DEVELOPMENT EFFECTIVENESS BRIEF

ARMENIA

SUPPORTING ECONOMIC RESILIENCE

ASIAN DEVELOPMENT BANK

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SUPPORTING ECONOMIC
RESILIENCE

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Publication Stock No. BRF178990-2
DOI: <http://dx.doi.org/10.22617/BRF178990-2>

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Notes:

In this publication, “\$” refers to US dollars.
“AMD” refers to dram, the currency of Armenia.

All photos are from ADB.

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ABBREVIATIONS

ADB	Asian Development Bank
AWSC	Armenia Water and Sewerage Company
GDP	gross domestic product
km	kilometer(s)
MSMEs	micro, small, and medium-sized enterprises
SME DNC	Small and Medium Entrepreneurship Development National Center (of Armenia)

ARMENIA DEVELOPMENT INDICATORS

Non-Millennium-Development-Goal Indicator	Earlier Period		Later Period	
Population (million)	3.1	(2006)	3.0	(2016)
Average annual population growth rate (2010–2015)	(0.7)	(2006–2011)	(0.3)	(2011–2016)
Urban population (% of total population)	63.9	(2006)	63.7	(2016)
Life expectancy at birth (years)	73.3	(2006)	75.0	(2016)
Adult literacy (% 15 years and above)	...		99.7	(2011)
Maternal mortality ratio (per 100,000 live births)	26.6	(2006)	27.1	(2016)
Infant mortality rate (below 1 year old per 1,000 live births)	13.9	(2006)	8.8	(2016)
Gross enrolment ratio in basic school (%)	95.4	(2006)	90.7	(2015)
Child malnutrition (% below 5 years old)	4.0	(2005)	2.6	(2015)
Population below national poverty line (%)	26.5	(2006)	29.8	(2015)
Population with access to safe water (%)	91.3	(2006)	97.3	(2015)
Population with access to sanitation (%)	66.1	(2006)	69.9	(2015)

Memorandum Item	2009	2010	2011	2012	2013	2014	2015	2016
GDP growth in constant prices (%)	(14.1)	2.2	4.7	7.2	3.3	3.6	3.2	0.2

... = data not available, GDP = gross domestic product.

Note: () around figures in this table indicates negative values.

Sources: Asian Development Bank. 2016. *Basic 2016 Statistics*. Manila; National Statistical Service of the Republic of Armenia.

ADB AND ARMENIA: FORGING THE FUTURE TOGETHER

A Snapshot of Armenia's Economy

Modern Armenia emerged in 1991, when the breakup of the Soviet Union resulted in the country's independence. Since then, Armenia has successfully overcome the legacy of a centrally planned economy and the breakdown of the former Soviet Union trading networks. However, its economic transition to a market economy is still ongoing.

For a small landlocked country facing geopolitical constraints, Armenia's economic growth was rapid from the mid-1990s until 2008—averaging about 9.5% annually. This strong recovery is attributed to the pursuit of market-oriented reforms, the rapid expansion of credit, a real estate boom, and large inflows of external assistance and workers' remittances. However, economic growth was weaker in later years, for instance, 3.2% in 2015 and 0.2% in 2016 due mainly to continued weaknesses in external environment.

The global financial crisis of 2008–2009 exposed the vulnerabilities of Armenia's economy, particularly its dependence on remittances and narrow economic base. Construction declined by about 40% in 2009, accounting for most of the 14.1% collapse in gross domestic product (GDP) that year. While the current account deficit has diminished markedly since then, and the average annual inflation rate has remained steady, the government budget deficit and the public debt have increased significantly.

Figure 1: Growth of Armenia's Gross Domestic Product, 2008–2016

GDP = gross domestic product.

Note: () around figures on the y axis indicates negative values.

Source: National Statistical Service of Armenia.

Asian Development Bank (ADB) has been successfully helping Armenia to integrate its economy regionally and to make it more resilient, inclusive, and environmentally sustainable. The main focus of ADB's efforts is on strengthening the economy by building or rehabilitating infrastructure (including roads, water, and energy delivery) and by generating business opportunities for micro, small, and medium-sized enterprises (MSMEs).

ADB's Activities in Armenia

When Armenia joined ADB in 2005, ADB and the Government of Armenia worked together to identify key development challenges and determine where support would be needed. ADB's interim operational strategy for Armenia, 2006–2009 identified three priorities: accelerating rural development, promoting the private sector, and strengthening regional cooperation. The interim operational strategy was designed to address Armenia's key development challenges by fostering pro-poor sustainable economic growth, inclusive social development, and good governance.

ADB reaffirmed its development partnership with Armenia through its first country partnership strategy (for 2014–2018), approved in January 2015. The strategy supports (i) transport infrastructure by working to improve regional and urban roads in Yerevan and secondary cities; (ii) water and other urban infrastructure and services in secondary cities; and (iii) energy security, by diversifying energy sources, rehabilitating and upgrading electricity transmission, and expanding distribution networks.

Since 2005, Armenia has received \$1.19 billion from ADB, including for advancing key projects in many areas, such as transport, finance, energy security, and water supply and urban services. This funding was provided for 12 sovereign projects (of which two were multitranches financing facilities), four nonsovereign projects, and 24 technical assistance grants totaling \$15.2 million.

ADB has been successfully helping Armenia to integrate its economy regionally and to make it more resilient, inclusive, and environmentally sustainable.

Figure 2: Cumulative ADB Lending by Sector, as of 31 December 2016

Note: These figures include sovereign and nonsovereign loans, Asian Development Fund grants, and grants from Other Special Funds.

Source: Asian Development Bank database covering loans, technical assistance, grants, and grant and equity approvals.

Table: Loan and Technical Assistance Approvals
(\$ million)

	2013	2014	2015	2016	2005–2016
Loans	125.0	86.0	201.5	146.0	1,186.0
Sovereign	100.0	86.0	201.5	140.0	1,050.0
Nonsovereign	25.0	0.0	0.0	6.0	136.0
Technical assistance	1.4	0.9	3.6	1.4	15.2
Total	126.4	86.9	205.1	147.4	1,201.2

Note: Technical assistance includes cofinancing.

Source: Asian Development Bank.

ADB'S CONTRIBUTIONS TO DEVELOPMENT AND POVERTY REDUCTION

Rural Roads

Government efforts to reduce rural poverty have been hampered by roads that are not well-maintained. Rural poverty is highest where transport services are most inadequate. This includes the country's high-altitude settlements in the mountainous zones of the provinces of Aragatsotn, Gegharkunik, Lori, Shirak, Syunik, Tavush, and Vayots Dzor—home to about 40% of the country's population.

In July 2007, the government and ADB reached an agreement on one of ADB's first initiatives in Armenia, the Rural Road Sector Project (Box 1), which covered five of the country's 11 provinces. It supported the government's Lifeline Road Network Program, launched in 2004

Box 1: Roads as Lifelines for Rural Dwellers

Many rural communities in Armenia are isolated because travel is very difficult on poorly maintained local roads. Public transport drivers in the small village of Tsovagyugh, Gegharkunik province, bore the brunt of this problem. Before the road into Tsovagyugh was rehabilitated with support from the ADB-financed Rural Road Sector Project, only Soviet-era buses were able to handle the rugged routes between the village and the neighboring towns. However, after the road was repaired, a group of young entrepreneurs set up a taxi company that greatly improved transport service in the area. "The fare is very cheap and the service is comfortable and of high quality," said Artak Amirkhanyan, a resident of Tsovagyugh who often uses the service. "Now people can move more easily and affordably between the towns. This has helped businesses and made our life easier."

Upgrading a rural road in Armenia, with support from the Rural Road Sector Project.

Anahit Vardanyan, the 41-year-old manager of the Akhtamar Hotel, located near Lake Sevan, knows that "creation of more jobs and visible prosperity seen in Tsovagyugh and in neighboring communities are directly linked to the rehabilitation of local roads." She has 25 employees from Tsovagyugh, all of whom commute via the road upgraded with ADB support. "Our receptionist is from Tsovagyugh. She is here every day on time, and is not exhausted from her commute," said Vardanyan, "This would have been impossible if the road had not been improved."

Source: Interviews with beneficiaries.

to rehabilitate 2,700 kilometers (km) of rural roads in poor condition and mostly impassable in winter (out of 4,320 km total rural roads).

The Rural Road Sector Project also aimed to (i) provide rural communities with better access to social-service institutions such as hospitals, clinics, and schools; (ii) develop more accessible, higher-quality, and more frequent road transport; and (iii) create more business opportunities for the private sector in rural areas, particularly in agriculture, but also in industry (including food processing) and services.

The project was successfully implemented in seven regions of Armenia. As a result, 44 rural communities and around 75,000 people were no longer geographically and economically isolated from the capital Yerevan or from the important regional cities. By project completion, 268 km of rural roads had been rehabilitated and road-roughness levels had significantly improved; and the resulting average savings in travel time of 47% exceeded the target of 40%. The program also improved the transport management capacity of Armenia's Ministry of Transport and Communication, by developing a sound road map for transport sector development in the long term.

Promoting Regional Cooperation

Most freight and passenger movement in Armenia is by road, in contrast to the period of the former Soviet Union, when commodities (petroleum products, agricultural goods, and minerals), chemicals, and construction materials were transported mainly by rail. In 2016, roads carried 79.3% of freight traffic and over 88% of passenger traffic, while rail carried only 12.7% of freight traffic and 10.3% of passenger traffic.

With ADB support, the government prepared a transport sector strategy during 2007–2008 to develop cost-effective and environmentally and socially sustainable transport infrastructure and services through improved management and technology. To promote regional connectivity, the strategy prioritized rehabilitating and upgrading a major trade route connecting Armenia with its neighbors: the North–South Road Corridor (Box 2).

Upgrading the North–South road corridor under the North–South Road Corridor Investment Program.

The North–South Road Corridor Investment Program (2009–2017) is helping to develop an adequate, efficient, safe, and sustainable road network in Armenia. Better domestic and regional connectivity will increase trade flows and competitiveness; lower transport costs; increase mobility and access to markets, jobs, and social services; reduce poverty; boost tourism; and make sector governance more effective.

The investment program was prepared and is being implemented in close coordination with all the development partners involved in subregional road corridor development, including the European Investment Bank and Eurasian Development Bank. The North–South Road Corridor runs 556 km, and the program will provide a high-quality road along the section that runs from the border with Georgia at Bavra, through Gyumri, Ashtarak, Yerevan, Goris, Kapan, and to the border with Iran at Meghri.

Box 2: Acquiring Land for the North–South Road Corridor

The North–South Road Corridor Investment Program, financed by ADB, will upgrade the M1 (a part of the North–South Road Corridor) from a two-lane single carriageway to an international-standard category four-lane dual carriageway. Planners sought to follow the line of the existing highway to minimize negative impacts of the construction work and bypass nearby communities. However, it was not possible to completely avoid plots of land belonging to individuals, companies, or the government. For example, during the initial phase of the rehabilitation of the Ararat–Gyumri route (via Yerevan, Ashtarak, and Talin), the project affected 838 land plots, including 484 plots belonging to 1,186 private owners and co-owners (individuals or companies), 352 plots belonging to 16 communities, and 2 plots owned by the government. Land acquisition and resettlement were conducted in accordance with policies that ADB and the government have to ensure compensation for property owners for losses resulting from the project.

Garsevan Avagyan's fruit orchard lies directly in the path of the planned construction work on the 88-km Ashtarak–Gyumri section of the North–South Road Corridor. Letting go of his orchard was not an easy decision. "My apple, pear, peach, plum, and apricot trees are precious to me, but with the recent spate of bad weather, I have lost crops and my profits have been falling," said Avagyan. Avagyan's family is one of several who received compensation.

Manuk Muradyan, who works for the Agarak municipality, in Aragatsotn Province, helped negotiate settlements for those affected by the road program. "The majority of people are satisfied with the offers", he said. "Some landowners had hoped to receive more money, but in the end they all signed the agreements when they found out that the amounts they received had been calculated in a fair and transparent manner." In all, about 75 plots in Agarak were acquired through the government's land-acquisition and resettlement program, which was necessitated by the rehabilitation of the North–South Road Corridor.

A land plot near the alignment of the North–South Road Corridor.

Source: Interviews with project beneficiaries and project specialists.

IMPROVING OPERATIONAL AND ORGANIZATIONAL EFFECTIVENESS

Benefits of the North–South Corridor Investment Program

Benefits to the Poor and Vulnerable

Of all households along the North–South Road Corridor, about two out of three derive their incomes from services or industry, and about one-third derive their incomes from agriculture or agriculture-related small or medium-sized enterprises. Shorter travel times, lower bus fares and freight charges, and better transport services will improve the lives of these workers, especially the poor and vulnerable.

The road improvement program is designed to rehabilitate national roads to form a new, upgraded, and expanded north–south highway. The main objective is to widen the existing two-lane roads, which are in poor condition, into four-lane divided roads along the existing alignments wherever possible, or to construct new two-lane roads where four lanes would not be feasible.

Safeguarding Historical, Cultural, and Natural Sites and Landmarks

The 46-km section between Talin and Gyumri, to be improved under the third tranche of the investment program, traverses Aragatsotn and Shirak provinces, both well-known for their rich historical and cultural landmarks. The current road construction work runs through or close to a number of historical sites and monuments. A total of 22 such landmarks were identified along this stretch of road, in addition to a newly discovered archaeological site, and they will all be directly affected by the program.

ADB's environmental management plan will minimize, if not completely eliminate, the impacts of the road construction at or near these sites, and will help preserve them. The engineering design has already been revised, and by program completion archaeological test excavations will have been carried out at all the affected sites, including the Talin tomb field; Yeghnasar tomb field; Mastara archaeological site, tomb field, and medieval village; Hayrenyats village; Beniamin archaeological site; Azatan megalithic structures; and the fortified settlement and tomb field of Dzorakap. Mitigation measures will also be applied to natural, historical, and cultural sites near the Talin–Gyumri highway, but not directly affected by the construction.

ADB's Success in Supporting Improved Water-Supply Systems

Armenia's water-supply networks were badly neglected following independence. As of 2007, over 60% of the water-supply and sanitation infrastructure in 50 towns and 300 villages was in very poor condition, and about 50% of the water and sewer networks were in need of major rehabilitation or replacement.

ADB supports the government's objective of providing better access to reliable and sustainable supplies of potable water in towns and villages across Armenia. For that reason, it committed \$76 million in financing to help provide safe, reliable, and sustainable water services to a total of 34 towns and 217 villages under the Water Supply and Sanitation Sector Project (Box 3). In addition, the water services improved by the project are now managed according to commercial principles and with environmentally sound practices. In one of Armenia's first public-private partnership arrangements, a management contract with SAUR, a French company, helped to improve efficiency and service quality.

ADB approved the project, initially funded by a loan of \$36 million, in 2007. The original goal was to help improve public health and environmental conditions for 576,000 people in 16 towns and 125 villages. This was done by revitalizing and rehabilitating infrastructure and by increasing the capacity of the state-owned Armenia Water and Sewerage Company (AWSC) and of private water-supply and sanitation-service providers. That goal was achieved in the first quarter of 2012, a full year ahead of schedule.

In 2012, ADB financed an additional \$40 million for the project to expand upon the improvements made with the initial \$36 million loan, help rehabilitate and extend water-supply and sanitation systems by means of an additional 10 subprojects, and further improve the AWSC's operational efficiency and financial management. The results have benefitted users and contributed to the viability of a new public-private partnership with another international water company, Veolia, in 2017.

In 2014, AWSC launched a program to raise awareness about water conservation in the towns where it operates. To support this, ADB provided \$30,000 to produce 82,000 copies of a 16-page illustrated booklet aimed at increasing savings at the household level. Distributed at 36 schools, the booklet tells the story of two water drops from the time they are formed to when they end up in a house tap.

More than a thousand students also participated in workshops featuring question-and-answer sessions and group work on various themes. Students asked questions on topics such as why water should be paid for, what is done with polluted water, and how can one help those living in countries with little water. Additionally, 350 biology, geography, and natural history teachers took part in training to expand use of awareness-raising materials and related activities in the classroom.

■ **ADB supports the government's objective of providing better access to reliable and sustainable supplies of potable water in towns and villages across Armenia.**

Automated Business Registration

Growth in exports, economic diversification, and the number of micro, small and medium-sized enterprises (MSMEs) are the key objectives of Armenia's economic reforms. Since the 2008–2009 global financial crisis, the government has emphasized diversification into

Box 3: Bringing Clean Water to Artashat

The initial stage of the Water Supply and Sanitation Sector Project positively changed the lives of the inhabitants of 97 towns and villages. For the first water-supply initiative in Armenia supported by ADB, all of the project's 40 civil works contracts, financed by a \$36 million loan from ADB, were awarded in 2008–2010. Over 450 kilometers (km) of water pipes and 17,500 water meters were installed in 21 towns and 97 villages during that period, increasing by 46% the number of consumers receiving 24-hour water supply. By 2011, the project had provided more than 360,000 people with water service for an average of 13.7 hours per day. The number of beneficiaries with full-time access to running water increased from 29,000 (2007) to 39,000 (2011). Before the project began, only 40% of consumers were satisfied with their water supply. By 2011, some 88% said they were satisfied.

A dentist at work at the Central Dental Clinic in Artashat. The dependable supply of clean water makes it possible to serve more patients.

Residents of Artashat now have 17–24 hours of water supply a day instead of 4 hours.

One of those satisfied beneficiaries is Hakob Yughurjyan, director of the Central Dental Clinic in Artashat, a small town 30 km southwest of Yerevan. As this is the biggest specialized dental clinic in Armenia, with 21 dental chairs serving roughly 5,000 patients a month, a reliable supply of clean water is essential. “In the past, when we were using low-quality artesian water, the dental machines, which cost from \$10,000 to \$15,000 each, used to break down very often, disrupting our work. With clean water, we can now serve more patients at the same time, ... at a lower cost because the clinic has water supply almost 24 hours a day,” said Yughurjyan.

The family of 59-year-old Nazik Grigoryan lives in the center of Artashat. Before the project, they had only 2 hours of water in the morning and 2 hours in the evening. To make matters worse, the water was very salty, so they could not drink it or use it to prepare food. Now they have clean water 17–24 hours a day. Grigoryan's daughter-in-law said, “You can imagine how difficult it is to run a household of nine people, including three small children without regular running water. The 17-to-24-hour water supply definitely makes our lives much easier.”

Ruben Hovhannisyan and Varduhi Sargsyan's family also lives in Artashat. Before the project, Hovhannisyan had to drive long distances to the public water tap. He was spending roughly AMD10,000 (\$20) a month on fuel just for these trips. “This is a significant amount for my family with a monthly income of about \$300,” Hovhannisyan said. Since the water supply system was repaired, the Hovhannisyan family also has 17–24 hours of clean water a day, and the monthly water bill is only AMD5,000 (\$10). Having clean water has helped Hovhannisyan and Sargsyan cut down on unnecessary travel, and has given their family more time to enjoy fresh and healthy meals at home.

Source: Interviews with beneficiaries.

higher-value-added and knowledge-intensive industries, as well as greater competitiveness in regional and global markets; and it has introduced measures aimed at moving the country toward inclusive long-term economic growth. In 2008, it requested technical assistance from ADB to implement one of those measures: the establishment of an automated online business registry. The resulting project was launched in December 2009 and implemented as part of the government's Action Plan for Improving Armenia's Business Environment, approved in January 2010. The technical assistance supported the government's effort to increase efficiency and simplify procedures by computerizing the system for registering legal entities (except banking companies) and by establishing a one-window operation to facilitate business start-ups (Box 4).

Box 4: Registering Businesses Electronically

Launched on 25 March 2011, Armenia's One-Stop Business Registry has shortened the average time for the business-registration process for all legal types of business from 17 days to 4 days, and has reduced start-up costs. A website (www.e-register.am/am) makes it easier for entrepreneurs to get the information they need to register their businesses.

Gayane Baghdasaryan was pleasantly surprised when she and her son opened a flower and gift shop in Yerevan, in 2012. "We were able to register our company through the one-stop-shop process quickly and get the state registry certificate," said Baghdasaryan. "In the past, it took about 10 days and around AMD200,000 (\$400) in unofficial payments to register a business. With the new e-registry, it takes about 10 minutes for a sole entrepreneur to register a business and costs a fixed fee of AMD20,000 (\$40)."

Above, left: the Green Bean Coffee Shop; above, right: registration process at the one-stop business registry office.

Irina Ghaplanyan, a co-owner of the popular Green Bean Coffee Shop in central Yerevan, recalls the ease of registering the business. Registering the company through the new online system took only 10–15 minutes. "The whole process was simplified by the fact that a government website exists where everything was explained clearly. For instance, the site listed the necessary documents and steps to follow," said Ghaplanyan. "The entire process, including the actual physical visits to the business registration office and the online process, was simple and very quick. It takes only about 2 to 3 days to complete the process." This was a surprise for Ghaplanyan as many other business-related procedures in Armenia are not nearly as straightforward.

Source: Interviews with beneficiaries.

Challenges Faced by Women Entrepreneurs

ADB's Support for Micro, Small, and Medium-Sized Enterprises and Women Entrepreneurs

Promoting women's entrepreneurship contributes to economic growth (Box 5). With better business skills, financial literacy, and confidence, women can operate at a higher scale, access finance, and benefit from greater economic opportunities. Financial support—start-up lending, loan guarantees, and local-currency loans—is essential for enabling women to invest in new technology, equipment, and other fixed assets.

In 2012, the government requested ADB support for developing micro, small, and medium-sized enterprises (MSMEs) and for encouraging women's entrepreneurship by: (i) improving access to business information, training, and finance; (ii) aiding the establishment of start-up enterprises; (iii) promoting entrepreneurs and MSMEs in remote and rural areas; and (iv) improving the business environment for MSMEs. The ADB Women's Entrepreneurship Support Sector Development Program, approved in October 2012, includes a financial intermediation loan of \$20 million, a policy-based loan of \$20 million, and technical assistance grant of \$600,000.

The program led to the creation of the Women Entrepreneurship Development Strategy, which was officially adopted by the Armenian Ministry of Economy. Additionally, 6,000 MSMEs received business and advisory support from the Small and Medium Entrepreneurship Development National Center (SME DNC) of Armenia, of which 2,400 were headed by women entrepreneurs (40%). Innovative support mechanisms were successfully piloted, including a gender-sensitive value-chain approach and a mentoring program. An interagency coordination working group on women's entrepreneurship was formed, and held three meetings that resulted in the development of a joint time-bound action plan. The SME DNC conducted 16 training sessions, of which 7 were implemented with the support of the ADB technical assistance grant. These sessions benefitted 250 participants, 40% of them women. As of mid-2017, the equivalent of \$12 million had been disbursed to about 1,600 MSMEs.

ADB Assistance for Urban Development

Armenia has a relatively small population (3 million), but is highly urbanized. Urban areas, with about 65% of the total population, account for most of the country's economic activity and employment. In 2011 the government requested ADB assistance via a multitranche financing facility for the Sustainable Urban Development Investment Program. The program aims to improve transport infrastructure and services for about 2 million residents of towns and cities through direct assistance to urban governments and service providers. Specifically, the program seeks to improve transport efficiency, reliability, and safety; and to reduce congestion, while respecting culturally important sites (Box 6). The combined contributions from ADB and the government between 2011 and 2020 will amount to \$515 million, with additional funding expected from other partners, including some in the private sector.

The program is expected to help improve the urban environment, strengthen the economy by encouraging investments in cities and in job creation, and increase private sector participation in urban development. The outcome will be better urban transport infrastructure in 12 Armenian cities, leading to services that are more efficient, reliable, safe, and affordable.

Box 5: Boosting Women's Entrepreneurship

Recognizing the importance of micro, small and medium-sized enterprises (MSMEs) for economic development, the Government of Armenia in 2001 established the Small and Medium Entrepreneurship Development National Center (SME DNC) of Armenia, which supports start-up businesses. The SME DNC aims to increase the efficiency and competitiveness of MSMEs, ensure that business-development services are available to them, expand their access to financing opportunities, provide technical and financial support (to established firms as well as start-ups), encourage external business activities, and expand opportunities for domestic businesses activities. Since 2006, about 1,000 entrepreneurs have participated in SME DNC start-up programs. In 2012, ADB supported the Government of Armenia for developing MSMEs and for encouraging women's entrepreneurship.

Shogher Zakaryan also benefited from SME DNC training. Dance had always been her passion, and the program gave her the courage to try to make a living from it. She presented a business plan and received a preferential loan from the SME DNC, which she used to purchase property and equipment for a dance studio in Artashat. Zakaryan now runs a successful dancing school with over 60 pupils; she also conducts classes at schools in Artashat.

Another SME DNC trainee, Marcela Khurshudyan, is now the sole proprietor of a company that grows asparagus. From the outset, Khurshudyan knew the initial investment in her new business would be modest, and that she would need patience as she waited 3 years for her first crop after planting the seedlings in 2007. But she also knew the wait would be worthwhile, as the seedlings would eventually produce harvests for up to 15 years. She now wants to build a greenhouse for growing asparagus out of season, expand the area she cultivates, and hire additional labor which will help reduce local unemployment. "The results so far have been good. This has all been possible through hard work and optimism," said Khurshudyan.

Anush Badalyan is also a beneficiary of the project. A former teacher, she built a children's center in Sevan that includes a kindergarten, preschool facility, and an entertainment area. She realized her project could only succeed if she focused on the needs of local children and their parents. "All these things were available to children in Yerevan, but children in Sevan didn't have such facilities," she said.

Above, left: Karine Mkrtchyan, from Gyumri; above, right: Shogher Zakaryan, from Artashat. Both women set up their businesses with help from the Small and Medium Entrepreneurship Development National Center of Armenia.

Source: Interviews with beneficiaries.

Box 6: Protecting an Archaeological Site in the Middle of Yerevan

Armenia has about 33,000 historical and cultural monuments in 4,500 complexes dotting the whole country. One of the new roads to be built under the Sustainable Urban Development Investment Program will pass through an archaeological site, Karmir Blur (Red Hill), a 40-hectare pre-Urartian cemetery dating from the sixth century BC until the first century AD. The site was thoroughly investigated and excavated as part of the program, which is cofinanced by the government, ADB, and other development partners.

“Examining the necropolis gave us a better understanding of how funerals in ancient times were organized,” said Hakob Simonyan, an archaeologist working for the Yerevan municipality. Simonyan feels that the program would actually help preserve Armenia’s cultural heritage. “After the road is built, the Karmir Blur historical site will be more accessible to Yerevan residents and visitors.”

The planners took great care to preserve this unique site. “Our road construction solutions are flexible. In this instance, we have used columns in some places so that the archaeological site wouldn’t be damaged,” said Aram Sukiasyan, deputy mayor of Yerevan. “Specialists, nongovernmental organizations’ representatives, and other interested parties held numerous discussions, and decided that excavations should take place before any further road works, so that no items of archaeological significance would be left there.”

A section of Kamir Blur (Red Hill), in Yerevan.

Source: Interview with archaeological specialists.

Disaster Risk Management

The government has reorganized its emergency management system, significantly strengthened legislation, and passed measures to reduce seismic risks and enhance emergency management. The National Strategy for Disaster Risk Reduction, approved in 2012, defines the development of an efficient system for disaster risk reduction as one of the most important factors in the sustainable development of the country. However, most of the public buildings constructed during the period of the former Soviet Union need strengthening or reconstruction to meet seismic safety standards.

In September 2015, ADB approved the first results-based loan in the Central and West Asia region, providing \$88.5 million and a technical assistance grant of \$800,000 for the Seismic Safety Improvement Program in Armenia. The assistance program incorporates lessons learned from ADB's responses to natural disasters in other countries, including the 2015 Nepal earthquake. The program will help Armenia build earthquake-resilient schools and scale up its capacity for responding to natural disasters in one of the most earthquake-prone regions in the world. It is expected to benefit around 58,700 students, teachers, and other staff members, as well as over 87,000 residents living near the target schools, who will have access to improved temporary shelters during earthquakes. As a results-based loan, disbursements are made on the basis of results rather than on up-front expenditures. In 2017, construction is underway in five schools to increase seismic resilience.

FUTURE CHALLENGES: CONTINUED AND EFFECTIVE IMPLEMENTATION GOING FORWARD

Although Armenia has achieved considerable progress on many economic and social indicators, and significantly improved its scores in many international rankings, it still faces challenges in regional and global integration, vulnerability to external economic risks, and the need to further strengthen infrastructure and make growth more inclusive.

To achieve higher and sustainable growth, economic stability and continuing investments are needed that reinforce Armenia's comparative advantage. The government and private sector are both playing important roles, with a clear focus on Armenia's potential in agriculture, education, information technology, light industry, mining, and tourism.

The Armenia Development Strategy 2025 squarely tackles these challenges, declaring growth in high-quality and highly productive jobs as the main objective. Achieving this will depend on continuing human capital development, an improved social protection system, and better public administration and governance. The government recognizes these fundamentals are crucial for enduring private sector development and job creation.

During the past decade, ADB developed a robust pipeline of projects within a very short time, and has since become the country's leading development partner in rebuilding economic infrastructure. ADB's initial projects—the Rural Road Sector Project, the Water Supply and Sanitation Sector Project, and the North–South Road Corridor Investment Program—were directly linked to the government's key infrastructure investments. Some ADB projects are still in their early stages of implementation, and it will take some years before the effects of ADB support become fully apparent. However, much can be learned from the experience thus far.

Looking forward, ADB's strategy is supporting the government's development objectives by helping to finance sustainable investments in infrastructure, particularly transport, energy, and urban infrastructure and services. Improved transport links with Georgia and its Black Sea ports will be upgraded, services in Yerevan and secondary towns will be modernized, and energy security will be strengthened. Projects will be implemented in ways that support private sector development, environmental sustainability, and regional cooperation, and leverage financing from other development partners.

While ADB will continue financing infrastructure, it will gradually shift toward catalyzing development through innovative private sector investments. Such support will help the private sector play a greater role in export-oriented industry, trade, logistics, and infrastructure

development, and to introduce international best practices in corporate governance and performance. The shift from the previous focus on infrastructure finance to other areas will transform ADB's relationship to one suited for a growing middle-income country.

Development Effectiveness Brief: Armenia

Supporting Economic Resilience

The Asian Development Bank (ADB) has been working with the Government of Armenia since 2005, and in 2008 opened a resident mission in the capital, Yerevan. This development effectiveness brief presents how ADB's operations in Armenia help improve people's lives in the country and the challenges ADB and the country face in pursuing agreed development goals. Find out how Armenia continues to benefit from infrastructure investments in the aftermath of the global financial crisis of 2008–2009 which exposed the country's economic vulnerabilities.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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