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PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	JOIN(2017) 24 final - Annex I
Subject:	ANNEX to the Joint Proposal for a COUNCIL DECISION on the Union position within the Cooperation Council established by the Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and the Republic of Armenia, of the other part

Delegations will find attached document JOIN(2017) 24 final - Annex I.

Encl.: JOIN(2017) 24 final - Annex I



EUROPEAN
COMMISSION

HIGH REPRESENTATIVE
OF THE UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

Brussels, 10.7.2017
JOIN(2017) 24 final

ANNEX 1

ANNEX

to the

Joint Proposal for a COUNCIL DECISION

on the Union position within the Cooperation Council established by the Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and the Republic of Armenia, of the other part

**RECOMMENDATION No XX/2017 OF THE EU- ARMENIA COOPERATION
COUNCIL of [DAY MONTH 2017]**

On the EU-Armenia Partnership Priorities

THE EU-ARMENIA COOPERATION COUNCIL,

Having regard to the Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part and the Republic of Armenia, of the other part, and in particular Article 78 thereof

Whereas:

- (1) The Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part and Armenia, of the other part (the ‘Partnership and Cooperation Agreement’), was signed on 22 April 1996 and entered into force on 1 July 1999;
- (2) In accordance with Article 95 of the Partnership and Cooperation Agreement, the Parties are to take any general or specific measures required to fulfil their obligations under the Agreement and shall see to it that the objectives set out in the Agreement are attained;
- (3) The review of the European Neighbourhood Policy proposed a new phase of engagement with partners, allowing a greater sense of ownership by both sides;
- (4) The EU and Armenia wish to consolidate their partnership by agreeing on a set of priorities for the period 2017-2020 with the aim of supporting and strengthening resilience and stability of Armenia;
- (5) The Parties to the Partnership and Cooperation Agreement have therefore agreed on the text of the EU-Armenia Partnership Priorities, which will support the implementation of the EU-Armenia Partnership and Cooperation Agreement, focusing cooperation on commonly identified shared interests.

HAS DECIDED AS FOLLOWS:

Article 1

The Cooperation Council adopts the EU-Armenia Partnership Priorities as set out in the Annex.

Article 2

This Recommendation shall enter into force on the day of its adoption.

Done at Brussels, [day month 2017].

For the Cooperation Council

The Chair

ANNEX



**PARTNERSHIP PRIORITIES
BETWEEN
THE EUROPEAN UNION
AND
ARMENIA**

I. Context

The Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part and Armenia, of the other part (the ‘Partnership and Cooperation Agreement’), was signed on 22 April 1996 and entered into force on 1 July 1999. The EU and Armenia have, on 6 February, 2017, completed negotiations on a **Comprehensive and Enhanced Partnership Agreement (CEPA)**, the text of which is being finalised for signature. The **EU-Armenia Partnership Priorities** aim to facilitate the implementation of the cooperation between the partners, including in the context of the new agreement. The Partnership Priorities seek to strengthen the relationship between the EU and Armenia and pursue the promotion of universal values and stability, resilience, security and prosperity built on democracy, human rights, rule of law and sustainable economic growth and openness. They are in line with the priorities set out by the **Republic of Armenia** and the EU, including those set out in the **European Neighbourhood Policy (ENP) Review**¹. The Partnership Priorities follow the principles of co-ownership and differentiation and stem from the four priorities² jointly agreed at the 2015 **Eastern Partnership (EaP) Riga Summit**, which were confirmed by both sides at the last EU-Eastern Partnership Foreign Affairs Ministerial Meeting in May 2016 as the guiding framework for future work. Finally, the Partnership Priorities are also in accordance with the **2030 Sustainable Development Goals** and the **2015 Paris Agreement** and their commitment to issues of economic, environmental and social sustainability and climate change and climate change.

The EU and Armenia share common **interests** and **values**, notably in view of Armenia's engagement in economic and political reforms as well as regional cooperation, including in the framework of the **Eastern Partnership**. The **new comprehensive agreement will renew and shape the legal basis for bilateral relations** and the momentum should be seized to reinforce EU-Armenia relations, also through agreeing Partnership Priorities. This new overarching framework and the priority areas of cooperation will build on the **mutual interest** in enhancing our engagement taking into account EU's and Armenia's other international commitments.

The Partnership Priorities build on past fruitful cooperation including in the context of the implementation of the **ENP Action Plan**, which they will replace. These Partnership Priorities should shape the agenda for regular political dialogue meetings and sectoral dialogues as defined in the new Agreement, which will also be the framework for implementation and monitoring of the Priorities.

The future EU-Armenia financial cooperation and programming, notably the next Single Support Framework for Armenia for 2017-2020, will be based on these Partnership Priorities.

¹ 18.11.2015 JOIN(2015) 50 final

² See the four titles under Part II. Priorities

II. Priorities

The Partnership Priorities reflect **shared interests** and focus on those areas where cooperation is of mutual benefit. Armenia and the EU will continue to pursue the core objectives of supporting regional stability based on **common values** and strong commitment to democracy and human rights. Civil society is an important actor in the context of the Eastern Partnership and the EU and Armenia will further facilitate its involvement in the implementation of these priorities. **Economic cooperation** towards sustained **growth** is an area where mutual interest is strong and where we will explore all possible opportunities to improve the business environment. Faster and more inclusive growth will require reinforcement of public institutions' appropriate skills and human capital and further improved governance and better infrastructure connections. Tackling these issues will create favourable conditions for stronger cooperation in key sectors and for increased mobility, to the **benefit of citizens** both in the EU and in Armenia. Priorities are interlinked and mutually reinforcing. Each priority theme includes several elements in a **multi-disciplinary** and **cross-cutting** approach that is necessary to reach the objective. This includes joint active involvement in multilateral cooperation fora, including within the Eastern Partnership framework.

1. Strengthening institutions and good governance

The EU and Armenia are committed to further cooperation with the objective of the promotion of **human rights** and **the rule of law**, and **the fundamental freedoms**. They will work together towards continuous improvement of Armenian public administration, good governance and judiciary, step up the fight against corruption and strengthen civil society. **Gender equality, environmental and social issues** will be mainstreamed in all areas.

The focus will be on the implementation and enforcement of relevant legislation, including the **new Constitution. Electoral reform**, agreed in September 2016 on the basis of, inter alia, the recommendations of the Organisation for Security and Cooperation in Europe and its Office for Democratic Institutions and Human Rights, applies as of the parliamentary elections of 2 April 2017. The parties will also strive to further develop a **favourable environment for civil society, including social partner's organisations**, and its participation in decision making. Civil society has been consulted on the establishment of these Partnership Priorities and will also play an important role by contributing to the monitoring of their implementation.

The parties will step up their efforts for the **reform of public administration**, including local authorities and **law enforcement**. Particular importance will be attached to the rule of law, promoting the independence of the judiciary, access to justice and the right to fair trial. This reform will begin with a strategic framework for public administration reform. The aim of our cooperation is to reinforce the accountability and effectiveness of government by means that include modern, gender-

sensitive human resource management and widespread use of **e-government**, including in the health sector. Policy development and evaluation will be based on clear evidence provided by, amongst others, a high quality statistics service.

The **fight against corruption** will be at the heart of administrative reform and the country's effort to reinforce the rule of law. Cooperation will focus both on reinforcing the anti-corruption bodies and reviewing legislation, in particular the public procurement system, the asset declaration system to ensure its proper implementation, and the management of public functions where economic and other stakes are highest (procurement, customs, permits) with a view to ensuring high ethical standards and avoid conflict of interest. The Parties shall implement assistance in accordance with the principles of sound financial management and cooperate in the protection of the financial interests of the EU and of Armenia in accordance with the relevant provisions of the CEPA.

Cooperation in the security sector will seek to reinforce the accountability of security operators and address common concerns in the fight against organised crime, drugs and terrorism, including terrorism financing and money laundering, by means which are respectful of provisions on justice, freedom and security laid down in the various agreements governing EU-Armenia relations. The further modernisation of border management will contribute both to the security of the country and region and to economic development by facilitating legitimate exchanges. The parties will also cooperate on recovery of criminal assets through the improvement of Armenia's legal framework and the establishment of a full-fledged asset recovery office.

2. Economic development and market opportunities

The common goal of the parties is sustainable and inclusive economic development of Armenia. Sustained growth requires sound economic policies that ensure macroeconomic and financial stability. These should include a continued commitment to sustainable budgetary policies while preserving capital and social expenditure and consolidating buffers against external shocks. **Public finance management** (which is an important element both for governance and democracy and for economic development) will adhere to the principles of best international practice. Banking supervision will be further strengthened according to international norms and best practices, to increase the robustness and the resilience of the financial sector. The modernisation and reforms in customs and tax administration, including international cooperation and reinforcement of fight against fraud, will boost revenue collection.

An **improved business environment** is a fundamental condition for economic development. Further simplified administrative procedures and reduced administrative costs, improved access to finance for small and medium-sized enterprises (SMEs) in a sound and diversified financial market, and reinforced protection and enforcement of property rights will be the focus areas in this regard. Strong business support organisations and business associations would help economic operators to seize new opportunities and strengthen their voices in economic policy-making. The EU and

Armenia will seek to reinforce the ability of Armenian enterprises to participate in international value chains, involving both EU and Armenian economic operators, which will foster technology and knowledge transfer. The role of Business Support Organisations (BSO) in this sense is of pivotal importance and the EU support to match-making between Armenian and European enterprises can leverage the national efforts. The Armenian participation in international value chains can include and be reinforced and accelerated by Foreign Direct investment, which can contribute to building and reinforcing local skills and competencies; to this end it is essential to improve the investment framework by enhancing its transparency, reliability and efficiency. An investment environment supportive to business also includes effective competition in markets for products and services, ensured by a strong, independent competition authority operating to the highest ethical standards, with access to an effective enforcement mechanism for antitrust legislation and effective protection of intellectual property rights. Mainstreaming ease of doing business in all policies will be instrumental to fostering growth. Modern employment and social policies will be needed to ensure that the economic development is inclusive and contribute to improving the well-being of all Armenian citizens. This includes appropriate institutions to ensure effective supervision of working conditions including health and safety at work.

It is important to implement the overall Armenian Development Strategy as well as sector specific strategies (SME Strategy and the recommendations of the SBA Assessment, Export Promotion Strategy, rural development etc.) to actively participate in the EU programmes for SMEs (COSME) and for research and innovation (Horizon 2020), and to upgrade the Information and Communication Technology (ICT) regulatory and infrastructure environment, making full use of EU support in these areas.

Fostering the **digital economy**, including through the approximation of Armenia's digital environment with the EU's Digital Single Market, would be important for modernizing Armenia's economy and society.

Monitoring the implementation of these strategies should include a public-private dialogue and consultation with relevant civil society organisations, including with social partner's organisations.

The **green economy** offers an important growth path for sustainable development. **Environmental issues, including climate change, will be mainstreamed** in all relevant policies.

The EU and Armenia have established effective cooperation in **agriculture, regional and rural development** to promote the development of farmers groups and value adding chains throughout Armenia. While agriculture and subsistence farming present opportunities for food security and informal employment, it is important to further develop the competitiveness of the sector including through capacity building and access to finance. Building on past achievements and in coordination with the reform

of the public administration at all levels, the parties will continue to reinforce economic, social and territorial cohesion **across the regions**.

3. Connectivity, energy efficiency, environment and climate action

A land-locked country, Armenia needs to overcome the challenges to its connectivity. Also within the country, some areas suffer from remoteness and limited connections to centres of economic, political and social activity. Cooperation with the EU and other Eastern Partnership countries in the above areas, in particular Georgia, can contribute to alleviation of the consequences of the geographical situation of the country.

Armenia's growth potential would be enhanced by improved business opportunities, transport, logistics and value-chain links, fostered by improved internal and cross-border connectivity. Road, rail and air routes are main transport modes in Armenia. As Armenia's main trade partners are the EU, Russia and China, cargo is usually transited on rail ferry services from Georgian ports. The parties will cooperate in developing swift clearance procedures at borders as they are essential for all modes to avoid costly delays.

The parties will also cooperate in the framework of the **extended core Trans-European Transport network (TEN-T)**, based on clear prioritisation, to improve Armenia's access to the international markets. Road safety cooperation, covering both infrastructure and policy aspects, will be also promoted. Investment in infrastructure should be environmentally friendly and climate-proof.

To ensure effective connections and market development beyond the immediate neighbourhood, it is important to pursue civil aviation reform, eventually leading to the conclusion of an **aviation agreement** with the EU.

Good environmental governance (in particular the use of Environmental Impact Assessment and Strategic Impact Assessment, access to environmental information and access to justice in environmental matters) **and the integration of the environment and climate action into relevant policy areas** will create a solid basis for sustainable development. Commitments in the area of environment as included in the new Agreement will form the basis for relevant reforms. Increased **energy efficiency** will generate quick, significant, and sustained savings, while advancing the **transition** to a low emission and climate resilient economy; in the residential sector, such actions can be linked to the work of the Covenant of Mayors. Ensuring high levels of nuclear safety is necessary: International Atomic energy Agency (IAEA) standards and EU standards and practices, as referred to in the CEPA, shall serve as a basis.

Reliable and affordable energy supplies are a necessary condition for the functioning of a modern society and the containment of their environmental and climate impact is a condition for its sustainability. Improved energy and resource efficiency, including

in the residential sector, and the increased use of renewable energy will contribute towards this objective through the implementation of the state of the art legislation in energy efficiency, renewable energy sources and electricity market. These goals could also be pursued through the public procurement for services and infrastructure.

Energy security can also be enhanced by improving and increasing connections to neighbouring countries. Armenia's continued active participation in the multilateral cooperation within the Eastern Partnership will be essential for identifying projects of common interest that could benefit from EU financial support. Continuation of efforts to ensure high levels of nuclear safety on the basis of the IAEA standards and EU standards and practices, as referred to in the CEPA, improving energy efficiency and fostering renewable energy with a clear prioritisation of investments are key to ensuring energy safety and security in Armenia.

Lastly, the closure and safe decommissioning of the Medzamor Nuclear Power Plant (MNPP) and the early adoption of a road map/action plan to this effect shall remain a key objective, taking into consideration the need for its replacement with new capacity to ensure Armenia's energy security and conditions for sustainable development.

4. Mobility and people-to-people contacts

The parties will cooperate with the objective of facilitating mobility of their nationals, widening the scope of people-to-people contacts through targeted actions including for youth, students, researchers, artists, cultural operators and business people. The EU recognizes the importance of Armenia's request to start a Visa Liberalisation Dialogue. The EU looks forward to consideration in due course of the opening of such a dialogue.

Management of migration flows will be based on the Visa Facilitation Agreement / Readmission Agreement. The EU acknowledges Armenia's role in settling refugees from Syria, making it eligible for support from the EU Regional Trust Fund in Response to the Syrian Crisis.³

Facing the challenges of the global marketplace requires a solid package of skills at all levels, be it in enterprises or in the public administration. **Early childhood, primary, secondary and higher education, and vocational education and training**, as well as cooperation between the education and training system and businesses all need to be reinforced to give their full contribution to developing these skills. Particular attention will be paid to research and **innovation** following Armenia's Association to the Horizon 2020 programme.

³ Commission Decision C(2014) 9615 of 10 December 2014 on the establishment of a European Union Regional Trust Fund in response to the Syrian crisis, 'the Madad Fund'