

PROJECT DOCUMENT
Republic of Armenia

Project Title: E-governance as a Tool for Facilitating the Government to Attract Foreign Investments

Project Number: 00107774/00107958

Implementing Partner: The Development Foundation of Armenia (DFA)

Start Date: 01 February 2018 End Date: 31 August 2019 PAC Meeting date: 09 February 2018

Brief Description

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 Armenian, Russian and English (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 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".

Contributing Outcome (UNDAF/CPD, RPD or GPD):
By 2020, Armenia's competitiveness is improved and people, especially vulnerable groups, have greater access to sustainable economic opportunities.

Indicative Output(s): Local capacities strengthened to develop and implement innovative and diversified income-generating practices that are sustainable and employment and livelihood intensive targeting most vulnerable groups.

Total resources required:	USD 394,519	
Total resources allocated:	UNDP:	\$39,451
	ADA:	\$355,068
Unfunded:		

Agreed by (signatures)



Armen Avak Avakian
Chief Executive Officer
Development Foundation of Armenia
Date: 12.07.18



Dmitry Mariyasin
UNDP RR a.i.
Date: 12.02.18

I. DEVELOPMENT CHALLENGE

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 Programme for 2017-2022 adopted in July 2017 prioritises digitisation of the state government and local self-government systems. The Programme 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.”

The Government in its Programme also 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.

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 (DFA) 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. The annual net FDI inflow to 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.

Armenia is one of the top reformers in terms of regulatory simplification and a leading country in the field of e-Government. A number of rules and regulations have been streamlined, thanks to the “e-Guillotine”¹ project and several administrative processes are available online², such as business registration³, entry visa⁴ and tax filing⁵.

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 complexity and lengthiness of investment procedures still remains a major problem in Armenia, 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.

II. STRATEGY

The **theory of change** of the project is: IF doing business environment is improved and business processes are simplified in Armenia, THEN this will lead to a gradual, but sustainable improvement of the investment climate in Armenia, leading to strengthening of the country’s competitiveness.

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

Within the context described in Section I, the project is very timely and justified. It intends to utilise the set of efficient and participative tools and methodologies developed by United Nations Conference on Trade and Development (UNCTAD), aimed mainly at clarifying and simplifying administrative procedures. This system is aimed to (1) **facilitate investment operations** for foreign and domestic investors, (2) reduce arbitrary and corruption and (3) provide the Armenian

¹ This was a multi-donor project funded by the Austrian Development Agency, UNDP, USAID, WB and OSCE.

² <https://www.e-gov.am/en/>

³ <http://www.e-register.am/en/>

⁴ <https://evisa.mfa.am/>

⁵ <https://file-online.taxservice.am/pages/loginPage.jsf>

government with a practical tool to detect unnecessary or unlawful processes and **simplify procedures**.

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) 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.

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 tool will be built on the basis of a Content Management System (CMS) called "eRegulations"⁶, developed by UNCTAD, already operational in 30 countries. It is an affordable, turn-key solution for governments to clarify and publicize 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. 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.

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

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 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.

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.

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

⁶ For details please refer to: <https://businessfacilitation.org/eregulations/>

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.

The project contributes to **SDG 8**: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; **SDG 9**: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation; and **SDG 16**: Promote just, peaceful and inclusive societies:

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.

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.

Whilst contribution to SDG 16 is through the provision of access to justice for all, and building effective, accountable institutions at all levels.

III. RESULTS AND PARTNERSHIPS

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, Inputs / Activities

Output 1: Business procedures related to investment are publicly accessible online in Armenian, Russian and English (such as land lease or acquisition - purchase of, or investment in, existing companies - construction permits - business licenses - work permits, conduct of Environmental impact assessment⁷, etc.)

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 issues⁸ while going through the selected business procedures during the information gathering stage.

1.1 In-depth needs assessment to determine the main priority areas

1.2 Definition of the list of procedures to be documented

1.3 Information collection through field visits

1.4 Completing the content management system's configuration and launching the eRegulations portal

The information will be displayed on existing government websites, such as <http://investmentprojects.am>, and/or on a new Trade Portal⁹, 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.

1.5 Quality control of the information registered in eRegulations

1.6 Information validation by concerned agencies

Output 2: One or various local counterparts are able to publish new procedures, to administer the portal and to simplify procedures using the e-Regulations system (by applying UNCTAD's "10 principles to simplify administrative procedures").

2.1 Training of the local team on data collection and registration

2.2 Launching the eRegulations portal

2.3 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.

2.4 Updating and extension of the portal

2.5 Devising of a strategy to ensure the portal's financial sustainability

2.6 Training of the local team on simplification techniques and applying UNCTAD's "10 principles to simplify administrative procedures"

Output 3: Redundancies, bottlenecks and formality simplification options are identified and recommendations are made for at least 4 priority procedures.

⁷ 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.

⁸ 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.

⁹ 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.

3.1 Conducting analysis of selected 4 priority procedures

3.2 Preparation of simplification recommendations for 4 priority procedures

Resources Required to Achieve the Expected Results

The project will be implemented by UNDP Armenia in close collaboration with 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. A Project Co-ordinator will be contracted to carry out the day-to-day management of the project. A Project Assistant will be contracted to assist the Project Co-ordinator in project implementation.

The DFA will provide office space for the Project Co-ordinator and Assistant at no cost to the project. Local experts will be recruited by UNDP in consultation with DFA and UNCTAD, who, after being trained by UNCTAD, will be responsible for information collection and publication. After project completion, the DFA will be responsible for administering the eRegulations system.

International expertise will be provided by the UNCTAD's Business Facilitation Programme, for which relevant costs are budgeted. UNCTAD will configure and install the 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; provide user and administration manuals, as well as propose simplification options for four priority procedures.

Partnerships

The main national government counterparts are the Ministry of International Economic Integration and Reforms, as well as the Ministry of Economic Development and Investments. Both ministries have been consulted with at the project initiation stage and supported the project. The project objective and outcomes are fully aligned with the Government programme and objectives.

The Development Foundation of Armenia will be the main Implementing Partner as the main investment promotion agency. The DFA will be responsible for the following:

- It will provide the local expertise for information collection, documentation and publication;
- Will maintain and manage the system after installation;
- Will develop simplification recommendations.

Austrian Development Agency

- Is the project's major donor, covering 90% of project budget;
- Will act as a contributor in improving the economic governance, competitiveness, business regulatory simplification of the administrative processes and procedures in Armenia.

UNDP Armenia

- Has designed the project and co-funds it;
- Will manage the project, including implementation, monitoring, evaluation and reporting;
- Will act as a liaison between the Armenian Government, the donor(s), UNCTAD, other international organizations and the donor community.

UNCTAD – Business Facilitation Programme

- Will configure and install the e-Regulations system;
- Will train, support local experts it will train and the designated staff of the Implementing Partner, i.e. DFA in information collection and publication
- Will train the local counterpart in administering the e-Regulations system
- Will train in simplification techniques and propose simplifications for four priority procedures.
- Will provide user and administration manuals.

Center for Strategic Initiatives (CSI)

The CSI is a public-private partnership assisting the Government to initiate and accompany strategic reforms, as well as facilitating the implementation of reforms already in place. The ultimate goal of the process is to work to attract long-term and sustainable foreign investments into the country and increase Armenian exports. For these purposes, inter alia, the CSI is responsible for suggesting and supporting implementation of reforms aimed at improving Doing Business environment, which is in-line with the project objective.

- The CSI will be consulted for determining the business procedures to be documented and presented on-line, as well as for simplification.
- All major activities, events and deliverables will be coordinated with the CSI.

Digital Armenia Foundation

The Foundation was established as a public-private partnership in November 2017 with an aim to create a common digital environment in order to increase efficiency and transparency of the governance system and improve the business environment. It is intended as an agency that develops a common digital strategy for Armenia's state governance, with an ultimate goal of strengthening Armenia's competitiveness. This is in-line with the project objective. Jointly with the CSI Digital Armenia is developing a strategic document called "Armenia's Digital Agenda 2030". Therefore, all major activities, events and deliverables will be coordinated with Digital Armenia.

Other multilateral and bi-lateral Donors

The **European Union** has been very active during the recent several years in supporting various e-governance projects, including, but not limited to the creation of common platform for public services, a pilot "Single Window" system at Armenia's border crossing points, establishing an e-penitentiary system which will include modernising the business registers of Legal Entities and the e-notary system and integrating these with the overall e-governance infrastructure of Armenia.

- The EU Delegation, other International and bi-lateral donors will be approached for coordination of support and for possibilities of cooperation.
- All major activities, events and deliverables will be coordinated with them.

Business organizations, associations and major investors will be consulted for definition of the list of priority procedures, as well as for simplification recommendations.

Risks and Assumptions

Please refer to Annex 2

Stakeholder Engagement

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

Target groups		Estimated number
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.	6,000
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.	10,000
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.	1,000,000
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.	3,000

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 and Export 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 ¹⁰ . Apart from being the Implementing 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 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 redundancies, 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.

Knowledge

The project main activities include installation and operation of an electronic tool allowing to publish detailed online information on investment procedures in Armenia. The information registered in the system will belong to the designated counterpart. 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.

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 Portal¹², with comprehensive sections for Investments and Exports serving as a single information window for investors and exporters.

UNCTAD will provide the necessary training to adjust the system to the Armenian context and enable a local counterpart to manage the system autonomously. It will train the DFA in administering the e-Regulations system and in simplification techniques.

Visibility

To increase the level of awareness among government counterparts, civil society, the private sector, media, other development partners, and public at large, a communication strategy will be developed. UNDP will use various conventional and non-conventional communications channels, such as UNDP Armenia website, social media, broadcast, print and online media outlets, blogs, op-eds, to disseminate project successes. Communications content will be drawn from project events, field visits (for beneficiary narratives), project reports, database of photos, audio-visuals, etc.

¹⁰ <http://www.dfa.am/>

¹¹ <http://new.reforms.am>

¹² 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.

Visibility guidelines of the donor and the implementing agency will be adhered in all publications and outreach materials, and will be agreed between the parties during the preparation process. Logos and other branding and visibility requirements of the project donor and the implementing agency will be applied based on communications policies of both parties.

Sustainability and Scaling Up

Ownership: The system will be installed on a server chosen by the DFA. UNCTAD will grant a license of use unlimited in time for a fee in the amount of USD 50,000. In terms of the human resources, the DFA will assign the requested number of paid employees to maintain and update the portal.

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.

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. Hence, 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.

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. UNDP, in co-operation with the Government and other partners will strive to scale-up the project to include more procedures and to support the Government in simplification of the procedure already mapped and made on-line.

IV. PROJECT MANAGEMENT

The project will be implemented by UNDP through support to NIM modality. The UNDP CO will ensure project accountability, transparency, effectiveness and efficiency in implementation. UNDP will provide the Implementing Partner with the following major support services for the activities of the project in accordance with UNDP corporate regulations: (i) Identification and/or recruitment of

project personnel; (ii) procurement of goods and services; (iii) financial services, based on LoA on DPC costs.

Financial oversight, including approval of expenditures and independent audits, monitoring and mid-term and final evaluation of progress and results will be also ensured by the country office.

UNDP, as responsible partner, will establish a project team, which will ensure that the envisaged activities are carried out and the outputs are reached. The project team will be managed by the National Project Coordinator (NPC), who will coordinate project activities and serve as the financial authorizing officer.

NPC in close collaboration with Programme Associate (SE/IBM) will report to UNDP SGR Programme Analyst and will be responsible for all project operations. S/he will ensure the proper use of funds and that project activities are implemented in accordance with the agreed project document and project work plans. Management of project funds including budget revisions, disbursements, record keeping, accounting, reporting, and auditing will follow UNDP rules and procedures. NPC will be responsible for the project daily planning, implementation quality, reporting, timeliness and effectiveness of the activities carried out. NPC will be supported by support staff and experts.

V. RESULTS FRAMEWORK¹³

Intended Outcome as stated in the UNDAF/Country Programme Results and Resource Framework:

OUTCOME 1. By 2020, Armenia's competitiveness is improved and people, especially vulnerable groups, have greater access to sustainable economic opportunities

Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:

Indicator 1.1: Number and quality of policies to ensure decent work and an improved business environment in line with sustainable development principles.

Baseline: Insufficient adequate policies *Target:* Policies improved

Indicator 1.2: Global Competitiveness Index improved *Baseline:* 85 (2014) *Target:* 80 (2020)

Indicator 1.3: Poverty rate decreased *Baseline:* 32 (2013) *Target:* 18 (2020)

Indicator 1.4: Unemployment and employment rates disaggregated by sex, age and regions, improved. *Baseline:* unemployment rate: 16.2 unemployed-by sex- Male: 14.4 unemployed-by sex-Female: 18.1 unemployed-by urban/rural-Urban: 23.4 unemployed-by urban/ rural-Rural: 6 Youth (15-24) unemployment rate-33.1 (2013) *Target:* unemployment Rate:13 Unemployed- Female: 15 Unemployed- Male: 12 Unemployed-by urban/ rural-Urban: 19 Unemployed-by urban/ rural-Rural: 5 Youth- 30 (2020)

Indicator 1.5: Income level of rural population increased *Baseline:* Average monthly income per capita: AMD 41,514 (2013) *Target:* AMD 51,500 (2020)

Applicable Output(s) from the UNDP Strategic Plan:

OUTPUT 1.1. Local capacities strengthened to develop and implement innovative and diversified income-generating practices that are sustainable and employment and livelihood intensive targeting most vulnerable groups.

Project title and Atlas Project Number: E-governance as a Tool for Facilitating the Government to Attract Foreign Investments 00107774/00107958

EXPECTED OUTPUTS	OUTPUT INDICATORS ¹⁴	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)		DATA COLLECTION METHODS & RISKS
			Value	Year	Year 2018	Year 2019	

¹³ UNDP publishes its project information (indicators, baselines, targets and results) to meet the International Aid Transparency Initiative (IATI) standards. Make sure that indicators are S.M.A.R.T. (Specific, Measurable, Attainable, Relevant and Time-bound), provide accurate baselines and targets underpinned by reliable evidence and data, and avoid acronyms so that external audience clearly understand the results of the project.

¹⁴ It is recommended that projects use output indicators from the Strategic Plan IRRF, as relevant, in addition to project-specific results indicators. Indicators should be disaggregated by sex or for other targeted groups where relevant.

<p>Output 1: Business procedures related to investment are publicly accessible online in Armenian, Russian and English</p>	<p><i>1.1 number of procedures mapped and presented online</i></p>	<ul style="list-style-type: none"> • Respective portals; • Project implementation reports 	<p>0</p>	<p>2017</p>	<p>6</p>	<p>6</p>	<ul style="list-style-type: none"> • Project annual report • Low interest of the Armenian Government in project activities; • Insufficient funds for implementation of the project
<p>Output 2: One or various local counterparts are able to publish new procedures, to administer the portal and to simplify procedures using the e-Regulations system</p>	<p><i>2.1: Number of experts trained in procedure mapping</i> <i>2.2: Number of experts trained in portal administration</i> <i>2.3: Number of experts trained in procedure simplification</i></p>	<ul style="list-style-type: none"> • Project implementation progress and final reports. 	<p>0</p>	<p>2017</p>	<p>6 2 0</p>	<p>0 0 4</p>	<ul style="list-style-type: none"> • Project annual report • Low interest of the Armenian Government in project activities; Insufficient funds for implementation of the project
<p>Output 3: Redundancies, bottlenecks and formality simplification options are identified and recommendations are made for at least 4 priority procedures</p>	<p><i>3.1 Analysis to identify redundancies and bottlenecks is made</i> <i>3.2 Number of simplification recommendations</i></p>	<ul style="list-style-type: none"> • Project implementation progress and final reports. • Simplification recommendations report 	<p>0 0</p>	<p>N/A</p>	<p>2 2</p>	<p>2 2</p>	<ul style="list-style-type: none"> • Project annual report • Low interest of the Armenian Government in project activities; Insufficient funds for implementation of the project

VI. MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans:

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk log with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)	
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to	Annually	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to

	ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.		address the issues identified.
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Evaluation Plan

Evaluation Title	Partners (if joint)	Related Strategic Plan Output	UNDAF/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
Project Final Evaluation	All project partners	National and sub-national systems and institutions enabled to achieve structural transformation of productive capacities that are sustainable and employment - and livelihoods- intensive	By 2020, Armenia's competitiveness is improved and people, especially vulnerable groups, have greater access to sustainable economic opportunities	September 2019	All project stakeholders	\$10,000, project budget

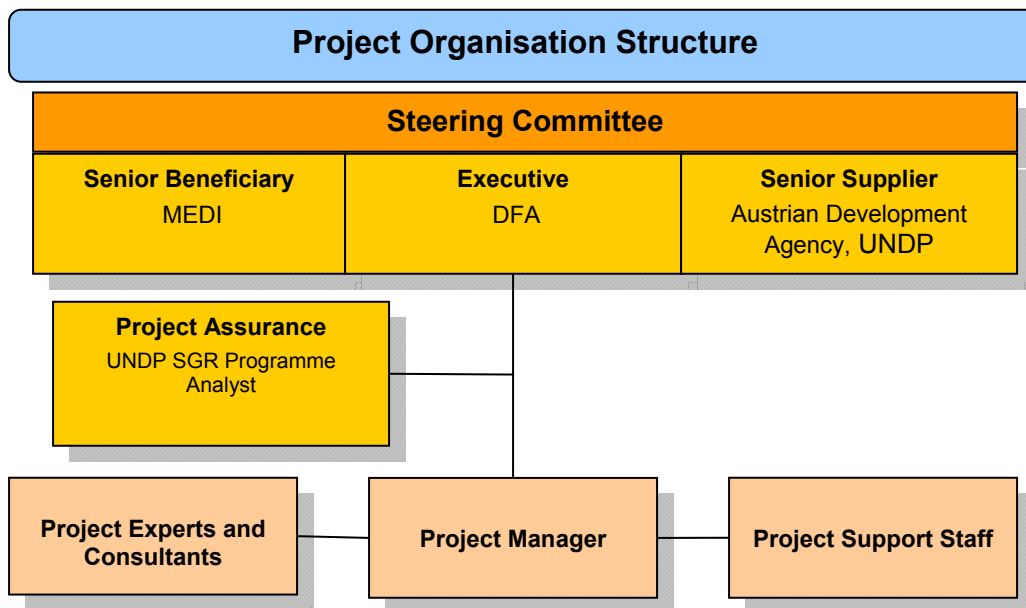
VII. MULTI-YEAR WORK PLAN

EXPECTED ACTIVITIES	PLANNED ACTIVITIES	Planned Budget by Year		Responsible party	PLANNED BUDGET		
		2018	2019		Funding Source	Budget Description	Amount
Activity 1: Business procedures related to investment are publicly accessible online in English and Armenian	1.1 In-depth needs assessment to determine the main priority areas	3,000	0	UNDP	ADA	71300 Local Consultants	3,000
		10,700	0			71200 International Consultants	10,700
	1.2 Definition of the list of procedures to be documented	3,000	0	UNDP	ADA	71300 Local Consultants	3,000
		5,350	0			71200 International Consultants	5,350
	1.3 Information collection through field visits	4,000	3,000	UNDP	ADA	71300 Local Consultants	7,000
		18,190	10,700			71600 International travel	28,890
		3,000	3,000			71200 International Consultants	6,000
	1.4 Completing the content management system's configuration	16,050	0	UNDP	ADA	71200 International Consultants	16,050
		53,500	0			72800 Information Technology	53,500
	1.5 Quality control of the information registered in eRegulations	16,050	10,700	UNDP	ADA	71200 International Consultants	26,750
	1.6 Information validation by concerned agencies	2,675	2,675	UNDP	ADA	71200 International Consultants	5,350
	1.7 Miscellaneous Expenses	250	250	UNDP	ADA	74500 Miscellaneous Expenses	500
	Sub-Total for Output 1		135,765	30,325			
Activity 2: One or various local counterparts are able to publish new	2.1 Training of the local team on data collection and registration	21,400	0	UNDP	ADA	71200 International Consultants	21,400
		3,500	0			75700 Training, Workshops	3,500

EXPECTED ACTIVITIES	PLANNED ACTIVITIES	Planned Budget by Year		Responsible party	PLANNED BUDGET		
		2018	2019		Funding Source	Budget Description	Amount
procedures, to administer the portal and to simplify procedures using the e-Regulations system		3,100	3,350			74200 Translation Costs	6,450
	2.2 Launching the e-Regulations portal	1,500	0	UNDP	ADA	71300 Local Consultants	1,500
		5,350	0			71200 International Consultants	5,350
	2.3 Implementing communication campaign to promote the use of the portal	4,000	7,550	UNDP	ADA	74200 Audio Visual&Print Prod Costs	11,550
	2.4 Updating and extension of the portal	0	1,500	UNDP	ADA	71300 Local Consultants	1,500
	2.5 Devising of a strategy to ensure the portal's financial sustainability	0	3,210	UNDP	ADA	71200 International Consultants	3,210
	2.6 Training of the local team on simplification techniques and applying UNCTAD's "10 principles to simplify administrative procedures"	0	16,050	UNDP	ADA	71200 International Consultants	16,050
	2.7 Miscellaneous Expenses	250	250	UNDP	ADA	74500 Miscellaneous Expenses	500
	Sub-Total for Output 2	39,100	31,910				71,010
Activity 3: Redundancies, bottlenecks and formality simplification options are identified and recommendations are made for at least 4 priority procedures	3.1 Conducting analysis of selected 4 priority procedures	3,500	2,500	UNDP	ADA	71300 Local Consultants	6,000
		2,800	3,210			71200 International Consultants	6,010
	3.2 Preparation of simplification recommendations for 4 priority procedures	0	1,500	UNDP	ADA	71300 Local Consultants	1,500
		0	2,140			71200 International Consultants	2,140
	3.3 ICT Equipment	1,400	0	UNDP	ADA	72800 IT Equipmt	1,400

EXPECTED ACTIVITIES	PLANNED ACTIVITIES	Planned Budget by Year		Responsible party	PLANNED BUDGET		
		2018	2019		Funding Source	Budget Description	Amount
	3.4 Travel	6,816	0	UNDP	ADA	71600 Travel	6,816
	3.5 Travel	4,180	5,180	UNDP	UNDP	71600 Travel	9,360
	3.6 Miscellaneous Expenses	250	250	UNDP	ADA	74500 Miscellaneous Expenses	500
	Sub-Total for Output 3	18,946	14,780				33,726
Activity 4: Project implementation	1. Staff (NPC and Assistant, both SC holders)	33,000	30,000	UNDP	ADA	71400 Contractual Service Ind.	63,000
	2. Direct project cost	2,250	2,241	UNDP	UNDP	64300 Direct project cost	4,491
	3. Information and communication services	900	850	UNDP	ADA	72400 Communic & Audio Visual Equip	1,750
	4. Translation/Interpretation	3,250	3,000	UNDP	UNDP	74200 Translation Costs	6,250
	3.4 Office supplies	1,351	1,200	UNDP	ADA	72500 Stationery & other Supp	2,551
	5. Transportation	3,250	3,100	UNDP	UNDP	72300 Fuel, petroleum and other oils	6,350
	6. Miscellaneous Expenses	1,000	2,000	UNDP	UNDP	74500 Miscellaneous Expenses	3,000
	7. Evaluation	0	10,000	UNDP	UNDP	74100 Professional Services	10,000
	Sub-Total for Project Implementation Costs	45,001	52,391				97,392
General Management Support UNDP		17,991	8,311				26,301
TOTAL		256,803	137,717				394,519

VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS



The Development Foundation of Armenia will be the Implementing Partner of the Project. The Chief Executive Officer of DFA, acting as the National Counterpart, will represent the interests of the Republic of Armenia and be consulted on all substantive issues related to the execution of project activities.

UNDP, as the Responsible Party, will be responsible and accountable for managing the Project, including monitoring and evaluation of the Project interventions, achieving the Project outputs as specified in the results framework above, and for the effective use of the Project resources. UNDP will provide support services to the Implementing Partner in accordance with the Letter of Agreement to be signed with DFA, which will be annexed to this project document.

A Project Steering Committee (PSC) will be established to oversee the management of the project. The PSC will be represented by the implementing agency, the key partners, including project beneficiaries, UNDP, and the Austrian Development Agency as the donor. Regular PSC meetings will be organized to monitor the execution of the programme activities. PSC meetings will take place as necessary, but at least once a year. PSC will monitor the project progress, provide political oversight, and offer general advice for project implementation to make sure the project is consistent with national development priorities.

UNDP Sustainable Growth and Resilience (SGR) Programme Analyst will provide quality assurance, as well as general programme implementation support as necessary.

UNDP will establish a project team, which will ensure that the envisaged activities are carried out and the outputs are reached. The project team will be managed by the National Project Coordinator (NPC), who will coordinate project activities and serve as the financial authorizing officer.

IX. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Armenia and UNDP, signed on 8 March 1995. All references in the SBAA to “Executing Agency” shall be deemed to refer to “Implementing Partner.”

This project will be implemented by the Development Foundation of Armenia (“Implementing Partner”) in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Where the financial governance of an Implementing Partner does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial governance of UNDP shall apply.

X. RISK MANAGEMENT

Consistent with the Article III of the SBAA, the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP’s property in the Implementing Partner’s custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
 - b) assume all risks and liabilities related to the Implementing Partner’s security, and the full implementation of the security plan.
1. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner’s obligations under this Project Document.
 2. The Implementing Partner agrees to undertake all reasonable efforts to ensure that no UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml.
 3. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).
 4. The Implementing Partner shall: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.
 5. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.
 6. The Implementing Partner will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, responsible parties, subcontractors and sub-recipients in implementing the project or using UNDP funds. The Implementing Partner will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.
 7. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to the Implementing Partner: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. The Implementing Partner agrees to the

requirements of the above documents, which are an integral part of this Project Document and are available online at www.undp.org.

8. In the event that an investigation is required, UNDP has the obligation to conduct investigations relating to any aspect of UNDP projects and programmes. The Implementing Partner shall provide its full cooperation, including making available personnel, relevant documentation, and granting access to the Implementing Partner's (and its consultants', responsible parties', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with the Implementing Partner to find a solution.
9. The signatories to this Project Document will promptly inform one another in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

Where the Implementing Partner becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, the Implementing Partner will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). The Implementing Partner shall provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

10. *Choose one of the three following options:*

UNDP shall be entitled to a refund from the Implementing Partner of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document. Such amount may be deducted by UNDP from any payment due to the Implementing Partner under this or any other agreement.

Where such funds have not been refunded to UNDP, the Implementing Partner agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to the Implementing Partner for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document.

Note: The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors and sub-recipients.

11. Each contract issued by the Implementing Partner in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from the Implementing Partner shall cooperate with any and all investigations and post-payment audits.
12. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.

The Implementing Partner shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to each responsible party, subcontractor and sub-recipient and that all the clauses under this section entitled "Risk Management Standard Clauses" are included, *mutatis mutandis*, in all sub-contracts or sub-agreements entered into further to this Project Document.

XI. ANNEXES

1. Social and Environmental Screening Template
2. Risk Analysis
3. LOA

Annex 1: Social and Environmental Screening Template

Project Information	
1. Project Title	E-governance as a Tool for Facilitating the Government to Attract Foreign Investments
2. Project Number	
3. Location (Global/Region/Country)	Armenia

Part A. Integrating Overarching Principles to Strengthen Social and Environmental Sustainability

QUESTION 1: How Does the Project Integrate the Overarching Principles in order to Strengthen Social and Environmental Sustainability?

Briefly describe in the space below how the Project mainstreams the human-rights based approach

The centrality of human rights is underlying the Project goals and objectives towards sustainable development, poverty alleviation and ensuring fair distribution of development opportunities and benefits. The human rights-based approach, as a key engagement principle in pursuing development outcomes, is mainstreamed by meaningful, effective and informed participation of project stakeholders in the formulation/design, implementation, monitoring and evaluation of Project's outputs and impact.

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.

Briefly describe in the space below how the Project is likely to improve gender equality and women's empowerment

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 subsidizing their business loans, provision of advisor services, etc. Also, there are various women business and other associations. These projects and organizations will also be reached to communicate information on the portal and encourage their beneficiaries/members to use it.

Briefly describe in the space below how the Project mainstreams environmental sustainability

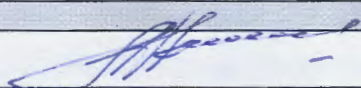
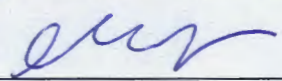
Major part of FDI in Armenia flows to mining and energy sectors. Both sectors have significant environmental impact and risks. Proper step-by-step presentation of the Environment Impact Assessment (EIA) process will ease for businesses the process adherence and compliance, hence reduce their motivation to avoid doing it properly and keeping the formalities only. The project will contribute to the poverty eradication, fair distribution of social benefits and environmental protection principles and targets adopted by the government of Armenia and reflected in the "Armenia Development Strategy 2014- 2025".

Part B. Identifying and Managing Social and Environmental Risks

Risk Description	Impact and Probability (1-5)	Significance (Low, Moderate, High)	Comments	Description of assessment and management measures as reflected in the Project design. If ESIA or SESA is required note that the assessment should consider all potential impacts and risks.
<i>Are any Project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?</i>	I = 2 P = 1	Low	referred to SESP Attachment 1: Standard 1, Question 1.2	N/A. There are no project activities, which may have impact on the environment.
Select one (see SESP for guidance)				Comments NA
<i>Low Risk</i>			<input checked="" type="checkbox"/>	
<i>Moderate Risk</i>			<input type="checkbox"/>	
<i>High Risk</i>			<input type="checkbox"/>	

Check all that apply	Comments
<i>Principle 1: Human Rights</i>	<input checked="" type="checkbox"/>
<i>Principle 2: Gender Equality and Women's Empowerment</i>	<input checked="" type="checkbox"/>
<i>1. Biodiversity Conservation and Natural Resource Management</i>	<input type="checkbox"/>
<i>2. Climate Change Mitigation and Adaptation</i>	<input type="checkbox"/>
<i>3. Community Health, Safety and Working Conditions</i>	<input type="checkbox"/>
<i>4. Cultural Heritage</i>	<input type="checkbox"/>
<i>5. Displacement and Resettlement</i>	<input type="checkbox"/>
<i>6. Indigenous Peoples</i>	<input type="checkbox"/>
<i>7. Pollution Prevention and Resource Efficiency</i>	<input checked="" type="checkbox"/>

Final Sign Off

Signature	Date	Description
QA Assessor 	08.02.2018	Armen Martirosyan, SGR Programme Analyst
QA Approver/PAC Chair 	09.02.2018	Dmitry Mariyasin, UNDP RR a.i.

SESP Attachment 1. Social and Environmental Risk Screening Checklist

Checklist Potential Social and Environmental Risks		
Principles 1: Human Rights		Answer (Yes/No)
1.	<i>Could the Project lead to adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups?</i>	No
2.	<i>Is there a likelihood that the Project would have inequitable or discriminatory adverse impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups?</i>	No
3.	<i>Could the Project potentially restrict availability, quality of and access to resources or basic services, in particular to marginalized individuals or groups?</i>	No
4.	<i>Is there a likelihood that the Project would exclude any potentially affected stakeholders, in particular marginalized groups, from fully participating in decisions that may affect them?</i>	No
5.	<i>Is there a risk that duty-bearers do not have the capacity to meet their obligations in the Project?</i>	No
6.	<i>Is there a risk that rights-holders do not have the capacity to claim their rights?</i>	No
7.	<i>Have local communities or individuals, given the opportunity, raised human rights concerns regarding the Project during the stakeholder engagement process?</i>	No
8.	<i>Is there a risk that the Project would exacerbate conflicts among and/or the risk of violence to project- affected communities and individuals?</i>	No
Principle 2: Gender Equality and Women's Empowerment		
1.	<i>Is there a likelihood that the proposed Project would have adverse impacts on gender equality and/or the situation of women and girls?</i>	No
2.	<i>Would the Project potentially reproduce discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?</i>	No
3.	<i>Have women's groups/leaders raised gender equality concerns regarding the Project during the stakeholder engagement process and has this been included in the overall Project proposal and in the risk assessment?</i>	No
4.	<i>Would the Project potentially limit women's ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services?</i> <i>For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being</i>	No

Principle 3: Environmental Sustainability: Screening questions regarding environmental risks are encompassed by the specific Standard-related questions below	
Standard 1: Biodiversity Conservation and Sustainable Natural Resource Management	
<i>1.1 Would the Project potentially cause adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services? For example, through habitat loss, conversion or degradation, fragmentation, hydrological changes</i>	<i>No</i>
<i>1.2 Are any Project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?</i>	<i>Yes</i>
<i>1.3 Does the Project involve changes to the use of lands and resources that may have adverse impacts on habitats, ecosystems, and/or livelihoods? (Note: if restrictions and/or limitations of access to lands would apply, refer to Standard 5)</i>	<i>No</i>
<i>1.4 Would Project activities pose risks to endangered species?</i>	<i>No</i>
<i>1.5 Would the Project pose a risk of introducing invasive alien species?</i>	<i>No</i>
<i>1.6 Does the Project involve harvesting of natural forests, plantation development, or reforestation?</i>	<i>No</i>
<i>1.7 Does the Project involve the production and/or harvesting of fish populations or other aquatic species?</i>	<i>No</i>
<i>1.8 Does the Project involve significant extraction, diversion or containment of surface or ground water? For example, construction of dams, reservoirs, river basin developments, groundwater extraction</i>	<i>No</i>
<i>1.9 Does the Project involve utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)</i>	<i>No</i>
<i>1.10 Would the Project generate potential adverse transboundary or global environmental concerns?</i>	<i>No</i>
<i>1.11 Would the Project result in secondary or consequential development activities which could lead to adverse social and environmental effects, or would it generate cumulative impacts with other known existing or planned activities in the area? For example, a new road through forested lands will generate direct environmental and social impacts (e.g. felling of trees, earthworks, potential relocation of inhabitants). The new road may also facilitate encroachment on lands by illegal settlers or generate unplanned commercial development along the route, potentially in sensitive areas. These are indirect, secondary, or induced impacts that need to be considered. Also, if similar developments in the same forested area are planned, then cumulative impacts of multiple activities (even if not part of the same Project) need to be considered.</i>	<i>No</i>
Standard 2: Climate Change Mitigation and Adaptation	
<i>2.1 Will the proposed Project result in significant greenhouse gas emissions or may exacerbate climate change?</i>	<i>No</i>
<i>2.2 Would the potential outcomes of the Project be sensitive or vulnerable to potential impacts of climate change?</i>	<i>No</i>

2.3	<i>Is the proposed Project likely to directly or indirectly increase social and environmental vulnerability to climate change now or in the future (also known as maladaptive practices)?</i> <i>For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding</i>	No
Standard 3: Community Health, Safety and Working Conditions		
3.1	<i>Would elements of Project construction, operation, or decommissioning pose potential safety risks to local communities?</i>	No
3.2	<i>Would the Project pose potential risks to community health and safety due to the transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?</i>	No
3.3	<i>Does the Project involve large-scale infrastructure development (e.g. dams, roads, buildings)?</i>	No
3.4	<i>Would failure of structural elements of the Project pose risks to communities? (e.g. collapse of buildings or infrastructure)</i>	No
3.5	<i>Would the proposed Project be susceptible to or lead to increased vulnerability to earthquakes, subsidence, landslides, erosion, flooding or extreme climatic conditions?</i>	No
3.6	<i>Would the Project result in potential increased health risks (e.g. from water-borne or other vector-borne diseases or communicable infections such as HIV/AIDS)?</i>	No
3.7	<i>Does the Project pose potential risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during Project construction, operation, or decommissioning?</i>	No
3.8	<i>Does the Project involve support for employment or livelihoods that may fail to comply with national and international labor standards (i.e. principles and standards of ILO fundamental conventions)?</i>	No
3.9	<i>Does the Project engage security personnel that may pose a potential risk to health and safety of communities and/or individuals (e.g. due to a lack of adequate training or accountability)?</i>	No
Standard 4: Cultural Heritage		
4.1	<i>Will the proposed Project result in interventions that would potentially adversely impact sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: Projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)</i>	No
4.2	<i>Does the Project propose utilizing tangible and/or intangible forms of cultural heritage for commercial or other purposes?</i>	No
Standard 5: Displacement and Resettlement		
5.1	<i>Would the Project potentially involve temporary or permanent and full or partial physical displacement?</i>	No
5.2	<i>Would the Project possibly result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions - even in the absence of physical relocation)?</i>	No
5.3	<i>Is there a risk that the Project would lead to forced evictions?</i>	No
5.4	<i>Would the proposed Project possibly affect land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources?</i>	No
Standard 6: Indigenous Peoples		

6.1 Are indigenous peoples present in the Project area (including Project area of influence)?	No
6.2 Is it likely that the Project or portions of the Project will be located on lands and territories claimed by indigenous peoples?	No
6.3 Would the proposed Project potentially affect the human rights, lands, natural resources, territories, and traditional livelihoods of indigenous peoples (regardless of whether indigenous peoples possess the legal titles to such areas, whether the Project is located within or outside of the lands and territories inhabited by the affected peoples, or whether the indigenous peoples are recognized as indigenous peoples by the country in question)? <i>If the answer to the screening question 6.3 is "yes" the potential risk impacts are considered potentially severe and/or critical and the Project would be categorized as either Moderate or High Risk.</i>	No
6.4 Has there been an absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned?	No
6.5 Does the proposed Project involve the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	No
6.6 Is there a potential for forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources?	No
6.7 Would the Project adversely affect the development priorities of indigenous peoples as defined by them?	No
6.8 Would the Project potentially affect the physical and cultural survival of indigenous peoples?	No
6.9 Would the Project potentially affect the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	No
7: Standard Pollution Prevention and Resource Efficiency	
7.1 Would the Project potentially result in the release of pollutants to the environment due to routine or nonroutine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	No
7.2 Would the proposed Project potentially result in the generation of waste (both hazardous and nonhazardous)?	No
7.3 Will the proposed Project potentially involve the manufacture, trade, release, and/or use of hazardous chemicals and/or materials? Does the Project propose use of chemicals or materials subject to international bans or phase-outs? <i>For example, DDT, PCBs and other chemicals listed in international conventions such as the Stockholm Conventions on Persistent Organic Pollutants or the Montreal Protocol</i>	No
7.4 Will the proposed Project involve the application of pesticides that may have a negative effect on the environment or human health?	No
7.5 Does the Project include activities that require significant consumption of raw materials, energy, and/or water?	No

Annex 2: Risk Analysis

#	Description	Date identified	Type	Impact and probability	Countermeasures / Management response
1	Low interest of the Armenian Government and the state bodies/agencies in project activities	November 2017	Operational	I = 4 high P = 2 low	<p>The project activities will be implemented in close collaboration with the Armenian Government. Prior to designing the project activities, consultations were held 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 a needs assessment will be carried out to select the priority areas for mapping and presentation on-line.</p> <p>Modifications in the project aims, activities and planned results will be made, if needed, to meet the expectations of the Government.</p>
2	Insufficiency of funds due to: fluctuations of currency exchange rates, increase of prices for services and equipment.	February 2018	Financial	I = 3 medium P = 3 medium	Scaling-up the project to attract additional funds from other donors and government, including in-kind contribution. Leveraging funds with other organizations / projects operating in the same area. Budget revision may also be considered.
3	Potential Investors might not be interested in the Armenian market	February 2018	Operational	I = 3 medium P = 3 medium	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	February 2018	Operational	I = 3 medium P = 2 low	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

#	Description	Date identified	Type	Impact and probability	Countermeasures / Management response
					<p>projects/ programs implemented.</p> <p>One of the Project's main counterparts, the Ministry of International Economic Integration and Reforms is the main coordination body for all donor funded activities. Jointly with the UN Resident Representative the Ministry is convening regular donor coordination meetings and maintains a database of all donor funded projects, which reduces the risk of duplications.</p>
5	Undermined long-term ownership and sustainability of the developments implemented by the project due to lack of adequate management and financial resources, after the project completion.	February 2018	Operational	I = 3 Medium P = 3 medium	<p>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 DFA. In terms of the human resources, the DFA will assign the requested number of paid employees to maintain and update the portals.</p> <p>The DFA will be in capacity to maintain the system after project completion. A strategy will be devised jointly with the DFA during the project implementation to ensure the portal's financial sustainability.</p>