

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB), the European Union, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and the World Bank are helping the Government of Armenia implement its Public Financial Management Reform Strategy, 2010. ADB, German development cooperation through KfW, the European Bank for Reconstruction and Development (EBRD), and the World Bank provide support for the water sector. Support for roads has been provided mainly by ADB, EBRD, the Millennium Challenge Corporation (MCC), and the World Bank.

#### Major Development Partners

Development Partner	Project Name	Duration	Amount (million)
<b>Public sector management</b>			
World Bank	IPSAS-2 Trust Fund (grant)	2010	\$0.5
	Public Sector Modernization II	2010	\$9.0
	Development Policy Operations (I-III projects)	2011-2012	\$164.2
	Strengthening Internal Financial Control (grant)	2011	\$0.5
	Tax Administration Modernization Project	2012	\$11.6
GIZ	Public Financial Management Project (grant, design stage)	2013-2014	...
	Municipal Development in the South Caucasus	2010-2015	...
USAID	Tax Reform Project	2012-2016	\$6.5
European Union	Support to the government to implement the ENP Action Plan and preparations for future association agreement	2008-2012	€112.2
	Twinning projects	2010-2012	€6.4
<b>Water supply and sanitation</b>			
ADB	Water Supply and Sanitation Sector Project	2008-2012	\$36.0
	Water Supply and Sanitation Sector Project - Additional Financing	2012-2017	\$40.0
	Development of strategy for nonrevenue water reduction	2013-2014	\$0.2
EBRD, European Union	Lake Sevan environment project	2007-2012	€7.0
EBRD, EIB, European Union, NIF	Armenia small communities water project	2012-2015	€26.0
KfW	Water Supply and Wastewater Systems Rehabilitation, Lori-Shirak 2	2010-2014	€30.0
	Water Supply and Wastewater Systems Rehabilitation, Lori-Shirak	2008-2012	€25.8
	Study on Armenia water sector	2014	€0.6
	Study on improving water supply management of communities in out-of-service area of water companies	2013-2014	
USAID	Clean Energy and Water Project	2011-2015	\$5.7
World Bank	Municipal Water and Wastewater Project for AWSC	2004-2011	SDR15.4
	Additional Financing for Municipal Water and Wastewater Project for AWSC	2008-2012	SDR12.8
	Municipal Water Project for AWSC	2012-2015	\$18.0
	Yerevan Water and Wastewater Project	2005-2011	\$20.0
<b>Road Transport</b>			
ADB	North-South Road Corridor Investment Program - Tranches 1, 2, 3	2012-2017	\$330.0
	Sustainable Urban Development Investment Program - Tranche 1	2011-2016	\$48.6

EIB	Planned North–South Road Corridor Project: Lanjik–Gyumri Road	2013–2015	€60.0
EDB	Planned North–South Road Corridor Project, Ararat–Megry Road	2014–2016	\$100.0
EIB, EBRD, NIF	Yerevan Metro Rehabilitation II	2012	€15.0
EBRD	Bridge construction near Georgian border	2013–2016	€10.3
World Bank	Lifeline Road Network Improvement Project, with additional financing	2009–2013	\$126.0
	Lifeline Road Network Improvement Project	2013–2017	\$56.3

... = not applicable; ADB = Asian Development Bank; AWSC = Armenia Water and Sewage Company; EBRD = European Bank for Reconstruction and Development; EDB = Eurasian Development Bank; EIB = European Investment Bank; ENP = European Neighbourhood Policy; IPSAS = Initial Poverty and Social Analysis; NIF = Neighborhood Investment Facility; USAID = United States Agency for International Development.

Sources: Deutsche Gesellschaft für Internationale Zusammenarbeit. <http://www.giz.de/en/>. KfW. <https://www.kfw-entwicklungsbank.de/International-financing/KfW-Entwicklungsbank/>

2. **International Monetary Fund.** The International Monetary Fund provided an extended credit facility for SDR266.8 million for June 2010–June 2013 to restore fiscal and external sustainability, preserve financial stability, restore growth, and reduce poverty. Progress has been achieved under the program, but the International Monetary Fund sees the need for more progress, including a clearer signal that Armenia has better public sector governance. A 38-month, SDR 82.21 (approximately US\$128 million) arrangement under the extended fund facility was approved by the IMF Executive Board in March 2014. The First Review is planned for September 2014.

3. **World Bank.** The Development Policy Operations (DPO) approved on 7 November 2013 will cover financial sustainability and tariff policy issues for the water sector, and streamlining of performance-based contracts and road asset management for road transport. The program team has coordinated the DPO with coverage of the ADB program to avoid duplication and ensure complementarity. Ongoing water sector support includes the Municipal Water Project for AWSC (2012–2015) investment project to improve the quality and availability of water supply in selected service areas. A water tariff study is under way. For roads, a 2013 loan for the Lifeline Road Network Improvement Project (LRNIP) is to rehabilitate 170 km of the lifeline road network and support ongoing efforts to improve accessibility and create rural employment. The project will help strengthen Ministry of Transport and Communication capacity to manage the rural road network. Assistance has been provided to strengthen the financial information management and internal audit, including drafting the required legislation and regulations; implementation results are awaited.

4. **KfW.** KfW operations focus on the water sector through the Water Supply and Wastewater Systems Rehabilitation in Lori and Shirak, Phase I (2008–2012) and Phase II (2010–2014) and Water Supply and Wastewater Systems Rehabilitation in Armavir (1999–2009) loans. A sector review and strategy study is expected by the end of 2014. The study will present recommended sustainable sector organization models to enable the government to make informed decisions about the future institutional architecture of the water sector. A feasibility study on connecting the currently 560 off-grid villages to a centralized drinking water supply system is also under way.

5. **EBRD, EIB, and the European Union.** According to the latest country strategy<sup>1</sup> adopted in May 2012, EBRD will support private sector involvement in the water and wastewater sector,

<sup>1</sup> EBRD. 2012. *Strategy for Armenia*. London.

including the introduction of more effective tariff structures and management of sector operations. EBRD, EIB, and the European Union are currently involved in the sector through AWSC. Loans from EBRD and EIB, and a grant from the European Union NIF, are being used to rehabilitate municipal water supply networks in 16 towns and villages, and improve wastewater treatment services in two towns. EBRD has provided a loan to Yerevan Water to improve the distribution network of Yerevan city. EIB has a proposed loan for financing the Lanjik–Gyumri section of the North–South Road Corridor Project and EDB has a proposed loan for financing the Ararat–Megry road section of the corridor. A European Union twinning project, started in April 2014, supports an internal audit framework. Significant support is needed for the more than 3,000 procurement units across the government.

**6. United States Agency for International Development.** The Clean Energy and Water Project aims to improve the country's energy and water security. It focuses on promoting integrated energy and water planning, advising the government on issues regarding sustainable hydropower development and water management, and helping local communities and enterprises in selected water basins to improve the accessibility, quality, and affordability of energy and water services.

## **B. Institutional Arrangements and Processes for Development Coordination**

7. The proposed ADB program is government-led and uses a policy-based approach. The ADB program team has been working closely with development partners to optimize synergies among country assistance initiatives for public management, road transport, and drinking water. Findings from the preparatory technical assistance and resulting program design were shared with partners during consultations and an aid coordination meeting. The design and implementation were coordinated through existing sector groups for public financial management, road transport, and water; they meet on a quarterly basis. The Ministry of Economy established the Policy and Donor Coordination Division to map activities and begin formal aid coordination. Coordination will continue with (i) the World Bank on roads and the water sector; (ii) GIZ on program budgeting, and external and internal audit; (iii) KfW and United States Agency for International Development on results-based management in the water sector; and (iv) the European Union on capacity building for procurement and internal audit processes.

## **C. Achievements and Issues**

8. The government has developed a framework for good public financial management practices, including medium-term development and financial planning and monitoring through the medium term development framework and development strategies. However, government-wide implementation is nascent and linkages with sector development targets, annual work plans, and budget allocations are tenuous. Areas with scope for development include (i) linkages between policy, sector development targets, budget, and results monitoring through audits; (ii) financial and public management of the two sectors; and (iii) sector results informing future investment decisions.

## **D. Summary and Recommendations**

9. The program team will continue to collaborate closely with the development partners during program implementation to ensure (i) maintained responsiveness to Armenia's changing needs, especially as the water sector is restructured in 2014–2015, and (ii) optimization of synergies among programs to deliver the highest quality products to the people of Armenia.