



Asian Development Bank & Armenia

FACT SHEET

Table 1. Armenia: Development Indicators

Non-MDG	
Population in millions	3.23 (2008)
Annual population growth rate (%)	0.1 (2006–2008)
Adult literacy rate (%)	99.5 (2007)
Percent of population in urban areas	63.9 (2007)
MDG	
Percent of population living on less than \$1.25 a day	10.6 (2003)
Percent of population living below the national poverty line	25.0 (2007)
Under-5 mortality rate per 1,000 live births	24 (2007)
Percent of population using an improved drinking water source	98 (2006)

MDG = Millennium Development Goal.

Sources: ADB. 2009. *Basic Statistics 2009*. Manila.
UNESCO. 2009. Institute for Statistics Data Centre.
World Bank. 2009. World Development Indicators Online.

Over the period 2003–2007, real gross domestic product (GDP) grew by 13.1%—more than twice as much as the Poverty Reduction Strategy Paper (PRSP-1) target. However, the PRSP-1 underperformed on a number of key fiscal and economic indicators. Economic diversification was limited as growth performance remained narrowly based on remittances (the level of remittances to GDP is, at nearly 20%, among the highest in the world) and construction. Export performance was disappointing, with real growth in exports at less than 2% per annum in 2004–2007. The revenue-to-GDP ratio only grew to a less-than-targeted 14.5% by 2006 (though it reached 16% by 2007), reflecting limited progress in reforming revenue administration, whereas total public spending decreased by 0.7% of GDP during 2003–2007.

In October 2008, the Government approved the Sustainable Development Program (SDP), which is Armenia's second Poverty Reduction Strategy Paper (PRSP-2). The SDP is built on the considerable achievements of PRSP-1. The SDP has three key goals covering the period 2009–2021 (with specific medium-term targets indicated in 2009–2015): reducing poverty, including the elimination of extreme poverty; ensuring human development; and deepening economic growth and accelerating development of lagging regions. Increased resources to the social sectors have improved the access to and quality of general secondary education, and have led to improvements in overall utilization and geographic access to basic health services, most notably through the free provision of primary health care to the population. Throughout recent years, Armenia's industrial infrastructures—transport, energy, water and irrigation, and telecom—registered certain positive developments. However, Armenia still needs improvement in terms of structural and management reforms required for proper operation of infrastructures in a free market. The obsolete infrastructure assets continue to remain a major challenge for sustainable development and poverty elimination.

GDP growth is projected to slow over the period of 2008–2011, although continued large remittances and capital inflows would contribute to keeping growth at about 9% on average. The worsening international environment and growing domestic imbalances represent significant challenges in this outlook. Armenia's external current account deficit, which is already high, is likely to experience more pressure.

Relationship with ADB

Armenia became a member of the Asian Development Bank (ADB) in September 2005 and was classified as a Group B1 country, making it eligible for resources from the Asian Development Fund (ADF), as well as ADB's Ordinary Capital Resources (OCR). The ADB Board of Directors also endorsed ADB's Economic Report and Interim Operational Strategy (ERIOS) for Armenia, prepared in consultation with the Government, key development partners, and other major stakeholders. In line with the Government's current priorities, promoting rural development, encouraging the private sector, and deriving benefits from enhanced regional cooperation have been identified as potentially suitable broad-based goals for ADB's operational strategy.

Impact of Assistance

In 2007, two projects funded from ADF resources were approved. In 2008, the Supplementary Rural Roads Sector Project was approved. The first two projects were the Water Supply and Sanitation Sector Project for \$36 million and the Rural Roads Sector Project for \$30.6 million. In 2007, technical assistance (TA) for the preparation of municipal services and rural roads rehabilitation projects were approved, while advisory technical assistance (ADTA), piggy-backing on the rural roads project, was also approved. The TAs totaled \$0.9 million in grants.

Future Directions

The operational business plan for Armenia, covering 2008–2010, was endorsed in November 2007. The program includes projects for which funding has been proposed from both country-level and regional ADF resources, and OCR. The nonlending program will support the Government's pro-poor initiatives, with ADTA focused on capacity building, training and studies, and project preparatory technical assistance (PPTA) to prepare for forthcoming lending operations.

Operational Challenges

ADB's interim operational strategy is guided by three principles: (i) establishing operations to respond to Armenia's development challenges; (ii) being selective in determining initial operational areas

Table 2. Armenia: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	1,160	1,500	1,960	2,640	...
GDP growth (% change per year)	10.5	13.9	13.2	13.8	6.8
CPI (% change per year)	7.0	0.6	2.9	4.4	9.0
Unemployment rate (%)	9.6	8.1	7.4	7.1	6.3
Fiscal balance (% of GDP)	-1.7	-1.9	-1.5	-1.5	-0.6
Export growth (% change per year)	6.1	36.1	2.0	16.7	-7.2
Import growth (% change per year)	5.8	33.1	20.6	45.6	35.0
Current account balance (% of GDP)	-0.5	-1.1	-1.8	-6.4	-11.5
External debt (% of GNI)	53.5	36.6	30.4	30.5	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila.
ADB staff estimates.
World Bank. 2009. World Development Indicators Online.

Table 3. Armenia: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans				
Sovereign	Nonsovereign	TA	Grants	Total
17.3	–	1.0	–	18.3

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$83.9 million
Cumulative Disbursements (as of 31 Dec 2008) : \$8.0 million

Table 4. Armenia: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% ^a
Transport and Communications	2	47.92	57.10
Water Supply, Sanitation, and Waste Management	1	36.00	42.90
Total	3	83.92	100.00

^a Total may not add up because of rounding.

and focusing on delivering swift results; and (iii) partnering with other development agencies to exploit the existing institutional infrastructure. Future sector interventions will continue to be selected to address identified development challenges and issues.

Partnership

In designing its operational strategy for Armenia, ADB has held discussions with key development partners, including the World Bank; the International Monetary Fund; the European Bank for Reconstruction and Development; the United Nations Development Programme; the International Fund for Agricultural Development; the International Finance Corporation; the United States Agency for International Development; the Millennium Challenge Corporation (MCC); and the German development bank, Kreditanstalt für Wiederaufbau. The strategy complements the assistance provided by other development partners and envisages close partnerships with the leading funding agencies in the country.

ADB cooperates with civil society organizations (CSOs) in Armenia to strengthen the effectiveness, quality, and sustainability of the services it provides. For example, Armenia-based CSOs, such as the Economic Development and Research Centre and the International Centre for Human Development, are sharing their expertise by providing research support for a regional technical assistance (RETA) project on remittances and poverty in Central Asia and South Caucasus. In particular, civil society expertise is being utilized in developing the project's analytical framework and preparing survey questionnaires, including a household survey.

Table 5. Armenia: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

Number of Ongoing Loans (as of 31 Dec 2008)		3
	2007 (\$ million)	2008 (\$ million)
Contract Awards/Commitments	–	23.0
Disbursements	–	8.0
Loans at Risk (%)	–	–

– = nil.

Table 6. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008^{a,b}

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

^a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

^b Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing of ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2008, there has been no direct value-added cofinancing operations in Armenia.

Table 7. Armenia: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008

Contractor/Supplier	Sector	Contract Amount (\$ million)
Kapavor Company, Ltd.	Transport and Communications	5.53
Ararat-Chansin, LLC	Transport and Communications	4.49
Dorozhnik, Ltd.	Transport and Communications	2.04
RB&E of Sevan CJSC	Transport and Communications	1.43
Vani, LLC	Water Supply, Sanitation, and Waste Management	1.10
Shinforum, LLC	Transport and Communications	1.09
RBE of Gavar OJSC	Transport and Communications	1.05
M/S Artezia, LLC and Sanloret, LLC Consortium	Water Supply, Sanitation, and Waste Management	0.87
SHMSH-23 OJSC	Water Supply, Sanitation, and Waste Management	0.60
M/S Magas Invest CJS	Water Supply, Sanitation, and Waste Management	0.13

Table 8. Armenia: Top consultants (individual consultants and consulting firm) involved in ADB loan projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
JINJ, Ltd. and HGSN, Ltd.	1	1.83
Armenian Individual Consultants*	15	0.23

* Consultant may have one or more contracts within the period covered.

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which 16 contracts were awarded to Armenian consultants worth \$2.1 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB technical assistance projects worth \$2.33 billion, of which 16 contracts were awarded to Armenian consultants worth \$0.64 million.

A summary of procurement contracts awarded to companies and consultants from Armenia for goods and works and consulting services can be found at www.adb.org/Documents/ADBO/procurement.asp.

Table 9. Armenia: Top consultants (individual consultants and consulting firms) involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Armenian Individual Consultants*	13	0.32
Arosa Limited Liability Company	1	0.15
Economic Development and Research Center	1	0.13
International Center for Human Development	1	0.05

* Consultant may have one or more contracts within the period covered.

Table 10. ADB Assistance to DMCs, 2007–2008^a

	2007 (\$ million)	2008 (\$ million)	Change (%)
Lending	9,965.59	10,494.27	5.3
ADF Sovereign	1,892.84	1,789.56	(5.5)
OCR Sovereign	7,347.48	6,924.48	(5.8)
OCR Nonsovereign	725.27	1,780.23	145.5
Public Sector	10.00	300.00	2,900.0
Private Sector	715.27	1,480.23	106.9
Equity Investments	79.75	123.08	54.3
Grants	672.71	811.37	20.6
Technical Assistance	252.84	274.50	8.6

ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Excludes terminated loans, equity investments, technical assistance, and grants.

About Armenia and ADB

Armenia is the 24th largest shareholder among regional members and the 32nd largest overall.

ADB Membership

Joined	2005
Shares held	10,557 (0.30%)
Votes	23,789 (0.54%)

Areg Barseghyan is the ADB Senior Country Coordination Officer for Armenia. The Armenia Resident Mission (ARRM) was opened in 2008 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. ARRM engages in policy dialogue and acts as a knowledge base on development issues in Armenia.

The Armenian government agency handling ADB affairs is the Ministry of Economy.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website

www.adb.org/armenia

Asian Development Outlook

www.adb.org/Documents/Books/ADO/2009/ARM.pdf

Annual Report

www.adb.org/Documents/reports/annual_report/2008/