

Country Programme Document
for the Republic of Armenia
(2005-2009)

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Part I: Situation Analysis

General: Immediately after achieving its independence, Armenia faced a deep economic crisis. Between 1990-1993, the country's gross domestic product (GDP) contracted to 46.9 percent of its 1990 level, the largest decline in the Commonwealth of Independent States (CIS) and one of the sharpest ever recorded. Recovery began in 1994 with the adoption of a comprehensive reform programme aimed at establishing a liberal market economy and democratic regime. Although starting from an exceptionally low base, Armenia's turn-around has been remarkable. Economic growth has averaged 7 percent per year during the past ten years, reaching 13.9 percent in 2003, one of the highest in the world. Government institutions have been restructured and the basic institutions of democracy have helped to reorient relations between the public and private sectors.

Despite this impressive progress, mass impoverishment, declining access to public services, inadequate governance and environmental degradation have polarised Armenian society, leading to sharp cleavages between a small stratum of people able to capture the benefits of growth and a large underclass unable to find gainful employment. The on-going blockade related to the Nagorno-Karabakh conflict, high rates of emigration and widespread corruption continue to threaten social stability and undermine sustainable economic growth.

Economic Conditions: Although GDP has nearly doubled since 1994, poverty and unemployment levels remain unacceptably high. An estimated 25 percent of the active workforce is either un- or underemployed and 40 percent are engaged in agriculture, one of the economy's least productive sectors (<http://www.undp.am/UNDAF.zip>). Fourteen years after the introduction of market reforms, half of Armenia's population is still poor and one of every seven residents is unable to meet basic survival needs. In addition, income inequality, as measured by the Gini coefficient, remains extremely high. Although 80 percent of GDP is generated by the private sector, growth is concentrated in only a few industries and the sector as a whole is negatively affected by inconsistent regulations, selective taxation and high real lending rates. In addition, the Government's ability to redistribute wealth is constrained by low levels of tax collection and limits on deficit spending.

Social Conditions: Old age pensions, family benefits and even average wages are inadequate to cover the minimum subsistence basket for the hardest-hit social groups including pensioners, single-parent households and rural residents.

Women live under the poverty line more frequently than men and children are more likely to be exposed to extreme poverty than any other group. Despite the unprecedented drop in living standards, Government expenditures on social services remain low and actually declined in real terms during the first years of the 2000s.

Governing Structures: Although the Government has made considerable progress in setting up basic democratic and market institutions, governing structures are still hampered by corruption and inefficient administration. Problems include the limited capacity of public officials to formulate appropriate laws and policies, inconsistent law enforcement and inadequate mechanisms to address violations of citizens' rights. The lack of state capacity contributes to the inefficient delivery of public services. In addition, the general public is largely unaware of its civil and political rights and only rarely participates in policy debates or demands quality services. The impact of inadequate services and corruption is hardest on the poorest and most socially disadvantaged, who depend on Government institutions for their basic standard of living and are becoming increasingly marginalised within the economy and from political life.

Environmental Conditions: As a land-locked country with limited natural resources, environmental degradation is another major factor threatening the economy's future viability. Problems include distorted and inefficient exploitation of natural resources, energy instability, massive forest-cutting, extensive pollution of air, water and land, and inadequate waste disposal systems.

National Priorities: Recognising the implications of mass impoverishment for political stability and national security, the Government of the Republic of Armenia and civil society adopted a Poverty Reduction Strategy Paper (PRSP) in August 2003 aimed at generating high rates of economic growth and redistributing this growth to social programmes for the poorest and most socially disadvantaged. By implementing the PRSP, the Government aims to establish a sound foundation for eradicating mass poverty and improving living standards by 2015 in accordance with the Millennium Development Goals (MDG). To ensure implementation of the strategy, the Government has adopted a Medium-Term Public Expenditure Framework (MTEF) for the first period of the PRSP from 2004 to 2006 and relevant ministries and state agencies have developed comprehensive action plans based on PRSP strategies and goals. The Government is using the PRSP as a framework for coordinating the contributions and activities of bi-lateral and multi-lateral donors. Both the Government and civil society will formally review the PRSP every two years and, depending on the results of the PRSP

monitoring system, will make interim adjustments as necessary.

Part II: Past Cooperation and Lessons Learned

Overall Assessment: Armenia's Country Cooperation Framework (CCF) for 2000-2004 was prepared in a context of persistent poverty, corruption and continuing environmental degradation. UNDP's approach, however, did not take into account the structural factors behind these problems. In addition, only limited consultations occurred during the preparation of the CCF and little consideration was given to UNDP's comparative advantages. In an effort to bring greater focus to its activities, UNDP addressed this situation by adopting a programme approach during implementation and reducing the overall number of projects. Up-to-date management practices were introduced aimed at improving efficiency and staffing levels were increased. UNDP gave particular focus to building partnerships, successfully managing more than 35, including 21 with donors who contributed financially to specific projects. Despite these efforts, a number of CCF strategic objectives were not formulated into projects and only a handful included exit strategies aimed at ensuring sustainability. In addition, UNDP launched a significant number of projects that did not fit into the CCF, largely in response to changing national priorities and requests from donors. Although UNDP disbursed USD 11 million during the period and the majority of projects were implemented efficiently and effectively, the overall impact of UNDP on the main problems affecting the country was relatively limited.

Area of Cooperation - Good Governance: The impact of UNDP activities in this area was limited. A main objective of the CCF was to promote ICT and e-governance as tools for improving public administration. Although the Government did adopt an ICT Master Strategy, ICT was treated only as an economic sector. Key social and governance dimensions were ignored and little attention was given to the multi-sectoral challenges of creating an information society. On the positive side, e-governance has been recognised as a key priority by both the Government and civil society and was incorporated into the PRSP as a tool for reforming public administration. UNDP also helped to strengthen technical aspects of the electoral cycle by providing training to election commissions at regional levels. The impact of this technical support would have been greater, however, if the training had been expanded to include observers, political parties, candidates and the Central Electoral Commission and if more effort had been put into generating political commitment to transparent electoral procedures.

Area of Cooperation - Poverty Reduction and Post-Conflict Rehabilitation: The impact of UNDP activities in this area was notable. UNDP helped to establish a national social monitoring system to track vulnerability and human poverty indicators at national, regional and local levels. Participatory survey and analysis mechanisms and a Human Poverty Index (HPI) were incorporated into the system. The data generated by the system, particularly on regional disparities, was used during the preparation of the PRSP and is increasingly used by authorities at regional and community levels to adjust development strategies. Although the system is now fully sustainable, further efforts are required to clarify its structure, functions and the distribution of roles. UNDP also helped to promote and incorporate the concept of human development into national strategies, including the PRSP and the draft Sustainable Economic Development Policy (SEDP). Although the concept is increasingly understood by experts, officials, students and journalists, it is not yet a main priority for either the Government or civil society and is not being used on a systematic basis to define pro-poor policies. As part of its recovery programme, UNDP helped to rehabilitate social and public infrastructures and generate sustainable livelihoods in more than 100 hard-hit communities using participatory, community-based models. Many of these projects helped to significantly improve living conditions, although they are likely to have only limited medium-term impact since they were done on an ad-hoc basis and were not linked to national, regional or local development strategies.

Cross-cutting Areas: In the absence of an integrated approach, UNDP's contribution in several cross-cutting areas, while notable, did not have a significant impact on the main national priorities. In the *environment sector*, UNDP worked successfully with partners to elevate sustainable development onto the public agenda. The concept has not yet been integrated into national strategies and plans, however, land and resource management are still treated as economic problems and public participation in setting environmental policies remains limited. Most efforts in conservation and protection are aimed at meeting obligations under international agreements rather than at building a national strategy. As the implementing agency for the Global Environmental Fund (GEF), UNDP also helped to build Government capacity to address climate change, conserve bio-diversity, rehabilitate the municipal heat and hot water system and assess national needs under the global environment conventions. In *disaster management*, UNDP supported the preparation and implementation of a comprehensive strategy for increasing capacity at all levels. In *HIV/AIDS*, UNDP helped to develop a multi-sectoral national programme and raise public awareness. Although these activities were

successful, HIV/AIDS is not yet considered a development risk and unsafe behaviours persist.

Main Lessons: To achieve maximum impact in the next country programme, past experience suggests that UNDP should adopt a coherent, focused strategy that reflects national priorities as defined by both the Government and civil society. UNDP should concentrate its resources in areas where it has, or can create, a strong comparative advantage. UNDP should continue to help build bridges between the Government and civil society and to strengthen civil society itself. Rather than making a small difference in a very large number of areas, UNDP should focus on the key areas that will help the poorest and most socially-disadvantaged and, by working with development partners under the leadership of the Government, make systematic, collective and concrete progress in reducing poverty, promoting democratic governance and protecting the environment.

Part III: Country Programme 2005-2009

Preparation and Main Priorities: The new country programme was developed under the leadership of the Government and in close consultation with civil society and development partners. During the preparation of the country's United Nations Development Assistance Framework (UNDAF), four working groups, each co-chaired by a Government official and UN representative, and including a broad range of partners, met to develop strategies for each of the four areas of cooperation. Following the completion of the UNDAF, these groups continued to meet to develop the UNDP country programme and ensure synchronicity between the UNDAF and UNDP activities. A consensus emerged that UNDP should focus on areas where its comparative advantage as a flexible, impartial organisation with countrywide coverage, a record in building bridges between the Government and civil society and high capacity in policy and community-based activities, will make a significant difference. After carefully reviewing the UNDAF, the working groups agreed that UNDP should help to support the UNDAF goal of reducing economic, social and political inequality by focusing on three national priorities: a) laying the foundation for sustainable socially-oriented growth; b) promoting accountable, transparent and effective governing institutions; and c) supporting sound management of natural resources.

Area of Cooperation - Economic and Social Governance: UNDP aims to achieve four outcomes. 1) UNDP will help to expand and strengthen the national social monitoring system. Human poverty, vulnerability and inequality will be monitored and mapped at national, regional and community levels. Socially-oriented development

strategies and budgets, based on vulnerability mapping, will be implemented at national, regional and community levels. By strengthening the social monitoring system, UNDP will help to ensure that reliable data on human poverty are used to adjust national strategies and plans, including the PRSP.

2) UNDP will work with partners to introduce innovative income generation schemes. Investments will be channelled through Public-Private Partnerships into basic social services and labour intensive sectors and a Public Investment Framework, based on the PRSP, will be adopted. UNDP will introduce support services for small and medium enterprises at regional and local levels and help the poorest and most socially disadvantaged establish their own businesses. By introducing income generation schemes, UNDP will help to create jobs and engage the private sector in socially-oriented investment programmes.

3) UNDP will help to strengthen disaster management and recovery in at-risk communities. A Landmine Impact Survey will be conducted, a national strategy to assist landmine victims will be adopted and agricultural lands in border areas will be cleared of mines. In addition, emergency and disaster response training centres will be established and officials and the public will be better prepared to respond to disasters. By strengthening the disaster management system, UNDP will help to ensure that officials and communities are able to respond to a major catastrophe.

4) UNDP will work with partners to help strengthen multi-sectoral responses to HIV/AIDS. As a result, legislative and policy frameworks will be introduced and an HIV/AIDS prevention system will be established in penitentiaries, police units and the military. Public awareness of HIV/AIDS will be increased and at-risk groups will participate actively in prevention activities. By strengthening multi-sectoral responses, UNDP will help to halt the spread of HIV/AIDS and overcome discrimination against people living with HIV/AIDS and their families.

Area of Cooperation - Democratic Governance: UNDP aims to achieve three outcomes. 1) UNDP will help to strengthen governing institutions with policy, oversight and electoral functions. As a result, National Assembly commissions and councils and the Chamber of Control will operate more effectively and transparently and local self-governing bodies will improve delivery of public services and introduce participatory mechanisms for monitoring these services. In addition, Policy Analysis and Formulation Units (PAFU) will be established in three pilot ministries and legislation on the policy-making cycle will be adopted. Electoral guidelines will also be approved and actors in the electoral process will follow correct procedures. By strengthening democratic institutions, UNDP will help to ensure that the Government responds effectively to public opinion.

2) UNDP will help to promote participatory policy-making among targeted groups. As a result, e-governance systems will be established countrywide and civil society will monitor implementation of the National Anti-Corruption Strategy and participate actively in anti-corruption initiatives. In addition, legislative and policy frameworks on lobbying will be introduced and elected officials, the private sector and interest groups will lobby legally. By promoting participatory processes, UNDP will help to establish concrete mechanisms for constructive engagement between the Government and civil society.

3) UNDP will help to increase respect for, and the awareness of human rights, including women's rights. As a result, a National Human Rights Plan will be adopted and human rights will be taught at all levels of the education system. In addition, the Public Defender's Office will respond effectively to violations of human rights and legislative and policy frameworks on human and drug trafficking will be harmonised regionally, victims assistance centres will be established and civil society networks to monitor trafficking will be expanded. Public awareness of human rights will also be increased and women leaders will participate actively in policy-making and peace-building. By promoting human rights, UNDP will help to ensure that the rights embodied in the Constitution of the Republic of Armenia and international conventions are progressively realised.

Area of Cooperation - Environmental

Governance: UNDP aims to achieve two outcomes. 1) UNDP will help to strengthen the conservation and sustainable use of natural resources. Regulatory frameworks for strengthening environmental management and ensuring sustainable development will be approved and environmentally sound agricultural practices will be introduced. By strengthening the management of natural resources, UNDP will help to protect forests and biodiversity in protected areas and minimise land degradation.

2) UNDP will help to increase access to sustainable energy services. Legislative frameworks for improving energy efficiency will be approved and new technologies for renewable energy will be introduced. In addition, municipal heat and hot water systems will be rehabilitated. By increasing access to energy services, UNDP will help to ensure that targeted households benefit from continuous supplies of heating and hot water.

Programme Approach: Sharing the Government's commitment to democracy and recognising the need to integrate human rights into all aspects of its work, UNDP will use a rights-based approach in its country programme. In each area of cooperation, UNDP will implement

programmes that: a) help the Government, as a principal duty-bearer, protect the rights of Armenian citizens; b) create an enabling environment for the progressive achievement of rights; and c) strengthen the capacity of citizens to exercise their rights. Each of the three areas of cooperation will be managed as a single programme. Technical experts will be identified locally to support separate components and where appropriate, UNDP will draw on its global network to ensure that the most relevant and up-to-date practices are used in programme execution. UNDP will synchronise the three areas to ensure maximum impact and where appropriate, will apply lessons learned in one area to the others.

Part IV. Programme Management, Monitoring and Evaluation

Programme Management: UNDP will use national execution as the main modality for programme management. To ensure effectiveness, the country office will continue to provide extensive operational backstopping for national executing agencies. Only in exceptional circumstances, when rapid delivery and flexibility is required, will the country office directly execute programmes. To reach resource mobilisation targets, a comprehensive strategy will be adopted aimed at ensuring cost-sharing by the Government and generating additional donor support. To ensure effective programme management and resource mobilisation, the capacity of the country office to build partnerships and manage directly delivered services will be significantly strengthened.

Monitoring and Evaluation: To ensure that the UNDAF is operationalised effectively, the UN Country Team will establish an UNDAF Coordination Unit. The Unit will be responsible for using transparent and continuous mechanisms to help UN Agencies, including UNDP, assess the strengths and weaknesses of their country programmes. To ensure consistent monitoring of the country programmes linked to the UNDAF, the Unit will develop, in consultation with national authorities and development partners, a set of common indicators to be used by all agencies and will compile baseline data that can be used to gauge progress. In addition, UNDP will work closely with the Unit to: a) prepare annual monitoring and evaluation plans; b) synchronise UNDP's plans with other agencies and with the national social monitoring system; and c) recruit a rotating team of national experts to evaluate the country programme on a yearly basis. Mid-way through the country programme, the country office will request a full programme evaluation from UNDP and will use the results to adjust programme context and execution as necessary.

Annex: Results and Resources Framework for Republic of Armenia (2005-2009)

National Priority: Laying the foundation for sustainable economic growth. UNDAF Outcome 1: Reducing the levels of poverty and income inequality in accordance with the MDGs and PRSP. UNDAF Outcome 2: Increasing the quality and accessibility of basic social services in accordance with the MDGs and PRSP.				
Programme Component	Country Programme Outcomes	Country Programme Outputs	Output Indicators <i>(baselines are in italics)</i>	Resources by Outcome
Achieving MDGs and reducing human poverty	The National Social Monitoring System is expanded and strengthened.	Human poverty, vulnerability and inequality are monitored and mapped at national, regional and community levels.	Number of methodologies developed and databases established for monitoring and mapping. <i>(3 methodologies and 4 databases)</i>	Regular: US\$ 400,000 Other: US\$ 900,000
		Socially-oriented development strategies and budgets, based on vulnerability mapping, are adopted and implemented at national, regional and community levels.	Number of strategies, policies and budgets adjusted on the basis of data from the social monitoring system. <i>(2)</i>	
	Innovative income generation schemes and mechanisms are introduced.	Investments are channelled through Public-Private Partnerships into basic social services and labour intensive sectors.	Number of jobs created through Public-Private Partnerships. <i>(N/A)</i>	Regular: US\$ 1,200,000 Other: US\$ 3,600,000
		A Public Investment Framework, based on the Poverty Reduction Strategy, is adopted.	Percentage increase in public and private investments in labour-intensive sectors. <i>(N/A)</i>	
Support services for small and medium enterprises are introduced at regional and local levels.		Number of small and medium enterprises established at regional and local levels. <i>(More than 57,800)</i>		
		The poor and most socially-disadvantaged establish their own businesses.	Number of businesses established by the poor and socially-disadvantaged. <i>(N/A)</i>	
Promoting crisis prevention and recovery	Disaster management and recovery in at-risk communities is strengthened.	A Landmine Impact Survey (LIS) is conducted, a national strategy to assist landmine victims is adopted and agricultural lands are cleared of mines.	Number of LIS coordinates incorporated into the international database. <i>(N/A)</i>	Regular: US\$ 150,000 Other: US\$ 1,050,000
		Emergency and disaster response training centres are established and officials, special units and the general public are better prepared and able to respond to disasters.	Total area of agricultural lands cleared of landmines. <i>(5,500m² of land)</i> Number of officials and citizens trained in disaster preparedness and response. <i>(178 de-miners, medics and dog-handlers)</i>	
Responding to HIV/AIDS	Multi-sectoral responses to HIV/AIDS are strengthened.	Legislative and policy frameworks for multi-sectoral responses to HIV/AIDS are introduced.	Number of HIV/AIDS regulatory and policy documents adopted. <i>(12)</i>	Regular: US\$ 202,000 Other: US\$ 670,000
		An HIV/AIDS Prevention System is established in penitentiaries, police units and the military.	Number of HIV/AIDS prevention initiatives in penitentiaries and military units. <i>(0)</i>	
		Public awareness of HIV/AIDS is increased and at-risk groups participate actively in prevention initiatives.	Number of voluntary counselling and testing centres established at national, regional and local levels. <i>(2)</i> Number of outreach programmes implemented among vulnerable groups. <i>(10)</i>	
National Priority: Promoting accountable, transparent and effective governing structures. UNDAF Outcome 3: Improving the transparency and accountability of Government institutions in accordance with the MDGs and PRSP				
Fostering democratic governance	Governing institutions with policy, oversight and electoral functions are strengthened.	National Assembly commissions and councils and the Chamber of Control operate more effectively and transparently.	Number of laws in conformity with international standards. <i>(Over 40% of newly adopted laws lack internal consistency)</i>	Regular: US\$ 400,000 Other: US\$ 1,600,000
		Local self-governing bodies improve delivery of public services and introduce participatory mechanisms for monitoring public services.	Number of cases considered and recommendations delivered by the Chamber of Control. <i>(N/A)</i> Number of local self-governance bodies adopting new procedures in public service delivery. <i>(N/A)</i>	

		<p>Policy Analysis and Formulation Units are established in three pilot ministries and legislation on the policy-making cycle is adopted.</p> <p>Electoral guidelines and observation methodologies are adopted and electoral commissions, observers, political parties and candidates follow correct electoral and observation procedures.</p>	<p>procedures in public service delivery. (N/A)</p> <p>Percentage increase in normative acts adopted on the basis of recommendations made by PAFUs. (Approximately 60% of the policy decisions are ad-hoc)</p> <p>Percentage decrease in electoral inaccuracies. (N/A)</p> <p>Number of local observation reports produced. (Approximately 20)</p>	
	Participatory policymaking among targeted groups is promoted.	<p>Interactive e-governance systems and mechanisms for disseminating public information are established countrywide.</p> <p>Civil society monitors implementation of the National Strategy on Anti-Corruption and the private sector actively participates in anti-corruption initiatives.</p> <p>Legislative and policy frameworks on lobbying are introduced and the National Assembly, private sector and civil society groups use legal lobbying practices.</p>	<p>Number of persons accessing e-Governance portals and number of requests and responses channelled through these facilities. (N/A)</p> <p>Number of recommendations channelled through participatory monitoring mechanisms. (0)</p> <p>Number of laws lobbied formally by interest groups passed by the National Assembly and Government. (N/A)</p>	<p>Regular: US\$ 300,000</p> <p>Other: US\$ 1,700,000</p>
	Respect for, and the awareness of human rights, including women's rights, is increased.	<p>A National Human Rights Action Plan is adopted and human rights are taught at all levels of the education system.</p> <p>The Public Defender's Office responds effectively to violations of human rights.</p> <p>Legislative and policy frameworks on human and drug trafficking are harmonised regionally, victim assistance centres and drug control units are established, civil society monitoring networks are expanded and officials combat trafficking.</p> <p>Public awareness of human rights is increased and women leaders participate actively in policy-making and peace-building.</p>	<p>Number of people trained in human rights at primary, secondary and tertiary levels. (N/A)</p> <p>Number of human rights cases addressed by the Public Defender. (0)</p> <p>Number of normative acts adopted to prevent and combat drug and human trafficking. (N/A)</p> <p>Percentage increase of women standing for election at all levels. (4.3% of candidates for the National Assembly and 14.6% of candidates in local elections)</p> <p>Percentage increase in women's groups involved in peace building initiatives. (20)</p>	<p>Regular: US\$ 500,000</p> <p>Other: US\$ 4,600,000</p>
<p>National Priority: Promoting sound management of natural resources.</p> <p>UNDAF Outcome 4: Promoting environmentally sound technologies and effective management of natural resources in accordance with the MDGs and PRSP</p>				
Promoting energy efficiency and environmental sustainability	The conservation and sustainable use of natural resources is strengthened.	Regulatory frameworks for strengthening environmental management and ensuring sustainable development are introduced.	<p>Number of policy documents adopted incorporating the principles of sustainable development. (3)</p> <p>Number of initiatives launched to protect forests and biodiversity in specially protected areas. (5)</p> <p>Percentage decrease in desertification. (82% of territory is subject to desertification)</p>	<p>Regular: US\$ 400,000</p> <p>Other: US\$ 4,200,000</p>
		Environmentally sound agricultural practices are introduced.		
Access to sustainable energy services is increased.		Legislative frameworks for improving energy efficiency are introduced.	Number of new technologies for energy efficiency and renewable energy introduced. (N/A)	Regular: US\$ 300,000
		New technologies for renewable energy are introduced.	Percentage increase of renewable energy in national energy consumption. (38% of energy consumption is from renewable sources)	Other: US\$ 3,100,000
		Municipal heat and hot water systems are rehabilitated.	Percentage decrease in specific GHG emissions per unit of delivered heat and hot water supply. (N/A)	