA will also create new opportunities in trade and increased mobility.

The EU's cooperation with Armenia aims at supporting the country's resilience, security and prosperity built on democracy, human rights, the rule of law and sustainable economic growth as well as strengthening its connection to the EU and to the region through enhanced transport connectivity, mobility of people and people-to-people contacts. The real impact of the new, enhanced partnership between the EU and Armenia will depend on the determination of the Armenian stakeholders to pursue political, economic and social reforms and to consolidate the common values that constitute the foundations of the EU-Armenia relationship.