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From: Secretary-General of the European Commission, signed by Ms Martine  
DEPREZ, Director

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To: General Secretariat of the Council

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HIGH REPRESENTATIVE  
OF THE UNION FOR  
FOREIGN AFFAIRS AND  
SECURITY POLICY

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**JOINT STAFF WORKING DOCUMENT**

**Partnership Implementation Report on Armenia**

## **1. Introduction and summary**

This report outlines key developments and Armenia's efforts to carry out reforms in line with the European Union (EU) and Armenia **Comprehensive and Enhanced Partnership Agreement (CEPA)** since the publication of the previous report on 17 May 2022, and in advance of the 5<sup>th</sup> meeting of the EU-Armenia Partnership Council on 13 February 2024. It focuses on priority areas under the CEPA, as well as those identified in both the Multi-annual Indicative Programme (MIP) for 2021-2027 and the Economic and Investment Plan (EIP). The **4th EU-Armenia Partnership Council** meeting was held in Brussels on 18 May 2022.

Armenia and the EU are making good progress towards deepened cooperation on the basis of the **CEPA**. The launch of the **Team Europe Initiative (TEI) for Resilient Syunik** on 18 January 2023, of the **EU Mission in Armenia (EUMA)** in February 2023, and the forward-looking commitment to step up the implementation of the **Economic and Investment Plan (EIP)**, with close to EUR 500 million of investments) are all strong indications of strengthened relations. The EU remains the **largest donor** in the country, with important support in the areas of justice, the rule of law, anti-corruption, education and the green transition. The EU is also providing substantial support to address the short-, medium-, and long-term needs related to the inflow of **Karabakh Armenians** and their socio-economic integration, including more than EUR 12 million in direct humanitarian assistance and EUR 15 million in budget support to the Armenian government. Adequate funding over the next years will be needed to ensure the integration of Karabakh Armenians into the national system.

Armenia has gone through major political changes in recent years, with a government committed to both ensuring genuinely functioning democratic institutions and using the **CEPA as a blueprint** for reforms to modernise the country, despite considerable challenges. Socio-economic development and overall resilience-building are among the most important priorities for the government of Armenia. Over the reporting period, Armenia made further progress in implementing **reforms** in key areas such as **justice and the rule of law**, in particular by taking forward **police reforms** and strengthening democratic institutions such as the creation of the **Ministry of the Interior** and the **fight against corruption**. Armenia also made important progress in the field of education, health, migration and civil protection. Government policies have helped to maintain **macroeconomic stability** and further strengthen fiscal discipline. Armenia's overall economic outlook remains positive, but challenges related to the volatile regional security situation are significant.

Armenia has signalled its intention to further develop and **deepen its partnership and cooperation with the EU**, including through bilateral relations and under the regional policy framework of the Eastern Partnership. In the margins of the European Political Community meeting held in Granada on 5 October 2023, the President of the European Commission Ursula Von der Leyen and Armenia's Prime Minister Nikol Pashinyan expressed their determination to strengthen EU-Armenian economic ties and achieve the full potential of the CEPA. The **European Council** of 26-27 October 2023 invited the High Representative of the European Union for Foreign Affairs and Security Policy Josep Borrell and the Commission to present options on how best to strengthen EU-Armenia relations in all their dimensions. The **Foreign Affairs Council** on 13 November 2023 gave a green light to identify further support measures to Armenia, including during an **EEAS-Commission joint fact-finding mission** in the week of 27 November 2023. The mission confirmed both sides' shared ambition to strengthen cooperation, including further engagement on new areas (e.g., security and defence), as well as intensified sectoral cooperation. The EU-Armenia Investment Coordination Platform was launched during the mission. On 11-12 December, Armenian Minister of Foreign Affairs Ararat Mirzoyan participated in an informal exchange of views in the margins of the EU Foreign

Affairs Council and took part in the EU Eastern Partnership Foreign Affairs Ministerial meeting.

## **2. Foreign and security policy**

Armenia's foreign policy continues to be affected by relations with **Azerbaijan** and the volatility of the regional context in the **South Caucasus**. After some incursions across the border with Armenia on 13-14 September 2022, Azerbaijan began to hamper movement through the Lachin Corridor, the only connection between Karabakh and Armenia, on 12 December. This was followed in July 2023 by an almost complete blockade of the corridor, apart from occasional International Committee of the Red Cross (ICRC) medical evacuations. On 19-20 September 2023, Azerbaijan launched a military operation which was followed by a **mass exodus of more than 100 000 Karabakh Armenians**. The government of Armenia provided with shelter and basic assistance, including cash support, supported by the EU and the international donor community.

The normalisation process and **peace negotiations between Armenia and Azerbaijan** continued with the facilitation of the EU, with direct involvement of President of the European Council Charles Michel, the High Representative of the European Union for Foreign Affairs and Security Policy Josep Borrell, and the support by the EU Special Representative for the South Caucasus and the crisis in Georgia Toivo Klaar. On 31 August 2022, 14 May 2023 and 15 July 2023, President Michel hosted meetings in the Brussels format with the Prime Minister of Armenia, Nikol Pashinyan and the President of Azerbaijan, Ilham Aliyev in order to facilitate the dialogue between the two sides. On 5 October 2023, the Prime Minister of Armenia participated in the third meeting of the European Political Community held in Granada, together with the President of the European Council Charles Michel, Chancellor of Germany Olaf Scholz, and President of France Emmanuel Macron.

On 26 October Prime Minister Nikol Pashinyan presented the '**Crossroads of Peace**' project, emphasizing the importance of regional cooperation and connectivity. **On 7 December 2023, Armenia and Azerbaijan released a joint statement** announcing tangible confidence-building measures, including the release of 32 detained Armenian military servicemen and 2 Azerbaijani military servicemen (which took place on 13 December 2023) as well as Armenian support - by withdrawing the Armenian candidacy - to Azerbaijan's bid to host COP29. Azerbaijan gave support to the Armenian candidacy to join the COP Eastern European Group Bureau. On 26 December 2023, the Armenian Prime Minister Nikol Pashinyan and President of Azerbaijan Ilham Aliyev had a short informal bilateral meeting on the margins of the CIS informal Summit in Saint Petersburg. A new meeting on border delimitation took place on 31 January 2024.

The first and second **EU-Armenia Political and Security Dialogues** were held on 26 January 2023 in Yerevan, and 15 November 2023 in Brussels. An important Common Security and Defence Policy (CSDP) contribution and EU security-related cooperation is the **EU Mission in Armenia (EUMA)**. Launched in February 2023 for an initial two-year mandate, the **EUMA** observes and reports on the security situation along the Armenian side of the border with Azerbaijan, contributing to security in the border areas and supporting EU normalisation efforts between Armenia and Azerbaijan. The Mission is a visible and important element of European presence in Armenia. The Foreign Affairs Council of 11 December endorsed the increase of the staff of the EU Mission in Armenia (EUMA) from 138 to 209.

Armenia ratified the **Rome Statute of the International Criminal Court (ICC)** on 14 November 2023. This was an important step in bringing the international community closer to universal participation and strengthening the shared resolve to end impunity and foster a culture of accountability.

Regarding **Russia's aggression against Ukraine**, Armenia either abstained or was absent on all six United Nations General Assembly Resolutions on Ukraine adopted in 2022 and 2023, though Ukraine and Armenia have nurtured a closer relationship over the past semester. Armenia participated in the Ukraine Peace Formula events in Malta on 28-29 October 2023 and in Davos on 14 January 2024. Armenia has provided humanitarian aid to Ukraine, including devices for online learning for school students.

Armenia aims to strengthen relations with **Georgia** (one of the two open borders for Armenia) and on 26 January 2024 signed a declaration on strategic cooperation and dialogue to advance their bilateral agenda. Armenia's cooperation with **Iran** has been increasing over the last years. Iran opened its Consulate General in Southern Armenian town of Kapan in October 2022 and various new cooperation initiatives i.a. in the field of energy security and defence were announced in 2022 and 2023. Following the signature of a free trade agreement between the Eurasian Economic Union and Iran in December 2023, the Armenia-Iran trade relations are bound to grow further. In the first months of 2023, there was openness from **Türkiye** to work towards the normalization of mutual relations with Armenia, something that the EU regularly welcomed and encouraged. Armenian authorities provided humanitarian assistance in the aftermath of the devastating earthquake in Türkiye in February 2023. Armenian Prime Minister Nikol Pashinyan visited Ankara on the occasion of the inauguration of President Erdoğan on June 3, and there was a phone conversation between Foreign Minister of Armenia Ararat Mirzoyan and his counterpart, Hakan Fidan, on June 7. Overall, however, Türkiye-Armenia normalisation process remains stalled.

### **3. Strengthening institutions and good governance**

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

During the reporting period, Armenia took further measures to improve good governance and the rule of law in line with its commitment to implementing the CEPA. In November 2023, Armenia finalised its ratification of **Protocol 13 to the European Convention on Human Rights (ECHR)**, concerning the abolition of the **death penalty** in all circumstances, as well as the ratification of the **Rome Statute** of the International Criminal Court.

Armenia's **public-administration reform strategy** was revised and approved on 11 August 2023. The strategy sets the following main goals for 2030: (i) the establishment of an evidence-based and result-oriented system; (ii) improving the quality of services to the public; (iii) increasing the institutional efficiency of executive power bodies and the competitiveness of the public service; (iv) setting up a participatory management system; and (v) ensuring effective and targeted communication with the public.

Armenia ranked 82nd in the **2022 Democracy Index**<sup>1</sup> published by the Economist Intelligence Unit. In the **2023 Freedom in the World** report<sup>2</sup>, Armenia ranks 54 out of 100, making it one of the partly free countries.

**Local elections** in Yerevan on 17 September 2023 were organised smoothly with no major issues reported regarding compliance with voting procedures. However, these elections were marked by a low voter turnout of only 28.5%. Tigran Avinyan (of Armenia's Civil Contract party) was elected Mayor of Yerevan on 10 October 2023.

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<sup>1</sup> [https://pages.eiu.com/rs/753-RIQ-438/images/DI-final-version-report.pdf?mkt\\_tok=NzUzLVJJUS00MzgAAAGKNfAIWpVilFpnQjGgUqm\\_N9eO4td2ZaBikOVrgQBLWJynLNrLsWE6vnRTAz481ccFsc5UaE1jNucNBQD7aM\\_X6v8lc7z3ejJMDYwXNm\\_IFE5atg](https://pages.eiu.com/rs/753-RIQ-438/images/DI-final-version-report.pdf?mkt_tok=NzUzLVJJUS00MzgAAAGKNfAIWpVilFpnQjGgUqm_N9eO4td2ZaBikOVrgQBLWJynLNrLsWE6vnRTAz481ccFsc5UaE1jNucNBQD7aM_X6v8lc7z3ejJMDYwXNm_IFE5atg)

<sup>2</sup> <https://freedomhouse.org/country/armenia/freedom-world/2023>

The Law on **freedom of information** has significant shortcomings, such as the lack of an independent oversight body to examine disputes over access to information. Many state institutions are not cooperating to provide sufficient and comprehensive information to journalists and the public in the required period of time. In March 2023, Armenia’s National Assembly adopted amendments to the Law “**on State Secrets**”, according to which inquiries for official data might be rejected if they contain information of limited distribution. The language used in the law is vague and this may result in the **arbitrary restriction of information**<sup>3</sup>.

The polarisation of the media mirrors that of the political scene: many media outlets are close to political leaders who came to power after 2018, while others remain faithful to former oligarchs. Only a handful of media show independence in their reporting and editorial positions. In the 2023 **World Press Freedom Index**<sup>4</sup>, Armenia moved up to 49th from 51st position in 2022. According to this report, despite a pluralistic environment, Armenian media remain polarised and there is an unprecedented level of disinformation – including from external actors – and hate speech. Most broadcast and print media, affiliated with major political and commercial interests, continue to face pressure for their editorial policy. According to the **Reporters Without Borders 2023 report**<sup>5</sup>, access to public information in Armenia is limited by the government (through refusals to respond, delays, etc.).

Despite the decriminalisation of defamation and the implementation of legislation that guarantees the transparency of media ownership, Armenia’s legal framework does not sufficiently protect freedom of the press, and it also falls short of European standards. A positive development in this regard was the signature of a Memorandum of Understanding between Armenia’s Ministry of Justice and media NGOs on 19 April 2022, which commits the government to consult specialised NGOs when drafting legislative acts that relate to the media.

On 22 December 2022, the Ministry of Justice published the draft for public opinion on the “**Legal regime of martial law**”. Among other proposed provisions, the draft contains the possibility of restricting freedom of expression by: (i) restricting content broadcast on television and the internet; and (ii) temporarily suspending websites, social networks and internet applications. The draft has raised concerns among media organisations and civil society experts regarding a potential discretionary approach and the disproportional application of restrictions.

In September 2023, Armenia’s new **human rights strategy and action plan for 2023-2025** was adopted, reflecting specific sections and priorities on the rights of the child. The comprehensive labour and social-protection strategy has not yet been adopted. Work is underway for a comprehensive review of the Law on social assistance, the Law on child rights and the Family Code, including supporting legislative packages. A policy framework – including by-laws and standard operating procedures – will need to be developed following adoption of the legal packages to ensure their operationalization.

The main challenges in the field of human rights -according to the **Human Rights Watch 32nd annual review**<sup>6</sup>- are: (i) domestic violence; (ii) discrimination against people with disabilities; (iii) barriers to effective pain treatment and palliative care; and (iv) violence and discrimination based on sexual orientation and gender identity.

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<sup>3</sup> <https://khosq.am/en/reports/quarterly-report-of-cpfe-on-situation-with-freedom-of-expression-and-violations-of-rights-of-journalists-and-media-in-armenia-january-march-2023/>

<sup>4</sup> <https://rsf.org/en/country/armenia>

<sup>5</sup> <https://rsf.org/en/country/armenia>

<sup>6</sup> <https://www.hrw.org/world-report/2023/country-chapters/armenia>

The **Law on equality** has been under discussion by the government since 2020 but has still not been adopted. The amendments to the draft law on **freedom of conscience and religious organisations** were expected to be approved in the first half of 2022 with no progress to date. The Law on the national security services contains discriminatory clauses, which restrict the rights of people belonging to religious minority groups with respect to employment.

Open and public **discrimination on the grounds of sexual orientation and gender identity** remains a major issue. Armenia's new criminal code does not recognise bias caused by **sexual orientation and gender identity** as an aggravating circumstance when committing a crime. The lack of proper regulations and poor police capacity lead to ineffective investigations into hate crimes against LGBTIQ people.

**Mental health** issues continue to be both stigmatised and under-resourced, with insufficient services for identification and support, including for children.

**Yezidi children** face discrimination with respect to their right to education, including through lack of appropriate infrastructure and poor quality of the education. Eradication of child-marriage, early-marriage and forced marriage continues to be a challenge in the Yezidi community, even though the Family Code sets the minimum age for marriage at 18 for men and 17 for women. The government has committed to eliminating child, early and forced marriage in line with the Convention on the Rights of the Child and the UN's Sustainable Development Goals. However, Armenia has made no tangible efforts to meet the 2030 target.

The new draft **gender-equality strategy** is currently in development and is expected to be concluded in early 2024. Gender equality and the empowerment of all women and girls remain critical issues. Even though women and girls comprise 52.2% of the population in Armenia and account for 56% of those with a higher education, they are underrepresented in decision-making positions. Although women are well present in academia, women's political representation also remains low, despite the recent appointment of the country's first woman Prosecutor General and a 30% quota for women in political parties. The **World Economic Forum's Global Gender Gap Index** has recorded progress in Armenia, which in 2023 ranks in 61st place among 146 countries.

On 26 June 2023, Armenia's National Assembly passed a **law on women's voluntary service in the military**. The new law gives women aged 18-27 the opportunity to voluntarily sign up for 6 months of service. The government promotes this as a gender-equality measure. However, doubts remain about the rationale for this law and whether it is really needed.

**Violence against women and domestic violence** continues to be a concern. Women and girls in vulnerable and marginalised situations continue to face multiple and intersecting forms of violence, discrimination, and exclusion. A significant development in 2022 was the establishment and piloting of the **Barnahus Model** for child victims of sexual and severe physical violence. Specialised training on both countering domestic violence and using behavioural approaches to deal with domestic violence were provided to a large number of police officers and social workers.

The revised **Criminal Code** of 2021 had a significant impact on Armenia's overall legal framework during the reporting period. The code makes violence by a close relative an aggravating factor and provides for criminal responsibility for crimes involving physical or psychological coercion, against sexual freedom or sexual harassment. It also provides for more severe sentences for perpetrators, including imprisonment for domestic violence.

Yet despite all these positive steps, Armenia has yet to ratify the **Istanbul Convention**, signed in 2017.

### 3.2. Justice, freedom, rule of law and security

On 21 July 2022, the Armenian government approved the **2022-2026 strategy for judicial and legal reforms** and its accompanying action plan. Overall, some progress was noted in the area of justice reform during the reporting period.

Progress was achieved in the areas of: (i) integrity checks for judges; (ii) the introduction of alternative dispute resolution mechanisms (arbitration, mediation); (iii) appointment procedures for judges; (iv) appointment of more judges combined with increases in salaries; (v) introduction of an electoral code; and (vi) amendments to the Judicial Code to enhance the independence and transparency in the justice system. At the same time, challenges continue in the areas of: (i) the overall management of the courts system, (ii) the independence and accountability in the justice sector; (iii) excessive workloads; (iv) court backlogs; (v) insufficient institutional capacities and inadequate state funding; (vi) the absence of e-justice solutions; and (vii) high levels of turnover among lower-level administrative staff.

The absence of full implementation of strategic policy developments is in particular caused by a lack of regular monitoring and impact assessments of the planned actions by stakeholders and a lack of enhanced data collection analysis to underpin strategic decisions. The creation of the **Monitoring Council** will be very important, provided the Ministry of Justice has sufficient resources to perform its function of Secretariat, as the responsible body of policy development and implementation of the 2022-2026 strategy. The Strategy introduced periodic **integrity check mechanisms** for all sitting judges, prosecutors and investigators. Armenia's **introduction of arbitration** as an **alternative dispute resolution measure** is in line with the CEPA Articles 12 (on the rule of law and respect for human rights) and 22 (on economic dialogue) providing for improved access to justice and better administration of justice.

Overall, Armenia possesses a **strong anti-corruption policy and framework**, including integrity in public procurement, and well-functioning anti-corruption institutions. In Transparency International's Corruption Perception Index<sup>7</sup> Armenia scored 46/100 in 2022 compared to 35/100 in 2018 (a higher score out of 100 indicates less perceived corruption). The new **anti-corruption strategy** and the resulting action plan for 2023-2026 was adopted on 26 October 2023.

In October 2023, Armenia participated in the **OECD Anti-Corruption Network (ACN) plenary** meeting. Some weaknesses in the country's anti-corruption framework are still present, including: (i) business integrity (weak compliance); (ii) the protection of whistle-blowers (lack of practice); (iii) conflicts of interest (lack of a clear regulatory system); (iv) the lack of independence in the public prosecution service; and (v) limited enforcement of corruption offences.

A specialised three-tier **anti-corruption court** (first instance, appeal, and cassation chamber) was set up in July 2022. According to Armenia's Judicial Code, the anti-corruption court must have at least 15 judges, of which at least 10 must be specialised in criminal corruption cases, and at least 5 must be specialised in civil corruption cases. Currently, the Court of First Instance of the Anti-Corruption Court has only 11 judges – 3 in the regions and 8 in Yerevan.

There is continuous updating of the mechanisms for evaluating **declarations of judges, prosecutors, and investigators**, as well as procedures for checking the integrity of candidates to become judges, prosecutors, and other high-ranking officials. New evaluation and checking tools are also being introduced. Starting from June 2022, expenditure declarations have also

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<sup>7</sup> <https://www.transparency.org/en/cpi/2022/index/arm>

been required and these declarations are used for integrity checks. The **integrated e-justice system** to tackle issues such as efficiency and access to justice is yet to be introduced.

In May 2023, the **Armenia Arbitration and Mediation Centre (AMCA)** launched its operations. Improvements in the field of Alternative Dispute Resolution (ADR) include the implementation of mandatory mediation and online mediation, along with the introduction of new procedures for the training and qualification exams for prospective mediators.

In December 2022, the legal package on setting up the **Ministry of the Interior** was adopted, and in January 2023 the new Minister of the Interior was appointed. Armenia's police-reform agenda is already underway and is being supported by comprehensive institutional and operational assistance provided by the EU. The country's rescue service was integrated in the new Ministry's structure. In addition, a new Department on combating cybercrime is being set up, and the newly created patrol police is being rolled out nationwide as of the end of October 2023.

On 22 December 2022, the National Assembly endorsed a draft Law for **the creation of a foreign intelligence service**. Kristine Grigoryan, former Ombudsperson, was appointed as Head of the Foreign Intelligence Service on 4 October 2023. The Service will be subordinate to the Head of the Government.

#### **4. Economic development and market opportunities**

##### ***4.1 Economic situation***

**Economic activity** in Armenia was exceptionally strong in 2022 and 2023. Real GDP growth accelerated to 12.6% on an annual basis in 2022 and moderated only slightly in the first 9 months of 2023 to 9.5%. The economy benefited from the ongoing post-pandemic recovery (particularly in the tourism sector) as well as an inflow of Russian citizens and businesses and the associated surge in financial transfers. This gave a significant boost to the services and construction sectors that were the main growth drivers. Consistent with the economic boom, the labour market situation further improved - the unemployment rate decreased in annual terms to 12.0% in the third quarter of 2023, while the employment rate rose despite remaining relatively low at 54.3%. Nominal wage growth was high at nearly 16% year-on-year in both 2022 and 2023.

**Inflationary pressures**, which were prominent in 2022, subsided sharply as of March 2023. Consumer prices declined by 0.6% year-on-year in December. The sharp disinflation reflects a combination of tight monetary policy, strong local currency and lower import inflation that offset the robust domestic demand. As inflation cooled down, the central bank started an easing cycle in June 2023. It reduced the key policy rate five times (by cumulative 150 basis points) to 9.25% at the end of 2023.

Benefiting from **strong economic activity** and **prudent fiscal policies**, the consolidated budget deficit declined to 2.2% of GDP in 2022 from 4.5% a year earlier. While the improvement of Armenia's fiscal position continued in the first nine months of 2023, the budget is set to face pressures in the months to come due to the need for sizable financial support for the displaced Karabakh Armenians. Armenia's public debt-to-GDP ratio decreased sharply in 2022 and continued its downward trend in the first half of 2023 reaching 47.4% at the end of June.

In 2022, despite its narrow export base Armenia recorded its first ever **current account surplus**. It was driven by a significant increase in the surplus in trade with services, a reflection of surging IT exports and a strong recovery of tourism. The current account returned to a deficit in the nine months of 2023 on the back of robust import growth associated with the elevated

domestic demand and lower remittances. While the country's international reserves rose to an all-time high in 2022, they declined considerably in the course of 2023.

As a result of the strong economic growth and the improving fiscal position, international credit rating agencies Fitch and Standard&Poor's upgraded, respectively in July and in August 2023, Armenia's rating by one notch to BB-. Both agencies also highlighted the improving external position as a factor for their decision.

#### **4.2 Economic development**

Armenia has a **vibrant entrepreneurial environment** with high levels of early-stage entrepreneurial activity, particularly among female entrepreneurs. A favourable tax regime is in place to reduce the tax and administrative burden on micro and small businesses and the information and communications technology sector. Nevertheless, there are still challenges with corporate governance and financing issues, and particularly with protecting minority investors. Further improvements are also needed with regard to the insolvency process. Access to finance remains problematic for Armenian SMEs, primarily because of high collateral requirements and the extensive credit history required by financial institutions. The capital markets for SMEs still remain shallow and underdeveloped. The recovery rates of defaulted loans are almost half those of OECD countries<sup>8</sup>, and it may take up to 2 years for creditors to recover their loans.

**Small and medium-sized enterprises (SMEs)** are the backbone of the Armenian economy, contributing significantly to the country's economic growth and employment. Recent studies show that SMEs generate 65.4% of value added and 69.7% of employment, surpassing the corresponding respective EU averages of 53.2% and 65.0%<sup>9</sup>. SMEs in Armenia face a financing gap of 10.8% of GDP. Although the country's production structure has diversified in recent years, it remains focused on activities with low value added, with only a few exceptions. This limits the competitiveness and growth potential of the economy. Reliance on low value added activities constrains labour productivity, especially in industry and services<sup>10</sup>. The value added per employee in Armenian SMEs is almost 2.5 times lower than the OECD average, and SME productivity is 30% lower than productivity in large Armenian companies. Although over a quarter of Armenian SMEs engage in foreign trade, there is an imbalance between importing and exporting, with only 6.2% of SMEs engaged in exporting activities, while the percentage of importing SMEs is almost four times higher.

The ICT sector continued to grow in 2023, following impressive growth in 2022. It is estimated that Armenia had about 1 000 ICT companies in 2022 – focused on customised software solutions and web development – with considerable export potential and international linkages. The resulting growth is an encouraging sign for the **development of Armenia's digital economy** and presents opportunities for SMEs to increase their productivity by adopting digital technologies and innovative business models. The government is currently working on promoting the digital transformation of SMEs, in an effort to improve competitiveness and labour productivity as part of the **SMEs development strategy 2020-2024**. In 2023, the government took steps to improve access to finance for SMEs, announcing a programme to develop capital markets access for mid-cap companies. Moreover, a number of legal reforms of the business environment have been initiated by the government, covering financial regulations (financing contracts), trade reforms (free economic zones and assistance packages for on-the-

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<sup>8</sup> [https://unece.org/sites/default/files/2023-06/UNECE\\_Innovation\\_for\\_Sustainable\\_Development\\_Review\\_Armenia\\_2023.pdf](https://unece.org/sites/default/files/2023-06/UNECE_Innovation_for_Sustainable_Development_Review_Armenia_2023.pdf)

<sup>9</sup> [https://neighbourhood-enlargement.ec.europa.eu/system/files/2021-09/armenia\\_-\\_sme\\_fact\\_sheet\\_2021.pdf](https://neighbourhood-enlargement.ec.europa.eu/system/files/2021-09/armenia_-_sme_fact_sheet_2021.pdf)

<sup>10</sup> [https://unece.org/sites/default/files/2023-06/UNECE\\_Innovation\\_for\\_Sustainable\\_Development\\_Review\\_Armenia\\_2023.pdf](https://unece.org/sites/default/files/2023-06/UNECE_Innovation_for_Sustainable_Development_Review_Armenia_2023.pdf)

job training of staff in manufacturing) and labour (digital platforms to conclude employment contracts and a revision of administrative penalties). Armenia also amended the **Law on postal communication** on 24 May 2023, reflecting the EU-Armenia commitments on universal postal services.

Banks are the main players in Armenia's financial system. The **banking sector** continued to demonstrate resilience and strong profitability in 2023 with high levels of liquidity. However, Armenia's capital markets are relatively underdeveloped, and external financing is crucial for long-term funding due to the small size of the domestic investor base. Therefore, the country may need to rely on external sources of funding to support the growth and development of its economy. The stability and growth of the banking sector in Armenia in recent years may face challenges as a result of the exposure of commercial banks to loans given to companies and people in Nagorno-Karabakh.

The **agriculture sector** is an important part of the Armenian economy. Both private sector investments and support from international organisations have improved the agriculture sector's infrastructure and processing capabilities, but the sector is still adjusting to a market-based economy. Armenian agriculture faces some challenges, such as small landholdings, soil degradation, and low productivity in the livestock sector. These challenges are exacerbated by the impacts of climate change, and account for the falling share of Armenian GDP that the sector has accounted for in the last decade<sup>11</sup>. There is a need to increase efficiency, competitiveness, and diversification of production in agriculture to fully exploit opportunities arising from domestic and foreign demand. The government has introduced a **10-year strategy to promote the sustainable development** of the agriculture sector, which includes measures such as improving irrigation systems, developing wholesale markets, and promoting modern livestock-management techniques. Transitioning to green agriculture requires addressing systemic issues such as limited access to finance and technical assistance, low levels of education and technical knowledge, and a lack of supportive policies.

On **statistics**, Armenia carried out a population and housing census in October 2022 and summary results were published at the end of 2023. ARMSTAT, the national statistical office, adopted in 2023 the generic activity model for statistical organisations, which provides a framework for enhanced cooperation and modernisation. On **digitalisation**, Armenia continues to implement a digitalisation strategy and strategic programme of measures and result-based indices for 2021-2025.

Computer programming skills have continued to develop in Armenia thanks to the **TUMO Convergence Centre's** educational components: the '42 Yerevan' programming school and TUMO Labs. These two organisations had success during the reporting period in attracting corporate sponsors to collaborate with Armenian universities on both joint solutions-oriented projects and university-level courses on coding. The Convergence Centre also implements incubation programmes in education, health and green technologies.

#### **4.3 Trade and trade-related matters**

Armenia's foreign trade continued to grow in 2023. The bilateral trade in goods between the EU and Armenia doubled in 2022, mainly led by a 150% increase in EU exports to Armenia. However, part of this increase is related to a decline in exports from the EU to Russia. The EU is working with the Armenian government to ensure that this increase in exports to Armenia does not contribute to the circumvention of EU sanctions against Russia. Armenia took actions to stop the re-export to Russia of the products from the common high-priority list. Trade between Armenia and the EU-27 increased by 44.1% in the first half of 2023 compared with

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<sup>11</sup> [https://www.theglobaleconomy.com/Armenia/share\\_of\\_agriculture/](https://www.theglobaleconomy.com/Armenia/share_of_agriculture/)

the first half of 2022. Despite that increase, the EU share of trade decreased from 19.0% of Armenia's total foreign trade in January-June 2022 to 15.9% of Armenia's total foreign trade in January-June 2023. EU exports to Armenia increased by 87% between January-June 2022 and January-June 2023, whereas EU imports from Armenia decreased by 11.7% over the same period.

Between January-June 2023, the countries of the Eurasian Economic Union (EAEU) top the list of Armenia's trading partners with a 36.1% share of the country's total foreign trade. Russia's share alone is 34.6%. **Exports from Armenia to Russia increased by 300%**, and imports from Russia grew by 28.6%. Armenia is currently developing an export strategy to diversify its export markets. This will help to mitigate potential risks in this volatile geopolitical environment. Other significant trade partners for Armenia are China with an 11.4% share, UAE with a 5.6% share, and the US with a 4.4% share.

**Foreign direct investments (FDIs)** in the Armenian economy stood at USD 998.1 million in 2022<sup>12</sup>, which is 2.7 times more than in the previous year. The share of FDIs in the country's GDP increased from 2.5% in 2021 to 5.12% in 2022. The EU is second after Russia as a source of FDIs in terms of gross flow with a 25.5% share and Net stocks with a 23.0% share. Russian share is 53.3% and 43.6% correspondingly.

The fifth **Partnership Committee in Trade Configuration** of the CEPA was held in Yerevan on 17 October 2023. Both sides committed during this meeting to step up their implementation of the trade aspects of the CEPA as a key element of Armenia's strategy of diversifying exports and reducing reliance on traditional markets.

The fourth meeting of the **EU-Armenia Sub-Committee on Geographical Indications (GI)** took place on 13 October 2023. Armenia reported on recent developments, notably the adoption of the new law on GIs. The registration of trademarks bearing "Champagne", the internal trade and the export of products using this term is banned. As regards the trademarks bearing "Cognac," the Ministry of Economy announced they would chose the brand "Armenian Brandy".

Armenia has made progress in developing – with EU support – its first **national quality policy and national quality infrastructure strategy**, which will include all areas of the quality infrastructure, including market surveillance. Armenia has worked to improve its metrology system by strengthening the knowledge of national stakeholders in the field and by setting up new measurement laboratories.

The number of standards adopted by Armenia in the first half of 2023 was 347. **On conformity accreditation**, the EU provided support via a Twinning project that ended in March 2023 to support Armenia in becoming a signatory of the European Accreditation body. The accredited conformity bodies in Armenia issued 659 conformity certificates in the first 6 months of 2023. These conformity bodies issued certificates during 2022, most of them for imported products. In the first half of 2023, 6 certification bodies and 6 testing laboratories were accredited.

## **5. Transport, energy efficiency, environment, climate action and civil protection**

The **7<sup>th</sup> EU-Armenia Sub-Committee on Energy, Transport, Environment, Climate Action and Civil Protection** took place on 13 October 2023 in Brussels.

Armenia has taken some steps to improve its **road infrastructure and road-safety record**. The CEPA provisions in this area relate to the implementation and incorporation of EU Directives 2008/96/EC on road-safety management and 2004/54/EC on minimum safety requirements for tunnels in the Trans-European Road Network. In this respect, Armenia has

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<sup>12</sup> FDI in 2022 - [https://armstat.am/file/article/sv\\_02\\_23r\\_420.pdf](https://armstat.am/file/article/sv_02_23r_420.pdf)

committed to conduct network-wide road-safety assessments by 2024, and has already initiated some legislative changes and reforms including by beginning to draft a **national road-safety strategy**. The country has also joined the UN General Assembly Resolution 74/299 on improving global road safety, with a target of reducing the number of fatalities and serious injuries on Armenian roads by at least 50% by 2030. Along with Armenia and other Eastern Partnership countries, the EU shares a common objective to work towards the completion of the core **Trans-European Transport Network (TEN-T)** by 2030.

Armenia ratified the **Common Aviation Area Agreement (CAAA)** in January 2023. The agreement removes market restrictions and creates a common aviation area between Armenia and the EU. The first Joint Committee meeting under the CAAA took place on 9 June 2023.

An ongoing EU-funded project, managed by the EU Aviation Safety Agency (EASA), provides technical assistance since March 2022 to support Armenia's efforts to overcome aviation safety oversight issues, which were the reason for the EU's decision to include **all air companies registered in Armenia on the EU's Air Safety List**. The EU also supports Armenia via the regional Eastern Partnership programme on aviation, which started on 1 April 2023, and focuses on improving the level of regulatory harmonisation with the EU aviation acquis and effective implementation of the EU-Armenia CAAA.

The EU supports Armenia's commitment to identify a realistic implementation strategy for the **limitation of greenhouse-gas emissions** and prioritisation of adaptation measures to cope with risks to the country's sustainable development. Armenia made progress to comply with the reporting obligations under the **Basel and Stockholm Conventions**, and under the **Convention on Biological Diversity and Cartagena Protocol on Biosafety**. Nevertheless, there remain uncertainties over the exact extent of improvements in Armenia's implementation key legislation and policy, such as the update of the **national implementation plan for the Stockholm Convention**, are still in the pipeline and have not yet been made law. Armenia is yet to engage actively to promote the **Kunming-Montreal Global Biodiversity Framework**, as a clear global roadmap towards a truly sustainable economy and development.

As regards the United Nations Framework Convention on Climate Change (UNFCCC), Armenia has **updated its Nationally Determined Contribution 2021-2030** and adopted a **long-term low-emission development strategy** in December 2023; the latter does include a target for climate-neutrality, rather a general objective to decrease the average emissions per capita to 2.07teq.CO<sub>2</sub> by 2050. Armenia is also working on a **draft climate law**. The country ratified the Kigali Amendment to the Montreal Protocol in 2019 and amended accordingly its law on ozone-depleting substances, introducing a licensing system for hydrofluorocarbons (HFCs); quantitative limitations for HFC imports kicked in in January 2024. Implementation of Armenia's national emission reduction targets is yet to be seen.

An appropriate legal and regulatory framework for **energy efficiency** in Armenia was put in place with the support of the EU and international financial institutions.

In the framework of Armenia's **national action programme for adaptation to climate change** and the **list of measures for 2021-2025**<sup>13</sup>, sectoral adaptation plans were developed during the reporting period, the water sector plan was approved in 2022, and the drafts for agriculture, energy, health and tourism have been or are being incorporated into wider sectoral strategies.

Armenia has made a significant progress in strengthening its **civil protection system**. Notably, with the support of a Twinning project, Armenia has finalised a law on disaster risk management and population protection and has approved the national disaster risk management

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<sup>13</sup> Decree of the Government of the Republic of Armenia, 13 May 2021, N 749-L

strategy. Armenia has shown a clear commitment to further enhance its capacities to prepare, prevent and report to natural and human-induced disasters through active participation in the Union Civil Protection Mechanism-funded projects and regional civil protection programme ‘Prevention, Preparedness and Response to natural and man-made disasters in Eastern Partnership countries – phase 3 (PPRD East 3)’.

## **6. Mobility and people-to-people contacts**

The **EU-Armenia Readmission Agreement** and **Visa Facilitation Agreement** have been in force since January 2014. EU Member States continued to express overall satisfaction with the implementation of the readmission agreement during the last **Joint Readmission Committee** on 25 October 2023. The return rate stood at 27% in 2022 and only 19% in 2023, while Member States continued to report a satisfactory response in issuing travel documents as a result of readmission requests (over 90% of requests are responded positively). The electronic readmission case management system is operational, and 15 EU Member States have joined the system and are successfully using it. On 19 October 2023, the EU-Armenia **Joint Visa Facilitation Committee** took place in Yerevan and confirmed that Armenian applicants are largely benefiting from the facilitations provided by the VFA. The number of visas issued, as well as the percentage of those entitled to multiple-entry visas, increased between 2019 and 2022. In 2019, 51 000 visas were issued by Member States, 34.8% of which were multiple-entry visas, while in 2022, almost 54 000 visas were issued by Member States, 41.6% of which were multiple-entry visas. The Commission noted though that the **rate of visa refused remained substantial** (13.16% in 2019, and 12.8% in 2022) and underlined that the main grounds for refusal were the non-reliability of the justification for the intended stay and a lack of justification for the purpose and conditions of the intended stay. Even though there has been a relative decrease in the refusal rate between the two reference years, the overall goal is for Armenia to reach a lower level of refusal rate (e.g. significantly below 10%). The **number of unfounded asylum applications** by citizens of the Republic of Armenia in the EU remains high and continues to increase (there were 3 730 asylum applications in 2019 by Armenians, and 4 470 in 2022), while the asylum approval rate is less than 4%.

Armenia has expressed a strong wish to start a **visa liberalisation dialogue** with the EU. In line with the 2021 Eastern Partnership Summit, the EU remains committed to opening such a dialogue with Armenia, provided that conditions for well-managed and secure mobility are in place, including the effective implementation of visa facilitation and readmission agreements, which represents one of the technical preconditions to starting a visa liberalisation dialogue. The decision to launch a visa liberalisation dialogue is a political one and would require the endorsement of all EU Member States.

In October 2022, Armenia was admitted to the **European Migration Network** as a non-voting observer.

The Armenian **Migration Service** (previously operating under the Ministry of Territorial Administration and Infrastructure) has now been dismantled. Its functions were integrated in December 2022 under the new Ministry of the Interior as a **Migration and Citizenship Service**. The new service includes the functions and personnel of the Migration Service as well as of the Visa and Passport Department, formerly administered by the Armenian police.

Armenia’s comprehensive **education** strategy covering the whole education and the accompanying action plan were adopted in December 2002 and March 2023 respectively. A draft new law on Vocational Education and Training is yet to be adopted. Armenia joined the European Alliance for Apprenticeships in October 2023.

Armenia benefits from the international dimension of **Erasmus+**. Through the participation in Erasmus+ capacity-building projects, Armenian universities considerably upgraded their administrative and organisational structures and modernised their study programmes. Armenia actively participates in the Erasmus+ programme, with the following results in 2022 and 2023: eleven projects selected involving Armenia under Capacity Building for Vocational Education and Training (CBVET) and 6 projects selected and coordinated by Armenia (12 in total involving Armenia) under Capacity Building in the field of Higher Education. Over 2 500 students and staff were selected to move in both directions (1770 moving to Erasmus+ countries and 739 moving to Armenia) within the International credit mobility. One project was selected under the Jean Monnet exchange and 3 projects selected under Erasmus+ Virtual Exchanges. In June 2023, 2 more actions were opened to Armenian organisations under Erasmus+: Capacity Building in the field of Youth and Capacity Building in the field of Sport.

Recent reforms in Armenia's **research and innovation** system include: (i) the normalisation and scaling of researchers' baseline salaries, which had not been reviewed since 2010; (ii) the introduction of new research-grant frameworks, including new international grant schemes for the relocation of researchers to Armenia and for setting up parallel labs or research groups in Armenia; and (iii) considerable investments in research infrastructures (over 285% in 2022 as compared with 2020) that enable research institutions to purchase modern equipment. In 2023, the Armenian government decided that its gross domestic expenditure on research and experimental development stands at 0.41% of GDP and set out its plans to keep spending at the same percentage of GDP for 2024. The government of Armenia's national political priorities in 2023 include: science, increasing the research component in higher education and increasing scientific excellence through financing mechanisms that ensure the effective use of funds.

Armenia signed the **Association Agreement to Horizon Europe** in November 2021 with retroactive effect from 1 January 2021. The Agreement provides for continuation of the research and innovation cooperation between the EU and Armenia while granting Armenia associated status under Horizon Europe. At present, Armenia has 10 grant agreements under Horizon Europe and has received EUR 3.2 million in programme contributions.

The situation of the **civil society organisations** has not changed significantly since the last reporting period. The EU funded **CSO Meter 2022**<sup>14</sup> **Armenia country report** outlines that overall, most of the CSO meter areas are positively assessed in terms of legal regulations, while the greatest challenges remain at the level of enforcement. Although CSOs do not face restrictions in seeking, receiving and using funding from various sources, deterioration regarding participation, freedom of expression, and state protection is reported. Civil society in Armenia remains highly polarised, and civic activists working on issues such as human rights of women and girls or of vulnerable and marginalised groups, are still often the targets of hate speech.

The **EU-Armenia (Civil Society) CEPA Monitoring Platform** was launched in April 2022, and held its third formal exchange in September 2023 in Brussels. It consists of 4 NGO representatives, 3 employers' representatives and 3 trade union representatives.

The **9th meeting of the EU-Armenia Sub-Committee People-to-people** (Employment and Social Affairs, Public Health, Training, Education, Youth, Information Society, Audio-Visual, and Science and Technology) took place online on 20 September.

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<sup>14</sup> <https://csometer.info/sites/default/files/2023-04/2022%20Armenia%20CSO%20Meter%20Country%20Report%20ENG.pdf>

## 7. EU technical and financial assistance

The EU remains the **key reform partner and largest aid donor** in Armenia. The EU and Armenia continued their bilateral cooperation under the **2021-2027 multi-annual indicative programme (MIP)**, which is framed by the policy framework on the Eastern Partnership beyond 2020 and builds on the EU-Armenia Partnership Priorities and the CEPA. In the programming for 2022 and 2023, EUR 45 million per year has been allocated to bilateral cooperation. This amount is complemented by regional programmes.

Following Azerbaijan's military operation in Nagorno-Karabakh on 19-20 September 2023 and the subsequent displacement of over 100 000 Karabakh Armenians, the EU allocated over EUR 12 million in direct **humanitarian assistance** for the displaced persons, as well as EUR 15 million in budget support to the government, including for food and energy costs. On 29 September, Armenia requested assistance from the Union Civil Protection Mechanism, and 14 Member and Participating States of the Union Civil Protection Mechanism provided medical support, shelter equipment, food, and medical supplies. In addition, the EU readjusted some of the existing projects to the real-time needs of the conflict-affected communities. Moving forward, the sustainable livelihood of the displaced persons is expected to pose a significant burden on Armenia's budget, national and local administrations, as well as on the country's social, educational and health infrastructure. The EU is also providing technical assistance related to air and nuclear safety.

In March 2023, the European Union launched a EUR 7 million **technical assistance programme to support CEPA** monitoring, implementation and communication. The EU plans to deploy a **High-Level Advisor** to assist the government in implementing the CEPA.

In addition, a critical element to this assistance and further support to Armenia's broader socio-economic recovery is the **Economic and Investment Plan** for the Eastern Partnership. Its flagship initiatives, identified jointly with the Armenian authorities, target SME development, green growth, connectivity and the socio-economic development of the southern regions, as well as digital transformation. Overall, Armenia performs well under the EIP, with close to EUR 500 million in investments already mobilised in sectors ranging from SME support to education. The EU and Armenia are engaging in accelerating the implementation of the Plan and better use of its existing toolbox.

The EU is the largest donor to Armenia's **justice sector**, including via an ongoing budget-support programme (2021-2023) with a total amount of EUR 30 million in this initial 3-year period and EUR 11 million planned for the second phase (2023-2025). Armenia also benefits from EU support in this sector from the regional Partnership for Good Governance project implemented by the Council of Europe. Several other EU technical assistance contracts are providing complementary support to implement reforms in the country's justice and **anti-corruption systems** to improve the effectiveness, efficiency, and accountability of programmes through continued strengthening of Armenia's institutional capacity.

With EU funding, the World Bank completed a **functional review of the justice system**<sup>15</sup> in Armenia in 2023. The functional review identified key issues and suggested actions to address them in the areas of governance and management; provision of judicial services to citizens; performance measurement and management; budgeting, financial management, and expenditure; Human Resources; ICT resources; and physical infrastructure. The scope of Phase II of the budget-support programme for justice-sector reforms has been aligned with the

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<sup>15</sup> <https://thedocs.worldbank.org/en/doc/a8b97de2cdf5b18ef2d9584d4f758801-0080062023/original/Forward-Look-Armenia-Judiciary-eng.pdf>.

recommendations and findings of the functional review, in particular in the areas of integrity, transparency and efficiency of the Armenian justice system. In addition, German and Latvian experts are sharing expertise through a Twinning project to foster integrity and prevent corruption in the public sector in Armenia.

The EU is also providing Armenia with a EUR 32 million budget support programme to support the implementation of the recently adopted **education** strategy and action plan. The programme aims at increasing the competitiveness of the Armenian education system, with a particular focus on secondary education in rural areas of Armenia.

The Armenia Country Level Implementation Plan (CLIP) of the EU **Gender** Action Plan III was updated in October-November 2023. The updated plan has a stronger focus on integrating and engaging women from the displaced population in the labour market. Given the high rates of unemployment in the country and the limited availability of childcare options, promoting women's access to decent work and childcare facilities are seen as priorities. The plan also has a stronger focus on addressing gender-based violence as a result of conflicts/wars and displacement.

The EU supports research and innovation in Armenia within the ongoing **EU4Innovation** programme (EUR 23 million), focusing on young people, STEM subjects teaching at schools and addressing the mismatch between the knowledge and skills of university graduates and labour market needs. Under EU4Innovation, the **STEM Pilot Project** implemented by the World Bank, with a pilot in Tavush region is coming to its completion by the end of 2023. The project has supported in redeveloping the curricula, associated pedagogical materials, teachers' guides, and examinations blueprints for STEM subjects using contemporary methods and technologies, as well as strengthening the National Center for Education Development and Innovation.

Furthermore, following signature of the "Financial Support for participation of the Republic of Armenia in the EU framework programme Horizon Europe" in 2023, Armenia is expected to increase its participation in **Horizon Europe programme**. The European Commission provides support to Armenia via Horizon Europe project proposal drafting camps and expert consultations targeting the R&I community in Armenia and aiming to increase the participation of Armenia in Horizon Europe. For 2023, the project proposal drafting camp took place in March in Yerevan. Under the regional **EU4Culture programme**, Ijevan city in Armenia was selected for the implementation of its cultural strategy.

Armenia actively participated in EU-funded capacity building, including through the regional programme **Statistics Through Eastern Partnership (STEP)**, which was concluded in July 2022, and by undergoing a Sector Review of Environment Statistics in June 2022.

Further, Armenia participates actively in the territorial cooperation **Black Sea Basin programme**. The programme benefits of EUR 85 million for the 2021-2027 period to support joint projects between partners from Bulgaria, Greece, Romania, Armenia, Ukraine, Moldova, Türkiye and Georgia. The programme responds to the EU Green Deal objective by supporting projects for climate change adaptation, risk disaster resilience as well as protection of nature and biodiversity. Projects also develop research and innovation capacities in line with the Common Maritime Agenda. The programme is also funding projects related to better cooperation governance, that support the institutional capacity of public authorities and civil society, build mutual trust, and enhance sustainable development.

In the digital sector, the EU continues to provide support through number of project and programme such as **EU4Business and EU4Digital**. Armenia benefitted from support in telecommunications, e-signature, e-commerce, e-skills, innovation, as well as through the EaP

Connect Programme, connecting more than 52 Armenian research and education institutions to the EU. Armenia will also benefit from upcoming programmes under EU4Digital umbrella: a Broadband Project Preparation Facility in cooperation with World Bank and EU4Innovation East supporting start-ups.

The EU continued its support for **shared and inclusive economic growth in Armenia through SMEs development** under the framework of the EU4Business regional programme and in line with the EIP flagships for the country.

The EU-Armenia SME Fund completed its fundraising activities in 2022, raising USD 60 million, and has completed investments of approximately USD 8 million in the field of solar power generation, food packaging and health sectors. The EU4Business Innovative Tourism and Technology Development project has supported business development for tourism enterprises, marketing, access to finance schemes, and developing the technology start-up ecosystem. The **EU4IMPACT** project launched two rounds of a business incubation resulting in 85 new businesses created. The **European Bank for Reconstruction and Development's Advice for Small Business in Armenia** has provided business advice and support to 297 SMEs so far. SMEs participating in the programme registered a net increase of total turnover of EUR 136 million.

When it comes to the environment, the **EU4Environment** regional programme's Green Economy component has supported Armenia in multiple ways, including in the finalisation of the Strategic Environmental Assessment and Environmental Impact Assessment legislation, promoting circular economy and green financing. Under the programme's Water and Data component, important progress was made with the approval of new River Basin Management Plans in January 2023 and the organisation of a National Policy Dialogue on Water in October 2023. The **EU4Climate** regional programme has provided extensive support in order to enhance Armenia's climate ambition and planning. The EU4Climate project also supported development of the **energy saving and renewable energy** programme for 2022-2030 approved by the Government in January 2022. In addition, programmes such as the Covenant of Mayors have contributed to the preparation of Energy Efficiency investments on municipal level.

The **Resilient Syunik Team Europe Initiative**, launched on 18 January 2023, is the joint effort of the EU, the European Investment Bank, Austria, Czechia, Estonia, Finland, France, Germany, Lithuania, the Netherlands, Poland, and Sweden, with Switzerland as an external partner. The five-year budget of the initiative stands at EUR 116 million as a starting point and is expected to contribute to resilient economic growth and job creation in various sectors. The **Local empowerment of actors for development** programme continued implementation promoting inclusive and sustainable growth and improved livelihoods of the rural population in the Shirak, Lori and Tavush regions through piloting the LEADER rural development methodology supporting Local Action Groups and community-driven local development initiatives. Under the **Mayors for economic growth** facility, the municipalities of Kapan, Dilijan and Ijevan implement pilot projects to promote local economic growth, job creation, and promotion of entrepreneurship, skills development and SME development, investing among others in local infrastructure for business development.

The **EU is a key donor and interlocutor in Armenia on civil society** matters. The on-going portfolio of EU civil society support for Armenia is EUR 33.95 million. Through 165 sub-grants and activities, the main areas of focus are: democratic participation and civil society, human rights, women's rights, youth, media, elections, anti-corruption organisations, decentralisation and urban planning, employment creation and SME development, labour rights, protection of vulnerable groups, environmental policy and education, social protection and social services, education, and training. Some of the ongoing and coming projects will redirect calls for sub-

grants and activities in favour of displaced persons from Nagorno-Karabakh and host communities.

## **8. Concluding remarks and future outlook**

Over the reporting period, the EU continued to be **Armenia's key reform partner and largest donor**. EU-Armenia bilateral relations have never been stronger, and the Armenian government considers the **CEPA** as a blueprint for its domestic reform agenda.

Despite the challenging security situation, **Armenia continued its democratic reforms** and made commendable progress in the implementation of reforms in the fields of **justice and the fight against corruption**. To supplement its anti-corruption institutional infrastructure, Armenia set up the Anti-Corruption Court and the **Ministry of Interior**. It is also implementing an ambitious reform of its police service and there has been significant progress related to reforms on **education, health, social protection, and civil protection**. Armenia should continue carrying out all necessary reforms, while ensuring full compliance with democratic principles and **human rights**.

However, Armenia finds itself in a situation that tests its resilience, in particular with regard to its security, sovereignty, the stability of its democratic institutions, and its economy.

Support to the reform agenda in Armenia and to the CEPA implementation will be provided through policy dialogue, EU bilateral assistance and relevant Eastern Partnership regional programmes. The **EIP**, including its flagship initiatives for Armenia, will remain a key element to foster sustainable development and leverage public and private investments in line with good governance standards.

Finally, the EU will continue to support **confidence-building measures** and the overall **normalisation of relations between Armenia and Azerbaijan**, with the overarching goal of promoting a **South Caucasus** that is **secure, stable, peaceful and prosperous**, for the benefit of all people living in the region.