



## Armenia: Public Efficiency and Financial Markets Program (Subprogram 2)

Project Name	Public Efficiency and Financial Markets Program (Subprogram 2)
Project Number	51060-003
Country	Armenia
Project Status	Approved
Project Type / Modality of Assistance	Loan
Source of Funding / Amount	<b>Loan: Public Efficiency and Financial Markets Program (Subprogram 2)</b> Ordinary capital resources US\$ 50.00 million
Strategic Agendas	Inclusive economic growth
Drivers of Change	Governance and capacity development Partnerships Private sector development
Sector / Subsector	<b>Finance</b> - Finance sector development - Money and capital markets <b>Public sector management</b> - Public expenditure and fiscal management
Gender Equity and Mainstreaming	No gender elements
Description	<p>The proposed program is the second of two subprograms within the current programmatic assistance approach of ADB in Armenia. It supports the government reform efforts in the areas of public debt and fiscal risk management, and financial and capital markets development. Specifically, the proposed program will continue to: (i) strengthen public debt and fiscal risk management, in support of the Authorities' fiscal consolidation efforts and attempts to reduce financial risks in the economy; (ii) improve money market liquidity and financial market transparency, by deepening the government securities market and improving money market infrastructure; and (iii) foster the development of corporate debt and equity markets, by enhancing corporate transparency and developing legislative frameworks for new instruments and investment vehicles. The first sub-program for \$40 million was approved in October 2017; this second sub-program, for \$50 million, is expected to be approved in October 2018. A transaction technical assistance (TA) has facilitated reform preparation and implementation during both subprograms.</p>
Project Rationale and Linkage to Country/Regional Strategy	<p>Subprogram 2 reforms bring to fruition a number of key legal and institutional game-changers for financial markets development in Armenia, thus sustaining the benefits of complementary reform processes implemented in Subprogram 1, and puts in motion new reform processes that the proposed post-program engagement framework will help bring to fruition. In general, financial/Capital markets can improve risk sharing and the risk-management efficiency with which financial resources are allocated in a real economy. This can boost economic growth and welfare. But in particular, the development of the financial markets is crucial for Armenia because it would:</p> <ol style="list-style-type: none"><li>1. Support government funding in the domestic market, thereby reducing the currently very-high foreign currency exposure;</li><li>2. Support the traction of monetary policy levers and provide suitable instruments for the authorities to deal with macroeconomic shocks and the increased risks to financial stability of high dollarization;</li><li>3. Develop local capital markets, on the back of the development of an effective government securities market, to enable banks' maturity transformation, companies' and households' access to local currency borrowing (reducing foreign currency exposures in private sector balance-sheets over time);</li><li>4. Improve efficiency of capital allocation and intermediation between investors and borrowers, particularly where adequate disclosure and legal framework to protect investor and borrowers are more crucial for the channeling of savings into productive investment.</li></ol>
Impact	Fiscal sustainability and resilience in the finance sector increased by 2020
<b>Project Outcome</b>	
Description of Outcome	Depth of financial markets increased
Progress Toward Outcome	
<b>Implementation Progress</b>	

Description of Project Outputs	<ol style="list-style-type: none"> <li>1. Public debt and fiscal risk management policies strengthened</li> <li>2. Government's securities market and money-market infrastructure improved</li> <li>3. Base of instruments and investors broadened, and corporate transparency enhanced</li> </ol>
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Status of Implementation Progress (Outputs, Activities, and Issues)

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Geographical Location Nation-wide

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**Safeguard Categories**

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

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**Summary of Environmental and Social Aspects**

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

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**Stakeholder Communication, Participation, and Consultation**

During Project Design

During Project Implementation

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Responsible ADB Officer	Farinha Fernandes, Joao Pedro
Responsible ADB Department	PPFD
Responsible ADB Division	PFFM
Executing Agencies	<i>Ministry of Finance (MOF) 1 Melik Adamyanyan, Yerevan Armenia</i>

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**Timetable**

Concept Clearance	-
Fact Finding	17 Jun 2018 to 26 Jun 2018
MRM	03 Sep 2018
Approval	09 Nov 2018
Last Review Mission	-
Last PDS Update	09 Nov 2018

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Project Page	<a href="https://www.adb.org/projects/51060-003/main">https://www.adb.org/projects/51060-003/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=51060-003">http://www.adb.org/forms/request-information-form?subject=51060-003</a>
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