

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Focus and Key Activities

1. The table below lists the major development partners that have been providing development assistance to the Government of Armenia in the areas of i) public debt and fiscal risk management, ii) government securities market and money market infrastructure, and iii) corporate governance.

Major Development Partners			
Development Partner	Project Name	Duration	Amount (million)
ADB	Infrastructure Sustainability Support Program, Phase 2	2016–2017	\$90.0
EDB	Budget Support Credit to Armenia	2015–2017	\$300.0
EU	Multi Sector Budget Support Program – 2 nd phase	2013–2017	€45.0
EU	Support to Public Debt Management Department of the Ministry of Finance (technical assistance)	2015–2017	€0.3
GIZ	Public Financial Management in the South Caucasus Project (Armenia and Georgia)	2014–2017	€6.6
IMF	Extended Fund Facility	2014–2017	SDR82.2
World Bank	Fourth Development Policy Operation	2016–2017	\$50.0
	Public Sector Modernization Project III	2015–2020	\$21.0

ADB = Asian Development Bank, EDB = Eurasian Development Bank, EU = European Union, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, IMF = International Monetary Fund, SDR = Special Drawing Right.
Sources: ADB, EBRD, EDB, EU, GIZ, WB.

2. **ADB.** The Infrastructure Sustainability Support Program, Phase 2 was approved in November 2016.¹ This parallel program aims to improve infrastructure operation and sustainability in Armenia through reforms in the road, water, and power sectors. The program will achieve this through introducing program budgeting, improved regulation, increased budget and other allocations for maintenance, improved contracting and maintenance practices, improved institutions for infrastructure service delivery, and increased power sector revenue generation. Greater financial sustainability of power and water utilities will reduce fiscal stress and contingent liabilities. This use of ADB's programmatic modality has emphasized the importance of capacity development technical assistance in tandem with the introduction of new systems and practices.

3. **Eurasian Development Bank (EDB).** The second tranche of EDB's budget support of \$100 million was disbursed in December 2016, from a total agreed loan of \$300 million. The main objective of the loan is to ensure the support for specific activities under the stimulus program to promote economic growth and boost export-driven industries.

4. **European Bank for Reconstruction and Development (EBRD).** In 2016, the EBRD established the EBRD SME Local Currency Programme, under which a Memorandum of Understanding was signed between the Ministry of Finance, the Central Bank of Armenia, and the EBRD for Local Currency and Capital Markets Development Initiative (Initiative). This initiative aims to develop local currency and capital markets through the implementation of dedicated measures to establish appropriate market infrastructure.

¹ ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan and Technical Assistance Grant to Armenia for the Infrastructure Sustainability Support Program (Phase 2)*. Manila.

5. **European Union (EU).** The second phase of the Multi Sector Budget Support Programme supports the Government's reform agenda in the areas of public sector transparency, public finance management, and trade. The EU's technical assistance provides support to the Public Debt Management Department (PDM) of the Ministry of Finance for revising the legal framework for PDM operations and its approximation to good EU and OECD practices.

6. **GIZ** has supported the development of a strategy for program budgeting, and an action plan to implement public finance management reforms.

7. **International Monetary Fund (IMF).** The IMF approved an extended fund facility in 2014 for SDR82.21 million (\$114.1 million) over a 3-year period to support (i) a rebound in economic activity, (ii) progress in poverty reduction, (iii) inflation stabilization, and (iv) a reduction in outstanding fiscal and external vulnerabilities. In April 2017, IMF completed the fifth and final review of the program. Upon approval, the IMF will disburse SDR15.69 million, bringing total disbursements under the extended fund facility arrangement to SDR82.21 million. To meet the performance criteria and structural benchmarks of the program, technical assistance was provided to the Ministry of Finance in advancing public finance management reforms in the areas of fiscal risk management, program budgeting, and public accounting reforms.

8. **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

9. The proposed Public Efficiency and Financial Markets Program, Subprogram 1 is government-led and uses a policy-based approach. The Ministry of Finance will monitor the implementation of the policy actions under the policy matrix. ADB's program team has worked closely also with other development partners during the preparation of the program to ensure that the activities under the proposed program and piggybacked technical assistance will complement the initiatives of other development partners. During the implementation of the program, ADB will continue dialogue and consultations with other development partners to continue to strengthen cooperation.

C. Achievements and Issues

10. 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 complementarities of activities. The proposed program provides a platform for close coordination between development partners, by enabling a consistent approach for development and implementation of priority medium-term reforms aimed at increasing fiscal sustainability and the depth of financial markets in Armenia. The program builds on EBRD's ongoing support for the development of the local currency and capital market and adds value through the policy actions aimed at further strengthening the legal framework. Policy actions include amendments to the Law on Securitization to clarify the nature and attributes of new investment instruments, legislative and regulatory changes to introduce modern elements of corporate law aimed at reducing barriers to foreign investors participation in the dram capital markets, and amendments to the Law on Accounting to promote and enhance accounting and audit practices being adopted by Armenian companies.

D. Summary and Recommendations

11. The objective and scope of the proposed program have been closely coordinated with all major development partners including 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.