



# Chair's Summary of Meeting of the Board of Directors

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22 November 2019

## Country Partnership Strategy: Armenia, 2019–2023 —Fostering Inclusive, Diversified, and Transformative Growth

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Asian Development Bank

1. The Board of Directors of the Asian Development Bank (ADB) generally endorsed the country partnership strategy (CPS), 2019–2023 for Armenia. All Board members supported the CPS's strategic approach and stated that it was aligned with the needs and development priorities of this upper middle-income country. Most Directors welcomed how the One ADB Approach has been included in the CPS.

2. While one Director agreed with the range of sectors selected in the CPS, he highlighted the need to have a consistent approach across the various areas of ADB engagement. Given persistent poverty and vulnerability, most Directors welcomed the widening in the scope of the proposed ADB program to the social sectors. One Director asked about ongoing efforts on social transfers, and poverty and vulnerability targeting, and how to address them in a holistic way.

3. Many Directors acknowledged economic diversification to be a key policy imperative to creating job opportunities. One Director noted that this would correspondingly reduce the susceptibility of the country's growth trajectory to external shocks. Another Director mentioned that diversification would require tackling monopolies, duopolies, and oligopolies in manufacturing. Besides higher foreign direct investments and remittances, leveraging the role of diaspora in the country's development efforts was identified by a Director for further analysis. In this context, the Board advised the Management to closely monitor the country situation and add value to country efforts through policy dialogue, technical assistance, and pilot projects in prioritized areas.

4. While cross-border technical assistance and investments for regional connectivity was welcomed, one Director asked for more information on the scope of the regional economic corridor, what can be achieved given the constraints, and what can ADB contribute. One Director expressed less optimism on Armenia's prospects under the Eurasian Economic Union as it could complicate relations with other economic groupings, limit opportunities, and raise vulnerabilities.

5. A few Directors highlighted the need to raise implementation capacity in the context of the North–South Road Corridor, emphasizing that ADB must provide sustained support, including for strengthening public procurement processes. One Director welcomed support to governance, institutional capacity building, and implementation support as a cross-cutting priority area for the CPS period given the challenging environment.

6. A few Directors emphasized the need for continued Private Sector Operations Department investments targeting small and medium-sized enterprises, while another Director asked for private sector plans in the agriculture sector. Armenia has the highest proportion of nonsovereign operations in the Central and West Asia Department. On public–private partnerships, it was mentioned by a Director that housing could be a potential area besides infrastructure. One Director welcomed the target on increasing the share of renewable energy in the given energy mix. One Director noted that more could be done on gender and stressed the need to monitor gender results.

7. One Director emphasized the weak macro-fundamentals of the economy, highlighting the country's investment gap, the twin deficits (current account and fiscal), and the need for ADB to collaborate with the International Monetary Fund on revenue mobilization efforts. The Director inquired about the link between the CPS and the macroeconomic fundamentals, and whether simulations have been done on ADB contributions to Armenia's growth. Another Director highlighted the potential role of the diaspora and importance of the government's upcoming Armenia Transformation Strategy 2050. One Director raised the question of what guidance was received in determining the cost-sharing arrangement to be applied to the country during the CPS period. It was proposed by a few Directors that the corporate cost-sharing policy, which is now 14 years old, should be reviewed.