



Country Operations Business Plan

September 2020

Armenia
2021–2023

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Asian Development Bank

CURRENCY EQUIVALENTS
(as of 24 August 2020)

Currency unit	–	dram (AMD)
AMD1.00	=	\$0.0021
\$1.00	=	AMD485.47

ABBREVIATIONS

ADB	–	Asian Development Bank
COBP	–	country operations business plan
COVID-19	–	coronavirus disease
CPS	–	country partnership strategy
TA	–	technical assistance

NOTE

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

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^a Outposted to the Armenia Resident Mission.

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CONTENTS

	Page
I. CONSISTENCY OF BUSINESS PLAN WITH COUNTRY PARTNERSHIP STRATEGY	1
II. INDICATIVE RESOURCE PARAMETERS	1
III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS	2
APPENDIXES	
1. Country Assistance Results Areas	3
2. List of Linked Documents	5
3. Indicative Assistance Pipeline	6
4. Assistance Program for Current Year	8
5. Indicative Knowledge Products and Events	10

I. CONSISTENCY OF BUSINESS PLAN WITH COUNTRY PARTNERSHIP STRATEGY

1. The country operations business plan (COBP), 2021–2023 of the Asian Development Bank (ADB) is consistent with its country partnership strategy (CPS), 2019–2023 for Armenia.¹ The strategic objective of ADB's CPS is to support the government's efforts to ensure diversified growth and widen inclusiveness. The planned program in ADB's 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 well-aligned also with all seven operational priorities of ADB's Strategy 2030.²

2. The COBP is aligned closely with the program of the Government of Armenia for 2019–2023, which supports the development of an export-oriented and inclusive economy that meets 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.

II. INDICATIVE RESOURCE PARAMETERS

3. The outbreak of the coronavirus disease (COVID-19) pandemic has resulted in a high undisbursed balance of capital expenditures committed by the government and generated project implementation challenges, which has constrained the government's borrowing capacity and affected portfolio performance during 2020.⁴

4. To counteract the socioeconomic impacts of COVID-19 and as an immediate response, ADB approved a \$500,000 regional technical assistance (TA) project for procurement of personal protective equipment and other medical supplies for Armenia.⁵ In addition, ADB approved a \$2 million grant from the Asia Pacific Disaster Response Fund, financed by the Government of Japan, which will support the government's life-saving efforts to protect people from COVID-19.⁶ To ensure quality and continuous education, ADB also reprioritized the nonlending pipeline and approved a TA for Distance Education for Resilience (\$750,000), which will help develop and operationalize a distance education platform.⁷ ADB will continue to support improvements in the health infrastructure and services to build capacity of the government to deal with future health emergencies and disease outbreaks, including through a results-based loan for Health System Transformation Project included in the pipeline for 2022. ADB will also provide advisory and knowledge support under new and ongoing TA projects.

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 The 2020 state budget envisages a 30.7% increase in capital expenditures to an equivalent of 4.1% of gross domestic product in 2020. The undisbursed balance of loan projects committed by the government is estimated at \$0.94 billion by the end of 2020 versus \$1.3 billion at the end of 2019.

⁵ ADB. 2020. [Technical Assistance for Regional Support to Address the Outbreak of Coronavirus Disease 2019 and Potential Outbreaks of Other Communicable Diseases](#). Manila.

⁶ ADB. 2020. [Report and Recommendation of the President to the Board of Directors: Proposed Grant to Armenia for COVID-19 Emergency Response](#). Manila.

⁷ ADB. 2020. [Technical Assistance to Armenia for Distance Education for Resilience Project](#). Manila.

5. Armenia, a group C developing member country, is eligible for regular ordinary capital resources lending. The indicative resources available for commitment during 2021–2023 for sovereign operations total \$197.4 million. The total firm lending pipeline for 2021–2023 indicated in Table A3.1, Appendix 3 is \$160.0 million for selected priority projects. This is subject to availability of resources and project readiness. Any policy-based lending operations for 2021–2023 will be subject to availability of resources and headroom under ADB’s policy-based lending ceiling. Cofinancing and funding from other sources will be explored.

6. ADB will continue to expand nonsovereign operations and maximize the synergies between sovereign and nonsovereign operations. Sovereign support will leverage private sector expertise and investments to enhance the effectiveness of public investments, strengthen services, and promote sustainability. To ensure the “One ADB” approach, new and ongoing sovereign projects in the infrastructure and social sectors, where appropriate, will be structured in ways that further promote private sector participation and crowd in nonsovereign financing. Nonsovereign financing, public–private partnerships, and other innovative solutions and support will also be pursued for private sector companies in the agribusiness, information technologies, finance, and other infrastructure sectors.

7. The indicative nonlending TA program is \$3.8 million for 2021–2023. Trust funds and financing facilities administered by ADB for TA programs will be explored and used.

III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

8. **Lending products.** Changes in ADB’s COBP, 2020–2022 lending program are:⁸

- (i) **Transport.** The Regional Economic Corridor Improvement Project (\$100 million), which will improve regional connectivity and transport links, was deferred from firm in 2022 to firm in 2023.
- (ii) **Water and other urban infrastructure and services.** The Livable Cities Project (firm in 2021), which will improve the urban environment in selected towns, was renamed the Smart Regional Territorial Development Project and the loan amount was reduced from \$50 million to \$25 million.
- (iii) **Education.** The Education Sector Strengthening Project results-based loan (\$50 million) was moved from standby in 2020 (firm in 2021) to standby in 2023. The project will build on the results and outcomes of the Human Development Enhancement Program policy-based loan⁹ and the Seismic Safety Improvement Program results-based loan.¹⁰

9. **Nonlending products.** The nonlending program was revised to reflect the government’s requests for knowledge and innovation support and capacity development.

10. 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 products and events for 2021 is in Appendix 5.

⁸ ADB. 2019. [Armenia: Country Operations Business Plan, 2020-2022](#). Manila.

⁹ ADB. 2019. [Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan to Armenia for the Human Development Enhancement Program](#). Manila.

¹⁰ ADB. 2015. [Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loan and Technical Assistance Grant to Armenia for the Seismic Safety Improvement Program](#). Manila.

COUNTRY ASSISTANCE RESULTS AREAS

Key Country Development Outcomes that ADB Contributes to	ADB		
	Key Areas of Assistance	Indicative Resource Available for Commitment in 2021–2023 ^a	Changes from Last COBP
1. Transport (CPS strategic pillar 1: Priority infrastructure investments; CPS 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 public–private partnerships</p> <p>Increased regional sovereign financing on economic corridor development and cross-border infrastructure improvements mobilized</p> <p>Capacity to mobilize financing; implement and evaluate gender-responsive, low-carbon, and climate-resilient investments in urban and transport sectors strengthened</p>	<p>Road transport (non-urban)</p> <p>Transport policies and institutional development</p>	<p>Amount: \$105.0 million (regular OCR)</p> <p>Share of the COBP envelope: 65.6%</p>	<p>The indicative resource allocation was decreased because the loan amount for the Smart Regional Territorial Development Project was reduced from \$50 million to \$25 million.</p>
2. Water and Other Urban Infrastructure and Services (CPS 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>Capacity to mobilize financing; implement and evaluate gender-responsive, low-carbon, and climate-resilient investments in urban and transport sectors strengthened</p>	<p>Other urban services</p> <p>Urban policy, institutional and capacity development</p>	<p>Amount: \$20.0 million (regular OCR)</p> <p>Share of the COBP envelope: 12.6%</p>	<p>The indicative resource allocation was decreased because the loan amount for the Smart Regional Territorial Development Project was reduced from \$50 million to \$25 million.</p>
3. Health (CPS strategic pillar 2: Targeted service delivery improvements)			
<p>Share of households’ out-of-pocket expenditure in total current health expenditures reduced</p>	<p>Health system development</p> <p>Health insurance</p> <p>Health care finance</p>	<p>Amount: \$17.5 million (regular OCR)</p> <p>Share of the COBP envelope: 10.9%</p>	<p>The key country development outcome that ADB contributes to was changed from “Improved preparedness and resilience to geophysical and</p>

Key Country Development Outcomes that ADB Contributes to	ADB		
	Key Areas of Assistance	Indicative Resource Available for Commitment in 2021–2023 ^a	Changes from Last COBP
Preparedness and resilience to health pandemics improved	Health sector development and reform		weather hazards, particularly earthquakes” to “Improved preparedness and resilience to health pandemics”.
4. Public Sector Management (CPS Strategic pillar 2: Targeted service delivery improvements)			
Public expenditure management and public service delivery strengthened	Public administration Public expenditure and fiscal management	Amount: \$17.5 million (regular OCR) Share of the COBP envelope: 10.9%	The key country development outcome that ADB contributes to was changed from “Improved preparedness and resilience to geophysical and weather hazards, particularly earthquakes” to “Public expenditure management and public service delivery strengthened”. The indicative resource allocation was decreased because the Education Sector Strengthening Project results-based loan was moved from firm in 2021 to standby in 2023.

ADB = Asian Development Bank, COBP = country operations business plan, CPS = country partnership strategy, OCR = ordinary capital resources.

^a The shares were calculated by using a denominator of \$160.0 million, which is the sum of expected ADB lending under firm operations during 2021–2023.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/COBP/?id=ARM-2021>

1. Portfolio at a Glance: Armenia

INDICATIVE ASSISTANCE PIPELINE

Table A3.1: Lending Products, 2021–2023

Project/Program Name ^a	Sector	Poverty Targeting	Operational Priority	Division	Year of TRTA/ PRF	Cost (\$ million)					
						ADB			Gov't	Co-finance	
						Regular OCR	COL	ADF Grants			Total
2021 Firm											
Smart Regional Territorial Development Project	WUS, TRA	GI	OP1, OP3, OP4, OP5	CWUW	2020	30.0	25.0		25.0	5.0	0.0
Total						30.0	25.0		25.0	5.0	0.0
2022 Firm											
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
2023 Firm											
Regional Economic Corridor Improvement Project	TRA	GI	OP1, OP6, OP7	CWTC	2021	110.0	100.0		100.0	10.0	0.0
Total						110.0	100.0		100.0	10.0	0.0
2023 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
High-Value Crop Value Chain Development	ANR	GI	OP1, OP3, OP5	CWER	2020	90.0	80.0		80.0	10.0	0.0
Total						145.0	130.0		130.0	15.0	0.0

ADB = Asian Development Bank; ADF = Asian Development Fund; ANR = agriculture, natural resources, and rural development; ARRM = Armenia Resident Mission, Central and West Asia Department; COL = concessional OCR lending; CWER = Environment, Natural Resources, and Agriculture Division, Central and West Asia Department; CWSS = Social Sector Division, Central and West Asia Department; CWTC = Transport and Communications Division, Central and West Asia Department; CWUW = Urban Development and Water Division, Central and West Asia Department; 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 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: Asian Development Bank estimates.

Table A3.2: Nonlending Products and Services, 2021–2023

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				Total (\$'000)
				ADB		Others		
				Source	Amount (\$'000)	Source	Amount (\$'000)	
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
Supporting Health Systems Transformation	HLT, PSM	CWSS	TRTA			TBD	750.0	750.0
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
Yerevan Thermal Power Plant Decommissioning and Restructuring	ENE	CWEN, ARRM	KSTA	TASF	500.0			500.0
Project Implementation and Country Safeguard Systems in Pandemic or Post-Pandemic Environment	PSM, ENV	ARRM; CWOD-PSG,	KSTA	TASF	500.0			500.0
Strengthening Women Entrepreneurship Skills in Armenia	IND, PSD	ARRM	KSTA			TBD	200.0	200.0
Total					1,800.0		2,950.0	4,750.0
2022 Firm								
Tech Solutions for Innovative Economy	IND, PSD	ARRM	KSTA			TBD	1,000.0	1,000.0
New Frontiers of Policymaking Using Big Data	PSM	CWRC, ARRM	KSTA	TASF	225.0			225.0
Strengthening Public Investment Management and Fiscal Governance	PSM, FIN	CWPF, ARRM	KSTA	TASF	750.0			750.0
Total					975.0		1,000.0	1,975.0
2023 Firm								
Joint Government of Armenia–ADB Knowledge and Experience Exchange Program	IND, PSD	CWRC, ARRM	KSTA	TASF	250.0			250.0
Investment Climate and Private Sector Development	IND, PSD	ARRM	KSTA	TASF	750.0			750.0
Total					1,000.0			1,000.0

ADB = Asian Development Bank; ARRM = Armenia Resident Mission, Central and West Asia Department; Central and West Asia Department; CWEN = Energy Division, Central and West Asia Department; CWOD-PSG = Portfolio, Results, Safeguard, and Gender Unit, Central and West Asia Department; CWPF = Public Management, Financial Sector, and Trade Division, CWRC = Regional Cooperation and Operations Coordination Division, Central and West Asia Department; CWSS = Social Sectors Division, Central and West Asia Department; CWTC = Transport and Communications Division, Central and West Asia Department; CWUW = Urban Development and Water Division, Central and West Asia Department; ENE = energy; 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: Asian Development Bank estimates.

ASSISTANCE PROGRAM FOR CURRENT YEAR

Table A4.1: Lending Products, 2020

Project/Program Name ^a	Sector	Poverty Targeting	Operational Priority Area	Division	Year of TRTA/ PRF	Cost (\$ million)					Co-finance	
						Total	ADB			Gov't		
							Regular OCR	COL	ADF Grants			Total
Firm												
COVID-19 Emergency Response ^b	HLT, PSM	GI	OP6	ARRM, CWSS		2.0				2.0	0.0	0.0
Total						2.0				2.0	0.0	0.0

ADB = Asian Development Bank; ADF = Asian Development Fund; ARRM = Armenia Resident Mission, Central and West Asia Department; COL = concessional OCR lending; COVID-19 = coronavirus disease; CWSS = Social Sector Division, Central and West Asia Department; GI = general intervention; Gov't = government; HLT = health; OCR = ordinary capital resources; OP6 = strengthening governance and institutional capacity; 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 0% of sovereign lending commitments during 2017-2019 and conventional PBL made up 100.0%.

^b Special assistance grant, financed by Asia Pacific Disaster Response Fund.

Source: Asian Development Bank estimates.

Table A4.2: Nonlending Products and Services, 2020

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				Total (\$'000)
				ADB		Others		
				Source	Amount (\$'000)	Source	Amount (\$'000)	
Firm								
Enhancing High-Value Crop Diversification	ANR, IND	CWER, ARRM	KSTA	TASF	750.0			750.0
Smart Regional Territorial Development Project	TRA, WUS	CWUW	TRTA	TASF	500.0	CDIA	500.0	1,000.0
Artificial Intelligence-Enabled Sustainable City Management	WUS	CWUW, ARRM	KSTA			CEFPF	1,000.0	1,000.0
Distance Education for Resilience Project	EDU, PSM	ARRM, CWSS	KSTA	TASF	750.0			750.0
Support and Validation of Seismic Safety Improvement Program Indicators (additional financing)	WUS, EDU	ARRM	TRTA	TASF	180.0			180.0
Social Sectors Reform Program (additional financing)	EDU, HLT, PSM	CWSS	TRTA	TASF	500.0			500.0
Establishing an Integrated Geoportal to Process, Maintain and Exchange Standardized Spatial Data	WUS, PSM	CWUW	KSTA			TBD	1,300.0	1,300.0
Total					2,680.0		2,800.0	5,480.0

ADB = Asian Development Bank; ANR = agriculture, natural resources, and rural development; ARRM = Armenia Resident Mission, Central and West Asia Department; CDIA = Cities Development Initiative for Asia; CEFPF = Clean Energy Financing Partnership Facility; CWER = Environment, Natural Resources, and Agriculture Division, Central and West Asia Department; CWSS = Social Sectors Division, Central and West Asia Department; CWUW = Urban Development and Water Division, Central and West Asia Department; EDU = education; HLT = health; IND = industry and trade; KSTA = knowledge and support technical assistance; 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: Asian Development Bank estimates.

INDICATIVE KNOWLEDGE PRODUCTS AND EVENTS

Table A5.1: Knowledge Products and Events for 2021

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic Group	Funding Source
Asian Development Outlook 2021 and Asian Development Outlook 2021 Update	Economics	Publication and documentation	ERCDC	TA
Country Fact Sheet 2021	Economics	Publication and documentation	DOC	Non-TA
Key Economic Indicators	Economics	Publication and documentation	ERCDC	TA 9920-REG
Transport and Trade Facilitation Strategy	Transport, governance, and public sector management	Publication and documentation	CWRD	TA 9793-ARM
Workshop on Regional Economic Corridor	Transport	Workshop	CWRD	TA 9793-ARM
Workshop on Trade and Regional Cooperation	Trade	Workshop	CWRD	TA 9698-ARM
Total number of publications = 4				
Total number of events = 2				

ARM = Armenia, CWRD = Central and West Asia Department, DOC = Department of Communications, ERCDC = Economic Research and Regional Cooperation Department, REG = regional, TA = technical assistance.

Source: Asian Development Bank.

Table A5.2: Additional Knowledge Products and Events Delivered in 2020

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic Group	Funding Source
Teachers Professional Standards	Education	Publication and documentation	CWRD	TA 9456-ARM
Psychological Support to Provide Online Education	Education	Capacity development	CWRD	TA 9769-REG
Support to Civil Aviation Committee of Armenia	Governance and public sector management	Capacity development	CWRD	Non-TA
Support to UNDP Impact Aim Agritech Technology Ventures to Pilot, Deploy, and Scale Up Their Impact and Business Models in Armenia and Overseas	Tech and information technology ecosystem development	Capacity development	PSOD/CWRD	TA 9620- REG
Urban Development for Sustainable Economic Recovery in Armenia	Governance and public sector management	Publication and documentation	CWRD	Non-TA
Development of an Actuarial Model for Costing Universal Health Coverage in Armenia	Health, finance	Publication and documentation	CWRD	TA 9456-ARM
Manual on the Simple Linear Actuarial Model	Health, finance	Publication and documentation	CWRD	TA 9456-ARM
Analysis of Economic Opportunities Associated with Armenia's Trade Regime	Trade	Publication and documentation	CWRD	TA 9698-ARM
Total number of publications = 5				
Total number of events = 3				

ARM = Armenia, CWRD = Central and West Asia Department, PSOD = Private Sector Operations Department, REG = regional, TA = technical assistance, UNDP = United Nations Development Programme.
Source: Asian Development Bank.

Table A5.3: Innovation, Advanced Technology, and Pilot Initiatives to be Implemented in 2021

Item	Nature	Project Number	Sector or Theme	Division
Distance Education Platform	INO, TCH	TBD	EDU	ARRM

Total number of innovation, advanced technology, and pilot initiatives = 1

ARRM = Armenia Resident Mission; EDU = education; INO = innovation; TBD = to be determined; TCH = advanced technology.

Source: Asian Development Bank.