



EUROPEAN
COMMISSION

HIGH REPRESENTATIVE OF THE
EUROPEAN UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

Brussels, 25.3.2015
SWD(2015) 63 final

JOINT STAFF WORKING DOCUMENT

Implementation of the European Neighbourhood Policy in Armenia Progress in 2014 and recommendations for actions

Accompanying the document

**JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL,
THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

Implementation of the European Neighbourhood Policy in 2014

{JOIN(2015) 9 final}
{SWD(2015) 64 final}
{SWD(2015) 65 final}
{SWD(2015) 66 final}
{SWD(2015) 67 final}
{SWD(2015) 68 final}
{SWD(2015) 69 final}
{SWD(2015) 70 final}
{SWD(2015) 71 final}
{SWD(2015) 72 final}
{SWD(2015) 73 final}
{SWD(2015) 74 final}
{SWD(2015) 75 final}
{SWD(2015) 76 final}
{SWD(2015) 77 final}

1. OVERALL ASSESSMENT AND RECOMMENDATIONS FOR ACTION

This document reports on the progress made in the implementation of the EU-Armenia European Neighbourhood Policy (ENP) Action Plan between 1 January and 31 December 2014. Developments outside this period are taken into consideration where relevant. This is not a general assessment of the political and economic situation in Armenia. Information on regional and multilateral sector issues is contained in the Eastern Partnership (EaP) Implementation Report.

In October 2014 Armenia signed the Accession Treaty to the Eurasian Economic Union (EEU). In preparation for signing the treaty, which came into force on 2 January 2015, it implemented a roadmap with administrative and legislative measures in 20 areas of government policy. Despite the decision not to initial the negotiated Association Agreement with the EU in September 2013, including a Deep and Comprehensive Free Trade Area (AA/DCFTA), Armenia and the EU further continued their political and trade dialogue in 2014, in areas where this was compatible with Armenia's new international EEU obligations. To this end, in November 2014 the EU and Armenia launched a scoping exercise on possible areas of cooperation for future relations.

The EU-Armenia Visa-Facilitation and Readmission Agreements came into force in January 2014. The agreement allowing Armenia to participate in EU programmes and agencies came into force in March.

Armenia made limited progress on deep and sustainable democracy, human rights and fundamental freedoms. In April 2014 the Specialised Commission on Constitutional Reform presented its draft concept paper proposing a transition from a presidential system to a parliamentary system, changes related to the electoral system, a better balance of powers and more human rights protection. However, no broad consensus within the society and with the political opposition parties exists on this reform.

A Human Rights Action Plan was adopted in February 2014, an important step forward. However, the Action Plan does not address areas that should be a priority, such as the compliance with the UN Convention against Torture (CAT). The right of freedom of association was generally respected. Comprehensive anti-discrimination legislation is still missing, although some legislative measures were taken. The anti-discrimination strategy, which would help making legislative steps more consistent, remained a draft. There were no tangible developments in the implementation and enforcement of legislation on human rights and fundamental freedoms. Several reforms remained at drafting stage and only some steps are missing to make them legal reality. Shortcomings stated in previous progress reports, such as the lack of trust in the judicial system and the fight against corruption persisted.

Armenia made some progress with regard to the right to free legal aid and limited progress with regard to the independence of the judiciary, in particular judges. The procedure for appointing judges was made more transparent, but the public continued to distrust the judiciary system. Armenia ranks 94 out of 175 countries on Transparency International's Global Corruption Barometer 2014.

Armenia continued to implement sound macroeconomic policies. It made further progress towards achieving the objectives of the Action Plan in the areas of macroeconomic policy, poverty reduction and social cohesion. Economic activity continued to decelerate in 2014,

affected by the economic slowdown in the Russian Federation and weak EU demand. Tax administration reforms continued. Not enough was done to diversify the economy, with overreliance on agriculture and mining in particular. Diversification would help make Armenia less vulnerable to external shocks, in particular from the Russian Federation.

Armenia relies heavily on imported primary energy sources. The only domestically produced primary energy is electricity from the country's hydroelectric plants and the Medzamor nuclear power plant (MNPP). The early closure and decommissioning of the MNPP remain a key objective for the EU and under the ENP Action Plan. Since the power plant cannot be upgraded to meet current internationally recognised nuclear safety standards, it should be closed as soon as possible. The new power plant should comply with the latest international safety standards. However, the Armenian Government has announced the life extension of the MNPP until 2026 to ensure its capacity is replaced. In light of this decision, it is noteworthy that the European Commission received Armenia's stress test report on the MNPP, with a view to it being peer reviewed during 2015. This is in line with EU objectives in this policy area, which is the promotion of the highest nuclear safety standards and safety culture worldwide.

Last year it was the 20th anniversary of the 1994 ceasefire agreement in the Nagorno-Karabakh conflict against the background of a continued stalemate. The Presidents of Armenia and Azerbaijan met in Sochi, at the NATO summit in Newport and in Paris, revitalising the most important channel of communication between the two sides and exchanges on a peaceful settlement. The security situation on the ground remained a matter of serious concern amid incidents and casualties on a level not seen since 1994, an increase in confrontational rhetoric and a continued arms race. The EU continued to fully support the OSCE Minsk Group Co-Chairs and peace-building activities. The High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission supported continued peace-making efforts, including through the new EU Special Representative (EUSR) for the South Caucasus and the conflict in Georgia, Herbert Salber. He regularly visited the region for high-level meetings and maintained frequent contacts with relevant interlocutors.

There has been no real progress in relations between Armenia and Turkey, despite Turkey's invitation to the President's swearing-in ceremony in August 2014. The centennial commemorations in 2015 will be another test-case for the future of bilateral relations. The EU continues to support the normalisation of Armenia-Turkey relations and encourages both sides to remain committed to the process of normalisation without preconditions.

Overall, Armenia made limited progress in implementing the ENP Action Plan, with some efforts to establish deep and sustainable democracy and put sound macroeconomic policies and structural reforms in place. While it took some strategic steps towards implementing constitutional reform, more concrete legislative measures and their implementation and enforcement are recommended. More awareness of human rights and Armenia's related obligations across society would be welcome. EU-Armenia trade relations will need to be re-defined following Armenia's accession to the Eurasian Customs Union.

Based on the assessment of its progress in 2014 on implementing the ENP, Armenia should focus its work in the coming year on:

- amending the electoral legislation in accordance with OSCE/ODIHR (Office for Democratic Institutions and Human Rights) recommendations in due time before the 2017 parliamentary elections;
- adopting and implementing a comprehensive anti-discrimination law; implementing and monitoring implementation of the law on equal rights and equal opportunities for women and men, including taking further steps towards harmonising legislation in this area with the EU *acquis*; adopting the law on domestic violence;
- investigating the cases of attacks and intimidation of human rights defenders and ensuring effective law enforcement, including in cases relating to the deaths that occurred during the clashes of March 2008 and the allegations of ill-treatment in police custody and violation of due process;
- finalising the draft law on freedom of conscience and religion;
- stepping up the reform of the judiciary and law enforcement and implementing the related reform agenda of the Armenian authorities, e.g. making the judiciary more independent, improving the training of judges, reviewing the Code of Criminal Procedure and bringing its legislation on torture into line with Article 1 of the Convention Against Torture; nominating a contact point to Eurojust to facilitate closer judicial cooperation;
- continuing public administration reform by doing more to prevent and fight against corruption;
- fostering inter-municipal cooperation and increasing the capacity of municipal councils, ensuring competences for local authorities and increasing local authorities' own resources; making the municipal tax mechanism more efficient and reviewing the financial equalisation mechanism;
- enhancing medium-term growth by further improving the business climate and making investments even more attractive, strengthening the external position of the country; continuing to mobilise tax revenue in a growth-friendly manner;
- to diversify Armenian exports with commodities of higher value added, carrying out further regulatory approximation with international trade laws and standards;
- further intensifying efforts to implement international conventions, such as those linked to the EU Generalised Scheme of Preferences (GSP); working towards the earliest possible closure of the Medzamor nuclear power plant and adopting a detailed decommissioning plan, taking into account the results of stress tests; meanwhile increasing the safety standards of the nuclear power plant;
- stepping up efforts towards reaching a comprehensive peace settlement in accordance with the commitments made in the Minsk Group; refraining from actions and statements that could heighten tension and undermine the peace process; creating an environment conducive to making progress in resolving the conflict and to encouraging and supporting related peace-building activities; ensuring that EU representatives working in support of conflict transformation activities have unimpeded access to Nagorno-Karabakh and the surrounding regions.

2. POLITICAL DIALOGUE AND REFORM

Deep and sustainable democracy

The government did not start amending the Electoral Code at least one year before the next elections as the OSCE/ODIHR recommended. The next parliamentary elections will take place in February 2017. Women remained underrepresented in political positions. The EU continued to support their participation in local decision-making.

In April 2014 the committee for **constitutional reform** published a concept paper for comprehensive constitutional reforms, including changing to a parliamentary system of governance, other changes to the electoral system, better balancing of powers and greater respect of human rights. In October 2014, the Venice Commission of the Council of Europe adopted an opinion on the paper, commending the objectives, while refraining from commenting on the choice of the governance system.

The government respected **freedom of association**. In September it approved the 'Concept on Institutional and Legal Reforms of Civil Society Organisations' (CSOs). It says that the Ministry of Justice should submit the new draft law on public organisations. The draft law allows flexible regulation of public organisations and increases the role of their charters. The financial sustainability of public organisations is addressed by adding instruments that do not exist under current legislation, such as direct business activity of public organisations, more transparent state funding and opportunities for new instruments, such as endowment. It makes public organisations more sustainable, developed and independent, self-regulated and institutionally strong. A working group composed of CSOs and staff from the Ministry of Justice drafted the law. Both documents were widely discussed with many CSOs at public events and round tables and in working groups.

The current law on **freedom of assembly** is in line with EU and other international standards. Its implementation was marred however, with 17 incidents recorded and 72 activists arrested. There was a decrease in the number of assemblies the authorities refused to allow for various technical reasons. In several cases the police reportedly used force and imposed restrictions on assemblies, stating that they were not 'authorised'.

There were no major developments regarding **freedom of expression and the media**. Although criticism of the government and public officials is tolerated in general, and there are no restrictions on the use of the internet, a number of issues still remained taboo. Human rights defenders, journalists and other people with minority views on controversial issues, such as gender issues and the Nagorno-Karabakh conflict, continued to face intimidation, harassment, threats and abuse. Media independence remained insufficient and there were no developments regarding pluralism in the broadcasting media and transparency of media ownership.

Regarding the independence of the **judiciary**, the implementation of the Judicial Reforms Strategy 2012–16 continued. Legal amendments to the Judicial Code strengthened the independence of judges by defining the duties of the self-governing structures, improved the criteria for evaluating and promoting judges and made the procedure for appointing them more transparent. However, the amendments formally endorsed the role of the President in the final appointment of judges. Public distrust of the system and its integrity remained high. Regarding **impunity**, there were no tangible developments in the investigation of the deaths

that occurred during clashes following the March 2008 presidential elections. The EU continued to help strengthen the independence and professionalism of the judicial system, including budget support.

There has been progress on the right to free legal aid. The number of public defenders increased and a legislative change increased the categories of population groups eligible for free legal aid. However, the lack of information about the right to free legal aid continued to impair **access to justice**.

There were no significant developments with respect to the right to a **fair trial**. Discussions on adopting criteria for randomly assigning cases to judges, taking into account their specialisation, did not lead to concrete results. With courts still dependent on the public prosecution service, their independence and impartiality was not fully guaranteed. The Court of Cassation continued to influence other judicial bodies. A new Criminal Procedure Code was drafted, putting presumption of innocence and equality of arms between the defence and the prosecution at its core. Armenia also started drafting a new Criminal Code. Armenian authorities expressed their aim to comply fully with Council of Europe standards when it comes to torture and ill-treatment. However, in 2014 claims about instances of torture and mistreatment during pre-trial investigations were ignored or not properly investigated. Decisions on imposing or prolonging pre-trial detention were not well substantiated by courts.

In April, Armenia approved a concept paper for the **fight against corruption** focusing on education, state revenues, police and healthcare. It led to the development of a draft strategy and an action plan, presented to national and international stakeholders in October. The draft documents provide for the participation of civil society. It is still necessary to strengthen the mandate and functions of the Ethics Committee for High-Ranking Officials. SIGMA (Support for Improvement in Governance and Management) continued to provide related policy support. The anti-corruption council was not established in 2014.

There have been positive developments with regard to security and law enforcement since the adoption of amendments to the law on alternative military services in 2013. As of October all applications from conscientious objectors who applied for transfer were successful. The 74 applicants are doing their service in elderly homes, psychiatric institutions and orphanages, or in landscaping/zoning agencies.

Armenia continued to respect international OSCE Code of Conduct commitments regarding **democratic control over armed and security forces**. However, there were concerns about suspicious deaths under non-combat conditions in the armed forces, the practice of hazing and other mistreatment of conscripts. The Human Rights Defender appointed his deputy to deal with military servicemen's rights.

Other human rights and fundamental freedoms

Awareness of **international human rights instruments** and Armenia's human rights obligations remained low among national institutions, including the judiciary and law enforcement bodies. The government prepared the second national report on the Universal Periodic Review (review at the UN Human Rights Council in early 2015). Armenia is a signatory to more than 50 international human rights conventions, including all fundamental conventions. However, it has not yet ratified the Optional Protocol to the International Covenant on Economic, Social and Cultural Rights and the Optional Protocol to the

Convention on the Rights of Persons with Disabilities. The government accepted the Second Optional Protocol to the International Covenant on Civil and Political Rights, aimed at abolishing the death penalty, but has yet to ratify it. Ratification of the Convention on Protection of the Rights of All Migrant Workers and Members of Their Families is also still pending.

As of June 2014, 1 022 cases relating to Armenia were pending before the **European Court of Human Rights** (ECHR). Out of a total of 47 verdicts of violation issued by the ECHR, action is pending on 42. The Ministry of Justice set up a separate department to deal with the follow up to ECHR cases.

The government approved the **human rights national action plan** in March, based on the national strategy for human rights protection. It is a roadmap for coordinated action by public institutions to fulfil Armenia's international obligations and can be seen as a welcome step forward. The government said that it would be revised and amended regularly. While the adoption of the strategy and action plan is an important step forward, it failed to address certain priority areas, including the UN Convention against Torture, electoral rights and ensuring greater respect for women's rights. The EU continued its dialogue with Armenia on human rights. A new EU programme will scale up human rights assistance, in particular in relation to elections, preventing torture, anti-discrimination, gender equality and child protection. The government confirmed it would include the conditions of the programme in the human rights action plan.

Armenian law prohibits **torture**, inhuman or degrading treatment. There were no tangible developments on bringing national law to criminalise torture into line with Article 1 of the Convention against Torture. This does not feature in the Human Rights Action Plan. The current definition of torture does not include crimes committed by public officials.

There were no tangible developments regarding **ill-treatment** in police custody. There is concern about the use of coerced confessions in trials and the failure to investigate defendants' allegations that confessions have been obtained using torture. Reports from monitoring groups confirm that ill-treatment and police violence continue to take place mostly during arrest and are not properly addressed in courtrooms.

There was limited progress in reforming the **prison system**, with the opening of the first dwelling building of Armavir Penitentiary. This should decrease overcrowding in criminal executive establishments. Inhuman treatment in prisons remains a concern. Improving detention conditions and reducing prison overcrowding would be a step towards complying with EU and international standards. Although legally allowed to, in practice judges still did not offer alternatives to prison. A prison reform action plan was developed in line with the recommendations of the Council of Europe Commission on the Prevention of Torture (CPT). The draft law introducing the probation service was discussed with stakeholders and civil society but was not adopted. The alignment of prison conditions with CPT standards continued with EU support.

Despite some progress on religious minorities (especially alternatives to military service for Jehovah's witnesses), society's acceptance of religious minorities remains low. The law on **freedom of conscience and religion** has still not been adopted. Discrimination against minority religious groups in the workplace and the media continued.

The law on equal rights and equal opportunities for women and men has still not been implemented efficiently. There is no way of complaining about inequality. There is concern about deeply rooted patriarchal attitudes and stereotypes regarding the role of women and men, coupled with persistently high levels of violence against women. The law on domestic violence was not adopted. Reforms of the Criminal and Administrative Codes were scheduled to be completed by the end of 2016 only and it was unclear how conscience would participate. Despite the increasing challenges, the visibility of **women's rights** defenders increased thanks to the internet and social media. A side effect of this was an increase in threats and hate speech against women's rights organisations, not investigated properly by the police.

The practice of gender-based sex selection was still considerable. Legislation on the prohibition of sex selection was drafted and put in circulation among the government and civil society.

There was support for making children an integral part of the wider child care system reform that should support non-residential services for children. Two institutions were closed and alternative services were being set up. The monitoring of childcare institutions brought new cases of abuse and ill-treatment to light.

Children also remained among the poorest groups in society (36.2%), with a higher risk of poverty for children with disabilities, younger children, those with more siblings and those living in households headed by a woman. There was no clear, legally binding distribution of tasks between social protection and childcare services.

The human rights action plan recognised the need to strengthen the protection of the **rights of vulnerable groups**. With this in mind, the government submitted a draft law on social assistance to parliament, aiming to give several vulnerable groups assistance in various forms.

In January the government approved the Concept on Determining Disability based on multi-dimensional assessment in line with WHO classifications.

Some restrictions on the right to strike, as well as restrictions for some groups (e.g. law enforcement professionals) on joining trade unions, remained in place.

Armenia still does not have a comprehensive legal framework against **discrimination**. The human rights action plan only suggested assessing the compatibility of relevant Armenian legislation with international law and weighing the merits of adopting an anti-discrimination law. No measures were put in place to protect the rights of LGBTI people, while discrimination and hostility continued to be a major problem. There was also widespread discrimination against people with disabilities with regard to their economic, social and cultural rights. People with disabilities were also socially segregated in all areas.

The government did not enforce ECHR judgments on **property rights** and the use of eminent domain in Armenia.

In January, the Committee of Experts of the Council of Europe confirmed that Armenia had developed a legal and institutional framework for protecting and promoting its **minority** languages. Its implementation is still not complete in a number of areas. Minority languages were also little used in dealings with administrative authorities (including in areas in which minorities were present).

Other governance-related issues

Public administration reform continued to be slow. The Government was encouraged to proceed with civil service regulatory reforms, on the basis of SIGMA's blueprint, and with the reform of the training system for civil servants.

Improvements in territorial and **local self-governance** continued. In March, the Council of Europe Chamber of Local Authorities stated that most local services managed by the state and local authorities had limited service delivery capacity. Local authorities played a limited role because they did not have full and exclusive powers. Armenian authorities have not yet defined the powers of local authorities and how to transfer competences.

Better structured dialogue and consultation is needed between the government and civil society. There are also indications that civil society lacks sufficient capacity for policy monitoring and dialogue with the government. In response to this situation, the EU continued regular consultations with civil society and launched a new project on developing capacity and promoting sustainability through social entrepreneurship.

Cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management

Armenia continued to align with Common Foreign and Security Policy (CFSP) declarations on a case-by-case basis. It aligned with 15 out of 49 declarations it was invited to subscribe to (19 out of 32 in 2013).

On Nagorno-Karabakh, against the background of persisting stalemate in the Minsk Process, the meetings in Sochi, Wales and Paris revitalised communication at the highest level between the sides and the exchanges on the road towards a peaceful settlement. The flare up of violence on the line of contact and the international border in the summer of 2014 and the downing of a helicopter on 12 November were unprecedented since the signing of the cease-fire agreement in 1994. The number of OSCE-reported casualties on both sides in 2014 sharply rose to 57 servicemen and one civilian killed, and 57 servicemen and 13 civilians wounded, compared to 14 servicemen killed, 32 servicemen and five civilians wounded in 2013. Confrontational rhetoric, continued arms race as well as humanitarian issues further impacted on the conflict settlement process. The lack of progress continued to have a serious effect on the population that was displaced as a result of the conflict.

The EU called on parties to refrain from actions and statements that could heighten tensions and undermine the peace process, and promote an environment conducive to help settling the conflict, while encouraging and supporting peace-building actions. The EU continued to provide full support to the OSCE Minsk Group Co-Chairs. The HR/VP supported continued efforts towards peace. The new EUSR for the South Caucasus and the conflict in Georgia, Herbert Salber, made regular visits to the region for high-level meetings and maintained frequent contacts with relevant interlocutors. The EU continued to financially support the 'European Partnership for the Peaceful Settlement of the Conflict in Nagorno-Karabakh' project, bringing together stakeholders across the conflict divide in peace-building activities. The EU continued to call for unimpeded access for EU representatives to Nagorno-Karabakh and the surrounding regions as an important means to support conflict transformation activities and to complement the efforts of the Minsk Group.

The EU maintained its support for activities that promote confidence and people-to-people contacts, promote cultural and educational activities, and facilitate the dissemination of balanced information in both Armenia and Azerbaijan.

3. ECONOMIC REFORM AND SOCIAL REFORM AND DEVELOPMENT

The Armenian authorities implemented sound macroeconomic policies in 2014. However, the considerable economic slowdown in the Russian Federation and comparatively weak demand growth in the EU affected the economy. **GDP** increased by an estimated 2.6%¹ compared to 3.5% in 2013. Average inflation receded from 5.8% in 2013 to an estimated 2.2% in 2014, as a result of the lower gas prices from Russia. The fiscal deficit is estimated to have widened to 2.3% of GDP in 2014 from 1% of GDP in 2013. Public debt (85% of which is in foreign currency) was estimated at 49.7% of GDP at the end of 2014, affected by the significant depreciation of the Armenian Dram in late 2014. The consolidation of the current account did not advance in 2014. The current account recorded an estimated 8.1% of GDP deficit in 2014 (from 8% in 2013 and 12.1% in 2012) as a result of a decline in exports (notably to Russia) and remittances in the second half of 2014.

Unemployment was estimated at around 17.2%, with youth unemployment at 24%. First entry into the labour market and the lack of university education were specific concerns for young people. Almost 50% of women were not economically active. Informal employment remains very high. According to the Ministry of Labour and Social Affairs, more than 30% of the population lived below the **poverty** line.

Armenia continued to implement reforms to integrate **social services**. It opened 19 integrated social service centres (out of 57 planned). They operate using a ‘single window approach.’ Their priorities include more social cohesion, better social services and consistent implementation and monitoring. Armenia also drafted legislation on coordinating social services and for social assistance. The pension reform stalled following the Constitutional Court’s decision in April to return the legislation to the government for further revision.

The Armenia Development Strategy (2014–25) was approved, replacing the previous **sustainable development** programme. Its main priorities are employment, human capital development, improving the social protection system and institutional modernisation of public administration and governance. It identified cross-cutting governance issues affecting the economy, underlining the need to fight against corruption and improve the business climate.

With regard to **agriculture and rural development**, a mid-term review of the strategy for sustainable agricultural development was carried out, with significant input from civil society.

The government issued a decree in March to make the Armenian Social Investment Fund an institutional part of the Regional Development Fund as of January 2015. A comprehensive strategy on **regional development** and a Regional Development Fund model are being developed with EU support.

¹ For sources and detailed figures, see Statistical Annex accompanying the reports; figures without sources are forecasts by Commission services.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

In 2014 the EU-Armenia bilateral **trade** amounted to EUR 992 million (EU imports: EUR 276 million; EU exports: EUR 716 million; EU trade balance: EUR 440 million). The EU remained Armenia's main trading partner.

Under the reformed EU Generalised Scheme of Preferences (GSP), Armenia qualified for the special incentive arrangement for sustainable development and good governance, GSP+, offering more advantageous preferential access to the EU market.

The national assembly adopted an amendment to the current **Customs** Code in May, in line with the recommendations of an ongoing EU twinning project. The State Revenue Committee was incorporated into the Ministry of Finance. Rules on risk assessment for people carrying goods and an order regarding the amendment of customs declarations were approved. Armenia became a signatory to the Revised Kyoto Convention on the simplification and harmonisation of customs procedures. Although setting up the EEU was expected to have a significant impact on **technical regulations and the free movement of goods**, no major changes to technical barriers have been registered so far.

Guidelines on the regulation of harmful organisms of plants were approved in February 2014. The government also developed programmes on residual substance control in fish, honey and meat for 2015. An EU twinning project provided assistance in drafting legislation, building institutional capacity and raising public awareness of **sanitary and phytosanitary issues** and food safety.

Armenia's **foreign direct investment** decreased for a second consecutive year, down by more than 35% year-on-year according to the National Statistical Service. The EU remained the main source of foreign direct investment in the manufacturing sector.

Regarding **financial services**, the Central Bank approved changes in the capital formation and the structure of the banks in line with Basel III requirements.

Amendments to **taxation** laws to encourage people to declare their income came into force. A new law on turnover tax came into force in October, reducing the rate from 3.5% to 1%.

In February 2014 a peer review of the Armenian **statistical** system confirmed that the National Statistical Service enjoys a high level of professional independence and professionalism. The first agricultural census in Armenia was conducted in October, and will provide essential information for future planning and policy making.

Amendments to **competition** law were submitted to parliament, but were not adopted. Nor was any progress made on the adoption of state aid control legislation. In April the Human Rights Defender publicly criticised the State Committee for the Protection of Economic Competition for failing to investigate monopolies.

An EU twinning project to raise awareness of and support the enforcement of **intellectual property rights (IPR)** was completed, resulting in draft IPR enforcement legislation (modelled on the EU Enforcement Directive). Adoption of the legislation is still pending.

There were significant improvements in **public procurement** procedures, including a considerable reduction in the use of non-competitive simplified procedures. Framework procurement increased to 50%, while open tenders increased to 22%. An e-procurement system was launched. The Ministry of Finance launched a capacity-building process for businesses in relation to procurement procedures and updated requirements stemming from the WTO Government Procurement Agreement. The procurement coding system became operational early in the year and the monitoring system was upgraded. The procurement support centre also implemented a programme of random monitoring of procurement operations across the public sector.

An EU twinning project on **public internal financial control**, to enhance reforms in public sector management and performance, started in August.

The government started drafting a new **SME** strategy to increase support for SME development in Armenia. It is expected to be partly based on the 10 principles set out in the Small Business Act for Europe (SBA). Armenia took part in the "Supporting SME Competitiveness Reforms in the Eastern Partner Countries" the objective of which is to implement recommendations of the first SBA Assessment undertaken in eastern European partner countries. Armenia also officially requested to participate in the Programme for the Competitiveness of Enterprises and SMEs.

Consumer protection laws on market surveillance and the general safety of non-food products entered into force.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

Armenia started issuing biometric passports in January, including for people younger than 18, for whom biometric passports are optional.

Implementation of the EU-Armenia **visa facilitation and readmission agreements** began in September. Activities under the EU-Armenia **Mobility Partnership** and the 2012–16 national action plan continued. In March, a referral centre for reintegrating returning migrants was set up with EU support and an online information site for returning migrants was launched. In July, Armenia approved the 2014–16 action plan on approximating migration legislation to international standards (including ‘approaches and principles adopted in the European Union and the Common Economic Space’). A new department responsible for integration was set up at the State Migration Service set up to establish a policy for long-term migrants.

Amendments to the **law on asylum and refugees** are pending at the national assembly. Amendments to the Criminal Code came into force in August, bringing Armenian law more closely into line with Article 31 of the 1951 Refugee Convention, protecting refugees and asylum-seekers from penalisation for illegal border crossing. Amendments to the citizenship law, introducing provisions to prevent and reduce statelessness, were submitted to the national assembly for discussion in autumn.

With EU support, the asylum authorities carried out a number of quality assurance activities and continued to train, coach and mentor asylum staff. Until the end of June, 3 177 recognised refugees arrived in Armenia from Azerbaijan, Iraq, Syria, Iran, Lebanon, Georgia and various African countries. Reports indicated that an estimated 16 000 people from Syria, almost all ethnic Armenians, had arrived in the country since the beginning of the Syrian civil war, of

which about 12 000 remained. A small number of displaced people arrived from Ukraine and northern Iraq.

Armenia and the Czech Republic signed an agreement on cooperating in the **fight against organised crime**. Training workshops on law enforcement, including crime analysis, investigation skills and the interrogation of suspects, were held with EU support. Training activities on **money laundering and terrorism** financing were organised in the first half of 2014 with staff from the Financial Monitoring Centre and the Ministry of Finance.

Armenia started to implement the 2014 programme on drug abuse and **illicit drug** trafficking. Further steps were taken towards signing the Memorandum of Understanding on cooperation with the European Monitoring Centre for Drugs and Drug Addiction.

A new draft law on **data protection** was submitted to the national assembly in September. The law aims to make Armenia fulfil the requirements of the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data of the Council of Europe (Convention 108) and its protocol. The law envisages the creation of an independent Data Protection Authority.

6. TRANSPORT, ENERGY, ENVIRONMENT, CLIMATE CHANGE, INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT AND INNOVATION

Some functions of the General Department of Civil Aviation (GDCA) were transferred to the Ministry of Economy, the GDCA kept technical, safety and security functions. The construction of the North-South road corridor continued and the EU agreed to support the construction of further sections of the corridor through the Neighbourhood Investment Facility.

After joining the Eastern Europe **Energy** Efficiency and Environment Partnership, Armenia took steps towards finalising the investment agreement and preparing projects. In July, the Public Services Regulatory Commission increased electricity tariffs by 10% on average. The Ministry of Energy and Natural Resources announced a new investment project for the construction of solar stations. A planned electrical interconnection between Georgia and Armenia will be supported by the EU's Neighbourhood Investment Facility (NIF). With regard to nuclear energy, the early closure and decommissioning of the Medzamor nuclear power plant remains a key objective for the EU and the ENP Action Plan.

An EU-funded regional **climate change** project was implemented in 2014, providing support for the development of a national adaptation and mitigation strategy. A pilot project in the Gegharkunik region was also implemented. Six cities (Artik, Dilijan, Gyumry, Spitak, Vayk and Yerevan) joined the Covenant of Mayors.

An EU **environment** twinning project helped the Ministry of Nature Protection prepare a new policy and legislation on integrated pollution prevention and control. Armenia also adopted a national waste management strategy and a law on environment impact assessment (EIA), however the EIA law needs to be further improved.

Regarding the **information society**, Armenia identified eight electronic communications markets in line with EU recommendations, made number portability obligatory for mobile

operators and granted a licence to a fourth mobile operator. The government adopted an e-government strategy programme and a new 2014–15 e-government roadmap. With almost all urban areas connected to the internet, efforts to expand access continued in rural areas. E-government instruments were greatly improved with EU support, with amendments to the law on civil status acts introducing an e-register. Armenia hosted the 2014 meeting of the Black Sea Economic Cooperation Organisation ICT Working Group. The planned date for the transition from analogue to digital broadcasting and the granting of analogue operation licences to regional TV channels was extended to mid-2015.

Regarding **research and innovation**, Armenia officially asked to be associated with the 'Horizon 2020' programme. Formal negotiations were subsequently launched at the beginning of 2015.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

The Armenia Development Strategy highlights the **education** sector's crucial importance for the country's sustainable development. A law to extend free compulsory education from nine to 12 years, starting from the 2015–16 academic year, was submitted to the national assembly. The law aims to counteract students' tendency to leave school before completing secondary education. Armenia was actively engaged in **higher education** reform, hosting the Bologna Secretariat and Bologna Follow-up Group Secretariat and the 2015 Bologna Ministerial Conference. With EU support, it continued to reform the national qualifications framework and organise the transition to an independent quality assurance system.

Vocational education and training (VET) reform also continued, bringing it closer to the needs of the labour market. EU support focused on equal access to high quality education and including young people with special needs. The revision of qualifications progressed, with a pilot credit system test for VET during the 2014–15 school year. The number of students who receive free vocational education increased by 50%. The proposed amendments on compulsory education would mean 100% free vocational education for students with nine years of basic education. A management information system covering the whole VET system and higher education became operational in 2014.

Armenia participated in the **Tempus** programme with 29 projects out of which 8 are coordinated by an Armenian higher education institution. 246 students and staff were selected in 2014 for mobility within partnerships supported by Erasmus Mundus and five students were selected for a joint master's degree. Three applications were selected for funding under the Marie Skłodowska-Curie actions (MSCA) under 'Horizon 2020'. Armenia also participated in the **eTwinning plus** action with 23 schools. **Young people** and youth organisations benefited from **Erasmus+**, with 1 443 participating in mobility projects and 123 in the action for young people and decision-makers. Armenia was involved as leader or partner in 13 regional projects in the **Eastern Partnership culture programme**.

The first version of the EU-Armenia roadmap to work with **civil society** for the period 2014-17 was drawn up on the basis of extensive consultations and discussions with the EU Member States and civil society. More than 100 civil society representatives were part of the consultation process, involving meetings and online consultations.

The Ministry of Health drew up the 2014–20 draft **public health** strategy. Armenia approved a healthy lifestyle programme. The government also identified health as one of the thematic anti-corruption areas and agreed to provide funds to setup a system for the secure supply of contraceptives. Armenia continued its technical cooperation with the European Centre for Disease Prevention and Control (ECDC) in the context of an EU-funded regional project on preparatory measures to support the participation of ENP countries in ECDC activities.
