

UNDP Country Office in Armenia

**Second Country Cooperation Framework
for Armenia
(2000-2004)**

INTRODUCTION

1. The first Country Cooperation Framework (CCF) for Armenia covered the period 1997-1999. The second CCF sets forth the strategy and areas of cooperation with UNDP in 2000-2004 and is harmonised with the cycles of other key United Nations funds and programmes resident in the country. It is based on the results of the 1999 UNDP Country Review, the findings of the United Nations Common Country Assessment (CCA), and extended consultations and discussions between the Government of Armenia and UNDP.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

1. The profound political and economic upheavals in Armenia in the early post-independence period, and the virtually unattended consequences of the 1988 earthquake plunged the country into a complex emergency. Between 1988 and 1992, as a result of interethnic clashes, about four hundred thousand ethnic Armenians living in Azerbaijan were forced out and found refuge in Armenia. At present, 311 thousand refugees are registered in Armenia, of which 40 thousand (13.6 thousand households) do not have proper accommodation. In addition, the Nagorno-Karabakh conflict has created 72 thousand internally displaced persons (IDP) who fled from their homes situated in the territories bordering with Azerbaijan. The conflict has been a considerable burden for the country, hindering its economic development and at the same time serving as an unfavourable factor for many donors to have, or increase, development cooperation with Armenia. A cease-fire is in effect since May 1994 but talks under the auspices of the OSCE Minsk Group to negotiate a settlement to this twelve-year-old conflict have failed so far to lead to a peace agreement. In 1999, however, certain dynamism was introduced into the process by the intensified dialogue between the Presidents of Armenia and Azerbaijan, and with the recent revival of the negotiation process within the framework of the Minsk Group, a peace agreement may be expected to be signed soon.

2. Since 1998, positive changes have occurred in the overall development situation of the country, and the Government of Armenia has emphasized on different occasions that the emergency is mainly overcome in the country and that the UN agencies need to re-orient their programming to development-related activities. UNDP, as the "manager of the UN Resident Co-ordinator system" in Armenia, is expected to continue playing an active role in the shift from relief to longer-term development assistance.

3. The Government's efforts to achieve macro-economic stability and the broad range of structural reforms effective in the country created the basis for annual real GDP growth (3.3% in 1999); yet the overall level of economy compared with the pre-independence period is still negative. The private sector remains embryonic and too weak to fuel economic growth and new policy formulation is required in many areas. There is a need to boost the economy with foreign investment, backed with an adequate legal framework, reforms of the judiciary, modernisation of the civil service, and decrease of corruption levels.

4. Armenia's Human Development Index ranking fell steadily from 47 position in 1991 to 103 in 1995 and rose slowly to 87 position in 1997, which can be explained by certain economic growth and increase in the indices of adjusted per capita income. Armenia ranks among countries of medium human development mainly owing to its high literacy rate.

5. Transition processes, the unresolved problems of the 1988 earthquake, and the repercussions of the Nagorno-Karabakh conflict, including the economic embargo, deteriorated heavily the social tissue of Armenia. The reforms were accompanied by plunging standards of living, mass unemployment, impoverishment of the population, and social polarization. The economic growth did not produce positive changes in the living standards of the population. The overall social situation of the country remains deplorable: the polarization of society is deepening and some groups of transitional poverty are stepping towards structural poverty. The Gini coefficient has increased from 0.602 in 1996 to 0.690 in 1998/99. The registered unemployment rate in 1999 was 11.6%, putting Armenia in the worst position among the FSU countries. Statistical surveys have shown that the employment has become

unstable for one third of working population, while for another 21% it does not secure minimum living standards and 18% fall under the category of "discouraged workers." The gross average monthly salary (US\$ 36 in 1999) is at least twice lower than the minimum consumer basket and accounts for only one fourth of families' total income. The social indicators are discouraging: 31% of households are not able to cope with the costs of education, 70% of sick persons do not have access to healthcare services, while 90% of single old-age pensioners depend entirely upon humanitarian assistance.

6. The hardships of post-independence years and the consequences of transition to a market economy significantly affected the gender structure of the Armenian society and had a negative impact on the status of women, their role and standing in society. The gender balance in administrative structures is disrupted and gender polarisation in all branches of power is significant. Women constitute about 3% of the parliament, while there are no women either at ministerial or governor positions. The participation of women in the banking and financial systems is mainly in the middle and lower management levels and the number of women entrepreneurs in medium and large businesses is extremely low. Guarantees provided to working women by the State are widely disregarded due to the false interpretation of market relations, negligence of labour regulation, and inefficient mechanisms of legal control. Gender needs of the population are not considered in the socio-economic development planning process. In the last decade, the health status of women significantly deteriorated. Accessibility of health services declined, abortion is still the prevailing method of family planning, maternal mortality rate constituted 35.6 per 100,000 live births in 1999. The demographic situation is characterized by steadily falling fertility and population growth rates. These trends combined with accelerating emigration of economically active people of reproductive age and with population aging may have serious consequences for mid- and long-term economic and social development. Meanwhile, the share of economically active age groups with high level of professional education will be steadily increasing till 2010. This "demographic bonus" could boost the economic development if provided with enabling environment.

7. Before and after independence, the lack of awareness, experience and developed mechanisms for the incorporation of environmental concerns into the overall economic development, on the one hand, and Armenia's extensive socio-economic and political changes, the new market economy mechanisms and the lack of appropriate legal framework, on the other hand, had an overall unfavourable impact on the environment. The long-term inefficient exploitation of natural resources, extensive pollution of air, water, and land, release of contaminants into the environment, inexperienced intrusions in the countryside, accumulation of waste and the distortion of the structure of the Armenian economy resulting from outdated technology and inadequate infrastructure have brought to an extreme deterioration of the environment. The immediate and long-term consequences are the adverse effects on public health and life expectancy, the decline of the genetic reserve of economically important wild plant and animal species and ecosystems.

8. Armenia has made certain progress in the area of governance, implementing the prescriptions of the 1995 Constitution, towards the establishment and improvement of democratic mechanisms involving the State, the civil society, and the private sector. The judicial reforms of 1998 accomplished the administrative governance restructuring that started with the structural reshuffling of the executive and legislative powers and the introduction of institutional decentralisation and deconcentration of administration. Yet, the public administration system is inefficient, with a high level of corruption; the judiciary needs profound training; the civil service reform and real empowerment of the civil society and of the private sector are still pending; while the freedoms and human rights guaranteed by the Constitution and laws become reality very slowly. The country is in the stage of developing its ICT policy the optimal use of which would help the Government address many governance issues from a considerably more effective perspective.

II. RESULTS AND LESSONS OF PAST COOPERATION

1. The first CCF outlined as the main focus for UNDP assistance (a) governance and development management at the national, regional and local levels, (b) sustainable livelihoods in selected geographical areas, including strengthening of the social sectors, and (c) environmental issues, in the context of sustainable development and poverty alleviation. Monitoring and evaluation of the programme based on the first CCF, particularly the country review in October 1999, have shown that the reputation and performance of the UNDP as a development partner in Armenia have undergone considerable improvement. UNDP assistance has put into motion indigenous capacities, in particular at the local community and regional levels, demonstrating a high absorptive capacity for technical assistance in the country.

2. The specific results of UNDP cooperation during the period of the first CCF included the following:

- a. In the field of poverty eradication and sustainable livelihoods, UNDP has helped strengthen the surveying and analytical skills of the Ministry of Statistics and promoting a broad-based discussion on poverty related issues. UNDP has supported, together with the WB, various surveys of the Ministry of Statistics. New methods of sampling and data processing were introduced and a poverty-oriented database was established at the Ministry. A set of social indicators was identified and analysed, based on the data of 1996.
- b. UNDP used its limited resources on well-targeted interventions to support the access of the poor, including all groups of the vulnerable population, to basic services both at the local level and at the central level through capacity-building and raising awareness about pressing poverty-related issues. In cooperation with other partners, UNDP rehabilitated schools, financed the publication of textbooks, enhanced capacities of school management, facilitated the enrolment of schoolchildren in IT-mediated training, and initiated several successful pilot projects for poverty eradication and sustainable livelihoods, including outreach programmes to small and impoverished farmers and skill training for resolving fund credit for micro-entrepreneurs.
- c. UNDP promoted an enabling environment for SHD at both the upstream policy and downstream levels. The National Human Development Reports were instrumental in promoting a national policy dialogue and analysis, and are considered by a wide range of users as valuable reference books on Armenia.
- d. In the field of promoting good governance, UNDP played a lead role in coordinating assistance for the conduct of elections in Armenia, in partnership with USAID, the International Foundation for Electoral Systems, OSCE ODIHR, the European Union, and others. UNDP worked with the local NGO community and with international organizations to promote and protect human rights in Armenia. UNDP was also active in institution and capacity building: through UNDP assistance the Supreme Audit Institution of the National Assembly was established and strengthened, as a primary mechanism for oversight of the activities of the Executive power; at the local level, UNDP assistance encouraged local communities to take greater responsibility for the management of their affairs and development.
- e. In the particular circumstances of Armenia's isolation, a strong emphasis was placed on connecting the country through the means of modern information technology to the global arena. UNDP supported the establishment of a centre with free public Internet access coupled with the first training facility in the region for Internet users. UNDP also assisted in strengthening capacities for the export of goods and services, using the technical expertise of UNIDO, UNCTAD, ICAO, and the International Trade Centre.

- f. In the field of environment, a significant number of ongoing projects, mostly financed by the Global Environment Facility (GEF) have focused on the fulfilment of international commitments under various environmental conventions, advocacy activities and capacity building of the Ministry of Environment.
 - g. In response to the de facto deterioration in the status of women, due generally to the expansion of poverty, UNDP has paid particular attention to the need for advocacy on gender issues, and to mainstreaming of gender considerations in its projects.
3. The main lessons learned from UNDP cooperation under the first CCF are outlined as follows:
- a. Clustering individual projects by development objectives and narrowing the programme focus to cover fewer fields will enhance the effectiveness of UNDP cooperation;
 - b. Incorporating sustainability arrangements and exit strategies within projects at the design stage is crucial for attaining the desired impact;
 - c. More effective use of the NEX modality coupled with agency execution for the outside expertise where appropriate will enhance the overall impact of UNDP cooperation;
 - d. The need for United Nations executing agencies to adopt more flexible operational procedures in order not to impact negatively the project delivery is essential for the timely attainment of the envisaged objectives;
 - e. The active participation of NGOs in the implementation of projects is beneficial to complementing limited Government capacities.

III. OBJECTIVES, PROGRAMME AREAS AND EXPECTED RESULTS

1. UNDP will gear its interventions in the second CCF to supporting the national development goals and will assist the country in its efforts to overcome the adverse effects of transition and set the path to comprehensive development. In this regard and taking into account the UNDP mandate and the lessons learned from past cooperation, UNDP will support the Government in its efforts to fight rising poverty and unemployment levels, will support the ongoing reform processes in the Government to enhance its efficiency, increase transparency and decrease corruption, will support the Government in promoting gender equity in the public service and in implementing the National Environmental Action plan.

2. The Government will strive to foster complementarity between UNDP cooperation and the interventions of other United Nations specialized agencies, donors, international financial institutions, and NGOs. The Government is particularly encouraged by the collective effort of the United Nations system in producing the Common Country Assessment in early 2000, which provides a solid basis for concerted programming by the organizations of the United Nations system and for strengthening the partnership with the Government.

3. UNDP is expected to continue to support the Government in the fulfilment of obligations taken and commitments made respective to global conferences and environmental, human rights, and other international conventions that Armenia has joined and ratified.

4. Taking into account the foregoing and the recommendation of the country review to narrow the programme focus to cover fewer fields, the Government proposes two major programme areas for the second CCF: (a) good governance and (b) poverty reduction and post-conflict rehabilitation. These two areas are comprehensive and critical to the objectives of the national development programme and are consistent with the UNDP mandate and comparative advantage. They are also interrelated and mutually reinforcing and will contribute to the positive pursuit and accomplishment of transition processes in Armenia. Good governance, including efficient public administration and openness to and participation in globalisation

processes, is essential for creating the necessary conditions for sustainable economic growth, social development, and poverty reduction, with a particular emphasis to the issues of vulnerable groups. A significant reduction in the current high level of poverty, on the other hand, is crucial for ensuring accelerated economic development that will eventually regenerate the thinning social tissue of Armenia and support social cohesion.

5. Advocacy and policy advice, with the National Human Development Report as a main tool, will continue to be in the centre of UNDP's activities in Armenia. UNDP advocacy work will promote a broad-based dialogue on critical issues and challenges in the country's development processes.

6. Gender being a cross-cutting issue, UNDP will shift to gender mainstreaming in both programme areas, assisting the Government in combating all forms of violence against women and girls, eliminating discrimination against women in the labour market, increasing employment opportunities for women, promoting gender equality in social protection, empowering women through access to and control over resources, creating an enabling environment for an increased participation of women in power and decision-making, promoting women's access to high-level decision-making positions in economic and social spheres, strengthening institutional mechanisms for gender equality, continuing the gender analysis of the legislation of the Republic of Armenia and providing policy advice. The expected results of gender mainstreaming will be increased gender balance in public decision-making and gender-specific approach in poverty reduction policies.

7. In the area of environmental protection and management, UNDP will use the National Environmental Action Plan to continue its efforts in creating legal and regulatory structures, which will stimulate observance of laws, norms, and rules on environmental protection; assist the implementation of the principles of Environmental Conventions; assist the Government in the field of integration on economic, ecological, and social policies for sustainable development; work with the Global Environment Facility (GEF) on the implementation of global mandates, particularly will participate in the implementation of the Lake Sevan Action Programme and in the National Biodiversity Strategy and Action Plan (BSAP); support Armenia's initiatives in developing the "third way" position of the countries with transition economies, within the framework of UNFCCC.

A. Good governance

8. The programme area has two sub-programmes: (a) development of information and communication technologies (ICT) as a medium for better governance and (b) capacity building of key governance institutions and consolidation of democracy.

9. The development objective of the first sub-programme is to support the improvement of governance, the efficiency and transparency of the public administration and consolidation of democracy by supporting increased participation in globalisation processes through knowledge-based cyber-connectivity and free information exchange between State institutions, civil society organisations, and individuals.

10. UNDP is not a new player in ICT and has already supported the process of sustainable reforms in Armenia through assistance to the establishment of a national information infrastructure to ensure adequate access to information resources by the Government, the academic, educational and business communities, NGOs and civil groups. Capitalising on previous UNDP interventions in this area, UNDP will support the Government of Armenia to pursue two goals:

- a. Develop a strategy for the best use of ICT as a sustainable human development tool and to facilitate the political and economic reform process. The strategy will be agreed upon in co-operation with the World Bank, the European Union, the OSCE, and the Open Society Institute;

- b. Provide improved access to information for media, civil society, public at large, the private sector, and donors.

11. The sub-programme is expected to contribute to the following results: (a) more efficient public administration and civil service, particularly emanating from improved connectivity between the central, and decentralised administrations, (b) enhanced transparency and participation of the civil society in the community life owing to facilitated electronic access to public documents, (c) fostered economic growth as a result of electronic access to economic information and investment opportunities through the creation, in partnership with the WB, of Internet Development Gateway for Armenia, (d) and improved co-ordination of official development assistance to Armenia owing to the creation of an open database on international co-operation.

12. The second sub-programme, capacity building for good governance, will have as main objectives strengthening of state institutions and empowerment of the civil society and will be comprised of three main interventions:

- a. Consolidation of electoral processes,
- b. 2. Addressing the issue of corruption through expert advice,
- c. 3. Human rights.

13. The expected results of this sub-programme will be (a) improved capacity of the central and regional electoral commissions and increased participation in elections, (b) the adoption of an anti-corruption law, (c) increased awareness of human rights issues through their incorporation into school and university curricula.

14. The impact of UNDP co-operation in the programming area of good governance will be measured by sound and improved public policies; an improved co-ordination and utilisation of external aid and public funds; free, fair and transparent electoral processes; and reduced overall number of human rights incidents. An overall goal of UNDP governance programme and advocacy is to orient public policies towards the poor and vulnerable groups of the society.

B. Poverty reduction and post-conflict rehabilitation

15. The development objective of the programme area is (a) providing support to the Government and the civil society in the elaboration and implementation of a national strategy for poverty reduction and social development and (b) assistance in capacity building for post-conflict rehabilitation.

16. UNDP is following closely the OSCE Minsk Group negotiation process on the Nagorno-Karabakh conflict, and regular discussions are held with the World Bank, the Minsk Group co-chair country Embassies, and UN Agencies. In case of a peace agreement, UNDP, in consultations with the Government, will take pertinent ad hoc decisions of action from the development point of view.

17. At the upstream level, UNDP will provide assistance to the Government for establishing and operating a special monitoring system, as an important component of the Poverty Reduction Strategy Papers (PRSP) initiated by the WB and IMF, aimed at furnishing updated information on poverty and social issues to all stakeholders. UNDP activities will be directed towards building national capacities in policy-oriented analysis and pro-poor expertise of the existing and draft laws. UNDP will support the Government in the preparation and publication of a quarterly analytical-informational bulletin on social trends and an annual report of the socio-economic developments in Armenia. The poverty focus in UNDP supported reports will be strengthened and the human poverty index will be used as a specific target, with a special emphasis on gender dimensions.

18. At the downstream level, UNDP will assist the communities in pro-poor targeted programming: a special methodology of assessment will be developed and implemented, on the basis of poverty rapid assessment, for identifying and mapping the poorest families and vulnerable groups in communities (refugees, IDPs, etc.).

19. The expected results in the first sub-programme area will be a national strategy on poverty reduction based on improved socio-economic policies and pro-poor social programmes adopted by the Government; strengthened national capacity to monitor, alert, and analyse social changes; and improved equitable access to social services.

20. The sub-programme on post-conflict rehabilitation will concentrate on building capacities for neutralising and clearing land mines in the region most suffered from the Nagorno-Karabakh conflict. The Government expects UNDP to elaborate and implement a targeted programme in land mine neutralisation: mapping, training of specialists, and raising public awareness towards the problem.

21. Measurements of impact in the sub-programme on poverty reduction and post-conflict rehabilitation will be based on feasible rates of reducing the level of poverty and increased accessibility of social services, on the one hand, and increased safety from land mines and the use of cleaned territories for agricultural purposes, on the other.

IV. MANAGEMENT ARRANGEMENTS

a. Programme Management

National execution will continue to be the principal modality for executing the UNDP programme in Armenia. However, as recommended by the country review, Government will strive to remove the impediments to full and more effective use of the NEX modality. Agency execution will be used when special expertise is needed. The United Nations specialized agencies will also continue to be cooperating agencies for the provision of specialized and technical support services in national execution programmes. NGOs and local institutions as well as the private sector will be encouraged to have greater involvement in the UNDP programme, including as executing agencies where appropriate; while the Bretton Woods institutions will continue to be immediate partners of UNDP.

b. Follow-up and Evaluation

The UNDP programme will be subject to standard UNDP monitoring, evaluation, and auditing procedures, including progress and technical reports, meetings and visits. Projects will be reviewed to ensure that the goals and objectives are clear and results-oriented. Benchmarks and success criteria will be identified for each national programme and project, to facilitate the monitoring and evaluation of impact. An evaluation plan will be prepared and put to implementation. The findings of evaluations will serve as basis for necessary programme adjustments as well as inputs to the country review, which will be carried out during the third year of the CCF period to assess the results achieved and make recommendations for eventual revisions of the CCF or the formulation of a new CCF.

c. Resource Mobilisation

UNDP core resources allocated for the cycle will continue to play a catalytic role in resource mobilisation. In this connection, UNDP funds will be used as seed capital to facilitate the implementation of programmes that have the potential to attract multi-donor support. A concerted effort will be made to continue the use of various funds such as the Global Environment Facility and other funds (UNAIDS, UNDCP, etc.), as well as the bilateral trust funds to support the programme implementation of UNDP. Government cost sharing may be provided in certain cases through project cost sharing and the use of grants and loans, particularly from the World Bank and the European Union. UNDP will also complement the resource mobilisation efforts by continuing to organise joint donor meetings and sectoral round-table meetings with the Bretton Woods institutions.

RESOURCE MOBILIZATION TARGET

Table For Armenia, 2000-2004

SOURCE	AMOUNT (in thousands of USD)	COMMENTS
UNDP REGULAR RESOURCES		
Estimated Carry-over into 2000	(1 002)	Includes AOS.
TRAC 1.1.1	3 693	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 percent of TRAC 1.1.1.	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	322	
Subtotal	3 013	
UNDP OTHER RESOURCES		
Government Cost-Sharing	200	
Sustainable development funds	1 000	GEF
Third Party Cost-Sharing	500	
Funds, Trust Funds and other		
Subtotal	1 700	
GRAND TOTAL	4 713	