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Glen Garanich for Reuters

COUNTRY DEVELOPMENT COOPERATION STRATEGY (CDCS)

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Table of Contents

Acronyms	1
I. Executive Summary	2
II. Country Context	5
The Velvet Revolution	5
The Impact of COVID-19	5
U.S. Foreign Policy Priorities	6
J2SR Roadmap Analysis: Commitment	7
J2SR Roadmap Analysis: Capacity	8
J2SR Roadmap Analysis: The Full Picture	8
Regional Actors	9
III. Strategic Approach	11
The Journey to Self-Reliance	11
A Different Approach	12
Redefining the Relationship: Toward Strategic Transition	13
Redefining the Relationship: Resilience	13
Inclusive Development	15
Climate Change and Biodiversity in Armenia	15
Milestones	16
IV. Results Framework	17
Goal Statement and Narrative	17
Development Objective 1: Democratic Transition Advanced	17
Development Objective 2: Economic Security Enhanced	23
V. Monitoring, Evaluation, and Learning	30
VI. Annex Journey to Self-Reliance Country Roadmap	32

Acronyms

A&A	Acquisitions and Assistance
ADS	Automated Directives System
CDCS	Country Development Cooperation Strategy
CLA	Collaborating, Learning, and Adapting
CMKI	Countering Malign Kremlin Influence
COVID-19	Coronavirus disease 2019
CRM	Climate Risk Management
CSO	Civil Society Organization
CTIP	Countering Trafficking in Persons
DFC	Development Finance Corporation
DG	Democracy & Governance
DO	Development Objective
E&E	Europe & Eurasia
EG	Economic Growth
FDI	Foreign Direct Investment
FSR	Financing Self Reliance
G2G	Government to Government
GHG	Greenhouse Gas
GIS	Geographic Information System
GOAM	Government of Armenia
ICS	Integrated Country Strategy
ICT	Information and Communications Technology
IGD	Inclusive Growth Diagnostic
INL	Bureau of International Narcotics and Law Enforcement Affairs
IR	Intermediate Result
IRI	International Republican Institute
J2SR	Journey to Self-Reliance
JRS	Joint Regional Strategy
JSP	Joint Strategic Plan
LGBTI	Lesbian, Gay, Bisexual, Transgender, and Intersex
MOU	Memorandum of Understanding
NSS	National Security Strategy
OTI	Office of Transition Initiatives
PMP	Performance Management Plan
PPP	Public-Private Partnership
PSE	Private Sector Engagement
Sub-IR	Sub Intermediate Result
RDR	Redefining the Relationship
USAID	United States Agency for International Development
USG	United States Government
V-Dem	Varieties of Democracy

I. Executive Summary

CDCS Goal

USAID's goal for the 2020-2025 Country Development Cooperation Strategy (CDCS) is to build Armenia's capacity and further its commitment to self-reliance so that it **seizes the opportunity to strategically transition to a more inclusive, democratic, and economically resilient partner**. To achieve this goal, USAID will seek to advance the democratic transition set in motion by the peaceful "Velvet Revolution" in 2018 and enhance Armenia's economic security. Doing so will allow the country to succeed as a secure, prosperous, and democratic country, at peace with its neighbors, and more closely integrated with the Euro-Atlantic community.¹

Working with a government that has demonstrated strong commitment to reform and enjoys broad citizen support, there is a unique window of opportunity for USAID to assist Armenia in implementing its ambitious reform agenda. USAID, which provides the majority of U.S. Government (USG) assistance, has an unprecedented opening to help realize long-sought U.S. foreign policy goals by promoting economic and democratic development in Armenia. The capacity of Armenia's government to deliver on citizens' high expectations for inclusive economic growth and accountable governance will determine, in large part, how long this window for reform remains open.

The COVID-19 Pandemic

At the time of writing, the global pandemic of the coronavirus disease 2019 (COVID-19) continues to devastate communities and economies around the world. The incidence of cases in Armenia is currently one of the highest per capita in the world, although the absolute number of COVID-19 cases is now on the decline. The ongoing pandemic has severely impacted Armenia's positive economic growth trajectory and poses a threat to the implementation of the government's reform agenda. There is also evidence that both internal and external malign influences are exploiting the crisis. The USG has brought to bear additional resources to support the Government of Armenia's (GOAM) response to COVID-19, and USAID is adapting existing programs to address the impact of the crisis. This effort builds upon a legacy of significant USG support for Armenian institutions prior to the pandemic that enhanced the GOAM's ability to manage COVID-19. The long-term impacts of COVID-19 are likely to be significant and could last throughout the new strategy period.

Armenia's Journey to Self-Reliance

With the democratic gains from the 2018 Velvet Revolution still fragile, the next five-year period is critical to ensuring that Armenia achieves its long-term self-reliance goals. By low- and middle-income country standards, Armenia is making significant strides in its journey to self-reliance (J2SR). J2SR data demonstrate Armenia's development progress in specific measures of liberal democracy, civil society and media effectiveness, and information and communications technology (ICT) Adoption. The 2018 political transition increased government commitment to reform and a legacy of 28 years of U.S. assistance contributed to this progress. Yet notable self-reliance gaps remain, with capacity deficits being the most acute. In September 2019, the U.S. Embassy in Armenia developed the "Positive Agenda" approach to engage government leaders and align assistance resources behind strategic-level projects that support and sustain Armenia's reform agenda. With this new CDCS, USAID will continue to advance Post's Integrated Country Strategy (ICS) goals and the Positive Agenda in Armenia by addressing notable J2SR gaps and supporting government reform priorities, including judicial reform, improvements to

¹ [Integrated Country Strategy for Armenia](#), approved August 28, 2018.

government effectiveness, export sophistication in targeted high-growth sectors, and a concerted effort to close Armenia’s economic gender gap.

USAID’s strategic vision and related programmatic choices are closely aligned to the GOAM’s stated development priorities as outlined in its 2050 National Transformation Strategy and related sectoral strategies. The GOAM has prioritized anti-corruption, judicial reform, and economic growth as three of its highest priorities, which are all featured prominently in USAID’s CDCS Results Framework.

Strategic Choices

USAID’s approach promotes strategic transition by leveraging the window of opportunity to advance a positive U.S.-Armenia development and diplomatic relationship. In the current Armenian context, “strategic transition” will focus on these efforts to redefine and deepen USAID’s relationship with the government, so that it takes an even greater role in steering its development progress. For the current CDCS, strategic transition does not imply any reduction of effort, resources, or staffing. During the strategy period, USAID seeks to expand and sustain democracy, rights, and governance engagement; build national administrative capacity to realize reform; strengthen the rule of law; and prevent corruption. The Mission will shift from working in an environment constrained by anti-competitive business practices under the previous CDCS to leveraging the current political will to remove these practices completely and improve Armenia’s economic governance and capacity in targeted high-impact sectors. In doing so, USAID will emphasize private sector-led, market-driven approaches to bolster competitiveness, innovation, and the sustainable management of natural resources. USAID will also work more closely with the private sector to promote economic stability and security.

U. S. Government Foreign Policy Priorities

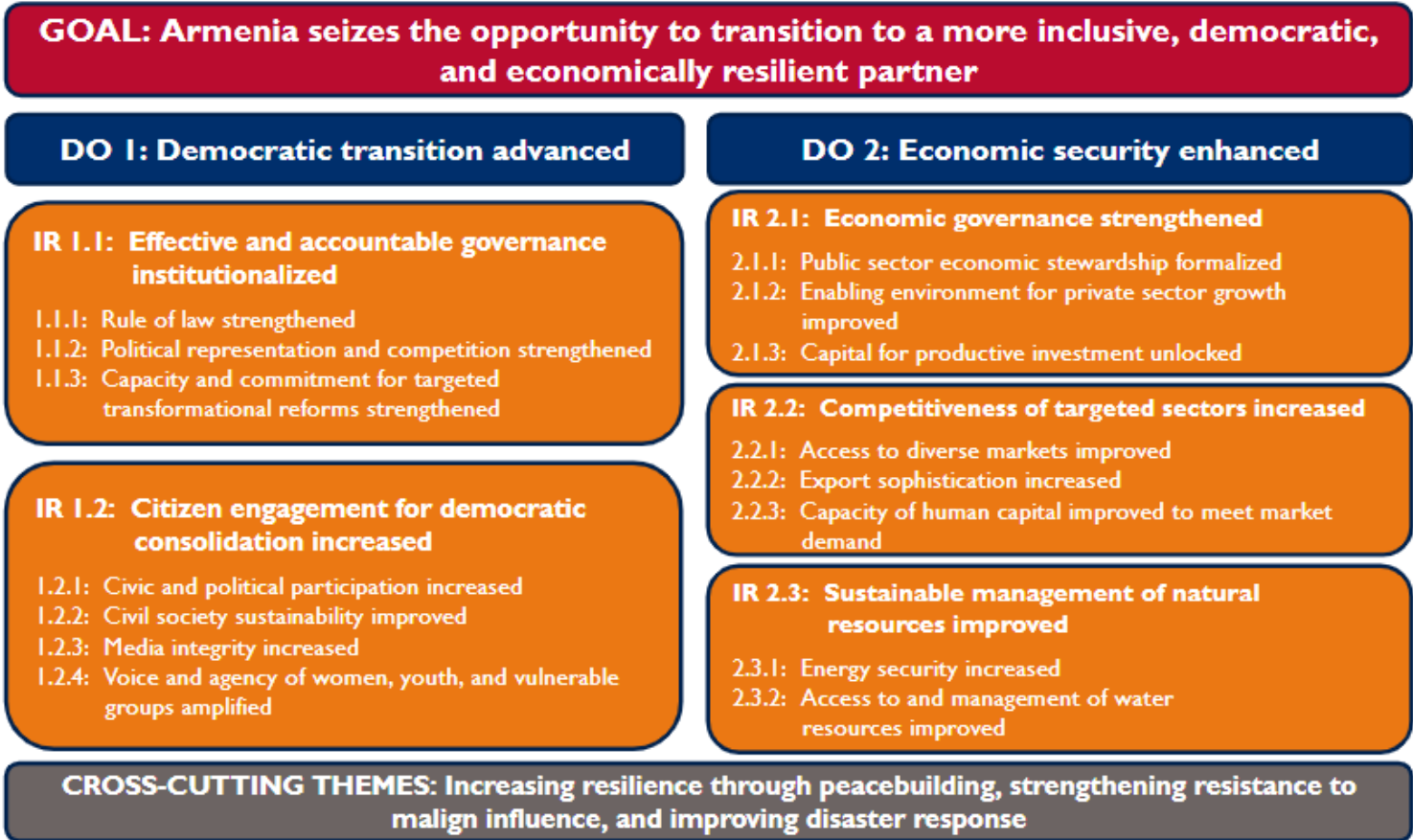
This strategy reflects the priorities of the U.S. National Security Strategy, the Department of State and USAID Joint Strategic Plan, and the Joint Regional Strategy developed by the Department of State's Bureau of European and Eurasian Affairs and USAID’s Bureau for Europe and Eurasia. USAID’s strategic approach is also grounded in the Agency’s Journey to Self-Reliance framework.

Armenia is not identified as a country of concern per the Department of State’s International Religious Freedom report, as there are minimal risks or threats to religious freedom at this time.

In June 2020, Armenia was downgraded in the State Department’s 2020 *Trafficking in Persons Report*. Though the report noted that the GOAM was “making significant efforts” to meet the minimum standards for the elimination of trafficking, there had been “no demonstrable increase in effort” compared to the previous reporting period. The GOAM will need to take specific steps to address the issues that led to this downgrade, or U.S. assistance to Armenia will be impacted. Additional assessment will be undertaken in the early part of the strategy period to understand more fully the best way for the USG and USAID to integrate and elevate countering trafficking in persons (CTIP) considerations into programming going forward.

Note: This CDCS was approved before the Nagorno-Karabakh conflict between Armenia and Azerbaijan escalated on September 27, 2020. This escalation may have serious repercussions on the development outcomes outlined in the strategy. USAID/Armenia will continue to monitor its potential impact and if needed, the Mission will re-evaluate the strategic approach. The Mission will use Portfolio Reviews and/or the CDCS Midcourse stocktaking, as well as any other Agency reviews to make adjustments, as necessary and relevant.

Results Framework Graphic



II. Country Context

The Velvet Revolution

The 2018 Velvet Revolution was transformative for Armenia. The early hopes and aspirations of the Armenian people for a post-Soviet republic defined by self-determination, accountable governance, and economic opportunity were undermined by widespread corruption, which gave way over time to a palpable sense of futility and resignation.² But a strong latent demand for change, a resilient belief in individual agency and voice, and an awakening to the collective power of a social movement of concerned citizens would change the course of Armenian history. With the world watching, national street protests rejecting the policies of the Republican Party-led government ultimately denied Serzh Sargsyan a third consecutive term in high office. The ensuing political transition elevated a new generation of leaders committed to democratic governance, accountability reforms, and an economic revolution to begin the task of creating a vibrant, inclusive, and resilient economy. Free and fair parliamentary elections were held in December 2018, handing a landslide victory to Nikol Pashinyan and the My Step Alliance. It was an emphatic electoral rout of the former ruling party, which failed to retain any seats in the new parliament.

In early 2019, Armenia's new government found itself in the challenging position of transitioning from street protests to the awesome responsibility of governing the state, both formulating and implementing reform policies that would address the high expectations of the Armenian people. These expectations included a call for tangible and timely economic improvements, accountability for corruption and other abuses of power committed by the former government, and a call to develop a new vision and direction for the country's development. Throughout 2019, the government made steady, deliberative progress in defining priorities that took shape across a suite of strategic planning documents, including an ambitious 30-year national transformation strategy and 26 sector strategies. USAID has supported the development of many of these sector strategies and has aligned the strategic vision of this CDCS and related programmatic choices with them.

Government of Armenia's Development Priorities

1. Bolster anti-corruption and rule of law
2. Improve the business enabling environment
3. Enact public administration reforms and empower local governments
4. Promote inclusive development through education and social reforms
5. Improve political process and citizen engagement
6. Increase energy security and sustainable management of ecosystems
7. Promote high-tech, agriculture, and tourism sector development

The Impact of COVID-19

In the spring of 2020, the reform efforts of the GOAM were disrupted by the COVID-19 pandemic. At the time of writing, the incidence of cases in Armenia is one of the highest per capita in the world,³ and the increased caseload has strained the country's laboratory and hospital capacity. Given Armenia's elevated levels of cardiovascular disease, high levels of other non-communicable diseases, the prevalence of

² See USAID's [Country Development Cooperation Strategy 2013-2020 for Armenia](#), which noted: "Disillusioned with growing disparities in wealth and marginalized by the centralized and opaque political system, citizens have very low levels of trust in government institutions. In the absence of opportunities for more meaningful political engagement, civic apathy runs high and civic engagement is weak."

³ WHO Health Emergency Dashboard WHO (COVID-19) [Homepage](#), July 22, 2020.

smoking,⁴ and a high cohabitation density with multigenerational families in shared living spaces, community transmission represents an ongoing concern. Additionally, the prevalence of widespread COVID-19 disinformation and conspiracy theories, as well as a lower level of public trust in science, may have contributed to Armenia's higher rates of infection transmission.⁵

As in the United States and elsewhere in Europe, the COVID-19 pandemic has severely impacted Armenia's prospects for economic growth through disruptions to the global supply chain; a sharp decline in export receipts, including for primary commodities and travel and tourism; reduced consumption; lowered prospects for government revenue; and disruptions to the labor market. This is exacerbated by the economic downturn in Russia, which represents Armenia's largest export market, its most significant source of remittances, and a primary destination for a sizable cohort of Armenian migrant laborers. In the USAID-assisted tourism sector, the GOAM Tourism Committee estimates a 40 percent reduction in revenues for 2020, which represents a \$500 million loss from the economy and associated negative multiplier effects for suppliers. The temporary collapse in external demand for both goods and services and declining commodity prices has led the World Bank to revise economic growth projections for 2020 from an expansion of 4.9 percent to a contraction of 2.8 percent.⁶ Most analysts do not foresee an economic recovery until 2021 at the earliest.

In March 2020, the government began rolling out economic support measures to provide up to \$300 million worth of assistance to mitigate the impact of COVID-19. Support to socially vulnerable populations, small- and medium-sized enterprises, agricultural enterprises, and other subgroups has been provided through a combination of subsidies on commercial loans and one-time lump-sum payments. This is a significant step; however, additional assistance will be needed for government ministries and institutions that are responsible for developing the policy and programmatic mechanisms that enable implementation of broader response and support initiatives. While stimulus efforts seek to blunt economic decline, the long-term effects of COVID-19 are likely to be significant and include reduced consumption of goods and services and delayed or foregone investment. Public trust in the government is at risk of waning due to slow economic recovery and the actions of malign actors who seek to undermine the democratic government's credibility.

U.S. Foreign Policy Priorities

While U.S. foreign policy priorities in Armenia pre-date the onset of COVID-19, they are tailored to other key aspects of the new local context, aligned with GOAM priorities, and expressed in the [Integrated Country Strategy](#) (ICS) for 2018-2021. The ICS is informed by and linked to higher level national security and foreign policy strategic frameworks, including the [U.S. National Security Strategy](#) (NSS), the Department of State and USAID [Joint Strategic Plan](#) (JSP), and the [Joint Regional Strategy](#) (JRS) of the State Bureau of European and Eurasian Affairs. A number of specific thematic priorities connect the various USG foreign policy frameworks, providing greater definition and focus for USAID in interpreting the Armenia

⁴ According to the World Health Organization, over 50% of Armenian men smoke. Source: [WHO's Noncommunicable Diseases Country Profiles](#), 2018.

⁵ Local reporting notes that the spread of disinformation and conspiracy theories contributed to the sense of confusion and politicization of the pandemic. Source: [Observations About Armenia's COVID-19 Response](#), EVN Report, July 6, 2020.

⁶ For additional information on the economic impact of COVID-19, see World Bank Group's [Global Economic Prospects for June 2020: Europe and Central Asia](#), and the World Bank Group's [Armenia Monthly Economic Update](#) for May 2020.

context and marshalling U.S. development resources to achieve maximum impact in areas of greatest alignment with U.S. foreign policy objectives.

According to [USAID’s Journey to Self-Reliance \(J2SR\) Roadmap](#), Armenia appears to be far along in its journey to self-reliance by low- and middle-income country standards. J2SR metrics clearly indicate Armenia’s development progress in specific measures of social group equality, trade freedom, civil society and media effectiveness, child health, and ICT Adoption. As examined below, however, these high-level, positive indicators do not depict the complex and nuanced country context. For example, while Armenia’s trade freedom score of 0.74 appears advanced, two of Armenia’s four international borders are effectively closed to all trade and travel, opportunities for trade with neighboring Iran are limited, and high transportation costs through Georgia diminish potential. Armenia’s ability to trade with neighboring countries can more accurately be described as highly constrained. The self-reliance gaps in other J2SR metrics are arguably clearer, with relatively low scores that resonate with those seen in liberal democracy, the economic gender gap, business environment, various measures of government capacity, poverty, GDP per capita, and export sophistication.

J2SR Roadmap Analysis: Commitment

Armenia appears highly advanced in the commitment dimension of the J2SR Roadmap, with a commitment score that is comparable to that of Georgia. However, while Varieties of Democracy (V-Dem) measures of democratic quality increased sharply in 2018 following the Velvet Revolution, the increase was from a low baseline. Further, the Liberal Democracy Index score remains only slightly above the average of all low- and middle-income countries worldwide. Areas of recent progress include V-Dem measures of legislative constraints on the executive, freedom of expression, and freedom of association.

Armenia is in the middle of a difficult and protracted political transition, and the durability of these improvements in democratic commitment remains to be seen. The road ahead toward long-sought democratic consolidation is far from assured and fraught with potential failure as local spoilers and external malign actors seek to delegitimize the reform-minded government. Further, while Armenia’s overall Liberal Democracy score progressed, there remains a striking deficit regarding judicial constraints on the executive (see figure to the right).⁷ Rule of law is an area where much work remains to be done. Ongoing efforts are needed to reform a judiciary that is seen as aligned with the former regime, suffers from very low levels of public approval, has insufficient resources and capacity, and is widely seen as incapable of providing meaningful democratic constraints on executive power.

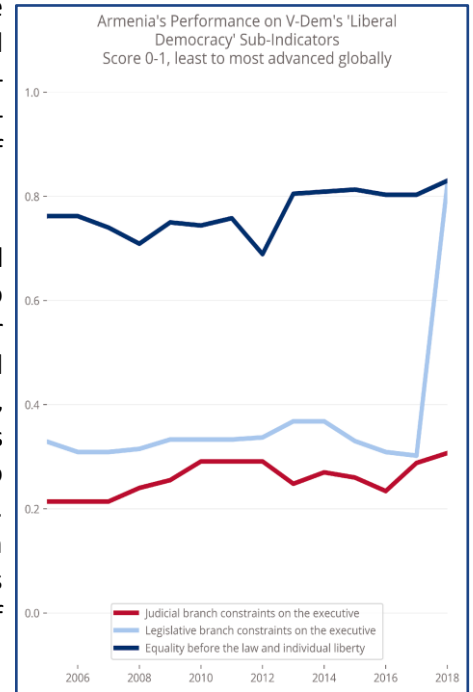


Figure 1: Armenia’s V-Dem Liberal Democracy score

On the economic growth side, notable measures of commitment that exhibit J2SR gaps include the economic gender gap (particularly women’s participation in the economy), wage equality for similar work, and estimated earned income.

The Legatum Institute’s business enabling environment metric includes relatively low scores on the ease

⁷ Higher ‘0-1’ scores represent more advanced outcomes. Source: Varieties of Democracy ([V-Dem](#)) Project, V-Dem Institute, Version 9, 2019.

of resolving insolvency, the affordability of financial services, and in promoting business development and effective human resources practices.

J2SR Roadmap Analysis: Capacity

While Armenia has advanced in capacity measures since 2010, it lags behind almost all other countries in the Europe & Eurasia (E&E) region, including Georgia, Ukraine, Serbia, Bosnia, Macedonia, Moldova, and Belarus. Low government effectiveness scores are the product of a legacy of insufficient investment in public administration, as well as public sector corruption and cronyism from past administrations. While Armenia's current government is committed to building administrative capacity at national and local levels, they acknowledge that this will be a long-term reform effort to strengthen recruitment, retention, and in-service training for government employees.

Poverty continues to be a significant challenge for Armenia, with over 40 percent of the population living on less than \$5 a day. As a point of comparison, just five percent of the population lives on less than \$5 a day in Ukraine.⁸ In addition, the capacity of Armenia's economy is constrained by a relatively low per capita income level relative to other E&E countries, as well as a lack of export sophistication. Armenia's export sector is small and export sophistication is low and deteriorating. Many Armenian exports are relatively low value-added and unprocessed, and trade of these types of exports has only increased since Armenia joined the Eurasian Economic Union in 2015. Export industries and product types are dominated by primary goods, with over 50 percent of goods exports typically coming from minerals, agriculture, stone, metals and other primary goods. Notably, services accounted for 45 percent of Armenian exports in 2017, including exports from international tourism receipts (26 percent of total exports) and ICT (11 percent of total exports).⁹ Foreign direct investment (FDI) inflows have also remained stagnant, with Armenia ranking far behind its peers in the region.¹⁰ FDI is expected to further contract due to the COVID-19 pandemic.

J2SR Roadmap Analysis: The Full Picture

As noted above, some of the global J2SR Roadmap metrics either do not capture the local context or do not show real, significant challenges. This is arguably most notable in the J2SR measures of social group equality, civil society and media effectiveness, and child health. The V-Dem Social Group Equality Index measures political equality with respect to civil liberties protections across social groups as defined by ethnicity, religion, caste, race, language, and region. As Armenian society has one of the world's highest levels of social cohesion, including a high level of linguistic and religious homogeneity, it scores very high on this index.¹¹ However, Armenia continues to face significant human rights challenges that are not captured by this broad metric, most notably harassment, discrimination and violence toward women (including domestic violence), and toward members of the LGBTI community. Malign actors are actively

⁸ Represents the percentage of the population living in households with consumption per person below the poverty line (\$5 per day, in purchasing power parity terms). Source: World Bank, Povcalnet, 2019.

⁹ Atlas of Economic Complexity, Harvard University, 2019.

¹⁰ Armenia ranked 38 out of 43 in average FDI inflows in E&E for 2018. Source: UN Conference on Trade and Development (UNCTAD), UNCTADstat.

¹¹ [Governance in Armenia: An Evidence Review](#), USAID, Jan 2019.

exploiting this latter issue as they seek to drive a wedge between what they portray as Western and regional values.¹²

The Civil Society and Media Effectiveness measure is also very high (see figure on the right).¹³ While Armenia's civil society and independent media sectors have progressed in their development, particularly in the areas of civil society advocacy and investigative journalism (in part through sustained assistance from USAID), acute needs in these sectors persist, most notably in financial sustainability/viability, media ownership, and professional integrity. Sustaining gains in and further improving the enabling environment for the civil society and media sectors will be necessary to inform government reform efforts, strengthen oversight of the executive, and to push back against disinformation and malign influence.

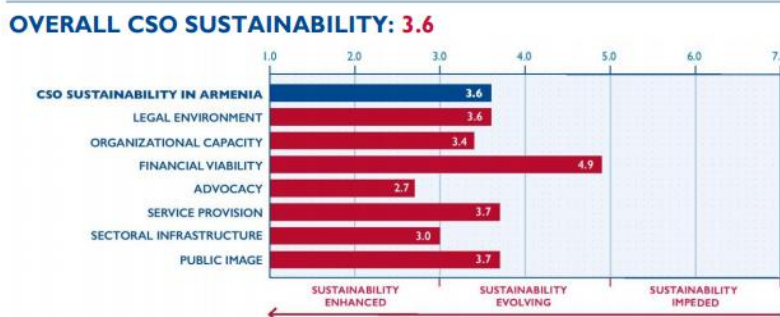


Figure 2: Armenia's score on the CSO Sustainability Index

A third area in which the J2SR Roadmap does not provide the full picture relates to Armenia's health sector. While Armenia's Child Health measure is advanced and was part of the rationale in the prior strategy period to transition assistance away from the health sector, the unfolding COVID-19 pandemic is severely testing the capacity of the country's healthcare system. As noted above, Armenia has one of the highest per-capita COVID-19 infection rates in the world and a population that is vulnerable to local transmission and at risk for developing severe illness due to high comorbidities. The full impact of COVID-19 on Armenia's health system and population will take time to fully manifest and will be the subject of future review and consideration during implementation of this strategy.

Regional Actors

The 2019 *Freedom in the World* report showed the fourteenth consecutive year of decline in democratic freedoms worldwide. However, Armenia's significant democratic gains have been recognized by V-Dem's 2020 Liberal democracy index, where Armenia registered the second highest gains globally. Additionally, Freedom House's 2020 *Nations in Transit Report* noted that Armenia achieved the largest two-year improvement of any country in the history of that index. The country's ability to potentially inspire democratic reform elsewhere in the region has led to both internal and external agents of resurgent authoritarianism seeking to undermine and discredit Armenia's transition.

Russia is a key economic, security, and energy partner for Armenia. Russia maintains two military bases in Armenia, with approximately 5,000 Russian troops stationed near its border with Turkey. Armenia's integration with the Russian economy is substantial and broad-based, and Armenia's participation in the Eurasian Economic Union encourages closer integration with the Russian economy. Currently, Armenia relies on Russia for over 60 percent of its net energy imports. Remittances equal about 11 percent of Armenia's GDP, with 54 percent of that flowing from Russia. About half of Armenia's inward foreign direct

¹² [World Report 2020: Armenia](#), Human Rights Watch, 2020.

¹³ This index uses a 7-point scale, where 1 is the most enhanced and 7 represents the most impeded. Source: [2019 Civil Society Organization Sustainability Index: Armenia](#), USAID, July 2020.

investment (FDI) stock comes from Russia, and Russian assistance to Armenia totaled \$28 million in 2017. Most Armenians get news and information from television, where Russian programming dominates.

China's influence in Armenia is growing. While China's interest in the South Caucasus is relatively recent, as its global ambitions expand, it is playing a long game to build commercial ties and extend cultural connections. It is constructing a new embassy complex a kilometer away from the U.S. Embassy that will be China's second largest embassy in the region (the largest is in Russia). Given its geopolitical circumstances and location along the historic Silk Road, Armenia is primed to entertain expanded economic relations with China, particularly as a source of investment and as an export market. Trade with China increased roughly 22 percent from 2018 to 2019, and China is currently Armenia's 3rd largest trade partner behind the EU and Russia. Chinese assistance to Armenia has been steadily growing; China provided Armenia with almost \$20 million in humanitarian support in 2018. China has also increased its engagement in Armenia's education sector, aiming to build cultural affinity for China among young Armenians.

Armenia is also challenged by fierce regional contestation. Armenia is blockaded by a closed border with Turkey to the west and conflict with Azerbaijan to the east, with profound consequences on the country's prospects for self-reliance. To the south, Armenia maintains an open border with Iran. While this open border provides a narrow avenue for limited trade and cooperative relations, Iran is a U.S.-sanctioned state sponsor of terrorism. To the north, Armenia maintains arguably its closest relationship with Georgia. The two share a deep and substantive agenda based on shared interests, including collaboration on regional energy trade, exports, transport logistics, and regional tourism. Even with its positive relations with Georgia, the number of challenges Armenia faces with its neighbors creates complications for the country's journey to self-reliance. The large Armenian diaspora in the United States, Europe, Russia, and the Middle East have played an active role in Armenia's development since independence and continues to support projects throughout the country.

Figure 3: Map showing Armenia's geographic borders



III. Strategic Approach

The Journey to Self-Reliance

USAID's vision for a renewed partnership with Armenia is tailored to the democratic momentum for reform created by the 2018 Velvet Revolution and subsequent political transition. With an emphasis on building capacity and furthering Armenia's commitment to self-reliance, USAID will partner with the government, private sector, civil society, and citizens to enable Armenians to lead their own development. USAID will support Armenia's institutions and stakeholders to seize the opportunities presented by this inflection point in Armenia's history.

Implementation of this vision means USAID will initiate and catalyze strategic partnerships that will empower the GOAM and local actors to take increasing ownership of Armenia's development course. For this approach to be effective, USAID will engage differently in the new strategy period to ensure Armenia transitions to a strategic development partner. This shift entails implementing an accountability systems approach that builds the capacity, adaptability, and sustainability of democratic and economic institutions

at multiple levels and recognizes the key actors, their relationships, and incentives needed to advance reforms. This approach will lead to comprehensive and sustainable outcomes beyond the life of the current government. It will also allow USAID to scale up and target efforts that are most aligned with USG priorities and have the greatest impact on advancing Armenia's journey to self-reliance. This approach also means that USAID will facilitate local ownership, promote private sector-led solutions, and engage Armenian stakeholders to build capacity and further commitment. Private Sector Engagement (PSE) will be institutionalized and integrated throughout the portfolio. Specifically, USAID will utilize a variety of PSE approaches, including facilitating public-private sector dialogues, partnering with the U.S. private sector to identify potential areas of engagement, and incentivizing private sector participation in activities across both DOs. Local ownership will also be emphasized through co-creation and co-design stages of activity development.

USAID support will be aligned with U.S. foreign policy priorities and address notable J2SR gaps by supporting key government reforms, including judicial reform as a key sub-component of liberal democracy, anti-corruption, public sector effectiveness, reform of the business environment, improvements to economic governance, progress on export sophistication in targeted high-growth sectors, and a concerted effort to narrow Armenia's economic gender gap. USAID will advance two broad sectoral objectives, one focused on democracy, human rights, and governance, and a second focused on economic growth, energy, and the environment. These objectives will be supported by three cross-cutting themes that seek to foster Armenia's resilience by addressing peacebuilding, resistance to malign influence, and disaster prevention, preparedness, and response.

A Different Approach

In preparing this strategy, USAID assessed its current portfolio to align activities with gaps identified by J2SR Roadmap data, as well as the potential of these activities to leverage and build Armenia's self-reliance. The backdrop to this review was the dramatic change in local context presented by the Velvet Revolution, which challenged previously held assumptions and called for fresh approaches across much of USAID's portfolio in Armenia. USAID will change the approach to many activities that are aligned with J2SR Roadmap gaps but now require significant rethinking. Program areas include anti-corruption, civil society and media, local governance, youth engagement, workforce development, energy, women's economic empowerment, export sophistication, business enabling environment, natural resource management, and human rights. For example, USAID will work in concert with State's Bureau of International Narcotics and Law Enforcement Affairs (INL) and other interagency, donor, government and non-governmental stakeholders to take an accountability systems approach to anti-corruption by supporting the development of institutions to prevent, mitigate, and sanction corrupt practices and actors. USAID will also sustain the focus of its programming in notable areas where the Mission has developed an effective approach and modality that leverage Armenia's advanced self-reliance capabilities. Programmatic areas of enduring focus include legislative strengthening, political and electoral reforms, women's political empowerment, and rural economic development (including tourism and agriculture).

During the previous strategy period, USAID built local capacity to advocate for, implement, and evaluate reforms and preserve improved outcomes in three priority health areas: tuberculosis, maternal and child health, and reproductive health. However, as previously noted, the unfolding COVID-19 pandemic has severely strained and tested the strength of the Armenian health system. As responsible development partners, USAID will cautiously reevaluate the needs of this critical sector during implementation of this strategy and consider limited reengagement in Armenia's health sector if warranted. USAID will also

continue to assess its engagement in the social services sectors in light of the COVID-19 pandemic and Armenia's recent downgrade in the State Department's *Trafficking in Persons Report*.

Redefining the Relationship: Toward Strategic Transition

To advance toward strategic transition and realize the reform potential of the current moment, Armenia will require an increasingly capable executive government that can conceptualize and operationalize key administrative reforms and accountability for those reforms. To institutionalize and safeguard executive accountability, the independence and capability of both the legislature and judiciary will be key, as well as the capabilities, platforms, and campaigns of influential mediating organizations, including democratic political parties, professional associations, civil society organizations, and independent media. Through an increased emphasis on strengthening local capacity, USAID will address a critical gap clearly identified in Armenia's J2SR Roadmap. This increased emphasis on capacity development will redefine USAID's relationship with Armenia from a recipient to partner, building on USAID's strong foundation of local solutions and local ownership in current programming. USAID will also leverage the GOAM's commitment to reform by drawing on different partnership modalities, including incorporating conditionalities into new Development Objective Assistance Agreements (DOAGs), fostering public-private partnerships (PPPs) and Global Development Alliances (GDAs), and other opportunities for co-creation and co-investing.

Armenia's government has clearly identified inclusive growth as a signature area for reform. In support of this goal and consistent with gaps in the J2SR Roadmap data, USAID will emphasize improvements in the business environment, economic governance, economic gender gap, and export sophistication under this strategy. While threatened by the COVID-19 pandemic, bright spots for economic growth in Armenia include ICT service exports (Armenia was ranked 15th out of 129 countries in the magnitude of ICT service exports as a percent of total trade in 2018); tourism receipts (26 percent of Armenia's exports in 2017); and agriculture (employs around 33 percent of the population with few COVID-related job losses expected). In this economic development context, USAID's approach will prioritize improvements in economic governance, sector competitiveness, energy independence, and sustainable management of natural resources. To redefine USAID's relationship with Armenia, approaches will emphasize capacity development, a sustained focus on local solutions, and promotion of local ownership. Private Sector Engagement will be prioritized, including private sector-led partnerships in high-growth sectors, as well as a focus on improvements to the business enabling environment and increased export sophistication.

Recognizing the unprecedented opening for reform in Armenia following the Velvet Revolution, USAID's Office of Transition Initiatives (OTI) launched its Armenia program in March 2019. OTI has implemented quick-impact grants aimed at engaging citizens in sustaining the momentum for reform, complementing the Mission's long-term activities. Building on relationships developed with GOAM counterparts, OTI worked hand-in-hand with them to identify emerging needs and quickly mobilized support for the GOAM's COVID-19 response. The OTI program will run through February 2022, when USAID's long-term governance activities will carry on supporting the GOAM's strategic communications and anti-corruption efforts.

Redefining the Relationship: Resilience

A focus on building Armenia's resilience will also characterize how USAID and Armenia are redefining their relationship under this new strategy. USAID will seek to boost Armenia's resilience through peacebuilding, countering malign influence, and disaster prevention, preparedness, and response programming as cross-

cutting themes. Programming across the strategic framework will contribute to these themes given their foundational importance to Armenia's ability to progress along its journey to self-reliance.

Significant constraints to Armenia's ability to achieve greater self-reliance include the protracted conflict with Azerbaijan and a lack of diplomatic relations with Turkey. The geopolitical situation has deep and complex historical origins, which have resulted in Armenia's regional isolation. The significant cost of the ongoing conflict with Azerbaijan is considerable, draining public resources away from democratic, economic, and social development priorities.¹⁴ Peacebuilding is a longer-term effort beyond the timeframe and scope of this strategy. Should the opportunity arise, USAID programs under this strategy could support people-to-people programs that contribute to a conducive environment for reconciliation, or support Track II dialogue efforts which run parallel to the formal Track I diplomatic process. For example, the civic engagement components underlying DO 1 are well suited to support Track II activities that can help advance the peace dialogue with the involvement of community, youth, civil society leaders, media, and influencers. Additionally, USAID efforts under DO 2 to improve the access to and management of water resources beyond the Ararat Valley could present an opportunity for cooperation with Azerbaijan and Turkey. USAID will also look for opportunities to deploy development and humanitarian assistance to support peacebuilding. Any such intervention will be carefully weighed to ensure a do-no-harm approach and its meaningful contribution to a more resilient society.

Malign influence represents a major threat to Armenia's J2SR goals, with both foreign and domestic actors seeking to undermine and discredit democratic reform. USAID will seek to strengthen Armenia's economic and democratic resilience and support Armenia's independent development path by working to mitigate any attempt to undermine key institutions. USAID will help Armenia strengthen civil society organizations, conduct credible elections, institutionalize transparency and accountability in government institutions, and promote the rule of law. A free, independent media and the availability of fact-based reporting are key to safeguarding citizens against disinformation. USAID will build the capacity of Armenian media to provide trusted, independent news and information sources, including support for media literacy to help citizens recognize disinformation efforts fueled by malign actors. USAID will support efforts to diversify energy generation domestically, as well as the development of effective, pro-growth legal and regulatory frameworks and well-functioning regional energy markets. To strengthen Armenia's economic independence and promote trade alternatives, USAID will assist Armenia to improve the business environment, diversify exports, prevent corruption, and increase integration with western economies. Finally, USAID will seek to highlight, where appropriate, how lack of evidence-based decision-making in a consistent and timely manner in line with Western business practices can harm Armenia's reputation with credible foreign investors and undermine its national interests. USAID's efforts to promote the resilience of Armenia's institutions and to support greater economic integration with the West will further advance the gains Armenia has made since the Velvet Revolution and build upon its promise of greater Armenian independence and sovereignty.

The third cross-cutting theme of building Armenia's resilience is to improve the country's ability to plan for, respond to, and recover from natural and human-made disasters, including pandemics and earthquakes. USAID has supported Armenia to respond to and manage the COVID-19 pandemic, and this strategy considers the short, medium, and long-term impact of the pandemic and its secondary effects. Through ongoing monitoring, semi-annual portfolio reviews, and a mid-course stock-taking exercise, USAID will continue to assess COVID-19 effects and adapt programming as necessary to strengthen

¹⁴ On September 27, 2020, renewed fighting broke out at the line of contact in Nagorno-Karabakh. This escalation represents the worst fighting in the 26-year history of the conflict.

Armenia’s resilience to global pandemics and shocks. Armenia is also prone to a range of natural disasters, including earthquakes, forest fires, and landslides. USAID will continue to work with the U.S. Office of Foreign Disaster Assistance to provide technical assistance and training to strengthen Armenia’s capabilities to prevent, prepare for, respond to, and manage the impact of natural disasters and shocks.

Inclusive Development

USAID will promote a nondiscriminatory, inclusive, and integrated development approach in a cross-cutting manner throughout its portfolio. The Velvet Revolution was driven by the broad participation of citizens across Armenian society, particularly young people and women, demonstrating the value of a more inclusive, representative civic and political life. The Mission will seek to build on this progress in expanding participation to ensure that all people, including those who face discrimination and may have limited access to a country’s benefits, legal protections, or social participation are fully included and can actively participate in and benefit from development outcomes. USAID will intentionally engage with and ensure active participation of youth, women and girls, persons with disabilities, and other traditionally marginalized groups in activities leading to Armenia’s democratic and economic advancement. Inclusive development will be encapsulated in USAID’s project and activity designs, procurements, statements of work/program descriptions, annual program statements, requests for applications/proposals, monitoring and evaluation, and reporting documents.

Climate Change and Biodiversity in Armenia

In preparation for this strategy, USAID commissioned a Climate Risk Mitigation (CRM) Screening and Biodiversity Analysis. While Armenia’s score on the Biodiversity & Habitat Protection measure on the J2SR Roadmap is above average for low and middle-income countries, it does not take into account the real threats presented by climate change, including drought, significant land degradation, and active desertification processes.¹⁵ In addition to climate change, Armenia’s unique biodiversity is threatened by many factors, including suboptimal water use management practices, degradation due to mining and processing activities, and agricultural practices that have led to overgrazing, soil erosion, and loss of biodiversity.

During this strategy period, USAID will incorporate measures to mitigate the environmental impacts of new programming under each DO. Based on assessment findings from the CRM Screening and Biodiversity analysis, Mission staff will consider risks posed by various environmental factors such as climate change, greenhouse gas (GHG) emissions, and biodiversity prior to a final decision to proceed with any new activity, and ensure that appropriate environmental safeguards are adopted.

Countering Trafficking in Persons

The *2020 Trafficking in Persons Report* recommends that the GOAM take measures to reduce TIP vulnerabilities, including proactively identifying trafficking cases and victims - particularly victims of labor trafficking - and prosecution of TIP cases. On June 4, 2020, the GOAM took a critical first step by approving the 2020-2022 National Plan for countering trafficking in persons. It is a comprehensive plan of action for all the involved parties with a set timeline. It prioritizes strengthening the system for the protection of children’s rights, ensuring integration of victims, eliminating the risk of recurrence, as well as improving the detection of cases. It outlines how the GOAM will strengthen the capacity of frontline specialists,

¹⁵ [Climate Risk Profile: Armenia](#), USAID, June 2017.

organize prevention and victim identification more effectively, and improve the support and protection of TIP victims.

To further help the GOAM address the systemic drivers of trafficking in persons, USAID will integrate measures to support their efforts to prevent and proactively identify trafficking of individuals into its portfolio throughout the CDCS period. These efforts will specifically aim to address many of the key recommendations of the report, including contributing to the establishment and implementation of preventative measures for child labor and potential child trafficking in state childcare institutions.

In addition to interventions identified in the DO narratives below, USAID will conduct further analysis to identify and implement targeted interventions across DOs to raise awareness and address the root causes that leave children, youth, women, and other at-risk groups vulnerable to trafficking. USAID will incorporate CTIP and child safeguarding measures across all awards, integrate CTIP and child-level indicators into the monitoring, evaluation, and learning of new and existing activities, and conduct periodic CTIP awareness training for its implementing partners to mitigate against any unintended consequences of USAID programming. In parallel, USAID will engage in an interagency dialogue to develop concerted USG messaging for strategic engagement and communication with key government, non-governmental, and donor partners, as well as broader public outreach campaigns. Additional recommendations within USAID's manageable interest include: proactive monitoring of labor trafficking in the informal sector, such as agriculture, construction, mining, and services; adopting legislation permitting unannounced labor inspections and inclusion of a definition of forced labor in the labor code; measures to prevent child labor and TIP in special schools; creation of specialized TIP experts among judges, lawyers, and public defenders; awareness raising and education for the vulnerable and for first responders; and a large-scale national awareness-raising campaign on TIP.

Milestones

Notable milestones during strategy implementation will include:

- Year 1: Armenia's 2050 National Transformation and relevant sector strategies are finalized and the GOAM receives support to manage the immediate effects of the COVID-19 pandemic.
- Year 2: Formalized structures and institutions are established so the private sector can provide constructive feedback to the government.
- Year 3: The Corruption Prevention Commission is fully operationalized to carry out its legislative mandate and strategic vision.
- Year 4: Free, fair, and competitive parliamentary elections are held.
- Year 4: At least 40 percent of the total number of direct awards obligated to new or underutilized partners.

The strategic shift in the Mission's portfolio - both its focus and approaches - will be complete by the end of the strategy period. However, the remaining J2SR gaps are deep, varied and significant. These issues, along with implementation of the GOAM's ambitious reform agenda, will not all be resolved within five years. Since the Mission's activities contribute greatly to achieving USG objectives and provide critical

support for solidifying the democratic transition, it is clear that USAID's programming and presence in Armenia will be needed beyond the strategy period.

IV. Results Framework

Goal Statement and Narrative

USAID's goal is to build Armenia's capacity and further its commitment to self-reliance, enabling it to **seize the opportunity to strategically transition to a more inclusive, democratic, and economically resilient partner**. A more **inclusive** Armenia reflects the expressed aspirations of the Armenian people and their call for more accountable governance and greater opportunity for economic inclusion. A more **democratic** Armenia will govern more effectively and with accountability, strengthen the rule of law for all, promote meaningful political competition, and empower citizens as guardians of Armenia's democratic renewal. A more **economically resilient** Armenia will strengthen economic governance, increase private sector competitiveness, and sustainably manage Armenia's natural resources to ensure that all Armenians thrive rather than merely survive. The next five years are crucial to securing **Armenia's transition to a partner** that assumes greater responsibility for its development journey, strengthens its self-determination and sovereignty, and enhances economic security and sustainability in order to withstand political and economic pressures and malign influence. The notion of **seizing this opportunity** created by the 2018 Velvet Revolution recognizes the urgency of this moment to determine how long the window for reform remains open.

As previously mentioned, USAID recognizes the importance of several cross-cutting themes that will be integrated into the Mission's programming. They are centered on strengthening the resilience of the Armenian people, particularly young and emerging leaders, the government, and the private sector so they can better adapt to the changing domestic and international context and support U.S. foreign policy priorities.

- **Peacebuilding:** Support a broader, long-range peacebuilding approach to addressing protracted regional conflicts.
- **Resistance to Malign Influence:** Strengthen democratic, social, and economic resilience to malign influence.
- **Improving Disaster Prevention, Preparedness, and Response:** Improve Armenia's ability to prevent, prepare for, adapt and recover from natural and human-made disasters and shocks, including the COVID-19 pandemic and its longer-term impact.

Development Objective 1: Democratic Transition Advanced

Development Hypothesis Statement: IF effective and accountable governance is institutionalized by strengthening the rule of law, political representation and competition, and the capacity and commitment to implement democratic reforms; and IF citizen engagement for democratic consolidation is increased, THEN Armenia will advance its democratic transition and be more resilient to malign influence and democratic backsliding.

The peaceful political transition of 2018 ended almost three decades of corrupt, autocratic rule in Armenia and swept into power - through non-violent protests followed by historic free and fair elections - a new government with an overwhelming popular mandate to implement democratic reforms. This impressive progress towards a more democratic society, including significant advances in electoral processes and control of corruption, was reflected in Freedom House's Nations in Transit 2020 Democracy score, which registered the largest two-year improvement of any country in the history of the index.

USAID's evidence review on governance in Armenia suggested that the "long-term effects of increased electoral competition and government turnover are likely to be favorable for reform processes;" however, "corruption does not improve as a mechanistic function of multi-party elections. It must be fought for." The review further suggested that "institutional reform is more likely to succeed in such a setting when aid agencies and policymakers identify (a) the leaders with sufficient clout who can serve as change agents; (b) the specific institutions that are amenable to change; and (c) the correct time horizon or "policy window" to enact the reform."¹⁶ USAID's vision under DO 1 is to embrace the window of opportunity presented by the commitment of post-revolution authorities and double down on the capacity building of key accountability institutions such as the Corruption Prevention Commission, the Supreme Justice Council, and the Audit Chamber, to lay the groundwork for systemic improvements. These efforts will be reinforced by "a collective set of non-governmental actors [to] encourage greater progress towards better governance and democratization."¹⁷

Since the revolution, the GOAM has demonstrated its political will and commitment to implement a comprehensive reform agenda. The GOAM's blueprint for enhancing the democratic transition is articulated through an ambitious 2050 National Transformation Strategy and several sectoral strategies including Anti-Corruption, Judicial and Legal, Public Administration, Territorial Development, Energy, Tourism, Agriculture and High-Tech. The GOAM has already embarked on the implementation of key systemic reforms in spite of significant challenges, including the lack of experience of political appointees and technical capacity gaps in the rank and file of public servants; COVID-19 response and recovery; internal manipulations and disinformation fueled by the former regime; and external malign influence and disinformation.

The GOAM's policy reforms and sweeping actions to eradicate corruption - as evidenced by the adoption of a robust anti-corruption strategy, the expedient establishment of the Corruption Prevention Commission, its commitment to building a new anti-corruption investigative body and anti-corruption court, and high-level messaging instilling intolerance toward corruption - demonstrate how the new government translates rhetoric into actionable commitment. It also signals the GOAM's willingness to follow through on its commitments to reforms in the justice sector, public administration, public financial management, and local development. With extensive experience and lessons learned from years of direct partnerships with government counterparts, USAID has a comparative advantage as a development partner in supporting these kinds of systemic governance reforms. This comparative advantage will be leveraged in redoubling efforts to build the capacity of democratic institutions to capitalize on these unprecedented levels of commitment for systemic reforms.

USAID's assessment on civil society and media in Armenia noted that following the Velvet Revolution, the country has "the opportunity to expand and reinforce democratic and participatory governance and

¹⁶ [Governance in Armenia: An Evidence Review](#), USAID, Jan 2019.

¹⁷ [Integrity Systems and the Rule of Law in Armenia: An Evidence Review](#), USAID, Feb 2019.

deepen and strengthen the roots of democracy within its civic culture.”¹⁸ Public opinion polls conducted by the International Republican Institute (IRI) show that an unprecedented share of respondents, especially among youth, believe that they can influence decisions made in the country. IRI’s longitudinal polls have also confirmed that citizens’ optimism and expectations have remained consistently high in the two years following the Velvet Revolution.

To sustain progress on its journey to self-reliance, Armenia must avoid the democratic backsliding that has followed revolutions elsewhere in the region and beyond. This backsliding is often due to corruption, the lack of political pluralism, civic demobilization, and malign internal and external influence. USAID efforts will thus further Armenia’s development progress and bolster its fragile democracy against the reemergence of authoritarianism by promoting accountable governance, strengthening democratic processes, and harnessing citizens’ optimism into sustained engagement. By leveraging popular momentum and the political will for reform, USAID has the opportunity to influence Armenia’s long-term trajectory as it transitions from a semi-consolidated authoritarian regime to a resilient, rights-respecting democracy that can serve as a model for other countries in the region.

DO 1 aims to help Armenia strengthen its institutions and processes for accountable and participatory governance while addressing challenges in capacity and resilience to internal and external malign influences to advance the country toward self-reliance. Targeted USAID support will serve as a catalyst for the GOAM to maintain momentum on governance reforms when faced with competing challenges to prioritize the economic and social recovery from the COVID-19 pandemic. USAID will partner with the executive, legislative, and judicial bodies of the GOAM; political institutions; civil society; media; and the private sector to ensure that political will and citizens’ optimism translate into meaningful, institutional reforms that promote effective, accountable, and inclusive governance.

DO 1 was informed by many assessments and evidence sources, including 2019’s Anti-Corruption and Integrity Systems, Rule of Law, and Civil Society and Media literature reviews and field assessments; a 2019 evidence review on Governance in Armenia; Armenia’s 2019 Gender Analysis Report; Armenia’s Youth Situational Analysis; the GOAM’s national sector-level strategies; and several third party reports on democratic transition, anti-corruption, public administration, and legal and judicial reform among others.

Strategic Transition: Under DO 1, USAID will advance Armenia’s democratic transition by expanding the Mission’s engagement from a more limited focus on building municipal capacity and targeted national-level reforms to building both national and sub-national capacity to realize a systemic governance transformation. To strengthen accountability, USAID will take an accountability systems approach that seeks to both institutionalize public sector accountability and shape the expectations and norms of society toward democratic governance, anti-corruption, and the rule of law. USAID will support a broader legislative strengthening program and re-engage in the rule of law sector with a focus on judicial independence. To sustain democratic consolidation and counter malign influence, USAID will develop a more tailored portfolio focused on increasing the financial and organizational sustainability of civil society organizations and independent media outlets, facilitating inclusive citizen participation in shaping public policy formulation and implementation, and institutionalizing civic education and media literacy.

Redefining Our Relationship with the Government of Armenia: DO 1 aligns with the GOAM’s stated priorities outlined in their 2050 National Transformation Strategy and sectoral strategies, including anti-corruption, judicial and legal reform, public administration, public financial management, and territorial

¹⁸ [Civil Society and Media in Armenia: A Field Assessment](#), USAID, May 2019.

development. USAID will build upon the strong relationship established with the GOAM and strengthen and incentivize their commitment and work through country-led models and systems. In particular, USAID will foster local partners' commitment to advance reforms through an accountability systems approach by building the capacity and creating opportunities for government, civil society, citizens, and, where applicable, private sector stakeholders to constructively contribute to policy formation and reform implementation. Where appropriate, the Mission will incorporate conditions for a gradual increase in state and local budget allocations to match USAID support and use memoranda of understanding (MOUs) with host country institutions to reinforce their buy-in and commitment to supported reforms. USAID will also promote the ability of local partners to define and drive their own development through its Local Works program and by working directly with local partners. Based on lessons learned from Armenia's COVID-19 response, USAID will increase the disaster and pandemic response capacity of national and local government counterparts and raise disaster prevention, preparedness, and response awareness through its support for civil society, civic education, media development, and vulnerable populations.

Financing Self-Reliance: DO 1's emphasis on fostering corruption prevention, strengthening key government accountability institutions such as the Corruption Prevention Commission and the Supreme Audit Institution, supporting public administration reforms, and increasing oversight and citizen engagement in public financial management will improve the effective, efficient, and transparent use of domestic resources to strengthen Armenia's ability to finance its own development. In addition, DO 1 will promote the financial sustainability of the civil society sector and independent media to enhance their commitment and capacity to act as effective and independent checks on government and to constructively collaborate with the GOAM to counter malign influence.

Private Sector Engagement: Through the accountability systems approach underpinning the DO, USAID will create opportunities for the private sector to engage as stakeholders in collaborative processes with the government and civil society to advance democratic reforms. The incentive for private sector representatives to engage in activities contributing to this DO is most evident in the corruption prevention and justice sectors, as a stronger and more predictable rule of law is one of the essential cornerstones for an improved enabling environment for business and investment.

Resistance to Malign Influence: DO 1 will counteract malign influences by strengthening the rule of law and political competition, building the resilience of civil society, countering authoritarian narratives through civic education, promoting media literacy and the financial viability of independent media, and investing in principles of positive youth development.

Countering Trafficking in Persons: Under DO 1, USAID will integrate CTIP into accountable governance and citizen engagement activities to help Armenia address the gaps that resulted in the country's downgrade to the Tier 2 Watch List in the State Department's 2020 TIP report. These activities will be coordinated with the interagency and targeted based on identified needs and consultations with stakeholders in the government and civil society. On the governance side, interventions may include targeted policy development and communications support to key line ministries and parliamentary committees on CTIP, social services support to proactively identify trafficking victims, and general capacity building and awareness-raising on CTIP among justice sector actors and local government authorities. In parallel, civil society and media development activities present clear opportunities for stronger public oversight of and increased general public understanding of CTIP issues, and interventions targeting civic education and the empowerment of vulnerable groups have the potential to reach children and youth at risk of trafficking.

Relevant Donor Assistance: Following the Velvet Revolution, Armenia saw an influx of donor support and commitments across different democracy and governance sectors. These include both traditionally active donors in Armenia, such as the European Union (EU), and its member states, United Nations organizations, the World Bank (WB), and the Asian Development Bank, as well as relatively new entrants for Armenia such as the U.K.’s Foreign and Commonwealth Office (FCO) through its Good Governance Fund and the Swedish International Development Cooperation Agency (SIDA). USAID’s active participation in donor coordination efforts and broad consultations in designing its programs will ensure that interventions under this DO are strategically positioned in the context of other donor assistance. In particular, USAID will leverage EU budget support and technical assistance to advance the rule of law and anticorruption reforms, closely align parliamentary strengthening efforts with those of the FCO and SIDA, and coordinate public administration and financial management strengthening support with the World Bank.

Climate Risk Management Screening: The CRM Screening identified low risks for all DO 1 interventions. USAID assesses these risks and adaptation measures to be manageable.

Critical Assumptions and Risks:

CRITICAL ASSUMPTIONS	RISKS
<ul style="list-style-type: none"> ● The government’s political will and public support for democratic reforms do not decrease significantly during the life of the strategy. ● Civic engagement continues regardless of the pace of reforms, and CSOs actively contribute to the institutionalization of anti-corruption and rule of law efforts. ● The 2023 parliamentary elections as well as 2021 and 2022 local government elections are widely accepted as free and fair, and the elected political forces enjoy public support. ● Strengthening Armenia’s governance systems remains a priority for U.S. and EU assistance and partnership. ● COVID-19 response priorities do not undermine the GOAM’s political will for democratic reform. 	<ul style="list-style-type: none"> ● The momentum for reform may be slowed by 1) high rates of turnover in government leadership positions, 2) a lack of motivation among entrenched bureaucrats, and 3) successful attempts by counter-revolutionary forces to delegitimize and destabilize government. ● Should government popularity decline, GOAM support for accountability reforms and checks on executive power could weaken, leading to democratic backsliding. ● Armenia’s post COVID-19 economic recovery may undermine the prioritization of governance reforms. ● Malign foreign influence may increase and undermine the legitimacy of Armenia’s democratic gains and/or the country’s political stability. ● Armenia’s geopolitical situation deteriorates into sustained conflict with Azerbaijan over Nagorno-Karabakh.

DO I: Democratic transition advanced

IR 1.1: Effective and accountable governance institutionalized

- 1.1.1: Rule of law strengthened
- 1.1.2: Political representation and competition strengthened
- 1.1.3: Capacity and commitment for targeted transformational reforms strengthened

IR 1.2: Citizen engagement for democratic consolidation increased

- 1.2.1: Civic and political participation increased
- 1.2.2: Civil society sustainability improved
- 1.2.3: Media integrity increased
- 1.2.4: Voice and agency of women, youth, and vulnerable groups amplified

CROSS-CUTTING THEMES: Increasing resilience through peacebuilding, strengthening resistance to malign influence, and improving disaster response

IR 1.1: Effective and accountable governance institutionalized

How IR 1.1 contributes to the DO: IF the rule of law is strengthened, IF political representation and competition are strengthened, and IF the capacity and commitment for targeted reforms are strengthened, THEN effective and accountable governance will be institutionalized.

To instill a culture of rule of law, USAID will support the GOAM's topline goal to eradicate corruption, strengthen accountability systems, institutionalize corruption prevention measures, promote intolerance toward corrupt practices, reinforce public demand for improved governance and accountability, and foster judicial independence and effectiveness. USAID will strengthen democratic checks and balances by building on efforts to strengthen institutions of political accountability, including the parliament, political parties, and electoral systems, and will foster broader citizen engagement, particularly by women, youth, populations outside of Yerevan, and other marginalized groups, to promote inclusive political participation and competition. In addition, by identifying and investing in change agents - particularly young emerging leaders - and institutions open to embracing meaningful change in this defining period for Armenia's political transition, USAID will strengthen the capacity and commitment of local stakeholders to advance targeted reforms and processes that will be transformational for consolidating democratic governance across sectors. This entails working with Armenian stakeholders to identify and support targeted areas such as public financial management and public administration reforms; strengthening governance institutions at the sub-national level and focusing outside of Yerevan where poverty rates and marginalization are highest; strengthening public outreach capacities to strategically communicate reforms and counter disinformation; and strengthening emergency and pandemic preparedness and response capabilities.

IR 1.2: Citizen engagement for democratic consolidation increased

How IR 1.2 contributes to the DO: IF civic and political participation is increased, IF civil society sustainability is improved, IF media integrity is increased, and IF voice and agency of women, youth, and vulnerable groups are amplified, THEN citizen engagement for democratic consolidation will increase.

USAID will advance nondiscriminatory and inclusive development and empower citizens, particularly women, youth, and traditionally marginalized populations, to effectively engage and participate in the governance of their country through activities to strengthen inclusive political processes, civic education, media, and civil society, as well as targeted support to prevent discrimination against LGBTI people and empower and enfranchise specific marginalized groups, such as persons with disabilities and groups at risk of trafficking in persons. USAID will foster public understanding of the values and principles of integrity, accountability, and citizenship and will counterbalance anti-Western, pro-authoritarian and state-centered narratives through civic education initiatives utilizing both formal and informal educational institutions. USAID will strengthen the capacity of CSOs to engage citizens and constructively collaborate with the GOAM, while also addressing the organizational and financial sustainability of the sector. The Mission will intentionally emphasize working with new and/or underutilized partners on civil society support interventions. In order to promote increased citizen awareness of and resistance to malign influence, USAID will strengthen media integrity by improving information quality and accuracy, promoting media literacy, and broadening support to address the legal-regulatory, financial sustainability, and professional resilience issues in the media sector. USAID's emphasis on promoting the financial sustainability of civil society and independent media organizations presents a targeted opportunity for Private Sector Engagement and application of market-based approaches. It also contributes to the country's financing of self-reliance, since the approach will enable these entities to enhance their commitment and capacity to act as effective and independent checks on government and to constructively collaborate with the GOAM to counter malign influence while gradually decreasing their dependence on donor support. USAID support under IR 1.2 will leverage targeted efforts by OTI to sustain citizen activism and reinforce citizen responsive governance through its "Let's Do Something" campaign.

Development Objective 2: Economic Security Enhanced

Development Hypothesis Statement: IF economic governance is strengthened, competitive sectors' potential is unleashed, and natural resources are better managed, THEN economic security and growth will increase, Armenia will be more resilient to malign influences, and more citizens will participate in and benefit from the economy.

Economic security encompasses the key pillars of growth, sustainability, and resilience, all three of which are critical to advancing Armenia's journey to self-reliance. The GOAM has also signaled that economic growth and economic security are significant policy priorities. DO 2 will enhance Armenia's economic security by supporting the development of a vibrant and resilient economy, by Armenians for Armenians. Prior to the outbreak of COVID-19, Armenia had a positive economic growth trajectory, including a predicted steady growth in GDP. The GOAM was starting to implement fiscal policies to reduce deficits and increase tax revenue collection. Central government debt was declining as a share of GDP, and the exchange rate was stable. Polling indicated widespread popular support for the government while also highlighting citizens' high expectations for seeing the economic benefits from the 2018 Velvet Revolution.

Despite these bright spots, Armenia faces numerous economic development challenges that have only been exacerbated by the COVID-19 pandemic. The country's small, isolated market limits Armenia's ability to achieve economies of scale and to attract investment. Inequality and unemployment rates remain high; the national unemployment rate is close to 20 percent. Youth unemployment is among the highest in the world, near 40 percent, while the private sector continues to be constrained by human capital deficiencies. Early COVID-19 related projections suggest that Armenia will be hard-hit by declines in three main sources of external income: remittances, commodity prices, and tourism.

DO 2 will address noted gaps in J2SR performance measures through support to strengthen Armenia's economic governance, increase the competitiveness of key sectors, increase energy security, and improve the sustainable management of natural resources. Through DO 2, USAID will partner with key government institutions, the private sector, and other stakeholders to build on the political will for reform and take advantage of opportunities presented by increased private sector interest in partnering with the USG on investment opportunities in Armenia. DO 2 will also support Armenia's sovereignty by strengthening government institutions, policies, systems, and skills to increase economic effectiveness; promoting greater energy independence; bolstering export sophistication; and providing valuable employment opportunities for Armenians.

USAID will partner with multiple government agencies to achieve DO 2. Key government counterparts include the Deputy Prime Ministers offices, the Ministries of Finance, Economy, Environment, Territorial Administration and Infrastructure (Energy), Labor and Social Affairs, the Ministries of Education, and of High Technology Industry, the Central Bank of Armenia and the Public Services Regulatory Commission. USAID will also partner with a broader array of stakeholders including business associations; U.S. & Armenian higher education institutions, incubators and technoparks; multinational corporations; as well as private sector investors, the diaspora, civil society organizations, and other donors.

DO 2 was informed by many assessments and evidence sources, including the World Bank's 2020 Doing Business in Armenia country profile; the Armenia Inclusive Growth Diagnostic for 2019; the 2020 Development Finance Corporation Market Assessment; E&E's Monitoring Country Progress data analysis conducted in 2019; Armenia's 2019 Gender Analysis Report; the draft report of the Biodiversity Assessment; the GOAM's national and sector-level strategies; and several third party reports on financial system stability, trade and investment, technology, and energy, among others.

Strategic Transition: Under DO 2, USAID will shift from working in a constrained environment under the previous government to scaling up efforts to improve economic governance, with a focus on improving the government systems that mobilize, allocate, and spend public resources effectively, efficiently, and equitably, which will facilitate private sector growth. USAID will expand capacity-building efforts in sectors with high growth potential and work closely with the private sector to reduce dependence on monopolistic enterprises and promote sustainable economic growth. USAID activities will build human capital capacity by strengthening ties between the private sector and educational institutions (including Technical and Vocational Education and Training) to address labor market gaps and reduce out-migration for employment. USAID will continue support for energy market liberalization and competitiveness in Armenia by expanding efforts focused on supply diversification, the promotion of energy efficiency measures, and promoting infrastructure investment both domestically and regionally. USAID will also transition from the limited geographic scope of water management in the Ararat Valley to water basin, country-wide, and regional water resource management activities.

Redefining Our Relationship with the Government of Armenia: DO 2 aligns with the broader goal of economic growth outlined in the GOAM's 2050 National Transformation Strategy and sectoral strategies, including agriculture, tourism, high-tech, water resource management, energy, and public financial management. USAID will build upon this strong relationship and will facilitate dialogue between the GOAM and the private sector to institutionalize formal consultative processes and sustain investments. USAID will also support GOAM efforts to attract investment and explore public-private partnership opportunities in targeted sectors that further the goal of self-reliance. DO 2 will build the government's understanding of the critical importance of engaging with the private sector, leading to the integration of transparent and systematic processes that reflect the interests and requirements of the private sector.

USAID will leverage the strong relationships local staff have developed with counterparts and build government capacity to develop and implement economic policies, thus supporting Armenia's transition from a fragile economy to a more resilient one. USAID will consider modalities such as government to government (G2G) agreements with policy conditionalities and MOUs with relevant government institutions that outline development plans, shared goals, and governance milestones.

Financing Self-Reliance: Under DO 2, USAID will implement activities aligned with the Agency's FSR framework to improve the enabling environment for private investment, strengthen public financial management systems, support fully functioning financial markets, and mobilize domestic resources. This includes promoting the efficient collection of public and private revenues that consider minimal costs to the private sector and minimal distortions to the economy. It will also focus on improving the GOAM's efficiency and effectiveness in public financial management; strengthening regulatory frameworks and financial reporting standards; formulating and executing budgets; and managing procurement and assets. Efforts under this DO will also include the use of innovative financing tools and mechanisms, including those offered by the Development Finance Corporation (DFC), as a way of mitigating risk and making investments cost-effective and productive.

Private Sector Engagement: DO 2 will work with the private sector and the GOAM as primary stakeholders to promote more effective economic governance and integrate private and public sector shared priorities. USAID has a legacy of leveraging private and public resources and market-driven approaches in the ICT and water sectors. Building on these past successes, USAID will use its convening power to foster private sector-led development while simultaneously promoting host country ownership in diverse sectors with strong economic transformative potential. This may include partnership modalities such as Global Development Alliances (GDA) and the use of DFC tools and mechanisms.

Resistance to Malign Influence: Activities under this DO will strengthen economic resilience by diversifying the export market and emphasizing high-value, low-weight products that are less constrained by the country's transport and infrastructure challenges. Activities will also seek to reduce the susceptibility of the Armenian government and private sector to manipulation and to decrease dependence on external sources of energy through increased domestic electricity generation (e.g., through the promotion of renewables and energy efficiency measures) and regional integration of the electricity market. Activities under DO 2 will support the incorporation and implementation of transparent legal and regulatory approaches that are aligned with Western standards and attractive to investors. The Mission will also consider incorporating cyber provisions in programs that promote data collection, increased connectivity, and integration of new technologies.

Countering Trafficking in Persons: Under DO 2, USAID will integrate CTIP into its economic governance and competitiveness activities in response to the prioritized recommendations in State's 2020 TIP Report. On the economic governance side, interventions may include awareness raising and education/training to implementing partners and beneficiaries working in sectors susceptible to trafficking. USAID's workforce development programs will also consider opportunities to incorporate CTIP best practices into legal and regulatory frameworks and support for youth vulnerable to trafficking.

Relevant Donor Assistance: The number of donors supporting economic growth initiatives in Armenia increased after the Velvet Revolution. Current donors include the European Union, its member states, the World Bank, Asian Development Bank (ADB), European Bank for Reconstruction & Development, International Monetary Fund, and KfW Development Finance Corporation. The Swedish International Development Agency has begun working in Armenia as well as other emerging donors. USAID actively

participates in donor coordination efforts and will ensure that interventions under this DO are strategically positioned in the context of other donor assistance. Specifically, USAID anticipates leveraging World Bank’s loans to Armenia, particularly those for infrastructure (including hardware systems) that align with technical assistance efforts under this DO (i.e., to the tourism sector). USAID will also align efforts with the infrastructure support provided by KfW and the ADB to the energy and water sectors.

Climate Risk Management Screening: The CRM Screening identified several risks for DO 2 interventions. Moderate risks were identified for sub-IRs 2.2.1 *Access to diverse markets improved* and 2.2.2 *Export sophistication increased*. This is due to the limited early warning systems in place to provide farmers with information about severe weather events and the overall low capacity of the agricultural sector to adopt climate-smart practices. To address this, USAID will integrate climate, greenhouse gas (GHG) reduction, and biodiversity considerations when designing new activities, promote climate-smart agricultural techniques, and where appropriate, include climate risk mitigation and management in new activity solicitations and procurement and planning documents. Moderate risks were also identified for sub-IRs 2.3.1 *Energy security increased* and 2.3.2 *Access to and management of water resources improved*. These include risks of rising temperatures and reduced precipitation and their role in reducing surface and groundwater supplies, negatively impacting hydropower, and increasing demand for air conditioning and cooling. To address this, USAID will promote climate-smart and resilient energy and water infrastructure; consider climate variability, GHG emission reduction, and biodiversity impact in planning for energy and water activities; and encourage the use of climate change and GHG data in new activity solicitations and procurement and planning documents. USAID considers these risks and adaptation measures to be manageable.

Critical Assumptions and Risks:

ASSUMPTIONS	RISKS
<ul style="list-style-type: none"> ● COVID-19 related economic shocks subside and targeted economic sectors stabilize within two years. ● The GOAM continues to prioritize economic growth, recovery, and stimulus efforts. ● Armenia’s post COVID-19 economic recovery does not undermine the prioritization of natural resource management and energy diversification. ● Growth in targeted economic sectors leads to greater youth employment. ● Private sector supports investment in renewables. ● The government and the private sector are willing to engage with each other, and USAID, to create a conducive environment for private sector growth. 	<ul style="list-style-type: none"> ● Persistently high unemployment rates lead to loss of public confidence in GOAM. ● COVID-19 related economic shocks increase Armenia's vulnerability to malign influence. ● Inconsistency in the application of the rule of law, hidden corruption, and unreliable contract enforcement - emblematic in recent controversies in the mining sector - all contribute to erode the business environment and deter FDI. ● Malign efforts delegitimize the current government. ● The GOAM is more vulnerable to non-constructive investments in targeted sectors. ● Armenia’s geopolitical situation deteriorates into sustained conflict with Azerbaijan over Nagorno-Karabakh.

DO 2: Economic security enhanced

IR 2.1: Economic governance strengthened

- 2.1.1: Public sector economic stewardship formalized
- 2.1.2: Enabling environment for private sector growth improved
- 2.1.3: Capital for productive investment unlocked

IR 2.2: Competitiveness of targeted sectors increased

- 2.2.1: Access to diverse markets improved
- 2.2.2: Export sophistication increased
- 2.2.3: Capacity of human capital improved to meet market demand

IR 2.3: Sustainable management of natural resources improved

- 2.3.1: Energy security increased
- 2.3.2: Access to and management of water resources improved

CROSS-CUTTING THEMES: Increasing resilience through peacebuilding, strengthening resistance to malign influence, and improving disaster response

Intermediate Result 2.1: Economic Governance Strengthened

How IR 2.1 contributes to the DO: IF public sector economic stewardship is formalized, the enabling environment for private sector growth is improved, and capital for productive investment is unlocked, THEN economic governance will be strengthened.

Through IR 2.1, USAID will strengthen economic governance in Armenia by supporting efforts to formalize public sector economic stewardship¹⁹ and create the conditions that unlock productive investment and lead to private sector growth. USAID will support the public sector in establishing efficient, effective, and productive systems and processes, while simultaneously building the capacity of civil servants to develop and execute pro-growth policies that are sustainable and resistant to malign foreign investment. This will lead to enhanced market efficiency, higher-quality public services, improved access to finance, and increased investment attraction. Together with improved domestic resource mobilization, increased productivity of government spending, and increased financial resources to high-impact sectors, stronger economic governance will enable the private sector to drive economic growth. USAID will also support inclusive economic policies that prioritize the well-being and security of the Armenian people and further the GOAM's stated goal of an "economic revolution" in Armenia, which is critical to sustaining the gains of the 2018 citizen-led political transformation.

IR 2.1 will promote the systematic integration of private sector and GOAM priorities to create a fertile environment for economic growth. A current gap is the absence of institutional mechanisms for consultation between the GOAM and the private sector; to address this challenge and boost the resilience of Armenia's economy, the government will need to consider private sector interests when developing economic policy. USAID will partner with the GOAM and private sector to create and institutionalize consultative platforms to guide the government to develop, implement, and enforce impactful policies, laws, and regulations, such as policies that promote recovery and stabilization and facilitate competition, trade, and investment. By doing so, the GOAM will avoid common pitfalls (e.g., policy capture) and move Armenia from a fragile economy to an economy grounded in transparent, inclusive, and responsive

¹⁹ Stewardship - sometimes more narrowly defined as governance - refers to the wide range of functions carried out by governments as they seek to achieve national policy objectives. It involves balancing competing influences and demands for the long-term good of the country.

systems.

Finally, IR 2.1 will support unlocking capital for productive investment. Evidence from the Inclusive Growth Diagnostic (IGD) and the DFC Market Assessment showed that while there is capital available, it is not being put to productive use and only minimally contributes to growth in Armenia's economy (i.e., consumer and real estate lending). Without including the impact of COVID-19, net inflows of FDI have been falling since 2009, touching 1.9 percent of GDP in 2019. Further compounding the issue, low public investment and fiscal consolidation will likely further inhibit private sector activities. To address this, USAID will support efforts to unlock capital for productive investment, leveraging approaches that may include blended finance, deal-making support, and mechanisms available through the DFC and USAID/Washington. USAID will play a catalytic role in unlocking capital by scaling up investment in the energy, water, agriculture, and tourism sectors. In addition to continuing support to SMEs, USAID will also seek to support larger investments that generate greater formal employment and economic diversification. This will lead to more capital invested into productive uses by 1) establishing sound policies for investment in the manufacturing, service, and knowledge economy and 2) using demonstration effects to persuade the financial sector to offer cheaper capital that is attractive to investors.

Intermediate Result 2.2: Competitiveness of Targeted Sectors Increased

How IR 2.2 contributes to the DO: IF export markets are diversified, export sophistication of targeted sectors is increased, and the capacity of human capital is improved to respond to market needs, THEN the competitiveness of targeted sectors will be increased as they become more lucrative and resilient.

Through IR 2.2, USAID will improve export market diversification, increase export sophistication, and assist in optimizing strategic sectors based on where Armenia's economy is already structured, such as agriculture (including horticulture, livestock, and dairy), tourism, and high-tech. Continuing support for these sectors is particularly important in light of COVID-19, as they in many ways form a de facto safety net as the government matures and develops formal safety net programs. Interim support to these sectors will assist the country in growing and improving product/service quality and competitiveness. IR 2.2 will also address human capital deficiencies through workforce development, with a concentration on providing valuable employment for women and youth. Activities under this IR will enhance broader economic governance efforts in IR 2.1.

According to J2SR data, tourism, agriculture, and high-tech are three promising and targeted areas for economic growth. While COVID-19 has undermined the positive growth trend in tourism, the sector is critical to Armenia's future growth trajectory and will require new approaches to support its eventual recovery and rebound.²⁰ USAID also sees opportunities in supporting the high-tech sector, given its historic trend for rapid growth and apparent resilience to COVID-19-related impacts. Similarly, the agriculture sector has been relatively unaffected by COVID-19 and employs over 30 percent of the population in Armenia. Through IR 2.2, USAID will support the government's export-driven strategy and increase the competitiveness of sectors with the greatest potential by improving export market diversification, both in the number of import countries and the number of products and services. This will

²⁰ The World Travel & Tourism Council estimated indirect income and employment effects from travel and tourism in seventeen E&E countries and found that tourism in Armenia generates among the highest multiplier effects of the seventeen countries. Source: The Value of Tourism Programs and Development for Spurring Economic Growth in Eastern Europe and Eurasia, USAID E&E/MCP, July 2019.

include quality and production volume improvements to ensure Armenia’s exports meet worldwide standards, as well as capacity building to orient Armenian businesses to new markets.

IR 2.2 will increase export sophistication by supporting a shift from low to higher value goods and services. The Harvard Growth Lab’s Atlas of Economic Complexity found that “compared to a decade prior, Armenia's economy has become less complex, worsening 32 positions in the ECI ranking. Armenia's worsening complexity has been driven by a lack of diversification of exports.” Interventions under this IR will be evidence-based and focus on 1) the range of opportunities in high-tech; 2) agriculture, especially horticulture for niche and/or low-weight, high-value products; and 3) tourism, where product diversification is key to attracting visitors and has greater economic multiplier effects.

Internal and external assessments have confirmed the significant human capital constraints across industries, in both the public and private sectors in Armenia.²¹ These include labor market gaps, driven in part by the low level of education spending (just 2.7 percent of GDP compared to a worldwide average of 4.1 percent), the low level of female and youth labor market participation, and the high prevalence of skills mismatch.²² It is imperative to correct the imbalance in labor supply and demand in Armenia while also considering the mobility, displacement, and trafficking issues between the capital and the provinces. IR 2.2 will address these challenges by supporting the development of a competitive workforce to meet current and future market demand. Interventions may include short-term as well as longer-term programs to ensure that workforce development investments are driven by market needs.

Intermediate Result 2.3: Sustainable Management of Natural Resources Improved

How IR 2.3 contributes to the DO: IF the amount of domestic energy generation from alternative energy sources and integration with regional energy markets is increased, and access to and management of water is improved, THEN Armenia’s natural resources will be more sustainably managed and its energy supply will be diversified.

Through IR 2.3, USAID will increase energy and water security by improving sustainable management of natural resources and promoting energy supply diversification. Proper management of energy and water resources have implications on both business and the health and quality of life for citizens. Viable, reliable, and affordable energy generation and a liberalized electricity market are critical to Armenia’s security and stability. USAID will focus on efforts to diversify energy generation through promoting supply diversification and technology-neutral energy generation options (including renewables), energy efficiency measures, electricity market liberalization, and regional integration of electricity markets with Georgia. This includes shaping and supporting the implementation of Armenia’s national energy strategy and action plan, improving the legal and regulatory environment, and seeking out opportunities to partner with U.S. energy firms. Dependence on external sources and non-compliance with Western approaches, along with the absence of a transparent electricity market, hinders competitiveness and leaves Armenia vulnerable to price and supply volatility in energy markets. USAID will also support the adoption and

²¹ “Human capital ...has the potential to become a binding constraint if investments in the educational and workforce training systems are not made, particularly given limited opportunities for youth to gain practical experience, a moderate female labor force participation rate, and a shrinking population.” Source: [Armenia Inclusive Growth Diagnostic](#) , USAID, Sept 2019.

²² Currently, 42 percent of youth in Armenia are not working in the profession they were trained in or educated for. Source: Armenia Country Study, Friedrich-Ebert-Stiftung, 2016.

implementation of transparent legal and regulatory approaches that align with Western standards into the GOAM's strategic planning documents and energy-related activities.

Rapid depletion of water resources is a critical constraint to Armenia's economic development, since it has long-term ramifications for agriculture, industry, and the services sectors, as well as on its energy and food security. Water depletion issues also have implications on the government's ability to attract FDI. To address this, USAID will promote the sustainable management of water resources and improve access to water. This includes expanding existing efforts beyond the Ararat Valley - an explicit request from the GOAM during the May 2019 U.S.-Armenia Strategic Dialogue and in subsequent high-level consultations with the government.

V. Monitoring, Evaluation, and Learning

USAID will reinforce a culture of Monitoring, Evaluation, and Learning (MEL) and institutionalize the Collaborating, Learning, and Adapting (CLA) Framework. The Mission's strategic MEL approach detailed below will be further developed in the Performance Management Plan (PMP). USAID intends for both the CDCS and the PMP to exist as living documents that will be used to continuously inform and monitor strategic planning over the next five years.

Monitoring: USAID will monitor implementation of the CDCS on both a strategic and programmatic level. On the strategic side, the Mission will conduct annual strategy-level portfolio reviews, a mid-course stocktaking exercise, and monitor the identified scenario triggers to determine whether DO and IR-level objectives are being met or if adjustments are needed. At the programmatic level, the Mission will employ a variety of tools to monitor activities, including field-based portfolio reviews, quarterly activity-level monitoring trips, and conducting site visits. USAID will engage in both performance and context monitoring, systematically collecting performance indicator data and qualitative and quantitative information that will help identify whether: expected results are being achieved within established timeframes; implementation is on track; new approaches are gaining momentum and traction; and there are any external factors that may impact implementation. To do this, USAID will work together with local partners and experts in monitoring activities; this will include integrating data from local polling agencies, the National Statistical Service, and social research organizations and think tanks into the performance management process. The Mission will also ensure that MEL capacity building and technical assistance is provided to new partners. USAID will also incorporate performance indicators for monitoring progress toward CTIP across relevant implementation mechanisms under the two DOs and provide periodic CTIP awareness and child safeguarding training for Mission staff and all implementing partners.

Further, USAID will enhance staff capacity to adapt to the changing context in the country, especially considering the immediate and potential longer-term impacts of COVID-19. The Mission is considering piloting virtual Data Quality Assessments (DQAs) and integrating GIS and geographic reporting data in monitoring activities.

Evaluation: In order to ensure accountability and that USAID programming advances Armenia's J2SR, the Mission will conduct multiple evaluations over the life of the new strategy, including at least one Whole-of-Project evaluation as required by ADS 201. To generate insights into the causal effect of new innovative approaches and to contribute to Agency learning by expanding the body of knowledge on effective technical approaches, USAID will explore the feasibility of an external impact evaluation for several new approaches that are being piloted. The Mission is committed to incorporating lessons learned from

evaluations into strategic planning and project design and will maintain the three percent target of annual program funds to go towards evaluation. USAID will also ensure wide dissemination of results to maximize learning and submit reports to the Development Experience Clearinghouse. The following table provides notional learning questions that will be further refined in the PMP and serve as the basis for future evaluation design.

DO 1: Democratic transition advanced	<ol style="list-style-type: none"> 1. Have USAID’s approaches to strengthen accountability and increase citizen engagement effectively moved forward the consolidation of Armenia’s democratic gains? Why or why not? Have they had any impact on inclusivity? 2. To what extent have the activities under this DO collectively contributed to the advancement of democratic transition and consolidation in Armenia?
DO 2: Economic security enhanced	<ol style="list-style-type: none"> 1. Have USAID’s approaches to improve the economic operating environment, increase sector competitiveness, and improve the management of natural resources led to increased economic security and growth? 2. Did USAID’s models of Private Sector Engagement result in sustainable growth in Armenia? 3. To what extent have the activities under this DO collectively contributed to the enhancement of economic security in Armenia?

Collaborating, Learning and Adapting: USAID will institutionalize the Collaborating, Learning, and Adapting (CLA) Framework at all levels of the Program Cycle and ensure the enabling conditions for CLA are met. This includes the establishment of a CLA point-of-contact in the Mission, undergoing a Mission-wide CLA Maturity Toolkit assessment, and the establishment of monthly CLA-related events (e.g., pause-and-reflect moments, updates on agency MEL guidance, sharing of best practices across USAID Caucasus). USAID will also revise its existing project and activity design processes to ensure implementing partners fully integrate CLA practices into implementation (e.g., periodic after-action reviews, annual work planning, quarterly reporting).

Adaptive management strategies will be used to apply learning and evidence to inform decision-making. Based on learning from monitoring data and evaluation findings, as well as research and assessments, USAID will increase or discontinue the use of certain approaches or processes and reconfigure its staffing patterns and management practices. Knowledge management is a critical component of this; the Mission will ensure that when staff transition from their positions, there is a systematic and intentional process in place to manage the transfer of skills and knowledge in order to support sustainable organizational outcomes.

VI. Annex Journey to Self-Reliance Country Roadmap



ARMENIA

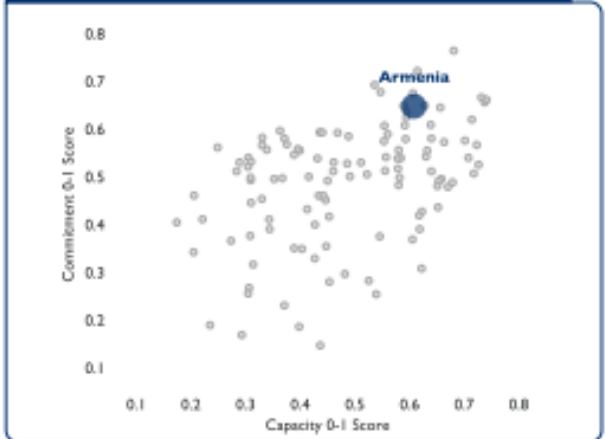
JOURNEY TO SELF-RELIANCE: FY 2020 COUNTRY ROADMAP



LEGEND

- 0-1 Score**: Armenia's Score 0-1, least to most advanced globally
- Other Low- and Middle- Income Countries' Scores**: Represented by grey circles
- Average Score for Low- and Middle- Income Countries**: Represented by a vertical dashed line

LOW- & MIDDLE-INCOME COUNTRY SNAPSHOT



COMMITMENT

OPEN AND ACCOUNTABLE GOVERNANCE

- Liberal Democracy: 0.35
- Open Government: Data Unavailable

INCLUSIVE DEVELOPMENT

- Social Group Equality: 0.92
- Economic Gender Gap: 0.67

ECONOMIC POLICY

- Business Environment: 0.48
- Trade Freedom: 0.74
- Biodiversity & Habitat Protections: 0.77

CAPACITY

GOVERNMENT CAPACITY

- Government Effectiveness: 0.58
- Tax System Effectiveness: 0.49
- Safety & Security: 0.62

CIVIL SOCIETY CAPACITY

- Civil Society & Media Effectiveness: 0.89

CITIZEN CAPACITY

- Poverty Rate (\$5/Day): 0.57
- Education Quality: 0.53
- Child Health: 0.95

CAPACITY OF THE ECONOMY

- GDP Per Capita (PPP): 0.53
- Information & Communication Technology (ICT) Adoption: 0.59
- Export Sophistication: 0.41

RISK OF EXTERNAL DEBT DISTRESS

Recent IMF Risk of External Debt Distress rating not available for this country. See the Country Roadmap Methodology Guide for more information and the Secondary Metrics Compendium for additional tools to explore the issues of fiscal policy and health. Both are available at selfreliance.usaid.gov