



Board of Directors

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Country Operations Business Plan: Armenia, 2020–2022

Attached for information is a paper on the above subject.

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Country Operations Business Plan

November 2019

Armenia
2020–2022

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 November 2019)

Currency unit	–	dram (AMD)
AMD1.00	=	\$0.0021
\$1.00	=	AMD476.18

ABBREVIATIONS

ADB	–	Asian Development Bank
COBP	–	country operations business plan
COL	–	concessional ordinary capital resources lending
CPS	–	country partnership strategy
OCR	–	ordinary capital resources
TA	–	technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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I. CONSISTENCY OF BUSINESS PLAN WITH COUNTRY PARTNERSHIP STRATEGY

1. The country operations business plan (COBP), 2020–2022 of the Asian Development Bank (ADB) is consistent with the country partnership strategy (CPS), 2019–2023 for Armenia.¹ The strategic objectives of the CPS, 2019–2023 are to support the government’s efforts to ensure diversified growth and widen inclusiveness. The planned program in this COBP is aligned with the CPS, which is structured with three strategic pillars: (i) priority infrastructure investments, (ii) targeted service delivery improvements, and (iii) greater regional cooperation and integration. The planned program in this COBP is also well-aligned with ADB’s Strategy 2030 operational priorities, particularly poverty, livable cities, environment, governance, regional cooperation, and gender.²

2. The CPS is closely aligned with Armenia’s national development program for 2019–2023 which supports development of an export oriented and inclusive economy meeting high technological, industrial, and environmental standards.³ The main objectives of the government program include (i) expanding the opportunities for economic activities, (ii) increasing public administration efficiency, (iii) developing human potential, and (iv) developing and expanding access to reliable infrastructure.

3. The CPS envisages a flexible and adaptive approach to government needs. Where appropriate, sovereign lending will be structured in ways that promote private sector participation, nonsovereign financing, public–private partnerships, and other innovative solutions. ADB’s nonsovereign operations will help private sector companies play a greater role in the development of energy, urban infrastructure, agribusiness, education, and finance. The COBP reflects the government’s preference for policy-based loans for service delivery reforms in education, health, and financial services in 2019, and for investment projects and results-based loans in 2020–2022, as articulated in the government’s medium-term expenditure framework, 2020–2022.⁴

II. INDICATIVE RESOURCE PARAMETERS

4. Armenia, a group C developing member country, is eligible for regular ordinary capital resources lending. The indicative resources available for commitment during 2020–2022 for sovereign operations total \$670 million. However, given the country’s debt situation, the total firm lending pipeline for 2020–2022 is \$235 million for selected priority projects. The nonlending program covering project preparation and knowledge support aligned with the three CPS pillars is \$13.58 million.

5. The areas of intervention and the indicative resource allocation for each sector are in Appendix 1. The list of linked documents is in Appendix 2. The updated lending and nonlending programs are in Appendixes 3 and 4. The list of indicative knowledge publications and events for 2020 is in Appendix 5.

¹ ADB. 2019. *Country Partnership Strategy: Armenia 2019-2023—Fostering Inclusive, Diversified, and Transformative Growth*. Manila.

² ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

³ Government of Armenia. 2019. *Government Program for 2019-2023*. Yerevan.

⁴ Government of Armenia. 2019. *Medium-term Expenditure Framework, 2020–2022*. Yerevan.

COUNTRY ASSISTANCE RESULTS AREAS

Key Country Development Outcomes that ADB Contributes to	ADB		
	Key Areas of Assistance	Indicative Resource Available for Commitment in 2020–2022 ^a	Changes from Last COBP ^b
1. Transport (CPS's Strategic Pillar 1: Priority Infrastructure Investments; CPS's Strategic Pillar 3: Greater Regional Cooperation and Integration)			
<p>Greater results-based management in the transport sector</p> <p>Higher private investments catalyzed in transport sector either through feasibility studies or PPPs</p> <p>Increased regional sovereign financing mobilized on economic corridor development and cross-border infrastructure improvements</p> <p>Strengthened capacity to mobilize financing; implement and evaluate gender-responsive, low-carbon, and climate-resilient investments in urban and transport sectors</p> <p>Increased regional sovereign financing mobilized on economic corridor development and cross-border infrastructure improvements</p>	<p>Road transport (non-urban)</p> <p>Transport policies and institutional development</p>	<p>Amount: \$125 million (regular OCR)</p> <p>Share of the COBP envelope: 53.2%</p>	
2. Water supply and other municipal infrastructure and services (CPS's Strategic Pillar 2: Targeted Service Delivery Improvements)			
<p>Promoted "system of cities" through inclusive and participatory urban development plans with gender dimensions prepared for selected secondary towns</p> <p>Updated urban sector road map with private and public investments mobilized on urban green growth for Yerevan municipality</p> <p>Strengthened capacity to mobilize financing; implement and evaluate gender-responsive, low-carbon, and climate-resilient investments in urban and transport sectors</p>	<p>Other urban services</p> <p>Urban policy, institutional and capacity development</p>	<p>Amount: \$25 million (regular OCR)</p> <p>Share of the COBP envelope: 10.6%</p>	

Key Country Development Outcomes that ADB Contributes to	ADB		
	Key Areas of Assistance	Indicative Resource Available for Commitment in 2020–2022 ^a	Changes from Last COBP ^b
3. Health (CPS's Strategic Pillar 2: Targeted Service Delivery Improvements)			
Reduced share of households' out-of-pocket expenditure in total current health expenditures	Health system development	Amount: \$17.5 million (regular OCR)	
	Health insurance	Share of the COBP envelope: 7.4%	
Improved preparedness and resilience to geophysical and weather hazards, particularly earthquakes	Health care finance		
	Health sector development and reform		
4. Education (CPS's Strategic Pillar 2: Targeted Service Delivery Improvements)			
Actionable education sector strategy and road map for sector reforms implemented	Pre-primary and primary education	Amount: \$25 million (regular OCR)	
	Secondary education	Share of the COBP envelope: 10.6%	
Improved governance and service delivery through the use of management information systems in education	Education sector development		
5. Public Sector Management (CPS's Strategic Pillar 2: Targeted Service Delivery Improvements)			
Improved preparedness and resilience to geophysical and weather hazards, particularly earthquakes	Public administration	Amount: \$42.5 million (regular OCR)	
	Public expenditure and fiscal management	Share of the COBP envelope: 18.1%	

ADB = Asian Development Bank, COBP = country operations business plan, CPS = country partnership strategy, OCR = ordinary capital resources, PPP = public-private partnerships

^a Shares calculated using a denominator of \$235 million, the sum of expected ADB lending under firm operations during 2020–2022.

^b This is the first COBP following the CPS, 2019–2023.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/COBP/?id=ARM-2020>

1. Portfolio at a Glance

INDICATIVE ASSISTANCE PIPELINE

Table A3.1: Lending Products, 2020–2022

Project/Program Name ^a	Sector	Poverty Targeting	Operational Priority	Division	Year of TRTA/ PRF	Cost (\$ million)					Co-finance	
						Total	ADB			Gov't		
							Regular OCR	COL	ADF Grants			Total
2020 Standby												
Education Sector Strengthening Project (RBL)	EDU, PSM	GI	OP1, OP2, OP6	CWSS, CWUW, ARRM	2017	55.0	50.0			50.0	5.0	0.0
Total						55.0	50.0			50.0	5.0	0.0
2021 Firm												
Livable Cities Project	WUS, TRA	GI	OP1, OP3, OP4, OP5	CWUW	2020	60.0	50.0			50.0	10.0	0.0
Education Sector Strengthening Project (RBL)	EDU, PSM	GI	OP1, OP2, OP6	CWSS, CWUW, ARRM	2017	55.0	50.0			50.0	5.0	0.0
Total						115.0	100.0			100.0	15.0	0.0
2021 Standby												
Health System Transformation Project (RBL)	HLT, PSM	GI	OP1, OP2, OP6	CWSS	2017	40.0	35.0			35.0	5.0	0.0
Total						40.0	35.0			35.0	5.0	0.0
2022 Firm												
Regional Economic Corridor Improvement Project	TRA	GI	OP1, OP6, OP7	CWTC	2021	110.0	100.0			100.0	10.0	0.0
Health System Transformation Project (RBL)	HLT, PSM	GI	OP1, OP2, OP6	CWSS	2017	40.0	35.0			35.0	5.0	0.0
Total						150.0	135.0			135.0	15.0	0.0

ADB = Asian Development Bank; ADF = Asian Development Fund; ARRM = Armenia Resident Mission; COL = concessional OCR lending; CWSS = Central and West Asia Social Sector Division; CWTC = Central and West Asia Transport and Communications Division; CWUW = Central and West Asia Urban Development and Water Division; EDU = education; GI = general intervention; Gov't = government; HLT = health; OCR = ordinary capital resources; OP1 = addressing remaining poverty and reducing inequalities; OP2 = accelerating progress in gender equality; OP3 = tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; OP4 = making cities more livable; OP5 = promoting rural development and food security; OP6 = strengthening governance and institutional capacity; OP7 = fostering regional cooperation and integration; PRF = project readiness financing; PSM = public sector management; RBL = results-based lending; TRA = transport; TRTA = transaction technical assistance; WUS = water supply and other urban infrastructure and services.

^a Given the provisional nature of the indicative lending program, the composition of lending instruments in the actual loan delivery may change.

Source: ADB estimates.

Table A3.2: Nonlending Products and Services, 2020–2022

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				Total (\$'000)
				ADB		Others		
				Source	Amount (\$'000)	Source	Amount (\$'000)	
2020 Firm								
Enhancing High-Value Crop Diversification	ANR	CWER, ARRM	KSTA	TASF	750.0			750.0
Livable Cities Project	TRA, WUS	CWUW	TRTA			TBD	1,500.0	1,500.0
Scaling up Innovation for Education Sector Development	EDU, PSM	ARRM, CWSS	KSTA			TBD	1,000.0	1,000.0
Support and Validation of Seismic Safety Improvement Program Indicators (second additional financing)	WUS, EDU	ARRM	TRTA	TASF	400.0			400.0
Social Sectors Reform Program (additional financing)	EDU, HLT, PSM	CWSS	TRTA	TASF	500.0			500.0
Support for Regional Cooperation and Integration	TRA, IND, PSM, PSD	ARRM, CWRC	KSTA	TASF	750.0			750.0
Strengthening Project Implementation and Country Safeguard Systems	PSM, ENV	ARRM; CWOD-PSG,	KSTA	TASF	500.0			500.0
Total					2,900.0		2,500.0	5,400.0
2021 Firm								
Digital Transformation of Armenia	IND, PSM, PSD	ARRM	KSTA			TBD	750.0	750.0
Regional Economic Corridor Improvement Project	TRA, PSM	CWTC	TRTA	TASF	800.0			800.0
Strengthening Knowledge for Inclusive Economic Growth	IND, PSM	ARRM, CWRC	KSTA	TASF	500.0			500.0
Sustainable Tourism and Cultural Heritage Policies and Plans Development	WUS, PSM	CWUW, ARRM, CWRC	KSTA			TBD	750.0	750.0
Support for Nationalization and Monitoring of Sustainable Development Goals	PSM	ARRM, CWRC	KSTA			TBD	500.0	500.0
Strengthening Women Entrepreneurship Skills in Armenia	IND, PSD	ARRM	KSTA			TBD	200.0	200.0
Total					1,300.0		2,200.0	3,500.0

Assistance Name	Sector	Division	Assistance Type	Sources of Funding			Total (\$'000)
				ADB	Others		
2022 Firm							
Investment Climate and Private Sector Development	IND, PSD	ARRM, CWPF	KSTA	TASF	750.0		750.0
Tech Solutions for Innovative economy	IND, PSD	ARRM	KSTA			TBD	1,000.0
Artificial Intelligence Enabled Sustainable City Management	WUS	CWUW, ARRM	KSTA			TBD	1,500.0
Fostering Circular Economy Cities and Towns of Armenia	WUS, ENV	CWUW, ARRM	KSTA	TASF	225.0	TBD	375.0
Strengthening Public Investment Management	PSM, FIN	CWPF, ARRM	KSTA	TASF	500.0		500.0
Total					1,475.0	2,875.0	4,350.0

ADB = Asian Development Bank; ANR = agriculture, natural resources, and rural development; ARRM = Armenia Resident Mission; CWER = Central and West Asia Environment, Natural Resources, and Agriculture Division; CWOD-PSG = Central and West Asia Portfolio, Results, Safeguard and Gender Unit; CWPF = Central and West Asia Public Management, Financial Sector, and Trade Division; CWRC = Central and West Asia Regional Cooperation and Operations Coordination Division; CWSS = Central and West Asia Social Sector Division; CWTC = Central and West Asia Transport and Communications Division; CWUW = Central and West Asia Urban Development and Water Division; EDU = education; ENV = environment; FIN = finance; HLT = health; IND = industry and trade; KSTA = knowledge and support technical assistance; PSD = private sector development; PSM = public sector management; TASF = Technical Assistance Special Fund; TBD = to be determined; TRA = transport; TRTA = transaction technical assistance; WUS = water and other urban infrastructure and services.

Source: ADB estimates.

ASSISTANCE PROGRAM FOR CURRENT YEAR

Table A4.1: Lending Products, 2019

Project/Program Name ^a	Sector	Poverty Targeting	Priority Area	Division	Year of TRTA/ PRF	Cost (\$ million)						
						ADB			Gov't	Co-finance		
						Regular OCR	COL	ADF Grants			Total	
Firm												
Second Public Efficiency and Financial Markets Program (PBL)	FIN, PSM	GI	OP6	CWPF	2019	40.0	40.0			40.0	0.0	0.0
Human Development Enhancement Program (PBL)	EDU, HLT, PSM	GI	OP1, OP2, OP6	CWSS	2017	10.0	10.0			10.0	0.0	0.0
Total						50.0	50.0			50.0	0.0	0.0

ADB = Asian Development Bank; ADF = Asian Development Fund; COL = concessional OCR lending; CWPF = Central and West Asia Public Management, Financial Sector, and Trade Division; CWSS = Central and West Asia Social Sector Division; EDU = education; FIN = finance; GI = general intervention; Gov't = government; HLT = health; OCR = ordinary capital resources; OP1 = addressing remaining poverty and reducing inequalities; OP2 = accelerating progress in gender equality; OP6 = strengthening governance and institutional capacity; PBL = policy-based lending; PRF = project readiness financing; PSM = public sector management; TRTA = transaction technical assistance.

^a Given the provisional nature of the indicative lending program, the composition of the lending instruments actually delivered may change. Investment lending accounted for 21.4% of sovereign lending commitments during 2016–2018 and conventional PBL made up 78.6%.

Source: ADB estimates.

Table A4.2: Nonlending Products and Services, 2019

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				
				ADB		Others		Total
				Source	Amount (\$'000)	Source	Amount (\$'000)	
Firm								
Second Public Efficiency and Financial Markets Support for Public Financial Management Reforms	FIN, PSM	CWPF	TRTA	TASF	750.0		750.0	
Support to Public Efficiency and Financial Markets Program (Additional Financing)	PSM, FIN	CWPF; ARRM	S-KSTA	TASF	220.0		220.0	
Transport and Trade Facilitation Strategy of Armenia 2020–2040	FIN, PSM	CWPF	KSTA	TASF	100.0		100.0	
	TRA, PSM	CWTC	KSTA	TASF	1,000.0		1,000.0	
Total					2,070.0		2,070.0	

ADB = Asian Development Bank; ARRM = Armenia Resident Mission; CWPF = Central and West Asia Public Management, Financial Sector, and Trade Division; CWTC = Central and West Asia Transport and Communications Division; FIN = finance; KSTA = knowledge and support technical assistance; PSM = public sector management; S-KSTA = small-scale knowledge and support technical assistance; TASF = Technical Assistance Special Fund; TRA = transport; TRTA = transaction technical assistance.

Source: ADB estimates.

INDICATIVE KNOWLEDGE PRODUCTS AND EVENTS

Table A5.1: Knowledge Products and Events for 2020

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic Group	Funding Source
1. Asian Development Outlook 2020 and Asian Development Outlook 2020 Update	Economics	Publication and documentation	ERCD	Non-TA
2. Country Fact Sheet 2020	Economics	Publication and documentation	DOC	Non-TA
3. Key Economic Indicators	Economics	Publication and documentation	ERCD	Non-TA
4. Education Sector Strategy to Support National Human Capital Development	Education	Publication and documentation	CWRD	TA 9456
5. Transport and Trade Facilitation Strategy	Transport, governance and public sector management	Publication and documentation	CWRD	TA 9793
6. Workshop on Regional Economic Corridor	Transport	Workshop	CWRD	TA 9793
Total number of publications = 5				
Total number of events = 1				

CWRD = Central and West Asia Department; DOC = Department of Communications; ERCD = Economic Research and Regional Cooperation Department; TA = technical assistance.

Note: "Publications" may include databases, multimedia, and other forms of documentation. "Events" may include event organization and training or capacity development.

Source: Asian Development Bank.

Table A5.2: Additional Knowledge Products and Events Delivered in 2019

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic	
			Group	Funding Source
1. Industrial Strategy (innovation, science, and technology based) for Armenia	Industry and trade	Publication and documentation	CWRD	TA 9045
2. Future Jobs Study	Education	Publication and documentation	CWRD	TA 9456
3. Analysis of Economic Opportunities Associated with Armenia's New Trade Regime	Economics	Publication and documentation	CWRD	TA 9698
4. Armenia Country Gender Assessment	Gender	Publication and documentation	CWRD	TA 9088
5. Armenia National Urban Assessment	Urban development	Publication and documentation	CWRD	TA 9474-REG
6. Governance Risk Assessment	Governance and public sector management	Publication and documentation	SDCC	TA 9061-REG
7. Workshop on Economic Opportunities Associated with Armenia's New Trade Regime	Economics	Workshop	CWRD	TA 9698
8. Public-Private Partnership Capacity Building Program	Finance, governance and public sector management	Training and capacity development	CWRD	TA 9332
9. Wine Sector Case Study	Industry and Trade	Publication and documentation	CWRD	TA 9045
10. Practical Use of FIDIC Forms of Contract	Governance and public sector management	Training and capacity development	PPFD	Non-TA
11. Workshop on Future Strategic Thinking and Foresight for Development Planning	Governance and public sector management	Training and capacity development	SDCC	TA 9619-REG
12. Defining a Strategy for Improving the Quality of Health Services	Health	Workshop	CWRD	TA 9456
13. Roadmap for the implementation of effective E-Health system in Armenia	Health, information and communication technology	Workshop	CWRD	TA 9456
14. Health Financing	Health, finance	Workshop	CWRD	TA 9456
Total number of publications = 8				
Total number of events = 7				

CWRD = Central and West Asia Department; ERCD = Economic Research and Regional Cooperation Department; FIDIC = International Federation of Consulting Engineers; PPFD = Procurement, Portfolio and Financial Management Department; SDCC = Sustainable Development and Climate Change Department; REG = regional; TA = technical assistance.

Note: "Publications" may include databases, multimedia, and other forms of documentation. "Events" may include event organization and training or capacity development.

Source: Asian Development Bank.

Table A5.3: Innovation, Advanced Technology, and Pilot Initiatives to be Implemented in 2020

Item	Nature	Project Number	Sector or Theme	Division
Economic Corridor	TBD	TBD	TRA	CWTC
Health pilots	TBD	TBD	HLT, PSM	CWSS
Total number of innovation, advanced technology, and pilot initiatives = 2				

CWSS = Central and West Asia Social Sector Division, CWTC = Central and West Asia Transport and Communications Division, HLT = health, PSM = public sector management, TBD = to be determined, TRA = transport.

Source: Asian Development Bank.