



Country Operations Business Plan

December 2014

Armenia
2015–2017

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 December 2014)

Currency unit	–	dram (AMD)
AMD1.00	=	\$0.0021
\$1.00	=	AMD467.7000

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
COBP	–	country operations business plan

NOTE

In this report, "\$" refers to US dollars.

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I. CONSISTENCY OF THE BUSINESS PLAN WITH THE COUNTRY PARTNERSHIP STRATEGY

1. The country operations business plan (COBP), 2015–2017 of the Asian Development Bank is consistent with its draft country partnership strategy (CPS), 2014–2018 for Armenia,¹ the findings from the recent Midterm Review of Strategy 2020,² and the government's Armenia Development Strategy, 2014–2025³ and its program for 2014–2017.⁴ The COBP also takes into account Armenia's graduation from Asian Development Fund (ADF) concessional financing in 2017.⁵

2. The main objective of the Armenia Development Strategy is to increase employment through creation of quality and high-productivity jobs. The overarching goal of the country partnership strategy is to help Armenia integrate its economy regionally and rebalance it toward more resilient, inclusive, and environmentally sustainable growth. This includes support to the (i) transport, (ii) water and other urban infrastructure and services, and (iii) energy sectors. These sectors are among the government's priorities, and in line with ADB's strengths and experience.

3. This COBP supports (i) transport by focusing on improving urban roads in Yerevan and in secondary towns, (ii) water and other urban infrastructure and services by focusing on urban environments and on supporting targeted interventions in secondary towns, and (iii) energy by helping enhance energy security through the diversification of energy sources and rehabilitation and upgrade of electricity transmission and distribution networks. In addition, ADB will support reforms that will build public sector capabilities and efficiently allocate public finances to ensure infrastructure sustainability through planning, governance, and adequate funding for operations and maintenance, as well as improving the enabling environment for women entrepreneurs through enhanced policy coordination.

4. In consultations with ADB during May–September 2014, the government confirmed the overall validity of the assistance pipeline under this COBP, but requested flexibility from ADB for possible additional financing to meet emerging needs.

II. INDICATIVE RESOURCE PARAMETERS

5. Armenia is eligible for financing from the ADF and ordinary capital resources (OCR). Armenia's indicative ADF allocation is \$116 million for 2015–2016. The final country allocation of ADF resources will be subject to available ADF commitment authority and the outcome of the country performance assessments. The indicative OCR allocation is \$304 million for 2015–2017. The OCR allocation for 2017 has been increased to compensate for loss of access to ADF resources.

6. ADB will strengthen its nonfinancial contributions to Armenia's development, emphasizing innovation and value addition by bringing new international practices and pilot projects to Armenia. The nonlending technical assistance program is about \$7.0 million for

¹ The draft CPS is in the final stages of preparation with consideration by the ADB Board of Directors envisaged for Q1 2015.

² ADB. 2014. *Midterm Review of Strategy 2020: Meeting Challenges of a Transforming Asia and Pacific*. Manila.

³ Government of Armenia. 2014. *Armenia Development Strategy for 2014–2025*. Yerevan.

⁴ Government of Armenia. 2014. *Republic of Armenia Government Program for 2014–2017*. Yerevan.

⁵ In August 2014, the ADB Board of Directors approved the reclassification of Armenia for the purpose of access to ordinary capital resources, and its graduation from the ADF resources, effective 1 January 2017.

2015–2017. The technical assistance grants will be extended for project preparation and implementation support, demand-led reforms, and capacity development.

7. ADB will continue efforts to mobilize cofinancing from other development partners.

8. ADB will consider supporting key sectors of the economy through private sector financing. Such support will aim to promote export-oriented industries in such areas as logistics, natural resources, and information technologies, and to introduce international best practices in corporate responsibility and performance.

INDICATIVE ASSISTANCE PIPELINE

Table A1.1: Lending Products, 2015–2017

Project/Program Name	Sector	Poverty Targeting	Strategic Agendas and Drivers of Change	Division	Year of PPTA/PDA	Cost (\$ million)						
						Total	OCR	ADB		Total	Gov't	Co-finance
								Loans	Grants			
2015 Firm												
MFF Sustainable Urban Development Investment Program, Tranche 2 (Yerevan Bypass) ^a	TRA	GI	IEG, PSD	CWUW	2008	95.0	0.0	80.0		80.0	15.0	0.0
Total						95.0	0.0	80.0		80.0	15.0	0.0
2015 Standby												
Solid Waste Management Project ^b	WUS	GI	ESG, GCD	CWUW	2011	24.0	0.0	20.0		20.0	4.0	0.0
Total						24.0	0.0	20.0		20.0	4.0	0.0
2016 Firm												
Infrastructure Sustainability Support Program, Phase 2	TRA, WUS, PSM	GI	IEG, GCD, PAR	CWPF	2015	60.0	60.0	0.0		60.0	0.0	0.0
Renewable Energy Project	ENE	GI	ESG, PSD	CWEN	2015	20.0	20.0	0.0		20.0	0.0	0.0
MFF Sustainable Urban Development Investment Program, Tranche 3 (Secondary Towns)	TRA	GI	IEG, PSD	CWUW	2008	57.0	13.0	36.0		49.0	8.0	0.0
Total						137.0	93.0	36.0		129.0	8.0	0.0
2016 Standby												
Solid Waste Management Project	WUS	GI	ESG, GCD	CWUW	2011	24.0	0.0	20.0		20.0	4.0	0.0
Total						24.0	0.0	20.0		20.0	4.0	0.0

Project/Program Name	Sector	Poverty Targeting	Strategic Agendas and Drivers of Change	Division	Year of PPTA/PDA	Cost (\$ million)						
						Total	OCR	ADB		Total	Gov't	Co-finance
								Loans	Grants			
2017 Firm												
Women Entrepreneurship Support Sector Development Program, Phase 2	FIN	GI	IEG,GEM, PSD	CWPF	2016	60.0	60.0	0.0		60.0	0.0	0.0
Power Transmission Rehabilitation Project, Phase 2	ENE	GI	IEG, ESG, GCD,PAR	CWEN	2016	40.0	35.0	0.0		35.0	5.0	0.0
Water Supply and Sanitation Improvement Project	WUS	TI-M	IEG, ESG, GCD, PAR	CWUW	2016	50.0	45.0	0.0		45.0	5.0	0.0
MFF Sustainable Urban Development Investment Program, Tranche 4	WUS	GI	IEG, ESG, GEM	CWUW	2008	51.0	43.0	0.0		43.0	8.0	0.0
Total						201.0	183.0	0.0		183.0	18.0	0.0

ADB = Asian Development Bank; ADF = Asian Development Fund; CWEN = Energy Division; CWPF = Public Management, Financial Sector, and Trade Division; CWUW = Urban Development and Water Division; ENE = energy; ESG = environmentally sustainable growth; FIN = finance; GCD = governance and capacity development; GEM = gender equity and mainstreaming; GI = general intervention; Gov't = government; IEG = inclusive economic growth; MFF = multitranches financing facility; OCR = ordinary capital resources; PAR = partnerships; PSD = private sector development; PDA = project design advance; PPTA = project preparatory technical assistance; PSM = public sector management; TI-M = MDG targeting; TRA = transport; WUS = water and other urban infrastructure and services.

^a The government requested flexibility from ADB in determining the final loan amount to meet emerging needs.

^b The Solid Waste Management Project is pending the government's review and approval of the feasibility study, which should be available in early 2015. ADF resources are tentatively indicated for this project, but in the meantime all ADF resources are allocated for other, firm projects. If the Solid Waste Management Project proves feasible and acceptable to the government, ADF resources will be reallocated from the firm projects to the Solid Waste Management Project.

Source: ADB estimates.

Table A1.2: Nonlending Products and Services, 2015–2017

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				Total (\$'000)
				ADB		Others		
				Source	Amount (\$'000)	Source	Amount (\$'000)	
2015								
Preparing Infrastructure Sustainability Support Program, Phase 2	TRA, WUS, PSM	CWPF	PPTA	TASF	500.0		0.0	500.0
Support for Industrial Development Renewable Energy Project	IND	CWPF	PATA	TASF	1,000.0		0.0	1,000.0
Developing Women's Businesses in Northern Armenia	ENE	CWEN	PPTA	TASF	300.0		0.0	300.0
	FIN	CWPF	PATA			TBD	500.0	500.0
Total					1,800.0		500.0	2,300.0
2016								
Infrastructure Sustainability Support Program, Phase 2	TRA, WUS, PSM	CWPF	CDTA	TASF	500.0		0.0	500.0
Power Transmission Rehabilitation Project, Phase 2	ENE	CWEN	S-PPTA	TASF	220.0		0.0	220.0
Multimodal Regional Transport Planning and Analysis	TRA	CWTC	PATA	TASF	1,000.0		0.0	1,000.0
Women Entrepreneurship Support Sector Development Program, Phase 2	FIN	CWPF	PPTA	TASF	500.0			500.0
Low-Cost Sanitation Options (Pilot)	WUS	CWUW	S-PATA			TBD	150.0	150.0
Sector-Wide Approach for Water and Sanitation	WUS	CWUW	PPTA		800.0			800.0
Road Safety	TRA	CWTC	S-PATA	TASF	225.0			225.0
Total					3,245.0		150.0	3,395.0
2017								
Facility for Policy Reform and Poverty Reduction	IND, PSM	ARRM	PATA	TASF	500.0		0.0	500.0
Promoting Innovations in Clean Energy Development	ENE	CWEN	PATA	TASF	300.0		0.0	300.0
Support for Sustainable Development in the Energy Sector	ENE	CWEN	PATA	TASF	500.0		0.0	500.0
Total					1,300.0		0.0	1,300.0

ADB = Asian Development Bank; ARRM = Armenia Resident Mission; CDTA = capacity development technical assistance; CWEN = Energy Division; CWPF = Public Management, Financial Sector, and Trade Division; CWTC = Transport and Communications Division; CWUW = Urban Development and Water Division; ENE = energy; FIN = finance; IND = industry and trade; MUL = multisector; PATA = policy and advisory technical assistance; PPTA = project preparatory technical assistance; PSM = public sector management; S-PATA = small-scale policy and advisory technical assistance; S-PPTA = small-scale project preparatory technical assistance; TASF = Technical Assistance Special Fund; TBD = to be determined; TRA = transport; WUS = water and other urban infrastructure and services.

Source: ADB estimates.

ASSISTANCE PROGRAM FOR CURRENT YEAR

Table A2.1: Lending Products, 2014

Project/Program Name	Sector	Poverty Targeting	Strategic Agendas and Drivers of Change	Division	Year of PPTA/PDA	Cost (\$ million)						
						Total	OCR	ADB		Total	Gov't	Co-finance
								Loans	Grants			
2014 Firm												
Infrastructure Sustainability Support Program, Phase 1	TRA, WUS, PSM	GI	IEG, GCD, PAR	CWPF	2012	49.0	0.0	49.0		49.0	0.0	0.0
Power Transmission Rehabilitation Project, Phase 1	ENE	GI	IEG, ESG, GCD, PAR	CWEN	2012	80.0	0.0	37.0		37.0	13.0	30.0 (EBRD)
Total						129.0	0.0	86.0		86.0	13.0	30.0

ADB = Asian Development Bank; ADF = Asian Development Fund; CWEN = Energy Division; CWPF = Public Management, Financial Sector, and Trade Division; EBRD = European Bank for Reconstruction and Development; ENE = energy; ESG = environmentally sustainable growth; GCD = governance and capacity development; GI = general intervention; Gov't = government; IEG = inclusive economic growth; OCR = ordinary capital resources; PAR = partnerships; PDA = project design advance; PPTA = project preparatory technical assistance; PSM = public sector management.

Source: ADB estimates.

Table A2.2: Nonlending Products and Services, 2014

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				Total (\$'000)
				ADB		Others		
				Source	Amount (\$'000)	Source	Amount (\$'000)	
2014								
Solid Waste Management Solutions for Remote and Small Communities	WUS	ARRM	PATA		0.0	JFPR	550.0	550.0
Infrastructure Sustainability Support Program, Phase 1	PSM	CWPF	CDTA	TASF	900.0		0.0	900.0
Water Asset Assessment in Water Networks	WUS	CWUW	S-PATA		0.0	WFPF	180.0	180.0
Total					900.0		730.0	1,630.0

ADB = Asian Development Bank; ARRM = Armenia Resident Mission; CDTA = capacity development technical assistance; CWPF = Public Management, Financial Sector, and Trade Division; CWUW = Urban Development and Water Division; JFPR = Japan Fund for Poverty Reduction; PATA = policy and advisory technical assistance; PSM = public sector management; S-PATA = small-scale policy and advisory technical assistance; TASF = Technical Assistance Special Fund; WFPF = Water Financing Partnership Facility; WUS = water and other urban infrastructure and services.

Source: ADB estimates.