

PGG II ANNUAL REPORT

ANNUAL REPORT 2019 - YEAR 1 OF IMPLEMENTATION

PROJECT INFORMATION

Project reference and title:	EU-JP/2338 - PGG II : 1. Strengthening institutional capacities to fight and prevent corruption in Armenia
Project type:	Bilateral
Target country:	Armenia
Project planned starting date:	01/01/2019
Project effective starting date:	01/01/2019
Project duration:	36 months
National partners:	Prosecutor General's Office (ՀՀ գլխավոր դատախազություն); Investigative Committee of Armenia (ՀՀ քննչական կոմիտե); Ministry of Internal Affairs (Ներքին գործերի նախարարությունը); Civil Service Council (Քաղաքացիական ծառայության խորհուրդ); Ministry of Justice (ՀՀ արդարադատության նախարարություն); Civil society (քաղաքացիական հասարակություն); Commission on Ethics of High-Ranking Officials (Բարձրաստիճան պաշտոնատար անձանց էթիկայի հանձնաժողով); Special Investigation Service of Armenia (ՀՀ Չատուկ քննչական ծառայություն)
Date of report:	31/12/2019
Project team:	
Project Manager in Council of Europe Headquarters:	Zahra AHMADOVA
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I. EXECUTIVE SUMMARY – OVERALL ASSESSMENT

The EU/CoE Partnership for Good Governance (PGG) Project “Strengthening institutional capacities to fight and prevent corruption in Armenia” is the first bi-lateral anti-corruption intervention within the PGG framework. Initiated in the wake of recent political changes in Armenia, the project supports the country’s stated top priorities to tackle wide-spread corruption by strengthening legislative and institutional frameworks for corruption prevention and asset recovery, and developing capacities and tools to prevent and suppress economic crimes.

During the reporting period, the areas of project intervention were related to:

Anti-corruption policy: The project provided the national authorities with a review and recommendations to strengthen the draft Anti-Corruption strategy and its Action Plan for 2019-2022. The recommendations concerned the proposed institutional framework, the links between various elements where applicable and recommendations for developing an effective performance monitoring framework with objectively verifiable indicators. The authorities adopted the Action Plan in October 2019, which incorporates a number of project’s recommendations, including expanding the mandate of new Corruption Prevention Commission (CPC) related to asset declarations, promoting corruption reporting mechanisms.

Anti-corruption legislative and institutional set-up: Another important step was the establishment of a new independent anti-corruption body, the Corruption Prevention Commission. The project supported this process by providing expert opinion on the draft law on “Making Amendments and Addenda to the Law on the Corruption Prevention Commission”. The draft was adopted by the Parliament in October 2019, and five members of CPC were selected. It’s noteworthy, that in the initial draft the oppositional factions of the Parliament could nominate only 1 candidate, but in the adopted version the ruling and the oppositional factions should nominate 1 candidate each. This change also came in response to CoE recommendations. In the [Fourth Evaluation Round Compliance Report](#) of December 2019, GRECO stressed the importance of operational independence of the Commission and urged the authorities to ensure independence of the CPC, in particular through a balanced and sustainable composition and transparent procedures.

In addition, the project reviewed the legal framework governing the submission and verification of asset declarations in Armenia in October 2019. The opinion outlines 27 major recommendations for strengthening of the asset declarations regime. The authorities took into account some recommendations when developing draft legislation on asset declaration. The project continues to work with the authorities in ensuring full implementation of the recommendations.

Asset recovery: The Project directly contributed to the strengthening of the draft law “on Civil Forfeiture of Illegal Assets” by providing expert opinion and recommendations as well as organising discussions with various stakeholders. Nearly 20 out of 41 recommendations provided by the Project are incorporated in the new draft law. The latest draft of the law was approved by the government and is pending parliamentary vote.

The main challenges of reporting period were related to a large number of different reforms on the government agenda. Because of this, priorities change too fast. The project team should be more flexible in adapting actions and Project activities to the changing situation.

II. RESULTS ASSESSMENT

Intermediate outcome 1

Strengthened legislative and institutional frameworks for combatting economic crime

In October 2019 the Anti-Corruption Strategy and its Action Plan for 2019-2022 were adopted by the Government of RA. The Project provided comments and recommendations to both documents. The Armenian authorities took into account about 50 % of recommendations provided by the Council of Europe, including those relating to the role of the Corruption Prevention Commission and its mandate relating to reception and verification of asset declarations, sanctions for failure to declare, right to request information on beneficial ownership etc.

The Project also supported the establishment of a new anti-corruption body, Corruption Prevention Commission (CPC), by providing Technical Paper with an expert opinion and recommendations to a draft bill amending the CPC Law, proposed by the National Assembly. The Project expert highlighted

that the proposed approach of nominating CPC members would create a significant risk of politicization, endangering the independence and effectiveness of the Commission. The authorities adopted the amendments in October 2019, and the CPC members were nominated. In its Fourth Evaluation Round Compliance Report of December 2019, GRECO urged the authorities to ensure the independence of the Commission for Prevention of Corruption, in particular through a balanced and sustainable composition and transparent procedures.

Output 1.1.1

Support to the authorities in defining and implementing the new Anti-Corruption Strategy and Action Plan

The project provided the national authorities with a review and recommendations to strengthen the draft Anti-Corruption strategy and its Action Plan for 2019-2022. The recommendations concerned the proposed institutional framework, the links between various elements where applicable and recommendations for developing an effective performance monitoring framework with objectively verifiable indicators.

The authorities adopted the Action Plan in October 2019, which incorporates a number of project's recommendations, including expanding the mandate of new Corruption Prevention Commission (CPC) related to asset declarations, promoting corruption reporting mechanisms.

Output 1.1.2

Establish and implement legislative framework for combatting corruption and money laundering in line with European and international standards

In August 2019 upon request of the national authorities, the Project provided an expert opinion on the draft bill on "Making Amendments and Addenda to the Law on the Corruption Prevention Commission." The technical paper addressed the main changes related to the method for the nomination and appointment of Commission members, as well as additional functions and powers assigned to the Commission. To avoid the risk of politicization of the Commission, the Project expert suggested competition-based selection of CPC members in order to insure the independence of the preventive body. The amendments to the bill were adopted by the National Assembly in October 2019. In the adopted version the number of candidates nominated by the ruling party was decreased, ensuring equal number of candidates from opposition factions. However, it is reported that Ministry of Justice is working on the new amendments which will include re-introduction of a competition-based selection in accordance with GRECO recommendations.

Intermediate outcome 2

Enhanced systems of asset declaration, conflict of interest and illicit enrichment for all levels of public officials

During reporting period, the Project has contributed to the improvement of the asset declarations system in Armenia, by assessing the current legal framework related to the submission and the verification of asset declarations. The Project provided expert recommendations for amendments to the legal framework and suggested a new template for assets and income declaration. In particular, recommendations proposed to expand the scope of access to information by the Corruption Prevention Commission for the purpose of verification of declarations, as well as to fully address beneficial ownership matters.

The recommendations were further discussed at a workshop with government and civil society representatives. Furthermore, the project advised the authorities on the development of a template for asset declarations. The project continues to work with the authorities in ensuring full implementation of the recommendations.

Output 2.1.1

Strengthened capacities of oversight bodies on verification of asset declarations and conflict of interest

On October 16, 2019, the Project held a workshop on Assets Declaration System in Armenia. The objective of the workshop was to present the findings and recommendations from the analysis of the Armenia's assets declarations legal framework and to discuss the possible solutions for further strengthening the assets declaration system with the relevant national authorities and the civil society organisations. The workshop was attended by the representatives of the Ministry of Justice

of RA, Commission on Ethics of High-Ranking Officials of Armenia, the National Assembly of Armenia, Prime Minister's Office, Civil Service Bureau, State Revenue Committee, civil society organisations.

The recommendations provided by the Project, concerned some important topics such as persons obliged to declare, items to be declared, beneficial ownership, and verification of declarations. In particular, CoE recommended to enhance the definition of those who are supposed to submit declarations, to expand the scope of access to information by the Corruption Prevention Commission for the purpose of verification of declarations, to consider lowering the threshold for the declaration of items of income as well as to fully address beneficial ownership matters. After the discussion the finalised paper with the proposed template for asset declaration and recommendations were submitted to the Ministry of Justice.

New amendments of the Public service law are still being discussed and the final version of the template is expected to be adopted in March 2020.

Intermediate outcome 4

Further developed institutional asset recovery mechanisms

The Project is closely supporting the asset recovery reforms in Armenia, by providing recommendations to the draft law on Non-conviction based forfeiture of illegal assets and organizing round-table discussion with the working group responsible for drafting the law. As a result of continues cooperation with authorities, nearly half of recommendations were accepted and incorporated into the draft law, which is approved by the Government and will be discussed in the National Assembly in the first half of the 2020.

Output 4.1.1

Strengthened the legislative framework and institutional capacities for asset recovery in line with European and international standards

Responding to the request of national authorities the Project provided recommendations on the new draft "Law of Republic of Armenia on Civil Forfeiture of Illegal Assets". This was discussed with the working group responsible for drafting the law at the workshop in June 2019. Furthermore, the Project provided answers and explanation to a set of additional questions and issues on the topic identified by the authorities. It's worth to mention, that nearly half of forty-one recommendations were incorporated into the draft law, which was adopted by the Government and will enter the National Assembly in the first half of 2020. Particularly, those recommendations included development of a comprehensive system for non-conviction-based confiscation, relying on a combination of various models, and establishment of a strong institutional framework on asset recovery including an Asset Recovery Office (ARO) and an Asset Management Office (AMO), as well as addressed retrospectivity and threshold issues. The Project will continue supporting the authorities on this topic in 2020.

III. CROSS-CUTTING ISSUES

- Gender mainstreaming

The Project ensures that all the activities are designed in such way so as to provide equal opportunity for participation. The Project provides equitable access to all capacity building actions and deliverables and collects gender disaggregated data through activity monitoring. Thus, 47 percent of the participants of the Project activities in 2019 were women (45 out of 95).

- Civil society engagement and human rights approach

The Project is closely working with civil society organizations, engaging them in workshops, discussions and other activities. The representatives of different CSOs, working in the anticorruption field, participated in the Project inception activities, Project launching event, and workshop on Asset

declaration system. The Project follows HRBA principles in all activities, by promoting rule of law, good governance, participation, transparency and accountability.

IV. SUSTAINABILITY AND STAKEHOLDERS' OWNERSHIP

The Project is a combination of policy/legislative and capacity building actions specifically tailored to address each of the expected results of the Project. The Project engaged all the stakeholders during the Project inception period to align the Project workplan to the existing needs

and latest developments. The Project expected results and specific activities have been set pursuant to country needs and an agreed approach in providing assistance in this field.

The workplan was approved during the Steering Committee Meeting on 24 September 2019, which included representatives from the European Union Delegation to Armenia, Ministry of Justice, Prosecutor General's Office, Investigation Committee, Special Investigative Service, Civil Service Office, Prime Minister's office, Commission on Ethics of High-Ranking officials of Armenia.

V. COMPLEMENTARITY

The project team is participating in all donor coordination meetings relating to anti-corruption, sharing information about project activities in order to avoid overlaps and seek complementarities. The main projects in anticorruption field are implemented by the EU, the World Bank, USAID, INL, OSCE, UNDP, GIZ. In cooperation with the French Embassy in Armenia, Project organized a round-table discussion on Non-conviction based confiscation of illegally obtained property with 25 representatives of the working group of Ministry of Justice responsible for the development of the law on non-conviction based confiscation, financial intelligence unit, law enforcement agencies.

VI. RISK AND RISK MITIGATION MEASURES

The potential risks while implementing the project are following:

- **Human resources:** (Risk) Lack of qualified staff in charge of the implementation of the reforms/ activities in beneficiary institutions. (Mitigation measure) Capacity building activities for relevant representatives of new anti-corruption agency or Ministry of Justice upon request.
- **Political:** (Risk) Change in priorities in the anti-corruption agenda of the Government. (Mitigation measure) Project team, being in regular contact with the authorities, will be flexible and make adjustments to activities if needed.
- **Political:** (Risk) Lack of political will due to change of beneficiary management and/or political authority during the project implementation (Mitigation measure) The activities will be implemented according to the work plan, as adopted by the Steering Committee, being the overall managing authority, composed of members of various national stakeholders with significant political influence. The workplan will be revised every 6 months, adjusted to the needs in light of the discussions at the project Steering Committee meetings. The CoE assists the authorities with the preparation of all strategic documents, training tools, materials and programmes, in an objective and unbiased manner, not linking the deliverable with any national political developments.

VII. COMMUNICATION AND VISIBILITY

The communication objectives of the Project are:

- Improve understanding about the areas of intervention as they relate to implementation of the national priorities in the fight against corruption and money laundering, and highlight the results produced through the project;
- Inform about the role of the Council of Europe and the European Union in supporting the reforms and capacities to effectively combat corruption in the country;
- Foster donor awareness of the project outcomes and ensure coordination with other EU-funded projects in Armenia.

The communication activities throughout the reporting period involve the following at each stage of the project implementation:

Project Inception: Launching event with the beneficiary institutions; development of project summary leaflets, media advisory. Launching event was attended by number of media representatives, information was published on 10 news agencies, news and photos from the event were shared on official CoE website and social media.

Implementation: Project workshops, round tables and other events were attended by representative number of public officials and CSOs; News items on events accompanied by photos were published on

the project website. Project also printed number of visibility items, such as leaflets, folders, notepads, pens, etc.

VIII. KEY DELIVERABLES (publications, etc.)

The key deliverables during reporting period are the following:

- Situation Report: Armenia (ECCD-PGG II-AR-TP-01/2019)
- Review of the “Draft law of Armenia on Civil Forfeiture of Illegal Assets” (ECCD-PGG II- ARM-TP-02/2019)
- Comments on Armenia's Draft Anticorruption Strategy and Action Plan 2019-2022 (ECCD-PGG II-ARM-TP-03/2019)
- Comments on the draft Republic of Armenia Law on Making Amendments and Addenda to the Law on the Corruption Prevention Commission (ECCD-PGG II- ARM-TP-04/2019)
- The legal framework for Asset Declarations in Armenia: Assessment and Recommendations (ECCD-PGG-TP-05/2019)

List of activities:

- Round table discussion on “Non-conviction based confiscation of illegal property” (28 June 2019, Yerevan, 8 men/12 women)
- Assessment of the legislative framework and templates for assets declaration (05-06 September 2019, Yerevan, 3 men/3 women)
- Project launching event and Steering Committee meeting (24 September 2019, Yerevan, 32 men/25 women)
- Workshop on Assets Declaration System in Armenia (16 October 2019, Yerevan, 7 men /5 women)