Armenia: Infrastructure Sustainability Support Program
ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>DMF</td>
<td>design and monitoring framework</td>
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<tr>
<td>GDP</td>
<td>gross domestic product</td>
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<tr>
<td>ISSP</td>
<td>Infrastructure Sustainability Support Program</td>
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<tr>
<td>ISSP2</td>
<td>Infrastructure Sustainability Support Program Phase 2</td>
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<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
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<tr>
<td>MOTC</td>
<td>Ministry of Transport and Communication</td>
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<td>MTA</td>
<td>Ministry of Territorial Administration</td>
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<td>MTEF</td>
<td>medium-term expenditure framework</td>
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<td>PSRC</td>
<td>Public Service Regulatory Commission</td>
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<td>RRP</td>
<td>report and recommendation of the President</td>
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<td>SCWE</td>
<td>State Committee for Water Economy</td>
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<td>TA</td>
<td>technical assistance</td>
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NOTE

In this report, “$” refers to US dollars.

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<thead>
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<th>Position</th>
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<tr>
<td>Director General</td>
<td>Marvin Taylor-Dormond, Independent Evaluation Department (IED)</td>
</tr>
<tr>
<td>Deputy Director General</td>
<td>Veronique Salze-Lozac’h, IED</td>
</tr>
<tr>
<td>Director</td>
<td>Walter Kolkma, Thematic and Country Division (IETC), IED</td>
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<tr>
<td>Team Leader</td>
<td>Ari Perdana, Evaluation Specialist, IETC, IED</td>
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The guidelines formally adopted by the Independent Evaluation Department (IED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of IED management, there were no conflicts of interest of the persons preparing, reviewing, or approving this report. The final ratings are the ratings of IED and may or may not coincide with those originally proposed by the consultant engaged for this report.

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**PROGRAM BASIC DATA**

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<th>PCR Circulation Date</th>
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<td>Project Officers</td>
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<td>Georgia Resident Mission ADB Headquarters</td>
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<td>Location</td>
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**IID Review Team Leader**

W. Kolkma, IETC A. Perdana, Evaluation Specialist, IETC*

ADB = Asian Development Bank, ADF = Asian Development Fund, IED = Independent Evaluation Department, IETC = Thematic and Country Division, OCR = ordinary capital resources, PCR = program completion report, SDR = special drawing rights, TA = technical assistance.

* Team members: J. Asquith (Principal Evaluation Specialist), M.J. Dimayuga (Senior Evaluation Officer), J. Hawley (Consultant).

**I. PROGRAM DESCRIPTION**

**A. Rationale**

1. Economic growth, facilitated by improved infrastructure, is a key development priority of the Government of Armenia. To help improve service delivery in the country’s road transport and water supply sectors, the Asian Development Bank (ADB) approved a policy-based loan of SDR31,770,000 ($49 million equivalent) and a technical assistance (TA) grant of $0.9 million to Armenia for the Infrastructure Sustainability Support Program (ISSP) in August 2014. The loan size and amounts were justified by the nature and sequence of reforms required, the cost of reforms, the government’s resources for development expenditure and financing needs, and the
time required to undertake the reforms.\(^1\) After the 2008–2009 crisis, which led to countercyclical fiscal package from various development partners, the financing gap increased. The overall financing needs in 2014, excluding domestic debts, were $461.3 million, about 4% of the country’s gross domestic product (GDP) in 2014. The largest development expenditures were for social protection and pension constituting 7.7% of GDP in 2014. Expenditures on water and road networks were only about 0.5% and 0.6% of the GDP in 2013–2014.\(^2\)

2. Armenia is a landlocked, mountainous country with an underfunded, and poor quality road network, which limits people’s access to markets and health and education facilities. Many people also lack access to clean water, an important factor for household well-being. The country has about 7,700 kilometers (km) of national, interstate, and local roads. The central government manages about 3,500 km of the network, while the maintenance of the rest is delegated to severely resource-constrained local communities. Qualitative information about roads managed by local communities is incomplete. In the absence of data, it is difficult to monitor how efficiently the roads are maintained by public and private service providers.\(^3\)

3. Two authorities manage the water sector. The Public Services Regulatory Commission (PSRC) regulates the sector, while the State Committee on Water Economy (SCWE), part of the Ministry of Territorial Administration (MTA), carries out policy, strategy, and standards functions. However, the regulatory activities of PSRC and SCWE are not fully delineated. The separation of policy from operational management and regulation does not help to address operational and financial inefficiencies.\(^4\)

4. The ISSP was designed to improve service delivery in the road transport and water supply sectors by addressing several issues:
   (i) **Road sector.** Insufficient technical information, fragmented sector management, lack of a service regulator, and inadequate funding to achieve sustainable service delivery; and
   (ii) **Water sector.** Lack of a consolidated, complete, and current asset database to inform investment decisions; weak government engagement with private operators that manage water assets; weak public financial management; the need for functional alignment for agencies working in the sector with a regulator to enforce performance targets; and improvements in business processes, including asset management.

B. Expected Impacts, Outcomes, and Outputs

5. The ISSP’s expected impact was improved service delivery in the road transport and water supply sectors, with two indicators: (i) at least 50% of the road network is satisfactory or better as measured by the International Roughness Index by 2020; and, (ii) 65% of households have access to 24-hour water supply by 2020. The program’s expected outcome was results-based management systems implemented in the road transport and water supply sectors, with one qualitative indicator—medium-term expenditure framework (MTEF) and budget processes,

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\(^2\) ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan and Technical Assistance to Armenia for the Infrastructure Sustainability Support Program.* Manila (para. 20).

\(^3\) Footnote 2, paras. 3–5.

\(^4\) Footnote 2, para. 7.
outturn reporting, and audit processes incorporate sector performance targets by September 2015.

6. The program’s four expected outputs were:
   (i) sector management systems improved by integrating sector management and delineating more clearly the responsibilities of specific agencies in the road and water sectors, with five output indicators;
   (ii) strategies and processes to allocate investments more efficiently developed to improve planning, transparency, and accountability in the transport and water sectors based on sound asset management, with five output indicators;
   (iii) regulatory frameworks improved to improve service standards and safeguard user rights in the road sector, and to provide for a public grievance mechanism in both the road and water sectors, with three output indicators; and
   (iv) monitoring systems strengthened to allow for the quality of policy and regulation to be monitored through complete, verifiable, and up-to-date information, with 14 output indicators.5

7. The policy matrix consists of 16 prior actions for the first tranche and 19 prior actions for the second tranche. The prior actions correspond to the output indicators, with some output indicators correspond to two prior actions in different tranches.6

C. Provision of Inputs

8. The loan was approved on 28 August 2014 and became effective on 19 December 2014, 12 days earlier than planned. The first tranche of $20 million (equivalent) was disbursed on 24 December 2014, while the second tranche of $29 million (equivalent) was disbursed on 21 October 2015, a time interval of 10 months from the initial disbursement. The actual closing date of 11 November 2015 was 6 weeks later than planned to allow for the approval of the second tranche report and subsequent disbursement of funds for the second tranche.7

9. The program was classified under category C for impacts on the environment, involuntary resettlement, and indigenous peoples.8 No consultants were used in the program implementation and there were no gender elements.

10. There were two related TA projects:
   (i) A $500,000 policy and advisory TA9 was approved in December 2012 to support the government’s implementation of the program’s tranche 1 actions. The TA conducted several activities including sector assessments, capacity development activities, establishing combined road and water sector working groups to identify and agree on common performance indicators, and the preparation of a water sector financial reporting framework; and

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6 For example, output indicator 1.3 corresponds to the second prior action in the first tranche, and the second prior action in the second tranche.
7 The loan was originally approved as a 25-year term with a grace period of 5 years and an interest rate of 2% for the whole period of the loan. Interest rate was amended to 2.9% in November 2016 in line with other loans provided to Armenia.
8 Footnote 2, para. 32.
A $1 million (ADB $900,000; counterpart support $100,000) capacity development TA for the program was attached to the loan to support the government’s implementation of tranche 2 policy actions and provide training and advisory to government departments. Consulting services were contracted through a firm covering seven international experts (18 person-months) and two nationals (12 person-months). In addition, individual consulting contracts covered three international experts (5.5 person-months) and five nationals (31 person-months). The actual cost was $863,659.10

D. Implementation Arrangements

11. The executing agency was the Ministry of Finance (MOF), responsible for overseeing, coordinating, and reporting on the program’s implementation. The implementing agencies were the Ministry of Transport and Communication (MOTC) for the national road network, the MTA for regional coordination, and the PSRC and SCWE for water supply.

12. The two TA projects discussed earlier were key to the program design and they included (i) developing the scope of reforms to be incorporated in the loan; (ii) ensuring that the policy actions had been achieved prior to the loan approval and disbursement of funds for both tranches; and (iii) assisting in several areas including training of implementing agencies’ staff and developing strategies for road maintenance and water supply.

13. All loan covenants were complied with throughout the program and there were no delays in meeting the conditions of effectiveness. All tranche 1 policy actions were complied with and all tranche 2 policy actions were fully or partially complied with.11

14. The program identified one high, seven medium, and one low risk with mitigating measures shown in paras. 15–16. The overall program risk was medium although the loan proposal did not show the level of residual risk once the mitigation measures were in place.

15. The identified high risk was that while the legal and regulatory framework for anticorruption was adequate, implementation was very weak, which reduces incentives for government agencies to fight corruption. This risk would be mitigated by a number of planned interventions to improve the existing anticorruption framework including (i) increased budget information available to the public, and (ii) online grievance and redressal mechanisms to increase accountability and transparency to users. The risk would also be mitigated by the World Bank’s governance and anticorruption measures in public services in its new country partnership strategy with Armenia.12

16. Four of the medium risks were shown as major risks in the report and recommendation of the President (RRP). These risks and mitigation factors were:

(i) Different levels of capacity within the implementing agencies may cause some delays in the adoption of results-based management in the transport and water supply sectors. The TA attached to the program to build staff capacity and skills would mitigate this risk.

(ii) Lack of consensus on reforms might delay program implementation. This risk would be mitigated through stakeholder consultation process during program design; ensuring stakeholders would be kept informed during implementation; and

11 Footnote 5, Appendix 2
12 Footnote 2, Appendix 2.9 (RRP-linked document risk assessment and risk management plan).
MOTC, PSRC, and SCWE adopting public information plans that would raise awareness about sector issues and the need for reforms.

(iii) Budget planning is weak and not linked to performance, and asset monitoring and internal audit practices are not able to prevent fiduciary risks. The program supporting the government to improve budget performance linkages and the TA providing capacity building would mitigate this risk; and

(iv) Weak implementation of procurement contracts. This risk would be mitigated through training on contract management and procurement, which would be provided to implementing agencies under the attached TA and ongoing regional TA projects.\(^\text{13}\)

17. The integrated benefits and impacts of the program were expected to outweigh the costs with the existing mitigating measures. The program completion report (PCR) did not discuss risks or their impact on the success of the program.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

18. The PCR considered ISSP highly relevant as the poor condition of road transport and water supply infrastructure and the lack of funds for maintenance had resulted in a poor service delivery. The program focused on improving the efficient use of funds by prioritizing investments through sector strategies and improving public financial management reforms. In addition, key performance indicators (KPIs) were introduced to measure expenditure effectiveness, MOTC and PSRC user feedback mechanisms were established for improved transparency and accountability, and internal audit reports were disclosed for enhanced transparency.

19. The program is aligned with the government’s development agenda on sustainable infrastructure provision under the Armenia Development Strategy 2014–2025. The development strategy planned to enhance the reliability and efficiency of water supply operations and improve the quality of water supply and drainage services. It also aimed to increase resources for road maintenance and to make better use of resources.\(^\text{14}\) The program is also aligned with the government’s Medium-Term Expenditure Framework (MTEF) 2014–2016 and with ADB’s Water Operational Plan 2011–2020, Sustainable Transport Initiative Operational Plan, and the development priorities in Country Operations Business Plan for Armenia for 2014–2016.

20. This validation acknowledged the program’s alignment with the government’s and ADB’s development priorities. However, this validation considers the program does not have sufficiently strong innovative or transformative elements, which as per the evaluation guidelines are required to be elaborated in the PCR to justify the program being rated highly relevant. There were also some design issues.

21. First, it is not clear what were the ultimate development outcomes that ISSP would like to achieve through the reforms. The RRP defined the core development challenge as “limited impact that sector investments, delivered through the sector agencies, have had on Armenia’s road and water sector sustainability.”\(^\text{15}\) Fifteen causes were identified in the problem tree. But the program’s

\(^{13}\) Footnote 2, para. 33.


\(^{15}\) Footnote 2, para. 11.
outcome statement—introduction of results-based management systems—was underwhelming; it is an output statement at best. The outcome indicator—MTEF and budget processes, outturn reporting, and audit processes incorporate sector performance target—is a repetition of targets that have been expressed as outputs, and does not represent an in-depth reform objective.

22. Second, there was no clear alignment between the expected impact, the binding constraints to address, and the actual reforms to deliver. The program had two impact indicators to be achieved by 2020, which this evaluation does not consider as appropriate development impacts, 5 years after the loan closing. The RRP assessed “declined budget allocations because of post-2009 fiscal constraints, the block allocations for new road construction, and financial management and procurement shortfalls” as reasons for declining road maintenance budget. For water sector, key challenges included low tariffs, excess demands for capital and operational expenditures, high water losses, and nonrevenue water. At the same time, the program outputs, which were focused on systems and frameworks, seem to focus on areas that will take time to have an impact on improved services and which also depend on other factors, such as appropriate budgets and government commitment to make improvements. For example, risk-based audit planning, audit committees, and certification of internal auditors can take years to produce tangible results in improving accountability and combating fraud, and to be accepted as important accountability mechanisms. The regulatory regime would have improved if the external audit function of government had been strengthened. Internal audits are only independent of the divisions in a department and report to the chief executive officer or audit committee. Internal audit is not as independent as external auditors who report publicly and provide more transparency to government and public sector decision making and performance. In short, the program delivered a different set of reform than what was needed.

23. In spite of the design issues, the validation considers the program relevant.

B. Effectiveness in Achieving Project Outcomes and Outputs

24. The PCR considered ISSP effective with outcome and outputs being substantially achieved. The outputs supported the outcome and allowed for the introduction of results-based management systems, provided legal foundations in the water sector, and introduced new techniques to generate essential data for the results-based management system in the road sector.

25. The expected outcome of incorporating sector performance targets in the medium-term expenditure finance, outturn reporting, and audit processes was met; the MOTC and SCWE produced risk-based audit plans for 2015, 2016, and 2017; and performance indicators for the road and water sectors were included in MTEF for 2015–2017 and 2016–2018. Of 27 output indicators, 25 were achieved. The most important achievements were the establishment of road council, which will coordinate the road maintenance policies and investment decisions (output 1.1); the establishment of road regulatory department under MOTC (output 3.1); and a video

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16 Output 2.3 [key performance indicator (KPI)-based medium-term expenditure framework (MTEF)] adopted for road and water sector with quality indicators, output 4.3 (risk-based audit planning adopted in road and water sector), and output 4.8 (budget-linked regular road and water sector KPI monitoring endorsed by the government).
17 Footnote 2, Appendix 2.
18 Footnote 5, para. 31.
19 It is difficult to check the sources for the performance indicator status update as some documents do not appear on the government website and some are in Armenian only.
inventory of roads (output 4.1).\textsuperscript{20} The MTA-led functional review of key water sector agencies (output 1.3) was also an important first step toward strengthening the water sector management improvement. The validation assesses the program effective.

26. Two of the 27 output indicators were partly achieved:\textsuperscript{21}
   (i) The Water Code 2002 and related acts for the sanitation sector (output 1.5) were not aligned with the functional review recommendations and the water sector strategy by June 2015. This is being addressed in the Infrastructure Sustainability Support Program Phase 2 (ISSP2) with expected amendments to the Water Code being considered by the National Assembly in late 2017\textsuperscript{22}; and
   (ii) The upgrading of the road asset management system to an information technology-based system was only partially completed, with the integration of the road network video inventory system.\textsuperscript{23} There were delays caused by insufficient vendor interest and the specifications had to be adapted.

C. Efficiency of Resource Use

27. The PCR rated ISSP efficient in achieving outcomes and outputs. The policy actions were implemented on time, loan funds were disbursed in a timely manner, and achievement of outputs and outcome were facilitated by thorough program preparation and strong commitment by the government agencies, and proactive support by the ADB team and TA consultants.\textsuperscript{24}

28. The amount of the loan was disbursed as originally allocated in two tranches with supporting TA projects to ensure that all policy actions for the second tranche had been met in a timely manner. Loan effectiveness occurred 12 days earlier than planned with a slight extension to the closing date to allow for the finalization of the tranche 2 policy actions and disbursement of funds. The validation also rates the program efficient.

D. Preliminary Assessment of Sustainability

29. The PCR considered ISSP likely to be sustainable as the program provided the framework for strengthening the government's public finances and management of the road and water sectors. The framework for a more planned approach to expenditure management and financing reforms with a strong regulatory regime to improve transparency and accountability will help strengthen service delivery for the road and water sectors.

30. The PCR could not provide strong evidence about sustainability beyond the claim that the government has “strong commitment to bring about essential reforms.”\textsuperscript{25} It even acknowledged that “given the complexity of issues and budget limitations, improvements can only be expected to be gradual” and “absence of sufficient budgets has delayed actions in the sanitation sector

\textsuperscript{20} This validation, however, considers that the regulatory agency should be established as an independent agency, not as a department under Ministry of Transport and Communication (MOTC).
\textsuperscript{21} This validation notes that under output 3.3, the program delivered a grievance redress system. However, the results of the grievance systems did not appear to be available on the website.
\textsuperscript{22} Footnote 5, para. 11.
\textsuperscript{23} The status update in the program completion report (PCR) was inconsistent. The design and monitoring framework (DMF), which was explained in the narrative at para. 14, mentioned that this output was “partly achieved,”, while the status of implementation in the policy matrix referred to it as “complied”.
\textsuperscript{24} Footnote 5, para. 35.
\textsuperscript{25} Footnote 5, para. 38.
which is now being addressed under ISSP2." The PCR further describes that Armenia is undergoing a fiscal consolidation that will tightly limit budgetary increases for maintenance and investments in the road and water sectors in the foreseeable future. This implies that there will be no significant investment in the two sectors, and the government will still rely on external support for further transport and water reforms and investment. Hence, the validation assesses the program less than likely sustainable.

III. OTHER PERFORMANCE ASSESSMENTS

A. Preliminary Assessment of Development Impact

31. The PCR considered ISSP’s impact on institutional development satisfactory as it helped restructure relevant government agencies; reduce duplication of functions and improve the operational efficiency of the PSRC, MOTC, and SCWE; and enhance the capacity of internal audit. However, this validation considers the explanation inconsistent with the program’s impact statement in the design and monitoring framework (DMF). Per DMF, the program was expected to achieve two targets by 2020: (i) at least 50% of the road network is satisfactory, and (ii) 65% of households have access to 24-hour water supply.

32. The validation assesses the preliminary development impact less than satisfactory. As the PCR reported, the first impact target is unlikely to be achieved as only 21% of road network in 2016 is in satisfactory condition, compared to the target of 50%. The water sector target impact is on track; however, there were no evidence that this achievement could be associated with the program. This validation noted that there is no indication yet that the public expenditure management and financing reforms have improved service delivery in the road transport and water supply sectors. ISSP2 may help achieving this impact in the longer term. However, following the new RRP format, ISSP2 does not specify its impact targets.

B. Performance of the Borrower and Executing Agency

33. The PCR considered the performance of the borrower and the executing agency satisfactory with the MOF carrying out oversight and coordination of the timely implementation of the policy actions across the relevant agencies, providing timely reporting, and managing disbursements. The Cabinet of Ministers coordinated relevant government agencies and showed further commitment to the program by the implementation of ISSP2.

34. The government met the loan effectiveness conditions and complied with all covenants and safeguard requirements. The validation assesses the performance of the borrower and executing agency satisfactory.

C. Performance of the Asian Development Bank and Cofinanciers

35. The PCR considered ADB’s performance satisfactory as a team from ADB headquarters and the resident mission monitored the program. Three review missions followed up on program progress and provided timely feedback to government.

26 Footnote 5, para. 29.
27 Footnote 5, para. 37.
28 Footnote 5, para. 39.
29 Footnote 5, para. 23.
30 Footnote 5, para. 27.
31 Footnote 5, para. 28.
36. The validation considers the performance of ADB satisfactory during program planning and implementation with two related TA projects and three review missions.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

37. The PCR considered the program overall successful—highly relevant, effective, efficient, and likely to be sustainable.

38. The design and formulation were relevant as it was aligned with the government’s and ADB’s strategies. However, the program did not pursue clear and ambitious development outcomes; had no alignment between expected impact, binding constraints, and reform actions; and should not have a single outcome indicator for two sectors. It was effective as the (modest) outcome performance targets were met and output performance targets have been met or are likely to be met. The program was efficient because it was implemented largely as planned, but it is less than likely sustainable as the problem of insufficient budgets for road and water sector investments still continue. The validation considers that overall the program was successful.

<table>
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<th>PCR</th>
<th>IED Review</th>
<th>Reason for Disagreement and/or Comments</th>
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<td>Relevance</td>
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<td>Sustainability</td>
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ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = program completion report.

Source: Independent Evaluation Department.
B. Lessons

39. The PCR listed six lessons from ISSP. Three of the lessons are good practices relevant for other policy-based loans: (i) ensuring stakeholders’ commitments and feedback; (ii) active consultation within ADB; and (iii) support to high-level policy dialogue between the government and ADB.

40. Three other lessons are program specific and may not apply to other programs: (i) unrealistic reforms in the sanitation sector due to fiscal restraints; (ii) opportunities for involved agencies to improve their management due to fiscal and economic downturn; and (iii) procurement risk.

41. Sector-level lesson. In paras. 25–26, this validation raised a point that this program loan supports some basic institutional reform for road and water management. This validation assessed the program achievements against what was intended. However, ideally the reform’s overall impact should be assessed by how much investment in road and urban water increase—which the PCR did not discuss in detail. This program might have been better designed as a sector development loan, which combine program and investment loans.

C. Recommendations for Follow-Up

42. The PCR listed five program-related and two general recommendations, which the validation considers to be sound. The road sector regulator should be independent from the MOTC to provide confidence that its reports are not influenced by conflicts of interest, the ADB should continue to monitor progress to ensure that the reform momentum is maintained, and provide policy-based additional assistance to support reforms in the road, and water sectors. It would be valuable if the program performance will be evaluated in conjunction with ISSP2 in 2022 to determine whether the program, that had focused on improved management and system development, had helped improve service delivery.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Reporting

43. The program’s DMF showed the expected program impact, outcome, and outputs; the performance indicators; status update; and, data sources and reporting mechanisms. The data sources included the government’s long-term development strategy, annual budget documents, MOTC and SCWE annual reports, National Statistics Service reports, internal audit plans of the MOTC and SCWE, and the MTEF 2016–2018.

44. ADB worked closely with the government in the design of the program and, through the related TA, ensured that all policy actions for tranche 2 were complete before funds were disbursed. Review missions to confirm the progress were carried out during the program. For example, a back-to-office mission report for a visit from 6 to 12 December discussed progress with the government processes for the tranche 1 funds to be disbursed and verified that the government was making good progress on the policy actions for tranche 2.33

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32 Footnote 5, para. 43.
B. Comments on Program Completion Report Quality

45. The validation considers the PCR quality less than satisfactory, given that two core criterion ratings were downgraded; implying that it failed to provide good evidence to justify the ratings. Apart from the rating, it was well written and gave a good description of the program and the country’s development issues that the project intended to address. There was a detailed description of the output achievements in the text, supported mostly by the DMF. The lessons from the program flowed from the PCR text and the recommendations were relatively clear on what should be done and by whom.

46. The following were areas in which the quality of the PCR could have been improved:

(i) The program impact statement in the text showed how the program was expected to improve service delivery in road and transport and water supply sectors. However, it would have been useful for the PCR to discuss how the impact on the road sector was to be assessed now that the baseline for the performance indicator, the International Roughness Index,\(^\text{34}\) was no longer relevant.

(ii) Although the risks and mitigation strategies were discussed in the RRP and its linked document, a discussion in the PCR on the risks and how the mitigation strategies had reduced the high-level risks would have been useful to explain how risk assessment and mitigation strategies may have affected the program design.

(iii) The DMF status updates were well supported by the PCR except for a few discrepancies in output 2. The policy actions – RAM-based road maintenance expenditure validated by the Road Council by September 2015 – were shown as partly achieved in the DMF, but complied in the policy matrix. Also, the PCR stated that all policy actions under output 2 were fully implemented except for upgrading the road asset management system, which is not shown as a policy action in the DMF or policy matrix; and

(iv) In some cases, the data sources shown in the DMF were not specific (for example, MOF order, government’s decision) which made it difficult to assess the validity of the achievements. On other occasions, data sources could not be verified because they were in Armenian (for example, MTEF 2014–2016).

C. Data Sources for Validation

47. The main data sources for the validation were the PCR, the RRP and its linked documents (including the risk assessment and risk management plan), the loan agreement, the attached TA brief and TA 8249 Aide Memoire, review missions’ back-to-office reports, and International Monetary Fund’s (IMF) Republic of Armenia—Assessment Letter to the Asian Development Bank.


\(^{34}\) It would have been helpful if the International Roughness Index (IRI) value and how it would improve service delivery had been explained in the PCR text. The acronym IRI was not shown in the glossary and only shown in full in the DMF and notes to the DMF.
D. Recommendation for Independent Evaluation Department Follow-Up

49. Some of the findings and lessons may be useful for IED’s ongoing policy-based loan evaluation. The incoming Armenia Country Partnership Strategy Final Review Validation and Transport Sector Evaluation, both planned for 2019, should also include ISSP in the assessments. IED may consider doing a project performance evaluation report of the program and the subsequent ISSP2 in 2022.