## Project Title E-governance as an Electronic Tool for Facilitating the Government to Attract Foreign Investments

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| Country / Region:*Armenia* |
| Planned project execution period:*01 December 2017 – 31 August 2019* |
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## Financing (Euro)

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| --- | --- | --- | --- |
| Project budget (total) | Requested grant ADC | Contribution in cash by the applicant | Contribution(s) from third parties (if any) |
| 100% | 90% | 10 % | N/A |
| **EUR 332,974** | **EUR 299,677** | **EUR 33,297** | In kind contribution  by the DFA |

# Summary

The United Nations Development Programme in Armenia (UNDP Armenia) is striving to introduce good democratic and economic governance system to achieve an improved business environment, allowing for civil society, local businesses and other stakeholders to influence policy making and to contribute to economic diversification in Armenia..

The overall objective of the project is to improve the investment and doing business environment in Armenia, leading to strengthening of Armenia’s competitiveness.

The anticipated project results are the following:

* At least 12 procedures related to investment are publicly accessible online in English and Armenian (such as **land lease or acquisition - purchase of, or investment in, existing companies - construction permits - business licenses - work permits**, **Environmental Impact Assessment,** etc.)
* Local counterparts publish new procedures and administer the system autonomously.
* Simplification proposals are made for 4 priority[[1]](#footnote-2) procedures.
* One or various local counterparts are able to simplify procedures using the eRegulations system and applying UNCTAD’s “10 principles to simplify administrative procedures”.

The project main activities include installation and operation of an electronic tool allowing to publish detailed online information on investment procedures in Armenia. Procedures will be described step-by-step and show, for each step, all contacts, forms, requirements, costs, duration, ways of recourse and the legal basis. The information will be displayed on existing government websites, such as http://investmentprojects.am, and/or on a new Trade Portal[[2]](#footnote-3), with comprehensive sections for Investments and Exports serving as a single information window for investors and exporters.

This tool is aimed to (1) facilitate investment operations for foreign and domestic investors, (2) reduce arbitrary and corruption and (3) provide the Armenian government with a practical tool to detect unnecessary or unlawful processes and simplify procedures.

The tool will be built on the basis of a Content Management System (CMS) called “eRegulations”[[3]](#footnote-4), developed by the United Nations Conference on Trade and Development (UNCTAD), already operational in 30 countries. UNCTAD will provide the necessary training to adjust the system to the Armenian context and enable a local counterpart to manage the system autonomously.

To the extent possible, gender balance will be kept during the expert team formation. Besides, the staff will be trained to pay special attention to varying gender needs and issues while going through the selected business processes during the information gathering stage. Currently there are various projects (mainly EU funded) in Armenia targeting women entrepreneurs, such as subsidising their business loans, provision of advisor services, etc. Also, there are various women business and other associations. These projects and organisations will also be reached to communicate information on the portal and encourage their beneficiaries/members to use it.

The project is planned for an initial period of 21 months. The main National Project Partner will be the Development Foundation of Armenia (DFA), which will implement the project activities with expert support from UNCTAD. It is expected that the Armenian Government will take it over after the initial period and ensure that the portal is regularly updated.

UNDP might extend or increase its support if the Armenian Government decides to use the eRegulations system to publish and simplify other procedures, in particular at the municipal level and if sufficient additional funding is available.

The project will be implemented with a staged approach. During the initial stage UNDP, jointly with the DFA, will carry out the final needs assessment and agree with the Government the most priority areas for introduction of the eRegulations system.

The installation and the operation of the content management system will be designed and produced as outcome of the outlined project activities and sub-activities. The outcomes of the project will become strategically important tools not only for the counterpart government agencies, but also for foreign and local businesses, business associations and labour unions, civil society organizations, the donor community and other stakeholders.

# Background and Rationale

## Analysis of the relevant national and sectoral policies and the need to further streamline services for investors

The digital economy is becoming an ever more important part of the global economy. It offers many new opportunities for inclusive and sustainable development. It also comes with serious policy challenges – starting with the need to bridge the digital divide. Both the opportunities and challenges are top policy priorities for developing countries.

The digital transformation of international production has important implications for investment promotion and facilitation, and for regulations governing investor behaviour. Rules designed for the physical economy may need to be reviewed in light of new digital business models. Some countries have already taken steps to modernize policies; others face the risk of letting rules become obsolete or of unintentionally slowing down digital development.

The Government of Armenia in its new Program for 2017-2022 adopted in July 2017 prioritises digitisation of the state government and local self-government systems. The Program states that it “refers to both introduction and enhancement of information collection, exchange and analysis systems and mechanisms both within the public administration system and digitisation and electronic rendering of services to citizens and businesses by public authorities.

Due to favourable conditions created in electronic governance and with a view to increasing the quality, access to and the level of efficiency of services delivered to citizens and the business sector, the Government will promote the delivery of public services electronically.

The system of unified platforms for the rendering of state services introduced by the Government will be enhanced by introducing additional services and significantly increasing the number and the level of accessibility of unified platforms. Reforms to be carried out in the area of rendering state services will enable access to “one-stop-shop” services without a need to visit other agencies.”

Moreover, the Government officially announced an “open door” policy for FDI and foreign trade at the beginning of its independence in 1991. Thus, it has continuously been working on improving the country’s business climate, and it resulted in improved positions in different international ratings.

Armenia has recently registered serious achievements in the ‘Doing Business’ ranking. Thus, in 2017 Armenia was ranked 38th (up from 43rd in 2016) out of 190 countries on the ease of doing business. Armenia ranked higher in a number of different areas: starting a business (9th); registering property (13th); access to credit (20th with a year-to-year improvement by 22 points); enforcing contracts (28th with a year-to-year improvement by 7 points). Strength of minority investor protection index for Armenia is currently 6.0, and the Extent of shareholder rights index is 8.0 (Doing Business 2017). In addition, stronger business regulations resulted in higher rank on Transparency International’s Corruption Perception Index; still, Armenia ranks the 113th out of 176 countries (TI, 2016). In the Global Innovation Index ranking, Armenia’s score is 35.14 and it ranks the 60th among 128 nations.

In general, foreigners making investments in Armenia face few limitations such as restricted land ownership for foreign citizens (individuals) who do not hold special residence permits. However, companies (legal entities) with foreign capital registered in Armenia become residents and have the right to purchase and own land. Several free trade zones have been established as a supplementary tool for promoting investments from overseas.

The recently re-structured Development Foundation of Armenia is recognized as FDI promotion agency.

Alongside its main mission of promoting the country’s economic growth, the Foundation carries out its activities with the aim of enhancing Armenia’s international ranking, recognition and competitiveness. Simultaneously, DFA directs its efforts towards attracting foreign investment by providing a “One-Stop Shop” service and providing post-investment services, whilst also promoting export, improving the business environment, implementing regional development projects. Another set of core DFA activities is the development of PPP projects, industry clusters and supporting the sectoral brands creation. The unique advantage of the DFA is the personal network and daily work with some 600 organisations, representing the investment and export canvas of the country (350 exporters and 250 investors).

By law, foreign investments in Armenia cannot be nationalized or confiscated except to serve national interests and must be accompanied by full compensation at current market prices. Membership in the Eurasian Economic Union has, however, brought both benefits and uncertainties to Armenia’s business environment. Armenia’s economy is strongly dependent on transfer inflows, imports of energy resources, and exports of consumer products to Russia. The major disadvantages of Armenia’s business environment include corruption, oligopoly structures and monopolies, as well as lack of transparency and frequently changing regulatory system, although the government has introduced several reforms on improving the enabling business environment. Hence, having an open door policy is an important, but obviously not sufficient condition for effective FDI inflow into the country. In the future, Armenia can act as “a window” to the markets of Russia and the rest of the Eurasian Economic Union, Iran, Middle East suggesting mutually beneficial conditions for all the countries.

## Characteristics of the intervention environment

During the 25 years of independence, Armenia has made significant progress towards the liberalisation of its economy. According to the World Bank, Armenia ranks the first amongst CIS (Commonwealth of Independent States) countries in terms of Foreign Direct Investment (FDI) appeal. The Government has recently introduced conditions and laws favourable to foreign investment.

However, due to the 2008 financial crisis, FDI inflows have declined and have not yet returned to previous levels. FDI in Armenia averaged USD 79.80 million from 1993 until 2017, reaching an all-time high of USD 425.89 million in the fourth quarter of 2008 and a record low of USD (67.53) million in the fourth quarter of 2014. In the first quarter of 2017 FDI in Armenia increased by USD 73 million. The country remains strongly dependent on the economic developments of the Russian economy and the EU.

The Russian Federation, the EU, USA and Argentina are the four major investors in Armenia. The main sectors targeted by investment are energy, mining, telecommunications, tourism and air transportation. Significant investments are made by the members of the Armenian diaspora (nearly 7 million people worldwide, excluding Armenia).

Table 1. Foreign Direct Investments flow to Armenia

| **Foreign Direct Investment** | **2013** | **2014** | **2015** | **2016** |
| --- | --- | --- | --- | --- |
| **FDI Inward Flow***(million USD)* | 346 | 404 | 179 | 338 |
| **FDI Stock***(million USD)* | 5,524 | 4,211 | 4,337 | 4,633 |
| **Number of Greenfield Investments** | 24 | 13 | 5 | 7 |
| **FDI Inwards***(in % of GFCF)* | 16.1 | 17.4 | 8.2 | 15.2 |
| **FDI Stock***(in % of GDP)* | 49.7 | 36.3 | 41.2 | 44.1 |

Source: UNCTAD, 2017.

**Context**

Armenia is one of the top reformers in terms of regulatory simplification and a leading country in the field of eGovernment. A number of rules and regulations have been streamlined, thanks to the “eGuillotine”[[4]](#footnote-5) project and several administrative processes are available online[[5]](#footnote-6), such as business registration[[6]](#footnote-7), entry visa[[7]](#footnote-8) and tax filing[[8]](#footnote-9).

**National ownership and sustainability**

*Ownership:* The system will be installed on a server chosen by the Development Foundation of Armenia (DFA). UNCTAD will grant a license of use unlimited in time for a fee in the amount of USD 50,000. The information registered in the system will belong to the designated counterpart(s). Detailed technical documentation, user and administration manuals will be provided. In terms of the human resources, the DFA will assign the requested number of paid employees to maintain and update the portals.

*Sustainability*: The designated counterpart will be in capacity to maintain the system after project completion. A strategy will be devised jointly with the designated counterpart during the project to ensure the portal’s financial sustainability.

## Harmonization

The proposed project contributes to SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; and SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. Within the framework of SDG 8 the project contributes to the achievement of the following targets:

* Achieve higher levels of economic productivity through diversification, technological upgrading and innovation.
* Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises.

Whilst contribution to SDG 9 is through the following targets:

* Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment.
* Significantly increase access to information and communications technology.

The Government of Armenia in its Programme for 2017-2022 recognises the need of continued growth in productivity and constant use of new technologies. It states that the latter “are important for a competitive national economy and for achieving high rates of economic growth. To have a competitive and innovative economy, the RA Government will develop and implement Armenia’s **digital agenda** that will serve as a basis for economic overhaul and viability. The digital agenda will encompass almost all spheres of our life — the public sector, infrastructure, economy and jobs, social life, education, science, research, culture, security and integration processes with Armenia’s participation.” The main agency responsible for assistance to the Government to develop Armenia’s digital agenda is the DFA. The DFA, as the National Project Partner is also one of the main facilitators of the Government's reform agenda. It is established as a Public-Private Partnership initiative, with the board representing the government and private sector. Hence, as the National Project Partner the DFA will ensure that the project activities are reflected in the digital agenda and harmonised with all other e-governance plans.

The Ministry of International Economic Integration and Reforms is the main co-ordination body for all donor funded activities. Jointly with the UN Resident Representative, the Ministry is convening regular donor co-ordination meetings and maintains a database of all donor funded projects, which reduces the risk of duplications of efforts.

Synergies are possible with other e-governance projects, especially those involving blockchain technologies. According to the National competitiveness report of Armenia (2017), many valuable features of Blockchain technology make it a particularly good choice for reshaping businesses. It also makes launching new business models based on distributed marketplaces and technology possible. By applying Blockchain technology to the clearing and settlement of securities such as equities, repos, and loans, potential annual saving may reach up to USD 11-12 billion globally.

It is being introduced in many countries, for a variety of purposes, including: registration of movable and immovable assets, such as: intellectual property, wills, social protection, health care data, and pension systems. Moreover, it has been successfully implemented in several post-Soviet countries: Estonia: E-Residency (allows foreigners to run a business in Estonia), public notary, e-voting (is intended for shareholders voting, making the entire process faster and cutting expenses), Bitcoins ATM’s etc. Georgia: Blockchain Land Registry **(**to register land titles and validate property-related government transactions). Belarus: the Belarusian commercial bank BelVEB plans to employ the blockchain technology to process transactions between Russian and domestic companies. Ukraine: blockchain pilot project includes state registers, public services, social security, public health, and energy.

Through encouraging and supporting the farther integration into the global economy and for attracting foreign investments, this project will implement a series of efficient and participative tools and methodologies to clarify and simplify administrative procedures. Applied sequentially, they compose an integrated program for the modernization of public administration and for improving the business environment.

# Intervention Design

## Target group, beneficiaries and local partners

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| Target groups | |
| Foreign investors | For foreign investors, especially for those with limited financial means and geographic presence, it is sometimes hard and expensive to obtain information on business processes in simple (non-legal) and comprehensible (not in Armenian) language. The system provides such opportunity for them to get access and acquainted to chosen investment related business processes online at no cost, easy to understand and practical way. |
| Local small and medium businesses | The big local groups have sufficient financial and human resources to adhere to sometimes cumbersome legal and regulatory requirements and implement the processes. Unlike them, SMEs and sole entrepreneurs have significantly less resources for legal and business consulting (management, legal, tax and other advisory), which makes it less affordable and more difficult for them to properly perform business procedures and achieve compliance to different laws and regulations. Hence, readily available detailed description of business processes may be very useful for them too. |
| Physical persons | Certain processes, such as e.g. company registration, construction permits are relevant for physical persons. Many lack resources for legal and business consulting the same way as SMEs. |
| Women Entrepreneurs | Currently there are various projects (mainly EU funded) in Armenia targeting women entrepreneurs, such as subsidising their business loans, provision of advisor services, etc. Also, there are various women business and other associations. These projects and organisations will also be reached to communicate information on the portal and encourage their beneficiaries/members to use it. |

The main target groups are also direct project beneficiaries. Apart from them, the other beneficiaries are the following:

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| The project beneficiaries | |
| Government Agencies and Local Self-Governance bodies | The main national government counterparts/beneficiaries are the Ministry of International Economic Integration and Reforms, as well as the Ministry of Economic Development and Investments. The project contributes to their main goals, such as making easy doing business in Armenia, attracting foreign investment and boosting the economic activity and investment internally, as well as fighting against corruption. Both investment attraction and process simplification outcomes of the project contribute to those goals. In case of interest, the project may be expanded to include local self-governance level; e.g Municipalities of Yerevan and other towns. |
| Development Foundation of Armenia | The Development Foundation of Armenia (DFA) is Armenia’s National Authority for Investment, Export and Tourism promotion. The DFA provides in depth services to foreign investors including the provision of requisite information on Armenia’s business climate, investment opportunities and relevant legislation, ground support in organizing site visits for investors, management of post-visit support, assistance with investment project implementation, business introductions, as well as liaison with governmental institutions[[9]](#footnote-10). Apart from being the Local Project Partner, the project directly contributes to achievement of the above listed main goals of DFA. |
| The Center for Strategic Initiatives (CSI) | The CSI is the agency to advise on and initiate reforms, elaborate the respective laws and regulations with a view to simplify the procedures[[10]](#footnote-11). For this to happen, they need a feedback, findings taken from the field, from the business community, exporters and investors. The system provides a solid background to identify rredundancies, bottlenecks and formality simplification options. |

The project will be implemented in cooperation with UNCTAD. Business organizations and associations, local authorities, international organizations and other main stakeholders will be also involved and benefit from the project implementation.

International organizations and donor agencies expressed initial interest in consolidating their efforts and facilitating the dialogue with the Government. The UNDP team will play a co-ordinating role and make sure that efforts of all international development actors are well co-ordinated.

Depending on the final list of areas selected for project implementation, the number and composition of final beneficiaries may differ. However, in general the direct project beneficiaries are local and foreign investors, businesses and sole entrepreneurs; and the DFA will facilitate the access to and proper utilisation of the system for these direct beneficiary groups.

**Problem analysis and analysis of local potentials**

The complexity and lengthiness of investment procedures is a major problem worldwide, detrimental to enterprise development and particularly harmful to SMEs. It raises production costs, hampers market entry and business expansion, inhibits entrepreneurship and weakens competitive forces, affecting foreign and domestic investors alike. Therefore, for a majority of small entrepreneurs, becoming and remaining formal is a very complicated endeavour.

Making administrative procedures faster, more transparent and more efficient is an essential requirement to an enabling environment for private-sector development.

As part of the Government’s reform efforts, particularly in e-governance sphere, UNDP Armenia would like to initiate the project with a focus on the following topics:

* due awareness and understanding of regulatory procedures to foreign and local investors;
* simplification of compliance with the national procedures for local and foreign companies;
* promotion of investment opportunities at the national, marz and municipal levels for local and foreign investors.

Moreover, the proposed portal perfectly suits with another investment facilitation tool, called “Systemic Investment Response Mechanism” (SIRM), which has been presented by the World Bank Yerevan Office to the DFA staff and the DFA is going to utilise this software. SIRM is an early alert mechanism for solving the issues between the investors and state agencies. It’s a system, where the investor registers and submits its application/complaint. The respective DFA team composed of lawyers, tax and customs specialists reviews the application against the applicable legal and regulatory framework and addresses/comments/explains it. Moreover, if the issue needs further intervention to bring the investor with the respective state agency and broker/mediate during that meeting to handle the issue, then the DFA does that as well. The SIRM is a kind of “gatekeeper” to handle issues between the investor and state on technical level (as mentioned, through filtering the problems and making legal analysis, exploring solutions, consulting the respective state agencies, etc.) and preventing them from being passed to a court. So, the introduction of Investment facilitation tool proposed by UNDP is a perfect supplement for SIRM; namely if the SIRM filters and handles the issues to prevent them from going to the court (and by thus serving as a gatekeeper for the issues to go to court) then the investment tool provides a comprehensive information to (serving as a single information window for) investor community to prevent the rising of issues between investors and the state agencies. In this regard, the platform serves as a unique resource for investors to duly understand and utilise the laws and regulations and by thus, reduces the number of complaints/applications through the SIRM. This too further supported UNDP’s decision to partner with the DFA within the proposed project as the latter owns the most fitting potential to duly carry out the project.

## Strategic Approach & Methodology

Armenia is one of the top reformers in terms of regulatory simplification and a leading country in the field of eGovernment. A joint OSCE, the Armenian Government, the Austrian Development Agency, UNDP, USAID and the World Bank Rapid Regulatory Simplification reform (so-called “Regulatory Guillotine”) started in November 2011. The objective of this reform was to drastically reduce and simplify the rules and regulations in the country in order to promote economic development, impede corruption risks and enhance good governance by significantly reducing administrative burdens to businesses and citizens. Total budget of the project was about EUR 2 million, of which the Austrian Development Agency contributed EUR 500,000 between 2014 and 2016.

The outcome of the reform was slashing unnecessary regulations in 27 sectors of the economy with identified savings to businesses of about AMD 21 billion (around EUR 38 million), or around 0.5% of GDP.

As mentioned above, number of rules and regulations has been streamlined, thanks to the ADA-funded “Guillotine” project and several administrative processes are available online. Nevertheless, this is an evolving and never-ending process.

The Government in its Programme for 2017-2022 recognises the need of continued growth in productivity and constant use of new technologies, stating that it is essential to have a competitive national economy and for achieving higher rates of economic growth. To have a competitive and innovative economy, the Government will develop and implement Armenia’s **digital agenda** that will serve as a basis for economic overhaul and viability. The digital agenda is intended to encompass the public sector, infrastructure, economy and jobs, social life, education, science, research, culture, security and integration processes with Armenia’s participation.

Within this context, the project is very timely and justified. It intends to utilise the set of efficient and participative tools and methodologies developed by UNCTAD, aimed mainly at clarifying and simplifying administrative procedures. It assumes a bottom-up, pragmatic approach of documenting procedures step-by step, from the user’s point of view, and in publishing them on an online portal. Applied sequentially, they compose an integrated program for the modernization of public administration and for improving the business environment by promoting the establishment of online investor information portals and single windows. **Procedures become easier for national and foreign businesses** by the mere fact that the necessary steps, requirements and contacts are clearly described. In addition, a good understanding of actual procedures allows national authorities to detect and eliminate unnecessary steps and requirements. In this regard, the aftercare team of the DFA (responsible to assist already established investors and also responsible for running the SIRM and the UNDP-proposed investment tool-to-be) acts as a business ombudsman. Hence, the detection and elimination of the unnecessary steps and practices (misunderstanding and misconduct) between the investors and state agencies is the prime indicator of the effectiveness of work of the aftercare team and the DFA in general.

Once clarified, procedures can be simplified using UNCTAD’s “10 principles to simplify administrative procedures” that allow streamlining procedures without changing the laws. In average, the number of steps and requirements have been reduced by 50% in the countries where the Business Facilitation methodology has been applied in the past ten years. Clarified and simplified procedures can be easily automated using, for example, UNCTAD’s “eRegistrations” platform designed to develop quickly online single windows.

In the first stage, and in order to test the effectiveness of the approach, the Business Facilitation methodology will be applied to clarify and simplify investment procedures. In the second stage, the Government of Armenia can use the eRegulations system to clarify and simplify other administrative procedures, for example at the municipal level.

These tools and methodologies address what many analysts believe is the main problem in most countries: not the regulations themselves, but the way they are understood, interpreted and applied. UNCTAD’s priority is to promote two basic principles of efficient governance:

**User centric approach**: regulations and procedures must be clear, known and as simple as possible, from the user’s point of view.

**Facilitating compliance**: it is the administration’s responsibility to make it as easy as possible for businesses/citizens to comply with the rules. Aiming at producing quick and measurable results, the set of business facilitation tools were designed to reduce informality and corruption, to empower small entrepreneurs, to remove bureaucratic barriers to trade and investment and to increase government revenue.

The first of these tools is a Content Management System (CMS) called “eRegulations”, which is an affordable, turn-key solution for governments to clarify and publicize administrative procedures. It shows administrative procedures step-by-step, from the user's point of view. For each step, it provides the following data: contact data (entity, office, person in charge), expected result of the step, required documents, cost, duration, legal justification and ways of complaints. User can complain online. Any type of administrative procedure can be documented/clarified through an eRegulations portal (company creation, tax payment, activity licenses, construction permit, import and export, etc.). eRegulations portals have already been implemented in 30 countries.

Once clarified, procedures are easier to simplify, by comparing the practice to the law and limiting the number of interactions and documents to what is necessary and sufficient. The CSI is the agency to elaborate the respective laws and regulations with a view to simplify the procedures. For this to happen, they need a feedback, findings taken from the field, from the business community, exporters and investors. And the DFA is the designated agency working with the very community on a daily basis, in the field. So, here the DFA equips the CSI with the signals, information and feedback coming from the field for the latter, to embark on reforms and ease the procedures. The DFA currently has a database of 600 organizations, about 250 investors and 350 exporters. They work with them on a daily basis by calling, visiting and addressing their complaints although more on ad-hoc basis. The introduction of the UNDP-proposed investment tool and logical interconnection with the SIRM would significantly enhance the effectiveness of the DFA activities. UNCTAD’s “10 principles to simplify administrative procedures” generally allow governments to decrease steps and requirements by 50%, without changing the laws.

Simplified procedures can then be computerized on the basis of UNCTAD’s "eRegistrations" system, a development platform conceived to create electronic single windows allowing simultaneous registration with multiple administrations. Single windows for company creation have already been created in six countries. One of them, Guatemala, went up 75 positions in 2 years in the Doing Business ranking.

An electronic tool allowing to publish detailed online information on **investment procedures** in Armenia will be made available to the Government of Armenia. Procedures will be described step-by-step and show, for each step, all contacts, forms, requirements, costs, duration, ways of recourse and legal basis. The information will be displayed on existing government websites and/or redirecting either to the “investmentprojects.am” or a new “**Trade Portal**” with investment and export sections.

This tool is aimed to (1) **facilitate investment operations** for foreign and domestic investors, (2) reduce arbitrary and corruption and (3) provide the Armenian government with a practical tool to detect unnecessary or unlawful processes and **simplify procedures**.

UNCTAD will provide the necessary training to enable the local counterpart(s) to manage the system autonomously.

A phased approach will be applied during the project implementation. At the induction stage of the project, UNDP, jointly with the DFA, will carry out the final needs assessment and agree with the Government the most priority areas for introduction of the eRegulations system and during the next stage the system will be implemented in the selected areas.

UNDP might extend or increase its support if the Armenian Government decides to use the eRegulations system to publish and simplify other procedures, in particular at the municipal level.

**Benefits**

* National and foreign investors have access to clear and detailed information on investment-related procedures, including all forms and documents required, duration, related laws and contact data. They are able to send complaints, report misconduct and propose simplifications online. The DFA will develop a working mechanism of handling complaints and accepting simplification proposals from various stakeholders. The SIRM tool will be the main working mechanism of the DFA. Moreover, through the support of the ADB the DFA plans to introduce Customer Relationship Management (CRM) system, which will significantly automate, classify and make more effective the flow of information and documents, reporting mechanisms and other respective arrangements both within the DFA and between the DFA and its main beneficiaries and stakeholders. This too, will serve as a working mechanism in the work with all the mentioned organizations.

The DFA possesses an efficient tool to easily publish investment procedures on the Internet, to reinforce the public-private dialogue and to simplify procedures. This tool can be used to clarify and simplify other administrative procedures. Again, through the Asian Development Bank’s (ADB) support the DFA plans to design a comprehensive trade portal with 2 big sections: investments and exports. The portal will not only host all the respective information but also may host the proposed portals.

**Participants**

* The Development Foundation of Armenia (DFA) will be the main Local Project Partner and will implement all activities.
* All ministries and entities whose procedures are documented will provide the necessary information. Information will be collected through field visits.

UNCTAD will configure and install the Armenia eRegulations system; it will train and supervise the designated staff of the Local Project Partner, i.e. DFA in information collection and publication; it will train the local counterpart(s) in administering the eRegulations system and in simplification techniques; it will provide user and administration manuals; it will propose simplifications for four priority procedures.

## Data base for analysis and design

(see annex no. 4 for the list of principal documents and data sources used for the analysis)

In September 2016 the OSCE Office in Yerevan retained a national expert to conduct needs assessment on possibilities of implementing the eRegulations project in the area of foreign trade. However, as a result of Government changes, investment promotion was indicated as higher priority in the new agenda. Therefore an additional needs assessment is required to map the existing e-governance tools related to the investment promotion. During the initial stage UNDP, jointly with the DFA, will carry out the final needs assessment and agree with the Government the most priority areas for introduction of the eRegulations system.

The Government of Armenia adopted Gender Equality Concept in 2010 and implemented National Action Plan on Advancement of Equality between women and men (2010-2015). Second generation of the action Plan for 2017-2022 is expected to be adopted by the end of 2017.. The national business and investment legislation and regulations do not have gender specific requirements. However, the staff will be trained to pay special attention to varying gender needs and issues while going through the selected business processes during the information gathering stage, training as well as practical implementation

# Intervention logic

## Impact

The overall goal of the project is to improve the investment and doing business environment in Armenia, leading to strengthening of Armenia’s competitiveness.

## Outcome

Doing business environment is improved and business processes are simplified in Armenia.

## Outputs

The outputs of the project are the following:

* At least 12 procedures related to investment are publicly accessible online in English and Armenian (such as **land lease or acquisition - purchase of, or investment in, existing companies - construction permits - business licenses - work permits**, **conduct of Environmental impact assessment**[[11]](#footnote-12), etc.)
* Local counterparts publish new procedures and administer the system autonomously.
* Redundancies, bottlenecks and formality simplification options are identified.
* Simplification proposals are made for 4 priority procedures.
* One or various local counterparts are able to simplify procedures using the eRegulations system and applying UNCTAD’s “10 principles to simplify administrative procedures”.

## Inputs / Activities

**Activity 1.1 Project initiation and establishing the initial stage of the content management system**

**Sub-activity 1.1.1** Creation of the local team

To the extent possible, gender balance will be kept during the expert team formation. Besides, the staff will be trained to pay special attention to varying gender needs and issues[[12]](#footnote-13) while going through the selected business procedures during the information gathering stage.

**Sub-activity 1.1.2** In-depth needs assessment to determine the main priority areas

**Sub-activity 1.1.3** Definition of the list of procedures to be documented

**Sub-activity 1.1.4** Completing the content management system’s configuration

**Activity 2.1 Preparing the content of the investment portal for Armenia**

**Sub-activity 2.1.1** Training of the local team on data collection and registration

**Sub-activity 2.1.2** Information collection through field visits

**Sub-activity 2.1.3** Quality control of the information registered in eRegulations

**Sub-activity 2.1.4** Information validation by concerned agencies

**Activity 3.1 Launching the eRegulations portal**

The information will be displayed on existing government websites, such as http://investmentprojects.am, and/or on a new Trade Portal[[13]](#footnote-14), with comprehensive sections for Investments and Exports serving as a single information window for investors and exporters. The portal will also be launched on the global website of UNCTAD’s Business Facilitation Programme: <https://businessfacilitation.org>. This will ensure global promotion and access to the Armenian e-governance portal.

**Activity 4.1 Promoting the investment portal and initiating simplification**

**Sub-activity 4.1.1** Conducting analysis of procedures and simplification proposals

**Sub-activity 4.1.2** Implementing communication campaign to promote the use of the portal

Currently there are various projects (mainly EU funded) in Armenia targeting women entrepreneurs, such as subsidising their business loans, provision of advisor services, etc. Also, there are various women business and other associations. These projects and organisations will also be reached to communicate information on the portal and encourage their beneficiaries/members to use it.

**Sub-activity 4.1.3** Updating and extension of the portal

**Sub-activity 4.1.4** Devising of a strategy to ensure the portal’s financial sustainability

**Activity 5.1 Implementation of the national component of the Investment Facilitation - Online publication and simplification of investment procedures**

**Sub-activity 5.1.1**Define the list of procedures to be documented/system configuration

**Sub-activity 5.1.2**Collect information and ensure quality control of information registered in e-Regulations

**Sub-activity 5.1.3**Devise a strategy for full-fledged implementation of the tool and develop mechanism to ensure the portal/s financial sustainability.

## Indicators

The project outcomes will be equally beneficial for women and men; hence it is not applicable to have indicators disaggregated for women, men and marginalised groups. However, special attention will be given to ensure gender balance and varying gender needs during all stages of project implementation. For details please see Annex No. 1) Logframe Matrix.

# Risk Assessment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **#** | **Description of the risk** | **Likelihood** | **Possible impact** | **Prevention/ and or mitigation measures** |
| 1. | Low interest of the Armenian Government and the state bodies/agencies in project activities | Not Likely | High | The project activity will be implemented in close collaboration with the Armenian Government. Prior to designing the project activities, consultations were hold with the main Government stakeholders to identify the real needs of the country and reflect those in the project and its outcomes. So far the main government counterparts, including the Vice Prime Minister, have expressed strong interest and support to the project. Apart from that, at the initial stage of the project an in-depth needs assessment will be carried out to single out the most priority areas for system installation.  Modifications in the project aims, activities and planned results will be made, if needed, to meet the expectations of the Government. |
| 2. | Potential Investors might not be interested in the Armenian market | Likely | High | The project activities will be implemented in close collaboration with the state agencies and other stakeholders to secure proper utilization and targeted distribution of materials on promotion of investment |
| 4. | The project will duplicate similar activities and results implemented by other international or local organization and/ or state agency | Likely | Critical | Prior to designing the project activities, consultations were held with the main stakeholders to identify the real needs of the country and reflect those in the project and its outcomes as well as to avoid any duplication and complement other projects/ programs implemented.  The Project’s main counterpart, the Ministry of International Economic Integration and Reforms is the main co-ordination body for all donor funded activities. Jointly with the UN Resident Representative the Ministry is convening regular donor co-ordination meetings and maintains a database of all donor funded projects, which reduces the risk of duplications. |
| 5. | Insufficient funds for implementation of the project | Not likely | Critical | UNDP already started networking and negotiations with the potential donors and currently there is a commitment from one Donor to fund 90% of the project, if 10% is funded by UNDP and/or the government, DFA. UNDP, jointly with the DFA and the government counterparts will mobilise resources to attract funds for full scale project implementation. |

# Monitoring and Evaluation

## Monitoring, steering and dissemination of information

The UNDP Project Manager will be responsible for achieving the project targets and monitoring the project progress. UNDP has elaborate and formal monitoring requirements. The monitoring plan will be developed as per the UNDP requirements and guidelines. Any donor specific monitoring requirements will also be taken into account. Apart from the day-to-day follow-up, he/she will conduct monthly reviews of project implementation, meet with the stakeholders, discuss with them the results and, if necessary, make adjustments in the work plan.

The Project Manager will also monitor the workshop activities, as well as conduct participants’ training evaluation sessions. He/she will receive interim and final narrative and financial reports from all individual experts (as will be envisaged in the corresponding agreements). The monitoring visit results will be properly documented by the Project Manager.

Semi-annual progress reports will be prepared and shared with the Donors, as well as UNCTAD and government counterparts. Feedback received will be considered for adjusting the future activities.

## Assessment and Evaluations

An external end of project evaluation report will be prepared by the project manager in August- September 2019.

# Implementation

## Preparation of implementation

The initial stage is needed to carry out the final needs assessment and agree with the Government the most priority areas for introduction of the eRegulations system. During this stage UNDP, jointly with the DFA and the government counterparts will mobilise resources to attract funds for full scale project, i.e. implementation of the system in selected areas.

## Organizational structure, processes and management capacities

The project will be implemented by UNDP Armenia, jointly with the National/Local Project Partner, i.e. the DFA. UNDP Armenia’s management will be responsible for overall management of the project, liaison with the high-ranking government officials, donors. The financial management, accounting and procurement will also be carried out by UNDP Armenia. The Project Manager will be contracted to carry out the day-to-day management of the project. A Project Assistant will be contracted to assist the Project Manager in project implementation.

The DFA or UNDP Armenia will provide office space for the Project Manager and Assistant (if contracted). The DFA will also provide local experts, who, after being trained by UNCTAD, will be responsible for information collection and publication. The DFA will be responsible for administering the eRegulations system. The DFA will also be responsible for simplification of processes using the UNCTAD’s techniques and expert support, jointly with the line ministries and agencies.

The main national government counterparts are the Ministry of International Economic Integration and Reforms, as well as the Ministry of Economic Development and Investments. In case of interest, the project may be expanded to include local self-governance level; e.g Municipalities of Yerevan and other towns. Apart from the above mentioned ministries, the Ministries of Territorial Administration and Development, Transport, Communication and IT will be greatly involved. Also, the CSI, business organizations and associations, local authorities, international organizations and other main stakeholders will be involved during the implementation.

International organizations and donor agencies expressed initial interest in consolidating their efforts and facilitating the dialogue with the government. The UNDP team will play a co-ordinating role and make sure that efforts of all international development actors are well co-ordinated.

International expertise will be provided by the UNCTAD’s Business Facilitation Programme. UNCTAD will configure and install the Armenia eRegulations system; it will train and provide on-going support to local experts from DFA in information collection and publication; it will train the local counterparts in administering the eRegulations system and in simplification techniques; it will provide user and administration manuals; it will propose simplifications for four priority procedures.

## Time schedule

For detailed action plan please see annex no. 2.

The inception stage will last for 6 months, i.e. if the project starts in early December 2017, it will last until the end of May 2018. During this stage the final needs assessment will be carried out, the most priority areas identified and agreed with the Government for introduction of the eRegulations system.

During the process mapping/information gathering stage, ideally to start on 1 June 2018 and last for 15 months, UNCTAD will configure and install the Armenia eRegulations system; it will train and supervise the designated staff of DFA in information collection and publication; it will train the local counterpart(s) in administering the eRegulations system and in simplification techniques; it will provide user and administration manuals; it will propose simplifications for four priority procedures. The DFA experts will map the processes and procedures in the selected investment related areas, collect and publish the information in the system.

## Necessary means and costs

(See annexes no. 3a and 3b)

Any recruitment of the personnel required for this project shall be done in accordance with the UNDP Rules and Regulations. The Project Manager and Assistant will be contracted by UNDP Armenia for 445 man/days or for a period of 21 months. The project staff will be located in the premises of the DFA at no cost to the project.

International expertise will be provided by the UNCTAD’s Business Facilitation Programme for which relevant costs are budgeted. Apart from Licence fee of EUR 45,000, no other significant procurement is envisaged. Some IT and communication equipment will be procured for the Project Manager, Assistant and DFA experts.

UNDP’s general management service fee is 8% of the project budget, which is added to cover the costs of overall project management by UNDP, financial management and accounting. The project will conduct an external end of project evaluation and an audit according to UN rules & procedures.

# Annexes:

Annex No. 1) Logframe Matrix

Annex No. 2) Time schedule

Annex No. 3a) Summary project budget (project budget relevant for accounting)

Annex No. 3b) Detailed project budget

Annex No. 4) List of reference documents

Annex No. 5) Environmental integration checklist

Annex No. 6) Gender self-assessment

Annex No. 7) Social standards assessment

Annex No. 8) List of abbreviations

1. The prioritisation will be done based on the assessment of needed simplification volume. The more space for simplification in a given procedure, the more priority it will be given. [↑](#footnote-ref-2)
2. The Development Foundation of Armenia, which runs the investmentprojects.am website, plans to expand it and design a new Trade Portal with sections for investments and exports. [↑](#footnote-ref-3)
3. For details please refer to: <https://businessfacilitation.org/eregulations/> [↑](#footnote-ref-4)
4. This was a multi-donor project funded by the Austrian Development Agency, UNDP, USAID, WB and OSCE. [↑](#footnote-ref-5)
5. https://www.e-gov.am/en/ [↑](#footnote-ref-6)
6. http://www.e-register.am/en/ [↑](#footnote-ref-7)
7. https://evisa.mfa.am/ [↑](#footnote-ref-8)
8. https://file-online.taxservice.am/pages/loginPage.jsf [↑](#footnote-ref-9)
9. http://www.dfa.am/ [↑](#footnote-ref-10)
10. <http://new.reforms.am> [↑](#footnote-ref-11)
11. Major part of FDI in Armenia flows to mining and energy sectors. Both sectors have significant environmental impact and risks. Proper step-by-step presentation of the EIA process will ease for businesses the process adherence and compliance, hence reduce their motivation to avoid doing it properly and keeping the formalities only. [↑](#footnote-ref-12)
12. If, for instance, Environmental Impact Assessment procedure is selected, the Experts may pay particular attention to the existence or not of requirements to present gender and age disaggregated analysis of the impact. E.g. certain substances may have varying health impact on women and men, as well as on different age groups. Such requirements have to be specifically stressed in the system. In case they are not envisaged by law and regulations, this may become a point for recommendations for simplification. [↑](#footnote-ref-13)
13. The Development Foundation of Armenia, which runs the investmentprojects.am website, plans to expand it and design a new Trade Portal with sections for investments and exports. [↑](#footnote-ref-14)