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I. Situation analysis

1. Immediately after achieving independence Armenia faced a deep economic crisis, and between 1990-1993 the country's gross domestic product (GDP) contracted to a mere 46.9 per cent of its 1990 level. However, recovery began in 1994 with the adoption of a comprehensive reform programme aimed at establishing a liberal market economy and a democratic regime. Despite the recovery, however, continuing problems of poverty, inadequate governance and environmental degradation, have polarized Armenian society into a small privileged upper class and a large underclass, unable to find gainful employment and increasingly marginalized in political life. Income inequality, as measured by the Gini coefficient, remains extremely high. In addition, the on-going blockade related to the Nagorno-Karabakh conflict, high rates of emigration and widespread corruption continue to threaten social stability and undermine sustainable economic growth.

2. Although GDP has nearly doubled since 1994, one in seven Armenian's are still unable to meet basic needs. A quarter of the workforce is unemployed or underemployed, and 40 per cent are engaged in agriculture, one of the least productive sectors (<http://www.undp.am/UNDAF.zip>). Although 80 per cent of GDP is generated by the private sector, growth is concentrated in only a few industries, and the sector is subject to inconsistent regulations, selective taxation and high real lending rates. In addition, the Government's ability to redistribute wealth is constrained by low levels of tax collection and limits on deficit spending.

3. Old age pensions, family benefits and even average wages do not cover the minimum subsistence needs for the hardest-hit social groups. Despite the unprecedented drop in living standards, Government expenditures on social services remain low and actually declined in real terms during the first years of the 2000s.

4. Although the Government has made considerable progress in setting up basic democratic and market institutions, these are hampered by corruption and inefficient administration. Furthermore, the general public is largely unaware of its civil and political rights and only rarely participates in policy debates or demands quality services.

5. Environmental degradation is another major factor threatening the economy's future viability. Problems include wrongful and inefficient use of natural resources, massive deforestation, extensive air, water and land pollution, and inadequate waste disposal systems.

6. In August 2003 the Government of Armenia and civil society adopted a Poverty Reduction Strategy Paper (PRSP) aimed at generating high rates of economic growth, and redistributing the fruits of this growth to social programmes for the poorest and most socially disadvantaged. Thus, in accordance with the Millennium Development Goals (MDGs), the Government aims to tackle poverty and improve living standards by 2015. To ensure implementation of the strategy, the Government has adopted a Medium-Term Public Expenditure Framework (MTEF) for the first period of the PRSP from 2004 to 2006, and relevant ministries and state agencies have developed comprehensive action plans based on PRSP strategies and goals. The Government is using the PRSP as a framework for coordinating the contributions and activities of bilateral and multi-lateral donors. Both the Government and civil society will formally review the PRSP every two years and, depending on the results, will make interim adjustments as necessary.

II. Past cooperation and lessons learned

7. Armenia's country cooperation framework (CCF) for 2000-2004 was prepared in the context of persistent poverty, corruption and continuing environmental degradation. The United Nations Development Programme's (UNDP's) approach, however, did not take into account the structural factors behind these problems. In addition, little consideration was given to UNDP's comparative advantages. In order to better focus its activities, UNDP adopted a programme approach and reduced the overall number of projects. Up-to-date management practices were introduced, staffing levels increased, and UNDP focused on building partnerships, successfully managing more than 35. Despite these efforts, a number of CCF strategic objectives were not formulated into projects and only a handful included exit strategies aimed at ensuring sustainability. In addition, UNDP launched a number of projects that did not fit into the CCF. Although UNDP disbursed \$11 million during the period and the majority of projects were implemented efficiently and effectively, the overall impact of UNDP's assistance on the main problems affecting the country was relatively limited.

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

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

10. *Cross-cutting areas.* In the absence of an integrated approach, UNDP's contribution in several cross-

cutting areas, while notable, did not have a significant impact on the main national priorities. In the *environment sector*, UNDP worked successfully with partners to place sustainable development on the public agenda. However, land and resource management are still treated merely as economic matters and public participation in setting environmental policies remains limited. Most efforts in conservation and protection are aimed at meeting obligations under international agreements rather than at building a national strategy. As the implementing agency for the Global Environmental Fund (GEF), UNDP also helped to build Government capacity to address climate change, conserve biodiversity, rehabilitate the municipal heat and hot water system and assess national needs under the global environment conventions. In *disaster management*, UNDP supported the preparation and implementation of a comprehensive strategy for increasing capacity at all levels. In *HIV/AIDS*, UNDP helped to develop a multi-sectoral national programme and raise public awareness. Although these activities were successful, unfortunately HIV/AIDS is not yet considered a development risk and unsafe behaviours persist.

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

III. Proposed programme

12. The new country programme was developed under the leadership of the Government and in close consultation with civil society and development partners. During the preparation of Armenia's United Nations Development Assistance Framework (UNDAF), four working groups, each consisting of Government officials, United Nations representatives and other development partners met to develop strategies for each of the four areas of cooperation. After completing the UNDAF, they continued to meet to develop the UNDP country programme and ensure synchronicity between the UNDAF

and UNDP activities. They agreed that UNDP should help to support the UNDAF goal of reducing economic, social and political inequality by focusing on three national priorities: (a) *laying the foundation for sustainable socially-oriented growth*; (b) *promoting accountable, transparent and effective governing institutions*; and (c) *supporting sound management of natural resources*.

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

Sustainable socially-oriented growth

14. UNDP aims to achieve *four* outcomes in this area. *First*: UNDP will help to expand and strengthen the national social monitoring system. Human poverty, vulnerability and inequality will be monitored and mapped at national, regional and community levels. Socially-oriented development strategies and budgets, based on vulnerability mapping, will then be implemented at national, regional and community levels. Thus UNDP will help ensure that reliable data on human poverty are used to adjust national strategies and plans, including the PRSP.

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

16. *Third*: UNDP will help strengthen disaster management and recovery in at-risk communities. A

Landmine Impact Survey will be conducted, a national strategy to assist landmine victims will be adopted and agricultural lands in border areas will be cleared of mines. Disaster response training centres will also be set up so that officials and the public will be better prepared to respond to disasters.

17. *Fourth*: UNDP will work with partners to strengthen multi-sectoral efforts to halt the spread of HIV/AIDS and overcome discrimination against people living with HIV/AIDS, as well as discrimination against their families. Legislative and policy frameworks will be introduced, and an HIV/AIDS prevention system will be established in penitentiaries, police units and the military. Public awareness of HIV/AIDS will be increased and at-risk groups will participate actively in prevention activities..

Accountable, transparent and effective governing institutions

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

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

20. *Third:* UNDP will help to increase respect for, and awareness of, human rights, including women's rights. A National Human Rights Plan will be adopted and human rights will be taught at all levels of the education system. Additionally, the Public Defender's Office will respond effectively to violations of human rights, legislative and policy frameworks on human and drug trafficking will be harmonized regionally, victim assistance centres will be established and civil society networks to monitor trafficking will be expanded. Public awareness of human rights will also be increased and women leaders will participate actively in policy-making and peace-building. By promoting human rights UNDP will help ensure that the rights embodied in the Constitution of Armenia and international conventions are progressively realized.

Management of natural resources.

21. UNDP aims to achieve *two* outcomes in this area. *First:* UNDP will help to strengthen the conservation and sustainable use of natural resources. Regulatory frameworks for strengthening environmental management and ensuring sustainable development will be approved and environmentally sound agricultural practices introduced. Strengthening management of natural resources will protect forests and biodiversity and minimize land degradation.

22. *Second:* UNDP will help to increase access to sustainable energy services. Legislative frameworks for improving energy efficiency will be approved and new technologies for renewable energy introduced. Municipal heat and hot water systems will be rehabilitated. Increasing access to energy services will help to ensure that targeted households benefit from continuous supplies of heating and hot water.

IV. Programme management, monitoring and evaluation

23. *Programme management.* UNDP will use national execution for programme management though the country office will provide extensive operational backstopping for national executing agencies. Only when rapid delivery and flexibility are required, will the country office directly execute programmes. To reach resource mobilization targets, a comprehensive strategy will be adopted, ensuring cost-sharing by the Government and the generation of additional donor support. To ensure effective programme management and resource mobilization, the country

office's capacity to build partnerships and manage directly delivered services will be strengthened.

24. *Monitoring and evaluation.* To ensure that the UNDAF is put to effective use, the United Nations Country Team will establish an UNDAF Coordination Unit, which will be responsible for helping United Nations agencies, including UNDP, assess their programmes. The Unit will develop, in consultation with national authorities and development partners, common indicators to be used by all agencies, and compile baseline data that can be used to gauge progress. UNDP will work closely with the Unit to: (a) prepare annual monitoring and evaluation plans; (b) synchronize UNDP's plans with other agencies and the national social monitoring system; and (c) recruit a rotating team of national experts to evaluate the country programme annually. Midway through the country programme the country office will request a full programme evaluation from UNDP, and use the results to adjust programme content and execution as necessary.

Annex: Results and resources framework for Armenia (2005-2009) *

National priority (a): Laying the foundation for sustainable economic growth.

UNDAF outcome 1: Reducing the levels of poverty and income inequality in accordance with the MDGs and PRSP.

UNDAF outcome 2: Increasing the quality and accessibility of basic social services in accordance with the MDGs and PRSP.

| Programme component | Country programme outcomes | Country programme outputs | Output indicators (<i>baselines are in italics</i>) | Resources by outcome (in \$) |
|--------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Achieving MDGs and reducing human poverty. | The National Social Monitoring System is expanded and strengthened. | Human poverty, vulnerability and inequality are monitored and mapped at national, regional and community levels. Socially-oriented development strategies and budgets, based on vulnerability mapping, are adopted and implemented at national, regional and community levels. | Number of methodologies developed and databases established for monitoring and mapping. (<i>3 methodologies and 4 databases</i>) Number of strategies, policies and budgets adjusted on the basis of data from the social monitoring system. (<i>2</i>) | Regular: \$ 400,000 Other: \$ 900,000 |
| | Innovative income generation schemes and mechanisms are introduced. | Investments are channelled through Public-Private Partnerships into basic social services and labour intensive sectors. A Public Investment Framework, based on the Poverty Reduction Strategy, is adopted. Support services for small and medium enterprises are introduced at regional and local levels. The poor and most socially disadvantaged establish their own businesses. | Number of jobs created through Public-Private Partnerships. <i>Not Available (N/A)</i> Percentage increase in public and private investments in labour-intensive sectors. (<i>N/A</i>) Number of small and medium enterprises established at regional and local levels. (<i>More than 57,800</i>) Number of businesses established by the poor and socially-disadvantaged. (<i>N/A</i>) | Regular: \$ 1,200,000 Other: \$ 3,600,000 |
| Promoting crisis prevention and recovery. | Disaster management and recovery in at-risk communities is strengthened. | A Landmine Impact Survey (LIS) is conducted, a national strategy to assist landmine victims is adopted and agricultural lands are cleared of mines. Emergency and disaster response training centres are established and officials, special units and the general public are better prepared and able to respond to disasters. | Number of LIS coordinates incorporated into the international database. (<i>N/A</i>) Total area of agricultural lands cleared of landmines. (<i>5,500m² of land</i>) Number of officials and citizens trained in disaster preparedness and response. (<i>178 de-miners, medics and dog-handlers</i>) | Regular: \$ 150,000 Other: \$ 1,050,000 |
| Responding to HIV/AIDS. | Multi-sectoral responses to HIV/AIDS are strengthened. | Legislative and policy frameworks for multi-sectoral responses to HIV/AIDS are introduced. An HIV/AIDS Prevention System is established in penitentiaries, police units and the military. Public awareness of HIV/AIDS is increased and at-risk groups participate actively in prevention initiatives. | Number of HIV/AIDS regulatory and policy documents adopted. (<i>12</i>) Number of HIV/AIDS prevention initiatives in penitentiaries and military units. (<i>0</i>) Number of voluntary counselling and testing centres established at national, regional and local levels. (<i>2</i>) Number of outreach programmes implemented among vulnerable groups. (<i>10</i>) | Regular: \$ 202,000 Other: \$ 670,000 Subtotal Regular \$1,952,000 Other \$6,220,000 |

* The UNDAF results matrix is accessible at either the Executive Board web site (www.undp.org/execbrd/index.htm) or the UNDG web site (www.undg.org).

| National priority (b): Promoting accountable, transparent and effective governing structures. UNDAF outcome 3: Improving the transparency and accountability of Government institutions in accordance with the MDGs and PRSP. | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Fostering democratic governance. | Governing institutions with policy, oversight and electoral functions are strengthened. | National Assembly commissions and councils and the Chamber of Control operate more effectively and transparently. | Number of laws in conformity with international standards. (Over 40% of newly adopted laws lack internal consistency) | Regular: \$ 400,000 Other: \$ 1,600,000 |
| | | Local self-governing bodies improve delivery of public services and introduce participatory mechanisms for monitoring public services. | Number of cases considered and recommendations delivered by the Chamber of Control. (N/A) | |
| | | Policy Analysis and Formulation Units are established in three pilot ministries and legislation on the policy-making cycle is adopted. | Number of local self-governance bodies adopting new procedures in public service delivery. (N/A) | |
| | | Electoral guidelines and observation methodologies are adopted and electoral commissions, observers, political parties and candidates follow correct electoral and observation procedures. | Percentage increase in normative acts adopted on the basis of recommendations made by PAFUs. (Approximately 60% of the policy decisions are ad-hoc) Percentage decrease in electoral inaccuracies. (N/A) Number of local observation reports produced. (<i>Approximately 20</i>) | |
| | Participatory policymaking among targeted groups is promoted. | Interactive e-governance systems and mechanisms for disseminating public information are established countrywide. | Number of persons accessing e-Governance portals and number of requests and responses channelled through these facilities. (N/A) | Regular: \$ 300,000 Other: \$ 1,700,000 |
| | | Civil society monitors implementation of the National Strategy on Anti-Corruption and the private sector actively participates in anti-corruption initiatives. | Number of recommendations channelled through participatory monitoring mechanisms. (0) | |
| | | Legislative and policy frameworks on lobbying are introduced and the National Assembly, private sector and civil society groups use legal lobbying practices. | Number of laws lobbied formally by interest groups passed by the National Assembly and Government. (N/A) | |
| | | A National Human Rights Action Plan is adopted and human rights are taught at all levels of the education system. | Number of people trained in human rights at primary, secondary and tertiary levels. (N/A) | Regular: \$ 500,000 Other: \$ 4,600,000 |
| Respect for, and the awareness of human rights, including women's rights, is increased. | | The Public Defender's Office responds effectively to violations of human rights. | Number of human rights cases addressed by the Public Defender. (0) | Subtotal Regular \$1,200,000 Other \$7,900,000 |
| | | Legislative and policy frameworks on human and drug trafficking are harmonized regionally, victim assistance centres and drug control units are established, civil society monitoring networks are expanded and officials combat trafficking. | Number of normative acts adopted to prevent and combat drug and human trafficking. (N/A) | |
| | | | Percentage increase of women standing for election at all levels. (<i>4.3% of candidates for the National Assembly and 14.6% of candidates in local elections</i>) | |
| | | Public awareness of human rights is increased and women leaders participate actively in policy-making and peace-building. | Percentage increase in women's groups involved in peace building initiatives. (20) | |

| National priority (c): Promoting sound management of natural resources. UNDAF outcome 4: Promoting environmentally sound technologies and effective management of natural resources in accordance with the MDGs and PRSP. | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| Promoting energy efficiency and environmental sustainability. | The conservation and sustainable use of natural resources is strengthened. | Regulatory frameworks for strengthening environmental management and ensuring sustainable development are introduced. Environmentally sound agricultural practices are introduced. | Number of policy documents adopted incorporating the principles of sustainable development. (3) Number of initiatives launched to protect forests and biodiversity in specially protected areas. (5) Percentage decrease in desertification. (82% of territory is subject to desertification) | Regular: \$ 400,000 Other: \$ 4,200,000 |
| | Access to sustainable energy services is increased. | Legislative frameworks for improving energy efficiency are introduced. | Number of new technologies for energy efficiency and renewable energy introduced. (N/A) | Regular: \$300,000 Other: \$ 3,100,000 |
| | | New technologies for renewable energy are introduced. | Percentage increase of renewable energy in national energy consumption. (38% of energy consumption is from renewable sources) | Subtotal Regular: \$700,000 |
| | | Municipal heat and hot water systems are rehabilitated. | Percentage decrease in specific greenhouse gas emissions per unit of delivered heat and hot water supply. (N/A) | Other \$7,300,000 |
| | | | Grand total | Regular \$3,852,000 Other \$21,420,000 |