COUNTRY PROGRAM SNAPSHOT

World Bank – Armenia Partnership
April 2016
RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

Growth Performance

GDP growth slowed to 3.0 percent in 2015 in light of weakening external conditions, in particular Russia's recession. Despite reduced exports to and remittances from Russia, growth was stronger than expected due to one-off factors, including a good agriculture harvest and the opening of a new copper mine (figure 1). The agriculture sector grew by more than 11 percent and contributed 2.1 percentage points to GDP growth. Industrial production grew 5.2 percent, primarily reflecting growth in the mining sector, as other manufacturing branches, including food and beverage production, contracted. Other sectors, including services and construction, either remained stagnant or continued on a slight decline (figure 2). The demand side of GDP remained constrained, reflecting the reduced imports and remittances from Russia. This was manifested in a protracted consumption slump and deep decline in retail trade by -8.0 percent in 2015 (year-on-year).

Figure 1. Real GDP Growth (percent)

The economic activity index increased by 5.5 percent in January 2016 (year-on-year), supported by the tradable sector. The relative boost in economic activity, including the agri-export expansion, is explained by the low base levels of one year ago. Although the increase is positive news for the economy, it is still unclear whether this trend will continue.

Figure 2. Contribution of Tradable and Non-Tradable Sectors (percentage points)

Inflation and Monetary Policy

Monetary policy was tight during the first half of 2015 but eased in the second half, as inflationary pressures receded. A good agriculture harvest, lower international food prices, and weak domestic demand resulted in average annual inflation of minus 0.1 percent in 2015, well below the Central Bank of Armenia’s (CBA) target range of 4±1.5 percent. Inflation remained muted in January 2016, with a 0.4 percent reduction in the consumer price index helped by a 4 percent decline in food prices.

Fiscal Performance

The Government introduced a fiscal stimulus in 2015 to support weakening economic activity, which led to the widening of the fiscal deficit. The fiscal position deteriorated, especially during the first half of 2015, reflecting slowing economic activity in the tax-generating sectors and the fact that overall growth was supported largely by tax-exempt agriculture. The fiscal stimulus consisted of a combination of tax relief and increased spending in infrastructure investment, an accelerated schedule for a value added tax (VAT) refund to mining companies, more social protection spending, and subsidized lending. The resulting fiscal deficit of an estimated 4.9 percent of GDP (compared to 2 percent in 2014) was financed exclusively by external borrowing, including Eurobonds and budget support from the Eurasian Economic Union’s Anti-Crisis Fund (ACF/EEU entitled Enterprises (SMEs), provides subsidized loans to SMEs as well as business support services, including the preparation of commercial loan applications. The second channel was subsidized commercial bank lending to farmers.

1 For the analysis in this section, tradable branches are industry and agriculture, and non-tradable branches are construction and services.
2 The Government increased lending via two programs: the first, operated by the Ministry of Economy’s National Center for Small and Medium-Sized
and the World Bank, leading to a buildup of government debt to 49 percent of GDP. Some of the domestic sources of deficit financing, namely proceeds from the privatization of a large sports complex, did not materialize, adding to overall fiscal pressure in 2015.

**External Sector Performance**

The current account deficit narrowed in 2015 due to the sharp contraction in imports. Imports fell by 26.5 percent in 2015 and by 22 percent in January 2016 (year-on-year). Despite the decline in exports to Russia, there was only a marginal drop in overall exports of 3.9 percent because of higher trade with China and the Middle East. Exports to the EEU contracted by 27.1 percent, reflecting weak demand in Eurasia following the commodity price slump and the transaction costs associated with transitioning to the customs union’s procedures and requirements. Exports to the European Union (EU) dropped by 5.2 percent in 2015 compared to the previous year. The narrowing in the trade deficit compensated for the fall in remittances. Net remittances declined by 36 percent in 2015 (in U.S. dollar terms, year-on-year), driven by a 42.2 percent decline in net remittances from Russia. The trade deficit narrowed further in January 2016, as exports increased by 5.6 percent while imports contracted further by 22 percent compared to January 2015.

**Figure 3. Merchandise Exports by Major Categories (US$)**

![Graph showing merchandise exports by major categories (2013-2015)](image)

Gold&jewelry  Machinery&equipment  Metals&minerals  Other primary  Manufacturing

**Outlook and Risks**

Growth is projected to remain sluggish in 2016 at around 2 percent due to the continued recession in Russia and structural weaknesses. Growth is projected to decline in 2016 compared to 2015 on the back of continued uncertainties in the external conditions and moderate fiscal tightening in the domestic policy setting. The 2016 state budget envisages fiscal tightening, with the combination of revenue raising measures and moderate expenditure cuts. As a result, the fiscal deficit is projected to narrow to around 4 percent of GDP. Fiscal consolidation is expected to continue over the medium term, as the Government brings down public debt to a sustainable level.

Growth is expected to remain in a low territory in the medium term and stay below the newly estimated potential of 3.5 percent per year. With the recovery of the global economy, including metal prices, Armenia’s growth is expected to pick up over the medium term but only moderately to about 2.8–3 percent in 2018, constrained by structural vulnerabilities.

Poverty reduction and income growth for all parts of the welfare distribution are likely to stagnate during 2016–18. Even under an optimistic scenario—the continued strong performance of the agriculture sector and the recovery of remittance inflows—poverty is projected to fall only gradually to 23.6 percent in 2018 in the absence of improvements in the business environment and domestic labor market. The removal of electricity subsidies, scheduled in August 2016, is likely to negatively affect poor households, whose expenditure of electricity amounts to more than 5 percent of total consumption.

The medium-term outlook is sensitive to both upside and downside risks. Downside risks on the macro side include external factors, such as the further contraction of the Russian economy, the protracted recovery of the EU, a further slowdown of the Chinese economy, stagnant/low commodity prices, including metallic minerals, and strains in some large emerging market economies. Upside risks include the more rapid realization of benefits from EEU membership, changes for Armenia’s agriculture exports driven by the sanctions Russia imposed on other source countries in November 2015, and potential benefits from opening economic relationships with Iran.

**Financial Sector**
The Armenian financial sector remains heavily dominated by the banking sector, which comprises 21 commercial banks and one development bank, accounting for more than 90 percent of financial sector assets. There are 541 bank branches throughout the country, of which 241 are in Yerevan. Market concentration is not high, and further consolidation of the banking sector is expected in 2016 in response to the CBA’s sixfold capital increase requirement. Non-bank financial institutions (NBFIs) accounted for less than 10 percent of financial sector assets in December 2015.

The performance of the banking sector has weakened, but the sector is largely stable. The Russian economic crisis led to pressure on the exchange rate, depreciation of the dram (AMD), and AMD deposit withdrawals and/or conversion to foreign exchange deposits, particularly in late 2014 and early 2015. However, interventions by the CBA largely stabilized the foreign exchange market for the rest of 2015. Nonetheless, the contraction in remittances and exports translated into higher foreign currency risks for banks, the growth of nonperforming loans (NPLs), and a decline in lending. Banking sector assets increased by 1.1 percent in 2015, but this was largely because of increased government bond purchases. Lending declined by 3.1 percent, reflecting slower economic activity and the banks’ response to growing risks and rising NPLs. Remittance inflows decreased by 30 percent to US$1.2 billion in 2015 compared to 2014.

In 2015, capital grew in the banking sector by 8.0 percent, as banks built up capital to meet the CBA’s higher capital requirements. NPLs increased from 7.0 percent in December 2014 to 7.8 percent in December 2015. The capital adequacy ratio (CAR) improved from 14.5 to 16.2 percent in the same time frame. The sector recorded a loss for 2015, with the return on assets (ROA) at negative 0.5 percent and the return on equity (ROE) at negative 3.5 percent (following an ROA and ROE of 1.0 percent and 6.4 percent, respectively, in 2014).

The high dollarization of assets and deposits makes Armenian banks vulnerable to currency-induced credit risk and local currency funding constraints. In 2015, the deposit portfolio of banks increased by 11 percent due to the 7.9 percent growth of foreign currency deposits and the 18.9 percent growth of local currency deposits. Foreign currency deposits stood at 69.6 percent of total deposits in December 2015. Foreign currency–denominated loans (65.7 percent of total loans as of December 2015) decreased by 4.5 percent year-on-year against the backdrop of lower external demand and subdued consumption. The currency mismatch continues to pose risks to financial stability and access to finance.

The World Bank is advising the authorities in a number of areas to enhance financial sector stability and promote access to finance. Specifically, teams are providing technical assistance to i) strengthen the legal, regulatory, and supervisory framework for the consolidated supervision of financial groups; ii) strengthen the CBA’s capacity and legal foundation for identifying and disclosing the ultimate beneficial owners of financial institutions; iii) modernize the system for using movable property as collateral for loans (expand the range of property that can be used, simplify procedures, create greater legal certainty, and build a new online registration platform); and iv) develop capital markets to provide alternative sources of finance and investment.

Private Sector Development

Over the past years, Armenia has undergone extensive business environment reforms and achieved a remarkable turnaround in its investment climate. In 2014–16, Armenia improved its Doing Business ranking, reaching 35th position out of 189 economies. In Doing Business 2016, progress on its ranking was registered chiefly in three domains: trading across borders (by 29 positions), dealing with construction permits (by 10 positions), and enforcing contracts (by 8 positions). The World Economic Forum’s Global Competitiveness ranking improved from 98th place in 2010–11 (out of 139) to 82nd in 2015–16 (out of 140). However, this has not yet translated into requirement. Although there have been discussions of mergers, nearly a third of banks already meet the new capital requirement, and other banks have provided plans to raise capital.

---

3 On December 30, 2014, the CBA changed the minimum capital requirement for banks from AMD 5 billion to AMD 30 billion, to take effect on January 1, 2017. Any banks receiving a license before then, however, must immediately meet the new capital
substantial increases in foreign direct investment (FDI) or business activity. Fostering entrepreneurship and stimulating the growth of micro, small, and medium-sized enterprises (MSMEs) continue to be among the major development challenges.

**Mining**

Armenia boasts an abundance of specific subsoil mineral resources. The mining sector is one of the largest contributors to tax revenues, exports, and FDI. The World Bank supports the Government in upgrading mining sector legislation in line with international best practices through budget support operations coupled with technical assistance. The follow-up assistance on the Law on Environmental Impact Assessment (EIA) and the Law on Waste Management helped to set standards for responsible mining to better align the industry with global environmental practices. A 2016 Strategic Mining Sector Assessment focused on the key challenges and opportunities in the sector, with an emphasis on the regulatory environment that both promotes sustainability and attracts investment. The assessment looked at both the legacy of previous mining and potential new projects.

Revenue transparency remains a challenge in the extractives sector. The Bank also provides technical support to the Armenian Government as the country moves toward joining the Extractive Industry Transparency Initiative (EITI), with the goal of officially becoming an EITI candidate by the end of 2016.

**Public Sector/Governance**

Armenia aims to complete the transition to program-based budgeting in 2018. Since 2011, the informal exercise of preparing the state budget in a program-based format was sought to strengthen the linkages between policy objectives and budgets, even though the formal budget continues to be prepared based on economic classification. A new strategic planning reform will address the remaining silos in the policy planning and budgeting processes.

E-government is an overarching direction for all public sector reforms supported by the World Bank, the EU, and other donors. Both the executive and judicial branches of government have introduced their own e-government portals, with a growing number of services and an increasing amount of information available online. Many of these e-government solutions were part of Armenia’s commitments under the first and second Open Government Partnership (OGP) action plans. Further e-government reforms, in addition to the introduction of additional services, will address the various questions related to the integration and interoperability of systems and databases as well as cyber security standards.

In parallel to e-government reforms, Armenia has introduced improvements through inspection and revenue administration reforms, partially due to its membership in the EEU. The “regulatory guillotine” exercise, committed under the second OGP action plan, aimed at further improving the business climate, with many recommendations already implemented and a number of others pending government endorsement.

**INFRASTRUCTURE DEVELOPMENT**

**Energy**

The energy sector has moved from severe crisis to a state of stability. A combination of policy, legal, regulatory, and institutional reforms has rendered remarkable results, as improvements in operating efficiency have helped create commercially viable service providers, a decrease in technical and nontechnical line losses, and an increase of nearly 100 percent of sales in collections as of December 2015.

However, Armenia faces four principal challenges in meeting energy sector objectives: (i) an emerging supply gap; (ii) the need to maintain energy supply reliability; (iii) the need to maintain affordable tariffs; and (iv) the need to restore the financial viability and good governance of state-owned power sector companies.

**Roads**

As a landlocked country with limited transport routes, the road network is essential to Armenia’s sustainable economic development. The road transport network has a significant impact on the country’s economic competitiveness and to a large degree determines the success of its export-oriented economy. The total length of Armenia’s
The road network is 7,704 kilometers, excluding urban roads, less than half of which is in good or fair condition. The Government has prioritized the rehabilitation and reconstruction of roads, as reflected in the Transport Sector Strategy.

The improvement of the road network for rural communities has been one of the Government's key objectives. These roads are called “lifeline” roads and they cover about 40 percent of Armenia’s rural roads. As part of its anti-crisis policy aimed at creating temporary employment through investment in public works, the Government has embarked on a program to make significant investments in the improvement of the “lifeline” road network.

Picture 1. Lifeline roads reconnect isolated rural communities to their urban centers.

In addition to investments under the ongoing project, the World Bank supports analysis and policy reforms focused on the sustainability of road investments, including a road financing study. This study recommends the rationalization of fuel taxes through the adoption of two measures: (a) the restoration of VAT on diesel fuel, which was exempted in 2010 to reduce costs borne by farmers, miners, and operators of off-road diesel-powered equipment, applying this only at the point of sale; and (b) an “equalization levy” that would be applied to gasoline and compressed natural gas (CNG), also at the point of sale to road vehicles, at levels that would result in the equal taxation of all three fuel types, factored by their relative contributions to CO₂ emissions.

Irrigation and Drainage

The Government is working to recover irrigated areas and consequently to increase rural incomes by rehabilitating the country's irrigation and drainage infrastructure. More than 80 percent of agricultural GDP is generated from irrigated lands. Thus, the deterioration of the irrigation infrastructure threatens rural employment and rural incomes. Historical over-reliance on power-hungry pump systems is being addressed by the conversion to modern gravity-fed systems.

Agriculture

Agriculture constitutes 19.2 percent of GDP and contributes substantially to employment and rural incomes, as 40 percent of total employment is involved in the sector. Large disparities remain in rural poverty levels between Armenia's regions. In the mountain communities, rural poverty incidence grows with altitude: 34.7 percent above 1,700 meters as opposed to 27.1 percent below 1,300 meters or 29.5 percent in the 1,300–1,700 meter range. Access to sufficient land resources is also critical. Poverty affects 40.6 percent of landless rural residents, 32.4 percent of those with access to up to 0.2 hectares of land, and around 30 percent of those who own more than 0.2 hectares.

Some 335,000 farms operate in the sector, with an average landholding of around 1.4 hectares per household. This is rather small for efficient agriculture and a diversified production system, involving both crops and livestock. Agro-processing is the main employer in rural areas.

The economic downturn increased the vulnerability of small-scale operators, making them more dependent on livestock for their livelihoods. At the same time, the livestock sector faces challenges such as unsustainable pasture management, persistent livestock diseases, processing and marketing constraints, and reduced productivity. Additionally, there are huge fluctuations in the supply of dairy products, with most milk produced in the summer months and almost no production in winter and spring.

These challenges limit Armenia’s capacity to exploit opportunities stemming from increasing domestic demand. Imported meat now accounts for half of national meat consumption, due to low productivity in the livestock sector and the unreliable supply of meat and milk. The dairy and meat sectors are competitive in the domestic markets, however, and there is scope for strengthening their competitive
position through addressing productivity and supply constraints.

**ICT Sector and Innovation**

Information and communications technology (ICT) has become an important sector, contributing to technological innovation and productivity growth. In 2014, the turnover of software and ICT services in Armenia reached approximately US$349.4 million, resulting in a 21.8 percent compound annual growth rate (CAGR) during 2009-14. This turnover constitutes about 4.3 percent of Armenia’s nominal GDP and 10 percent of exports (see figure 4), yet employs only 1 percent of the country’s labor force.

![Figure 4. Armenian ICT Industry Turnover](image)

**HUMAN DEVELOPMENT**

**Shared Prosperity, Poverty Reduction, and the Labor Market**

Patterns of poverty and shared prosperity in Armenia changed after the global economic crisis hit the country in 2009. Compared to the pre-crisis period, when Armenia experienced a substantial reduction in poverty between 2004 and 2008, poverty in 2014 was higher, the pace of the reduction has slowed, prosperity was less shared, and inequality has worsened. As growth resumed after the 2009 recession, the share of those living below the national poverty line declined, but the softening of the economy in recent years has meant that poverty in 2014 (30.0 percent) was still far from pre-crisis rates (27.6 percent in 2008).

![Figure 5. Changes in Poverty in the Aftermath of the Crisis](image)

*Source: Integrated Living Conditions Survey (ILCS) data 2008-2014.*

*Note: All calculations are based on the upper national poverty line (2009 methodology).*

The sluggish economic recovery and persistent uncertainty about global trends suggest that prospects for poverty reduction are not promising. Labor market earnings, remittances, and public spending on social protection have been important sources of income growth and contributed to poverty reduction between 2010 and 2014. A decomposition analysis of the last recovery showed that remittances (mainly from Russia) and pension income not only increased welfare among households in the bottom 40 percent, but also served as an important source of income for the top 60 percent. A future rebound in domestic growth or remittances could help accelerate poverty reduction.

![Figure 6. Patterns of Shared Prosperity](image)

*Source: ECAPOV (World Bank database of harmonized consumption data).*

*Note: Consumption aggregate from ILCS, harmonized for international comparison.*
Prosperity is less shared in the post-crisis period, though the least well-off Armenians have done better in recent years. Before the crisis, the bottom 40 percent enjoyed an annual growth in mean consumption of 4.29 percent, which was above the national average of 3.50 percent. The 2009 contraction of the economy hit the bottom 40 percent hard; their consumption was reduced by 7.54 percent a year—a contraction worse than that of the economy as a whole. Between 2010 and 2014, the mean consumption of the bottom 40 percent grew at 2.86 percent, below the 3.50 percent growth enjoyed by the total population; however, this average growth rate included a slightly higher growth in the mean consumption of the bottom 40 percent.

Consumption inequality is relatively low in Armenia but shows an increasing trend. Although inequality is a concern in itself, it can also weaken the transmission of the possible effects of growth on poverty reduction. During the time period following the global economic crisis, Armenia witnessed a widening gap between the relatively rich and the poor. The poor and those in the bottom 40 percent are more likely to: (i) live in urban areas outside the capital; (ii) have larger households with more children; (iii) have less education; (iv) be out of the labor force or unemployed; (v) live in households headed by women; and (vi) be more dependent on income from agriculture.

Consumption inequality is relatively low in Armenia but shows an increasing trend. Although inequality is a concern in itself, it can also weaken the transmission of the possible effects of growth on poverty reduction. During the time period following the global economic crisis, Armenia witnessed a widening gap between the relatively rich and the poor. The poor and those in the bottom 40 percent are more likely to: (i) live in urban areas outside the capital; (ii) have larger households with more children; (iii) have less education; (iv) be out of the labor force or unemployed; (v) live in households headed by women; and (vi) be more dependent on income from agriculture.

The geography of poverty in Armenia shows substantial gaps between the capital city Yerevan (25.2 percent), rural areas (29.9 percent), and other urban areas (35.1 percent). Between 2008 and 2009, poverty in Yerevan increased dramatically from 20.1 to 26.7 percent of the population and then slowly declined to 25.2 percent in 2014. Regional disparities are linked to structural differences related to employment patterns and economic activity across regions. Households in rural areas have benefited from increasing agricultural sales, whereas households in urban areas (in particular outside Yerevan) continue to suffer from weak domestic labor markets and limited job creation.

Poverty rates have been reduced in part by redistributive social policies. In 2013, poverty incidence would have been 46 percent in the absence of social protection, as opposed to the actual rate of 32.0 percent. Pensions represent the largest social transfers, reaching 53 percent of households, and thus have the greatest impact on poverty alleviation among the whole population. One of the measures adopted as part of the Bank’s Development Policy Operations (DPO) series in FY15 relates to the protection of social expenditure, particularly last resort social assistance, given its key role in reducing poverty.

The family benefits program (FBP) is Armenia’s flagship noncontributory social assistance program, covering 12.5 percent of the population, and is the most pro-poor transfer in Armenia. The FBP is means tested and accords priority to the poor and other vulnerable social groups, such as the elderly, persons with disabilities, and orphans. Seventy percent of family benefits accrue to the bottom 40 percent, but the program’s precision has fallen repeatedly over the past three years, in part because of the categorical component of the targeting formula that allows coverage to socially vulnerable but non-poor households. World Bank technical assistance is assisting the Ministry of Labor and Social Issues (MLSI) in redesigning the targeting formula of social safety nets in order to improve their efficiency in reaching the poor and to favor synergies between cash transfers and other benefits and services (such as health services).

The MLSI is actively pursuing complementary policies to cash transfers in order to reduce the root causes of poverty through the provision of integrated social and employment services. To
this end, the World Bank has been supporting the realization of new Integrated Social Service Centers and the modernization of employment services through Social Protection Administration Projects. These centers will allow for the administration of benefits and delivery of services in a single location, and should with time facilitate the provision of well-coordinated social policies to tackle the different challenges faced by household members, in line with international best practices.

Education

Considerable progress has been made to improve access to preschool, general education, and higher education. Armenia has nearly achieved universal enrollment rates at the primary (grades 1–4) and lower secondary (grades 5–9) levels with little geographical or socioeconomic disparity. Indicators compare well with the countries at similar stages of economic development in the Europe and Central Asia (ECA) region. Children’s enrollment in kindergartens and preschool institutions (ages 0–5 years old) is 28.7 percent; 36.0 percent in urban communities and 16.6 percent in rural areas. In terms of financing, Armenia invests 2.4 percent of GDP in education overall, of which 0.2 percent is invested in higher education. Both figures are low.

A wide range of reforms aiming at improving education quality and efficiency have taken place in the sector. The Government developed a National Curriculum Framework with new standards and syllabi, extended general education from 10 to 12 years, and introduced a network of high schools that offer specialized streams. There has also been a concerted effort to provide all 1,431 schools with computers and Internet access.

The Government has introduced a teacher certification system, complemented by comprehensive professional development policies and rank-based salary differentiations. In higher education, a notable development was the establishment of an independent quality monitoring agency, the National Center for Professional Education Quality Assurance (ANQA). In addition, the Government adopted a higher education financing strategy in 2011 that addressed the weaknesses in the current system. Based on the strategy, the Government introduced the Competitive Innovation Fund (CIF) to support demand-driven projects that improve the market relevance of the academic programs, stimulate innovations, and enhance the financial and strategic capacity of higher education institutions.

Improving student performance remains a key challenge. The results of the Trends in International Mathematics and Science Study (TIMSS) indicate that Armenian student performance at 4th and 8th grades is not improving and that the overall level of achievement is low compared to the Organisation for Economic Co-operation and Development (OECD) average. These results corroborate the gap between the formal qualifications of graduates and the skills employers require. Employers are increasingly pointing out that graduates of post-secondary institutions lack the skills to meet their needs and to succeed.

Health

Since the late 1990s, Armenia has made significant achievements in redesigning its health system. Key reforms have included: (a) strengthening primary health care provision; (b) downsizing excess hospital capacity; (c) changing provider payment mechanisms and introducing a purchaser-provider split; and (d) targeting the poor in providing free-of-charge health care services.

Many health indicators are improving, but challenges remain. Since 1995, the average life expectancy in Armenia has increased. Infant, child, and neonatal mortality continue to decline, approaching targets set in the country’s maternal and child health strategy. Nevertheless, Armenia’s health care system is still struggling to effectively respond to the epidemiological changes in morbidity and mortality patterns in recent years. The greatest burden of disease now comes from noncommunicable diseases (NCDs); roughly 80 percent of all deaths are due to a combination of circulatory system diseases, malignancies, respiratory system diseases, and diabetes mellitus.

A major challenge in addressing the current NCD burden is the relatively low government health budget. For 2014 it was increased by 12 percent, and the number of poor covered by a free health care benefits package went up by 46 percent. Despite this, at a level of 1.71 percent of GDP in 2014, Armenia has one of the lowest state allocations to health in the ECA region. The share of public sector expenditures comprises only 36.8
percent of total health expenditures, and the level of out-of-pocket payments remains high.

The three leading causes of mortality in Armenia are tobacco-related cardiovascular diseases and lung cancer. Tobacco smoking is widespread in Armenia; in 2012, 51 percent of men and 1.5 percent of women were smokers. Armenia still has a low tobacco-specific excise tax level as a percent of the price of the most sold brand—only 16.67 percent compared to Georgia (34 percent), Belarus (34.8 percent), and Ukraine (48 percent).

This is an opportune moment to address this major public health threat. Raising tobacco taxes to make these deadly products unaffordable is believed to be the most cost-effective measure to reduce habit-forming tobacco use or to prevent youth from picking up the smoking habit. The benefits of higher tobacco taxes are obvious: good health outcomes for individuals and communities from the reduced consumption of tobacco products.

THE WORLD BANK PROGRAM

The Country Partnership Strategy (CPS) for FY14–17 supports accelerating growth, reducing poverty, and boosting shared prosperity. This is to be accomplished by providing policy advice and investments in three strategic clusters: (i) supporting competitiveness and job creation; (ii) improving the efficiency and targeting of social services; and (iii) improving governance and anti-corruption measures.

The World Bank’s portfolio in Armenia performs satisfactorily and consists of 19 operations, of which 17 are currently effective, with a total commitment of US$642.2 million. It includes US$108.9 million in International Development Association (IDA) credit and US$523 million in International Bank for Reconstruction and Development (IBRD) loans, along with an Energy Efficiency project (Global Environment Facility [GEF]) amounting to US$1.8 million and a Geothermal Exploratory Drilling project (Scaling-Up Renewable Energy Program [SREP]) amounting to US$8.55 million. An active program of 35 trust fund operations totaling US$31 million is supporting institutional capacity building, project preparation, and activities in key reform areas, as well as financing stand-alone grant projects.
ARMENIA: IRRIGATION SYSTEM ENHANCEMENT PROJECT

Key Dates:
Approved: May 22, 2013
Effective: July 15, 2013
Closing: June 30, 2017

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD loan</td>
<td>30.00</td>
<td>18.60</td>
<td>11.4</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>7.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>37.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: The Irrigation System Enhancement Project (ISEP) is designed to address some of the irrigation and drainage (I&D) sector challenges, with the aim of contributing to the country's ultimate goal of ensuring efficient, cost-effective, and sustainable irrigation.

The Project Development Objectives are (i) to reduce the amount of energy used and to improve irrigation conveyance efficiency in targeted irrigation schemes; and (ii) to improve the availability and reliability of important sector data and information for decision makers and other stakeholders.

Results expected and achieved to date:

✓ Meghri gravity scheme construction has been completed, and construction of Geghardalich gravity scheme is under way, while construction of Kaghstrashen gravity scheme about to start. Expected benefits include energy savings of almost 37 million kilowatt hours (kw/h) annually, equivalent to about 30 percent of the total needs of the irrigation system in Armenia.

✓ Rehabilitation of selected diversion canals has started, leading to improvement in the conveyance efficiency of the outlet canals of selected schemes by reducing water losses by about 23 million cubic meters annually.

✓ Supervisory control and data acquisition (SCADA)-compatible water measurement devices have been installed in 83 against an originally planned 71 observation points, making information on the amount of water available to the system and its operators—water supply agencies (WSAs) and water users associations (WUAs).

✓ 50 percent of WUAs have water intakes tracked by the State Committee of Water Systems (SCWS) in real time (baseline: 0 and end target: 100 percent).

✓ Crucial information for irrigation water management will be made available, including: (i) an updated estimate of the operations and maintenance (O&M) needs of the I&D system; (ii) an updated estimate of the extraordinary maintenance (EM) needs of the I&D system; and (iii) an analysis of the effectiveness of irrigation institutions (WSAs and WUAs) in the performance of their duties.

Key partners: The Bank works closely with the Ministry of Agriculture and State Committee of Water Systems (SCWS), as well as the Ministry of Finance.

Key development partners: The Bank team closely cooperates with the Eurasian Development Bank (EDB). The Bank assisted the EDB in preparing a project in the sector and is currently engaged with the EDB in a Reimbursable Advisory Services (RAS) agreement for the supervision of that project in compliance with all Bank requirements. Other partners involved in the sector include the German Development Bank (KfW), the French Development Agency (AFD), and the Japan International Cooperation Agency (JICA).
ARMENIA: LIFELINE ROAD NETWORK IMPROVEMENT PROJECT

Key dates:
Approved: January 31, 2013
Effective: July 15, 2013
Closing: June 30, 2017

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD Loan</td>
<td>45.00</td>
<td>39.83</td>
<td>5.16</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>11.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>56.25</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: Since the launch of the Lifeline Road Improvement Project (LRIP) in 2009, there have been noticeable improvements in both local employment and journey time. Despite the extensive rehabilitation and visible improvement, about 50 percent of Armenia’s Lifeline Road Network (LRN) remains in poor condition, and there is still an important investment shortage. The degraded part of the LRN causes high transport costs and journey times for road users, restricting connectivity to key markets such as agriculture and to important services such as health and education, as well as negatively affecting the country’s competitiveness. This has occurred due to a historic pattern of underinvestment and deferred maintenance, resulting in a considerable maintenance backlog. Deferred maintenance leads to a future burden of more expensive rehabilitation and road reconstruction, which increases overall transport costs in the long run. Under recently approved Additional Financing, a Contingent Emergency Response (CER) subcomponent has been included for the first time in a project in Armenia.

The Project Development Objective is to improve the access of rural communities to markets and services through the upgrading of selected lifeline roads and to strengthen the capacity of the Ministry of Transport and Communications to manage the LRN.

Results achieved to date:
- Average speed on lifeline roads in project areas improved from 20 to 36.3 kilometers per hour (target: 40);
- The Road Financing Study, which proposes key changes to road sector financing, including taxation, has been finalized;
- 30 “Safe Village” projects have been completed (target: 30);
- The span of rural roads rehabilitated increased from 0 to 208 kilometers (target: 360);
- Development and use of Road Assessment and Management System (RAMS) within the Ministry of Transport and Communications to support decision making on the LRN is in progress.

IDA Core Indicators:
- The share of the rural population with access to an all-season road increased from 51 to 57.4 percent (target: 71.80 percent);
- The number of rural people with access to an all-season road increased from 600,000 to 675,285 people (target: 850,000), of which 364,654 are women;
- The proportion of roads in good and fair condition as a share of total classified roads increased from 50 to 52.8 percent (target: 59).

Key partners: The Bank team works closely with the (i) Ministry of Transport and Communication (MOTC), which is responsible for the overall policy setting and for overall implementation of the project; (ii) Transport Project Implementation Unit State Institution (Transport PIU), charged with coordination and management of implementation activities on a day-to-day basis; and (iii) Armenian Roads Directorate State Non-Commercial Organization (ARD), which is responsible for the technical aspects of project implementation.

Key development partners include the Asian Development Bank (ADB), which is implementing road projects and with which the Bank team coordinates closely on policy issues. The Bank also works closely with many other bilateral and multilateral development partners, including the European Union, JICA, European Investment Bank (EIB), EDB, and European Bank for Reconstruction and Development (EBRD).
ARMENIA: ELECTRICITY SUPPLY RELIABILITY PROJECT

Key Dates:
Approved: May 26, 2011
Effective: November 28, 2011
Closing: December 31, 2018
Additional Financing Approved: July 2, 2014
Additional Financing Effective: February 3, 2015
Additional Financing Closing: December 31, 2018

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD Loan</td>
<td>39.00</td>
<td>19.0</td>
<td>20.0</td>
</tr>
<tr>
<td>IBRD Loan</td>
<td>40.00</td>
<td>0.1</td>
<td>39.9</td>
</tr>
<tr>
<td>Government</td>
<td>23.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of Armenia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>102.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: Armenia’s power transmission infrastructure is old and undermaintained. The average age of transmission assets is 45 years. Some sections of the 220-kilovolt power transmission backbone are in urgent need of rehabilitation. The Government recognizes this challenge, and an increase in power supply reliability is among the key strategic objectives of the sector. The latter prioritizes the replacement of one section of the power transmission backbone, the transmission line connecting two key generation centers in the central part of the country (Hrazdan Thermal Power Plant) and in the South (Vorotan Cascade of hydropower plants), and service for large electricity consumers in the central-eastern part of the country. Replacement of the targeted section of the transmission line is critical, since it is in extreme disrepair and jeopardizes the reliability of the power supply and overall network stability.

The Project Development Objective is to increase the reliability and capacity of the transmission network.

Results achieved to date:

- The transmission line replacement works are in progress;
- The erection of 278 towers and the stringing of 65 kilometers of transmission line have been completed.

Key partners: The Bank team works closely with the (i) High Voltage Electric Networks of Armenia, the power transmission company responsible for the construction, operation, and maintenance of the high-voltage power transmission network of the country; and (ii) Ministry of Energy and Natural Resources, which is responsible for the overall policy setting.
ARMENIA: GEF ENERGY EFFICIENCY PROJECT

Key Dates:
Approved: March 27, 2012
Effective: August 10, 2012
Closing: June 30, 2016

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEF grant</td>
<td>1.82</td>
<td>1.58</td>
<td>0.24</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>8.84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10.66</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: Armenia has significant potential for energy efficiency and can recoup sizable economic benefits through the utilization of this potential.

Improvements in energy efficiency will contribute to addressing the energy sector challenges. Specifically, higher energy efficiency will contribute to: (a) a reduction of investment needs in new generation due to a realization of the energy-efficiency potential; (b) an improvement in the country’s energy security due to a reduced demand for gas used for heating purposes and as a fuel for electricity generation; and (c) the better affordability of energy for the poor, given that improved energy efficiency will require less energy consumption to achieve the needed comfort level of heating, lighting, etc.

The Project Development Objective is to reduce the energy consumption of social and other public facilities. The global environmental objective is to decrease greenhouse gas emissions through the removal of barriers to the implementation of energy-efficiency investments in the public sector.

Results achieved to date:

- Implementation of energy-efficiency retrofits has been completed at 98 facilities under 47 subprojects.
- The above facilities experienced average energy savings of 27–80 percent.
- Construction is ongoing for nine subprojects, and procurement is under way for three projects.
- Once completed and commissioned, these 59 subprojects are estimated to generate energy savings of 450 million kWh and a greenhouse gas emission reduction of about 112,165 tons.

Key partners: The Bank team works closely with the (i) Renewable Resources and Energy Efficiency Fund, a nonprofit organization established by the Government with a mandate to promote the development of renewable energy and energy-efficiency markets in Armenia and to facilitate investments in these sectors; and (ii) Ministry of Energy and Natural Resources, which is responsible for the overall policy setting.
ARMENIA: GEOTHERMAL EXPLORATORY DRILLING PROJECT

Key Dates:
Approved: June 8, 2015
Effective: August 25, 2015
Closing: May 31, 2019

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Climate Fund</td>
<td>8.55</td>
<td>1.66</td>
<td>6.89</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>2.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10.68</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
The Government of Armenia has taken steps to support the development of indigenous renewable energy resources. It is committed to developing the country’s geothermal resources, as they can become an affordable source of base-load electricity generated from indigenous resources, thus contributing to the country’s energy security. The total potential for geothermal power in Armenia is currently estimated to be at least 150 MW. Of the known areas, the Karkar field was assessed to be the most promising site. Development of the Karkar geothermal site is one of the projects included in the Scaling-Up Renewable Energy Program (SREP) Investment Plan (IP), which identified geothermal power, utility-scale solar photovoltaics (PV), and solar heating as priority areas for support and future scale-up.

The Project Development Objective is to confirm whether the geothermal resource at the project site is suitable for power generation and, if confirmed, to involve the private sector in the development of a geothermal power plant.

Key expected results:

✓ Construction of an access road to the Karkar site is expected to be completed in May 2016.
✓ Exploratory drilling at the site is expected to commence in June 2016.

Key partners: The Bank team works closely with the (i) Renewable Resources and Energy Efficiency Fund, a nonprofit organization established by the Government with a mandate to promote the development of renewable energy and energy-efficiency markets in Armenia and to facilitate investments in these sectors; and (ii) Ministry of Energy and Natural Resources, which is responsible for the overall policy setting.
**ARMENIA: ELECTRICITY TRANSMISSION NETWORK IMPROVEMENT PROJECT**

**Key Dates:**
- Approved: March 30, 2015
- Effectiveness: Closing: December 31, 2019

**Financing in million US Dollars:**

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD Loan</td>
<td>52.00</td>
<td>0.13</td>
<td>51.87</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>12.86</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>64.86</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

**Challenge:** Among the key challenges currently facing the power sector are: (a) an emerging power supply gap and (b) threats to the reliability of the power supply. The power system will need around 500 MW of new gas-fired generation capacity as soon as possible to preclude the emergence of a supply capacity gap by 2020. To ensure sufficient long-term supply, the Government will also need to develop a number of renewable energy projects, which are estimated to be part of the least-cost supply plan. The proposed project will leverage the World Bank’s current engagement in the energy sector in Armenia, including the ongoing Electricity Supply Reliability Project (ESRP) and its Additional Financing (ESRP AF), to help the Government comprehensively address the challenge of supply reliability.

**The Project Development Objectives** are to improve the reliability of the power transmission network and system management and support the Borrower’s efforts in ensuring an adequate electricity supply.

**Key expected results:**

- Reduced number of equipment failures at Ashnak substation due to technical reasons
- Reduced incidence of equipment failures at the Yerevan Thermal Power Center (YTPC) substation
- Establishment of a backup dispatch center that will improve the management of the power system;
- Construction of a new administrative building for the High Voltage Electric Networks of Armenia (HVEN) that will improve the efficiency of its operations
- Preparation of a feasibility study and an environmental and social impact assessment for a new combined cycle gas turbine (CCGT) project

**Results achieved to date:**

- Procurement of design, supply, and installation contractors for the Ashnak substation and the substation of the YTPC is under way.

**Key partners:** The Bank team works closely with the (i) High Voltage Electric Networks of Armenia, (ii) Yerevan Thermal Power Plant, and (iii) Ministry of Energy and Natural Resources, which is responsible for the overall policy setting.
ARMENIA: COMMUNITY AGRICULTURAL RESOURCE MANAGEMENT AND COMPETITIVENESS (CARMAC) PROJECT

Key Dates:
Approved: March 22, 2011
Effective: July 26, 2011
Closing: September 30, 2016

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financer</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA Credit</td>
<td>16.00</td>
<td>14.89</td>
<td>1.88</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>5.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>21.33</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* World Bank disbursements as of April 2016.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: The livestock sector in Armenia faces serious challenges, such as unsustainable pasture management and underutilization, persistent livestock diseases, processing and marketing constraints, and reduced productivity. This project builds on World Bank experience and successes in agriculture, rural development, pasture and livestock management, and participatory community development to help Armenia address these urgent challenges and provide investment support.

The Project Development Objective is to improve the productivity and sustainability of the pasture/livestock livelihood systems in selected communities.

Results achieved to date:

- Support for services for farmers involved in livestock production is being improved. Between 2010 and 2016, the milk productivity of cattle and sheep in the 55 communities originally included under the project has increased by 26 percent and 16 percent, respectively. Similarly, the growth rates of cattle and sheep have increased by 18 and 20 percent, respectively. The efficiency of communal pasture management as measured by increased communal budgetary revenues from the lease of pastures increased by more than 27 percent, while sales from livestock have increased by 128 percent.

- Efficient and sustainable community-managed pasture/fodder-based livestock production systems have been introduced in selected mountainous communities through establishing farmers associations and leasing pastures and grasslands. In addition to the 55 originally planned pasture use associations (PUAs) under the project, 26 more have been established and registered.

- Preparation of pasture management and livestock development plans for all 81 communities has been completed. Community funds for the implementation of these plans are being established and activities envisaged in the plans are either completed or ongoing.

- 76 veterinarians participated in the trainings, of which two were women, aimed at improving community animal health services. Disease control strategies are being implemented.

- Three Veterinary Service Centers (VSC) in the Artashavan community (Aragatsotn marz), in the Kndzoresk community (Syunik marz), and in Chambarak community (Gegharkunik marz) have been completed and equipped and have started functioning.

- Activities for the Technology Assessment Program (TAP) have made good progress; 148 out of 262 proposals have been presented, and all have been implemented in 10 marzes of the country.

- Within the framework of the Competitive Grants Program (CGP), 69 grant projects were selected as winners. 38 are at different stages of implementation, while 31 projects have been completed and evaluated. All were rated as satisfactory or better and have helped create viable business opportunities.

Key partners: The Bank works closely with the Ministry of Agriculture and regional governors, as well as village mayors and farmer groups. The Bank cooperates with the Swiss Development Cooperation (SDC), which implements similar projects in Armenia.
ARMENIA: SECOND COMMUNITY AGRICULTURAL RESOURCE MANAGEMENT AND COMPETITIVENESS (CARMAC2) PROJECT

Key Dates:
Approved: June 20, 2014
Effective: January 23, 2015
Closing: May 31, 2020

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA Credits</td>
<td>9.67</td>
<td>3.48</td>
<td>6.19</td>
</tr>
<tr>
<td>IBRD Loan</td>
<td>23.00</td>
<td>0.06</td>
<td>22.94</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>10.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42.67</strong></td>
<td><strong>3.48</strong></td>
<td><strong>39.19</strong></td>
</tr>
</tbody>
</table>

* World Bank disbursements as of April 2016.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: The livestock sector in Armenia continues to face serious challenges, such as unsustainable pasture management and underutilization, persistent livestock diseases, processing and marketing constraints, and reduced productivity. This project builds on World Bank experience and successes in agriculture, rural development, pasture and livestock management, and participatory community development promoted under the CARMAC project to help Armenia address these urgent challenges and provide investment support.

The Project Development Objective is to (i) improve the productivity and sustainability of pasture and livestock systems in targeted communities and (ii) increase the marketed production from selected livestock and high-value agri-food value chains. This would be evidenced by: (i) increased livestock productivity as measured by milk productivity and an increase in daily animal weight gain; (ii) the increased efficiency of communal pasture management as measured by increased communal budgetary revenues from the lease of pastures; (iii) increased farm sales from livestock; and (iv) increased pasture management effectiveness.

Key expected results:

✓ Support for services for farmers involved in livestock production in another 100 communities in addition to the 81 included under CARMAC will be improved. Between 2015 and 2020, milk productivities for cattle would increase by 20 percent. The efficiency of communal pasture management as measured by increased communal budgetary revenues from the lease of pastures in targeted communities is expected to increase by 150 percent, while the number of animals sold would increase by 2 percent for cattle and 20 percent for sheep.

✓ Pasture management and livestock development plans (PMLDP) were developed for 57 communities and 35 have been approved by the Bank. Community funds for the implementation of the approved plans have been established.

✓ The Value Chain Development component will help enhance the ability of agricultural producers and processors to meet domestic demand and access international market opportunities in the food value chains of fodder-based milk and meat and in processed fruit and vegetables, where Armenia has a competitive advantage.

✓ The capacity of public sector institutions to facilitate business development and enable market access in the selected value chains supported under the project will increase.

Key partners: The Bank works closely with the Ministry of Agriculture and regional governors, as well as village mayors and farmer groups. The Bank cooperates with the Swiss Development Cooperation (SDC), which implements similar projects in Armenia.
ARMENIA: E-SOCIETY AND INNOVATION FOR COMPETITIVENESS PROJECT

Key Dates:
Approved: November 30, 2010
Effective: May 18, 2011
Closing: June 30, 2016

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD Loan</td>
<td>24.00</td>
<td>17.34</td>
<td>6.66</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>6.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30.00</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: The main challenge in the sector remains the lack of coordination in information and communications technology (ICT) development efforts. The main constraints for ICT business development and innovation generation are still the lack of adequate infrastructure for business incubation and the low access to credit and commercial investments, particularly in the regions of Armenia.

The Project Development Objective is to address the constraints to a competitive e-society and enterprise innovation in Armenia by strengthening the underlying infrastructure and enabling environment.

Results achieved to date:

- Citizens and businesses have been equipped with a tool for identifying and authenticating electronic transactions: number of electronic certificates (eIDs) issued reached 175,000 in 2013 from zero in baseline year (2009).
- Increased access to affordable computers: the share of population using a computer more than tripled during 2009–13, owing to investments by the private sector in the Computer for All program. More than 8,000 computers were financed under the project in all 11 regions of Armenia.
- First-ever Early Stage Venture Fund was established in 2013.
- Gyumri Technology Center (GTC) is fully functional and is contributing to the region’s enterprise innovation; it has already benefited eight enterprises.
- More than 30 Innovation Matching Grants have been provided to IT and engineering start-up companies.
- The capacity and growth of the ICT/knowledge-intensive sector has been enhanced through the establishment and support of IT labs and innovations centers; three labs were established owing to project support (mLab, Armenia-India ICT center, and Center of Innovative Solutions and Technologies).

Key partners: The World Bank team works closely with the Ministry of Economy and the Project Implementation Units: Enterprise Incubator Foundation (EIF), E-Governance Infrastructure Project Implementation Unit (EKENG), and Foreign Financed Projects Management Center (FFPMC), which are responsible for implementation of the project.

Key development partners include the recently completed U.S. Agency for International Development (USAID)-funded Competitive Armenian Private Sector (CAPS) project, which supported the IT industry as one of the identified competitive clusters with a series of trainings, consultancy, and other capacity-building activities. Other donors currently do not have major projects in these areas, but some of their projects have an indirect relation to the aforementioned area, such as cluster development, development of micro, small, and medium-sized enterprises (MSMEs), improvement of the regulatory environment, community building, etc.
ARMENIA: SECOND PUBLIC SECTOR MODERNIZATION PROJECT

Key Dates:
Approved: March 16, 2010
Effective: July 26, 2010
Closing: January 31, 2017

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD Loan</td>
<td>9.00</td>
<td>8.25</td>
<td>0.75</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>2.54</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11.54</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* World Bank disbursements as of April 2016.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: The basic challenge has been the change management in relation to the introduction of new systems and practices. Civil service management became possible due to strong government ownership upon the introduction of work planning and performance and information management systems. Another big challenge is the management of conflicts of interest in the public sector, which continues to affect the decision-making in that sector. Even after the increase of civil servant salaries by about 70 percent, the low level of public salaries still remains a challenge holding up the efficiency gains from the introduction of performance appraisal and pay systems.

The Project Development Objective is to enhance the performance of public sector management for better service delivery by: (i) strengthening institutional capacity in policy formulation; (ii) maximizing the efficiency of human capital; and (iii) developing information systems for internal work flow and external communication.

Results achieved to date:
✓ The Commission on Ethics of High-Ranking Officials was established in January 2012. The Commission is in charge of conflict of interest, income, and asset declarations from about 700 of the highest-level officials.
✓ The e-disclosures system launched in 2013 fully automated the online submission and publication of income and asset declarations. As a result, the share of registered declarations collected electronically has reached 98 percent, significantly surpassing the end target of 50 percent.
✓ An automated Information Retrieval System in the Traffic Police Service was launched in April 2012, reducing, among other indicators, the average time for registering a vehicle from one day initially to the current 30 minutes.
✓ An archiving system for the electronic document management system (Mulberry), operational in all ministries, governors’ offices, and other public administration bodies (totaling 50 entities), was launched in 2012.
✓ Electronic communication with citizens has met the end target of at least a 15 percent increase (baseline was 20 percent, actual was 37.25 percent in 2015).

Key partners: The Bank team is working closely with the (i) Office of the Government of Armenia, which is the main project counterpart and has been leading the policy efforts on public administration reforms; (ii) Civil Service Council (CSC) in charge of civil service reform and administration; (iii) Commission on Ethics of High-Ranking Officials; and (iv) Ministry of Territorial Administration, Ministry of Justice, Ministry of Foreign Affairs, Ministry of Energy and Natural Resources, and selected service delivery units of the police, where the project will support functional reviews and business process reengineering.

Key development partners include the EU, United Nations Development Programme (UNDP), and USAID, which support related activities in the areas of electronic government, civil service reform, and regulatory guillotine.
ARMENIA: TAX ADMINISTRATION MODERNIZATION PROJECT

Key Dates:
Approved: July 03, 2012
Effective: December 28, 2012
Closing: December 31, 2017

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA Credit</td>
<td>12.00</td>
<td>6.13</td>
<td>4.92</td>
</tr>
<tr>
<td>Government</td>
<td>3.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15.10</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: Although the Ministry of Finance (which, following a mid-2014 Cabinet reorganization, was in charge of both revenue administration and public expenditure functions) successfully maintained an adequate level of revenue collection through the better part of the economic downturn, Armenia’s tax-to-GDP ratio remains low for its level of income. This is the result of narrow tax bases with numerous tax exemptions and a weak capacity to detect and penalize tax frauds, both of which undermine compliance and contribute to widespread tax evasion and informal sector activities.

The 2014 merger of the Ministry of Finance and the State Revenue Committee (SRC) was reversed in March 2016, which may lead to potential leadership changes.

The Project Development Objective is to modernize Armenia’s tax administration to (i) increase voluntary tax compliance, (ii) reduce tax evasion, (iii) reduce compliance costs, and (iv) increase administrative efficiency.

Results achieved to date:

- US$10.8 million average adjustment results from audits against the project baseline of US$10.1 million (end-of-project target of US$12.1 million);
- 110.7 percent ratio of collected revenue to tax administration’s operational costs against the project baseline of 74 percent (end-of-project target of 83 percent);
- 22 tax inspectorates remain against the baseline number of 39 (end-of-project target of 29);
- 313 hours to prepare and pay taxes against the baseline 500 (end-of-project target of 400 hours);
- The percentage of total tax returns filed electronically grew from a baseline of 20 percent to 90.5 percent, exceeding the end-of-project target of 60 percent.

Key partners: Through the project’s design, the Bank team has ensured that implementation arrangements are designed to ensure cross-departmental coordination within the Ministry of Finance and State Revenue Committee.

Key development partners include representatives from USAID, IFC, and the International Monetary Fund (IMF). The project worked in tandem with the USAID Tax Reform project, where USAID provided extensive complementary technical assistance.
ARMENIA: HEALTH SYSTEM MODERNIZATION PROJECT (HSMP)

Key Dates:
- Approved: March 08, 2007
- Effective: June 06, 2007
- Closing: December 31, 2012
- Additional Financing Approved: December 20, 2010
- Additional Financing Effectiveness: June 08, 2011
- Additional Financing Closing: February 29, 2016

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA Credit</td>
<td>22.00</td>
<td>22.9</td>
</tr>
<tr>
<td>IBRD Loan</td>
<td>19.00</td>
<td>19.0</td>
</tr>
<tr>
<td>Government</td>
<td>13.49</td>
<td></td>
</tr>
<tr>
<td>Armenian communities</td>
<td>0.15</td>
<td>0.30</td>
</tr>
<tr>
<td>Yerevan State Medical University</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54.94</strong></td>
<td><strong>41.9</strong></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

The Project Development Objective of the APL2 and Additional Financing of HSMP was focused on (i) completing the family medicine–based primary health care (PHC) reform (launched in 1996) to ensure that every Armenian citizen will have access to a qualified and well-motivated family doctor and nurse of his/her choice; (ii) consolidating the hospital sector to minimize the waste of scarce resources and improve the quality of care; and (iii) strengthening the Government’s competencies for effective stewardship in policy making, regulation, oversight, and public accountability.

The project was closed on time with a moderately satisfactory rating.

Results achieved to date:
- 1,676 physicians have been retrained as family physicians and 1,804 nurses retrained as family nurses. About 91 percent of the population is covered by retrained family medicine provider practices.
- Infrastructure of 100 PHC facilities has been improved (50 new constructions and 50 renovations) in rural areas.
- About 630,000 people are being served by renovated/constructed ambulatories and 2.03 million people use the services of renovated marz (province) hospitals.
- 200 PHC facilities were provided with a standard set of medical equipment, supplies, furniture, and IT equipment.
- Space vacated as a result of the modernization of Yerevan hospitals was 15,577 square meters, and in the regions, 77,264 square meters.
- 90.4 percent of the population is satisfied with their PHC and 95.2 percent is satisfied with the hospital services in the marzes.
- 726 managers of hospital facilities participated in management training courses; as a result, 48 regional hospitals have trained key management personnel.
- Fourteen regional medical centers were renovated and/or constructed and provided with modern medical equipment and furniture, benefiting 2.0 million people in nine marzes.

Key partners: The Bank team worked closely with the (i) Ministry of Health, responsible for the overall policy setting and implementation of Bank-financed projects; (ii) Ministry of Territorial Administration, responsible for the programs on regional developments; (iii) local authorities; and (iv) Ministry of Finance, responsible for the mid-term expenditures, projections, and programmatic budgeting.

Key development partners included USAID in the area of performance-based contracting. With the World Health Organization (WHO), the team collaborated in the development of Health Care Performance Assessment reports and a copayment strategy. The United Nations Children’s Fund (UNICEF) is a traditional partner in supporting the mother and child health (MCH) programs.
ARMENIA: DISEASE PREVENTION AND CONTROL PROJECT

Key Dates:
Approved: March 27, 2013
Effective: July 22, 2013
Closing: December 15, 2019

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financer</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA Credit</td>
<td>35.00</td>
<td>8.54</td>
<td>23.26</td>
</tr>
<tr>
<td>Government</td>
<td>8.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Results-based Financing Trust Fund</td>
<td>1.80</td>
<td>0.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>45.00</td>
<td>8.94</td>
<td>24.66</td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: Armenia today faces the dual challenges of the unfinished Millennium Development Goals (MDG) agenda and a record increase in noncommunicable diseases (NCDs). The greatest burden of disease in Armenia, as in most European countries, comes from NCDs, a group of conditions that includes cardiovascular disease, cancer, mental health problems, diabetes mellitus, chronic respiratory diseases, and musculoskeletal conditions.

The Project Development Objective is to improve (i) maternal and child health (MCH) services and the prevention, early detection, and management of selected NCDs at the primary health care (PHC) level; and (ii) the efficiency and quality of selected hospitals in Armenia.

Results achieved to date:
✓ Training of about 2,700 PHC providers on cardiovascular disease, diabetes mellitus, and cervical cancer, as well as 950 administrative staff on the performance-based financing manual, was completed in 2014 during the preparation stage of the population screening program.
✓ Public awareness campaigns on the early prevention and detection of NCDs are continuously implemented countrywide through electronic and print mass media, as well as using outdoor advertisement methods.
✓ About 280,000 from the target population in the 35–68 age group have been screened for hypertension.
✓ About 202,000 from the target population in the 35–68 age group have been screened for diabetes mellitus.
✓ About 60,000 women aged 30–60 have been screened for cervical cancer (Pap test).
✓ About 13,500 antenatal care attendees have been screened for glycosuria, hypertension, and proteinuria in at least three antenatal visits.
✓ 67 percent of PHC facilities (241 PHC facilities out of 360) have passed the enhanced verification of results process by the state working groups through medical cards and then revised their results, and an additional 50 percent of PHC facilities (182 PHC facilities out of 360) have passed the physical verification process through phone call interviews.
✓ Modernization of the hematology center is under way.
✓ Creation of the first bone marrow transplant and stem cells laboratory in the South Caucasus is under way.
✓ Creation of the radiation therapy center of Armenian Center of Excellence in Oncology (ACEO) is under way.
✓ Two regional medical centers in Sevan in Geglarkunik marz and in Artashat and Ararat marzses are currently being constructed/renovated.

Key partners: The Bank team works closely with the (i) Ministry of Health, responsible for the overall policy setting and implementation of Bank-financed projects; (ii) Ministry of Territorial Administration, responsible for the programs on regional developments; (iii) Armenian Medical Association; and (iv) Ministry of Finance, responsible for the Sustainable Development Program, as well as for mid-term expenditures, projections, and programmatic budgeting.

Key development partners include several international organizations, including WHO, UNICEF, World Vision, and Save the Children, which are involved in different components of health care reform undertaken by the Government of Armenia.
Challenge: Since 1990, continued investment in education has been aimed at the reduction of poverty by increasing access to, and improving the quality of, general secondary education. The current project addresses the challenge of sustaining and extending the accomplishments in general secondary education and at the same time, addressing equity and quality concerns in both preschool, general, and higher education.

The Project Development Objectives of the Education Improvement Project are to improve the school readiness of children entering primary education, improve the physical conditions and availability of educational resources in upper-secondary schools, and support improved quality and relevance in higher education institutions in Armenia.

Key results:

✓ 33 preschool institutions have been established in Kotayk (13), Shirak (12), and Gegharkunik marzes (8), where the total number of the enrolled preschool-aged children is about 1,170, the majority of whom are from socially vulnerable families. 79 teachers of the newly established preschools have taken part in instructional methodology trainings by the National Institute of Education.

✓ 17 (out of 107) high schools in Armenia will be fully renovated and retrofitted with seismic stability to meet current construction and safety standards. About 225 classrooms will be renovated in these 17 high schools. Architectural and technical designs of five schools have already been developed and finalized. The next step is the rehabilitation of these schools and the development of architectural and technical designs for the rest of the schools involved in the rehabilitation program.

✓ All 107 high schools in Armenia will be equipped with up-to-date education resources provided by the project. The process of procurement of laboratory equipment for high school science classes has started.

✓ Procedures for the revision of the national education curriculum, state and subject standards, and syllabi for all subjects have already been started. A needs assessment study on the revision of general education state standards, curriculum, and syllabi has been carried out, and the results of the study were presented and discussed with stakeholders.

✓ Five universities, including four consortia, received grants under the Competitive Innovation Fund first cycle to strengthen the relevance, efficiency, and accessibility of their academic programs. Projects include an Innovative Center for Bacteriological Biotechnologies and Biofuel at Yerevan State University, the establishment of an Educational Research Experimental Laboratory at the National University for Architecture and Construction of Armenia, the establishment of An Excellence Center for Dentistry at Yerevan State Medical University, and others.

Key partners: The Bank team works closely with the Ministry of Education and Science, responsible for the overall policy setting as well as for the implementation of Bank-financed projects; and with the Ministry of Finance, responsible for deepening policy dialogue on the financial implications of the proposed project as well as for ensuring the proper flow of funds and financial monitoring of project activities.

Key development partners include UNICEF and the Step-by-Step Foundation for the provision of preschool teacher training.
ARMENIA: SOCIAL PROTECTION ADMINISTRATION PROJECT II

Key Dates:
Approved: March 24, 2014
Effective: October 29, 2014
Closing: December 31, 2018

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA Credit</td>
<td>21.20</td>
<td>0.69</td>
<td>20.51</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>4.30</td>
<td>0.06</td>
<td>4.24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25.50</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: The improvements in living conditions witnessed in the country before the 2009 global financial crisis have since receded, resulting in increased inequality and more instances of people falling below the poverty line. In post-crisis Armenia, improvements in living conditions have remained slow, renewing the Government’s focus on the efficiency of the social service delivery system and effectiveness of the Family Benefit Program. These efforts need further enhancement to cope with protracted and high unemployment, poverty, and vulnerability, which disproportionately affect women.

The Project Development Objectives are to (i) improve social protection service delivery and (ii) strengthen the analytical and monitoring and evaluation functions of the agencies delivering social protection benefits and services.

Key expected results:

- The project will support the model of the functional integration of four existing agencies responsible for pensions, social assistance, employment, and disability certification.
- This model will be rolled out to another 37 Integrated Social Protection Centers. The activities, from civil works to furniture and IT equipment with software provision, as well as trainings and on-the-job mentoring along with proactive communication with the public, will ensure the fully operational nature of the centers, delivering high-quality services tailored to the needs of the beneficiaries.
- Among the beneficiaries, this project will also target the registered unemployed and employers by promoting employment intermediation and employer-employee matching, thereby increasing labor market efficiency and job opportunities.
- Implementation of the Government’s New Employment Strategy will come in a number of ways, such as by providing capacity building of the State Employment Agency via trainings and modernized IT infrastructure, as well as expanding career orientation through skills-tailored distance learning programs. In addition, it is expected that about 1,400 men and women will benefit from two Active Labor Market Programs targeting youth and uncompetitive workers.
- The project will finance an integrated system of monitoring and evaluation of social protection benefits and services, targeting over 70 different programs. This would enable the Ministry of Labor and Social Affairs to directly manage the beneficiary feedback, specifically collecting information on the quality of delivered services.
- The project will support the State Social Security Service in improving and upgrading its core business processes. A risk-based fraud-and-error supervision software and system, along with improved human resource management capacity, such as central payment services for the integrated social delivery system, will be developed and made fully operational. In addition, it is expected that by the end of the project, the average time required for processing a pension case would decrease by three times.

Key partners: The Bank works closely with the Ministry of Labor and Social Affairs, as well as with its detached unit, the State Employment Agency.

Key development partners involved in different components of the social protection reform are UNICEF and USAID.
ARMENIA: SOCIAL INVESTMENT AND LOCAL DEVELOPMENT PROJECT

Key Dates:
Approved: March 13, 2015
Effective: September 22, 2015
Closing: June 30, 2020

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD Loan</td>
<td>30.00</td>
<td>1.49</td>
<td>28.51</td>
</tr>
<tr>
<td>Local Comm.</td>
<td>1.84</td>
<td>0.06</td>
<td>1.78</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>11.02</td>
<td>0.57</td>
<td>10.45</td>
</tr>
<tr>
<td>Total</td>
<td>42.85</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge: Armenia’s 915 communities, of which 866 are rural and 49 urban, differ greatly in terms of their size and development levels. Nearly half of them have fewer than 1,000 inhabitants. This fragmentation is exacerbated by insufficient budgets, leading to inefficiencies and the inability of local governments to effectively deliver services to their constituencies. The Armenia Development Strategy (ADS) for 2012–2025 aims to overcome territorial development disparities through targeted territorial development policies and programs. Reaching this objective will require stronger intra-governmental coordination, as well as the significant capacity building and institutional development of those organizations involved in local and regional development.

The Project Development Objective is to improve the quality and use of and access to community and intercommunity infrastructure.

Key expected results:

- Local populations throughout Armenia will benefit from renovated and rehabilitated social infrastructure, such as schools, kindergartens, health and social service facilities, community centers, water supply, and waste management, thus improving the living conditions of the population in vulnerable communities.
- The project will directly benefit more than 150 mostly rural communities and enable them to identify their own investment needs. It is expected that at least 250 permanent and 1,500 temporary jobs will be created and about US$8 million in wage income will be generated.
- The project will also support the piloting of socioeconomic initiatives for clusters, bringing together two or more communities that will create livelihood and employment opportunities, particularly for women. These are expected to be productive communal investments that could, for example, support improved agricultural production or commerce (for example, irrigation and transport), improved conditions for production or manufacturing (such as waste management and water systems), or improved human capital development opportunities (for example, training and skills development centers).
- Community councils, municipal officials, school boards, and other community-based organizations will benefit from capacity-building support to effectively plan and maintain their investments.
- The Armenian Territorial Development Fund (ATDF) will be supported to evolve its work from smaller projects to larger, sustainable development projects, in line with the objective of reducing regional socioeconomic disparities.
- Overall, the project is expected to fund the design, selection, and implementation of approximately 120 community micro-projects and 25–30 intercommunity subprojects, fostering intercommunity cooperation.

Key partners: The Bank works closely with the Ministry of Territorial Administration and Development and the project implementing agency, the Armenian Territorial Development Fund.

Key development partners involved in different areas of the territorial development reform are SDC, USAID, ADB, GiZ, and the EU.
**ARMENIA: TRADE PROMOTION AND QUALITY INFRASTRUCTURE PROJECT**

**Key Dates:**
- Approved: July 2, 2014
- Effective: January 14, 2015
- Closing: June 30, 2020

**Financing in million US Dollars:**

<table>
<thead>
<tr>
<th>Financier</th>
<th>Financing</th>
<th>Disbursed*</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD</td>
<td>50.0</td>
<td>0.63</td>
<td>49.37</td>
</tr>
<tr>
<td>Government of Armenia</td>
<td>9.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>59.5</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*World Bank disbursements as of April 2016. Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

**Challenge:** Armenia has had a relatively low export base, with a declining sophistication in export products over the years, while its export basket is primarily concentrated in commodities that have low value added and are vulnerable to volatility in global markets. Another challenge is to attract efficiency-seeking foreign direct investment (FDI), maximizing benefits to the local economy. Furthermore, while the requirements to meet global quality standards are more crucial to promote products and services, Armenia’s national quality infrastructure suffers from weaknesses that hinder technology upgrading and undermine the competitiveness of its exports.

The **Project Development Objective** is to strengthen the Government’s capacity to provide export promotion, investment attraction, and quality management services to firms.

**Key expected results:**

- ✓ At least 40 contracts with new customers for exporters will be generated through newly established foreign representatives of the Armenian Development Foundation (ADF).
- ✓ Seven facilities in the form of public private partnerships (PPPs) will be created to strengthen industry clusters (cluster development PPPs) and to facilitate efficiency-seeking FDI to strengthen their level of engagement in Armenia and facilitate skills development by funding joint projects between multinationals and academia (research and skills development PPPs).
- ✓ Four new FDIs will be generated through the services provided by ADF.
- ✓ Two Industrial Laboratories of the National Institute of Metrology will be internationally recognized.
- ✓ A National Accreditation Body will obtain international recognition.
- ✓ Training of the technical staff of the national quality infrastructure will be provided.

**Key partners:** The Bank works closely with the Ministry of Economy (MoE), which is responsible for the overall implementation of the project, the Project Management Unit (PMU) within the MoE, which is charged with coordination and management of implementation activities on a day-to-day basis, and the Foreign Financed Projects Management Center (FFPMC), which is responsible for the fiduciary aspects of project activities.