

EU Advisory Group to Republic of Armenia

ANNUAL PROGRESS REPORT
(18 Nov 2008 – 16 November 2009)

Project Title:	EU Advisory Group to Republic of Armenia
Project ID:	00063698
Donor:	EU
Project Starting date and duration:	18 November 2008; 12 months
Project Budget:	1041732.32 USD (810000 Euro)
Delivering rate for the reporting period:	100 %
Responsible Programme Officer: Project Coordinator:	Narine Sahakyan Angel Dimitrov

I. PURPOSE

In response to a request from the President of Armenia, the EU decided to deploy a high level advisory group to (EU Advisory Group). The EU Advisory Group is structured to provide support to key Armenian institutions in designing and implementing Armenian own reform agenda, notably through the implementation of the EU-Armenia ENP Action Plan (ENP AP).

In providing advice, the EU Advisory Group closely coordinates with the Head of the EC Delegation in Armenia. It provides the high level political and technical advice necessary to design and steer reforms, advising also on proper implementation.

The overall objective of the project is to support the Republic of Armenia (RA) in the implementation of the reform agenda and relevant international commitments assumed and including them for implementation through the ENP Action Plan. The support is given through the provision of high level advice and it is aimed at strengthening the capacity of the Presidency, the Legislative, Executive and Judiciary powers of the Republic of Armenia (RA) together with other Armenian institutions and organizations as relevant, and assists them in the modernization processes towards democracy, good governance, rule of law and market economy.

This project aims to assist the RA to implement its own reform agenda, the PCA and the ENP AP and its **specific objectives** are as follows:

1. Strengthening of democratic structures, of the rule of law, including reform of the judiciary and combat fraud and corruption.
2. Strengthening of respect for human rights and fundamental freedoms, in compliance with international commitments of Armenia (PCA, CoE, OSCE, UN)
3. Encourage further economic development, enhance poverty reduction efforts and social cohesion, thereby contributing to the long-term objective of sustainable development, including the protection of the environment.
4. Further improvement of investment climate and strengthening of private sector led growth.
5. Further conversion of economic legislation and administrative practices.
6. Development of energy strategy, including an early decommissioning of the Medzamor Nuclear Plant (MNPP)
7. Contribute to a peaceful solution of the Nagorno-Karabakh conflict.
8. Enhance efforts in the field of regional cooperation.

Progress made by Armenia in the implementation of the ENP AP will allow the country to build closer ties to the EU.

II. RESOURCES

Total AWP budget provided by the EU is USD 1041732.32. As of 15 November 2009 the whole amount of USD 1041732.32 (810000 Euro) was spent accordingly. The amount also includes the UNDP administrative cost of 7%.

III. RESULTS

1. Preparatory Work

The contract between UNDP and EU was signed whereas all the arrangements had to be made for the official launch of EU Advisory Group to Republic of Armenia on 18 November 2008.

The preparatory phase of the project covered mostly activities related to the recruitment of international and local personnel; procurement of essential equipment and services including vehicles, office equipment and IT, and project accommodation arrangements.

The UNDP Office in Armenia as implementing partner in this project, was responsible for the initiation phase of the EU Advisory Group and would like to report as follows:

Preparatory work for deployment of EU Advisory Group started in mid 2008 when the EC and UNDP started to develop the cooperation framework defining the scope of interventions and related management arrangements which are outlined in the Action Document. Simultaneously the details regarding the cooperation agreement were negotiated and agreed upon – the agreement (Special Conditions) was signed on 15 and 18 November 2008 respectively by the two parties involved.

Visibility of the EU Advisory Group, EU and UNDP was one of the important considerations during the inception phase of the project resulted in signature of Visibility Plan by the head of the EC Delegation and UNDP Resident Representative.

The office premises were selected in a new and modern building located in the center of the capital in a walking distance to the most of the institutions that the project would interact with. The office place ensures proper safety and visibility for the project and it is marked with a plaque on the wall at front entrance to the project premises. Taking into consideration rapidly growing staff and activities it was decided to rent new office space in the same building. The new premises were rehabilitated and supplied by Internet and office equipment and furniture. The opening is planned for the end of November 2009 and will be able to accommodate some 35 staff including most of the advisors and their teams.

There are also two extension offices provided to the project by the Ministry of Finance and the Ministry of Economy. Both are fully equipped with office furniture, Internet and accommodate the related advisory teams.

Under the current project phase two project vehicles were purchased, registered, and insured and related parking space for both vehicles in front of the office building is part of the office lease agreement. One additional vehicle is provided for free of charge by the EC Delegation to Armenia.

In addition to the selected 11 advisors some 17 advisor candidates have been interviewed over the phone in the beginning of November and the best 8 have been invited to Yerevan for subsequent face-to-face interviews. Representatives from the EC, UNDP and the Armenian Government including the President's Office were present during the interview process or candidates were invited to pay a visit. Representatives from the Armenian Mission were invited to the interviews held in Brussels.

Upon arrival in Armenia, the recruited personnel were given a three-day induction briefing and training by respective UNDP staff. The induction briefing included among others a comprehensive briefing on security which was provided by the UNDSS Security Advisor (see

below for more detailed information). Security briefing is provided to each advisor upon arrival in the country.

As of 16 November 2009 the project consists of 37 staff under various assignments and contractual modalities as follows:

International Experts: There are 11 international advisors carrying on their duties: Advisor to the President's Office and Team Leader, Advisor to Prime Minister's Office on anticorruption issues, Advisor to the Human Rights Defender, Advisor to the Ministry of Foreign Affairs, Advisor to Ministry of Economy, Advisor to the Ministry of Finance on debt issues, Advisor to the Ministry of Finance on Customs issues, two advisors to the Chairman of the National Assembly, Advisor on Pension Reform Campaign and Communication and Reporting Officer.

Local experts, interpreters and administration: There are total 9 local experts/assistants to international advisors recruited and providing their services: three local experts to the advisor on Anticorruption issues, local expert to the Advisor of the Human Rights Defender, two local experts to the Advisor to the Ministry of Economy, two local experts, one to the Advisor to the Ministry of Finance on debt issues and one to the Advisor on customs issues.

In addition to the advisor teams there are 11 translators recruited to provide interpretation/translation services and also to provide some administrative assistance when required.

The administration team consists of an international administrator, admin assistant, IT assistant, finance assistant and two drivers/clerks. Recruitment of HR assistant, receptionist/clerk and one additional driver is planned for the end of November 2009.

2. Project Activities

Before starting work in April 2009, the EU Advisory Group gathered for the first time in Yerevan during the last week of March to be officially introduced to the Authorities of Armenia. EU Advisory Group met with Mr. Peter Semneby, EU Special Representative to the South Caucasus and with Ambassador Raul de Luzenberger, Head of the EC Delegation.

In April all advisors were introduced to their respective counterpart Ministers as a necessary step to start cooperating in identified areas of collaboration according the Action Plan priorities. EU Advisory Group was officially welcomed in Armenia by Mr. Serzh Sargsyan, the President of Armenia in 24 March 2009. The Group was also received by Mr. Tigran Sargsyan, the Prime Minister, to discuss the Armenian expectations, Mr. T. Davtian, the Minister of Finance and Mr. Nerses Yeritsyan, the Minister of Economy who will be one of main beneficiaries of the advisory assistance. The Group was received by Mr. Arthur Baghdasaryan, the Secretary of the National Security Council of Armenia, who presented the updated List of Actions 2009-2011 based on the EU-Armenia Action Plan.

Based on ENP AP and the 2009-11 Action Plan prepared by the RA Government, the EU Advisory Group proposed priority areas in which to concentrate its work during remaining part of 2009. These are Good Governance, Sustainable Economic Development. Altogether, 14 key priority areas were identified of which 8 are currently covered by advisors. Further 8 issues are proposed for action during 2010. On 10 June the priority actions suggested for 2009 were initially discussed with counterparts during informal EU Advisory Group preparatory meeting for Advisory Board (first meeting was scheduled for 3 July). This would be supplemented with detailed work plan of the EU Advisory Group during June-December 2009 (annex A).

In May work was initialized within the Working Group on National Human Rights Action Plan and the Ombudsman accepted the plan of a concept paper for NHRAP proposed by EU Advisory Group. Parallel to the work on the concept paper, participating institutions will be collecting relevant information for conducting baseline study which is of key importance for the action plan. The participation of civil society representatives in the Working Group shall be strengthened.

EU Advisory Group started to work on provided draft of National Anticorruption Strategy 2009-2012. Comments were accepted by counterparts, however the main concerns about the financial aspects and capacity for implementation the Strategy remained. Study visit to Baltic States on anticorruption issues was organized for selected civil servants to get acquainted with EU best practices. The necessity to provide a three-pillar approach in fighting corruption policy for respective institutions in RA was observed.

Brussels mission of EU advisor in May allowed to identify the main field of advisory. In many trade related areas such as IPR, public procurement, competition and enterprise policy, as well as in TBT, SPS, customs administration, rule of origin there is lack of institutional capacity or strong need for law enforcement. Assistance is necessary to provide capacity building projects (AEPLAC, Twinning, TAIEX) in 2009 and 2010. The level of harmonization of EU legislation in technical standards in trade is very low.

In June the EU Advisory Group continued assistance on anticorruption strategy and NHRAP, and provided comments to the draft law on Civil Service and public administration reform. The EU Advisory Group participated in training in Brussels on the European Commission Export Help Desk. An expert will become a trainer of trainers on the EHD database and on support for export organizations in Armenia. EU best practices were shared with RA MFA, representative responsible for establishment of Diplomatic Academy. He became acquainted with the diplomatic training provided by the Estonian School of Diplomacy, with preparation of courses for future diplomats as well as with the recruitment process. Further contributions were made to develop on a monthly basis the concept of e-monitoring of ENP AP measures among public institutions. This model could be used in the future to monitor also other governmental programs. Advice was provided to the State Commission for the Protection of Economic Competition (SCPEC) on state aid, to the Ministry of Economy on e-tendering bid proposals, to the Ministry of Finance on public debt management and revenue policy.

EU Advisory Group participated in interview procedure organized by AEPLAC in government institutions to further assess the needs for capacity building. Coordination of activities with other donors in areas of advice is continued.

The EU Advisory Group's main activities in providing advice to the RA in the period of **July-September** 2009 were as following:

Anticorruption Strategy was redrafted; however, the main concerns about its implementation feasibility remain. EU Advisory Group agreed with donors (USAID, OSCE, CoE, and UNDP) to elaborate a document with recommendations for anticorruption activities in 2010 with a focus on 5 priority areas: police, public procurement, tax, customs and civil service.

Public Administration Reform: Two documents were elaborated on Monitoring and Evaluation of the Public Administration Strategy and Overview of the Common European Quality Assessment Framework (CAF) model in order to ensure proper implementation and assessment of the draft of the Public Administration Reform Concept.

EU AG commented on proposed model of **Central Ethics Commission**. The effectiveness of Central Ethics Commission strongly depends on existence of public register for conflicts of interests and property declarations.

Plan of RA NHRAP concept paper was elaborated. It proposes the necessary provision for the document such as: mission statement; goals, objectives and target groups; process of drafting the RA NHRAP; NHRAP structure enlisting specific rights; implementation, monitoring and evaluation system.

Establishment of the Diplomatic Academy: Decision was made on the model of future DA to set up an individual legal entity which would be attached to RA MFA. Before that, already in mid-November 2009, the first training course for future diplomats will start. Graduates of universities are allowed to apply. Announcement for open competition widely spread in media will be issued at the end of July.

Trade issues: Structure for organizing DCFTA negotiation process with division of responsible stakeholders proposed by EU Advisory Group was approved by the Minister of Economy. The scheme was sent to DG Trade for feedback. Background materials were prepared on Export Help Desk to be distributed during the TAIEX workshop on GSP+, to be held on 31 July. Materials were translated into Armenian to enable non-English speaking participants to use EHD portal.

Implementation of the ENP Action Plan: EU Advisory Group project on establishing in MoE e-monitoring system for supporting implementation of the List of 197 Actions for ENP AP commenced. Presentation was held at MoE on the e-monitoring system in preparation to software testing in August.

Public Debt Management: EU Advisory Group conducted a review of the structure of the databases to assess which PDM system solution would best respond to the specific requirements of Armenia. EU Advisory Group provided also to MoF a tentative and generic map of functions in the department according to the front, middle and back office organization.

Tax: Advisory reports in preparation cover comments on 7 specific areas of the draft Tax Code with a focus on problems resulting from the financial and economic crisis. Currently work is ongoing on advisory report on VAT refunds and overpayments in liaison with the IMF.

Customs: Three priority areas were identified and agreed between the State Revenue Committee (SRC) and the EU Advisory Group: establishment and implementation of a comprehensive system and procedures for customs post-clearance controls, development of the risk management system, as well as enhancement of the clearance process through the simplification of procedures. EU AG is preparing for initial assessment of the current customs administration system and responsibilities of SRC.

In October the EU Advisory Group to the Republic of Armenia in cooperation with the State Revenue Committee and AEPLAC organized two days workshop on the topic “INTEGRITY RISK ASSESSMENT & MANAGEMENT TRAINING FOR CUSTOMS MANAGERS”.

Under priority area 4, the EU-Armenia European Neighbourhood Policy Action Plan (ENP AP) stipulates measures to reduce corruption risks by improving the coherence and reliability of the tax system. It also envisions strengthening of the overall capacity of the Tax and Customs administrations as part of wider measures to improve the business climate. In the List of Measures to Implement the ENP AP from 2009-11, the Armenian authorities identify a number of activities that are designed to meet these objectives.

The training aimed at enhancing the knowledge and skills of the customs managers to successfully implement the good governance principles, prevent corruption and minimise the risks of mismanagement in their designated areas of responsibility. The training will be of highly participatory character and will be geared upon the European best practices, in particular those specifically developed by successful transition countries in Central and Eastern Europe.

The EU Advisory Group (EUAG) has agreed to provide support through guidance and training based on international best practices, in particular those specifically developed by successful transition countries in Central and Eastern Europe.

The EU Advisory Group covered the following activities during the reporting period of 1-25 October 2009:

Anticorruption Policy: The Anti-Corruption Strategy and its Action Plan for 2009-2012 were adopted by the RA Government. The final revisions of the AC Action Plan were supported by the EU AG. Integrity risk assessment and management training for customs managers was organized and carried out in cooperation with the State Revenue Committee and AEPLAC. Integrity risk assessment analysis will be submitted to the PMO in November.

Public Administration Reform: The EU AG started the preparatory works for organizing Introductory Anti-Corruption training for trainers, agreed with the Civil Service Commission (CSC) in September. The training aims to provide both knowledge in the anticorruption field and practical skills for transferring it to a high level group of trainees that will later become anticorruption trainers in the Public Administration Academy. The EU AG elaborated the preliminary programme of the training and shared it with CSC and AEPLAC.

National Human Rights Action Plan (NHRAP): The EU AG Human Rights Team continued to work on the improvement of the draft concept paper for the RA National Human Rights Action Plan in the light of the comments received from the WG members during the second meeting of the NHRAP Working Group.

Public Awareness Campaign on Pension Reform: Preparations for the awareness campaign and the public opinion survey are ongoing.

National Assembly: Under the high patronage of OSCE, EU AG gave a two hour seminar on the European Parliament competences, legal procedures and its organization, as part of the training for the expert staff of the RA National Assembly.

Establishment of Diplomatic Academy: It was decided by the RA Minister of Foreign Affairs (MFA) to set up a Diplomatic School as a separate legal entity which would operate under the auspices of MFA. Because of procedural and technical issues, the beginning of the lectures was postponed to early January but the student application and selection procedure is taking place in October-November as planned.

Trade Issues: In providing assistance to a number of departments and divisions involved in DCFTA-related activities, the EU AG continued to develop the e-monitoring system and prepared a presentation to 20 SME on the Export Help Desk portal of the EC, on the technical requirements for exporting to the EU (for the SMEDNC). Participation in the World Bank-led effort to prepare a roadmap for the development of a Quality Infrastructure (mainly TBT). An economics course outline addressed to MoE's staff was drafted, as well as several ToR on different future activities.

Public Debt Management: The EU AG started with the drafting of a time-bound action plan for the strengthening of the PDMD capacity. The adoption and implementation of the action plan is

expected to be included in the on-going Stand-by Arrangement and the planned EC General Budget Support. The EU AG and the PDMD took various steps towards the selection of the new debt recording and administration system.

Customs Administration: The prime concern in this area is the increasing risk of overlaps between, and duplication of donor assistance. Unless a coordinated approach is quickly agreed over the next few weeks, a great deal of time, money, and effort will be wasted; and Customs could suffer from contradictory approaches. The EU nAG is drawing the matter to the attention of all key stakeholders.

Major results achieved during the reporting period:

- Elaboration of **Human Rights Concept Paper** in cooperation with Ombudsman
- Drafting **Anticorruption Strategies** and Training Measures for Government
- Establishment of first courses of the future **Diplomatic Academy**
- Preparations for negotiations of the **Deep and Comprehensive Free Trade Agreement with EU**
- Provided advice on **Public Debt Policy**

3. Project Advisory Board

The second Advisory Board meeting of the European Union Advisory Group took place on 20 October 2009 under the joint chairmanship of Mr. Artur Baghdasaryan, Secretary of the National Security Council, and H.E. Raul de Luzenberger, Head of EC Delegation in Armenia.

During the second Advisory Board meeting the following issues were raised concerning the work of the EU Advisory Group:

1. The joint work between the Intergovernmental Working Groups and EU Advisors shall be strengthened. More involvement is expected from the EU Advisory Group in key policy areas such as DCFTA, pension reform, law enforcement, customs, border security and border infrastructure (including upgrade of existing border crossings and establishment of new ones), tax and JLS (including visa facilitation).
2. The activities of the EU Advisory Group shall be coordinated with other EU assistance instruments (including Twinning, TAIEX and SIGMA) to maximize their effects, offer better targeted assistance in reform efforts in specific areas (including DCFTA, JLS). Accordingly, the EU Advisory Group should support the development of roadmaps setting out necessary steps to be undertaken on each policy with a coordinated combination of EU instruments involved.
3. The beneficiary administrations will comment in writing on the work plan of the EU Advisory Group. The work plan is a working document and can be adjusted if need be.
4. A separate document will be submitted to the attention of the EU Advisory Group describing the needs of RA on customs/border issues.

The Advisory Board:

1. Noted the second Quarterly Report (period July - September 2009) submitted by the European Union Advisory Group;
2. Expressed its appreciation for the six month work of the European Union Advisory Group, and welcomed the deployment of 10 international advisors to several RA ministries and state institutions;
3. Approved the Draft Plan of Priority Actions for the European Union Advisory Group for the period September 2009-March 2010;
4. Looked forward to the deployment of six more international advisers to support the RA Government's efforts in the fields of technical standards for trade, tax, communication policy and for the position of Deputy Team Leader;

5. Decided on the deployment of the JLS Advisor to the EU Advisory Group;
6. Agreed that the Chairmen of the Advisory Board would decide in writing on the placement of trainees with the EU Advisory Group to be later recruited by the public administration in Armenia. A proposal will be submitted by the EU Advisory Group.

4. Security, IT and communications

It is to be noted that the entire group of EU Advisors are under the overall security umbrella provided by UNDP. Specific arrangements have been made to comply with mandatory Minimum Operational Security Standards (MOSS).

A project security risk assessments as well as security assessment of the project office locations were conducted by the UNDSS Security Advisor ensuring that compliance with Minimum Operating Security Standards as laid down by the UN and EU. The initial focus is on the security effective entrance control, the implementation of a warden system and essential basic training covering driving skills, first aid and fire-fighting.

There are 7 VHF radios Motorola are purchased and distributed to the Project Coordinator who is Project Security Warden, the Team Leader, the Floor Security Wardens in the MoE and MoF, to the drivers as one of them is Deputy Security Warden and the advisors' office in the HQ. The Project Coordinator regularly participates in the radio check exercise conducted on weekly basis by UNDSS office.

All project personnel were briefed about the security regulations prior to their deployment in the project. All project personnel received a CD Rom with computer-based training course "Basic Security in the Field" and they are to present a certificate on completion of the training by November 2009.

Internet connection with UNDP office is established from the beginning of the project, which allowed us to have efficient project network. Ministry of Economy (MoE) and Ministry of Finance (MoF) are connected to project HQ and UNDP Local Area Network (LAN) in the same way. Cabling works in MoE are done in a way that the electricity and telephone network is provided separately to each working place. Currently Ministry of Finance use the existing LAN and telephone cables, installed previously and it is planned to be replaced. The landline telephones in HQ were connected and are functioning. In MoE there is one landline number, which is connected through the Ministry and one additional land line number was provided in the beginning of November 2009. In the MoF two telephone lines are installed and additional two phone numbers are provided by the ministry.

Computers: Initially the project purchased 10 laptops and 10 desktops. Gradually the staff was increased and additional 12 laptops were provided. New equipment was procured and by the end of November is expected to be installed including 12 laptops and desktops, two projectors, printers and copying machine.

Website: Project website and Logo were developed. The website will be hosted either in externally with European osting company.

The initial installation and configuration of servers and workstations of the project was done with the strong assistance of the UNDP IT Unit, which significantly speed up the functioning of the offices. Currently all server systems and network are fully functional.

5. Risks

The risk of lack of political will/possibility to allocate the necessary resources to work with the group of EU Advisers and to fully integrate key experts in their counterpart institutions should not be underestimated.

A general lack of good governance, and high levels of rent seeking, could seriously impact on the sustainability of the results.

EU Member States accept to second/detach an insufficient number of suitably qualified staff. In the unlikely case that no national or not suitably qualified experts will be sent by EU Member States, the budget foreseen for this project allows contracting experts.

In order for the project activities to produce the expected results, which should together achieve the project purpose / specific objectives and contribute to the overall objectives, this intervention rests on a number of key assumptions. The project's success will crucially depend on the realisation of assumptions as such:

- President, Government and National Assembly remain committed to political and economic reforms, to the ENP AP implementation, to the ENP process.
- The advice delivered by the EU Advisory group is reflected in the Government programme (policy, legal, institutional, HR capacity, budget, public awareness) and is promoted and implemented via relevant State structures (legislative, executive and judiciary branches). The advice is also reflected in the work programme and legislative acts of the National Assembly.
- The counterparts in individual governmental institutions (ministries) in the Judiciary and in the National Assembly are willing to cooperate with the key experts as colleagues.
- Good pre-conditions for project implementation (office space, etc.) are met.

IV. FUTURE WORK PLAN

An extension of project activities until May 2010 is approved by UNDP HQ and cleared by UNDP Liaison Office in Brussels with total amount envisaged 2 mln Euro.

In regard of the implementation of future activities the UNDP Office in Yerevan will:

1. Make available all necessary logistics for the functioning of the group of advisers;
2. Ensure the administration of human resources matters according to UNDP regulations and rules, such as ensuring the selection and contracting of appropriate experts, providing necessary security coverage and medical insurance (in accordance with UNDP regulations and provisions), providing the endorsement of individual work plans and keeping individual files of each of the recruited experts, e.g. copies of their contract and attendance records;
3. Will deal with all operational issues related to the Advisory Group in consultation with the European Commission Delegation.
4. Procurement for the Advisory Group will take place in accordance with UNDP regulations and rules.

V. FINANCIAL IMPLEMENTATION

AWP budget comprised of UNDP 7% and EU sources. Total budget of the project is USD 1041732.30 (810000 Euro) and as of November 16, 2009 budget implementation rates are the following:

AWP Budget			Actual Expenditure (USD)		
EU resources in Euro	UNDP 7% in USD	Total in USD	EU resources in Euro	UNDP 7% in USD	Total in USD
810000	68151.16	1041732.32	810000	68151.16	1041732.32

The average monthly expenditures are approximately USD 95-100000 Euro. The project delivery by the end of the reporting period is 100%.