

Armenia – Georgia Joint Operational Programme

As adopted at the meeting of the Joint Decision Making Committee on 20 June 2014



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1. Executive Summary/Introduction

The Armenia-Georgia territorial cooperation programme has been prepared jointly under the leadership of the Ministry of Territorial Administration of the Republic of Armenia and the Ministry of Regional Development and Infrastructure of Georgia, and with advice of the Eastern Partnership Territorial Cooperation (EaPTC) Support Programme.

In order to ensure broader ownership of the territorial cooperation programme by communities of both participating countries – Armenia and Georgia – the Armenian and Georgian partners established a working group to elaborate the joint operational programme. The working group comprised of representatives from the following institutions:

Armenia: Ministry of Territorial Administration, Ministry of Economy, Ministry of Foreign Affairs, Communities' Association of Armenia, EaP national civil society platform, representatives of the administrative bodies and civil society from Shirak, Lori and Tavushmarzes

Georgia: Office of State Minister of Georgia for European and Euro-Atlantic Integration, Ministry of Regional Development and Infrastructure, Ministry of Foreign Affairs, State Ministry for Reconciliation and Civic Equality, EaP national civil society platform

The working group met on 19 July 2013 in Yerevan, Armenia and on 16 May 2014 in Tbilisi, Georgia. Initial consultations on the Joint Operational Programme took place during the Armenia-Georgia territorial cooperation regional conference held on 11 October 2013 in Stepanavan, Armenia. The current document reflects the results of these consultations. The Programme was provisionally accepted by the working group on 16 May 2014.

Public consultations with regional stakeholders and state bodies were held between 21 May and 5 June, 2014. Annex 5 provides details about the remarks and recommendations received during the public hearings and how these remarks have been observed in the final version of the joint operational programme. The final version of the Joint Operational Programme was discussed and accepted at the meeting of the Joint Decision Making Committee on 20 June 2014 in Dilijan, Armenia.

The current document includes a description of social, economic and environmental development of the regions on the Armenia-Georgia state border, summarised in the SWOT analysis table (Section 2), outlines the territorial cooperation strategy and operational objectives (Section 3), sets out priorities and eligible actions (Section 4), defines eligible project beneficiaries and programme implementation modalities (Sections 5-7).

All five bordering regions (see Section 2.1) have composed and adopted specific regional development strategies, technically supported by international consultants. In these strategies, the regions analyse the status quo and formulate prioritized goals and objectives of their development visions. The objectives of the regional development strategies regarding the scope of concrete measures to be taken are by nature much broader than the ones covered by EaPTC, but also by nature the cross-border dimension is, as a rule, missing in the regional development strategies.

2. Strategic analysis of the bordering regions

2.1 Eligible regions

The eligible area of the territorial cooperation programme Armenia-Georgia includes the following regions/administrative units situated along the Armenia-Georgia state border of 225 km length:

Armenia (*marz*)

Georgia (*mkhare*)



- Lori
- Shirak
- Tavush
- KvemoKartli
- Samtskhe-Javakheti

The territorial cooperation programme covers the area of 22,076 km², of which 9,135 km² in Armenia and 12,941 km² in Georgia. In 2012, the total population of the area amounted to 1424.8 thousand inhabitants, of which 699.3 thousand – in Armenia and 725.5 thousand – in Georgia.

Region	Area (km ²)	Percentage of total country's area (approx..)	Population (2012, thousand inhabitants)	Percentage of total country's population (approx..)	Density (inhabitants/km ²)
Armenia					
Lori	3,750	12.6	282.2	8.6	75.3
Shirak	2,681	9.0	282.3	8.6	105.3
Tavush	2,704	9.1	134.8	4.1	49.9
Georgia					
Kvemo-Kartli	6,528	9.4	511.3	11.3	78.3
Samtskhe-Javakheti	6,413	9.2	214.2	4.6	33.4

2.2 Overview of the current Armenia-Georgia relations

The Treaty on “Friendship, Cooperation and Mutual Security” between the Republic of Armenia and Georgia signed in October 2001, is considered as the main underlying document which regulates the bilateral relations. The entire legal framework for Armenia-Georgia cooperation consists of nearly 80 international treaties, agreements, memoranda and various protocols, which encompass wide range and aspects of the bilateral relations. The sector-specific agreements aim at creating favourable conditions for free trade, avoidance of double taxation, automobile and air connection, legal assistance, encouragement of investments and development of economic relations in the area of trade and economy.

Bilateral economic cooperation has been mainly centred on the fields of energy and transport so far. To enhance further economic cooperation of the two countries the intergovernmental economic commission has been formed and is co-chaired by the Prime Ministers of Armenia and Georgia.

The bilateral agreements also define arrangement of border checkpoints on the common perimeter of both countries. Currently, there are 6 border checkpoints on the Armenian-Georgian border – 5 are on a road (Ninotsminda-Bavra; Guguti-Gogaran; Akhkerpi-Privolnoe; Sadakhlo-Bagratashen; Akhkerpi-Dilijan) and 1 is situated on railway (Sadakhlo-Airum). Accordingly, crossing the Georgian-Armenian border is permitted for natural persons and vehicles only through the abovementioned check points. Passing around these check points is charged as breach of legislation including the customs rules.

2.3 Overview of the bordering regions

The five bordering regions have similar geographical conditions and share a common economic and social history in institutional transition. Former economic ties (maintained till 1990) have been disrupted, formerly shared knowledge got outdated, former social (relational) capital and interpersonal trust predominantly went lost. Administrative and institutional rules that emerged since 1990 have diverged.

Geography and Infrastructure: The geographical conditions – predominantly mountainous terrain - influence the settlement structure and population density of the five eligible regions. Main transport corridors (road and railway) connecting Armenia and Georgia intersect in the regions: the routes connecting capitals Yerevan and Tbilisi (Lori and Tavush/KvemoKartli) as well as the ones leading from Armenia to the Black Sea coast (Shirak/Samtskhe-Javakheti). Shirak International Airport in Gyumri serving around 50,000 passengers annually is the only international airport in the area. Despite different physical condition of the roads, this favourable location opens opportunities for development of transport hubs and trade-related activities.

Demography and Population:The programme area is characterised by predominantly rural population. Exceptions are on the Armenian side: around 60 per cent of Shirak and Lori regions' population live in urban areas. Correspondingly, administrative centres of these regions – Gyumri (around 145,000 inhabitants) and Vanadzor (around 104,000 inhabitants) – are the biggest settlements in the target area. Moreover, they are respectively the second and third biggest cities in Armenia. On Georgia's side of the target area, the largest city is Rustavi (around 120,000 inhabitants): it is the fourth largest city in Georgia and benefits from its proximity to the capital - Tbilisi.

Since the official statistics do not capture the full scope of internal migration, the real “brain drain” from the eligible regions is difficult to assess. Overall and for all regions, the stable size of population and population growth in absolute numbers and relatively to the national population demonstrate that the regions remain attractive places for living, though mostly for low-skilled workers. The development of small business, tourism activities and networks should contribute to a slight shift in the proportions.

Ethnic composition of the population in the target area is relatively diverse. On Armenia's side, it is more homogenous: all three regions are mainly populated by Armenians with small Russians, Greek, Yerdli or Kurdish minorities. On Georgia's side, the picture is rather different. In both regions, the Georgians constitute around 40 per cent of population, whereas the majority in Samtskhe-Javakheti is Armenian (more than 50 per cent of region's population) and in KvemoKartli – Azerbaijani (around 45 per cent of the population). Such diversity opens both needs and opportunities for communication and exchange between different cultures.

Agriculture:In all bordering regions, the regional gross domestic product (GDP) is dominated by agricultural production with an exception of KvemoKartli (where the agriculture sectors makes up around 1/5 of the total value added produced in the region behind the industry). The agricultural production is specialised according to the regional climatic and geographical conditions. Experts and representatives of agricultural organisations indicate that in the Armenian bordering regions, a large part of harvested agricultural products are processed and sold to national and international markets; while in the Georgian regions agricultural products are mostly sold in local markets or delivered as raw materials to other destinations. Agricultural production in all regions is based on small farming plots and carried mostly by family business. Experts on both sides indicate common problems in the sector - low quality of home-grown seeds, lack of agricultural machinery, lack of access to credits, spreading of infectious animal diseases, problems with flooding and irrigation, abandoned areas to name only some. The issues are addressed in the regional development strategies, though a further support for joint solutions might help to unlock unutilised potentials in the sector.

Industry:Industrial sector in KvemoKartli produces 41 per cent of the total regional value added, while in other eligible regions the industrial production plays no major role. The industry concentrates on mainly two sectors: processing and manufacturing of food products, and heavy industry, mining and mineral extraction. By processing agricultural product harvested in the region, the food industry largely extends on the value chain on the agriculture. The substantial heavy industry and mining activities exist in KvemoKartli and Lori regions only. The mining and production sites tend to cause air and water pollution with effects on neighbouring regions across the border. Therefore, the necessity to cope with the pollution by industrial sites (mapping and monitoring, rehabilitation of contaminated sites, decommissioning of sites no longer under exploration, etc.) is shared by both countries.

Services Sector, including Tourism: The services sector in the regions is largely underdeveloped and plays no major role in the regional economy. Since the official statistics report the country-level trade only, the potential of facilitating trade across the bordering regions is hard to estimate. Experts in both countries report on numerous examples of agricultural products traded to the other country due to existing specialisation in production. Presumably, the scope of the “shuttle” trade might be considerable. Opening up for cross-border trade in smaller free trade zones along the border or on special days of fairs and ‘bazaars’ thus might revitalize former economic ties and help to develop specific comparative advantages. Attention should be given to divergence in customs rules and regulations of the two countries originating, among others, from international commitments.

Both countries enjoy a growth of tourist inflows: by preliminary data, compared to 2012, in 2013 a number of tourists coming to Georgia have risen by more than 20 per cent, and Armenia – by nearly 10 per cent. Another trend spotted by the Georgian National Tourism Agency is that national and international travel agencies increasingly sell packages that include trips and transfers from Tbilisi to Yerevan and back; thus opening opportunities for the bordering regions in-between. By the number of tourists as well as accommodation facilities Samtskhe-Javakheti is leading in the region. On the Armenian side, tourism sector has traditionally played an important role in Tavush: the accommodation available there (1353 hotel beds) compared to Lori and Shirak (respectively, 256 and 176 hotel beds) reflects an active development of the sector in the region. The regional development strategies of Samtskhe-Javakheti and KvemoKartli recognise the potentials; however indicate a low level of services and lack of hotel capacities and standard. Joint efforts to the challenges might help to revitalise the tourist flows across the border and local economy.

Environment, Natural and Cultural Heritage Resources:All the bordering regions are rich in ancient cultural monuments and natural sites. To name only few, the list includes UNESCO World Heritage sites (Haghpat and Sanahin monasteries), historic sites and museums (Vardzia, PataraDmanisi), long-established national parks (Borjomi-Kharagauli national park in Georgia and Dilijan national park in Armenia) or trans-boundary protected areas (Lake Arpi and Javakheti national parks), which are important for their cultural, environmental, economic and social values.

Levels of air and water pollution largely correlate with regional industrial development, e.g. KvemoKartli is one the highest polluters in Georgia. The regional development strategies state that due to natural and anthropogenic risk factors condition of the forests in the regions is unsatisfactorily and alarming. The bordering regions are exposed to dangerous geological processes as well: earthquakes, landslides, erosion, mudflows, salinization of soil. To have an effect, the environmental issues should be addressed by joint efforts.

Living Conditions:Official reported unemployment in the bordering regions of both countries is substantially lower than respective national averages, but hidden unemployment due to subsistence work in agriculture plays a role. Main labour demand is concentrated in the lower-qualified sectors offering little working opportunities for higher educated persons. According to household surveys carried out in both countries, incomes earned are about one third lower the ones earned in the capitals, even when income in kind from agricultural subsistence work is added. While housing availability and housing facilities are overall satisfactory and correspond to income levels, communal and communication services often do not meet the needs of the population. According to the regional development strategies waste collection, the sewage system, access to internet in rural areas and facilities for disabled persons are problematic areas that need to be addressed in all bordering regions. Basic healthcare and primary to middle education are well functioning in the regions of both countries, while special medical analyses and treatment as well as higher education require moving to the respective capital. Since healthcare is mostly in private hands on the Georgian side, cross-border treatment could be an option. With respect to improvement of living conditions, problems that are common for the bordering regions can be addressed jointly and hence in a more effective way than it would be the case for isolated action. Using scale effects of bigger waste recycling plants that requires analysis of demand and capacities along the border may serve for illustration here.

Administrative Structures and Local Governance: The two countries differ on the ways their self-governing entities are structured. Compared to the Armenian local communities, the municipalities in Georgia are bigger in size and population. Thus the number of municipalities in KvemoKartli and Samtskhe-Javakheti (each region consists of 7 self-governing entities) is less than in Lori, Shirak and Tavush – 113, 119 and 63 communities, respectively. Both countries have recently launched internal discussions on their regional administration and municipal reforms. These may have an impact on the level of decentralisation and financial independence of the self-government. Georgia has taken steps to improve strategic planning capacities for social-economic development at the central, regional and local level (elaboration of regional development strategies; establishment and functioning of regional development councils).

Inter-municipal cooperation between the bordering regions entered into a new stage as from 2009. With the support of international organisations, a number of initiatives within activities of the Euro-region “EuroCaucasus”

that unites border municipalities from Georgia and communities from Armenia were implemented in the fields of agriculture, tourism and environment since then. Further facilitation of the networking should enhance quality of the cooperation and exchange of experiences.

2.4 Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis

Strengths	Weaknesses
<p>Favourable geographical location for transit between capital cities and proximity to social and economic centres</p> <p>Richness of natural and cultural heritage resources</p> <p>Attractiveness as a place for living maintained</p> <p>Existing established links and relations between local municipalities and communities</p>	<p>Regional economy too dependent on the agricultural sector</p> <p>Regional economy too dependent on low-skills labour</p> <p>Underdeveloped other economic sectors (industry, services)</p> <p>Poor condition of infrastructure (e.g., outdated irrigation systems)</p> <p>Underdeveloped small-medium business</p> <p>Gradually degrading natural resources</p> <p>Limited level of social services</p>
Opportunities	Threats
<p>Continuation of friendly political and economic relations between Georgia and Armenia</p> <p>Rising trade levels between the bordering regions and overall between Georgia and Armenia</p> <p>Rising numbers of regional (Caucasus) tourists</p> <p>New regional development programmes supporting investment in the bordering regions</p> <p>Possible rise of demand for ecologically clean products in national, regional and global markets</p> <p>Multi-cultural environment enabling communication and exchange</p> <p>Foreseen regional and municipal reforms leading to better local governance</p>	<p>Raising migration from the bordering regions to the capitals leading to “brain-drain”</p> <p>Divergence of trade policies following Armenia joining the Eurasian Customs Union</p> <p>Natural disasters or man-made emergency situations damaging livelihoods in the bordering regions</p>

3. TC programme strategy

The overall objective of the territorial cooperation programme is to strengthen cross border contacts between local authorities, communities and civil society organisations to help develop joint solutions to common social and economic development challenges.

The analysis of economic, social, and environmental developments in the programme target area leads to a conclusion that territorial cooperation of the bordering regions of Armenia and Georgia can help achieve three specific objectives that cannot be attained by individual national regional development measures:

First, the objective to minimize direct negative spill-over effects: Activities carried out in the bordering region of one country may impose a burden or even harm a bordering region of the other country. The respective risks can be averted or mitigated only by a joint action of the two countries involved. This refers mostly, but is not limited to, external effects caused by pollution of rivers, air, and groundwater, as well as to problems stemming from waste disposal, deforesting, hunting, pasturing and other comparable activities.

Currently, this kind of cooperation between Armenia and Georgia is limited, and not well-established communication platforms exist. Thus, the territorial cooperation may encourage the development of such platforms.

Second, the objective to maximize direct positive spill-over effects: Activities carried out in the bordering region of one country can create a surplus benefit in the bordering region of the other country only if the countries



collaborate, share information on markets, technologies, customers, and facilitate the flow of goods and people across borders. In this regard, different spheres can be addressed:

- The knowledge and/or capacities of one bordering region can be made accessible to the other region that is not as advanced in that respect (e.g. waste recycling);
- Loose ties of producer-manufacturer-consumer relations can be put together in the bordering regions in a more efficient way than in distant areas of the home country (e.g. agriculture and food manufacturing);
- Capacities that are underdeveloped in both countries can be developed by cooperation (e.g. cultural sites and tourism).

Currently, cooperation in the mentioned fields exists between several municipalities. Territorial cooperation can close the regional gap and help to capture a broader range of projects.

The *third* objective is to unlock the potential of relational/social capital across borders. Repeated interpersonal relations create trust and enhance gains from information exchange. The support of people-to-people measures across borders in education, culture and sports will build up relational capital that diminishes obstacles for communication, and can facilitate future cross-border activities in many spheres.

4. Operational objectives, priorities and actions

The territorial cooperation programme will have three operational objectives:

- I. Improving the living conditions of local communities in the border regions through joint projects supporting economic and social development
- II. Addressing common challenges in the fields of environment, employment, public health and any other field of common interest having a cross border dimension
- III. Culture, education and sports

4.1 Operational objective 1-Improving the living conditions of local communities

Within this operational objective, activities pursuing the following two priorities will be supported:

- Enhance regional competitiveness of agriculture and related economic sectors in the target regions

As shown in Section 2, agriculture constitutes the core of economic and social fabric in the target regions of the programme. Due to very similar geographical conditions, the area of the Armenian and Georgian bordering regions can be understood as one region in terms of agricultural activities. The following actions may become subject matter of joint projects (the list is not exhaustive):

- Development and setting up business information services for agrarian producers in order to enhance access to market information;
 - Organisation of regular (seasonal) fairs and bazaars for local products to facilitate cross-border trading between eligible regions;
 - Encouraging networking and trade relations that contribute to joint development of higher-value-added products;
 - Joint management of cattle pasturing and cattle movements from summer to winter pastures across the border;
 - Development of joint veterinary and phyto-sanitary services to support farmers in the bordering regions, and joint measures for trans-boundary animal disease and plant health controls;
 - Exchange of good practices, training on innovative technologies in agriculture and related industries;
 - Studies, research and development activities as well as advocacy actions to support structural reforms in the agricultural sector.
- Unlock the potential for development of tourism and related services in the target regions

The bordering regions on both Armenian and Georgian sides boast a variety of cultural heritage and natural sites of interest. The existing resources, on the one hand, and the flows of tourists to the capitals of Armenia and Georgia – Yerevan and Tbilisi, on the other, build up a base for cross-border tourism development. Given that these opportunities materialise, the sector may play an important role in economies of the target region. The following actions may become subject matter of joint projects (the list is not exhaustive):

- Setting up networks and associations of tourist bureaus, operators, information centres and hotels in the bordering regions;
- Creating joint cross-border touristic routes;
- Recreating sites of touristic interest to revive domestic and cross-border tourist flows;
- Joint trainings to local providers of tourism services to enhance quality of services offered;
- Revival and development of jointly operated training sites for sport events.

4.2 Operational objective 2 - Addressing common challenges

Within this operational objective, activities pursuing the following priority will be supported:

- Solving cross-border environmental problems

The bordering regions of Armenia and Georgia share the same natural environment which is unique in its value. Intervention to environment on one side of the border may have an impact on the other side. Therefore, addressing the environmental issues requires joint efforts. At the same time, the actions that address environmental issues may complement other actions under priority for tourism development, and thus contribute to sustainable local development. The following actions may become subject matter of joint projects (the list is not exhaustive):

- Joint monitoring and management of water resources, including Armenia-Georgia bordering river Debed;
- Joint monitoring of industrial zones that cause serious environmental damage with trans-bordering impact on air, water, soil or groundwater pollution;
- Joint monitoring and management of forests, areas of significant importance in environmental terms including protected areas in the bordering regions to avoid further de-forestation and preserve bio-diversity;
- Joint approach to waste collection, management and recycling;
- Raising public awareness of cross-border environmental issues.

4.3 Operational objective 3 – Culture, education and sports

Within the operational objective, activities pursuing the following two priorities will be supported:

- Facilitating multi-cultural dialogue and people-to-people exchange of youth across the border

The territorial cooperation programme area has a rich multi-cultural environment. It opens opportunities for people-to-people exchange for building up social capital. Focus on youth organisations can lay down a base for future cooperation across the border. The following actions may become subject matter of joint projects (the list is not exhaustive):

- Cooperation actions between youth organisations in education, culture and sports;
- Organisation of joint cultural and sport festivals;
- Exchange between schools and other education and culture institutions;
- Cross-border cooperation of regional media;
- Fostering multi-cultural diversity and heritage.

- Enhancing local self-governance

Previous initiatives of cross-border cooperation promoted by municipalities of Armenia and Georgia have demonstrated the potential of exchange between the local communities. The foreseen reforms of local governance discussed in both countries - Armenia and Georgia – may benefit from further exchange of practice and

experience, as well as cooperation. The following actions may become subject matter of joint projects (the list is not exhaustive):

- Cooperation of local authorities for improvement of services to citizens;
- Capacity building to promote participatory decision-making and collaboration of local authorities and non-governmental sector;
- Experience sharing across the borders for better local public administration.

5. Indicators of achievement

Success of the territorial cooperation programme will be monitored as to what extent it adheres and contributes to the ENPI Regional East Programme Strategy Paper 2010-2013 and Indicative Programme 2010-2013. Based on the results of capacity building activities of the Eastern Partnership Territorial Cooperation Support Programme, a set of tentative estimations has been developed. The following qualitative and quantitative indicators will be applied:

Aspect	Measured by indicator:	Baseline	Target
The increased level of structured and institutionalised contacts between local authorities of the bordering regions	Number of applications received in response to a call for proposals	0	38
	Number of organisations involved in the applications	0	106
The number of joint projects implemented across the borders	Number of grant contracts signed	0	16
	Number of projects completed	0	16
The increased intensity of cross border contacts between the local communities	Number of joint cross-border events implemented within the projects	n/a	54

Annex 3 contains a set of output and result indicators. These indicators will be used on a pilot-test basis to monitor economic and social effects of the territorial cooperation programme on the regional development.

6. Programme management

The following structures will be involved in the management of the joint operational programme:

Joint Decision Making Committee: a joint structure to ensure full ownership of the territorial cooperation programme by both participating countries;

Managing Authority: bear overall responsibility for operational and financial management and implementation of the programme towards the European Commission.

6.1 Joint Decision Making Committee

The Joint Decision Making Committee (JDMC) is established by the participating countries – Armenia and Georgia – for ensuring the programme’s ownership. Each participating country nominates central, regional and local government as well as civil society organisations which will delegate their representatives to the JDMC; the appointment is functional and not personal.

Authorised representatives of the following institutions will compose the Committee:

Armenia	Georgia
<u>Voting members:</u> 1. First Deputy Minister, Ministry of Territorial Administration 2. Ministry of Economy 3. Ministry of Foreign Affairs 4. Communities’ Association of Armenia	<u>Voting members:</u> 1. First Deputy Minister, Ministry of Regional Development and Infrastructure 2. Office of the State Minister of Georgia for European and Euro-Atlantic Integration 3. Ministry of Foreign Affairs

5. Eastern Partnership national civil society platform
 6. Lori MarzAdministration (Marzpetaran)
 7. ShirakMarzAdministration (Marzpetaran)
 8. TavushMarzAdministration (Marzpetaran)

4. Office of the State Minister for Reconciliation and Civic Equality
 5. Department of Relations with Regions and Bodies of Local Self-Governance, State Chancellery of Georgia
 6. Eastern Partnership Civil Society Forum National Platform
 7. Governor’s Office in KvemoKartli
 8. Governor’s Office in Samtskhe-Javakheti

Observers (in advisory capacity without voting rights)

European Commission represented by the Delegation of the European Union to Armenia and the Delegation of the European Union to Georgia
 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in its capacity of Managing Authority
 Team of Eastern Partnership Territorial Cooperation Support Programme

The JDMC shall perform the following functions:

- Define the priorities of each programme with the assistance of the EaPTC Support Programme and approve the joint operational programme;
- Decide on the optimal allocation of the programme’s resources to priorities;
- Advise the Managing Authority on the project selection criteria and the guidelines for applicants;
- In coordination with the Managing Authority, select the projects to be financed by the territorial cooperation programme, which will have to be confirmed by the European Commission
- Monitor progress towards the objectives of the programme by reviewing the reports submitted by the Managing Authority.

Decisions at the JDMC shall be taken by a principle of “one country=one vote”. The detailed working and decision making methods shall be specified in the JDMC Rules of Procedure.

6.2 Managing Authority

The Managing Authority (MA) shall be responsible for the operational and financial management of the territorial cooperation programme. It shall perform the following functions:

- Prepare and announce calls for proposals;
- Collect and register project applications;
- Organise project selection;
- Sign grant contracts and make payments;
- Supervise the operational and financial implementation of projects;
- Report to the EC on the financial and operational implementation of projects;

The MA can sign the contracts with the grant beneficiaries only after the JDMC and the EC have approved the final list of projects selected for funding.

For the execution of the above functions, the European Commission has nominated Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH to act in the capacity of the Managing Authority. In addition to the functions of operational and financial management of the programme, the MA will also perform functions of JDMC Secretariat.



7. Programme implementation

7.1 Eligibility of projects

Only projects of a genuine cross-border character and involving at least one partner from each of the participating countries shall be eligible for funding under the territorial cooperation programme. As a rule, activities carried out in a scope of the projects must take place within the eligible programme areas. Exceptions to it, if any, may be specified in the guidelines for applicants. Immediate results that the projects shall deliver must have effects on both sides of the border and remain within the eligible programme area.

Non-profit rule shall apply for the projects financed by the programme: the projects may not have the purpose or effect of producing a profit within the framework of the programme. Support to commercial activities in the meaning of state aid will not be provided.

The duration of project implementation period shall be limited to a minimum of 9 and a maximum of 18 calendar months. At the time of grant contract signature between the beneficiaries and the MA, the maximum duration may be revised so that the projects supported by the programme are completed by the 31st of December, 2016.

The territorial cooperation programme may support (1) “soft” projects, i.e. intended to bring about structural economic and social changes and not predominantly concerned with construction or equipment delivery; and (2) projects involving small-scale infrastructure development. The programme shall give priority to “soft” projects that target activities related to institutional building, training, policy reform, exchange of experience or similar, and the projects that demonstrate a sound balance between the “soft” element and development of physical infrastructure.

7.2 Eligibility of project beneficiaries

Public bodies, public equivalent bodies¹, local authorities, non-governmental and non-profit organisations implementing projects for the public general interest are eligible for the support of the territorial cooperation programme. Specifically, the following legal forms as defined by the national legislation of the participating countries will be eligible for support:

Armenia	Georgia
<p>Public bodies:</p> <ul style="list-style-type: none"> Local self-government bodies – community council; council of elders; and head of community: mayor in urban community, head of village in rural community (As defined by the Law on Fundamentals of Administrative Action and Administrative Proceedings of 18.2.2014, Art 3(1); the Law on Local Self-Government of 7.5.2002; Presidential Decree No PD-728 on State Administration in <i>Marzes</i> of Armenia of 6.5.1997) <p>Public equivalent bodies:</p> <ul style="list-style-type: none"> State non-profit organisation (as defined by the Law on Non-Commercial State Organisations of 23.10.2001, Art. 3(1)) <p>Non-governmental and non-profit organisations:</p> <ul style="list-style-type: none"> Foundation (as defined by the Law on Foundations of 26.12.2002, Art 3.) Public organisation (as defined by the Law on Public 	<p>Public bodies:</p> <ul style="list-style-type: none"> Agencies of local self-government: <i>Sakrebulo</i>; <i>Gamgeoba</i>, Mayor’s Office; Municipality (as defined by the Law on Public Service, Art.4; Law on Legal Entities of Public Law; Local Self-Governance Code) <p>Non-governmental and non-profit organisations:</p> <ul style="list-style-type: none"> Non-Entrepreneurial (Non-Commercial) Legal Entity (as defined by the Civil Code) Any other national legal form complying with the definition of public bodies, public equivalent bodies, non-governmental and non-profit organisations as per Directive 2004/18/EC

¹The bodies shall meet the following criteria: (a) be established for the specific purpose of meeting needs in general interest, not having an industrial or commercial character; (b) having legal personality; and (c) be financed, for the most part, by the state, regional or local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervising board, more than half of whose are appointed by the state, regional or local authorities, or by other bodies governed by public law. Directive 2004/18/EC of 31.03.2004, OJ L 134/114 of 30.04.2004.

Organizations of 4.12.2001, Art. 3)

- Any other national legal form complying with the definition of public bodies, public equivalent bodies, non-governmental and non-profit organisations as per Directive 2004/18/EC

As a general rule, only bodies located in the eligible area can receive financial support under this programme. The potential participation of other bodies of the similar type, located outside the programme area, in projects implemented in the eligible area, will be determined in the guidelines for applicants.

Legal entities not falling in any of these categories are welcome to participate in projects as associate partners. They will have to finance their activities from their own resources and are not entitled to receive funding from the territorial cooperation programme.

7.3 Selection, contracting and implementation procedures

Contracting and implementation procedures to be applied for the implementation of the territorial cooperation programme shall be those defined in the Practical Guide to Contract Procedures for EC External Actions (PRAG) in force at the time of launching a call for proposals. The programme will be operated on the basis of a single application process and a single selection process covering all sides of the border.

The application package, including application form and guidelines for applicants, shall be elaborated by the MA in cooperation with the EaPTC Support Programme. The programme will be implemented through an open call for proposals. Only one call for proposals is foreseen during the lifespan of the programme. The MA will launch the call for proposals after having consulted the application package with the JDMC and the European Commission.

The MA in cooperation with the EaPTC Support Programme shall provide potential applicants with all necessary information on the call for proposals. The lead applicants shall deliver their project applications (including e-version) directly to the MA office in Tbilisi by hand or by courier or by registered mail. The details on project application submission procedures will be set out in the guidelines for applicants.

Assessment of applications and project selection will be carried out in two stages: 1) assessment of **eligibility** of applicants, expenditure and activities (based on administrative and eligibility criteria); and 2) evaluation of **quality** of eligible applications (based on selection and award criteria). The MA shall be in charge of organisation of the assessment process, while the JDMC takes the final decision on the project evaluation results, which will have to be confirmed by the European Commission.

Opening of applications received by a set deadline, administrative compliance and **eligibility** check shall be performed by the MA. During the eligibility check, the MA can cooperate with national authorities and delegations of the European Union in Armenia and Georgia to verify legal status of applicants as well as to clarify if there is no overlapping with other EU or public financing. These verifications and clarifications shall comply with principles of impartiality and confidentiality. The national authorities involved should remain independent in the process. The results of the opening, administrative compliance and eligibility check must be approved by the JDMC. The assessment of **quality** of applications will be completed by external assessors. The external assessors will be selected via an open call (based on the ToR drafted by the MA and consulted/agreed with the JDMC). The JDMC members and the MA will approve the list of assessors. The evaluation report drafted by the MA based on assessors' recommendations will be presented to the JDMC for approval and to the EC for the final endorsement. "Four eyes" rule shall apply: each application shall be assessed by at least two assessors. If the scorings of the two assessors differ considerably, opinion of the third assessor shall be sought. The outcome that the assessors are to deliver shall be the evaluation report, including ranking list of the eligible project applications based on the assessment scores.

The JDMC shall review the conclusions of the assessors and may seek further clarifications. If the JDMC decides not to follow all or part of the recommendations of the assessors, it must give sound reasons and justification to be recorded in the final evaluation report. Before contracting, the MA may request corrections to be made to the



project. However, these corrections may concern minor technical aspects only, and by no means alter the contents, objectives, main outputs or activities of the project or any other condition that led to awarding the grant.

The final evaluation report, based on the PRAG standard documents, should comprise of summary assessment reports per each eligible application, including evaluation grids, scores and comments from the assessors and the JDMC members, and list of non-eligible applications with reasons for rejection.

The results of the project selection that are approved by the JDMC will be deemed valid only after they are endorsed by the European Commission. Indicatively, the project evaluation and selection phase is expected to be completed by March 2015.

The MA shall prepare and sign the grant contracts with the lead partners of the projects selected for funding after the European Commission has endorsed the JDMC decision. Prior to the signature of the grant contract, all project partners shall lay down the arrangements for their relations with regard to management and implementation of the project to a model partnership agreement approved by the MA and the JDMC.

The MA and the EaPTC Support Programme shall provide information and support to the grant beneficiaries for efficient project implementation. All the project reports (interim and final technical narrative and financial reports, and if required expenditure verification reports) and payment requests shall be submitted to the MA office in Tbilisi. The MA shall process the reports and payment requests, and execute payments to the grant beneficiaries accordingly. The details of reporting and payment procedures will be set out in the implementation manual elaborated by the MA in cooperation with the EaPTC Support Programme.

The MA shall elaborate regular (6-monthly) programme implementation reviews on the basis of the reports delivered by the grant beneficiaries. The reviews shall be submitted to the JDMC for information.

The MA will take necessary steps to ensure visibility of the EU-financing in relation to activities of the projects funded by the programme. The JDMC members will be actively involved in spreading information about the programme as widely as possible in the target area and beyond.

The graph to illustrate the programme implementation cycle is annexed (Annexe 4).

7.4 Eligible expenditure and levels of support

Eligible costs are actual costs incurred and paid by project beneficiaries within the project implementation period as defined in the grant contract. No contributions in kind by project beneficiaries and/or third parties shall be accepted as eligible. Definition of eligible direct and indirect eligible costs shall follow standard provisions of PRAG, unless stipulated otherwise in the guidelines for applicants.

Grants to projects selected for funding shall constitute a maximum of 90 per cent of the total project eligible costs and must be co-financed from sources other than the European Union Budget or the European Development Fund. The amount of the grants shall be limited to a minimum of 20,000 EUR and a maximum of 250,000 EUR. The grants shall be paid to lead beneficiaries of the projects in several tranches and in accordance to provisions determined in the special conditions.

The guidelines for applicants and the grant contract may specify further details in relation to eligible costs and other financial provisions.

8. Financial allocations

The EU funding of the territorial cooperation programme between Armenia – Georgia comes from the European Neighbourhood and Partnership Instrument, regional allocations of the budget year 2013.

The indicative amount of the EU funding to the programme has been defined in the Strategy for Eastern Partnership Territorial Cooperation Programmes, and is 1.35 million EUR.



Based on the outcomes and conclusions of the strategic analysis of the Armenia-Georgia bordering regions, the indicative allocation among the operational objectives of the programme is as follows:

Operational objective I – Improving living conditions	45 per cent
Operational objective II – Addressing common challenges	25 per cent
Operational objective III – Culture, education and sports	30 per cent

The indicative financing plan (thousand EUR)

	EU financing	National co-financing (Participating countries)	Other donors	Private financing (Project partners)	Total funding
Operational objective I	607.5	0	0	67.5	675.0
Operational objective II	337.5	0	0	37.5	375.0
Operational objective III	405.0	0	0	45.0	450.0
Total	1,350.0	0	0	150.0	1,500.0



Annexe 1: Map of the Eligible Area



Annexe 2: Regional Statistical Data

	Armenia			Georgia	
	Lori	Shirak	Tavush	Kvemo-Kartli	Samtskhe-Javakheti
Population (thousands)	282.2	282.3	134.8	511.3	214.2
Population (% of total country)	8.6	8.6	4.1	11.3	4.6
Rural population (% of total region)	58.6	40.0	60.8	61.0	68.9
Contribution to national GDP (%)	n/a	n/a	n/a	8.5	3.1
Agriculture in regional GDP² (%)	7.2	11.6	4.8	18.9	32.1
Industry in regional GDP³ (%)	6.1	3.4	0.8	41.4	2.8
Number of hotel beds	256	176	1,353	410	5,723
Number of tourists (thousand)	n.a.	n.a.	n.a.	n.a.	278.5
Official unemployment (%)	18.4	19.3	11.9	9.4	n/a
Number of protected areas	n.a.	n.a.	n.a.	2	11
Emissions from stationary sources (tons)	39678	2985	17098	344.8	0.1
Annual museum attendance (thousand)	1.1	2.4	0.4	16.6	156.0

Source: National Statistical Service of the Republic of Armenia; National Statistics Office of Georgia GEOSTAT, Georgian National Tourism Agency; Ministry of Environment and Natural Resources Protection of Georgia; own calculations

²For Armenian regions, the figure shows the regional contribution to the total agricultural production of the Republic of Armenia

³For Armenian regions, the figure indicates the regional contribution to the total industrial production of the Republic of Armenia

Annexe 3: Programme Monitoring Indicators

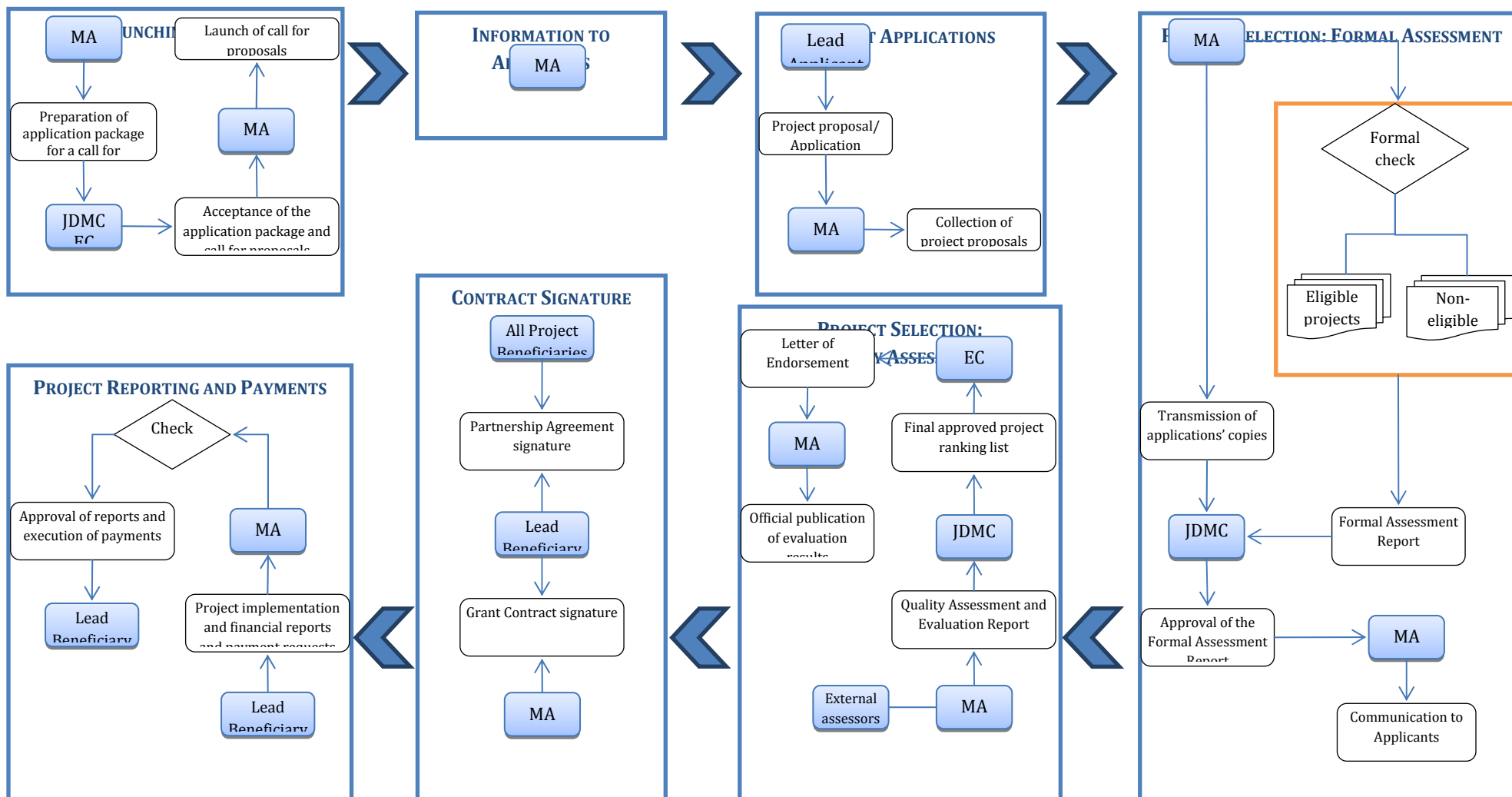
Operational objective	Priority	Output indicators	Result indicators
I. Improving the living conditions of local communities in the target cross-border regions through joint projects supporting economic and social development	Enhancing regional competitiveness of agriculture and related economic sectors in the target regions	<p>Number of projects providing support to enterprises in the region/ aiming at improving conditions for entrepreneurship/ establishing cross-border business networks</p> <p>Number of projects aiming to establish cross-border research networks supporting agriculture sector</p>	<p>Number of SMEs/ entrepreneurs that took part in events organised by the projects/benefited from the actions</p> <p>Number of cross-border partnerships/ initiatives/ business networks established</p> <p>Number of newly established cross-border partnerships between local and regional academic institutions, think tanks, research centres</p> <p>Number of joint researches, studies, strategies on local development issues published</p> <p>Number of joint cross-border events/ conferences/ seminars/ workshops organised by the projects to address issues to the agriculture sector</p>
	Unlocking the potential for development of tourism and related services in the target regions	Number of projects in the field of tourism	<p>Number of new joint touristic routes developed and introduced</p> <p>Number of tourists using the outputs of the projects</p> <p>Number of stakeholders covered by cross-border education projects</p> <p>Number of new working places for young people created in the services sector</p> <p>Number of joint cross-border events/ conferences/ seminars/ workshops organised by the projects to address issues related to cross-border tourism development</p>
II. Addressing common challenges in the fields of environment, employment, public health and any other field of common interest	Solving cross-border environmental problems	<p>Number of projects establishing joint management of protected areas and/ or natural resources</p> <p>Number of projects targeting cross-border emergency issues</p> <p>Number of projects establishing direct cross-border cooperation among counterparts in the field of environment</p>	<p>Number of newly established cross-border structures and mechanisms, efficiently managing protected areas and natural resources</p> <p>Number of established/supported networks to exchange information and coordinate protection measures</p> <p>Number of joint management plans/ strategies developed and/or implemented</p> <p>Number of people targeted by information/ awareness activities promoting sustainable use of natural resources</p> <p>Number of partnerships established between emergency institutions across the border</p>



Operational objective	Priority	Output indicators	Result indicators
			<p>Number of institutionalised and sustainable cross border partnerships, networks, associations and other structures</p> <p>Number of joint cross-border events/ conferences/ seminars/ workshops organised by the projects to address issues related to environment</p>
III. Culture, education and sports	Facilitating multi-cultural dialogue and people-to-people exchange of youth across the borders	Number of projects that include cultural and sports activities with the participation of representatives from both sides of the common border	<p>Number of people who participated in various cultural and sports events, competitions, festivals, conferences</p> <p>Number of people with improved knowledge about the traditions, situation and issues of their neighbours across the border</p> <p>Number of cultural events organised</p> <p>Number of participants involved in cultural events</p> <p>Number of information and promotion materials produced to promote cultural diversity</p>
	Enhancing local self-governance	<p>Number of projects implemented to improve communication and cooperation across the border</p> <p>Number of projects implemented to enhance local self-governance</p>	<p>Number of organisations and people involved in cross-border activities</p> <p>Number of initiatives launched and implemented</p> <p>Number of joint cross-border events/ conferences/ seminars/ workshops organised by the projects involving participation of local authorities and civil society organisations</p>



Annexe 4: Programme Management



Annex 5: Results of Stakeholder Consultations

Following the provisional acceptance of the Joint Operational Programme by the working group of Armenian and Georgian representatives, the document was published on the website of EaPTC Support Programme (www.eaptc.eu) for public information and comments on 20 May 2014. Moreover, the EaPTC Support Programme facilitated a stakeholder consultation process – a series of meetings with regional state and non-state actors in the eligible regions. Below is the summary of the events:

Country	Town	Date	Total number of participants	Of which representing		By gender	
				state institutions	non-state sector	women	men
Georgia	Rustavi	May 27, 2014	11	4	7	4	7
	Marneuli	May 27, 2014	11	3	8	5	6
	Akhaltzikhe	May 28, 2014	20	2	18	14	6
	Akhalkalaki	May 28, 2014	21	11	10	6	15
Armenia	Gyumri	May 29, 2014	21	9	12	11	10
	Vanadzor	May 30, 2014	22	9	13	10	12
	Ijevan	May 30, 2014	13	2	11	4	9
Total		7 meetings	119	40	79	54	65

At the stakeholder consultation meetings, the participants had an opportunity to comment on the draft Joint Operational Programme, provide recommendations and other feedback. The table below summarises the feedback received as well as provide the response to it:

Location	Feedback received	Response
Rustavi	Is green tourism eligible? And what exactly can be funded?	Priority “Unlocking the potential for development of tourism and related services in the target regions” covers tourism and related services in the target regions. It could comprise activities such as creation of joint cross-border touristic routes; joint trainings to local providers of tourism services to enhance quality of services offered; etc. Activities targeting development of green tourism in the eligible regions may also be covered within this priority.
	We represent mass media and our project idea does not fit any priority. How can we participate?	A project can be focused on information and educational campaigns, awareness raising, education for citizens in any sphere mentioned under the agreed priorities: agriculture, tourism, cross-border environmental problems, multi-cultural dialogue, youth issues, and enhancement of self-governance. Moreover, the programme targets public, non-profit and non-governmental organisations, and projects must necessarily include cross-border dimension.
	Is distribution of resources among three objectives settled?	Distribution of financial resources among three objectives is indicative. The main purpose of the allocation is to maintain a balance among the priorities identified.
Marneuli	Should the proposed size of funds cover activities of all partners or leading partner only?	Project budget covers activities of all partners
	Which regions can participate?	Eligible regions are mentioned in the Joint Operational Programme and include the whole administrative entities. They include: Shirak, Lori and Tavushmarzes of the Republic of Armenia, and KvemoKartli and Samtskhe-Javakheti regions of Georgia.
	Can we continue or renew already existed or completed projects?	If there is such question in the application form you should mention how project idea was conceived
Akhaltzikhe	Can land irrigation be supported?	Priority “Enhance regional competitiveness of agriculture and related economic sectors in the target regions” specifically aims at facilitating agricultural development and enhancing efficiency of the sector in the regions through finding solutions to cross-border

		factors that limit such development. The issues related to land irrigation may also be addressed by the programme as long as they are related to the cross-border factors affecting the agricultural development in the eligible regions.
	Why public health and its reform are not included into priorities?	Issues related to public health at regional and cross-border dimension can be covered under Priority “Solving cross-border environmental problems” in case they are related to environmental issues. At the same time they can be addressed in the Priority “Enhancing local self-governance” involving people-to-people exchange of good practices in the reforms. However, the public health reform is normally a responsibility of the central government, exceeding capacities of regions.
Akhalkalaki	How can sport activity be included?	This activity can be included under the priority “Facilitating multi-cultural dialogue and people-to-people exchange of youth across the border”.
Gyumri	Can agriculture sphere be expanded to cover food-processing activity as well?	The priority “Enhance regional competitiveness of agriculture and related economic sectors in the target regions” may also include cooperation in the food processing sector.
	Why education is not included as a separate priority?	In general, education is a crosscutting issue and can be covered under any of the five priorities identified in the Joint Operational Programme. Specifically, the operational objective 3 “Education, culture, sports” stresses the importance of the field and concentrates on actions geared toward education
	Why protection of historical heritage and memory is not included?	These thematic issues may fall under Priority “Unlock the potential for development of tourism and related services in the target regions” and Priority “Facilitating multi-cultural dialogue and people-to-people exchange of youth across the border”
	How can one be sure that JDMC members select best projects? What measures will be taken to combat corruption within JDMC?	The project selection consists of a number of steps involving different actors in addition to the JDMC. First of all, project applications are to be review by independent experts under overall coordination of MA. After the JDMC takes the decision, the process will be also reviewed by the European Commission. All the assessments made by the independent experts, MA and JDMC members must be well justified. The JDMC is composed of two countries’ representatives delegated by different institutions and organisations (central government, regional administration, civil society). And the decisions at the JDMC are taken by consensus. Moreover, the JDMC decisions related to the project selection are public, i.e. the list of which projects are selected and amounts awarded is published and accessible to the public.
Vanadzor	Why public health and its reform are not included into priorities?	Comments as above
	Why social protection measures are not included?	Social well-being is a cross-cutting issue and can be covered by any priority
Ijevan	No comments made	