



Asian Development Bank & Armenia

FACT SHEET

Table 1. Armenia: Development Indicators

| Non-MDG | |
|---|-----------------|
| Population in millions | 3.26 (2010) |
| Annual population growth rate (%) | 0.3 (2008–2010) |
| Adult literacy rate (%) | 99.5 (2008) |
| Percent of population in urban areas | 63.8 (2009) |
| MDG | |
| Percent of population living on less than \$1.25 a day | <2.0. (2008) |
| Percent of population living below the national poverty line | 23.5 (2008) |
| Under-5 mortality rate per 1,000 live births | 22.0 (2009) |
| Percent of population using an improved drinking water source | 96.0 (2008) |

MDG = Millennium Development Goal.

Sources: ADB. 2011. *Basic Statistics 2011*. Manila; UNESCO. 2011. Institute for Statistics Data Centre; World Bank. 2011. World Development Indicators Online.

Table 2. Armenia: Economic Indicators, 2006–2010

| Economic Indicator | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------------------|-------|-------|--------|--------|--------|
| Per capita GNI, Atlas method (\$) | 1,920 | 2,580 | 3,350 | 3,100 | ... |
| GDP growth (% change per year) | 13.2 | 13.7 | 6.9 | (14.2) | 2.6 |
| CPI (% change per year) | 2.9 | 4.4 | 9.0 | 3.4 | 8.2 |
| Unemployment rate (%) | 7.4 | 7.1 | 6.3 | 7.0 | 7.0 |
| Fiscal balance (% of GDP) | (1.5) | (1.5) | (0.7) | (7.6) | (4.9) |
| Export growth (% change per year) | 2.1 | 16.7 | (7.1) | (32.7) | 46.9 |
| Import growth (% change per year) | 20.6 | 45.6 | 35.0 | (25.0) | 19.8 |
| Current account balance (% of GDP) | (1.8) | (6.4) | (11.8) | (16.0) | (14.6) |
| External debt (% of GNI) | 20.5 | 18.3 | 15.3 | 31.1 | ... |

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

Sources: ADB. 2011. *Asian Development Outlook 2011*. Manila; ADB staff estimates; World Bank. 2011. World Development Indicators Online.

Armenia joined the Asian Development Bank (ADB) in September 2005 and is classified as a Group B1 country, making it eligible for financing from ADB's concessional Asian Development Fund, as well as its ordinary capital resources. ADB's Economic Report and Interim Operational Strategy, 2006–2009 was endorsed by its Board of Directors in October 2006.

Armenia's Sustainable Development Program, approved by the Government of Armenia in October 2008, is the country's second poverty reduction strategy paper and was built on the considerable achievements of the first paper. The Sustainable Development Program serves as a basis for mid-term (3 years) and short-term (annual) budgetary planning, and has three key goals for 2009–2021: reducing poverty, including the elimination of extreme poverty; ensuring human development; and deepening economic growth and accelerating development of lagging regions.

In 2009, the global financial crisis seriously affected Armenia's economy. The collapse of the remittance-financed construction sector caused the economy to contract by as much as 14.2%. The crisis has also caused some setbacks for Armenia's poverty reduction efforts: the poverty rate increased from 23.5% in 2008 to 34.1% in 2009. Prompt and effective anti-crisis measures carried out by the government in 2009 helped Armenia enter a phase of stabilization and recovery in 2010. However, a slump in agriculture weakened gross domestic product (GDP) in the second half of 2010. Given this, GDP expanded by 2.6% in 2010.

Improved tax collection and restrained spending have significantly eased the fiscal imbalance in 2010. The 2010 budget-deficit-to-GDP ratio of 4.9% was well below the 6% projected in the state budget. The government aims to reduce the budget deficit to about 4% in 2011 by limiting budgetary expenses. It will prioritize expenditures that support the economy and social programs.

Due to large external borrowing, the external-debt-to-GDP ratio reached 34.7% in 2009 and 35.1% in 2010, from its precrisis level of 13.5% in 2008. Despite the rise, the external debt servicing burden remains moderate, reflecting the high share of concessional borrowing in the total external debt stock.

The economy is expected to recover steadily. The medium-term macroeconomic challenges include tightening the monetary and fiscal stances, relying on concessional financing to sustain debt, and reducing external imbalances. The worsening international environment and growing domestic imbalances represent significant challenges to this outlook.

ADB's new country operations business plan, 2011–2013 for Armenia is expected to be approved in March 2011. In line with the government's post-crisis development priorities, urban development, regional cooperation, and private sector development have been identified as potential broad-based goals for ADB's operational strategy.

In December 2010, the Republic of Armenia subscribed to additional shares under ADB's fifth general capital increase under the Board of Governors Resolution No. 336.

Impact of Assistance

ADB has approved eight loan programs in the transport, municipal infrastructure, and general budget support sectors. Total commitments amounted to \$433.92 million.

In 2009, ADB approved a \$500 million multitranches financing facility to fund the North–South Road Corridor Investment Program. The first tranche of \$60 million was approved in the same year, and a second tranche of \$170 million, to rehabilitate the Ashtarak–Talin Road Section, was approved in December 2010. The project will contribute to the development of a subregional transport network, promote trade flows, increase the country's competitiveness, and enhance regional cooperation and integration. ADB provided a \$30.6 million Rural Roads Rehabilitation Sector Loan to help the government upgrade 220 kilometers (km) of rural roads. A further \$17.3 million was provided through a supplementary loan to account for an increase in project costs as a result of domestic inflation and appreciation of the local currency.

A \$40 million ADB-financed private sector project will build a new terminal at the main airport, Zvartnots International Airport in Yerevan. ADB approved the project—its first private sector infrastructure investment in the country—in March 2010.

The Water Supply and Sanitation Sector Loan (\$36 million) from ADB helped the government repair and replace water supply infrastructure in small towns and villages.

In addition, the Crisis Recovery Support Program Loan (\$80 million), approved in July 2009, helped Armenia through the global financial crisis, by allowing it to protect budgetary social expenditures and implement anti-crisis measures in a time of economic contraction and declining fiscal revenues.

Nonlending programs support the government's pro-poor initiatives, as well as capacity building, training and other related studies, and project preparatory technical assistance to prepare for forthcoming lending operations. For example, the Institutional Modernization to Improve the Business Environment technical assistance grant will support the introduction of an online business registry and will make the process of business registration efficient by reducing the time taken to register companies. It will also improve access to, and transparency of, information about companies. The Transport Sector Development Strategy technical assistance grant helped the government prepare a transport sector strategy (road map) for 2009–2019. Project preparatory technical assistance grants amounting to \$1.0 million and \$1.1 million were provided to Armenia for preparation of the Yerevan Sustainable Urban Transport Project (later renamed the Urban Development Investment Program) and the North–South Road Corridor Investment Program. The Rural Roads Rehabilitation Project and Water Supply and Sanitation Projects were also supported by small project preparatory technical assistance grants of \$300,000 and \$150,000, respectively. Currently, active technical assistance grants total \$1.7 million.

Partnership

ADB maintains close relationships with development partners to improve the effectiveness, efficiency, and impact of its programs. ADB collaborates closely with 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, the German Technical Cooperation, and others.

ADB also cooperates with civil society organizations in Armenia to strengthen the effectiveness, quality, and sustainability of the services it provides.

Table 3. Armenia: 2010 Loan, Technical Assistance, and Grant Approvals (\$ million)

| Loans | | Technical Assistance | Grants | Total |
|-----------|--------------|----------------------|--------|--------|
| Sovereign | Nonsovereign | | | |
| 170.00 | 40.00 | – | – | 210.00 |

– = nil.

Cumulative Lending (as of 31 Dec 2010) : \$433.9 million
Cumulative Disbursements (as of 31 Dec 2010) : \$174.2 million

Table 4. Armenia: Cumulative ADB Lending as of 31 December 2010

| Sector | Loans (no.) | Amount (\$ million) | % ^a |
|--|-------------|---------------------|----------------|
| Transport and ICT | 5 | 317.92 | 73.27 |
| Water Supply and Other Municipal Infrastructure and Services | 1 | 36.00 | 8.30 |
| Multisector | 2 | 80.00 | 18.44 |
| Total | 8 | 433.92 | 100.00 |

ICT = information and communication technology.

^a Total may not add up because of rounding.

Table 5. Armenia: Project Success Rates

| Sector | % ^a | No. of Rated Projects/Programs |
|-------------------------|----------------|--------------------------------|
| Multisector | 100.00 | 1 |
| Total | 100.00 | 1 |
| Year of Approval | | |
| 2000s | 100.00 | 1 |

Table 6. Armenia: Portfolio Performance Quality Indicators for Sovereign Lending, 2009–2010

| | 2009 (\$ million) | | 2010 (\$ million) | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2009 (\$ million) | 2010 (\$ million) | 2009 (\$ million) | 2010 (\$ million) |
| Number of Ongoing Loans (as of 31 Dec 2010) | | 5 | | |
| Contract Awards/Commitments | 117.0 | 22.7 | | |
| Disbursements | 119.1 | 22.3 | | |
| Loans at Risk (%) | – | – | | |

– = nil.

Table 7. Armenia: Projects Cofinanced, 1 January 2006–31 December 2010

| Cofinancing | No. of Projects | Amount (\$ million) |
|-----------------------------|-----------------|---------------------|
| Technical Assistance Grants | 1 | 0.50 |

Table 8. Armenia: Share of Procurement Contracts

| Item | 2009 | | 2010 | | Cumulative (as of 31 Dec 2010) | |
|---------------------|---------------------|------------|---------------------|------------|--------------------------------|------------|
| | Amount (\$ million) | % of Total | Amount (\$ million) | % of Total | Amount (\$ million) | % of Total |
| Goods and Works | 118.46 | 1.15 | 19.42 | 0.30 | 155.65 | 0.16 |
| Consulting Services | 0.26 | 0.06 | 0.53 | 0.13 | 4.18 | 0.05 |

Cofinancing and Procurement

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

As of December 2010, cumulative direct value-added cofinancing for Armenia amounted to \$0.5 million for one technical assistance project.

A summary of projects with cofinancing from 1 January 2006 to 31 December 2010 is available at www.adb.org/Documents/Fact_Sheets/Armenia/cofinancing.asp

From 1 January 1968 to 31 December 2010, contractors and suppliers were involved in 186,186 contracts for ADB loan projects worth \$97.66 billion. During the same period, contractors and suppliers from Armenia were involved in 98 contracts for ADB loan projects worth \$155.65 million.

From 1 January 1968 to 31 December 2010, consultants were involved in 11,643 contracts for ADB loan projects worth \$4.63 billion. During the same period, consultants from Armenia were involved in 27 contracts for ADB loan projects worth \$3.04 million.

From 1 January 1968 to 31 December 2010, consultants were involved in 22,350 contracts for ADB technical assistance projects worth \$3.15 billion. During the same period, consultants from Armenia were involved in 48 contracts for ADB technical assistance projects worth \$1.14 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/Fact_Sheets/Armenia/procurement.asp

Operational Challenges

ADB's operational strategy is guided by three principles: (i) establish operations to respond to Armenia's development challenges; (ii) be selective in determining initial operational areas and focusing on delivering swift results; and (iii) partner with other development agencies to exploit the existing institutional infrastructure. Interventions will continue to be selected to address development challenges and issues.

Future Directions

The country operations business plan, 2011–2013 is expected to be endorsed in the first half of 2011. Lending and nonlending programs under the plan will be aligned with the government's Sustainable Development Program and the core areas identified under ADB's long-term strategic framework, Strategy 2020.

The nonlending program will support the government's pro-poor initiatives, with technical assistance grants focused on capacity building, training and studies, and project preparatory technical assistance to prepare for forthcoming lending operations. Under ADB's Trade Finance Program, trade-financing agreements are expected to be signed with six commercial banks in the first half of 2011, to bolster export and import activities and stimulate growth in the country.

ADB and Armenia will start preparation for the first country partnership strategy by the end of 2011.

Table 9. Armenia: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2006–31 December 2010

| Contractor/Supplier | Sector | Contract Amount (\$ million) |
|---|--|------------------------------|
| Kapavor Company, Ltd. | Transport and ICT | 12.55 |
| Ararat-Chanshin, LLC | Transport and ICT/Water Supply and Other Municipal Infrastructure and Services | 12.12 |
| Khachhar LLC | Transport and ICT | 5.57 |
| Agat 777 | Water Supply and Other Municipal Infrastructure and Services | 3.83 |
| Shinashkharh LLC | Water Supply and Other Municipal Infrastructure and Services | 3.73 |
| Shmsh OJSC | Water Supply and Other Municipal Infrastructure and Services | 3.61 |
| Artezia LLC | Water Supply and Other Municipal Infrastructure and Services | 2.64 |
| Chanapar LLC (Jointly With Rukostroy LLC) | Transport and ICT | 2.60 |
| AAB Project LLC | Transport and ICT | 2.24 |
| Sade CJSC | Water Supply and Other Municipal Infrastructure and Services | 1.98 |

ICT = information and communication technology.

Table 10. Armenia: Top Consultants (Individual Consultants and Consulting Firm) Involved in ADB Loan Projects, 1 January 2006–31 December 2010

| Consultant | Number of Times Contracted | Contract Amount (\$ million) |
|---------------------------|----------------------------|------------------------------|
| JING, Ltd. and HGSN, Ltd. | 1 | 2.00 |
| Dorproject Institute Ltd. | 1 | 0.27 |
| Grant Thornton Amyot LLC | 6 | 0.17 |
| Individual consultants | 21 | 0.63 |

Table 11. Armenia: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Technical Assistance Projects, 1 January 2006–31 December 2010

| Consultant | Number of Times Contracted | Contract Amount (\$ million) |
|--|----------------------------|------------------------------|
| Arosa Limited Liability Company | 1 | 0.38 |
| Economic Development and Research Center (EDRC) | 1 | 0.14 |
| International Center for Human Development (ICHHD) | 1 | 0.05 |
| Individual consultants | 44 | 0.55 |

Table 12. ADB Assistance to Developing Member Countries, 2009–2010^a

| | 2009 (\$ million) | 2010 (\$ million) | Change (%) |
|----------------------|-------------------|-------------------|------------|
| Lending | 13,215.89 | 11,462.27 | (13.27) |
| ADF, Sovereign | 2,210.31 | 2,212.57 | 0.10 |
| OCR, Sovereign | 10,567.71 | 8,196.96 | (22.43) |
| OCR, Nonsovereign | 437.87 | 1,052.73 | 140.42 |
| Public Sector | 134.30 | | |
| Private Sector | 303.57 | 1,052.73 | 246.78 |
| Equity Investments | 220.00 | 243.00 | 10.45 |
| Grants ^b | 1,113.52 | 1,052.86 | (5.44) |
| Technical Assistance | 267.00 | 326.54 | 22.30 |

() = negative, ADF = Asian Development Fund, OCR = ordinary capital resources.

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

^b Excludes grant cofinancing not administered by ADB.

About Armenia and ADB

ADB Membership

Joined 2005

Shareholding and Voting Power

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

Figures are as of 1 April 2009, before ADB's Board of Governors voted to adopt the fifth general capital increase. The process is ongoing, and the final figures are expected to be available by 30 June 2011. Current subscription levels are available from the Office of the Secretary.

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

Marwanto Harjowiryo is the Executive Director and **CJ (Stan) Vandersyp** is the Alternate Executive Director representing Armenia on the ADB Board of Directors.

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 2010, lending volume was \$11.46 billion (106 projects), with TA at \$175 million (243 projects) and grant-financed projects at \$982 million (40 projects). In addition, \$3.67 billion in direct value-added loan, grants and TA cofinancing was generated. From 1 January 2006 to 31 December 2010, ADB's annual lending volume averaged \$10.3 billion. In addition, TA and investment grants funded by ADB and special funds resources averaged \$692.6 million and \$175.4 million in TA over the same period. As of 31 December 2010, the cumulative totals excluding cofinancing were \$167.1 billion in loans for 2,328 projects in 42 countries, \$4.4 billion in 163 grants, and \$3.15 billion in TA grants, including regional TA grants.

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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/2011/ado2011-arm.pdf

Annual Report

www.adb.org/Documents/Reports/Annual_Report/2010/default.asp