

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The table lists the major development partners that have been providing development assistance to the Government of Armenia in the areas of public sector efficiency, public debt management, fiscal risk management and public-private partnership (PPP) policy, government securities market and money market infrastructure, and corporate governance.

Development Partner	Project Name	Duration	Amount (million)
ADB	Public Efficiency and Financial Markets Program I	2017–2018	\$90.0
IMF	Stand-By Arrangement	2019–2022	\$248.2
EU	Support to the Government of Armenia for the implementation of the European Neighborhood Policy Action Plan and preparations for the future Association Agreement – Phase II	2012–2020	€36.8
Germany (GIZ)	Public Financial Management in the South Caucasus Project (Armenia and Georgia)	2017–2020	€5.8
World Bank	Public Sector Modernization Project III	2015–2020	\$21.0

ADB = Asian Development Bank, EU = European Union, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, IMF = International Monetary Fund.

Sources: Asian Development Bank, European Bank for Reconstruction and Development, Eurasian Development Bank, European Union, German development cooperation through GIZ, and the World Bank.

2. **ADB.** The Public Efficiency and Financial Markets Program was approved in October 2017 to strengthen fiscal sustainability and support the development of financial markets in Armenia.¹ This use of the Asian Development Bank (ADB) policy-based lending modality emphasized the importance of capacity development technical assistance (TA) as a crucial requirement for the introduction of new systems and practices. Subprogram 2 of the PEFMP was approved in October 2018 and contributed toward (i) strengthening public debt and fiscal risk management in support of the authorities' fiscal consolidation efforts and attempts to reduce financial risks in the economy; (ii) improved money market liquidity and financial market transparency by deepening the government securities market and improving money market infrastructure; and (iii) fostering the development of corporate debt and equity markets by enhancing corporate transparency and developing legislative frameworks for new instruments and investment vehicles. A post-program partnership framework ensured that policy dialogue remained in spite of a changing political landscape and helped ensure continuity between PEFMP and the proposed Second Public Efficiency and Financial Markets Program.

3. **European Bank for Reconstruction and Development.** In 2016, the European Bank for Reconstruction and Development (EBRD) established the EBRD Small and Medium Enterprises Local Currency Program, under which a memorandum of understanding was signed between the Ministry of Finance (MOF), the Central Bank of Armenia (CBA), and the EBRD for the Local Currency and Capital Markets Development Initiative. This initiative aims to develop local currency and capital markets through implementing measures to establish appropriate market infrastructure. The resulting action plan is a reference in this area of reform in Armenia. The steering committee that monitors the implementation of this action plan is chaired by the CBA and EBRD country director, and its members include ADB and other stakeholders.

¹ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 2 to the Republic of Armenia for the Public Efficiency and Financial Markets Program*. Manila. <https://www.adb.org/projects/51060-003/main>.

4. **European Union.** The second phase of the Multi Sector Budget Support Program supported the government's reform agenda in public sector transparency, public financial management, and trade. The third phase is still being negotiated between the European Union (EU) and MOF. The EU also financed TA to carry out a baseline survey of Public Administration Services in line with standard EU and Organization for Economic Co-operation and Development practices.

5. **Germany.** German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has supported the development of a strategy for program budgeting, and an action plan to implement public financial management reforms—particularly in external auditing. The focus areas of future GIZ support are still under negotiation.

6. **International Monetary Fund.** The IMF has a Stand-By Arrangement with Armenia consisting of \$248.2 million in support during 2019–2022. As part of this arrangement, the IMF provides TA in public investment management, fiscal transparency, macroeconomic forecasting support, revenue policy and administration, and fiscal risk management. This TA has typically consisted of diagnostic tools and policy recommendations. A number of guidelines and methodologies have also been provided. The ADB team and the IMF collaborate closely on positions and TA in two crucial areas in Armenia: PPP reforms and fiscal risk management reforms.

7. **World Bank.** The fourth and last Development Policy Operation was approved in December 2016. The program is designed to support the government's efforts to promote fiscal, social, and environmental sustainability; and to strengthen competitiveness.

B. Institutional Arrangements and Processes for Development Coordination

8. The second program is government-led and uses a policy-based approach. The MOF will monitor the implementation of the policy actions under the policy matrix. ADB's program team has worked closely with other development partners during the program preparation to ensure that the activities under the proposed program and attached TA will complement the initiatives of other development partners. ADB and other development partners were highly coordinated in presenting comments to legislative initiatives of the government and in providing TA when needed. ADB will continue dialogue and consultations with other development partners to strengthen cooperation and maximize the impact of reforms under the post-program engagement framework.

C. Achievements and Issues

9. The policy matrix has been discussed extensively with the government counterparts. Close coordination with key development partners has provided a solid foundation for ensuring synergies and complementarity of activities. The proposed program provides a platform for close coordination between development partners by enabling a consistent approach for the development and implementation of priority medium-term reforms aimed at increasing fiscal sustainability and the depth of financial markets in Armenia.

D. Summary and Recommendations

10. The objective and scope of the proposed program have been closely coordinated with all major development partners including the IMF, World Bank, EBRD, and the EU Delegation in

Armenia. ADB's support in this area complements the existing programs and is considered appropriate, timely, and relevant to the development policy thrust of the government.