JOINT STAFF WORKING DOCUMENT

Partnership Implementation Report on Armenia
1. Introduction and summary

In line with the revised European Neighbourhood Policy (ENP)\(^1\), this report focuses on the efforts undertaken by Armenia to carry out reforms and to implement the EU-Armenia Comprehensive and Enhanced Partnership Agreement\(^2\) (CEPA). It particularly concerns the priority areas identified in the EU-Armenia partnership priorities\(^3\) since the second meeting of the EU-Armenia Partnership Council\(^4\) of 13 June 2019, and ahead of its next meeting on 17 December 2020.

Armenia adopted a CEPA implementation roadmap on 1 June 2019, which was welcomed by the EU-Armenia Partnership Council on 13 June 2019. The roadmap is an important strategic instrument for advancing reform plans. The Partnership Council pointed out that the CEPA can play an important role in Armenia's modernisation, in particular by approximating legislation to EU norms in various sectors. It also highlighted the paramount importance of the rule of law and respect for human rights, which includes an independent, efficient and accountable justice system.\(^5\)

Over the reporting period and despite the COVID-19 challenge, Armenia has reiterated its commitment to the implementation of the CEPA. Since 27 September, Armenia has faced a double crisis: the outbreak and outcome of the large-scale hostilities in the Nagorno-Karabakh conflict zone and the COVID-19 pandemic. In these circumstances, reform processes have become even more challenging and delays have been unavoidable.

Armenia has made progress with its justice reform: a comprehensive judicial reform strategy was adopted in October 2019, along with an anti-corruption strategy. In addition, Armenia adopted a human rights strategy for 2020-2022 on 26 December 2019 and a police reform strategy in early 2020. The EU encourages Armenia to make further progress with sector reform strategies in other fields, such as education, green energy, civil aviation, in accordance with the five-year government programme and CEPA.

Armenia is pursuing comprehensive constitutional reforms spearheaded by a constitutional reform commission established and appointed by the Prime Minister. The reform process has started with public consultations and a concept note is planned to be presented by mid-2021, followed by a constitutional referendum.

The implementation of Armenia's ambitious reform programme requires considerable administrative, institutional capacities. As Armenia's key reform partner and largest donor, the

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\(^1\) JOIN(2015) 50 final of 18 November 2015.
\(^3\) [https://eeas.europa.eu/sites/eeas/files/eu-armenia_partnership_priorities_0.pdf](https://eeas.europa.eu/sites/eeas/files/eu-armenia_partnership_priorities_0.pdf)
\(^4\) The Partnership Council is the highest-level body set up under the agreement to supervise its implementation.
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. On top of an annual allocation of €40 million under the European Neighbourhood Instrument, the EU granted Armenia an additional €25 million in early 2020 in recognition of democratic reform progress made over 2019.

Over the reporting period, the EU and Armenia maintained the regular dialogue despite the COVID-19 challenges. Following the Partnership Council meeting last year, the President of the European Council visited Armenia in July 2019. Armenia’s Prime Minister met the new President of the European Council and the EU High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the European Commission (HR/VP) in Brussels in March 2020. Moreover, President Sarkissian also met with the President of the European Council and the HR/VP during his visit to Brussels in October 2020. A video-conference of the leaders of the Eastern Partnership with participation of the Armenian Prime Minister with focus on the COVID-19 response took place on 18 June 2020. The Commissioner for Neighbourhood and Enlargement held a videoconference with the Armenian Deputy Prime Minister and Foreign Minister on 5 May and a videoconference with the 6 Foreign Ministers of the Eastern partner countries on 1 July.

The EU continued to fully support the agreed conflict resolution format of the Organisation for Security and Cooperation in Europe (OSCE) Minsk Group Co-Chairs. In the reporting period, the President of the European Council and the HR/VP supported continued efforts towards peace. This included holding bilateral contacts with the leaders of Armenia and Azerbaijan and providing support through the EU Special Representative for the South Caucasus and the crisis in Georgia. Such EU engagement with Armenia, Azerbaijan, the Minsk Group Co-Chairs and regional actors has been particularly active in response to the outbreak of large-scale hostilities in the Nagorno-Karabakh conflict zone on 27 September 2020. On 1 October, the European Council called for their immediate cessation and re-engagement of Armenia and Azerbaijan in substantive negotiations without preconditions. The HR/VP issued statements, as well as declarations on behalf of the EU on 11 October and 19 November.6 The EU welcomed the cessation of hostilities in and around Nagorno-Karabakh following the Russia-brokered ceasefire on 9 November agreed between Armenia and Azerbaijan and called for strict respect of the ceasefire. The cessation of hostilities is only a first step to end the long-standing Nagorno-Karabakh conflict. The EU considered that efforts must be renewed for a negotiated, comprehensive and sustainable settlement of the conflict, including on the status of Nagorno-Karabakh. The EU reiterated its full support to the international format of the OSCE Minsk Group led by its Co-Chairs and to the Personal Representative of the OSCE CiO to pursue this objective. The EU stands ready to effectively contribute in the shaping of a durable and comprehensive settlement of the conflict, including where possible through support for stabilisation, post conflict rehabilitation and confidence building measures.

The EU has provided in total EUR 3.9 million in humanitarian funding, including the initial allocation of EUR 0.5 million to the International Committee of Red Cross (ICRC) and EUR 0.4 million to the International Federation of Red Cross and Red Crescent (IFRC) for the Armenian Red Cross and Azeri Red Crescent.7

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Armenia's economy grew at a high pace until the onset of the COVID-19 pandemic, which led to a marked contraction. Despite sustained and robust growth in 2017-2019, Armenia has found itself with limited tools to cope with the COVID-19 related shock and its economy contracted by 5.7% in real terms in the first half of 2020. Bilateral trade between the EU and Armenia reached almost €1.2 billion in 2019, accounting for around 20% of Armenia's total trade.8

The COVID-19 pandemic hit Armenia in March 2020, causing human and economic loss. The government took measures to address the health emergency and to inject liquidity into the economy. On 18 March, the European Commission and the HR/VP adopted a Joint Communication on the future of the Eastern Partnership9, which includes proposals on EU support to public health in the partner countries. On 8 April, they issued a Joint Communication on the global EU response to COVID-1910 inter alia stressing solidarity with the Eastern partners, address immediate needs, mitigate the impact of the crisis and stimulate recovery. In addition to regional programmes for the EaP, the EU earmarked €92 million specifically to support Armenia’s response to the crisis, with a substantial payment of €35 million disbursed as budget support in November 2020.

2. Foreign and security policy

Armenia’s foreign policy prioritises its strategic partnership and allied relationship with Russia, including within the Collective Security Treaty Organisation and the Eurasian Economic Union, as well as the developing and deepening of its partnership and cooperation with the EU and with the United States, including in the framework of the Partnership for Peace with NATO. Armenia sent a military-humanitarian mission side by side with Russia to Syria, and at the same time maintained small contingents in NATO-led missions of KFOR (Kosovo) and RSM (Afghanistan). Armenia maintained good relations with its neighbours Georgia, as a crucial transit partner for trade, and Iran. It also opened an embassy in Tel Aviv.

In October 2019, the Turkish offensive in northern Syria was noted with concern by Armenia (approximately 5000 ethnic Armenians live in the affected area).11 On 27 September 2020, large-scale hostilities in the Nagorno Karabakh conflict zone broke out, with Turkey openly supporting Azerbaijan. Borders with Turkey and Azerbaijan remain closed.

Armenia aligned with 47% of EU statements on human rights and on common foreign and security policy in 2019, up from 38% in 2018. In 2019, representatives of Armenia's Ministry of Defence participated in eight EU common security and defence policy training activities.

Armenia continues its active participation in UN-mandated peace operations, including in Afghanistan, Lebanon, Kosovo and Mali. In June 2019, three Armenian female peacekeepers joined the peace operation in Lebanon.

Regarding the fight against terrorism, Armenia is implementing recommendations from a 2018 visit of the UN Security Council Counterterrorism Committee, including introducing an advance passenger information system.

In the field of civil protection, an EU-funded twinning project started in October 2020 with the objective to ensure a significant reduction of various disaster risks to human lives, the country’s economy and local communities. Armenia participates in the third phase of the regional

programme for prevention, preparedness and response to natural and man-made disasters in the Eastern neighbourhood, which aims to enhance cooperation among partner countries on disaster risk management as well as their cooperation with the EU Civil Protection Mechanism (UCPM). The action was launched in October 2020.

On the Nagorno-Karabakh conflict, the EU continued to fully support the agreed conflict resolution format led by the OSCE Minsk Group Co-Chairs. The Co-Chairs and the Personal Representative of the OSCE Chairperson-in-Office followed up on the meeting between the President of Azerbaijan and the Prime Minister of Armenia on 29 March 2019 in Vienna and facilitated subsequent Foreign Ministers meetings held under their auspices. The Foreign Ministers of the co-chair countries stressed that the status quo is unacceptable and there can be no military solution to the conflict, and called on both sides to engage in the substantive negotiations in good faith and without creating unnecessary delays or conditions. Discussions on humanitarian measures between Armenia’s and Azerbaijan’s leaders, in Vienna on 28 June 2019, led to an exchange of prisoners. Reciprocal visits of Azerbaijani and Armenian journalists took place in November 2019. On 30 January 2020, the Co-Chairs and both Foreign Ministers met in Geneva and discussed possible next steps to prepare the populations for peace, principles and elements forming the basis of a future settlement, and timing and agenda for advancing the settlement process. The leaders of Azerbaijan and Armenia held public debate on the Nagorno-Karabakh at the February 2020 Munich Security Conference.

Following on the clashes on 12-13 July 2020 along the international border of Armenia and Azerbaijan, the HR/VP held separate telephone calls with the Foreign Ministers of both countries on 13 July and, for the first time, a trilateral phone call with both ministers on 22 July. He urged both sides to stop the armed confrontation and to refrain from actions and rhetoric that provoke tension. He also encouraged them to make use of the existing mechanism for direct communication and to re-engage in substantive negotiations on the key aspects of the Nagorno-Karabakh conflict settlement under the auspices of the Co-Chairs. Reacting to the large-scale hostilities in and around the Nagorno-Karabakh conflict zone, which broke out on 27 September 2020, the EU actively engaged in efforts to de-escalate the situation, including through frequent contacts at the level of the President of the European Council and of the HR/VP. On 27 September, the HR/VP spoke to the Foreign Ministers of Armenia and Azerbaijan and issued a statement. On 1 October, the European Council also called for an immediate cessation of hostilities, urged parties to engage in substantive negotiations without preconditions and supported the Co-Chairs. The President of the European Council spoke to the President of Azerbaijan and the Prime Minister of Armenia, and met in Brussels with the President of Armenia on 22 October. The HR/VP remained in constant contact with the Foreign Ministers of both sides throughout the months of October and November. On 22 October,

12 https://www.osce.org/minsk-group/441242
13 https://www.osce.org/minsk-group/445114
15 https://eeas.europa.eu/headquarters/headquarters-homepage_en/85862/Nagorno%20Karabakh:%20Statement%20by%20the%20High%20Representative/Vice-President%20Josep%20Borrell
HR/VP met with the President of Armenia in Brussels. He also spoke with the Foreign Ministers of France, Russia, the US and Turkey.

The EU supported the humanitarian ceasefire agreements reached on 10 October in Moscow, on 17 October with the mediation of France and on 25 October in Washington. The EU condemned attacks on civilians and civilian installations, irrespective of their origin, and reminded the sides to the conflict of their obligations to protect civilian lives under international humanitarian law.

After the cessation of hostilities, the EU called on all parties to continue to strictly respect the ceasefire. It urged all regional actors to refrain from any actions or rhetoric that could jeopardise the ceasefire, as well as called for the full and prompt withdrawal of all foreign fighters from the region. It will follow closely the implementation of the provisions of the ceasefire, especially with regard to its monitoring mechanism. The EU recalled its firm opposition against the use of force, in particular the use of cluster ammunitions and incendiary weapons, as a mean to settle disputes. The EU stressed that international humanitarian law must be respected and called on the parties to implement the agreements on the exchange of prisoners of war and the repatriation of human remains reached within the OSCE Minsk Group Co-Chairs format on 30 October in Geneva. The EU underlined the importance of guaranteeing humanitarian access and the best possible conditions for the voluntary, safe, dignified and sustainable return of the displaced populations in and around Nagorno-Karabakh. Any war crimes that may have been committed must be investigated. Having already mobilised significant humanitarian assistance to address the immediate needs of the civilian populations affected by the conflict, the EU and its Member States stated their readiness to provide further assistance. Highlighting the need for a negotiated, comprehensive and sustainable settlement of the conflict, the EU confirmed its availability to effectively contribute to such a settlement, including, where possible, through support for stabilisation, post conflict rehabilitation and confidence building measures.

3. Strengthening institutions and good governance

3.1. Good governance, democracy, the rule of law and human rights

Armenia is a fully-fledged democracy. Further steps were taken during the reporting period to improve good governance and the rule of law, building on the democratic change brought about by the ‘velvet revolution’. The EU has been at the forefront of supporting good governance.
and the rule of law in Armenia. The Partnership for Good Governance Phase II under the EaP, a joint initiative between the EU and the Council of Europe (CoE), 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 anticorruption reforms.

According to the Economist Intelligence Unit’s 2019 Democracy Index, Armenia has registered further improvement in the area of democracy, having raised its score to 5.54 from 4.79 the previous year. Also, in the 2020 Freedom in the World Report, the country’s aggregate freedom score increased to 53 (up from 51 in 2019), which still places Armenia among the world's ‘partly free' countries.

Armenia took significant steps towards improving human rights during the reporting period, but many challenges remain. The new national human rights strategy for 2020-2022, which provides a clearer and more effective monitoring and evaluation mechanism, and its action plan were adopted in December 2019. They were drafted in close consultation with civil society organisations (CSOs) and revised by international experts with EU support in line with CEPA.

In September 2019, Armenia signed the Second Optional Protocol to the International Covenant on Civil and Political Rights, aiming to abolish the death penalty. Armenia had already passed domestic legislation abolishing the death penalty in 2003. The country was elected to the UN Human Rights Council for 2020-2022.

The Criminal Code and the new Criminal Procedure Code are undergoing major revision. Some progress was reported in connection with the protection against torture, inhuman or degrading treatment, however some concerns remain. The Criminal Code provides the definition of torture in line with international standards, while other forms of ill-treatment are not criminalized.

Preparation of the Police reform with a strategy and action plan is ongoing with EU support. In 2019, the National Assembly adopted amendments to the Law on Police, establishing legal grounds for the video recording of interrogations, aiming to prevent torture and other inhumane treatment.

Regarding the media environment, according to the 2020 World Press Freedom Index, Armenia ranked 61st out of 180 countries (unchanged compared with 2019, up 19 places since 2018), while according to the 2020 Freedom on the Net report, Armenia scores 75/100 (a drop of one point compared to 2019) and is classified as ‘free’. The Freedom on the Net report states that internet freedom “has improved” since 2018, that access to the internet continues to grow and that users in general do not encounter restrictions on what content they can access and also do not face legal or extralegal punishment for online activities. Media outlets associated with opposition groups operate freely and are well funded. Moreover there has been an improvement in terms of de-politicising the public Radio and TV stations. There are ongoing discussions on whether the real ownership of media outlets should be disclosed and publicly available.

22 https://freedomhouse.org/country/armenia/freedom-world/2020
24 https://freedomhouse.org/country/armenia/freedom-net/2020
Disinformation is also a challenge in the country. It is widely accepted that the journalistic profession in Armenia is suffering from lack of prestige and rather poor formal education.

On 23 March 2020, in the context of the state of emergency measures and the fight against COVID-19, a package of amendments to the criminal and administrative codes prohibited any “organization carrying out journalistic activities to publish information about the coronavirus crisis that has not been released by official sources”. In response to widespread criticism by journalists and watchdogs, Armenia’s government has subsequently eased the controversial restrictions. Media restrictions were also introduced in the martial law declared due to hostilities with Azerbaijan.

Hate speech, in particular on social media, has been a major problem since the political changes took place in the country, partly due to the greater openness of the media space and the absence of censorship. The condemnation of hate speech and hate crimes by government representatives has not necessarily been unequivocal, with the LGBTQI community representatives and their human rights defenders being least protected. The approval of the law criminalizing public calls for and justification of violence on 15 April 2020 is a positive development. The new law bans public calls for violence against a person based on social or personal circumstances, or the public justification or propagation of such violence.

The Law on Freedom of Assembly is in line with international standards. Throughout the reporting period, opposition figures have been able to hold their meetings and public protests without impediments. Freedom of Assembly faced restrictions during the state of emergency declared to fight against COVID-19 pandemic. The state of emergency ended on 11 September. In order to avoid a possible new extension of the state of emergency, the National Assembly adopted on 4 September a package of bills amending the laws on Ensuring Sanitary-Epidemiological Safety of the Population and Protection of Population in Emergency Situations. The bills foresee the replacement of state of emergency regime with quarantine. The authorities can also ban or restrict public gatherings in the country.

Due to martial law, hearings on amendments to the Law on Trade Unions aiming at better guaranteeing freedom of association were postponed on 2 October 2020 for 2 months.

The draft comprehensive anti-discrimination legislation, which will be key to ensuring equal treatment for all vulnerable groups in line with Armenia’s international legal commitments and the CoE guidelines,25 passed several rounds of discussions and international reviews. The draft received criticism from the OSCE Office for Democratic Institutions and Human Rights (ODIHR) and Armenian CSOs and is currently undergoing revision. Initially planned for 2019, the adoption of the law has been delayed, partly due to a targeted campaign by anti-government forces that use homophobic sentiment in society to attack the government, and partly (in 2020) due to COVID-19 and the outbreak of hostilities on 27 September.

Adoption of laws on the freedom of religion and the protection of national minorities have been also delayed. In September 2019, the largest Yezidi temple in the world was opened in Armenia.

People with disabilities saw a clear improvement in the protection of their rights in 2019. The government introduced a more comprehensive and rights-based approach to help people living with disabilities to be independent. The government took further steps towards preventing the

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25 European Commission against Racism and Intolerance (ECRI) general recommendations.
abandonment of children with disabilities at birth, advancing deinstitutionalisation and integrating children and people with disabilities in society by expanding community-based service provision. Nevertheless, the comprehensive Law on Disabilities remains to be adopted. Armenia committed to inclusive education by 2025 as part of its new education strategy (see below). The EU-funded inclusive bakery in Gyumri has expanded further in the hospitality business and has become a national reference point for integrating people with disabilities in the labour market.

Open and public discrimination on grounds of sexual orientation and gender identity remains a major issue. In September 2019, the government adopted the gender policy implementation strategy for 2019-2023, setting out five priorities including the equal participation of women and men in governance and decision-making. In parallel, the government gender coordination mechanism was launched under the leadership of the Prime Minister's office. The wider national gender coordination mechanism led by the Ministry of Labour and Social Affairs, UNICEF and the World Bank also resumed in 2019, following a hiatus since August 2017. On 16 September 2020, the National Assembly passed a bill for paternity leave. Armenian men will be able to take paid paternity leave starting from 1 January 2021.

A number of by-laws have been adopted to ensure the implementation of the 2017 Law on Prevention of Domestic Violence, Protection of Victims of Domestic Violence and Restoration of Family Solidarity. However, the law's implementation is not always effective, with the authorities favouring 'reconciliation' and 'warning' the perpetrator rather than strict enforcement. Ratification of the CoE's Convention on Preventing and Combating Violence against Women and Domestic Violence (Istanbul Convention), signed in January 2018, has been further delayed.

Armenia completed the ratification of the CoE's Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse (the Lanzarote Convention) in September 2020 and the convention will enter into force in Armenia on 1 January 2021. In June 2019, Armenia adopted the 'Law on making amendments and additions to the law on identification of and support to persons subjected to trafficking in human beings and exploitation', which entitles child victims of trafficking to financial aid until they reach adulthood. Child labour remains common in family agricultural undertakings.

Since September 2020, the Justice Academy of Armenia provides on a permanent basis a specialised face-to-face training course on addressing violence against children for judges and prosecutors. As of July 2020, the course is conducted for investigators.

Concerning the Child rights protection, consistent policy advocacy resulted in transforming some residential institutions for children into community centres and supporting family-based care. The Child Rights Strategy 2017-2021 serves as basis for the 2020 programme of action for the protection of the rights of the child, with the deinstitutionalisation reform being among the main priorities.

Access to foster care is being further facilitated and legislation on foster families is being improved. Following the Government initiated transformation of special schools and residential institutions into community-based services throughout the country, children from the institutions concerned were either re-unified with their biological or extended families or provided with alternative care solutions.
The transformation resulted in more than 40% reduction in the number of children in state-run residential care and educational institutions, from 2,400 in 2018 to around 1,300 in 2019, more than half of which are children with disabilities. In December 2019, the Government announced that, as a result of the reorganisation of the boarding institutions into community based services, 3,300 children in difficult life situations (out of 8100 registered children) will benefit from the community based services. In the course of 2020, two institutions were re-organised and two were closed, with a somewhat slow reform pace caused by the COVID-19 outbreak.

In December 2019, a serious child trafficking and adoption scam was publicly revealed with criminal charges being brought against a Yerevan hospital director and the head of an orphanage.

In November 2019, Armenia's Statistical Committee released data on poverty in the country in 2018, putting the level of people living in poverty at 23.5%, an overall reduction of 2.2% compared to 2017. However, more women are affected by poverty with 23.6% being affected by monetary poverty and 25% affected by multi-dimensional poverty. There is no systematic mechanism for measuring child poverty separately from family-level poverty in Armenia; however, the World Bank-supported 2019 Social Snapshot and Poverty in Armenia data indicated that almost 30 percent of children are growing up lacking monetary means to fulfill basic consumption needs, and a quarter live in multidimensional poverty.

3.2. Justice, freedom and security

The government has been working on improving the judiciary’s independence, accountability and efficiency. The EU provided the Ministry of Justice with expert support in this area, and a justice reform strategy was adopted in October 2019. The strategy addresses the most persistent challenges, such as corruption, the judiciary’s lack of independence, impartiality and accountability, and its limited efficiency. It also takes into account the specific activities and deadlines identified in the 2019-2023 action plan. For e-justice, a separate action plan was developed. The second EU-Armenia dialogue on justice reforms in October 2019 discussed the judicial reform and anti-corruption strategies with all relevant stakeholders, and helped identify actions to be potentially supported by the EU. EU’s assistance in this area includes a comprehensive sector reform performance contract of €30 million.

The situation around Armenia’s Constitutional Court has raised concerns. A conflict has emerged with respect to the Court’s composition and challenges related to its altering. Eight of the nine sitting judges took office before the revolution of 2018. The EU voiced its position in June 2019 reiterating that, "the independence and impartiality of the judiciary is a fundamental pillar of the constitutional order and the rule of law". Constitutional reform, including when it concerns the judiciary, should comply with Armenia’s Constitutional order, its international commitments and European standards.

The National Assembly approved on 30 June a legislative text amending the Law on Constitutional Court, which was signed on 22 July 2020 by the Assembly President. This enabled the election of a new President of the Constitutional Court (CC) and the dismissal of

26 https://armstat.am/
three of its nine members. The Venice Commission’s recommendation for a transitional period for the judges whose service was terminated was not respected and the National Assembly elected three new judges on 15 September 2020, while the Constitutional Court elected its new President on 12 October 2020.

The process of the preparation of a new constitution is on-going. The Constitution Reform Committee, established for this purpose by the Prime Minister works on a concept note, which is foreseen to be presented by mid-2021. However, delays due to outbreak of large-scale hostilities in the Nagorno-Karabakh conflict zone should be envisaged.

The Prosecutor General's Office has registered a decrease in the use of pre-trial detention as well as in the number of unjustified motions for pre-trial detention in the course of 2019. In January, an inmate died in pre-trial detention as a result of a hunger strike. Instructions to prioritise alternative sentences were put into practice throughout 2019, but legal amendments and funding for GPS monitoring in cases of house arrest are still needed. Decisions for pre-trial detention lack factual reasoning on existence of specific grounds for detention. Therefore, the repetitive situation, which has already been examined in a number of cases against Armenia by the ECHR, in which a violation of Article 5 § 3 of the Convention was found, still remains relevant to the same extent. The Ombudsman’s Annual Report underlined that the use of detention should be conditioned by the absence of other efficient preventive measures. Detention conditions needs to be improved and the development of opportunities for resocialisation remain pressing.

There has been progress on police reform, with the government having prioritised this issue and requesting expertise, technical and financial support from the EU. EU expert missions undertook needs assessments in September 2019 and January 2020 to help shaping the reform strategy and its early implementation. Another expert mission is expected to take place focusing on the establishment of Ministry of Interior by December 2020, which will strengthen Armenia’s institutional pillar of the reform. In April 2020, the new Police Reform Strategy 2020-2022 and Action Plan were adopted. Cooperation with EUROPOL, CEPOL and UNICRI was established on a number of Police reform-oriented areas.

A new anti-corruption strategy was adopted in October 2019. It is a comprehensive document that envisages the establishment of two main anti-corruption bodies with preventive and investigative functions. It puts a strong emphasis on both public education and civil society components. However, these bodies will not be fully functional until 2021. The EU supports the strategy’s implementation, through the above-mentioned sector reform performance contract and technical assistance. This includes putting in place the planned anti-corruption court and enhanced monitoring of the recruitment and integrity checks for judges. Before the strategy was adopted, the government had shown its commitment to fighting corruption through the investigation of several high-profile cases, rather than a systematic approach to combatting the phenomenon. The 2019 Transparency International Corruption Perception Index ranked Armenia 77th among 180 countries reviewed, up from 105th the previous year.

28 On other points, however, the Venice Commission opinion supported the Armenian proposals.
29 https://www.transparency.org/cpi2019. The index ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople.
In August 2019, based on stocktaking and the findings of the OECD/EU SIGMA baseline measurement report of the Armenian public administration\(^\text{30}\), the government launched an inclusive and participatory process of drafting a comprehensive public administration reform strategy, with the support of the EU. Due to COVID-19 pandemic, the finalisation of this strategy has been delayed and is now expected to be submitted for the government’s approval by December 2020, after an inclusive multi-stakeholder dialogue and public consultations. Public finance management was covered by the 2019-2023 reform strategy for the public finance management system, adopted by the government in November 2019. The EU is exploring further training and support to CSOs to engage in monitoring the national budgetary preparations and implementation. However, due to the outbreak of large-scale hostilities in the Nagorno-Karabakh conflict zone since 27 September and its aftermath, delays in reforms may be expected.

A comprehensive state strategy for integrating migrants, asylum-seekers, refugees, and internally displaced people, and for re-integrating returning Armenian citizens remains to be adopted.

In the period between January and November 2019, 229 people applied for asylum in Armenia, 101 of which were recognised as refugees; the other cases are in the process of investigation. Most of the 2019 asylum seekers were from Iran (100), Cuba (32), Syria (30) and Iraq (18).\(^\text{31}\)

The EU continued to support the government's efforts to integrate Syrian Armenians, to ensure the refugees’ protection and smooth integration, and to ensure that this immigration contributes to the country’s future economic growth. Two projects are currently implemented with the ongoing ‘increased resilience of Syrian Armenians and host population (IRIS)’ project being the largest with a €3 million contribution from the EU Trust Fund in response to the Syrian crisis (Madad Fund).

The Office of the High Commissioner for Diaspora Affairs and Repat Armenia Foundation together have launched an employment support program for Lebanese Armenians, who have already relocated or are willing to move and work in Armenia.

Due to the armed hostilities that erupted on 27 September 2020, Armenia needs to deal with reportedly more than 80,000 people that fled from the conflict zone to Armenia.\(^\text{32}\)

4. Economic development and market opportunities

4.1. Economic development

Economic growth accelerated in 2019 and in early 2020 on the back of increased household consumption that was partly fuelled by an ongoing robust credit growth supported by accommodative monetary policy. As a result, real GDP growth picked up to 7.5% in 2019 from 5.2% a year earlier. However, the COVID-19 outbreak reversed the positive trend and led the country into a deep recession in 2020. GDP declined by 5.7% year-on-year in the first six months of the year as a result of plummeting household consumption and investment activity.


\(^{31}\) [http://www.smsmta.am/?menu_id=3](http://www.smsmta.am/?menu_id=3)

\(^{32}\) [https://dtm.iom.int/reports/armenia-%E2%80%94-arrivals-displaced-individuals-overview-map-%E2%80%94-novermber-2020](https://dtm.iom.int/reports/armenia-%E2%80%94-arrivals-displaced-individuals-overview-map-%E2%80%94-novermber-2020)
Further contraction is expected in the second half of 2020 due to resurgence of the spread of COVID-19 as well as the outbreak of large scale hostilities in the Nagorno-Karabakh conflict zone. These factors will also weigh negatively on public finances with both government deficit and public debt expected to widen significantly in 2020.

The country’s high structural **current account deficit** remains a source of vulnerability. With net FDI flows hovering around 2% of GDP in the last few years, the deficit is mainly debt-financed. In the first six months of 2020, the current account deficit remained unchanged in nominal terms as a lower trade deficit, fuelled by a strong import compression, offset the considerable drop in remittances. In September 2019, Armenia issued a 10-year USD 500 million bond in order to refinance debt maturing in 2020. Foreign currency purchases by the central bank aimed at curbing appreciation of the local currency resulted in a 26% surge in the country’s foreign exchange reserves over the course of 2019.

After COVID-19 struck, the central bank intervened to support the local currency, which led to a temporary decline in reserves. In the context of the pandemic, the Armenian authorities made a decision to draw on the accumulated rights under the IMF precautionary Stand-By Arrangement. They also agreed with the Fund to augment the programme. As a result, Armenia received in May 2020 US$280 million budget support financing from the IMF, which also supported the replenishment of the country’s international reserves.

There remains a mismatch in many sectors between the education provided and the **labour** market needs. Unemployment in 2019 remained high (17%), in particular for youth (35.5%).

The overall capacity of the State Employment Agency needs to be increased. Since the labour inspectorate was dismantled, there has been almost no supervision and control of labour standards, rights or working conditions. In January 2020, the National Assembly adopted **amendments to the Labour Code**, by which the existing inspection body will be empowered to supervise and control all labour standards, rights and working conditions. Despite this, the intentions of the government regarding the re-establishment of the inspectorate still need to be confirmed and the timeframe for its implementation raises concerns. The employment plan for 2019-2023, adopted in December 2019, includes appropriate measures to clarify and improve the mechanisms for regulating labour relations in order to support the right to decent work, and takes steps to bring Armenia in compliance with the terms of international labour law. The employment strategy and the related Action Plan are still to be adopted. Some measures (e.g. cash transfer programmes, refunding of utility expenses) were put in place to alleviate the hardships caused by the restrictions during the pandemic on most vulnerable population.

As regards **digital transformation**, in 2019 the information and communications technology sector remained one of the fastest-growing sectors in Armenia. A new Ministry of High-Technology Industry was established in June 2019 to develop the country’s high-tech and engineering ecosystem, build networks with global markets, support the development of a high-tech workforce and establish Armenia as an innovation hub. In November 2019, the Ministry presented for public consultation a 2020-2025 strategy paper on digitisation, one of its top priorities. Two high-profile international events were held in Armenia in this area in 2019: the Global Innovation Forum and the World Congress on Information Technology. Online transactions increased by 83% in 2019. Local e-commerce is flourishing, more players are

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33 [https://data.worldbank.org/indicator/](https://data.worldbank.org/indicator/)
emerging and the population is becoming more tech-savvy. The "Single national window for foreign trade”, an online platform, made further progress. The EU continues to provide support to this sector through its EU4Business and EU4Digital projects. In addition, a new project aims to create a front desk for the Governmental Interoperability Platform (GIP), facilitating the access of citizens and businesses to the state services. Finally, a new EU-funded technology sector development programme implemented by GIZ was launched in 2020. Among other initiatives, the flagship Hero House Start-up Academy continues to provide support to Armenian start-ups with high growth potential.

The tourism sector continues to be a development priority for the government. While visitor numbers, sector related jobs and incomes rose considerably in 2019, the number of foreign tourists visiting Armenia sharply contracted in 2020 due the COVID-19 pandemic in view of the restrictions imposed. Domestic tourism saw substantial growth as reported by tourism service providers across the country, with according adaptation in products offered. A new EU-funded tourism support programme was launched in 2020 with a focus on the three Northern regions: Shirak, Lori and Tavush. The programme provided grant support to tourism businesses impacted by the COVID-19 crisis.

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, Lori, Shirak and Tavush. The development of organic agriculture is one of Armenia’s potential high value exports. The EU contributes €9.7 million to the green agriculture initiative in Armenia (EU GAIA). The EU GAIA facilitates the development of sustainable, innovative and market-driven agribusinesses in a green and inclusive manner, offering region-specific solutions and an improved enabling environment.

The mining industry plays an important role in the Armenian economy. The evaluation of Armenia against the 2016 Standard of the Extractive Industries Transparency Initiative (EITI) commenced in September 2019 and was published in July 2020, recognizing that Armenia has made “satisfactory progress” in implementing the EITI Standard. Despite ongoing protests against the Amulsar gold mine project, the government has determined that there are no legal grounds on which to block construction. In October and November 2020, TAIEX assistance aimed at strengthening the capacity of Armenia’s Environmental Protection and Mining Inspection Body on inspection and control in the area of environmental risk management.

In 2020, the government revised and enhanced the Armenian Regional Development Strategy 2025 by the introduction of smart specialisation approach (pending approval) and continued to test a novel regional development funding mechanism, with the support of the European Union. The Pilot Regional Development Programme Grant Scheme (2017-2020) financed 8 large projects to achieve a more balanced social and economic development among the regions of Armenia through job creation and increasing competitiveness. The grant scheme resulted so far in the creation of 460 new jobs and the increase of competitiveness of 345 enterprises/SMEs as well as the establishment of important productive infrastructures in selected regions. The government also continued to distribute central budget funding to regional and local development projects by local government units based on competitive grants, with priority given to municipalities formed through consolidation. Two Local Empowerment of Actors for Development (LEAD) programmes with focus on the three focal regions, Shirak, Lori and

34 www.trade.gov.am
Tavush, were launched, as well as a project for increasing the potential of migrants to contribute to economic development in Armenia.

The first private equity fund in Armenia, launched in September 2019 with EU support (€11 million), carried out its first investments in the course of 2020 in the sector of renewable energy. The fund invests in Armenian businesses with high-growth potential, linking them to European value chains, thus contributing to improvement of the overall competitiveness of the economy. It continues its fundraising aiming to reach a total of €75 million.

On statistics, capacity building has continued through the EU-funded regional programme Statistics Through Eastern Partnership (STEP), which was carried on in a remote mode during the Covid-19 pandemic.

4.2. Trade and trade-related matters

Total bilateral trade between the EU and Armenia has been increasing over the last 10 years, reaching almost €1.2 billion in 2019. The EU continues to be Armenia’s second trading partner accounting for around 20% of Armenia’s total trade.35

Armenia benefits from the special incentive arrangement for sustainable development and good governance (GSP+). Of all Armenian exports to the EU eligible for GSP+ preferences, 91 % benefited from zero duties in 2018 (slightly down from 96.2% in 2017), for a value of €68.2 million36. Taking into account its economic growth record, in 2020 the World Bank classified Armenia as Upper Middle Income Country for the third year in a row. Therefore, following a one-year transition period, Armenia will stop benefiting from the EU’s Generalised Scheme of Preferences (GSP) and its special incentive arrangement for sustainable development and good governance (GSP+). This effectively means that Armenia will no longer benefit from the EU’s preferential import tariffs as from January 2022; these will be replaced by the most favoured nation (MFN) duties as foreseen under the World Trade Organization (WTO).

The biennial report on GSP+ covering the 2018-2019 period was published in February 2020 and concluded that overall Armenia had made good progress on implementing the relevant international conventions. The engagement and monitoring part of the GSP+ arrangement continued to contribute to the EU-Armenia partnership goals, including on good governance, human rights and labour standards, as well as climate change and the environment. Under GSP+ monitoring, the EU closely followed certain outstanding priority issues, such as anti-discrimination and domestic violence legislation, enforcement of labour standards, elimination of child labour, anti-corruption measures and action on biodiversity.

In October 2019, the EU-Armenia Partnership Committee in Trade Configuration found that, overall, good progress had been made in the implementation of the trade title of CEPA. In the area of trade and sustainable development, the implementation roadmap builds on engagements under GSP+ and focuses inter alia on actions to enforce labour standards, including the re-establishment of a fully-fledged labour inspectorate and on-going work on a revised labour

36 https://ec.europa.eu/transparency/regdoc/rep/10102/2020/EN/SWD-2020-17-FI-EN-MAIN-PART-1.PDF. Reported figures for GSP+ imports to the EU for 2018, which suggest a significant decrease compared to previous years, are somewhat misleading. The decrease is largely the result of a significant proportion of EU imports from Armenia having been registered as confidential by EU Member States. Trade flows registered as confidential do not show up in the GSP+ usage figures.
code. Good progress had also been made in areas such as current payments and transparency. On public procurement, progress was achieved and needs to be confirmed by adopting the respective legislative amendment on setting up an impartial and independent reviews system.\textsuperscript{37}

One of the priorities in the implementation of the trade title of CEPA is the definition and agreement on the EU technical and financial assistance needed for the gradual phase-out of the ‘Cognac’ geographical indication for brandy originating in Armenia, in line with Article 237 CEPA. A first package of EU support in this area has been prepared and will become available in late 2020. This will be followed by further support to be discussed and agreed in line with the provisions of CEPA once Armenia has decided on the new name it wishes to pursue for Armenian brandy.

The EU was at the top of the list of net inflow providers of foreign direct investment (FDI) to the Armenian economy in 2019. For FDI stocks, it comes in second, after the Russian Federation.\textsuperscript{38}

5. Connectivity, energy efficiency, environment and climate change

Armenia is currently upgrading several sections of the north-south road corridor (on the extended core TEN-T network). Future investment priorities are with the indicative TEN-T investment action plan\textsuperscript{39}, which identifies priority investments of around €12.8 billion up to 2030 in the EaP region.

Road safety is one of the priorities under the TEN-T investment action plan. In December 2019, Armenia and the European Investment Bank signed a neighbourhood investment platform grant agreement to support the implementation of Armenia’s road safety improvement project. This agreement will enable the European Commission to finance this action with an investment grant of up to €4.25 million. The EU contribution makes it possible to finance road safety measures and help Armenia to achieve the objective of improving road safety planning and standards. In addition, the Armenia’s government approved EU support for the modernisation of the Armenia-Iran border-crossing point at Meghri. A legislative package to ensure that road safety laws comply with EU standards under CEPA, notably those on driving licences, remains to be adopted.

On 2 June 2020, the European Commission updated the EU Air Safety List, the list of airlines that are subject to an operating ban or operational restrictions within the European Union as they do not meet international safety standards. All airlines certified in Armenia were added to the list, after further assessment of the country's safety oversight capabilities. The EU expressed its readiness to provide support for overcoming the challenges identified in the technical assessment by the European Commission and for the strengthening of civil aviation institutional capacities in Armenia. An ongoing EU project with the EU Aviation Safety Agency (EASA) provided technical assistance on a development of a roadmap based on the EU civil aviation report, and recommendations on the civil aviation act. The EU is preparing a comprehensive capacity building support for civil aviation in Armenia in line with CEPA and its commitment to support civil aviation reforms, to be launched in 2021.

\textsuperscript{37} For the joint minutes of this meeting, see: https://ec.europa.eu/trade/policy/countries-and-regions/countries/armenia/.

\textsuperscript{38} https://www.armstat.am/file/article/sv_10_19r_420.pdf

In the area of energy, the CEPA requires significant regulatory approximation to EU energy legislation (energy efficiency, renewable energy and nuclear safety regulation, electricity market reforms). Energy efficiency has the potential to contribute to energy security, independence and affordability. The EU has provided substantial support under the EU4Energy programme by strengthening implementation of the existing legislative and regulatory framework for the energy performance of buildings. In addition, renewable energy and energy efficiency development have received significant EU financial support, including for the construction of a large-scale solar power plant in Masrik and the integration of renewable energy measures in municipality-owned public buildings.

The nuclear power plant located in Medzamor cannot be upgraded to fully meet internationally accepted nuclear safety standards, and therefore requires an early closure and safe decommissioning. It is necessary to rapidly adopt a road map or action plan to address this, taking into consideration the need to ensure Armenia’s energy security and conditions for sustainable development. The peer review of national action plan implementation held in November 2019 recognised that significant efforts have been made since 2016 and that there has been good progress on protecting the installations from external hazards.

In the area of environmental protection, in January 2020 the Armenian government approved legislation banning single-use plastic bags from 2022.

In January 2020, Armenia inaugurated its revamped water laboratory in Yerevan. Upgraded with EU assistance, the laboratory now includes state-of-the-art analytical equipment to monitor water quality, marking a major step towards integrated management of water resources and supporting approximation to the EU Water Framework Directive.

Solid waste projects including landfills and specialised equipment, as well as other projects focused on water are being implemented in Yerevan and smaller municipalities with the support of the neighbourhood investment platform (NIP). 

Armenia has advanced on biodiversity conservation and the management of natural resources, notably by improving the legislative and institutional framework, especially as it relates to the management and establishment of the new specially protected natural areas, the development of management plans for national parks and reserves, and the development and implementation of species conservation programmes for rare or endangered species.

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 RA, with a return rate that has significantly increased from 21.3% in 2014 to 47.16% in 2018. In order to speed up the readmission process, in February 2019 Armenia launched an electronic readmission case management system, whose functioning was assessed at the 2020 meeting of the Joint Readmission Committee.

In September 2019, the Joint Visa Facilitation Committee reconfirmed the overall good implementation of the VFA. The visa refusal rate for 2018 amounted to 11.8%, down from

41 https://wwf.panda.org/wwf_offices/armenia/
12.8% for the previous year. 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 31.7% in 2018. 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 8,505 in 2016 to 7,685 in 2017 and to 5,775 in 2018, which represents a 32% decrease in 3 years. There was a further reduction of 25% in 2019 (from 5,775 to 4,320). The number of Armenians apprehended as illegally staying in the EU also decreased from 3,420 in 2016 to 3,140 in 2017 and to 2,325 in 2018.

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Armenia expressed readiness to start a visa liberalisation dialogue with the EU. In line with the 2017 Eastern Partnership Summit declaration, the EU remains committed to the opening of 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.

The education strategy and Action Plan (AP) remain to be adopted. This strategy will also cover vocational education and training, for which a separate Action Plan 2019-2023 is being developed. Youth strategy is also delayed due to COVID-19 situation and the military conflict.

The five-year EU4Innovation supports the EU-TUMO Convergence Centre in providing cutting-edge education to science, technology, engineering and math (STEM) students and young professionals to prepare them for the labour market. A new free of charge software development school “42” was rolled out alongside a program for project-based and industry-sponsored technology education.

Armenia’s participation in the Horizon 2020 programme has continued to contribute to the country’s integration into the EU research and innovation systems.

On culture, the EU and Armenia work together in the framework of the Eastern Partnership Platform 4, on the basis of a two-track approach: policy dialogue and support for capacity building and cooperation projects through EU programmes. Armenia has joined the culture sub-programme and cross-cultural strand of the Creative Europe programme. There has been gradual alignment with the new Audio-visual Media Services Directive, and full alignment will ensure Armenia’s access to the audio-visual components of the Creative Europe programme, in particular the MEDIA sub-programme.

[42] https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do
7. Financial assistance

The 2017-2020 Single Support Framework for Armenia lays the foundation for EU-Armenia financial cooperation and programming, based on the CEPA and on the EU-Armenia partnership priorities. This is a solid framework that allows to deliver tangible results for citizens.

EU assistance to Armenia under the European Neighbourhood Instrument (ENI) totalled €299.5 million over the period of the Multi-Annual Financial Framework 2014-2020. This included the amount of €210 million allocated for the period 2017-2020. The annual allocation for 2020 totalled to €65 million, including €25 million of additional funds in recognition of Armenia's democratic reform achievements in 2019.

The EU is a key reform partner and the largest donor in Armenia. Its substantial project portfolio amounts to over €300 million in grants and focuses on supporting the reform agenda, private sector development and infrastructure investment (blending). In addition, more than €1 billion in the form of blended loans and grants has been invested in the energy, agriculture and transport sectors.

In response to the COVID-19 outbreak in the beginning of 2020, the EU mobilised €92 million of bilateral support to address the immediate needs of the health sector and to mitigate the socio-economic impact of the pandemic. Within this package, €65 million have been provided as direct budget support to the Armenian government, including through a dedicated COVID-19 Resilience Contract. Armenia also benefitted from the regional package in support of the health system, provided through the World Health Organisation, as well as economic programmes providing liquidity and access to finance for small and medium-sized enterprises as well as solidarity programmes for vulnerable groups.

Another sector reform performance contract will support Justice Sector Reforms (€30 million). This will complement assistance provided through a CEPA Reform Facility put in place in 2019 to support CEPA implementation and facilitate government’s strategic reforms (€23 million), including through the mobilisation of EU high-level advisors and twinning projects. Finally, a technical support programme to accompany the phasing-out of the Cognac Geographical Indication GI (€3 million) was also made available. In addition, the regional EaP civil society facility supported civil society organisations with an extra allocation of €2 million.

The EU continues to support shared and inclusive economic growth in Armenia through SME development under the framework of the EU4Business and EU4Innovation initiatives.

In the field of governance, short- and long-term assistance was made operational on the ground to accompany the justice reform process. A €2.2 million grant for the ‘consolidation of the justice system in Armenia’ project engaging the German public administration IRZ started supporting the implementation of reforms since mid-2020. The EU also continued its support to the development of e-governance, particularly through the ‘establishment of one stop shop solution for public administration of Armenia with pilot implementation at a border crossing’ project.

The EU is actively involved in connectivity, energy efficiency, environment and climate change in Armenia. On energy efficiency, the EU and EBRD started the implementation of the first public-private partnership, a large-scale solar power plant in Armenia. The EU and EIB added extra support for the renovation of polyclinics/universities and €26 million for technical assistance and investment in buildings. In addition, EU together with EBRD started the
implementation of the Meghri Cross-Border Point Modernization project to facilitate the connection between Armenia and Iran.

With regard to building a stronger society, the EU4Innovation STEM pilot activities saw good implementation progress, aiming to improve the quality of STEM education in Armenia’s pilot regions of Tavush and Shirak. In addition, the EU continues to support higher education through the Erasmus+ programme (see section 5 above).

8. Concluding remarks and future outlook

Over the reporting period and despite the COVID-19 challenge, Armenia has reiterated its commitment to consolidate democratic governance and the rule of law, including the goal of an independent, accountable and efficient judiciary, and the creation of a competitive business environment. The EU-Armenia CEPA and the CEPA implementation roadmap, which contains specific measures for approximation to EU standards, play an important role in this regard. This process requires significant administrative, institutional capacities. The EU has been sharing its reform experience and has been providing expertise, capacity-building support and financial assistance to Armenia's institutions and civil society. Regular monitoring of the CEPA implementation roadmap and taking stock of achievements and shortcomings help streamline the process and deliver concrete results.

Since 27 September, Armenia has faced a double crisis: the outbreak and outcome of the large-scale hostilities in the Nagorno-Karabakh conflict zone and the COVID-19 pandemic. In these circumstances, reform processes became even more challenging and delays are expected. The EU has demonstrated its solidarity to Armenia and has allocated significant resources to build resilience, and to help address the consequences of the crisis with humanitarian and early recovery support. The EU encourages Armenia to continue its efforts to achieve a fully-fledged democracy that ensures good governance, the rule of law and protection of human rights, including the rights of people belonging to vulnerable groups, as well as sustainable economic development. The EU stands ready to further support comprehensive reform in Armenia. In particular, it intends to continue engaging in political dialogue and providing Armenia with financial and technical assistance, to ensure swift and successful implementation of reform for the benefit of the citizens of Armenia and of the EU. The EU is planning signature of 14 new civil society and local authority grant contracts towards the end of 2020, of which at least 10 contracts will support funding for civil society to assess and respond to immediate needs and dialogue on key issues of social protection, multidimensional poverty reduction or labour rights.