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JOINT STAFF WORKING DOCUMENT

Partnership Implementation Report on Armenia

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1. Introduction and summary

In line with the revised European Neighbourhood Policy (ENP)¹, this report focuses on Armenia's efforts to carry out reforms and implement the **EU-Armenia Comprehensive and Enhanced Partnership Agreement**² (CEPA), and on the support provided by the EU to this end. It particularly concerns the priority areas identified in the EU-Armenia partnership priorities³ since the third meeting of the EU-Armenia Partnership Council of 17 December 2020⁴, and ahead of its next meeting on 18 May 2022. This meeting will take place in the context of the continued Russian aggression against Ukraine.

The **CEPA** was signed in November 2017 and substantial parts of it have been provisionally applied since 1 June 2018. Since then, the breadth and depth of bilateral cooperation between Armenia and the European Union have advanced steadily. Armenia adopted a CEPA implementation roadmap on 1 June 2019, which was revised in 2021. On 1 March 2021, the CEPA entered fully into force, after it was ratified by the Republic of Armenia, all EU Member States and the European Parliament. This was an important, positive milestone for EU-Armenia relations, at a time when Armenia faced significant challenges. Thus, it sent a strong signal that the EU and Armenia are committed to democratic principles and the rule of law, as well as to a wider reform agenda.

At the **3rd EU-Armenia Partnership Council** held on 17 December 2020, the EU and Armenia reiterated their full commitment to implementing the CEPA. The Partnership Council pointed out that the CEPA plays an important role in Armenia's modernisation, in particular by approximating legislation to EU norms in various sectors. This includes reforms in the rule of law and respect of human rights, particularly on an independent, efficient and accountable justice system, as well as reforms aimed at enhancing the responsiveness and effectiveness of public institutions and at promoting conditions for sustainable and inclusive development.

The **COVID-19 pandemic** and the aftermath of the large-scale **hostilities in and around Nagorno-Karabakh** remained **major challenges** that Armenia had to deal with in the reporting period. Successfully holding the **early parliamentary elections** on 20 June 2021 amid a period of heightened political contestation was an important step towards **enhanced political stability**.

Following the elections, the new government committed itself to continue with Armenia's **reform agenda and to implement the CEPA**. The new five-year government programme approved in August 2021 references CEPA as a strategic blueprint for key reforms in the country. It prioritises the development of democratic institutions, anti-corruption measures

¹ JOIN(2015) 50 final.

² Official Journal of the European Union L 23/4, 26.1.2018.

³ https://eeas.europa.eu/sites/eeas/files/eu-armenia_partnership_priorities_0.pdf

⁴ The Partnership Council is the highest-level body set up under the agreement to supervise its implementation.

and justice reforms, as well as activities to strengthen the rule of law, national security, prosperity and resilience.

In the reporting period, Armenia made progress with its **justice reform and comprehensive constitutional reforms**. The implementation of Armenia's ambitious reform programme requires considerable administrative and institutional capacities. As Armenia's key reform partner and largest donor, the EU has been sharing its own reform experience, building on lessons learnt from reforms carried out in other partner countries and providing capacity-building support.

Throughout 2021, the EU supported the **resilience of the healthcare sector and ensured deliveries of safe and effective vaccines** through the COVAX Facility and with the EU Member States. In addition, the country stands to benefit from the **Eastern Partnership's agenda for recovery, resilience and reform**⁵ as endorsed by leaders at the Eastern Partnership Summit held on 15 December⁶, which is underpinned by an ambitious Economic and Investment Plan published on 2 July⁷. Over the next 5 years, this plan stemming from the March 2020 Joint Communication on the future of the Eastern Partnership⁸ will mobilise EUR 2.3 billion from the EU budget in grants, blending and guarantees. It will benefit the whole Eastern Partnership (EaP) region, to stimulate jobs and growth, support connectivity and the green and digital transition. In addition, on 15 November 2021, the EU and Armenia signed a **Common Aviation Area Agreement**.

Over the reporting period, **the EU and Armenia maintained a regular dialogue** that accelerated in the period around and after elections, in spite of continuous COVID-19 challenges. On 2 June 2021, Prime Minister Pashinyan visited Brussels, meeting with the President of the European Council Charles Michel. Shortly after elections on 25 June 2021, the Foreign Ministers of Austria, Alexander Schallenberg, Romania, Bogdan Aurescu, and Lithuania, Gabrielius Landsbergis, visited Armenia as part of a three-day visit to the Southern Caucasus on behalf of the High Representative/Vice President (HR/VP) Josep Borrell. They passed a message of European solidarity and engagement. This visit demonstrated the EU's determination to be more actively involved in the process of settling the region's protracted conflicts. On 9 July 2021, the European Commissioner for Neighbourhood and Enlargement Olivér Várhelyi paid a visit to Armenia focussing on presenting and launching the implementation of the Economic and Investment Plan. European Council President Charles Michel paid a visit to Armenia on 16-17 July 2021, including meeting with then-acting Prime Minister Nikol Pashinyan to discuss bilateral and regional cooperation and expectations for the Eastern Partnership Summit.

As regards the **regional security situation and conflict resolution efforts**, the EU welcomed the Russian-brokered 10 November 2020 ceasefire between Armenia and Azerbaijan as a first step to end the long-standing conflict, while firmly opposing the use of force as a means to settle disputes and upholding that any war crimes that may have been committed must be investigated. During the reporting period, the EU continued to call on all parties to continue to strictly respect the ceasefire arrangements, respect international humanitarian law, release all

⁵ SWD(2021) 186 final,

⁶ <https://www.consilium.europa.eu/en/meetings/international-summit/2021/12/15/>

⁷ Joint Staff Working document 'Recovery, resilience and reform: post 2020 Eastern Partnership priorities', 2.7.2021, SWD(2021) 186 final

⁸ JOIN(2020) 7 final,

detainees and share all information that could prevent further loss of life. The EU has urged all parties to refrain from any actions or rhetoric that could jeopardise the ceasefire. Armed confrontation between Armenian and Azerbaijani security actors along the un-delimited and un-demarcated Azerbaijan-Armenia border, particularly in May, October and November 2021, and in January 2022, evidence the fragility of the situation highlighting the need for renewed efforts for a negotiated, comprehensive and sustainable settlement. The EU has also stated its readiness to contribute effectively in shaping a durable and comprehensive settlement of the conflict, including where possible through support for post-conflict rehabilitation and confidence-building measures.

The **EU has been actively engaged to support peace** through the direct involvement of the President of the European Council, the continued efforts of the HR/VP, as well as through the engagement and support provided by the EU Special Representative for the South Caucasus and the crisis in Georgia. President Michel hosted a trilateral meeting with the leaders of Azerbaijan and Armenia on the margins of the Eastern Partnership Summit on 14 December⁹ 2021 and held, jointly with French President Emmanuel Macron, a virtual meeting with the two leaders on 4 February 2022¹⁰. Both meetings contributed to the restoration of dialogue between the sides. The trilateral meeting in the margins of the Eastern Partnership Summit was the first meeting of the Armenian and Azerbaijani leaders outside Russia and led to the EU-facilitated release of a further 10 Armenian detainees. The EU Special Representative for the South Caucasus and the crisis in Georgia, Toivo Klaar, has made regular visits to the region.

European Council President Michel hosted a new trilateral meeting with Prime Minister Pashinyan and President Aliyev on 6 April 2022 in Brussels¹¹ where the sides agreed: i) to convene a Joint Border Commission to delimit the bilateral border between Armenia and Azerbaijan and ensure a security situation along the borderline, and ii) to launch a concrete process for peace talks, in order to prepare a possible peace treaty.

The EU has provided around EUR 17 million¹² to address the immediate **humanitarian needs** of the civilian populations affected by the hostilities in Armenia and Azerbaijan. The EU has provided both emergency and early recovery support, as well as funding in the areas of **humanitarian demining** and **mine risk education**. The EU has underlined the importance of guaranteeing **humanitarian access** to Nagorno-Karabakh and the best possible conditions for the voluntary, safe, dignified and sustainable **return of the displaced populations**. It has also underlined the importance of preserving and restoring the **cultural and religious heritage** in the conflict-affected areas, and the need to involve international expertise such as UNESCO in dealing with that heritage.

In line with the humanitarian-development and peace nexus, the EU is ready to strengthen its support to post-war recovery and conflict transformation in the Southern Caucasus, including

⁹ <https://www.consilium.europa.eu/de/press/press-releases/2021/12/14/statement-of-president-charles-michel-following-the-trilateral-meeting-with-president-ilham-aliyev-and-prime-minister-nikol-pashinyan/>

¹⁰ <https://www.consilium.europa.eu/de/press/press-releases/2022/02/04/statement-of-european-council-president-charles-michel-and-french-president-emmanuel-macron-following-the-meeting-with-president-of-azerbaijan-ilham-aliyev-and-prime-minister-of-armenia-nikol-pashinyan/>

¹¹ <https://www.consilium.europa.eu/en/press/press-releases/2022/04/06/statement-of-european-council-president-charles-michel-following-the-second-trilateral-meeting-with-president-ilham-aliyev-and-prime-minister-nikol-pashinyan/>

¹² https://ec.europa.eu/commission/presscorner/detail/en/IP_21_2462

through support for demining, socio-economic development of conflict-affected regions, heritage preservation, connectivity and broader peacebuilding and reconciliation work. The EU has also offered support on **border delimitation and demarcation**.

2. Foreign and security policy

Armenia's foreign policy prioritises its strategic partnership and allied relationship with Russia, including within the **Collective Security Treaty Organization** and the **Eurasian Economic Union**, as well as the developing and deepening of its partnership and cooperation with the EU, including under the Eastern Partnership, and the United States, and with NATO under the Partnership for Peace.

On 27 September 2020, large-scale hostilities broke out in the Nagorno-Karabakh conflict zone. After a 44-day war, hostilities ended with a 9 November 2020 Russian-brokered ceasefire, enabling Russia's deployment of a **peacekeeping force** to the parts of the former Soviet Nagorno-Karabakh Autonomous Oblast (NKAO) not under the control of Azerbaijan and to the so-called Lachin Corridor. All the territories outside the former NKAO, earlier controlled by Armenians, were re-taken by Azerbaijan. Although the 44 days war ended, **clashes** occurred along the international Armenia-Azerbaijan border throughout 2021. The EU has offered technical assistance on border **delimitation and demarcation**, should both sides request it. The EU continued to fully supporting the agreed conflict resolution format led by the OSCE Minsk Group Co-Chairs.

Following high-level messages that indicated an interest both in **Turkey** and in **Armenia** to work on the **normalisation** of relations between the two countries, Armenia and Turkey appointed Special Envoys for this purpose. The three meetings held between the Special Envoys, in Moscow on 14 January 2022 and in Vienna on 24 February and 3 May 2022, were important steps forward and the European Union welcomed this development, encouraging both countries to make further efforts in this regard¹³. In addition, the Foreign Ministers of Armenia and Turkey met on 12 March 2022 in Antalya, reiterating their willingness to work on the normalisation of relations between both countries.

Russia's aggression against Ukraine has created multiple challenges to Armenia in terms of security and economic development. Armenia decided to abstain or not participate to votes related to the Russian aggression against Ukraine in multilateral fora, such as the UN General Assembly or the UN Human Rights Council. The Russian's war against Ukraine will also have a negative impact on the Armenian government's tax revenues and the Central Bank of Armenia has already revised its economic growth forecast for 2022 from 5.3% down to 1.6%. Despite these challenges,

In 2021, Armenia kept a low alignment rate (11%) with all EU declarations (5 out of 57) and restrictive measures (5 out of 37).

¹³ https://eeas.europa.eu/headquarters/headquarters-homepage/109673/turkeyarmenia-statement-spokesperson-normalisation-process_en

3. Strengthening institutions and good governance

Good governance, democracy, rule of law and human rights

Armenia is a fully-fledged democracy. During the reporting period, further measures were taken to improve good governance and the rule of law, building on the democratic change brought about by the ‘velvet revolution’.

Early parliamentary elections were held on 20 June 2021. According to the final report of the Organisation for Security and Cooperation in Europe (OSCE) Office for Democratic Institutions and Human Rights (ODIHR) election observation mission, the elections were competitive and well-managed despite the short time frame for preparation¹⁴. Voters were provided with a broad range of options and fundamental rights and freedoms were generally respected, with contestants being able to campaign freely. However, the electoral campaign was marked by intense polarisation and marred by increasingly inflammatory language from key contestants, as well as by the side-lining of women.¹⁵ The EU, as the leading donor for election support in Armenia since 2016, provided close to EUR 1 million in organisational and monitoring support to these elections. Nikol Pashinyan was re-appointed as Armenia’s Prime Minister on 2 August 2021. On 26 August 2021, the National Assembly endorsed the five-year government programme.

Municipal elections were also held in different cities on 17 October, 14 November and 5 December 2021. These municipal elections were the first to take place after reforms that were passed in June 2020 with amendments to the Electoral Code, but also under the new law on the amalgamation of communities. The amendments to the Electoral Code introduced some structural changes, and the proportional method was expanded to all cities with over 4 000 registered voters and electoral threshold was reduced at the municipal level from 6% for political parties and 8% for electoral alliances to 4% and 6% respectively. Artificial bonus seat allocation was also removed, and votes for the mayor by city councils will no longer be by secret ballot. A 1-in-3 gender quota for the candidate lists greatly increased the number of women city councillors in the country. Observers noted that in general there was strong competition in the three rounds of local elections, but also highlighted allegations on the misuse of administrative resources¹⁶.

The EU has been the **prime partner in supporting good governance and the rule of law** in Armenia. The Partnership for Good Governance Phase II under the Eastern Partnership, a joint initiative between the EU and the Council of Europe, supports domestic reforms to bring partner countries closer to EU and CoE standards in the fields of human rights, democracy and the rule of law. In Armenia, projects within this framework focus specifically on strengthening the efficiency of justice and promoting anti-corruption reforms.

According to the Economist Intelligence Unit’s 2021 **Democracy Index**, Armenia’s score increased to 5.49 in 2021 (from 5.35 in 2020). Similarly, in the 2021 Freedom in the World

¹⁴ <https://www.osce.org/files/f/documents/5/4/502386.pdf>

¹⁵ <https://www.osce.org/files/f/documents/5/4/502386.pdf>

¹⁶ <https://www.epde.org/en/news/details/armenia-expert-debriefing-2021-municipal-elections-15-december-2021.html>

Report, the country's **aggregate freedom score** increased to 55 (up from 53 in 2020), which still places Armenia among the world's 'partly free' countries¹⁷.

Armenia ranked 63rd, downgraded from 61st last year, in the 2021 **World Press Freedom Index** released by Reporters without Borders. According to the report, media diversity has blossomed, although media continue to be polarised, as politicians and oligarchs own the majority of media outlets. The report underlines that the editorial policies of the main TV channels coincide with the interests of their owners and that transparency and journalistic independence are far from being achieved.

On 30 July 2021, Armenia's National Assembly adopted a **bill criminalising insults** directed at state officials performing their duties. According to the bill, individuals making slanderous claims through mass media or other public channels may face up to 2 years imprisonment. Earlier on, the Ombudsman had called not to enact this law as such legislation would inevitably lead to an impermissible restriction of the freedom of expression. The Armenian Parliament adopted also amendments to the Civil Code increasing the maximum fines for defamation on 24 March 2021. The President of the Republic applied to the Constitutional Court, disputing the amendments' compatibility with the Armenian Constitution. On 5 October 2021, the Constitutional Court ruled that the proposed amendments do comply with the Armenian Constitution. Leading Armenian media organisations issued a joint statement expressing concerns about the Constitutional Court's decision.

Amendments in the Law on mass media initially proposed by the government that prohibit mass media from referring to anonymous sources, with some exceptions such as citing an official document or public speech, were criticised in the media, expressing concerns that this will be used as a 'tool' against legitimate criticism. The OSCE Representative on Freedom of the Media provided comments and recommendations on these amendments. Based on these recommendations and Civil Society Organisations (CSOs) comments, the Minister of Justice prepared an updated compromise draft.

On 31 May 2021, journalistic organisations issued a joint statement on **obstruction of the professional activities of journalists** during the pre-election campaign¹⁸. It should also be noted that journalists need accreditation from the National Security Service to cover the south region of Syunik.

The hostilities in and around Nagorno-Karabakh, and the resulting large number of displaced people, had a heavy impact on **women**. According to the Women's Resource Centre, despite the hostilities' strong psychosocial and economic effects on women, Armenia's measures providing relief to the displaced population have not been gender-sensitive. According to the same source, the state response on ensuring the rights of women and girls to social security, education, sexual and reproductive health and freedom from violence has not been based on gender specificities, and the specific needs of various groups of women have not been taken into account.

¹⁷ <https://www.eiu.com/n/campaigns/democracy-index-2021/>;
<https://freedomhouse.org/country/armenia/freedom-world/2021>

¹⁸ <http://uaj.am/en/4402.html>

Even though there were some positive developments, like introducing a gender quota in the new Electoral Code and a gender ratio in the newly adopted law on political parties, women's political participation remains quite low, including in holding executive offices.

Domestic violence continues to be a major issue. On 5 May 2021, the new Criminal Code was adopted; it will enter into force on July 2022. In particular, the new Criminal Code treats the committing of a criminal offence by a close relative as an aggravating circumstance.

The Council of Europe (CoE) Convention on preventing and combating violence against women and domestic violence (Istanbul Convention) is not yet ratified, and its ratification has been pending since 2019. However, the new Criminal Code introduces criminal liability in line with the Istanbul Convention for the following offences: forced abortion, or artificial termination of pregnancy or sterilisation without woman's prior and informed consent and understanding of the procedure (Articles 175-176); mental influence (Article 194), physical influence (Article 195) and forced marriage, divorce or pregnancy (Article 197). Women's organisations complain that gender stereotypes and victim-blaming practices are often encountered in Armenian criminal and judicial systems when dealing with gender-based-violence and femicide cases¹⁹.

Child poverty rates significantly vary depending on the number of children in the household, the age group of the youngest child, as well as on the characteristics of the household head such as gender, educational level and employment status. The poorest households in Armenia are those that are women-headed and have children under 6 years old. There are gender differences in child poverty: more girls are extremely poor than boys (2.8% and 1.8% respectively).

Armenia ratified the CoE's Convention on Protection of Children against Sexual Exploitation and Sexual Abuse (the 'Lanzarote Convention'). The Convention entered into force in Armenia on 1 January 2021.

The draft law on **minorities**, which was initially envisaged as a package together with the Equality law, has not yet been presented to the National Assembly. The draft of the Equality Law is currently under discussion in a working group, which includes members of civil society, experts and parliamentarians. During snap elections, ballots in different languages were provided in those poll stations where ethnic minorities were registered.

Following the National Security Service's filing of charges against the Chair of the Yezidi Center for Human Rights, along with his colleagues, under Article 226 of Armenia's Criminal Code (inciting national, racial or religious hatred), court hearings were held in November, January and March.

Open and public discrimination on grounds of sexual orientation and gender identity remains an issue, including cases of physical and sexual violence and threats of violence towards LGBTIQ people²⁰.

Inflammatory rhetoric was the main characteristic of the electoral campaign for early parliamentary elections. The OSCE ODIHR election observation mission noted, 'high levels

¹⁹https://tbinternet.ohchr.org/Treaties/CEDAW/Shared%20Documents/ARM/INT_CEDAW_ICO_ARM_45058_E.docx

²⁰ https://www.ilga-europe.org/sites/default/files/2022/full_annual_review.pdf

of harsh, intolerant, inflammatory and discriminatory rhetoric in the period leading up to election day tainted the debate'. Similar observations were made by the Ombudsperson,²¹, who called on the political parties to rule out insults and hatred during election campaigns and set up an emergency working group within his office, for independent monitoring during the pre-election, election and post-election periods.

Under the TAHCLE (Training Against Hate Crimes for Law Enforcement) programme, the Armenian police signed a Memorandum of Understanding with the OSCE ODIHR on combating hate crimes. This formed the basis for training at the Educational Complex of Police of the Republic of Armenia using international best practices on hate crimes.

The national human rights strategy and its 2020-2022 action plan clearly reiterate the prohibition of **torture** and the goal of eliminating its use and persecuting its perpetrators. The strategy and the action plans focus on people at risk of torture, primarily inmates with planned protection activities, while also targeting people placed in closed and semi-closed institutions, children, persons with mental health problems and older people. The 2019-2023 strategy for legal and judicial reforms, the 2019-2023 strategy for the penitentiary and probation system and their related action plans provide a number of provisions and measures that address this vital issue. In the context of the fight against torture, the role and the significance of the human rights defender as a national preventive mechanism take on great importance.

The national human rights strategy also includes the development of guidelines for interpreting and applying the terms 'severe physical pain or mental suffering' in compliance with international standards. In 2021, the Ministry of Justice developed operational guidelines with the assistance of international partners on the interpretation and application of the element of severe pain in the definition of torture.

Justice, freedom and security

On the sectoral policy level, major progress is already recorded in conceptualising justice reform, in the fight against corruption and in police reform. Improvements in the legislative framework have been significant and are reflected in **five sectoral strategies**: the 2019-2023 strategy for judicial and legal reforms, the 2019-2022 strategy for anti-corruption reforms, the 2020-2022 strategy for human rights protection, the 2019-2023 strategy for penitentiary and probation services and the 2020-2022 strategy for police reforms. All five strategies have been developed in close consultation with the public at large, including civil society. This represents a comprehensive and coherent approach to policy development, which ensures harmonised and coordinated results and a harmonised monitoring framework.

Mechanisms for evaluating and checking judges' activities, integrity and asset positions were clarified and legal grounds regulating **integrity checks** introduced. Availability of **sub-specialisation of judges** in various sub-areas of the law was ensured, guaranteeing more specialised examination of cases and enabling redistribution of the overall workload of the judicial system. Importantly, the anti-corruption strategy is linked with the justice sector reform through the creation of a **specialised anti-corruption court and specialised prosecution bodies** (the Special Department on Anti-Corruption in the Prosecutor General's Office).

²¹ https://www.ombuds.am/en_us/site/ViewNews/1752

The **Corruption Prevention Commission (CPC)**, together with the reformed Supreme Judicial Council, is responsible for integrity checks in the judicial sector, notably of judges. The mechanisms for evaluating the declarations of judges, prosecutors, and investigators are constantly being refreshed and new tools are being introduced such as declarations of property, income, interests and expenditures.

Along with the addition of integrity check components, the **psychological testing** of candidate judges and the e-recruitment system of judges developed jointly with local and international experts has already been implemented. Some 48 judge candidates have passed the psychological testing since the end of 2020.

On 14 April 2021, the Parliament passed the legislative package ‘On Making Amendments and Addenda to the Constitutional Law on the Republic of Armenia Judicial Code’, which provided for the establishment of the **Specialized Anti-Corruption Court (SACC)** and for the salary increase for the judges of the SACC and of other courts dealing with high-level corruption and other high risk-related cases. The President of the Republic, spotting discriminatory elements in the package, referred the law to the Constitutional Court that, on 12 October 2021, declared it constitutional, paving the way for the establishment of the SACC. The Supreme Judicial Council (SJC) has consequently started the selection process of new judges. The qualifications check through written examination and interviews of SACC candidate judges was conducted from December 2021 to February 2022 and facilities were provided for the court.

A competition board was formed to select the Chief of the Anti-Corruption Committee. Under the law, the board consisted of an international expert, members representing executive and judicial branches, the Prosecutor General’s Office, and representatives from both local and international NGOs. The interviews of the candidates for the position were live-streamed on the internet. On 16 September 2021, the Prime Minister appointed Mr Sasun Khachatryan, former Head of the Special Investigation Service, to the post of Chief of the Anti-Corruption Committee.

According to the Corruption Prevention Commission, during 2021, 16 integrity checks of candidate prosecutors were conducted, together with 4 integrity checks of prosecutors on a promotion list, and 13 of candidate prosecutors supervising the legality of pre-trial investigations by the Anti-Corruption Committee, in line with the mechanism established by 2020 amendments to the Law on prosecution.

On 7 July 2021, the new **patrol service** was introduced and launched in Yerevan, with around 700 patrol officers trained, including through EU technical support. Following the reformed procedure and approaches for staff selection and education, the patrol service will be rolled out across the country by end-2023.

The adoption of **new Criminal and Criminal Procedure Codes**²² is a significant improvement in the criminal justice sector. The Criminal and Criminal Procedure Codes were adopted by Parliament in May 2021 and June 2021 respectively, and will enter into force in July 2022.

²² <https://www.coe.int/en/web/national-implementation/-/a-new-criminal-procedure-code-of-armenia-adopted-in-line-with-council-of-europe-expertise>

Armenia's cooperation with both Europol and the European Union Agency for Law Enforcement Training (CEPOL) was enhanced. A Working Arrangement between CEPOL and Armenia has been in force since 2017. Armenia is a beneficiary country in the framework of the TOPCOP regional capacity building project led by CEPOL and has actively participated in the project activities. In September 2021, Europol and Armenia signed the Agreement of strategic cooperation agreement, which will facilitate cooperation to combat cross-border criminal activities and lead to the secondment of an Armenian Liaison Officer to Europol. The main identified areas of cooperation between Europol and Armenia are preventing organised crime, anti-money laundering, fight against trafficking in human beings, terrorist financing, and cybercrime.

4. Economic development and market opportunities

Economic development

Armenia's economy rebounded from the deep recession in 2020 that was driven by the pandemic and the hostilities in and around Nagorno-Karabakh. The GDP growth bounced back to 5.7% in real terms in 2021 following a 7.4% contraction in 2020. Strong investment activity and a favourable external environment that supported exports were important growth drivers. The implementation by the authorities of fiscal and monetary policies underpinning macroeconomic and financial stability was supportive for the rebound of activity, which continued in early 2022 despite the confidence shock associated with Russia's aggression against Ukraine.

Armenia is however, suffering negative economic impacts from the current situation since it depends heavily on trade with Russia. A weak rouble holds exports to Russia back and diaspora remittances from Russia significantly declined. Russia is also one of the main investors in Armenia and controls some of the country's strategic assets (railways, banks, power plants, the biggest mining company, and two out of three mobile operators).

Consumer price **inflation** accelerated rapidly in the course of 2021 and stayed elevated in early 2022. It was driven by higher food and oil prices as well as supply chain disruptions due to the COVID-19 pandemic. In order to counter the price surge, the Central Bank of Armenia raised the key policy rate several times in 2021 and twice in early 2022 to 9.25% as of March.

The consolidated **budget deficit** declined to 4.3% of GDP in 2021 from 5.1% a year earlier. Strong revenue collection was somewhat offset by rising public expenditures that aimed to mitigate the impact of the pandemic for businesses and households and to address non crisis-related social outlays and interest payments. Armenia's public debt-to-GDP ratio decreased slightly in 2021 to 63.4% at the end of the year.

The **current account deficit** remained largely unchanged on the year at 3.7% of GDP in 2021. A considerable rise of the surplus from the trade with services and higher remittances largely compensated for the widening deficit of trade with goods and a sharp rise of reinvested earnings by foreign companies operating in the country. Amid very strong investor demand, Armenia placed USD 750 million of 10-year bonds in January 2021. In August, the country benefited from the general allocation of Special Drawing Rights by the International Monetary Fund (IMF). As a result, Armenia's gross international reserves increased considerably in 2021.

The Armenian financial system is dominated by banks. Amid a turbulent year 2020, the **banking sector** reported growth and solid profitability. The total assets of the Armenian banking sector sustained their growth trend in 2020, despite all negative factors. According to the financial reports of Armenian banks, their total assets went up by 14.5%. Capital markets are thin in Armenia, and external financing is important for long-term financing given a small domestic investor base.

Launched in March 2021, the **EU-funded Local empowerment of Actors for Development (LEAD)** programme is worth EUR 14.6 million and runs for 4 years. The programme promotes inclusive and sustainable growth and improved livelihoods of the rural population in the Shirak, Lori and Tavush regions through support to community-driven local development initiatives and partnerships. The efficiency of the **agricultural sector** in Armenia is being increased with EU support which, during the reporting period, has continued to target the three priority regions in the north of Armenia, Lori, Shirak and Tavush, including through the EU contribution to the green agriculture initiative in Armenia (EU GAIA). The Green Agritech Incubator was launched in 2021.

In many sectors, a mismatch remains between the education provided and the labour market needs. Despite a significant reduction, the unemployment rate remained high (15,3%) in 2021, in particular for young people. Amendments to the Labour Code entered into force in July 2021, expanding the mandate of the Health and Labour inspection body to supervise and control all labour standards, rights and working conditions. Further amendments to the Labour Code are under preparation. Since December 2020, the government has launched over 20 support programmes (including cash and cash for work) to address the urgent needs of displaced people.

On **digitalisation**, Armenia adopted a digitalisation strategy and strategic programme of measures and result-based indexes for 2021-2025 on 11 February 2021. Several EU assistance projects aim to achieve further digitisation, including an ongoing project to combine available public services within a reliable government interoperability platform, the establishment of a single electronic window for border crossing points, and a project that aims to draw up an inventory and mapping of all available e-services. The EU continues to provide support to this sector also through its EU4Business and EU4Digital projects. Initiatives supported by the EU, such as the Hero House Start-up Academy and SAP BANA incubator, continue to provide support to Armenian start-ups with high growth potential. The EU TUMO Convergence Centre hosts the '42 Yerevan' tuition-free programming school and the flagship TUMO laboratories, which focus on project-based industry-sponsored education.

The EU continues to support **micro-, small and medium-sized enterprises (MSMEs)** and strategic sectors such as tourism and technology. Armenia's first private equity fund, launched in September 2019 with EU support, reached a capitalisation of USD 60 million in 2021. The fund invests in Armenian businesses with high growth potential, linking them to European value chains, thus helping improve the economy's overall competitiveness. Moreover, the EU together with international financial institutions (IFIs) continues supporting small and medium size enterprises (SMEs) via advisory services and credit facilities to modernise equipment, improve productivity and the export potential of key sectors. In parallel, together with the World Bank, the EU kick-started efforts to improve the business environment, the regulatory framework for public-private partnerships and competition

regulation. On **metrology**, the EU invested EUR 4 million in a technical assistance project with UNIDO to improve the quality of goods produced in Armenia, and ensure the international recognition of tests performed there, resulting in increased trade with the EU and other foreign markets.

On **statistics**, capacity building has continued through the EU-funded STEP (Statistics Through Eastern Partnership) regional programme. With support from STEP and UN Women, Armenia successfully conducted a pilot Time Use Survey (TUS) in 2021, and preparations for its first full TUS since 2008 are under way.

Trade and trade-related matters

Armenia's foreign trade overall reflects the economic situation. It recorded a 13.7% decrease in 2021 after a 14.8% decline in 2020 and amounted to EUR 7.1 billion in 2021. The imports substantially increased by 12.9% to EUR 4.5 billion in 2021 after they decreased by 19% in 2020, while the exports increased by 15.1% in 2021 after a decline of 5.8% in 2020, and stood at EUR 2.5 billion in 2021.

Bilateral trade between the EU and Armenia has been increasing over the last 10 years, reaching almost EUR 1.2 billion in 2021. The EU is Armenia's second largest trading partner, accounting for 18.9 % of its total trade.

Taking into account its economic growth record, in 2020 the **World Bank classified Armenia as an upper middle income country** for the third year in a row. Therefore, following a one-year transition period, Armenia **stopped benefiting from the EU's Generalised Scheme of Preferences (GSP)** and its special incentive arrangement for sustainable development and good governance (GSP+) on 1 January 2022. The results of the last GSP+ monitoring cycle for Armenia will be reflected in the next GSP report. While no longer benefiting from the EU's preferential import tariffs, Armenia will now trade under the World Trade Organisation most favoured nation (MFN) duties.

The third **EU-Armenia Partnership Committee in Trade Configuration** took place on 24-25 March 2021. Both sides recognised the positive influence the GSP+ preferences have had on Armenian exports and expressed confidence that trade would develop further with the effective implementation of the CEPA. The EU and Armenia expressed commitment to build on the successful cooperation under GSP+ as part of the CEPA implementation and the trade and sustainable development chapter in particular. Progress was noted in the areas of environmental and climate reporting, efforts to align legislation with Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), and efforts to set up a fully functioning labour inspectorate.

The EU-Armenia Subcommittee on Geographical Indications met for the second time on 24 March 2021 to discuss issues pertaining to the implementation of the CEPA provisions on the protection of geographical indications. One of the main implementation issues of the trade title of the CEPA concerns the gradual phase out of the use of the geographical indication 'Cognac' for brandy originating in Armenia.

The first meeting of the EU-Armenia Subcommittee on Customs Cooperation took place on 29 April 2021 and discussed the future priorities to oversee implementation of the CEPA customs provisions.

5. Connectivity, energy efficiency, environment and climate action

In the area of **transport**, the EU and Armenia signed a Common Aviation Area Agreement on 15 November 2021. With the Agreement, both sides engage in a process that shall lead to Armenia's full inclusion in the EU's aviation market. To this end, Armenia committed to implement the EU's aviation acquis. Immediate benefits of this Agreement include new air transport opportunities, more direct connections and economic benefits to both sides:

- All EU airlines will be able to operate direct flights from anywhere in the EU to any airport in Armenia, and vice versa for Armenian airlines.
- All limitations and restrictions on flights between Armenia and the EU will be removed and the provisions on open and fair competition will guarantee a level playing field.

On **energy**, the CEPA entails significant regulatory approximation to EU energy legislation (energy efficiency, renewable energy and nuclear safety regulation, electricity market reforms). Armenia, with support provided under the EU4Energy programme, is engaged in strengthening the existing legislative and regulatory framework related in particular to market liberalisation, regulatory cost audit, licensing and tariff setting (including renewables). Comprehensive gap analyses were carried out in these sectors, and work on legal acts commenced in 2022. Several projects related to energy efficiency and renewable energy development are being implemented, including with EU financial support, such as the construction of the solar power plant in Masrik and innovative projects to integrate solar energy into the grid.

The **nuclear power plant** in Metsamor cannot be upgraded to fully meet internationally accepted nuclear safety standards, and therefore requires closure and safe decommissioning. A road map or an action plan needs to be urgently adopted to that effect, taking into consideration the need for the plant's replacement with new capacity to ensure the country's energy security and conditions for sustainable development. To this end, the EU has mobilised EUR 1.2 million through a new financing agreement entitled 'Promotion of nuclear safety culture: Support to the Armenian Nuclear Regulatory Authority'.

On **environmental protection** Armenia has advanced on biodiversity conservation and the management of natural resources, notably by improving the legislative and institutional framework. Discussions are ongoing on the upcoming National Strategy for Protected Areas and Biodiversity 2021-2025 and on amendments for legislation on fauna, flora and protected areas. In the area of waste management, in January 2020 the Armenian government approved legislation banning single-use plastic bags from 2022, while actions on the promotion of circular economy and related growth and job creation opportunities were organised in 2021 as part of the EU4Environment programme. On air quality, a new laboratory for monitoring air quality was opened. Armenia is committed as a matter of national priority to protecting and restoring Lake Sevan.

Armenia revised its Nationally Determined Contribution (NDC) for 2021-2030 introducing an improved methodology.. Armenia committed for the first time to an absolute target of a 40% reduction of emissions by 2030 compared to 1990. Armenia subscribed to Global Methane Pledge to reduce methane emissions and adopted a National Programme of Adaptation to Climate Change and a list of measures for 2021-2025. The EU4Climate project has supported

Armenia's commitment to identify a realistic implementation strategy for the NDC, with an implementation plan finalised and a NDC finance strategy under development. The project is assisting Armenia in developing a long-term low-green house gases (GHG) emission development strategy, with sectoral plans developed for energy savings, renewables and land use, land-use change and forestry (LULUCF). The administrative capacities were strengthened: a climate change department was established in the Ministry of Environment and the Interagency Council for NDC implementation was moved under the coordination of the Prime Minister.

6. Mobility and people-to-people contacts

The **EU-Armenia readmission agreement (RA)** and **visa facilitation agreement (VFA)** have been in force since January 2014.

EU Member States continue to express overall satisfaction regarding the implementation of the readmission agreement. Despite the particular challenges during 2020, Armenia continued to readmit its nationals without obstacles. The return rate went from 21% in 2014 to 55% in 2019. In 2020, it stood at 25%, with Member States continuing to report a satisfactory response in terms of issuance of travel documents as a result of readmission requests. The electronic readmission case management system (RCMS) was launched in February 2019. So far, eight EU Member States have joined the system. Armenia is one of four countries of return included in the Frontex Joint Reintegration Services pilot project, which started in May 2021.

In April 2021, the **Joint Visa Facilitation Committee** reconfirmed the overall good implementation of the visa facilitation agreement (VFA). The visa refusal rate however increased to 14.3%, from 13.2% in 2019 and 11.8% in 2018. The percentage of multiple-entry visas issued – one of the main indicators for assessing VFA implementation – has steadily increased since the agreement entered into force, reaching 34.8% in 2019 and 49.6% in 2020. Armenia has been exempting EU citizens from short-stay visa requirements since January 2013.

Asylum applications made by Armenian citizens in the EU fell from 5 695 in 2018 to 4 625 in 2019, 1 875 in 2020 and 2 690 in 2021, a more than 50% decrease in 3 years, even if the positive trend was interrupted in 2021. The number of Armenian nationals with no right to stay in the EU – although still significant – also steadily decreased from 3 395 in 2016 to 2 150 in 2019 and 1 305 in 2020.

Armenia expressed readiness to start a visa liberalisation dialogue with the EU. In line with the results of the 2021 Eastern Partnership Summit, the EU remains committed to opening such a dialogue with Armenia, provided that conditions for well-managed and secure mobility are in place, including the effective implementation of visa facilitation and readmission agreements, which represents one of the technical preconditions to start a visa liberalisation dialogue. The decision to launch a visa liberalisation dialogue is a political one and requires the endorsement of the EU Council.

In 2021, Armenia expressed interest in joining the EMN (European Migration Network) as non-voting observer. This request has been examined by the EMN Steering Board and the procedure for accepting Armenia as an observer is ongoing.

The EU continued its support to migration and border crossing via two contracts: ‘Enhancing Migration and Citizenship Services in Armenia’, concluded at the end of 2021, and ‘Strengthening Migration Management Capacities to Support the Government Reform Agenda in line with CEPA’, launched on 16 February 2022.

The current Armenia development strategy identifies the **education sector** as a fundamental tool for the sustainable development of the country. The role of education as key for sustainable and inclusive development is also expressly mentioned in the new 2021-2026 government programme.

Armenia’s overall **education strategy** covering the whole education spectrum (pre-school education, primary and secondary schools, vocational education, life-long learning and higher education) targeted the end of 2020 but was delayed, and potential adoption by the National Assembly is now expected in mid-2022. In February 2022, joint consultations with development partners took place around the draft State Programme for the development of Education 2030. A draft Action Plan covering the period 2022-2026 with a sector-wide approach allows for a comprehensive overview of the measures foreseen for education in Armenia over the next five years.

With the support of the Erasmus+ capacity-building projects, Armenian universities considerably upgraded their administrative and organisational structures and modernised study programmes. Armenia actively participates in the programme. Since 2015, under the International Credit Mobility scheme 638 applications were selected for funding out of 764 ICM applications (the highest success rate among Eastern Partnership countries). Furthermore, 4 814 incoming and outgoing opportunities for students and staff were filled for the period 2015-2021 and 141 Armenians have been awarded full scholarships for Erasmus Mundus Joint Master’s degree programmes. Armenia collaborated with 30 projects under the Capacity Building in Higher Education Institutions, 8 of which have been coordinated by Armenian higher education institutions. Finally, 4 Jean Monnet modules, 2 Jean Monnet projects and 2 Jean Monnet networks have been selected for funding since 2016.

Considerable progress (with EU support) has been achieved in the **vocational education and training (VET)** sector, in particular in standards development, revision of qualifications and professions, and teacher training. The EU-funded sector reform performance contract (SRPC) on ‘Better Qualifications for Better Jobs’ aimed at improving the efficiency of the labour market and the employability of the workforce, with particular emphasis on agricultural VET training. Although the programme was revised to allow re-direction of non-spent funds to COVID-19 mitigation measures, the government continued to implement the conditions. Close cooperation between the European Training Foundation (ETF) and the Armenian authorities is continuing and a new round of the ETF’s Torino Process is being launched in May 2022 with a specific focus on monitoring and reviewing education and training systems in a lifelong learning perspective.

The upcoming adoption of the education strategy, as well as of the future Employment Strategy can offer an opportunity for Armenia to create new synergies between employment and VET programmes and between the public and private sectors to strengthen the link between skills formation and quality employment.

In early 2021, Armenia undertook a reform of its **research and innovation** system with the creation of the International Scientific and Innovation Partnership Support Centre by the State Science Committee, which is devoted to promoting international partnerships of research institutes and coordinating activities for more active participation in European programmes. Additionally, in spring 2021, the Armenian government increased the science budget for 2021 to almost AMD 15.9 billion (EUR 24.7 million). This is an increase of around one quarter against the original planning.

Following Armenia's association to Horizon 2020 in 2016, Armenia signed the Association Agreement to **Horizon Europe** on 12 November 2021²³, which marks a very positive continuation of the research and innovation cooperation between the EU and Armenia. By 31 December 2021, Armenian entities had participated 44 times in 36 signed grants of collaborative Marie Skłodowska-Curie actions (MSCA), European Research Council (ERC) and SME Instrument actions of Horizon 2020, receiving EUR 4.03 million in direct EU contributions. The success rate of Armenian proposals in Horizon 2020 was 11.8%, similar to the average for Horizon 2020 (11.9%). The European Commission has supported Armenia's participation in Horizon 2020 with various measures: i.e. by providing a financial contribution to its entry ticket for Horizon 2020, by providing training on project proposal drafting and expert consultations within the Horizon 2020 work programmes.

Research and Innovation in Armenia is also supported by the ongoing **EU4Innovation** programme worth EUR 23 million, which focuses on young people and aims to address the mismatch between the knowledge and skills of university graduates and labour market needs.

The first ever **youth strategy for Armenia** and accompanying action plan were prepared with assistance of EU experts and is expected to be adopted in 2022.

The regional EU4CULTURE project completed full application submission, with the applications from five Armenian towns. After assessment, in late October the EU officially announced three selected towns from Armenia that will receive support for preparation of **cultural development strategies**.

7. Financial assistance

The **2021-2027 multi-annual indicative programme²⁴ (MIP)** for EU support to Armenia is guided by the 'policy first' principle, framed by the new policy framework on the Eastern Partnership beyond 2020, including its economic investment plan, and builds on the EU-Armenia Partnership Priorities and the CEPA. The MIP addresses the socio-economic impact of the COVID-19 pandemic and of the 2020 hostilities in and around Nagorno-Karabakh, and supports recovery and reforms efforts to strengthen the resilience of the Armenian people and businesses.

The MIP identifies **five priority areas**:

²³ The Horizon Europe Association Agreement entered into force on 11 February 2022 after Armenia completed its internal ratification procedure.

²⁴ https://ec.europa.eu/neighbourhood-enlargement/system/files/2022-01/C_2021_9435_F1_ANNEX_EN_V2_P1_1621110.PDF

- **Priority 1** will support Armenia’s transformation to a more **resilient, sustainable, knowledge-based and integrated economy** – thus contributing to rapid economic recovery from the COVID-19 pandemic and the recent hostilities.
- **Priority 2** will target reform actions in favour of **accountable institutions, rule of law and security** to restore public trust and improve the public administration.
- **Priority 3** will focus on enhancing Armenia’s **environmental and climate resilience**, which includes sustainable use of resources, promotion of green growth, decarbonisation and scaling up renewable energy generation, improving energy efficiency and security.
- **Priority 4** will support **digital transformation**, building on the strong foundations of the Armenian digital and innovation sectors through better policies, infrastructure, including e-government functions and provision of skills, easy access to inclusive e-services and e-contents in the whole economy and society.
- **Priority 5** will aim at enabling a more **resilient, fair and inclusive society** through increased democracy, migration management, promotion of social inclusion and enhanced public healthcare systems.

The MIP reflects the Team Europe+ approach, with stronger collaboration among the EU key institutions, Member States, the European Investment Bank and the European Bank for Reconstruction and Development, and associated non-EU development partners.

Supporting Armenia’s post-hostilities and post-pandemic socio-economic recovery is a top priority for the EU going forward. In terms of **programming for 2021**, the **EU Green Resilience Facility for Armenia** focuses particularly on the southern regions, fostering investment in MSMEs, sustainable jobs, young people, the digital economy, and support to vulnerable groups (including internally displaced persons). The EU continues supporting Armenia’s ongoing reform processes under the ‘**EU for Resilient and Accountable Institutions**’ programme, which will support public administration reform, with a special focus on the new Ministry of Interior, and on police and migration service reform.

A critical element to support the broader socio-economic recovery as well as the country’s green and digital transition is the **Economic and Investment Plan**²⁵, which includes key flagship initiatives identified jointly with the Armenian authorities. These initiatives target SME development, green growth, connectivity and the socio-economic development of the southern regions, and digital transformation. The projects will be selected based on their maturity and implemented in close cooperation with international financial institutions. Altogether, the Plan could potentially mobilise up to €2.6 billion in public and private investments for Armenia.

8. Concluding remarks and outlook for the future

Over the reporting period, Armenia continued with its reform agenda, despite the challenges stemming from the COVID-19 pandemic, the aftermath of the hostilities in and around Nagorno-Karabakh and, more recently, the impact resulting from the Russia’s aggression against Ukraine. The early parliamentary elections held in June 2021 enabled the country to

²⁵ SWD(2021) 186 final.

embark on a path of stability and reform. Armenian voters gave a strong mandate to continue the reform path the country needs. It will, however, be important that all political forces work together to effectively tackle the challenges Armenia is confronted with. Following the elections, the country has reiterated its commitment to consolidating democratic governance and the rule of law, including reforms designed to strengthen independence, accountability and efficiency of the judiciary, and to develop a competitive business environment.

As Armenia's key reform partner and largest donor, the EU has continued to support these processes. The entry into force of the CEPA on 1 March 2021 represented an important milestone for EU-Armenia relations and highlighted the wide range of EU-Armenia cooperation, including strengthening democracy, the rule of law and human rights, creating more jobs and business opportunities, improving legislation, public safety, achieving a cleaner environment, and better education and opportunities for research.

Over the last year, the EU has continued to demonstrate its solidarity with Armenia in material terms, including in response to the COVID-19 pandemic and by providing humanitarian and recovery support to the people affected by the 2020 hostilities.

Continued engagement with Armenia will remain a priority for the EU, in particular on implementation of the CEPA agreement, which continues to guide the Armenian authorities' domestic reforms agenda. This ambitious reform agenda, including its emphasis on the green and digital transition, is fully aligned with the European Commission's 2019-2024 Political guidelines²⁶, as well as with the Paris Agreement and the UN 2030 Sustainable Development Goals.

Support to this reform agenda and to CEPA implementation will be provided through policy dialogue and the EU bilateral assistance. The Economic and Investment Plan, including the flagship initiatives for Armenia announced in 2021, will remain a key element to foster sustainable development and leverage public and private investments in line with good governance standards. First results have been already delivered under the flagship initiative 'Investing in a green Yerevan' and work is ongoing for short-term wins to support SMEs, multi-sectoral support in the southern regions, energy efficiency, education and digital.

Finally, the EU will continue to support confidence-building measures between Armenia and Azerbaijan, including through the provision of assistance to conflict-affected populations, with the overarching goal of promoting a Southern Caucasus that is secure, stable, peaceful and prosperous, for the benefit of all people living in the region.

²⁶ https://ec.europa.eu/info/sites/default/files/political-guidelines-next-commission_en_0.pdf