

Policy Department External Policies

ANALYSIS OF THE EU'S ASSISTANCE TO ARMENIA

FOREIGN AFFAIRS

October 2008

EN

This briefing paper was requested by the European Parliament's Committee on Foreign Affairs.

It is published in the following language: English

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Acknowledgment: The authors are grateful to Tevan Poghosyan, Executive Director of the International Center for Human Development (ICHD), Yerevan, for his input.

Briefing paper prepared under the framework contract with the Trans European Policy Studies Association (TEPSA).

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Publisher European Parliament

Manuscript completed on 23 October 2008.

The briefing paper is available on the Internet at
<http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>

If you are unable to download the information you require, please request a paper copy by e-mail : xp-poldep@europarl.europa.eu

Brussels: European Parliament, 2008.

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Executive summary

Scope of the briefing: This paper provides an analysis of the objectives of cooperation pursued by the EU with regard to Armenia by focusing on the convergence between the objectives and priorities specified in the relevant EU documents. The first section of this briefing provides an overview of the main political, social and economic challenges faced by Armenia and links them with the EU assistance priorities. The second part assesses the relevance, effectiveness, efficiency and sustainability of EU's assistance. The third section addresses the issues of regional cooperation and the Nagorno-Karabakh conflict. It takes account particularly of the priority areas of the National Indicative Programme: democracy, rule of law, reform of the judiciary, human rights and fundamental freedoms, media, people to people contacts.

Main findings: The implementation process of the ENP Action Plan has had a positive impact on the domestic reform process. However, issues related to the transition of Armenia to a democratic society have only gradually gained importance in the EU's cooperation. The main challenges for the government during the next years are to further strengthen democratic structures and improve the respect of human rights, the rule of law and fundamental freedoms. The Annual Programme's objective is to support the Armenian administration and relevant institutions in the implementation of the ENP Action Plan in areas with the potential to strengthen democratic structures and good governance and support administrative reforms and capacity building. Most of the EU assistance particularly under the ENPI is being channelled to government structures, motivated by the conviction that the implementation of the ENP Action Plan depends on the competence and commitment of officials and therefore the need to strengthen the capacity of the institutions responsible. There is a clear evidence of linkage of the EU assistance to Government objectives and policy priorities. The allocation of the ENPI funds doesn't yet meet the expectation that democracy promotion should become an integral part of the instrument. There is a visible lack of balance between the amount of funds effectively allocated for democracy promotion and its high-ranking position in the list of ENPI's declared objectives. Furthermore, the procedures of EU aid programmes are very difficult for NGOs: they are time-consuming and local conditions and needs may change radically during the period. Therefore most NGOs prefer to work with other donors that are more flexible and less bureaucratic.

Main Recommendations:

- *Allocation of more ENPI funds to the Priority Area 1 of the ENP Action Plan and strengthening of the political conditionality*

The strengthening of the political conditionality, mainly through positive incentives, would increase the relevance of the EU assistance in meeting the priorities of the Action Plan. Democracy should be treated as a horizontal issue. Regional (in the sense of sub-national) development projects could also make a contribution to democratic consolidation

- *Better balance between aid to governmental structures and direct aid to civil society organisations*

Even a marginal readjustment in favor of civil society organisations would increase the efficiency of the actions carried on in the field of human rights and the rule of law.

- *Need to promote forms of cooperation between the civil society and the government structures*

The monitoring of the implementation of the ENP should be open to cooperation and consultation with civil society. Furthermore, civil society organisations should not only monitor but also participate in the formulation and implementation of the reform process.

The establishment of concrete mechanisms for civil society consultation, and the setting-up of a human rights sub-committee will help to foster the culture of dialogue and consensus between political and civil society actors. Development and poverty-reduction projects which increase dialogue and collaboration between the social actors and national and regional authorities can contribute to the pursuit of this objective. In particular, as provided for by the ENPI Regulation, attention should be devoted to the establishment of partnerships with beneficiaries of EC assistance, including local authorities, civil society, economic and social partners.

➤ *Promotion of cross-border regional cooperation initiatives*

EU-funded cross-border programmes and projects aimed at resuming dialogue, building confidence between the parties and tackling regional problems should be launched despite reluctance of the governments. The EU can facilitate this process while taking advantage of the regional cooperation realized within the ENP and Black Sea Synergy policy. The EU aid can support through the Instrument for Stability concrete efforts on the ground towards the peaceful settlement of the Nagorno-Karabakh conflict. Some concrete actions implemented with the joint participation of Armenians of Nagorno-Karabakh and Azerbaijanis can, if well explained, have the approval of Azerbaijan. These projects can focus on environmental issues. A synergy between the EU pre-accession assistance to Turkey and the European Neighbourhood and Partnership Instrument for Armenia can foster confidence-building projects between Turks and Armenians from Turkey, Armenia and the Diaspora.

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1. Introduction

This briefing analyses the EU's assistance to Armenia in 2007 in the light of:

- Relevant EU objectives, set out mainly in the ENP Action Plan, the Country Strategy Paper and the National Indicative Programme
- Recent political, economic and social developments that have an influence on the EU's initial objectives
- The positions adopted by the European Parliament in its resolutions on the South Caucasus and Armenia

This paper provides an analysis of the objectives of cooperation pursued by the EU with regard to Armenia by focusing on the convergence between the objectives and priorities set out in the National Indicative Programme 2007-2010 (NIP) and the planned allocations of funding.

Armenia was integrated into the European Neighbourhood Policy in June 2004. The ENP Action Plan, including commonly agreed objectives, was endorsed by the EU-Armenia Cooperation Council on 14 November, 2006. It covers a timeframe of five years. The Annual Action Programme (AAP) 2007 for Armenia has been issued.

Assistance to Armenia over the period 2007-2013 is principally provided under the ENPI. Along with the ENPI national programme, Armenia is also benefiting from the ENPI multi-country and regional programmes and is eligible under the ENPI Cross Border Cooperation component. New cooperation tools like Twinning or TAIEX have started playing an important role in achieving the Action Plan's objectives. In addition, EU aid to Armenia is being channeled through other programmes, e.g. the European Instrument for Democracy and Human Rights (EIDHR), nuclear on-site assistance to improve nuclear safety in the Medzamor nuclear power plant. The Instrument for Stability remains potentially, particularly with regard to the conflict over Nagorno-Karabakh.

The ENPI is a policy-driven instrument aiming at supporting the country's reform agenda and the implementation of the Partnership and Cooperation Agreement (PCA) as well as the following eight priority areas set out in the ENP Action Plan for Armenia:

- 1: Strengthening democratic structures and the rule of law, including reform of the judiciary and the fight against fraud and corruption
- 2: Strengthening respect for human rights and fundamental freedoms
- 3: Encouraging further economic development, enhancing poverty reduction efforts and social cohesion
- 4: Further improving the investment climate and strengthening private sector-led growth
- 5: Further convergence of economic legislation and administrative practices
- 6: Developing an energy strategy, including early decommissioning of the Medzamor Nuclear Power Plant
- 7: Contributing to a peaceful solution of the Nagorno-Karabakh conflict
- 8: Enhanced efforts in the field of regional cooperation.

On the basis of those priorities, the Commission has developed a Country Strategy Paper (CSP) which identifies the main priorities of EU assistance to Armenia for the 2007-2013 period, and a National Indicative Programme (NIP) which proposes more specific

interventions for 2007-2010 period. . The overall amount of EU assistance to Armenia for the period 2007-2010 is €98,4 million The NIP identifies three main priorities for EU assistance and breaks down the resources according to each priority:

- 1) Strengthening of democratic structures and good governance: €29,52 million
- 2) Further support to regulatory reform and administrative capacity building: €29,52 million
- 3) Support for poverty reduction efforts: €39,36 million

The first section of this paper provides an overview of the main political, social and economic challenges faced by Armenia and links them with the EU's assistance priorities. The second part assesses the relevance, effectiveness, efficiency and sustainability of EU's assistance in relation to the three above-mentioned priorities. The third section addresses the issues of regional cooperation and the Nagorno-Karabakh conflict.

Most emphasis is put on the first priority area of the NIP (democracy, rule of law, reform of the judiciary, human rights and fundamental freedoms, media, people to people contacts). But administrative capacity-building and poverty-reduction issues will also be handled since these areas have been first targeted by the AAP 2007 which has allocated EUR 21 million to Armenia.

2. EU Action and Progress in Armenia

Armenia was incorporated in the framework of the European Neighbourhood Policy (ENP) in June 2004 together with Georgia and Azerbaijan. In fact, the government of Armenia has been pursuing a legal approximation, aiming mainly a further integration into the Single Market, process which goes far beyond the ENP. The NIP, based on the accession methodology and structured according to the principles of the EU *acquis* , aims at planning and organising the process of legal approximation.

2.1. Strengthening of Democratic Structures and Good Governance

The EU's assistance strategy focuses in particular on strengthening democratic structures and good governance, which falls under the Priority Area 1 of the NIP and has a direct link to the ENP Action Plan priorities. The NIP underlines that the EC support did not focus on this area during the past. According to the EU, reforms towards democratization and rule of law will further improve the trade and investment climate and strengthen European values throughout all fields. In this regard, the sub-priorities of the NIP 2007-2010 are:

- 1/ Rule of law and reform of the judiciary
- 2/ Public administration reform including local government and management of public finance
- 3/ Human rights and fundamental freedoms, civil society, people to people contacts

Support in this area became more important after the Constitutional Reform in 2005. Reforms undertaken in 2007 following the Constitutional Reform, and in the context of implementation of the ENP Action Plan, led to the improvement of the legislative framework regarding inter alia the separation of powers (including increased powers for the National Assembly and improved local self government), the independence of the judiciary, the Human

Rights Defender (HRD) and freedom of the media. However, the new legislation needs to be effectively implemented and further legislative amendments are needed to comply with the requirements of the new constitution.¹ Improvements of local self-government have also been made with the draft law on the city of Yerevan (approved in early December of 2007) allowing for indirect elections of the city's Mayor. .

Parliamentary elections were held in May 2007 in accordance with Armenia's OSCE commitments and in compliance with democratic standards for elections. The 2008 presidential elections in February were conducted mostly in line with international standards; however the public still has concerns about the election process with respect to some voter-fraud allegations and the unequal treatment of presidential candidates. After the elections a 20 day state of emergency was declared in Yerevan with several injuries and around 8 deaths. The crackdown against a peaceful protest rally, the introduction of a state of emergency and extensive arrests of opposition supporters badly affected the image of the country worldwide by putting into question achievements in the field of rule of law.

Amendments to the law on television and radio in February 2007 aim to balance the mix of the national television and radio committee. New legal provisions under the criminal code introduced in April of 2007 seek to create conditions whereby hindering the professional activities of journalists is punishable by law. Although the government has made a strong effort to promote the right of assembly, many opposition rallies were denied permission by the authorities and were confronted by police forces during the run-up to the 2008 presidential elections. In fact, recent amendments to Armenia's law raise serious concerns.² The amendments to the Law of the Republic of Armenia on Conducting Meetings, Assemblies, Rallies and Demonstrations, passed on 17 March 2008, were reviewed by the ODIHR's Expert Panel on Freedom of Assembly and the Venice Commission following a request from the Speaker of the Armenian Parliament³. This recent amendment is a threat to free speech, because it tightens provisions concerning spontaneous gatherings.

In its resolution on the South Caucasus of 17 January 2008, the European Parliament (EP) stresses: "*that the ENP reviews and funding must be used to promote institution building, respect for human rights, the rule of law, democratisation and regional cooperation (paragraph 6)*", "*that the clear commitment by Armenia, Azerbaijan and Georgia to respect human rights and fundamental freedoms is of paramount importance for determining their future relations with the EU (paragraph 18)*". Moreover (paragraph 13) the EP encourages the Armenian authorities to continue on the path of reforms and to make further progress towards democratic structures, and calls for further efforts to be made in establishing an independent judiciary, in promoting reforms in civil service and local governance, in fighting corruption and creating a vibrant civil society.

The European Parliament in its resolution on Armenia of 13 March 2008 expressed its concern at the post-electoral developments in Armenia and urged the Commission, within the framework of the *Priority Area 1* of the ENP Action Plan on the strengthening of democratic structures and the rule of law, to focus its assistance in Armenia on the independence of the judiciary and on the training of police and security forces and to further support efforts aimed at improving the political culture in Armenia, strengthening dialogue and defusing the high level of tension between governing parties and opposition.

¹ Implementation of the European Neighborhood Policy in 2007 Progress Report

² OSCE Council of Europe: Amendments to Armenia's Assembly law raise serious concerns.

³ On the basis of a preliminary assessment, the Venice Commission and the OSCE/ODIHR Expert Panel on Freedom of Assembly do not consider the proposed amendments to be acceptable, to the extent that they restrict further the right of assembly in a significant fashion", says the joint opinion", ³ OSCE Council of Europe: Amendments to Armenia's Assembly law raise serious concerns.

2.2. Support for Regulatory Reform and Administrative Capacity Building

The EU-Armenia Action Plan identifies a considerable number of priority areas for regulatory reform in order to facilitate market and trade relations. To bring the Armenian situation in line with the EU's internal market rules as envisaged in the PCA and the ENP Action Plan requires major efforts to approximate Armenian legislation, rules and standards with those of the EU. Further progress in this area could have a positive impact on Armenia's economic development by increasing trade with the EU, furthermore Armenia's business and investment climate would benefit from more transparent, predictable and simplified regulations and procedures approximating EU norms. The overall purpose is not only to provide technical advice for approximation but also to support administrative capacity building in order to ensure the highest possible level of ownership.

In order to pursue those objectives, two sub-priorities have been emphasised:

- 1/ Approximation of legislation, rules and standards: aiming at contributing to the process of economic and social reform and Armenia's gradual alignment with the EU's internal market and social standards
- 2/ Sector-specific regulatory aspects, including administrative capacity-building: aiming at boosting the competitiveness of the economy and further improvement in the area of justice, freedom and security

2.3. Support for Poverty Reduction Efforts

In terms of economic and social reform, Armenia's macroeconomic framework has been solid through 2007 and into 2008. The economy grew at a double digit rate for the sixth consecutive year, with growth driven mostly by the construction and service sectors, and remittances from abroad. The growth rate up to the end of 2007 was 13.7%.⁴ Industrial output lags far behind, and there is some concern that economic growth should be driven more by the industrial sector.

Armenia adopted in 2003 a Poverty Reduction Strategy Paper (PRSP). Progress reports in April 2005 and June 2006 concluded that Armenia has had a successful first two years of implementation, in which most of the targets have been met or exceeded. Armenia has reduced the poverty rate, with the proportion of the population still living under the poverty line dropping steadily to 29% in 2007, with those in extreme poverty now at only 6.5% of the population. Unemployment in 2007 was reported at 7% of the workforce. The social situation remains marked by sharp inequalities and strong social polarization.

The EC assistance focuses on support in further reducing poverty levels and social inequalities in line with the EU-Armenia Action Plan and the key goals of the Armenian government. The following sub-priorities have been selected in the NIP:

- 1/ Improving the educational system, considered as essential to strengthen democratic development, social stability and economic competitiveness
- 2/ Supporting rural development, provision of and access to quality social services

3. Analysing EU Assistance in Armenia

Since 1 January, 2007 TACIS and other thematic budget lines instruments have been replaced by a single instrument, the European Neighbourhood and Partnership Instrument (ENPI). This policy-driven instrument, designed to target sustainable development and

⁴ Implementation of the European Neighborhood Policy in 2007 Progress Report

approximation to EU policies and standards in the framework of agreed priorities under the ENP AP and/or the PCA, offers more flexibility thanks to the possibility of using aid-delivery mechanisms such as sectoral or general budget support, Twinning or TAIEX. The overall amount of EU assistance to Armenia for the period 2007-2010 amounts to €98,4 million. The overall amount of the 2007 Action Programme (AP07) for Armenia is €21 million. As the AP07 is the first one under the new ENPI, it is designed to support transition from the assistance provided under TACIS to a broader range of measures available under the ENP. Armenia is also eligible for the ENPI Eastern Regional Programme⁵ and the ENPI cross-border cooperation (CBC) and the Instrument for Stability (IfS).

The EC European Initiative for Democracy and Human Rights (EIDHR) Programme launched its activities in support of NGOs in Armenia in 2003 with the objective of promoting and protecting human rights and democratisation as well as conflict prevention and resolution. The total amount of the EIDHR budget line for Armenia in 2007 is EUR 600 000.

The EIDHR Strategy Paper 2007-2010 under its Objective 4 includes support to joint programmes with the Council of Europe. Armenia is eligible for four new EU/Council of Europe programmes of co-operation in the field of human rights and rule of law in the countries of the South Caucasus, Moldova and Ukraine for the period 2008-2009⁶. These Programmes were signed in December 2007, and are co-financed on a 50/50 basis by the European Instrument for Democracy and Human Rights (EIDHR) and the Council of Europe. The 2007 Joint Programme with the Council of Europe has an estimated total cost of EUR 4 million, the EC maximum contribution being EUR 2 million.

Moreover, in 2007 another global financial instrument entitled 'Non-State Actors and Local Authorities in Development' was launched to support local authorities and local civil society.

3.1. Strengthening of Democratic Structures and Good Governance / Support for Regulatory Reform and Administrative Capacity Building

The ENP Action Plan interconnects issues of democratisation and human rights with the issue of administrative capacity building. We will now assess the relevance, effectiveness, efficiency and sustainability of the EU assistance to Armenia, with a special emphasis on Priority Areas 1 and 2.

Relevance

The priorities 1 and 2 of the NIP are being addressed jointly by the first AP07 of the ENPI for Armenia. The ENP Action Plan interconnects issues of democratisation and human rights with the issue of administrative capacity building. Actions carried on in the field of administrative capacity building are expected to improve the rule of law and support the process of democratisation. The Annual Programme's objective is to support the Armenian administration and relevant institutions in the implementation of the Action Plan in areas with the potential to strengthen democratic structures and good governance and support administrative reforms and capacity building. The lack of technical implementation capacities

⁵ ENPI Eastern Regional Indicative Programme (IP) 2007-2010 this translates into priority support for five strategic categories: Networks, in particular transport and energy networks ii) Environment and forestry, iii) Border and migration management, the fight against international crime, and customs, iv) People-to-people activities, information and support v) Anti-personnel landmines, explosive remnants of war, small arms and light weapons

⁶ list of projects in annexe

can hinder the implementation of the Priority Area 1 of the ENP Action Plan. However the strengthening of institutions and their democratic functioning can lead to their empowerment at the expenses of civil society organisations. This is particularly worrisome in a context where the establishment of a constructive dialogue between the government, the opposition and the civil society is seen as essential for the strengthening pluralism as the core element of democracy.

Interestingly, in the NIP, progress to be achieved in the field is valued mainly because of the positive impact on the overall performance of Armenia. It is stressed that reforms towards democratization and the rule of law will further improve the trade and investment climate and strengthen European values throughout all fields. It is noteworthy that the implementation process of the ENP Action Plan and progress in the agenda of domestic reforms have been interlinked in the public discourse. The Constitutional reform was followed by the improvement of the legislative framework in the field of separation of powers, independence of the judiciary, the administration of elections, and the institution of the Ombudsperson. The implementation phase will be of crucial importance. The willingness of the authorities to cooperate, and the degree of political support will be crucial.

The strengthening of the political conditionality, mainly through positive incentives would increase the relevance of the EU assistance in meeting the priorities of the ENP Action Plan. The resolution of the EP on South Caucasus in its paragraph 18 affirms that a clear commitment to respect human rights and fundamental freedoms of the country is of paramount importance for determining future relations with the EU. The political context has had an excessive impact on the first Annual Action Programme since its signature. Because of parliamentary elections in Armenia in May 2007 and presidential elections in 2008, the wish to identify an area of intervention not likely to be questioned by the newly elected Government led to the almost total exclusion of Priority Area 1 from the annual programming. Programmes in the field of democratization perceived as politically sensitive would have necessitated further negotiations with the newly elected authorities. The AP07 states nevertheless that all the identified priorities listed in the CSP and NIP will be addressed during the period 2007-2013. This approach led to the weakening of the political conditionality of the EU assistance and might have blurred the understanding of the new government of the priority given by the EU to democratization.

Effectiveness

According to the AP07, ENPI funds are channelled to projects in Priority Areas 1 and 2 (“*Strengthening of Democratic Structures and Good Governance*” and “*Support for Regulatory Reform and Administrative Capacity Building*”) through the Twinning mechanism. EUR 5 million are allocated to the Twinning facility, the overall amount of the 2007 Action Programme being EUR 21 million. During the last enlargement of the EU the Twinning instrument proved to be very effective in institutional building and administrative capacity development of candidate countries in the process of approximation to the legislation, norms and standards of the EU and their related reforms. Moreover, the government of Armenia has expressed a strong interest in Twinning specifically with new Member states with whom Armenia shares some common features (Baltic countries, Romania, Bulgaria). According to the 2005 evaluation of the TACIS programme, the efficiency of TACIS has been hampered by inadequate delivery mechanisms, focused more on stand-alone projects rather than programmes. In Armenia, past experience has shown that the effectiveness and visibility of EC cooperation increased when it focused on a limited

number of sectors, combining different instruments and applying a strategic and sectoral approach. However it is noteworthy that among the Twinning projects approved for implementation in 2008 only one deals directly with human rights⁷. The allocation of the ENPI funds doesn't yet meet the expectation that democracy promotion should become an integral part the neighbourhood instrument.

The Commission's activities in the field of democracy, human rights and the rule of law also include joint programmes with the Council of Europe, which aim to create synergies and complementarities and avoid duplication of actions. Both organisations share the cost of these activities, generally on a 50/50 basis. However, in these joint projects, the role of the Commission has mainly been restricted to its financial contribution; implementation is ensured by the Council of Europe through its local representation. In this respect, the visibility of the EU in relation to democratic issues has been low.

The EU funding system has been criticised by local civil society actors for raising costs, increasing uncertainty and reducing the effectiveness of actions. The extensive and complicated reporting requirements pose an extra burden on recipients. The procedures take a long time, and local conditions and needs may change radically during the period. The procedures of EU aid programmes are very difficult for NGOs, and most of them prefer to work with other donors that are more flexible and less bureaucratic. Furthermore small NGOs without previous experience in managing larger grants are being continuously discriminated. The EU should decrease the level of bureaucracy in the project circles and develop simultaneously its monitoring capacity. It is of utmost importance to have a clear picture of the NGO community in the beneficiary country: a EU list of NGOs, inspired by the one of OSCE, can be established. Many NGOs have been established as a result of international projects. People affiliated to those NGOs are often in a better position to receive money but not in a better position to implement the project. "*Grant hackers*" are often overshadowing the small NGOs which are working effectively. The system encourages the proliferation of NGOs which don't have any constituency and are not representing any collective interest. The efficiency of EU sponsored projects would increase considerably with a better management from the EU side and with a coordination of projects granted under one topic with a concern for synergy.

Efficiency

Most of the EU's assistance particularly under the ENPI is being channeled to government structures, on the basis that the implementation of the Action Plan depends on the competence and commitment of officials, and therefore needs to strengthen the capacity of the institutions responsible. Furthermore, best results have been attained when there was full convergence on the EU-Armenia priorities and stronger ownership by the government of the beneficiary country. However even a marginal readjustment in favor of civil society organisations would increase the efficiency of the actions carried out in the field of human rights and the rule of law. The government's involvement in civil society assistance contradicts the idea of civil society as an independent sphere. There is a need to assist civil society directly, without the involvement of the government, in order to ensure that funds are distributed fairly without politically-motivated state interference.

Civil society organisations which have carried out projects funded by the European Instrument for Democracy and Human Rights (EIDHR) valued the instrument since it provides "*assistance to NGOs without the need for government consent. This is a critical feature of cooperation with civil society organizations at a national level especially in the*

⁷ Project to be implemented by the Human Rights Defender of the Republic of Armenia, titled 'Strengthening the Capacity of the Ombudsman Institution in Armenia', full list available in annex.

*sensitive areas of democracy and human rights. The hope is that there will be other instruments in the future that will allow NGOs to participate fully in EU funded projects*⁸. Indeed, the necessity to have the approval of the government of the beneficiary country for a project proposed by a civil society organization is by nature contradictory. Furthermore, there are a growing number of independent Armenian civil society experts who believe the EU Commission's report on reforms overlooks the true situation on the ground and exaggerates the progress that has actually been made in the first year. These civil society experts, gathered in the Partnership for Open Society, have written their own report to highlight these divergences⁹. They ask that the monitoring of the implementation of the ENP be open to cooperation and consultation with civil society, and they advocate that the civil society organisations should not only monitor but also participate in the formulation and implementation of the reform process.

Sustainability

- The partnership between Armenia and the EU administration foreseen under Twinning will bring increased ownership of the process and sustainability of the reforms. Sensitisation and information campaigns about the opportunities offered by the new ENPI instruments will also contribute to the sustainability of the actions. Furthermore, there is effective donor coordination in Armenia: the Ministry of Finance and Economy (MFE) is the leading institution coordinating donors' financial support grants and loans, and within the MFE a National Co-ordinating Unit is in charge of the coordination of EC assistance with other donors and line ministries.
- The establishment of concrete mechanisms for civil society consultation and the setting-up of a human rights sub-committee would help to foster the culture of dialogue and consensus between political and civil society actors and contribute to gather energy and channel resources to for the further implementation of reforms related to the Priorities 1 and 2 of the Action Plan. The Public Council established on 14 June 2008 by a presidential decree might be a positive first step although concerns that it may prove to be a hollow democratic alibi are being expressed. The Council has the status of a constitutional body tasked with encouraging public and political dialogue in Armenia. It will consider issues of national importance and analyze laws and presidential decrees¹⁰.

⁸ Interview with Tevan Poghosyan, executive director of the International Center for Human Development (ICHHD), Yerevan, Armenia

⁹ "Implementation of the European Neighbourhood Policy, 2007", Civil Society Experts Assessment of Progress Report Armenia, Partnership for Open Society, www.partnership.am

¹⁰ The commission includes Robert Amirkhanyan, chairman of the Union of Composers of Armenia, Father Mesrop Aramyan, chairman of Gadzasar theological center, Emil Gabrielyan, academician at the RA Academy of Sciences, Viktor Dallakyan, a parliament member, Hovhannes Zanazanyan, vice president of Banants football club, Perch Zeytuntsyan, member of the board of the Union of Writers of Armenia, Sergey Hambartsumyan, academician at the RA Academy of Sciences, Khosrov Harutyunyan, chairman of the Christian Democratic Union, Tovmas Pohosyan, chairman of Sayat-Nova cultural union, Arshak Sadoyan, chairman of National Democrats' Bloc, Sos Sargsyan, head of Hamazgayin theater and Shavarsh Kocharyan, chairman of the National Democratic Party of Armenia. PanArmenian, 14 June 2008

3.2. Support for Poverty Reduction Efforts

Relevance and effectiveness

The main component of this part of AP07 is a sector policy support programme (SPSP), focusing on a single area of assistance to ensure a significant leverage effect: it allocated EUR 16 million to Vocational Education Training (VET) reforms.

There is clear evidence of linkage to Government objectives and policy priorities. Armenia's Poverty Reduction Strategy Paper (PRSP I) adopted in 2003 recognised the role of VET in poverty reduction and economic development. It indicated that reform of the VET system in Armenia, including rehabilitation and strengthening of its offer, is the principal way to reduce the high rate of structural unemployment. This programme has been discussed and agreed with the Ministry of Education and Science (MoES), the Ministry of Labour and Social Affairs (MoLS) and the Ministry of Finance and Economy (MFE).

Efficiency

Support to VET reforms is recognised by the PRSP as a priority to fight unemployment and contribute to poverty reduction in Armenia, a priority also acknowledged under the third priority of the NIP. The Programme has the potential to boost job-creation for the young workforce and to empower local and regional players in issues related to skill-development strategy and implementation. It aims to establish a stable social partnership, comprising representatives of employers' organizations, trade unions and interested ministries under the auspices of the Ministry of Education.

TACIS has been supporting VET reforms in Armenia since 2003 and as a result of this cooperation three major documents have been adopted: Strategy on Preliminary and Middle VET (2004); VET Law (2005) and VET Modernisation Priorities Paper and Action Plan (2005-2008). The implementation phase will be decisive. A part of the TACIS AP06 was designed with a component of sectoral support to reforms in VET to pave the way to wider budgetary support operations under the ENP and ensure that necessary capacity is built within the beneficiary institutions to qualify for the assistance provided.

Sustainability

The Sector Policy Support Programme in the area of VET reforms will be complementary to the assistance programmes of other donors involved in PRSP implementation as well as PFM reforms. In particular, this component has been designed in cooperation with the United Nations Development Programme (UNDP) which is currently implementing a USD 1.2 million project in four Armenian provinces for the revision of curricula, rehabilitation of buildings and refurbishment of four colleges in the agriculture, industrial and tourism sectors. The World Bank has provided support for the training of 7.000 specialists, coming from 55 craftsmanship colleges.

Furthermore, new funding mechanisms of the VET sector are identified, developed and adopted, mainly through public-private partnership, and the VET Modernization Priorities Paper establishes a national Centre for VET Development.

4. Specific Issues: Regional Cooperation and the Nagorno-Karabakh conflict

The EU considers conflict resolution and good neighbourly relations as one of its prime foreign policy objectives. In the context of its enlargement policy, it calls for accession

candidates to resolve outstanding difficulties with their neighbours before acceding to the EU. Good neighbourly relations are also a key goal of the European Neighbourhood Policy. Both Turkey, which is in the accession process, and Armenia, which like Azerbaijan is included in the ENP, are covered by this objective.

The conflict over Nagorno-Karabakh and the closed borders with Turkey and Azerbaijan considerably hinder Armenia's development. Much of the country's future progress will depend on successful conflict settlement and the normalisation of relations with neighbours. Due to its land-locked situation, Armenia is also committed to greater involvement in other regional cooperation initiatives.

4.1. Regional cooperation

The issue of regional cooperation is a high priority of the ENP Action Plan for Armenia. The overall aim is to promote cooperation with neighbouring countries, to resolve regional issues and to promote reconciliation. Developing bilateral and multilateral cooperation in the Black Sea region – including strengthened regional economic cooperation through engagement with the Black Sea Economic Cooperation Organisation (BSEC) – and between the Black Sea and Baltic Sea regions is as an important aim.

Cooperation in the field of energy and transport (in the context of the EU/Black Sea/Caspian littoral states and neighbouring countries initiative) as well as youth exchanges and cooperation among the three Southern Caucasus countries are also mentioned. Furthermore, the Action Plan refers to the need to *'address the issue of Turkish-Armenian relations in the context of the movement of goods and people and regional cooperation and development'*.

The resolution of the EP on South Caucasus highlights the importance of regional cooperation and urges *'the three countries not to hinder or veto EU-funded cross-border programmes and projects aimed at resuming dialogue, building confidence between the parties and tackling regional problems'*. The resolution also addresses the issue of the closed Turkish-Armenian border: it calls for *'the Turkish and Armenian Governments to start the process of reconciliation for the present and the past, and calls on the Commission to facilitate this process while tackling advantage of the regional cooperation realized within the ENP and Black Sea Synergy policy and calls on the Commission and the Council to address the opening of the Turkish border with Armenia with the authorities of those two countries'*.

4.2. The Nagorno-Karabakh conflict

Armenia's conflict with Azerbaijan over Nagorno-Karabakh and seven adjacent provinces of Azerbaijan remains the major impediment to development and contributes to regional instability. In July 2003 the appointment of a EU Special Representative for the Southern Caucasus was designed to facilitate the dialogue between the EU and the countries of the region. The mandate of the Special Representative (currently the Swedish diplomat Peter Semneby) includes assisting the EU in developing a comprehensive policy towards the region, and supporting the conflict-prevention and peace-settlement mechanisms in operation.

Contrary to the situation in Abkhazia, South Ossetia and Transdnistria, the EU supports no projects in Nagorno-Karabakh. The EU aid to Abkhazia and South Ossetia is made through the official channels, the EU delegation in Tbilisi being directly involved. The EU delegation in Chisinau is equally involved as far as projects implemented in Transdnistria are concerned. The different sides of the conflict could reach an agreement on this disposition. Officially the EU aid to Nagorno-Karabakh has to be managed from Baku. However, this situation is not acceptable for Nagorno-Karabakh. The ENP Action Plan of Armenia states

that *‘depending on developments regarding the peaceful settlement of the conflict over Nagorno-Karabakh, the EC will be ready to provide specific assistance related to all aspects of conflict settlement and settlement consolidation’*.

The EU aid can support concrete efforts on the ground towards the peaceful settlement of the conflict. Some concrete actions implemented with the joint participation of Armenians of Nagorno-Karabakh and Azerbaijanis could, if well explained, have the approval of Azerbaijan. These projects could focus on environmental issues. The Caucasus Regional Environmental Centre with its headquarters in Tbilisi, co-founded by the three South Caucasus Republics, can be of help. Projects could tackle issues such as protection of forest zones in Nagorno-Karabakh and in the occupied territories, and water supply to villages near the ceasefire line. Furthermore, people-to-people contacts across the ceasefire line could be encouraged. Armenia is also a potential beneficiary of the EU’s Instrument for Stability, created in 2006 with the aim to provide an effective, timely, flexible and integrated response to crises, emerging crises or continued political instability; however, this instrument has not been used so far

5. Conclusions and Recommendations

Conclusions

The willingness of the authorities to cooperate and the degree of political support have been important. Issues related to the transition of Armenia to a democratic society have only gradually gained importance in the EU’s cooperation. Democratic progress, respect of human rights and enforcement of the rule of law rank high among the priorities of the Action Plan. The main challenges for the government during the next years are to further strengthen democratic structures and improve the respect of human rights, the rule of law and fundamental freedoms.

The ENPI is a policy-driven instrument which offers important flexibility thanks to the possibility of using aid delivery mechanisms such as sectoral or general budget support, Twinning or TAIEX. In Armenia, past experience has shown that the effectiveness and visibility of EC cooperation have increased when it focused on a limited number of sectors, combining different instruments and applying a more strategic sectoral approach. In the context of the EU’s enlargement policy, the Twinning instrument has proved to be effective in institutional building and administrative capacity development of candidate countries in the process of approximation to the legislation, norms and standards of the EU.

The 2007 Annual Action Programme’s objective is to support the Armenian administration and relevant institutions in the implementation of the ENP in areas with the potential to strengthen democratic structures and good governance and support administrative reforms and capacity building. Issues of democratisation and human rights are interconnected with the issue of administrative capacity building.

The lack of technical implementation capacities can hinder the implementation of the Priority Area 1 of the ENP Action Plan. Most of the EU assistance particularly under the ENPI is being channeled to government structures, on the basis that the implementation of the ENP Action Plan depends on the competence and commitment of officials and therefore needs to strengthen the capacity of the institutions responsible.

There is a clear evidence of linkage of the EU assistance to Government objectives and policy priorities. The main component of the AP07 is a sector policy support programme (SPSP) focusing on Vocational Education Training (VET) reforms, and aiming at supporting the poverty reduction strategy adopted in 2003. The best results have been attained when there was full convergence on the EU-Armenia priorities and stronger ownership by the government of the beneficiary country. In addition, a sector policy support programme aiming at strengthening the competition policy can impact positively on the democratisation process by allowing small and medium size enterprises to develop import channels and thereby by loosening the strong grip of a few import monopolies.

According to the AP07, ENPI funds are channelled to projects in Priority Areas 1 and 2 through the Twinning mechanism. However it is noteworthy that among the Twinning projects approved for 2008, only one deals directly with human rights. The allocation of the ENPI funds does not yet meet the expectation that democracy promotion should become an integral part of the neighbourhood instrument.

Recommendations

Allocation of more funds to the Priority Area 1 of the Action Plan and strengthening of the political conditionality

- Because of parliamentary elections in Armenia in May 2007 and presidential elections in 2008, the concern to identify areas of intervention not likely to be questioned by the newly elected Government led to the almost total exclusion of the Priority Area 1 from the annual programming.
- There is an urgent need, as expressed by the EP in its resolution on Armenia of 13 March 2008, to develop actions for the strengthening of democratic structures and the rule of law.
- The strengthening of the political conditionality would increase the relevance of the EU assistance in meeting the priorities of the ENP Action Plan. For EU conditions and conditionalities to be effective, there must be a degree of trust and dependable expectations between the EU and the partner country. More specifically, the candidate country must feel confident that as long as it complies, it can reasonably expect the EU to deliver the promised benefit of an enhanced partnership. Armenia's further integration into the Single Market and into EU programmes and agencies should be linked to achievements in the field of democratization and rule of law.
- Democracy should be treated as a horizontal issue. Future assessments of the EC's interventions should be carried out in relation to democracy and their design should if necessary be adjusted so as to enhance their contribution in this respect.
- Regional (in the sense of sub-national) development projects could also make a contribution to democratic consolidation if they succeed in promoting a participatory approach to decision-making at regional level, and even more so if the decentralisation policy leads to elected regional governments.

Better balance between aid to government structures and aid to civil society organisations

- The strengthening of government institutions and their democratic functioning can lead to their further empowerment at the expense of civil society organisations. This is particularly worrisome in a context where the establishment of a constructive dialogue between the government, the opposition and the civil society is essential for the strengthening pluralism as the core element of democracy.
- A readjustment in favour of civil society organisations would increase the efficiency of the actions carried on in the field of human rights and the rule of law. The next annual programming document should target directly the Priority Area 1 and acknowledge the importance of the civil society organizations.
- The EU should make its assistance more friendly for civil society: The procedures of EU aid programmes are very difficult for NGOs: they take a long time, and local conditions and needs may change radically during the period. Therefore most NGOs prefer to work with other donors that are more flexible and less bureaucratic.

Need to promote cooperation between civil society and government structures

The establishment of mechanisms for civil society consultation, and the setting-up of a human rights sub-committee, would help to foster the culture of dialogue and consensus between political and civil society actors, with the inclusion of civil society on the agenda of political dialogue between the EU and the government and in domestic policy processes. This can contribute to giving energy and channelling resources for the further implementation of reforms related to the priorities 1 and 2 of the ENP Action Plan. The Public Council established on 14 June 2008 by a presidential decree might be a positive first step although concerns that it may prove to be a hollow democratic alibi are being expressed. The Council has the status of a constitutional body called to encourage public and political dialogue in Armenia. It will consider the issues of national importance, analyze the laws and presidential decrees.

- The executive power faces a legitimacy crisis as a result of the lack of public trust in the political system, with its weak institutions and lack of transparency. The monitoring of the implementation of the ENP should be open to cooperation and consultation with civil society organisations. The establishment of channels for dialogue and consultation enabling the participation of the civil society organizations in the policy making process will also strengthen the sense of accountability of the governmental agencies. The strengthening of the accountability will help to foster the credibility and legitimacy of the executive power and boost the level of participation of the civil society organizations in the public debates related to the ENP.
- Development and poverty reduction projects which increase dialogue and collaboration between the social actors and national and regional authorities can contribute to the improvement of this dialogue. In particular, as provided for by the ENPI Regulation, attention should be devoted to the establishment of partnerships with beneficiaries of EC assistance, including local authorities, civil society, economic and social partners.

Promotion of cross-border regional cooperation initiatives

- The conflict over Nagorno-Karabakh and its closed borders with Turkey and Azerbaijan hinder Armenia's development. Much of the country's future progress will therefore depend on successful conflict settlement and on the normalisation of relations with neighbours. EU-funded cross-border programmes and projects aimed at resuming dialogue, building confidence between the parties and tackling regional problems should be launched despite reluctance of the governments. The EU can facilitate this process while taking advantage of the regional cooperation realized within the ENP and Black Sea Synergy policy.
- Contrary to the situation in Abkhazia, South Ossetia and Transnistria, the EU supports no projects in Nagorno-Karabakh. Through the Instrument for Stability the EU can support concrete efforts on the ground towards the peaceful settlement of the conflict. Some actions implemented with the joint participation of Armenians of Nagorno-Karabakh and Azerbaijanis could, if well explained, have the approval of Azerbaijan. These projects could focus on environmental issues.
- The EU pre-accession assistance to Turkey and the European Neighbourhood and Partnership Instrument for Armenia should devote significant attention to the rehabilitation of transport and tourist infrastructure in the Turkish-Armenian border area. EU funds could be channelled into joint collaborative projects involving Turkish and Armenian academic and scientific institutions, as well as projects researching the Turkish-Armenian common cultural heritage.

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Annex 1

European Initiative for Democracy and Human Rights (EIDHR) & Armenia

The European Initiative for Democracy and Human Rights launched a programme in 2003 with the aim of supporting NGOs in Armenia. The initiative has completed the following 11 projects, which received grants of 498,033 Euros in total, and were selected from a total of 48 projects:

1. "Campaign Against Corruption-Friendly Legal and Social Settings in Armenia" (*Centre for Counterterrorism assistance*)
2. "From Equal Rights to Equal Opportunities" (*Havat*)
3. "Introduction of European Charter on Local Self Government in the Legislation of Armenia as the Basis of Democratization and Development of Local Government" (*Communities Finance Officers Association*)
4. "Armenia and Azerbaijan on the Crossroads of neither War no Peace: How to Overcome the Stereotypes" (*Association of Investigative Journalists of Armenia*)
5. "Interactive Human Rights" (*Youth for Achievements Association*)
6. "Strengthening the Role of Media in Promoting the Rule of Law in Armenia" (*Femida*)
7. "Towards New Leadership: Measures Facilitating the Peaceful Conciliation of Groups Interests" (*International Centre for Human Development*)
8. "Human Rights Radio Series" (*Antenna-Assistance to Electronic Mass Media*)
9. "Accountability to Community" (*Information Educational Centre for Supporting the Development of Local Government*)
10. "Creation of Armenian Economic Court Web Information Centre" (*Armenian Public Relations Association*)
11. "Human Rights and Knowledge to Action" (*Helsinki Committee of Armenia*)

Annex 2

LIST of Twinning project proposals approved for 2008

№	State Body	Project Title	Submission Date
1	Human Rights Defender of the RA	Strengthening the Capacity of the Ombudsman Institution in Armenia	08 February, 2008
2	General Department of Civil Aviation at the Government of the RA	Harmonization with EU Legislation Norms and Standards of Armenia in the Field of Civil Aviation	08 February, 2008
3	Ministry of Trade and Economic Development of the RA	Ensuring Sustained Economic Reforms Via Introduction of Regulatory Management Practices (Standard Cost Model)	08 February, 2008

LIST of TAIEX applications submitted to EC

updated
7 July 2008

№	State Body	Project Title	Type	Submission Date	Status
1	Ministry of Finance and Economy of the RA	European Experience of Pension Reform	Workshop	26-Jul-07	approved
2	State Tax Service	STS administrative capacity assessment Based on the Fiscal Blueprints developed by the EC	Expert Mission	15-Aug-07	approved
3	Ministry of Finance and Economy of the RA	Improvement Internal Audit Legislation in the RA According EU Standards	Study Visit	8-Nov-07	approved
4	Migration Agency of Ministry of Territorial Administration of the RA	Support to Elaboration of Comprehensive National Action Plan on Migration and Asylum Issues	Expert Mission	30-Nov-07	approved
5	Police of the RA	Exchange of Experience in the Field of ID Cards and Biometric Passports	Study Visit	6-Dec-07	approved
6	National Statistical Service of the RA	Approximation of Armenian Legislation on Data Security and Statistical Confidentiality with EU Legislation	Expert Mission	18-Dec-07	approved
7	National Statistical Service of the RA	Common Classification of Territorial Units for Statistics (NUTS)	Expert Mission	11-Feb-08	approved

Annex 3

List of Joint Programmes with the Council of Europe 2007

1. 'Support to free and fair election process in the countries of the South Caucasus and Moldova'

Duration: 01/01/2008 - 31/12/2009

Budget: 1 000 000 €

Overall objective: To assist the countries of the South Caucasus and Moldova in conducting 2008-2009 elections in line with international standards on the matter.

2. 'Freedom of expression and information and freedom of the media in the South Caucasus and Moldova'

Duration: 01/01/2008 - 31/12/2009

Budget: 1 010 000 €

Overall objective: To strengthen democracy, the rule of law and human rights in line with Council of Europe standards, promoting in particular the right to free expression and information in Armenia, Azerbaijan, Georgia and Moldova.

3. 'Setting-up and developing Civil Society Leadership Network in Ukraine, Moldova and the South Caucasus'

Duration: 01/01/2008 - 31/12/2009

Budget: 750 000 €

Overall objective: To strengthen civil society in Ukraine, Moldova and South Caucasus and involve it into the solution of political, social, cultural and other problems in their countries, and wider in their region.

4. 'Setting up an active network of independent non-judicial human rights structures in Council of Europe member States, which are not members of the EU'/HRC-Peer project

Duration: 01/01/2008 - 31/12/2009

Budget: 900 000€

Overall objective: To help avoid, put an end to or compensate for human rights violations in Council of Europe member States which are not EU member (especially Albania, Armenia, Azerbaijan, Bosnia-and-Herzegovina, Croatia, Georgia, Moldova, Montenegro, the Russian Federation, Serbia, "The former Yugoslav Republic of Macedonia", Turkey, Ukraine)

Annex 4

Ideas on Transitional Justice proposed by the International Center for Human Development (ICHD), Yerevan, that can be implemented under the Stability Instrument

The fact that the current situation in Karabakh is unresolved makes any form of justice hard to achieve. Some options that may help Nagorno-Karabakh Armenians are as follows:

1. One major part of transitional justice is the reconciliation aspect. Although Azerbaijan is not willing to negotiate with Nagorno-Karabakh (NKR), a reconciliation commission may be helpful in ensuring that there is no further dehumanization of Armenians or Azerbaijanis. One thing that worked well for the Irish was to invite representatives from other countries that had experienced similar problems to share in their process. It would be valuable if Azerbaijan and NKR could do this through their politicians. If this is not possible, another option is to have small reconciliation commissions with citizens in which Armenians and Azerbaijanis meet in social settings, to help them realize that the enemy is human and thus build civil society.
2. NKR has representative offices in both the United States and France. On its official websites for the offices of these two countries, it lists its needs including money for infrastructure and training for civil society building. It might be an option to look at this list and see how ICHD can be useful.
3. Another option is to create political awareness programs that teach Karabakh Armenians about the political stakes involved in the present the situation including the economic consequences, what types of compromise are possible, etc. Karabakh Armenians especially need to know what their rights are, where they stand internationally, and how those rights can be protected.
4. A viable option is doing a THM for budgeting in NKR in order to increase citizen participation in local NKR governance. They could discuss what type of infrastructure their area needs and possibly partner with NGOs to achieve that.
5. Cross-cultural training might also be worthwhile for Karabakh Armenians, and this could be included in options 1 or 3.
6. It seems that many Diaspora Armenians and Republic of Armenia citizens are interested in the Karabakh situation and want to help. It would be beneficial to Karabakh Armenians if Armenians outside Karabakh were more educated about the conflict. Many Armenians wish to contribute money, resources, or ideas to this area but fail to realize that in addition to being helpful they can actually worsen the situation.
7. Another option would be aiding in the repatriation of Karabakh Armenians. This provides justice to those who were expelled from their region and helps them get back to normal life.
8. A last recommendation is the creation of specific civil society groups that allow usually unheard groups, such as youth and women, to participate in the future of their country. Unfortunately wherever there is conflict there will be problems related to infrastructure, economics, morality, etc. Not much can be done until the conflict is resolved even if it is at a cease-fire. However, the situation could still be ameliorated.