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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

PROGRESS REPORT

ON THE

COUNTRY PARTNERSHIP STRATEGY

FOR

THE REPUBLIC OF ARMENIA

FY2009 – FY2013

June 3, 2011

South Caucasus Country Department
Europe and Central Asia Region

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GOVERNMENT FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of June 3, 2011)

Currency Unit	Armenian Dram
US\$1.00	375.25

WEIGHTS AND MEASURES

Metric System

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities	IMF	International Monetary Fund
ADB	Asian Development Bank	ILCS	Integrated Living Conditions Survey
AF	Additional Financing	IPSAS	International Public Sector Accounting Standards
CFAA	Country Financial Accountability Assessment	KfW	<i>Kreditanstalt für Wiederaufbau</i>
CPA	Country Procurement Assessment	MDG	Millennium Development Goals
CPRR	Country Program Results Review	MDRI	Multilateral Debt Relief Initiative
CPS	Country Partnership Strategy	MTEF	Medium-Term Expenditure Framework
CPSPR	Country Partnership Strategy Progress Report	MOF	Ministry of Finance
DCFTA	Deep and Comprehensive Free Trade Agreement	OSCE	Organization for Security and Co-operation in Europe
DPO	Development Policy Operation	PEFA	Public Expenditure & Financial Accountability
EBRD	European Bank for Reconstruction and Development	PER	Public Expenditure Review
ESW	Economic and Sector Work	PFB	Poverty Family Benefit
EU	European Union	PIU	Project Implementation Unit
FDI	Foreign Direct Investment	PPP	Public Private Partnership
FSAP	Financial Sector Advisory Program	RESCAD	Rural Enterprise and Small-Scale Commercial Agriculture Development Project
GDP	Gross Domestic Product	ROSC	Report on Observance of Standards and Codes
GEF	Global Environment Facility	SDP	Sustainable Development Program
GDFRR	Global Facility for Disaster Reduction and Recovery	SME	Small and Medium-sized Enterprises
GFMS	Government Financial Management Information System	TF	Trust Fund
IBRD	International Bank for Reconstruction and Development	TSA	Targeted Social Assistance
IDA	International Development Association	UNDP	United Nations Development Program
IDF	Institutional Development Fund	USAID	United States Agency for International Development
IFC	International Finance Corporation		

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ARMENIA
COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT
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ARMENIA

COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

I. INTRODUCTION

1. **This Progress Report aims to review the relevance of the strategy outlined in the FY09-12 Country Partnership Strategy (CPS) between the Republic of Armenia and the World Bank Group (WBG),** report briefly on progress toward achieving CPS objectives and outcomes, and introduce changes to the CPS program as necessary. The CPS was prepared against the background of the 2009 global economic crisis around two pillars: (i) addressing vulnerability and mitigating the adverse poverty effects of the crisis, and (ii) strengthening the foundations for medium-term competitiveness and growth. The strategy envisaged total IDA/IBRD allocation of US\$545 million in FY09-12, of which US\$150 million was from IDA and US\$395 million was the indicative IBRD lending, with front-loading reflecting the crisis requirements, strong implementation focus, and a rich program of analytical and advisory activities (AAA) to underpin the policy dialogue and Bank lending. International Finance Corporation (IFC) commitments were projected at US\$120-160 million.

2. **Significant progress has been achieved towards the CPS results and milestones as defined in the Results Matrix.** With respect to its first pillar – addressing vulnerability – strong results have been achieved in helping Armenia regain macro-stability, create jobs especially in rural areas, and limit the adverse poverty impact from the crisis. With respect to the second pillar – strengthening competitiveness for post-crisis growth – progress towards the CPS milestones is also on track, notably in improving the business environment, strengthening public sector institutions and infrastructure, and investing in new sources of growth. The Results Matrix presented in Annex 1 reflects progress to date and provides updated performance indicators and targets for the end of the CPS period.

3. **Implementation of the CPS financing program is on track.** IDA/IBRD commitments totaled US\$277.6 million in FY09-10 and are projected to reach an additional US\$163 million in FY11. Disbursements are also satisfactory, with a disbursement ratio at 68 percent at end-FY10. IFC investments during the CPS period to date total \$96.4 million in SME, leasing and mortgage finance, trade finance, renewable energy finance, and equity in the mining sector. IFC expects to exceed its investment commitments during the CPS period due to increased focus and additional staff resources being allocated to realize market opportunities. On the analytical and advisory side, the programmatic works on poverty assessment and public financial management, as well as key sector notes have helped inform Bank lending and dialogue. IFC provided advisory services on investment climate reforms, microfinance, banking sector development, and sustainable energy finance. A High Level Policy Forum held in September 2010 has reinvigorated the strategic thinking on Armenia's post-crisis challenges and opportunities.

4. **While the strategic focus on the two pillars of the CPS remains relevant to Armenia, two modifications are proposed: to extend the CPS period by one year and provide additional financing.** In order to align the CPS period with Armenia's political cycle and the Government's medium-term development program for 2011-2013, the period covered by the CPS has been extended by one year, from FY09-12 to FY09-13. Additional financing from Armenia's continued access to IDA-16 will enable a further deepening of the Bank's engagement. This is expected to be at the same levels as for IDA 15 (about \$150 million for three years, which implies \$100 million for the remaining two years of the CPS). IFC envisages the full implementation of the original CPS targets for new commitments.

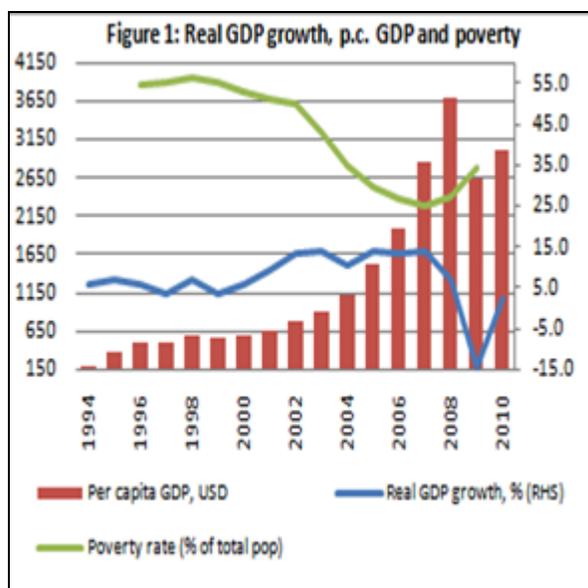
5. **This CPS Progress Report maintains the principles of selectivity, partnerships and flexibility proposed in the CPS.** In this connection, the additional financing will support a selective

program of lending and analytical and advisory services for FY12-13. The Bank Group will maintain the necessary flexibility to balance between the CPS pillars and mix of instruments that will be most appropriate to the evolving country conditions. The Bank will also continue leveraging other development partners given competing demands on IBRD resources and on the internal administrative budget.

II. RELEVANCE OF THE CPS

Armenia's economic outlook has improved but its recovery remains fragile

6. **A fragile economic recovery is underway, following the deep contraction in 2009.** The economy grew by 2.1 percent in 2010 driven by mining, trade, tourism and transport, but was held down by a sharp drop in agriculture due to weather. While rebounding from a 14.2 percent decline in 2009, the recovery has been sluggish and uneven (see Figure 1 and Table 1). Mining sector growth has been buoyed by high metal prices, while the global economic recovery has also helped a recovery in remittances and FDI. GDP growth is projected at 4-5 percent annually over 2011-2013 driven by a recovery in agriculture, exports, and the reactivation of private investments from capital inflows. Overall, Armenia's economic recovery remains subject to significant risks due to its narrow economic base, export concentration in mining commodities, agricultural vulnerability to weather conditions, and high dependence on remittances.



7. **Banking sector performance is improving.** The economic recovery in non-agricultural sectors has been supported by a recovery in bank credit which increased by 30 percent in 2010. In addition, banking sectors indicators are improving. For instance, non-performing loans¹ (NPLs) of commercial banks estimated at 5.4 percent in December 2010 are now lower than the peak of 7.9 percent recorded in August 2009, though still higher than pre-crisis levels of 2.5 percent in December 2008.

8. **Recent inflationary pressures have challenged macroeconomic management.** Inflation increased to 6.5 percent in 2009 and rose to 9.4 percent in 2010, primarily on account of higher international food and energy prices. Data for April suggest that inflationary pressures are moderating and, thus, end-of-period CPI inflation is projected to decline to 6.2 percent in 2011.

9. **The counter-cyclical fiscal stimulus in 2009 has been followed by a program of substantial fiscal consolidation.** Key targets are to reduce the fiscal deficit from 7.8 percent of GDP in 2009 to about 2.4 percent of GDP by 2013, and the 2010 budget outcome already reflected a significant adjustment with the deficit down to 5.6 percent of GDP. This adjustment was driven mainly by spending cuts (by 1.7 percentage points) that safeguarded key social programs and investments. Looking forward, there is limited room to continue cutting expenditures without harming the recovery. Further fiscal consolidation will therefore focus on tax revenue reforms to enhance collections. For this reason, the Government has started revamping the revenue administration and modernizing the tax policy framework.

¹ Using the IMF's definition

10. **Increased debt ratios have reduced headroom for policy action and call for continued donor support.** The counter-cyclical fiscal policy resulted in a significant debt build up, with the debt-to-GDP ratio increasing from 16 percent in 2008 to 40 percent in 2010 and debt service increasing from 10.5 percent of exports to about 14 percent over the same period. While these indicators are projected to stay within prudential limits, their higher levels limit the fiscal space available to respond to any new shock. In this situation, concessional donor assistance will continue to be important to support the pace at which the fiscal stimulus is unwound and fiscal consolidation is strengthened.

Table 1: Selected Economic Indicators, 2007-2013

	2007	2008	2009	2010	2011	2012	2013
	<i>Actual</i>			<i>Projected</i>			
Output and Prices							
GNI per capita (US\$, atlas method)	2580	3380	3070	3140	3090	3200	3310
Unemployment Rate (% of labor force) 1/	7.0	6.3	7.0	7.0	6.9	6.8	6.7
CPI inflation, end of period (percent change)	6.6	5.2	6.6	9.4	6.2	4.6	4.0
Real GDP Growth (percent change)	13.7	6.9	-14.1	2.1	4.6	4.3	4.2
<i>Agriculture</i>	10.4	3.3	-0.1	-15.7	9.0	3.0	3.0
<i>Industry</i>	11.7	7.8	-30.4	6.1	4.5	5.4	4.0
<i>Services</i>	13.8	5.0	0.0	4.7	3.0	3.6	4.6
Gross national savings (% of GDP)	31.8	32.0	17.9	17.3	15.5	17.2	18.7
Investments (% of GDP)	38.2	43.8	33.9	31.2	27.0	27.5	28.0
<i>(In percent of GDP, unless otherwise specified)</i>							
Public Finance							
Revenues and Grants	20.1	20.5	21.1	22.5	22.7	21.5	22.2
o/w Tax Revenue and Social Contributions	18.7	19.7	19.6	19.5	20.2	20.6	21.0
Expenditure and Net Lending	22.4	22.2	28.9	28.2	26.6	24.7	24.6
Current Expenditure	15.8	18.3	22.7	22.0	22.4	20.4	20.1
Capital Expenditure and Net Lending	6.6	3.9	6.2	6.1	4.2	4.3	4.5
Overall Fiscal Balance	-2.3	-1.8	-7.8	-5.6	-3.9	-3.2	-2.4
External Sector							
Current Account Balance	-6.4	-11.8	-15.8	-13.9	-11.5	-10.3	-9.3
Exports of Goods and Services	19.3	15.1	15.6	20.1	19.4	20.9	21.9
Imports of Goods and Services	39.0	40.7	43.1	45.8	46.6	47.6	47.9
FDI Inflows (US\$ m)	701	925	725	569	620	651	684
Net Remittances (US\$ m)	1129	1534	900	1056	1192	1346	1507
Intl Reserves (US\$ m)	1659	1407	2004	1859	1790	1730	1574
External Public Debt (EPD) 2/	14.0	13.6	36.1	37.1	41.8	41.6	38.6
EPD service (% of Exports of GNFS)	2.9	3.1	5.4	4.9	6.5	13.3	20.2

Notes: 1/ officially registered unemployment; 2/ public and publicly guaranteed

Source: Armenian authorities and World Bank staff estimates

11. **Achieving external balance also remains a challenge.** The current account deficit, while declining, remains high. In 2010, exports advanced significantly, growing from 15.6 to 20.1 percent of GDP, but imports too increased due to various factors including the higher fuel and grain prices. The deficit is projected to narrow from 14 percent of GDP in 2010 to about 9 percent of GDP in 2013. It has been financed mainly through donor assistance and foreign direct investment, and any adverse shock to these external inflows would slow down the pace of adjustment. The Central Bank of Armenia has maintained a floating exchange rate regime; however the real exchange rate is still estimated to be overvalued by about 10-12 percent. While the reserves remain at a comfortable level of five months of imports, Armenia's overall debt situation does not provide any headroom for deviating from a tight

internal and external adjustment path without exacerbating economic vulnerability and risk. Key structural reforms are therefore needed to promote exports, raise overall competitiveness, spur economic growth based on tradeable sectors, and reduce the current account deficits.

Promoting competitiveness is essential for accelerating economic growth

12. **The most important strategic challenge facing Armenia is to improve the productivity and competitiveness of its tradeable sector to accelerate growth in the medium-term.** In this connection, the Government is undertaking reforms aimed at improving the investment climate and infrastructure services. These include, *inter alia*, establishing a one-stop shop to centralize all procedures for business registration, streamlining the business licensing procedures, improving trading across borders, introducing elements of e-governance and e-filing of tax returns, and modernizing tax inspection with a view to adopt risk-based approaches. Deepening and broadening these reforms are essential for an effective private sector response. In addition, the upcoming negotiation for a Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union (EU) will enhance competitiveness through trade facilitation, reduction in border costs, services liberalization, and standards harmonization.

13. **Fighting corruption in public administration remains a key development challenge.** This entails tackling the lax practices in tax and customs administrations, inadequate enforcement of conflict of interest regulations, and addressing issues of dominance and its abuse in all markets, including those where oligopolistic structures might prevail. Professionalizing the core public sector is also essential. Breaking the nexus between oligopolistic control, low tax collection, and lack of competition, is central for Armenia to tap into its significant investment and growth potential. In this connection, a new legislation is being considered on conflict of interest. Tax administration reforms are also being initiated with support from the Bank and other donors. With the Bank's support, further progress is being made on reducing the risks of corruption in state institutions through the introduction of e-governance and public sector modernization. The establishment of e-budget system has allowed citizens to monitor the state budget expenditures in any sector on a daily basis. The public awareness and access to information have improved through the judicial information DataLex systems installed in courthouses and public offices throughout the country. IT innovations under the Bank projects have opened new horizons for efficiency, transparency and accountability of the Government.

Reducing poverty and protecting the most vulnerable citizens remain key priorities

14. **Poverty increased during the crisis and undercut the hard-won gains on poverty reduction in the pre-crisis years.** The incidence of poverty rose from 27.6 percent of the population in 2008 to 34.1 percent of the population in 2009 after more than a decade of continuous decline. The situation was worse in the rural areas where poverty increased from 27.6 percent in 2008 to 34.9 percent a year later. Poverty also became deeper and more severe in 2009, with a poverty gap of 7.8 percent (vs. 5.1 percent in 2008) and poverty severity of 2.4 percent (vs. 1.4 percent in 2008). In addition, inequality as measured by the Gini coefficient increased on the basis of both consumption (from 0.24 to 0.26) and income aggregates (0.34 to 0.36) between 2008 and 2009. According to the 2009 Integrated Living Conditions Survey (ILCS), about 40 percent of households suffered the direct impact of the crisis through loss of labor income, remittances, or income from farm activities. As a result, unemployment worsened, particularly among women and the youth.

15. **Armenia has continued to make progress towards achieving its Millennium Development Goals (MDGs) by 2015.** In 2010, the Government published a second progress report on meeting the MDGs, which also sets out more ambitious goals than the global targets. The report stressed the significant progress in eradicating poverty in the pre-crisis years. It also noted, *inter alia*, that the rates of infant and maternal mortality have fallen; primary school enrollment has reached over 98 percent, with

higher ratio of girls to boys in primary and secondary education; and the proportion of population with access to safe water and sanitation has significantly improved over the past few years.

16. **Evidence suggests that the observed increase in poverty in 2009-10 was substantially lower than what would have occurred in the absence of countercyclical measures which provided protection to the poor and vulnerable.** Securing public expenditures on social protection and targeting of safety net programs helped avoid worse outcomes, as the poverty impact of the crisis was reduced from a projected 8 percentage point increase to 5.5 percentage points. However, rising food prices in 2010 put additional pressures on household incomes, particularly for the poor. In response, the Government has strengthened its social safety nets for the most vulnerable households; continued supporting programs that generate employment; and stepped-up investments in agriculture to improve productivity, enhance food security, and mitigate the risks of a food crisis.

The CPS program remains relevant to support the Government's priorities

17. **The Government reaffirmed its medium-term development objectives** in its 2011-2013 Medium-Term Expenditure Framework (MTEF) approved in August 2010, which highlight:

- Reducing poverty, including regional disparities and the elimination of extreme poverty;
- Ensuring human development through better and accessible healthcare and education services;
- Modernizing the public administration and judiciary and fighting corruption; and
- Deepening economic growth through a more friendly business environment and improved infrastructure.

18. To support the Government in its efforts to meet these priorities and achieve its Millennium Development Goals, the CPS strategic directions and programs aiming at addressing vulnerabilities and medium-term competitiveness and growth remain relevant for the rest of the CPS period.

III. PROGRESS TOWARD ACHIEVING CPS OBJECTIVES AND OUTCOMES

19. **Progress towards achieving the CPS objectives and outcomes has been satisfactory.** The following sections provide a brief and selective overview of the implementation progress under the two pillars of the strategy, the portfolio performance, and the coordination with other donors. Detailed assessment and indicators of the CPS progress are presented in the updated Results Matrix in Annex 1.

Significant results have been achieved under the first pillar --Addressing Vulnerability

20. **Job generation through community-driven initiatives and infrastructure rehabilitation has been an essential outcome of Armenia's fiscal stimulus package.** The Government used various instruments to support labor-intensive public investment projects in sectors such as urban development, transport, and irrigation. For instance: (i) under the Armenia Social Investment Fund Project, about 20,000 person/months of short-term employment have been generated, from 200 community projects completed as of March 2011, covering schools, health care facilities, community centers, potable water supply, gas supply, etc.; (ii) under the Lifeline Roads Improvement Project and the related Trust Fund, over 12,000 person/months of labor were created in rural areas, while rehabilitating 290 km of lifeline roads linking smaller towns and cities with the main road network; (iii) under the Irrigation Rehabilitation Emergency Project, a total of 10,814 person/months of temporary jobs were created while rehabilitating 89.4 km of irrigation canals, which helped to reduce water losses and increase irrigated areas for agriculture by 7,300 hectares; and (iv) under the Rural Enterprise and Small Scale Agriculture Project, about 5,060 person/month jobs were created through 165 sub-projects supporting community

infrastructures and investment plans in 141 villages. The Project improved access to farmer advisory services with over 23,000 farmers served on regular basis.

21. **Safeguarding and better targeting of social spending have mitigated the poverty impact of the crisis.** Budget allocations for the pro-poor social protection programs have been maintained around 30 percent of total spending in 2009-2011, supported in part by the DPO program. Armenia spent about 6.8 percent of GDP on all these programs in 2009 which was scaled up to 8 percent of GDP in 2011. Government's spending on social assistance programs, including the Poverty Family Benefit (PFB), public works, unemployment benefits, and social care, were also increased from 1.9 percent of GDP in 2009 to 4.1 percent of GDP in 2011. The protection of social spending has been instrumental in lessening the potential impact of the crisis on the poor. The Government plans to increase coverage of the PFBs from 25 percent of all poor families in 2009 to 55 percent by 2012, and to improve targeting by reducing the number of non-eligible beneficiaries and thereby increasing the share of resources going to the poor.

22. **Access to, and quality of, health care have improved** following the development of primary health care (PHC) networks, introduction of general family medicine, changes in basic benefits packages, provision of modern equipment to PHC facilities in rural areas, and upgrading of staff knowledge and skills. Over 1,182 physicians were re-trained as family physicians and 1,306 nurses as family nurses. About 80 percent of the population is now covered with retrained family medicine providers. Four regional hospitals were renovated, 70 rural PHC facilities improved (26 new constructions and 44 renovations), and 200 PHC facilities provided with standard sets of supplies, furniture, medical and information technology (IT) equipment. Through the Health Sector APL, the Bank is supporting two key objectives of the health system aiming at improving health outcomes by reducing mortality and morbidity, and protecting against high out-of-pocket payments which still account for two-third of all health sector spending and are a deterrent to seeking care, particularly among poorer populations.

23. **Significant improvements have been made in access to, and quality of, water supply in the Capital City Yerevan and in more than 300 other municipal and rural communities.** Under the Yerevan Water and Wastewater Project, progress has been made in delivery of water services for about 1.1 million inhabitants in Yerevan (around 33 percent of the country's population) with the increase of duration of water from 17.4 hours in November 2008 to 21.5 hours in January 2011 along with the increase of bacteriological safety from the baseline of 93 percent to 98 percent. Similarly, under the Municipal Water and Wastewater Project, for another million inhabitants living in 37 towns and 268 rural communities, the average daily hours of drinking water service have increased from 6 to 14 hours, and the revenue collection increased from 48 percent to 95 percent during the same period. Both projects have also successfully anchored private sector participation in the service delivery, through a lease contract in Yerevan and a management contract in other municipalities.

24. **Access to safe, clean and affordable heating has increased.** With support from the Bank-financed Urban Heating Project, the share of households in multi-apartment buildings with safe gas based heating increased from 11 percent in 2008 to 71 percent in January 2011, and the number of gas-use related accidents fell from 37 to 10 per 10,000 gas connections. The Project provided capital grants to over 8,000 urban poor households to buy safe gas heaters and connect to the gas supply network. Heating systems of 119 schools were also rehabilitated, which helped increase the schools' average winter-time indoor temperature and eliminate idle classroom days.

25. **Increased energy is being produced from renewable sources, mostly small hydropower plants privately owned and operated.** With contribution from the Bank-funded Renewable Energy Project, GEF grants, and IFC investment to private operators, the installed capacity of renewable-energy-based power plants connected to the grid increased from 47 megawatts (MW) in 2006 to 137 MW in 2010 and the related power generation increased more than three times, reaching 417 gegawatt-hour in 2010.

Bank financing of renewable energy projects had a strong demonstration effect by confirming the viability of such investments. The Bank and IFC also helped improve the legal and regulatory environment, introduce new technical standards for connecting small power plants to the grid, and update the geographic information systems and databases for renewable resources. The creation of a more conducive business environment attracted several commercial banks which seized these opportunities and started financing renewable energy projects.

26. **Gender policies have been mainstreamed** into the Government's Sustainable Development Program (SDP). Progress has been achieved in education, legal, and social and human rights dimensions. The Bank's poverty work helped diagnose gender-based vulnerability and differences in poverty status and in access to health and social protection. It also supported the introduction of gender-sensitive indicators for general statistical reporting purpose and for incorporating these indicators into the monitoring framework of the SDP. Community-driven approaches supported in Bank-financed projects have given voice to women in the choice of community-level investments (see Box 1). However, important challenges remain due to high unemployment which disproportionately affects women, income gaps², and low representation in politics³.

Box 1: The women in Lorut village voted for water supply

The problems of Lorut are as old as the village road. One of these problems is the main water system, which was built in 1964. The low capacity of the pipes limits not only the availability of drinking water, but also limits the water available for land cultivation and livestock breeding, and, in turn, the villagers' income. As in most small communities in Armenia, every household has its problems, which are then intertwined with the community's shared problems. To deal with these problems, community councils were created under the Community Economic Development component of the RESCAD Project. These councils are not able to resolve all issues at once, but can define priorities and the more urgent projects. The Lorut community council decided that the renovation of a four kilometer segment of the water line was a top priority. Council member Norik Sargsyan – a village mayor during the Soviet years – thinks that this is the right decision: "There was a time when we wanted to spend on roads. The women found out about this and argued that they needed water more... clever they were to choose water."

Under the second pillar, important steps have been taken to lay down the foundations for competitiveness and accelerated growth in the medium-term

27. **Reforms aimed at improving the business climate and incentives for private investment are underway.** In January 2010, the Government approved the Action Plan for Improving Armenia's Business Environment based on a memorandum of reforms on Doing Business in Armenia. Progress has been achieved in reducing the barriers to entry through the creation of a one-stop shop for business registration, and trading across border which was eased by introducing self-declaration desks at customs and risk management systems. Other priorities aim at curbing corruption, improving tax administration, and modernizing the tax inspection procedures. This agenda is supported by advisory services under IFC's Project on Regulatory Simplification and Doing Business Reform, the Bank's Second Foreign Investment and Export Facilitation Project, and policy advice under the DPO series.

28. **A new competition law was approved by Parliament in April 2011 to provide greater enforcement capacity to the Competition Agency.** This law will create a level playing field for all firms and will help ease barriers to entry and expansion, as well as curb market dominance and its abuse. These reforms are carried out within the framework of the DPO program and in collaboration with the

² According to the ILCS, the average income of women constituted only 61 percent of that of men in 2009. This indicator, however, improved by some 4.5 percentage points over 2008-2009.

³ Out of 131 seats in the Parliament as of April 2011, only 10 were occupied by women.

European Union (EU). To further support this work, the Bank is carrying out an Institutional and Governance Review (IGR) that analyzes competition issues as well as the issues of state capture.

29. **The mining sector presents potential for attracting new investments, creating jobs, and providing fiscal revenues.** However, to reap these benefits, the Government needs to bring its legal and regulatory framework in line with international standards in order to attract new investors. To this effect, the Government submitted a new Mining Code to the National Assembly in October 2010, which adheres to best practices for fiscal, environmental, social and licensing standards. This code benefited from consultations with stakeholders, including environmental non-governmental organizations (NGOs), mining companies, and donors. In parallel, IFC has provided continued financial and technical support for development of Armenia's first new gold deposit since independence, by ensuring transparency and best practice in managing environmental and social risks. A recently approved Trust Fund for South-South Experience Exchange between Practitioners will help share knowledge in the promotion of downstream diamond processing and marketing industries with Botswana, Lesotho, Mauritius, Namibia and Armenia.

30. **Increasing financial intermediation, notably small and medium-sized enterprise (SME) access to finance, has been key for accelerating economic growth.** To address the effects of the crisis on credit conditions, the Bank supported expansion of SME and household credit through a Project on Access to Finance for SMEs. To date, more than 1,000 SME borrowers have accessed this facility, and several new banks and one credit organization became participants in 2010. IFC has also provided financing to banks and leasing companies in order to expand access to finance, and contribute to economic diversification and job creation. Targeted IFC credit lines have been provided to support expansion of microfinance, lending to SMEs, the agriculture sector and for the construction of new small hydropower plants. IFC has also rapidly expanded its Global Trade Finance Program which gives Armenian banks and their SME clients more favorable terms of trade. On the advisory side, IFC is implementing a Microfinance Program to increase access to finance for low-income individuals and small-scale entrepreneurs by strengthening banking sector capacity to reach underserved populations, particularly in rural areas. IFC's Banking Market Development advisory project worked with the Central Bank to establish the National Mortgage Company, which has refinanced more than 900 mortgage loans; during the crisis this program was refocused to help banks improve risk management practices, accelerate workouts of troubled assets and return to lending.

The CPS implementation is supported by a healthy and well performing portfolio

31. **The Bank's portfolio consists of 17 operations** (12 IDA credits and 4 IBRD loans and one TF-Geofund) with total commitments of \$481.8 million, of which \$199 million were undisbursed as of May 2011. Disbursement remains highly satisfactory, with disbursement ratio at 68 percent at end-FY10. As of end-April 2011, IFC's committed portfolio totaled \$89 million in 23 projects with 10 clients, of which \$87.1 million (9 percent) is disbursed and outstanding.

32. **Implementation of all Bank projects is satisfactory and there is no project at risk.** A Country Program Results Review (CPRR) was carried out in 2010, which highlighted key generic issues, including the use of country systems for financial management and procurement, mainstreaming of project implementing units (PIUs) into ministries, budgeting for operation and maintenance of infrastructure facilities to ensure sustainability after project closure, and monitoring and evaluation tools and capacities. The Government is taking actions to integrate the PIUs into the ministries. A major milestone in this direction was the recent transfer of all projects' designated accounts from commercial banks to the Armenia Treasury Account.

Analytical and advisory services remain central to the Partnership Strategy

33. **Since FY09, the Bank has carried out core diagnostic studies, and economic and sector work to help inform the implementation of the CPS and country dialogue.** Much of the focus has been on financial management through a Country Procurement Assessment Report (FY09), ongoing programmatic public finance analysis, the Assessment of Quality Standards (FY11) as well as the annual poverty analysis with its strong focus on the social impact of the economic crisis and the effectiveness of remedial measures. The High Level Policy Forum (FY11) has stimulated thinking on post-crisis growth and catalyzed government action on further actions to strengthen the investment climate, particularly in mining, competition policy, and conflict of interest issues. Key sector notes were produced in the main areas of strategic engagement, including water, energy (power, gas, and heating) and roads maintenance. IFC advisory services focused on investment climate reforms, microfinance, banking and leasing sector development, and sustainable energy finance. These services have underpinned the Bank interventions, and have built the capacity of ministries and IFC clients.

34. **An active program of 16 Trust Fund operations for about \$15 million** is co-financing ongoing projects as well as providing sector diagnoses and strategies that underpin the Bank's dialogue and possible interventions. (Table 2). PHRD and Dutch TFs have supported institutional improvements in the judicial system.

Table 2: Armenia: List of Active Trust Fund Operations

PROJECT NAME	TF Program /Donor	Amount Approved (US\$ million)	Amount Undisbursed (US\$ million)	Approval FY	Closing FY
Ministry of Trade and Economic Development Capacity Building	IDF	0.39	0.00	2009	2012
Piloting Fiduciary Control for NCOs	IDF	0.43	0.28	2009	2012
Strengthening Forest Monitoring	IDF	0.40	0.14	2009	2012
Building Government Capacity for Better Monitoring for Results	IDF	0.46	0.15	2009	2012
Public Debt Management	IDF	0.37	0.18	2008	2011
Strengthening Public Sector Internal Auditing	IDF	0.48	0.38	2009	2013
Strengthening National Assembly's Capacity for Policy Formulation and Public Dialogue	IDF	0.49	0.49	2011	2014
Implementation of IPSAS Strategy 2	IDF	0.50	0.50	2010	2014
Improving Fiscal Management and Tax Compliance in the Government of Armenia	IDF	0.50	0.50	2010	2014
Judicial Reform Project	PHRD	3.00	0.91	2007	2013
Armenia E-Society and Innovation for Competitiveness Project	PHRD	0.99	0.17	2009	2011
Judicial Reform Project 2	Dutch TF	4.84	1.12	2008	2012
II Foreign Investment & Export Facilitation	Dutch TF	1.98	0.96	2008	2012
Transaction Advisory Support for PPP for Solid Waste Management for Yerevan city	Multiple	0.48	0.36	2010	2012
Energy Supply Reliability & Energy Efficiency	Multiple	0.09	0.09	2010	2011
Lifeline Road Improvement Project	Multiple	0.05	0.00	2010	2011
TOTAL		15.45	6.23		

Box 2. Use of the Armenia Treasury System for Project Accounts

In line with the World Bank's overall goal of using and enhancing country systems, the project-designated accounts in commercial banks for World Bank-funded operations have been transferred to the Armenia Treasury. The Ministry of Finance (MoF) with close support from the Bank successfully resolved all procedural issues related to opening foreign currency accounts for donor-financed projects, installed the software providing for on-line management of the accounts, and trained Treasury officials and implementing entities' staff on their applications. Following a successful pilot launched during 2010, all Bank-financed projects' Special and Designated Accounts were moved to the Treasury and operate with e-applications through an advanced Treasury-Client on-line system. Most importantly, this new system is now available for all other budget programs. This is the outcome of many years of sustained work by the Bank team and Government counterparts in building capacity in government systems, upgrading Treasury operations, and improving the MoF's internal control systems, which were all supported by various IDF grants and Trust Funds over the past few years. This important development will bring improved cash management and financial savings to the Government.

35. **Institutional Development Funds (IDFs) have been instrumental in strengthening public sector institutions**, notably in financial management information systems, public sector accounting and internal auditing, debt management, and fiduciary controls. They helped enhance transparency, effectiveness, and accountability in the use of public resources, and paved the way for a far reaching public financial management (PFM) reform program supported by the Bank. Sustained capacity strengthening of the Treasury enabled the transfer of Bank-funded projects' designated accounts to the Treasury; a major step towards increased use of country systems (Box 2).

The CPS benefited from strong coordination with the IMF, EU and other partners and public outreach

36. **Strengthening partnerships is one of the CPS principles** and the Bank Group will increasingly rely upon leveraging other development partners given competing demands on IDA and IBRD resources and on the internal administrative budget. Through donor coordination, the World Bank was able to leverage its portfolio and exercise greater selectivity. The Bank collaborated closely with the IMF on the overall fiscal stimulus package and related programs. It worked jointly with the EU on policy dialogue in key areas such as competition, export promotion, and trade policies. It liaised with the USAID on, *inter alia*, tax administration reform, and worked closely with the US-funded Millennium Challenge Corporation (MCC) on irrigation and rural development. Joint field missions and detailed information sharing on design works with the MCC were instrumental in helping the Bank prepare new irrigation projects on a fast track. In addition, the World Bank coordinated with the Asian Development Bank (ADB) on road rehabilitation, with ADB focusing on highways and the North-South Corridor and the World Bank on rural and lifeline roads. The Bank worked with UNDP to help the Government update its SDP and take the lead on donor coordination.

37. **Stakeholder consultation and public outreach have been scaled-up in the Bank projects and policy dialogue.** The Bank has worked closely with the Government to consistently reach out to project beneficiaries, local government officials, and other stakeholders. Various workshops and consultative events have been organized with local authorities, the business community, civil society organizations (CSOs), and think tanks on key policy issues, including investment climate reforms, export promotion and trade policies, social protection, energy, agriculture, and mining. The Bank also stepped up its engagement with academic institutions and students through the conduct of policy seminars. With support from an IDF Grant, the Bank is helping strengthen the Parliament's capacity for policy formulation and public dialogue. These communications and outreach have widened the dialogue and knowledge dissemination on institutional and policy reforms.

IV. PROPOSED MODIFICATIONS TO THE CPS

38. **The period covered by the CPS is extended by one year, from FY09-12 to FY09-13**, so as to align it with Armenia's political cycle, given the legislative and presidential elections scheduled in 2012 and 2013, respectively. This extension would also synchronize the CPS with the Government's medium-term development program for 2011-2013 as also laid out in the MTEF. Accordingly, the indicative IDA/IBRD lending envelope was increased from US\$545 million in FY09-12 to US\$640 million in FY09-13, of which US\$440 million were committed during FY09-11.

39. **The Progress Report envisages an indicative IDA/IBRD lending program worth \$200 million over the period FY12-13.** Armenia's total IDA resource envelope for FY12-13 is projected at \$100 million. These amounts are indicative only and assume the same level of overall IDA resources during the IDA16 period (FY12-14) as in the IDA15 period (FY09-11). Actual allocations will depend on: (i) total IDA resources available, (ii) Armenia's performance rating; (iii) the performance and assistance terms of other IDA borrowers; (iv) changes in the list of active IDA-eligible countries; and (v) terms of financial assistance provided. The IBRD commitments are expected to remain unchanged relative to what was presented in the CPS, with the indicative lending envelope for FY12-13 envisaged at \$100 million (Table 3). This includes FY12 commitments totaling \$55 million and FY13 commitments of \$45 million. Actual delivery of IBRD resources is dependent on how government demand and performance evolve in the course of the CPS period, and on IBRD's lending capacity and demand from other borrowers.

40. **This Progress Report continues the selectivity embedded in the original CPS, deepens engagement in some sectors, and scales up ongoing successful operations.**

- In FY12, the lending program covers four operations totaling US\$105 million, including: (a) the third Development Policy Credit (\$30 million); (b) the Public Financial Management and Revenue Administration Reform Project (\$20 million); (c) the Irrigation Project (\$40 million); and (d) the Municipal Water and Wastewater Project (\$15 million).
- In FY13, the lending program comprises three projects worth US\$95 million, including: (i) the Development Policy Credit (\$25 million), (ii) the Additional Financing of the Health APL2 Project (\$30 million); and (iii) the Additional Financing of the Lifeline Road Improvement Project (\$40 million).
- Overall, the portfolio will be consolidated from 15 projects in June 2011 to 11 projects in June 2013; as seven new projects would be prepared while 11 ongoing operations would close. The TF program will also be consolidated, with 13 out of the 16 active TFs scheduled to close by 2013.

41. **The proposed lending program will further strengthen the CPS goals aiming at addressing vulnerability, while building the foundations for competitiveness and medium-term growth.** In this connection:

- The annual DPC series will focus on improving fiscal management, pro-poor budget allocations, social protection policies, as well as business climate and competition reforms.

- Institutional reforms in the area of public financial management and revenue administration will enhance effectiveness, efficiency and transparency of public finance and tax administration, which are at the core of the Government's fiscal consolidation policies.⁴
- Continued investments in rural development, lifeline roads rehabilitation, and irrigation will spur farmers' productivity, enhance the agriculture sector's contribution to economic growth, and provide job opportunities to the rural population.
- In the health sector, the Bank will further support the Government's reforms agenda, focusing on non-communicable diseases (NCDs) which account for over 90 percent of the causes of mortality. The new health project will fund cost-effective interventions on the prevention and control of priority NCDs; covering a broad range of activities at all levels of health service provision from primary health care to tertiary specialized level, including reconstruction and refurbishment of specialized hospitals, and rehabilitation/construction of rural ambulatories. The project will also help consolidate the ongoing institutional reforms of health financing, governance and social accountability, licensing of providers, quality assurance, and co-payment of care.
- The follow-on municipal water and wastewater project will extend the rehabilitation of existing infrastructure necessary to reduce the excessive amounts of unaccounted for water, which threaten the financial viability of the water utility. It will also promote much needed regulatory and institutional changes, including cost recovery tariff policies, and will further enhance PPP in the water sector through lease contract of public utilities with technical assistance from the ongoing Trust Fund for Transaction Advisory Support.

42. **Knowledge services will continue to underpin investments and policy dialogue and will provide the analytical building blocks for future lending under the next CPS.** Cutting across the two pillars of the CPS, the ongoing programmatic works will inform the policy dialogue on debt and fiscal consolidation, poverty and social protection, and financial sector stability. In addition:

- Work on trade and export promotion will help inform the Government's reforms in view of its negotiations for a trade agreement with the EU.
- A growth study will help identify new sources of growth and job creation.
- New analytical work on agriculture will look at the opportunities and challenges in the sector, particularly in the light of vulnerability to climate change.
- The Joint Bank-IMF Financial Sector Assessment Program (FSAP) update will take stock of the sector's performance and prospects.
- Strategic work is also proposed on the education sector, with a view to defining the priorities for public policy to support innovation and skills.
- The above analysis will help the Bank prepare Policy Notes for the new Government after the elections, as well as inform the next CPS.
- Lastly, Armenia will benefit from the ongoing regional analytical work on the South Caucasus including on such issues as gender, and job creation, labor markets and skill development, which would include a look at youth unemployment, vulnerability, and social inclusion.

⁴ These reforms will build upon the extensive PFM works carried out under various IDFs for: (i) Piloting Fiduciary Control for NCOs; (ii) Strengthening Public Sector Internal Auditing; (iii) Implementation of IPSAS Strategy 2; (iv) Improving Fiscal Management and Tax Compliance in the Government of Armenia; and (v) Public Debt Management.

Table 3: Armenia – Planned vs. Actual Lending

CPS Lending Program (in US\$ million)			CPS Progress Report Lending Program (in US\$ million)		
FY09-10 Planned			FY09-10 Actual		
	IDA	IBRD		IDA	IBRD
ASIF Additional Financing-1	\$8		ASIF Additional Financing-1	\$8	
RESCAD AF	\$2		RESCAD AF	\$2	
SME Line of Credit		\$50	SME Line of Credit		\$50
Water AF	\$20		Municipal Water and Wastewater AF	\$20	
Lifeline Roads	\$25		Lifeline Roads Improvement	\$25	
Education Quality & Relevance	\$25		Education Quality & Relevance	\$25	
ASIF AF-2		\$7	ASIF AF-2		\$7
Social Assistance AF		\$5	Social Protection AF		\$5
Irrigation		\$30	Irrigation		\$30
Rural Roads		\$36	Lifeline Roads AF		\$36.6
Public Sector Management		\$9	Public Sector Modernization		\$9
DPC-1	\$60		DPC-1	\$60	
Lifeline Roads Improvement AF		\$43			
E-Society		\$24			
	\$140	\$204		\$140	\$137.6
Total IDA/IBRD FY09-10	\$344		Total IDA/IBRD FY09-10	\$277.6	
IFC Financing to Private Sector	\$42		IFC Financing to Private Sector	\$40.4	
FY 11 Planned			FY11 Actual		
			Lifeline Roads Improvement AF		\$40
			E-Society		\$24
			Health APL2 AF		\$19
DPC-2		\$25	DPC-2	\$21	\$4
Agriculture		\$14	Agriculture	\$16	
Energy Financing to Priv. sector		\$36	Electricity Supply Reliability		\$39
		\$75		\$37	\$126
Total IDA/IBRD FY11	\$75		Total IDA/IBRD FY11	\$163	
IFC Financing to Private Sector	\$50		IFC Financing to Private Sector	\$50	
FY12 Planned			FY12 Forecast		
Energy Financing		\$40	DPC-3	\$30	
DPC-3	\$10		PFM and Tax Administration	\$20	
PFM		\$8	Irrigation		\$40
Roads 2		\$68	Municipal Water and Waste Water		\$15
	\$10	\$116		\$50	\$55
Total IDA/IBRD FY12	\$126		Total IDA/IBRD FY12	\$105	
IFC Financing to Private Sector	\$30		IFC Financing to Private Sector	\$30	
FY13 Forecast			FY13 Forecast		
			DPC-1 (new series)	\$25	
			Health APL3	\$25	\$5
			Lifeline Road Improvement		\$40
				\$50	\$45
Total IDA/IBRD FY13			Total IDA/IBRD FY13	\$95	
IFC Financing to Private Sector			IFC Financing to Private Sector	\$30	
TOTAL IDA/IBRD FY09-12	\$545		TOTAL IDA/IBRD FY09-13	\$640.6	

43. **The IFC will continue to seek investment opportunities in the financial and real sectors,** building upon its portfolio across industries, including SME finance, agriculture, trade finance, small hydropower generation, the mining sector, and investments in services and manufacturing. IFC will continue to support reform of the entire business climate through its advisory services related to the business enabling environment through projects focusing on tax and customs reforms, and investment climate regulatory simplification. IFC will also consider client specific advisory services focused on portfolio management, access to finance, renewable energy and energy efficiency.

CPS Results Framework

44. **The CPS Results Matrix presented in Annex 1 has been updated to reflect progress in implementation.** The main indicators have remained broadly unchanged, although the Results Framework has been revised to capture more fully the results from ongoing and new operations.

V. RISKS

The CPS identified a number of risks that remain relevant to date, though with some variations. While the downside risks to a sustained economic recovery have moderated, overall economic and political risks are tilted to the upside, with some macroeconomic risks increasing and governance, regional and natural disaster risks, as well as energy vulnerability remaining significant.

45. **The macroeconomic risks are significant.** Although the economy has begun to recover, the downside risks remain high. A new global economic downturn will have ripple effects on the demand of Armenia's exports and the reduction of remittances and foreign investment flows. This would lead to a sharper economic contraction than before, as the Government has less fiscal and debt space for further counter-cyclical and social support policies. Social tensions would increase, exacerbated by rising food prices, growing poverty, and reduced job opportunities, notably for the youth, with the risk of social upheavals. Although Armenia will be unable to avoid the fallout from a new global economic crisis, the ongoing economic recovery, program of fiscal consolidation, and steps to improving productivity and improving the investment climate provide for some optimism. By strengthening Armenia's economic and social agenda, the World Bank Group helps mitigate the external risks arising from the global economic environment and increase the economy's resilience to a possible shock.

46. **Armenia remains vulnerable to energy supply shortages in the long run.** Over 2016-2020, Armenia would need over 850 megawatts of new power generation capacity to meet the increasing demand and make up for power supply shortfall, when old thermal power units are discontinued and the existing nuclear power plant is decommissioned. The investments for new generation capacity are large, will have substantial fiscal implications, and require tariff increases which would adversely affect the affordability of energy for residential customers and the overall economic competitiveness. The Bank Group and other development partners are supporting the Government through selected sector investments and AAA to help address these challenges.

47. **The regional security risks remain significant due the frozen conflict over the Nagorno-Karabakh and closed borders with Turkey and Azerbaijan.** As a result of the frozen conflict, the perception of risk in the region remains high which deters private investment. Closed borders also impose lost economic opportunities for all sides and increases transport-related trade costs for Armenia which undermine competitiveness. The need to maintain sizeable defense expenditures also impose high opportunity costs in terms of foregone investments in social services and essential infrastructure. There has been no major breakthrough over the Nagorno-Karabakh conflict and tensions with Azerbaijan remain high, despite continued peace talks including periodic meetings between the Presidents of Armenia and Azerbaijan, under the auspices of the OSCE Minsk Group co-chaired by Russia, USA, and

France and some progress in confidence-building measures through civil society joint projects and exchange visits.

48. **The risks of natural disasters and climate change remain high.** Armenia is a high risk country in terms of exposure to natural disasters and severity of potential human and economic losses from earthquakes that are the principal risk. The country needs serious investments into prevention activities, including reinforcement of key public buildings, such as schools, hospitals and government buildings. Armenia is also highly exposed to increased climate extremes. A Bank report financed under the Global Facility for Disaster Reduction and Recovery (GFDRR) has recommended actions for short, medium and long term interventions directed toward reduction of risks of natural disasters in Armenia. These included establishing a disaster risk insurance framework. The Bank requested the country to join the recently-created South East European Countries Catastrophe Risk Insurance Facility (SEEC CRIF); however, the authorities have felt that the country is not ready yet to join this Facility at this time, given its institutional capacity constraints.

Progress on FY09-13 CPS Results Matrix

Strategic Objective 1: Addressing Vulnerabilities

Results Area 1: A post-crisis Armenia that regains macro-stability and is poised for high growth

Outcome 1: Macro stability maintained through appropriate external and domestic fiscal adjustment

Outcome 2: Tax regime and administration reformed

Outcome 3: Financial intermediation rises, with growth in SME credit lines to rise as a share of total credit

Results Area 2: Adverse poverty impact limited amidst assured health and social protection

Outcome 1: Income poverty impacts are limited through employment generation from job-creating programs and through improved poverty targeting. Phased introduction of multi-pillar pension reforms

Outcome 2: Increased utilization of basic health services by the poor, with a decline in out-of-pocket payments.

Outcome 3: Urban households and schools employ safe gas-based heating

Outcome 4: Improvement of solid waste management service quality

Results Area 3: Rural and environmental risks decrease

Outcome 1: Irrigated area rises as institutions for water management develop.

Outcome 2: Rural output and employment is supported.

Outcome 3 International best practice compliant mining code under implementation.

Outcome 4: Preparedness for handling natural disasters is developed.

Strategic Objective 2: Strengthening Competitiveness for Post-Crisis Growth

Results area 4: Governance is strengthened; as a result public sector efficiency rises

Outcome 1: Conflict of interest among public officials is substantially diminished; and corporate governance rules are enforced and fair market competition is established; Judicial decisions are rule-bound and better enforced

Outcome 2: Improved performance of public administration and revenue collection agencies

Outcome 3: Efficiency of public expenditure allocation increased as a result of the program budgeting and financial accountability reforms

Results area 5: Foundation for knowledge economy and competitiveness strengthened

Outcome 1: Infrastructure in support of knowledge-based economy being developed. Strategy being implemented for increased internet penetration, amidst the laying of a national ICT broadband backbone network.

Outcome 2: PPP framework in operation. Commercially valuable spectrum available for private sector use; operational Universal Services Fund; and civil aviation regime fully liberalized.

Outcome 3: In transport management, road network is improved and analysis and regulatory capacities strengthened.

Outcome 4: In energy, decommissioning of the nuclear plant being planned; PPP agreements financing new renewable energy based generation capacity; improved energy efficiency and transmission losses reduced.

Outcome 5: In water, improved service reliability and water quality, greater operating efficiency. Closer alignment of service tariffs with costs.

Outcome 6: A growing private sector faces more open competition and access to finance.

Outcome 7: In education, increase of net preschool (5 years old) enrollment rate. Tertiary education financing expands through higher education financing reform and introduction of competitive innovation funds and a student loan scheme. The national Quality Assurance system in line with European Higher Education Area is fully functional.

Development Partners

Civil Society

*Engagements:
National and Local Level
Private Sector*

Annex 1: Updated CPS Results Matrix

FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
CPS OBJECTIVE 1: ADDRESSING VULNERABILITIES		
RESULTS AREA 1: A POST-CRISIS ARMENIA THAT REGAINS MACRO-STABILITY AND IS POISED FOR HIGH GROWTH		
(This Results Area reflects Armenia's high level strategic goals and indicators)		
Outcome 1: Macro stability maintained through appropriate external and domestic fiscal adjustment		
<p>Indicator: GDP growth, share of tradable sectors in GDP, fiscal deficit, inflation.</p> <p>Baseline: GDP contraction (-8%) in 2009, share of tradable in GDP = 60 percent, fiscal deficit (-6) % of GDP, inflation up to 5.5%.</p> <p>Target: positive GDP growth in 2011-2012, percentage share of tradable in GDP rises by 2012, inflation below 5 percent in 2012, fiscal deficit below 5 percent of GDP in 2012.</p>	<p>GDP growth: 2.6% (Jan-Dec 2010)</p> <p>Share of tradable sectors in GDP: 60% (Jan-Dec 2010)</p> <p>Fiscal deficit: 4.9% preliminary</p> <p>Inflation (12-months): 9.4% (actual)</p>	<p>Indicators: GDP growth, share of tradable sectors in GDP, fiscal deficit, inflation.</p> <p>Baseline (2009): GDP contraction - 14.2%, share of tradable sectors in GDP - 60 percent, fiscal deficit - 7.8% of GDP, inflation 6.6%.</p> <p>Target: The average GDP growth is at least 4% for 2011-2013, percentage share of tradable sectors in GDP rises by 2013, inflation below 5 percent in 2013, and fiscal deficit below 5 percent of GDP in 2013</p>
<i>World Bank Group Program: DPO series, High-Level Policy Forum, Programmatic Fiscal Work, Multi-Donor TF on Regional Trade</i>		
Outcome 2: Tax regime and administration reformed		
<p>Indicator: Tax/GDP ratio,</p> <p>Baseline: Tax/GDP=16.8% in 2008</p> <p>Target: Tax/GDP =17% in 2012</p>	<p>In order to make more appropriate cross-country comparisons of the fiscal performance, the tax revenue indicator for Armenia is recalculated to reflect social contributions and to net out the VAT refunds. According to this approach the preliminary data for GDP ratio for 2010 is 19.4%.</p>	<p>Indicator: Tax/GDP ratio</p> <p>Baseline (2009): Tax/GDP=19.6%</p> <p>Target: Tax/GDP=22% in 2013 (data from MTEF 2012-2014)</p>

FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
<i>World Bank Group Program: DPO series, PFM and Tax Project, Programmatic Fiscal Work</i>		
Outcome 3: Financial intermediation rises, with growth in SME credit lines to rise as a share of total credit		
<p>Indicator: Helping SMEs withstand the crisis and position for recovery Baseline: SME sector employment as % of total employment is 41% in 2007; Target: SME sector employment as % of total employment is expected to reach 50% by 2012</p>	<p>SME sector employment as % of total employment was slightly increased to 42.2% in 2009 compared with 42.1% in 2008.</p> <p>In the area of microfinance, IFC's Armenia Microfinance Project is working with a partner financial institution (PFI) to increase access to finance for Armenian low-income individuals and small entrepreneurs. The key aspect of the program aims to incentivize a PFI to significantly strengthen its capacity to reach the underserved (particularly in the regions of the country) and offer them a variety of microfinance products. The PFI provided 28,498 micro loans in the first year of the program (January 2010-December 2010), 35% above than the annualized target.</p>	<p>Indicator: Cumulative amount of medium term credit provided to SMEs granted by the PFIs. Baseline: Cumulative amount of credits provided to SMEs granted by the PFIs – zero (beginning of 2009). Target: Cumulative amount of credits provided to SMEs granted by the PFIs to reach \$60 million by 2012.</p>
<i>World Bank Group Program: Access to Finance for SMEs (AFSME), IFC activity, ROSC AA assessment</i>		
RESULTS AREA 2: ADVERSE POVERTY IMPACT LIMITED AMIDST ASSURED HEALTH AND SOCIAL PROTECTION		
Outcome 1: Income poverty impacts are muffled through employment generation from job-creating programs and through improved poverty targeting.		
<p>Indicator: Reduction in poverty. Baseline: Poverty headcount ratio – 24.9% of total population (2007). Target: A fall in poverty headcount by 2012 after a crisis-related rise in 2009-10.</p>	<p>Economic crisis of 2009 had negative implications on poverty profile. Overall poverty rate has increased from 27.6% in 2008 to 34.1% in 2009 while the share of very poor and extreme poor has deteriorated to 20.1 and 3.6 percent respectively from 12.6 and 1.6 percent a year ago. Income inequality slightly decreased with Gini coefficient went down to 0.389 during 2007-2008 (2007 baseline 0.395).</p> <p>The above poverty estimates correspond to the new methodology and measurement of poverty. In 2009 the World Bank's TA on Programmatic Poverty Assessment included revision of the poverty lines to reflect current consumption and expenditures patterns of the population and re-construction of welfare aggregate. Thus the new poverty line (per adult equivalent) is determined at 30,920 AMD, the line for very poor – at 25,217 AMD, and for the extreme poor (food line) - at 17,483 AMD. Thus the Poverty line has been increased by 8.7 percent in nominal terms (extreme poverty line – by 9.4 percent</p>	<p>Indicator 1: Number of jobs generated through job-creating programs Baseline: n/a in 2009 Target: 60,000 person/months of temporary jobs created by 2013</p> <p>Indicator 2. Reduction of ineligible families benefiting from the Poverty Family Benefit program Baseline: 28.8% in 2007 Target: 20% in 2012</p>
<i>World Bank Group Program: Lifeline Road Improvement Project, DPO-II-III program, SIF III (with additional financing), Programmatic Poverty Work</i>		
Outcome 2: Increased utilization of basic health services by the poor, with a decline in out-of-pocket payments.		

FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
<p>Indicator: Increased utilization of basic health services by the poor. Increase of NCD service volume at primary care level.</p> <p>Baseline: Access hindered by high informal payments. Non-communicable disease incidence rising</p> <p>Target: Greater use of primary care facilities, especially by the poor. Preventive measures taken on non communicable diseases (NCD).</p>	<p>The utilization of Primary health Care Services has increased from 2.8 (visits per person/per year) to 3.3 in 2008 and further increased to 4.0 in 2010.</p> <p>The MOH has developed the NCD strategy framework, which provides the NCD situation analysis and identifies the priority diseases to be addressed in the short and medium term. Strategies for cardiovascular disease and diabetes have also been developed with the support of international expertise.</p>	<p>Indicator 1: Increased utilization of basic health services by the poorest quintile.</p> <p>Baseline: Integrated Survey of Living Standards (ISLS) 2008 - 3.5% for poorest quintile ISLS 2009 - 4.9% for poorest quintile</p> <p>Target: Target: ISLS 2011- 5.5% by poorest quintile</p> <p>Indicator 2. Reduction in OOP payments for essential health services</p> <p>Baseline: NHA 2008 - 50.9%, NHA 2009 – 51% (preliminary data)</p> <p>Target : NHA 2011- 46%</p>
<p><i>World Bank Group Program: Health Systems Modernization Project (APL2)</i></p>		
<p>Outcome 3: Urban households and schools employ safe gas-based heating</p>		
<p>Indicator:</p> <p>Baseline: 96 schools with safe gas-based heating (2007); 45% of households in multi-apartment buildings have safe gas-based heating (2007).</p> <p>Target: At least 50% of households in multi-apartment buildings have safe gas-based heating (2012); the number of urban schools with safe gas-based heating is at least 104 (2012).</p>	<p>According to the monitoring survey conducted under the Urban Heating Project, 70% of urban households in multi-apartment buildings used safe gas-based heating in 2009-10 heating season; during the same period 112 urban schools had safe gas-based heating.</p>	<p>Indicator: % of households in multi-apartment buildings with safe gas-based heating; number of urban schools with safe gas-based heating.</p> <p>Baseline: 96 schools with safe gas-based heating (2007); 45% of households in multi-apartment buildings have safe gas-based heating (2007).</p> <p>Target: 119 urban schools have safe gas-based heating (2012).</p>
<p><i>World Bank Group Program: Urban Heating Project</i></p>		
<p>RESULTS AREA 3: RURAL AND ENVIRONMENTAL RISKS DECREASE</p>		
<p>Outcome 1: Area returned to irrigation rises as institutions for water management develop.</p>		

FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
<p>Indicator: Baseline: Irrigated area comprises 130,000 ha (2008). Target: Irrigated area increased to 134,000 ha (2011)</p>	<p>All 82.4 km long identified sections of the two main irrigation canals (Armavir and Talin) have been rehabilitated. As a result, the water losses were reduced by about 20 percent, which implies that the area returned to irrigation may reach 7,300 ha as estimated based on the data received from WUAs and based on available water volumes.</p>	<p>Indicator: Area returned to irrigation Baseline: Irrigated area comprises 128,750 ha (2009). Target: About 7,300 ha returned to irrigation bringing the total irrigated area in the country to about 136,050 ha 2012.</p>
<p><i>World Bank Group Program: Irrigation Rehabilitation Emergency Project, Note on Irrigation Sector</i></p>		
<p>Outcome 2: Rural output and employment is supported.</p>		
<p>Indicator: Agricultural and food exports. Livestock disease prevalence. EU/Russia compliant food safety certification to producers and agro-processors. Baseline: Processed and high value agri-food exports are limited, high prevalence of livestock diseases. Target: Export opportunities improve for several agri-food products to EU, Russia and CIS countries; National comprehensive control program is being implemented for brucellosis and other zoonotic diseases.</p>	<p>Recent expansion of exports of live sheep is a welcome opportunity. Armenia exported around 115,000 of live sheep to Iran and Arab countries in 2009. In 2010, the export was at around 100,000. However, with the increased prevalence of livestock diseases the exports of live animals might be jeopardized.</p> <p>The progress during the period of FY09 –FY11 is that the Government is making efforts for adopting a new brucellosis control strategy. The proposed strategy calls for mandatory vaccination for all sheep and goats, and test-and-slaughter for all affected cattle. Along these line, the Government is also preparing a community pasture management pilot, supported through the CARMAC project which will introduce more effective pasture management practices in 50 communities.</p>	<p>Indicator: Livestock disease prevalence. Livestock productivity. Effectiveness of communal pasture management. Baseline: Brucellosis prevalence is estimated at 1.32% in cattle and sheep and goats. Village level prevalence is around 36.3%. Livestock productivity is below its potential. Effective community pasture management is not practiced. Target: Disease control strategies are being implemented. Milk productivity increase 7% for cattle and 5% for sheep. Pasture management effectiveness index increases from baseline 0 to mid-term value of 25.</p>
<p><i>World Bank Group Program: RESCAD, AIP and CARMAC (forthcoming), Life stock sector study,</i></p>		
<p>Outcome 3: International best practice compliant mining sector under implementation.</p>		
<p>Indicator: Baseline: Deficient mining code hindering</p>	<p>The new Mining Code adhering to the best international practice requirements (for permitting, fiscal regime, social and environmental safeguards, etc) was developed,</p>	<p>Indicator 1. New mining code and implementation decrees approved.</p>

FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
<p>efficient and transparent allocation of resources (2008). Target: Fiscally, environmentally and socially sound mining code adopted and enforced (2012)</p>	<p>approved by the Government and passed the hearings at the Standing Committee on Economic Issues.</p>	<p>Indicator 2. Secondary legislation for implementation of the Mining Code in place to comply with the requirements of the new Mining Code Baseline: Deficient Mining Code hindering efficient and transparent allocation of resources (2009). Target: Fiscally, environmentally and socially sound Mining Code adopted and enforced (2012)</p>
<p><i>World Bank Group Program: DPO series</i></p>		
<p>Outcome 4: Preparedness for handling natural disasters is developed.</p>		
<p>Indicator: GoA develops a prioritized plan to retrofit at-risk key public facilities/buildings. Development of an institutional framework for establishment of catastrophe insurance facility. Baseline: Weak institutional framework for disaster risk management and duplication of responsibilities. Absence of a comprehensive disaster risk management strategy. Target: Institutional framework for disaster risk management strengthened. A comprehensive disaster risk management strategy developed.</p>	<p>The GoA developed criteria for retrofitting at-risk key public facilities (under the GFDRR activity) with the advice of Bank consultants. Based on those criteria the Ministry of Urban Development prepared and submitted to the Bank a priority list of schools and hospitals requiring immediate action for retrofitting (both long and short lists).</p> <p>The Bank study recommended actions for short, medium and long term interventions to reduce the risks of disasters that Armenia is facing. In the area of seismic risk reduction retrofitting of key public facilities such as schools and hospitals is a priority intervention based on the discussions with the Government at the High-Level Workshop on Disaster Risk Management in December 2009.</p> <p>While the government started works directed to the establishment of national platform for disaster risk management, there is still need for development of a comprehensive disaster risk management strategy for the country.</p> <p>Both the Bank study and Government agreed on the importance of establishing a disaster risk insurance framework in the country and jointly appraised a regional project on catastrophe risk insurance (the South Eastern European Countries Catastrophe Risk Insurance Facility). However, the Government subsequently declined joining this facility.</p>	<p>Indicator: Adequate financing provided for short and medium term actions on disaster risk management and emergency preparedness as per the recommendations of the study. Baseline: Financing allocated from state budget and/or loans from IFIs allocated on strengthening disaster risk management is inadequate. Absence of a comprehensive disaster risk management strategy. Most of the key public facilities, such as schools, are highly vulnerable structures to earthquakes. Target: A comprehensive disaster risk management strategy developed. Government develops and launches a program on retrofitting of schools and other key public facilities.</p>
<p><i>World Bank Group Program: GFDRR project "Institutional Arrangements for Disaster Risk Management in Armenia"</i></p>		

FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
CPS OBJECTIVE 2: STRENGTHENING COMPETITIVENESS FOR POST-CRISIS GROWTH		
RESULTS AREA 4: STRENGTHENING GOVERNANCE WITH RESULTING RISE IN PUBLIC SECTOR EFFICIENCY		
Outcome 1: Conflict of interest among public officials is substantially diminished; and fair competition in commerce is established. At least 60 percent of firms agree that implementation of laws is consistent and predictable.		
<p>Baseline: Conflict of interest pervasive in the public sector. Vested interests distort competition and business environment. Anti-corruption strategy weak and ineffective.</p> <p>Target: Sound progress towards elimination of ministerial, parliamentary and civil servant involvement in business. Enforcement of corporate governance rules (see below). Competition Commission exercises new powers without hindrance; and certifies de-monopolization in key markets.</p>	<p>The new 2009-2012 Anti-Corruption Strategy has been approved in end 2009. The conflict of interest regulation rules and approaches, acceptable to the Bank, are reflected in the relevant chapter of draft RA Law on Public Service waiting for National Assembly approval. Nevertheless, there is an ongoing debate on whether the to-be-established high level commission should cover only executive branch of power or serve also legislative and judicial branches.</p>	<p>Indicator: Number of individuals submitting an income and asset declaration form expressed as percentage of the number required to submit (DPO indicator).</p> <p>Baseline: data not available</p> <p>Target: 100% (2013)</p>
<i>World Bank Group Program: DPO Series. Institutional and Governance Review (IGR), PSMPII</i>		
Outcome 2: Business surveys show near-elimination of complaints of revenue agency behavior.		
<p>Baseline: Revenue-agency related complaints a major black spot in governance. Revenue-raising agency (customs, tax) particular source of discretionary behavior. "Behind the border" practices are not transparent and fall short of EU standards.</p> <p>Target: Modern business processes providing for integration of information base and management across customs and tax. Reliance solely on risk-based management methods. Behind the border reforms as EU FTA is negotiated. Business surveys show near-elimination of complaints of revenue agency behavior. Self-assessment of taxes rises. Automatic green channel use in customs rises. Judicial Decision Database (JDD), Case Management (CAST) and Case Recording Systems (CRS) used in all rehabilitated courts.</p>	<p>In 2010 the Parliament approved the Law on e-signature which made available the introduction of e-filing of tax returns. The government targeted to make the e-filing obligatory for large taxpayers and optional for the SME sector.</p> <p>In 2010 the Parliament approved amendments to the Customs Code to have legal stipulation for introduction of e-declaration. To make it functional the government contracted an international firm to make necessary modifications in the customs (TWM) software to allow e-declaration, e-signature and e-payment.</p> <p>IFC's project for Regulatory Simplification and Doing Business Reform is working with the Government in the areas of business entry, taxation, trading across borders, inspections and constructions permits. The objective of the project is to decrease both the monetary and time cost to the private sector in dealing with each of these areas and to increase transparency in these processes. Related to revenue agencies in particular, the project conducted 4 diagnostic exercises:</p> <ul style="list-style-type: none"> - Trade Logistics Brief Mapping; - Tax Procedures Mapping; - Tax Compliance Cost Survey; and 	<p>Indicator 1 The absolute number (and share in total) of tax returns filed electronically.</p> <p>Baseline: None</p> <p>Target: 3000 taxpayers (15 percent of total) file tax returns electronically</p> <p>Indicator 2 The share of green channel in total customs clearance declarations</p> <p>Baseline: None</p> <p>Target: 30 percent share of fully functioning green channel in total declaration</p> <p>Indicator 3 Number of courts that are:</p>

FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
	<p>- Import/Export Process Mapping.</p> <p>The set target on automation of judicial administration is met for all the rehabilitated courts. 10 additional courthouses have been rehabilitated under JRP2 and additional 5 under parallel state funding. Court automation went beyond the rehabilitated courts and the indicator is traced for all courts:</p> <ul style="list-style-type: none"> - All 48 courts connected to JDD/CAST; - 20 courts equipped with DataLex kiosk; and - 30 courts equipped with CRS. 	<ul style="list-style-type: none"> - connected to JDD/CAST, - equipped with DataLex kiosk, - equipped with CRS. <p>Baseline: N/A, - 5 out of 48 courts in 2008 Target: All 48 courts country-wide by 2013</p>
<p><i>World Bank Group Program: IFC activity, Judicial Reform Project, DPO series</i></p>		
<p>Outcome 3: Program budgeting leads to efficient expenditure allocations; and civil service performance appraisal is introduced. Judicial decisions are rule-bound. Strengthened accountability, transparency and efficiency in the use of public funds.</p>		
<p>Baseline: Judiciary not sufficiently rule-bound. In public administration and expenditure management, lack of strategic planning, policy formulation and performance management capacity; public procurement outdated. Incentives for better performance of civil servants are weak. Public financial decisions rely on command-oriented management and financial controls, and undeveloped audit systems. Complete and consolidated government financial statements absent. Fiduciary controls over NCOs are weak.</p> <p>Target: Use of precedent in judicial practice. Implementation of the new judicial code. Transition to program budgeting. A performance appraisal and performance based pay system is effective across the civil service. Phased implementation of e-procurement reforms. Government financial position and performance is reliably reported in the consolidated financial statements. Strengthened system of accountability and increased transparency and efficiency in the management of public funds.</p> <p>Amendments are made to the Law to incorporate</p>	<p>Judicial decisions are available through DataLex kiosks to facilitate application of judicial precedent and progress is being made towards better implementation of the Judicial Code. Efforts are being made towards introducing systems for evaluation of judges and random case assignment, which will facilitate achievement of relevant targets. Performance appraisal system is introduced.</p> <p>Contract for the e-Tendering system is implemented and the system is being introduced. Interactive budget, a IT module that post information of treasury transactions on GoA website, was introduced and made available on the Government's e-government portal. The new Law on public procurement has been developed by the government and approved by the Parliament.</p> <p>A good progress made in transitioning to program budgeting practice. After the PEFA self-assessment report, in November of 2008, the government approved a Concept Paper on Further Advancement of Program-Based Budgeting in Armenia. The PFM integrated strategy has been approved as a good input for the PFMCAP project design. The new Law on internal audit has been developed and approved by the Parliament. The Law on internal audit complies with the modern best practice and is in line with international standards on internal auditing. The internal auditing standards and manual have been developed based on the IIA standards and international best practice, which are now being piloted in the various public sector agencies.</p> <p>Public Sector Accounting Standards of the Republic of Armenia have been developed based on IPSAS supporting new chart of accounts, accounting policy,</p>	<p>Indicator 1: Decisions of the Cassation court serve as a precedent for the lower instance courts. Baseline: Judges lack capacity and incentives to produce and apply judicial precedent conceptually introduced in Armenian legal system through 2005 Constitutional Amendment. Target: Application of judicial precedent makes courts more rule bound and consistent in interpretation of Law.</p> <p>Indicator 2: Improved performance and financial management of corporate entities. Baseline: The corporate sector accounting and auditing framework is weak and outdated. Target: Action Plan for Corporate Accounting and Auditing is adopted and enforced resulting in improved performance and reporting of the corporate entities.</p>

FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
<p>program budgeting. 2011 budget is prepared in programmatic format. Performance appraisal introduced. Public e-tendering system operational. Public internal financial control and audit system based on EU model established. Accrual standards in line with IPSAS are adopted. The fiduciary control methodology is introduced for non-commercial entities.</p>	<p>accounting manual, transition chart from the current to the new chart of accounts.. The fiduciary control framework over NCOs, to improve monitoring of their operations and to control the fiscal risk, has been designed and is being piloted in various types of NCOs.</p> <p>The government is preparing amendments to the laws on accounting, and on audit activities to enhance the oversight over the profession and provide the legal basis for enforcement of IFRS.</p> <p>For the first time, the Government produced the 2010 State Budget in programmatic format. The 2011 State Budget also contained an annex with program-based budget format.</p>	
<p><i>World Bank Group Program: DPO Series, PSMP, PSMP2, PFMCAP, JRP2, AA ROSC follow up, IPSAS IDF grant</i></p>		
<p>RESULTS AREA 5: STRENGTHENING KNOWLEDGE AND COMPETITIVENESS</p>		
<p>Outcome 1: In support of a knowledge-based economy with the necessary infrastructure, strategy being implemented for increased internet penetration, amidst the laying of a national ICT broadband backbone network.</p>		
<p>Indicator: Increase computer and internet penetration. Build, equip & operate techno-parks, business incubators, and university-based Technology Transfer Centers.</p> <p>Baseline:</p> <ul style="list-style-type: none"> a) home computer penetration - 25%; b) low share of e-services provided by state entities c) population internet penetration – 18%; d) absence of IFRS and ISAs supporting accounting and auditing methodologies e) IT workforce – 5,000 <p>Target: to be met by 2012:</p> <ul style="list-style-type: none"> a) home computer penetration - 35%; b) increased share of e-services provided by state entities c) population internet penetration – 40%; d) introduction of IFRS and ISAs supporting accounting and auditing methodologies e) IT workforce – 10,000 	<p>E-Society Project, to raise computer and internet penetration was approved by the Board in November 2010. E-government services and information available from both executive and judicial branches of power grew after introduction of e-kiosks and respective e-government portals (www.e-gov.am and www.datalex.am, both still emerging).</p> <p>IFRS have been translated. The government is developing Country Strategy and Action Plan to cover ISA translation and development of IFRS and ISA supporting accounting and auditing methodologies and quality control over the accounting profession.</p>	<p>Indicator: (Unchanged) Baseline: Target:</p>
<p><i>World Bank Group Program: E-Society and Innovation for Competitiveness project, PFMCAP, PSMP, PSMP2, JRP2,</i></p>		

FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
Outcome 2: PPP framework in operation. Commercially valuable spectrum available for private sector use; operational Universal Services Fund; and civil aviation fully liberalized.		
<p>Indicator: Baseline: Some of the commercially valuable spectrum still not available for private use (2008); Around 100,000 people without basic telephony services (2006); competition constraints in civil aviation (2008) Target: More commercially attractive spectrum available for private use (2012); access to basic telephony services improves (2012); fully liberal civil aviation regime (2012)</p>	<p>The allocation of spectrum for commercial use has increased as reflected by the growing number of wireless Internet service providers. The spectrum study, which will assess the commercially attractive spectrum not available for commercial use and recommend policy measures to further increase allocation of valuable spectrum for commercial use, is underway. As of January 2010, the number of households without access to basic telephony is estimated to have reduced to 85,000.</p>	<p>Indicator: Monthly cost of broadband internet access reduced Baseline: US\$98 (2008) Target: US\$49 (2012)</p>
<i>World Bank Group Program: DPO series</i>		
Outcome 3: In transport management, road network is improved.		
<p>Indicator: Baseline: Some sections of the primary road and significant share of the secondary road network need rehabilitation (2008) Target: 100 km of secondary road network rehabilitated (2012); 150 km of primary road network rehabilitated (2012)</p>	<p>A total of 290 km of lifeline roads with lengths of 1 to 14 km. have been rehabilitated under the Lifeline Road Improvement Project and its Additional Financing. The proposed Road Asset Preservation Project will rehabilitate some sections of the major road link to Georgian border (an important international transport route for Armenia) by use of Output and Results Based Performance Contract, which will also increase efficiency of the road sector.</p>	<p>Indicator: Length of secondary and primary road network rehabilitated Baseline: Some sections of the primary road and significant share of the secondary road network need rehabilitation (2010) Target: 400 km of secondary road network rehabilitated (2013); 100 km of primary road network rehabilitated (2013)</p>
<i>World Bank Group Program: Lifeline Road Improvement Project and its Additional Financings</i>		
Outcome 4: In energy, financing for new renewable energy based generation capacity; improved energy efficiency and transmission losses reduced.		
<p>Indicator: Baseline: 134 MW installed capacity of renewable based generation (2008); transmission losses of 1.5% (2008); public buildings are energy inefficient (2008) Target: Increase in installed capacity of renewable based energy generation; Transmission losses below the baseline (2012); reduction of energy consumption of public buildings (2012)</p>	<p>As of the end of December, 2010, the total installed capacity of small renewable based generation added to the grid was 130MW. The transmission component of the project, among other benefits, will increase the power transmission capacity of the high voltage network; ; the energy efficiency component of the project will lead to reduction of energy consumption in public buildings and support creation of enabling environment for energy efficiency in the country.</p> <p>IFC's project with Ameriabank has financed 8 small-hydro projects with a total capacity of 19.58 MW. The annual generation of these projects will be 70 million</p>	<p>Indicator: Installed capacity of renewable based generation; energy consumption of public buildings. Baseline: 134 MW installed capacity of renewable based generation (2008); transmission losses of 1.5% (2008); public buildings are energy inefficient (2008)</p>

FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
	<p>kWh per year, resulting in a total CO2 reduction of 20,000 tons of CO2 per year as compared to alternate means of power production.</p> <p>In FY10, IFC lent \$15 million to a local bank (Ameriabank) for on-lending to small hydroelectric projects along with provision of advisory services to the bank within the framework of the Armenia Sustainable Energy Finance Project.</p> <p>IFC has conducted a study on energy efficiency to identify potential efficiency gains to the Armenian economy. Discussions are underway with two other banks to implement a program of financing for energy efficiency and renewable energy investments.</p>	<p>Target: Increase in installed capacity of renewable based energy generation (2013); transmission network capacity increase of 60 MW; reduction of energy consumption of public buildings (2013).</p>
<p><i>World Bank Group Program: Renewable Energy Project, IFC activity, Electricity Supply Reliability and Energy Efficiency Project, Geothermal</i></p>		
<p>Outcome 5: In water, improved service reliability and water quality, greater operating efficiency. Closer alignment of service tariffs with costs.</p>		
<p>Indicator 1: Share of consumers with continuous water supply rises in Yerevan and in AWSC service area.</p> <p>Baseline: In 2008 - share of consumers with continuous water supply in Yerevan is 75.5% (average daily duration in hours - 18.1 hour); and in AWSC service area is 50% (average daily duration - 12 hours).</p> <p>Target: In 2011 - share of consumers with continuous water supply in Yerevan increases to 82.5% and in AWSC service area to 70%.</p> <p>Indicator 2: In AWSC service area cost recovery improves.</p> <p>Target: The level of cost recovery in AWSC service area increases and the budget subsidies are phased out by 2012.</p>	<p>Share of consumers with continuous water supply in Yerevan has reached 89.6% (average daily duration is 21.5 hours); and in AWSC service area the share of consumers has reached to 55% (average daily duration is 13.2 hours).</p> <p>In Yerevan, percentage of water samples in compliance with bacteriological safety requirements increased to 99% in 2010, which has already met the end of project target; and in AWSC service area it reached 96%.</p> <p>Domestic water metering as a percentage of domestic subscribers provided with water meters was 95% in Yerevan. Percentage of individual subscribers billed on the basis of metered consumption in AWSC service area in 2010 was 76.5%.</p>	<p>Indicator 1: Share of consumers with continuous water supply rises in Yerevan and in AWSC service area.</p> <p>Baseline: In 2008 - share of consumers with continuous water supply in Yerevan is 75.5% (average daily duration in hours - 18.1 hour); and in AWSC service area is 50% (average daily duration - 12 hours).</p> <p>Target: In 2013 - share of consumers with continuous water supply in Yerevan increases to 89%</p> <p>Indicator 2: Increased weighted average water bacteriological safety compliance in Yerevan and in AWSC service area.</p> <p>Baseline: Percentage of water samples in compliance with bacteriological safety requirements in both Yerevan (in 2006)</p> <p>Target: In 2011- 98% of bacteriological safety compliance in</p>

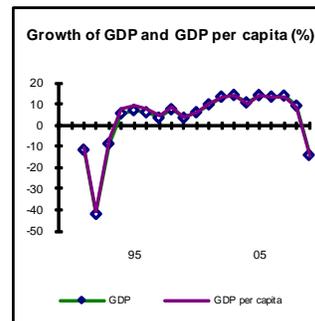
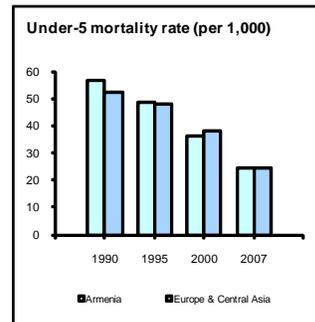
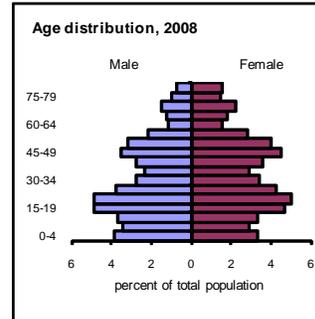
FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
		<p>both service areas.</p> <p>Indicator 3: Increased domestic water metering in Yerevan. Baseline: In Yerevan, percentage of domestic subscribers provided with water meters was 89.6% (in 2006), Target: In 2011 – the percentage of individual subscribers billed on the basis of metered consumption will reach 96% in Yerevan.</p>
<p><i>World Bank Group Program: Yerevan Water and Wastewater Project, Armenia Municipal Water and Wastewater Project and Additional Financing</i></p>		
<p>Outcome 6: A growing private sector faces more open competition and access to finance.</p>		
<p>Indicator 1: Corporate transparency increases. Baseline: Corporate financial reporting framework is weak. SME lack relevant financial reporting standards to follow restricting access to finance. Target: The quality and public availability of full financial statements for public interest entities enhanced. Financial reporting standards for the SME are introduced and access to finance is improved.</p> <p>Indicator 2: Competition Commission’s capacity is strengthened. Baseline: Competition Commission’s enforcement capacity is weak. Legal framework needs to be strengthened. Target: Commission’s enforcement capacity strengthened and legal framework improved.</p>	<p>The financial reporting standards for SME have been translated. The Country Strategy and Action Plan will provided the roadmap of developing of the supporting methodologies and rolling out the reporting standards for SME.</p> <p>Progress to-date: AFSME Project makes available additional resources for banks to lend SMEs. Since the AFSME project April 2009 launch already about US\$ 18 million has been disbursed cumulatively to more than 1,150 borrowers, of which about 50% addressed to widen the access to finance for SMEs in Marzes as of November 2010</p>	<p>Indicator 2: Access to finance for SMEs is maintained Baseline: There is no credit line facility for SMEs. Target: Cumulative amount of medium term credit granted by the financial institutions under the AFSME project is up to US\$ 60 million.</p>
<p><i>World Bank Group Program: Access to finance for SMEs, PFMCAP</i></p>		
<p>Outcome 7: In education, increase of net preschool (5 years old) enrollment rate. Tertiary education financing expands through higher education financing reform and introduction of competitive innovation fund and student loan scheme. The national Quality Assurance system in line with European Higher Education Area is fully functional.</p>		

FY09-FY12 CPS Results Areas and Outcomes	Progress during the period of FY09-FY11	Revised FY09-FY13 Results Areas and Outcomes
<p>Indicator 1: Better access to preschool education Baseline: only 31% of 5-years old are enrolled in preschool education services Target: established new public preschool classrooms in 70 communities increasing 5-years old enrollment up to 37% enrollment Indicator2: More equitable and effective higher education financing system is developed. Baseline: merit-based scholarships are the only public funds that support students in higher education Target: new student loan scheme is designed and piloted to support needy-students; merit-based scholarships are partly replaced with need-based scholarships Baseline: no public funds provided for tertiary education institutions for quality improvement and innovation. Target: competitive innovation funds are developed.</p> <p>Indicator3: The national Quality Assurance system is in line with European Higher Education Area. Baseline: The National Quality Assurance Agency is just established; Target: The National Quality Assurance Agency is fully functional in line with the requirements of the European Higher Education Area; Internal Quality Assurance units in all public universities are established and are functioning in accordance with the national QA standards.</p>	<p>The implementation of 41 micro-projects on preschool education services in Aragatsotn and Ararat marzes, respectively 19 and 22 micro-projects, is underway. The grants delivered to the selected institutions cover the capital costs necessary for establishment of the preschool classrooms included small repairing works, furniture, equipment, educational materials, and kitchen facilities for kindergartens involved in the project, as well as the recurrent costs for one school year. The number of new enrolled 4.5-5,5 years old children is about 1100.</p> <p>The TA implementing under DPO-2 has already resulted with a draft report and draft government decree on revision of the financial and legislative frameworks of preschool education provision. It is expected that the government will approve a decree on sustainable financing of already created 63 preschool classes as well as it will ensure opportunities for further enrollment of 4.5 to 5.5 years old children in preschool education in order to meet targeted 95 percent enrolment in preschool education by 2015.</p> <p>The selected under DPO-2 TA international and local consultants have already delivered the first draft of the Higher Education Financing Strategy. The key findings and recommendations have been communicated and discussed at the stakeholders' conference held in September. The Armenia National Quality Assurance Agency (ANQA) has: (a) developed a three-year work plan, which has been approved by the Government; (b) piloted and finalized the program accreditation self-evaluation form for institutional audit and program accreditation and procedures of evaluation. ANQA has also prepared the following three working documents: (i) Guidelines, criteria and standards for quality assurance in the Armenian tertiary education; (ii) A guide to self assessment; and (iii) Glossary of quality assurance. All the above mentioned deliverables were presented and discussed at the stakeholder conference held on September 22-23.</p>	<p>No change</p>
<p><i>World Bank Group Program: Second Education Quality and Relevance Project-APL2, DPO-1</i></p>		

Armenia at a glance

6/2/11

Key Development Indicators	Armenia	Europe & Central Asia	Lower middle income	
(2009)				
Population, mid-year (millions)	3.1	403	3,767	
Surface area (thousand sq. km)	30	23,549	31,923	
Population growth (%)	0.2	0.3	12	
Urban population (% of total population)	64	64	40	
GNI (Atlas method, US\$ billions)	9.5	2,770	7,709	
GNI per capita (Atlas method, US\$)	3,070	6,876	2,046	
GNI per capita (PPP, international \$)	5,420	13,271	4,481	
GDP growth (%)	-14.2	4.1	7.5	
GDP per capita growth (%)	-14.3	3.7	6.3	
(most recent estimate, 2003–2009)				
Poverty headcount ratio at \$ 125 a day (PPP, %)	4	4	..	
Poverty headcount ratio at \$ 2.00 a day (PPP, %)	21	9	..	
Life expectancy at birth (years)	74	69	68	
Infant mortality (per 1000 live births)	21	20	44	
Child malnutrition (% of children under 5)	4	..	25	
Adult literacy, male (% of ages 15 and older)	100	99	87	
Adult literacy, female (% of ages 15 and older)	99	97	73	
Gross primary enrollment, male (% of age group)	79	100	109	
Gross primary enrollment, female (% of age group)	81	98	105	
Access to an improved water source (% of population)	98	95	86	
Access to improved sanitation facilities (% of population)	91	89	50	
Net Aid Flows				
	1980	1990	2000	2009^a
<i>(US\$ millions)</i>				
Net ODA and official aid	..	3	216	303
<i>Top 3 donors (in 2008):</i>				
United States	..	0	103	94
Japan	..	0	9	58
Germany	..	0	9	28
Aid (% of GNI)	..	0.1	110	2.5
Aid per capita (US\$)	..	1	70	98
Long-Term Economic Trends				
Consumer prices (annual % change)	..	7.7	-0.8	3.4
GDP implicit deflator (annual % change)	..	79.4	-14	13
Exchange rate (annual average, local per US\$)	..	0.0	539.5	363.3
Terms of trade index (2000 = 100)	..	..	100	59
Population, mid-year (millions)	3.1	3.5	3.1	3.1
GDP (US\$ millions)	..	2,257	1912	8,541
		<i>(% of GDP)</i>		
Agriculture	..	17.4	25.5	18.6
Industry	..	52.0	35.4	35.2
Manufacturing	..	32.8	24.1	9.9
Services	..	30.7	39.0	46.2
Household final consumption expenditure	..	45.9	96.7	815
General gov't final consumption expenditure	..	18.3	118	12.6
Gross capital formation	..	47.1	18.6	33.8
Exports of goods and services	..	35.0	23.4	15.7
Imports of goods and services	..	46.3	50.5	43.5
Gross savings	..	..	..	..



1980–90 1990–2000 2000–09
(average annual growth %)

Note: Figures in italics are for years other than those specified. 2009 data are preliminary. .. indicates data are not available.
a. Aid data are for 2008.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade

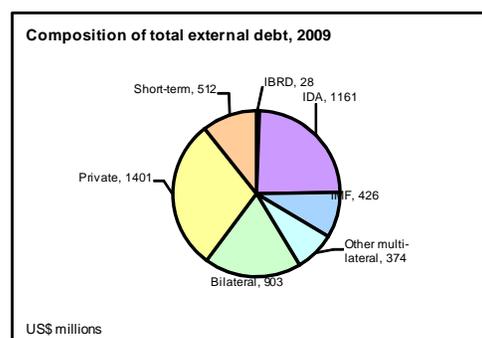
	2000	2009
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	301	698
Total merchandise imports (cif)	885	3,321
Net trade in goods and services	-519	-2,349
Current account balance	-278	-1,369
as a % of GDP	-14.6	-16.0
Workers' remittances and compensation of employees (receipts)	87	769
Reserves, including gold	314	2,004

Central Government Finance

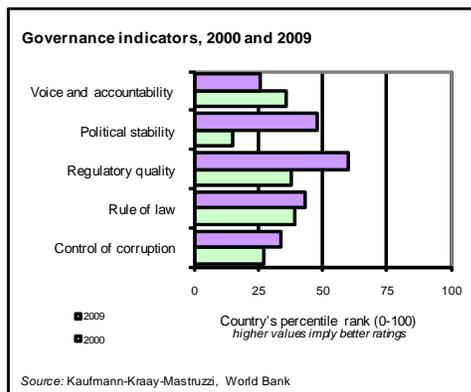
	2000	2009
<i>(% of GDP)</i>		
Current revenue (including grants)	16.7	21.7
Tax revenue	14.8	19.6
Current expenditure	16.3	22.7
Overall surplus/deficit	-4.9	-11.9
Highest marginal tax rate (%)		
Individual	..	20
Corporate	..	20

External Debt and Resource Flows

	2000	2009
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	916	4,805
Total debt service	46	464
Debt relief (HIPC, M DRI)	-	-
Total debt (% of GDP)	47.9	56.3
Total debt service (% of exports)	7.2	12.6
Foreign direct investment (net inflows)	104	935
Portfolio equity (net inflows)	0	-1

**Private Sector Development**

	2000	2009
Time required to start a business (days)	-	15
Cost to start a business (% of GNI per capita)	-	2.6
Time required to register property (days)	-	4
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2009
Tax administration	..	43.8
Tax rates	..	37.8
Stock market capitalization (% of GDP)	0.1	16
Bank capital to asset ratio (%)	14.3	23.0

**Technology and Infrastructure**

	2000	2008
Paved roads (% of total)	96.8	89.8
Fixed line and mobile phone subscribers (per 100 people)	18	120
High technology exports (% of manufactured exports)	4.5	2.5

Environment

	2000	2009
Agricultural land (% of land area)	47	57
Forest area (% of land area)	10.8	9.7
Terrestrial protected areas (% of surface area)	..	8.2
Freshwater resources per capita (cu. meters)	2,964	2,229
Freshwater withdrawal (billion cubic meters)	3.0	..
CO2 emissions per capita (mt)	1.1	1.6
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	3.5	5.7
Energy use per capita (kg of oil equivalent)	651	926

World Bank Group portfolio

	2000	2009
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	8	28
Disbursements	0	24
Principal repayments	0	1
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	388	1,161
Disbursements	54	142
Total debt service	3	21
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	0	36
Disbursements for IFC own account	0	3
Portfolio sales, prepayments and repayments for IFC own account	0	3
MIGA		
Gross exposure	3	0
New guarantees	3	0

Note: Figures in italics are for years other than those specified. 2009 data are preliminary.
.. indicates data are not available. - indicates observation is not applicable.

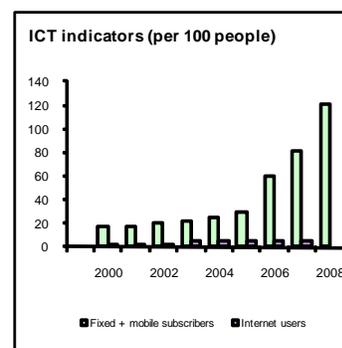
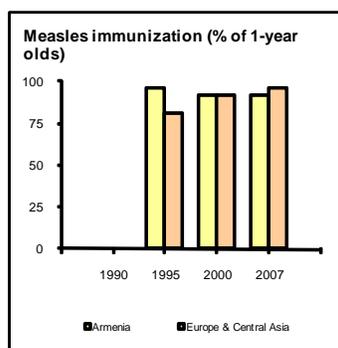
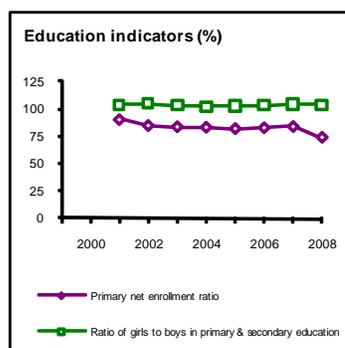
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Millennium Development Goals

Armeni

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Armenia			
	1990	1995	2000	2008
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$ 125 a day (PPP, % of population)	..	17.5	11.0	3.7
Poverty headcount ratio at national poverty line (% of population)	..	..	50.9	..
Share of income or consumption to the poorest quintile (%)	..	5.4	7.6	8.6
Prevalence of malnutrition (% of children under 5)	..	..	2.6	4.2
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	91	74
Primary completion rate (% of relevant age group)	..	105	101	98
Secondary school enrollment (gross, %)	..	90	90	88
Youth literacy rate (% of people ages 15-24)	100	..	100	100
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	104	104
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	51	47	46
Proportion of seats held by women in national parliament (%)	36	6	3	8
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1000)	56	48	36	23
Infant mortality rate (per 1000 live births)	48	42	32	21
Measles immunization (proportion of one-year olds immunized, %)	93	96	92	94
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	76
Births attended by skilled health staff (% of total)	..	96	97	100
Contraceptive prevalence (% of women ages 15-49)	..	..	61	53
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	0.1	0.1
Incidence of tuberculosis (per 100,000 people)	33	47	71	73
Tuberculosis case detection rate (% all forms)	50	77	61	74
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	91	93	98
Access to improved sanitation facilities (% of population)	..	89	89	91
Forest area (% of total land area)	2.0	115	10.8	9.7
Terrestrial protected areas (% of surface area)	..	..	..	8.2
CO2 emissions (metric tons per capita)	12	11	11	16
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	14	3.4	3.5	5.7
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	15.8	18.1	17.3	20.3
Mobile phone subscribers (per 100 people)	0.0	0.0	0.6	100.0
Internet users (per 100 people)	0.0	0.1	1.3	6.2
Personal computers (per 100 people)	..	0.3	0.8	9.7



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

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Development Economics, Development Data Group (DECDG).

Armenia
CAS Annex B2 - Armenia
Selected Indicators* of Bank Portfolio Performance and Management
As Of Date 4/6/2011

Indicator	2008	2009	2010	2011
Portfolio Assessment				
Number of Projects Under Implementation ^a	17	19	17	17
Average Implementation Period (years) ^b	4.3	3.8	3.7	3.5
Percent of Problem Projects by Number ^{a, c}	5.9	0.0	0.0	0.0
Percent of Problem Projects by Amount ^{a, c}	3.5	0.0	0.0	0.0
Percent of Projects at Risk by Number ^{a, d}	5.9	0.0	0.0	0.0
Percent of Projects at Risk by Amount ^{a, d}	3.5	0.0	0.0	0.0
Disbursement Ratio (%) ^e	34.4	76.0	68.2	45.6
Portfolio Management				
CPPR during the year (yes/no)				1
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	33	9
Proj Eval by OED by Amt (US\$ millions)	819.9	162.7
% of OED Projects Rated U or HU by Number	6.1	0.0
% of OED Projects Rated U or HU by Amt	9.0	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

IBRD/IDA Program Summary – Armenia

Proposed Base-Case Lending Program

Fiscal Year	Project ID	US\$ (million)
2011	Agriculture	16
	DPC-2	25
	Lifeline Roads AF-2	40
	Energy Transmission	39
	E-Armenia	24
	Health- AF 2	19
2012	PFM and Tax	20
	Irrigation	40
	DPC-3	30
	Municipal Water and Wastewater	15
2013	DPC	25
	Health APL	30
	Lifeline Roads Improvement	40

Armenia: IFC Investment Operations Program

	2008	2009	2010	2011**
<u>Commitments (US\$m)</u>				
Gross	25.39	5.32	35.4	60.69
Net**	25.39	5.32	35.4	55.69
<u>Net Commitments by Sector (%)</u>				
Construction and Real Estate			15	
Finance and Insurance	100	89	82	94
Oil, Gas and Mining		11	3	6
Total	100	100	100	100
<u>Net Commitments by Investment Instrument</u>				
Equity	39	11	3	6
Guarantee	2	32	31	45
Loan	59	57	66	45
Risk product	0	0	0	4
Total	100	100	100	100

*As of March 31, 2011

**IFC's Own Account only

Annex B4

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions				
CPAR Update	FY09	177	G,D,B,P	K,PD,PS
Programmatic Poverty Analysis	Annual	100pa	G,D,B	K,PD,PS
Financial Sector Advisory	FY09	63	G,B	K,PD,PS
PEFA Follow Up	FY10	86	G,D	K,PD,PS
Poverty Monitoring TA	FY09	50	G,D,B,P	K,PD,PS
Designing Sustainable Institutional ...Arrangements for Disaster Risk Mngt	FY10	150	G,D,B,P	K,PD,PS
High Level Policy Forum	FY11	140	G,D,B,P	K,PD,PS
Underway/Planned				
Designing Sustainable Institutional ...Arrangements for Road maintenance	FY11	150	G,D,B,P	K,PD,PS
Country Environmental Analysis	FY11	79	G,D,B,P	K,PD,PS
Programmatic Poverty Analysis	Annual	100	G,D,B,P	K,PD,PS
Programmatic Fiscal Work	FY11	115	G,D,B,P	K,PD,PS
Water Sector Note	FY11	40	G,B	K,PD,PS
Financial Sector Advisory	FY11	70	G,B	K,PD,PS
Public Expenditures Review	FY11		G,B	
Regional Study on Job Creation, Labor ...Markets, and Skill Development	FY13		G,D,B,P	K,PD,PS
Policy Notes for the new Government	FY13		G,B	K,PD,PS
Higher Education Strategy	FY13		G,D,B,P	K,PD,PS
Agriculture Sector Note	FY12		G,D,B,P	K,PD,PS
Financial Sector Assessment Program ...(FSAP) (Bank-IMF)	FY12		G,B	
Investment, Growth, and Employment Creation	FY13		G,D, B,P	K,PD,PS
Trade and Export Promotion	FY12		G,D,B,P	K,PD,PS
Sustainable Energy Finance (IFC)	FY14	1156	G,D,P	K,PS
Banking Market Development (IFC)	FY13	1188	G,D,B,P	K,PS
Regulatory Simplification/Doing ...Business Reform (IFC)	FY11	1539	G,D,B,P	K,PD,PS
MFI Program (IFC)	FY14	720	G,D,B,P	K,PD,PS

- a. Government, donor, Bank, public dissemination
- b. Knowledge generation, public debate, problem-solving

Armenia - Key Exposure Indicators

Indicator	Actual			Estimated			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total debt outstanding and disbursed (TDO) (US\$m) ^a	1842	2004	2874	3404	4805	4405	4939	5290	5336
Net disbursements (US\$m) ^a	74	101	587	384	1373	791	534	351	46
Total debt service (TDS) (US\$m) ^a	138	150	188	399	286	411	454	608	858
Debt and debt service indicators (%)									
TDO/XGS ^b	78.1	72.0	83.9	89.5	172.9	149.0	151.6	148.0	137.4
TDO/GDP	37.6	31.4	31.2	29.2	56.3	49.7	54.8	56.3	54.0
TDS/XGS	5.9	5.4	5.5	10.5	10.3	13.9	13.9	17.0	22.1
Concessional/TDO	48.8	51.1	44.4	42.3	32.7	43.5	43.5	44.5	47.5
IBRD exposure indicators (%)									
IBRD DS/public DS	0.0	0.0	0.0	2.1	1.7	3.5	3.0	1.9	1.4
Preferred creditor DS/public DS (%) ^c	..	..	..	92.2	72.0	69.6	43.6	51.3	56.3
IBRD DS/XGS	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.3
IBRD TDO (US\$m) ^d	6	6	5	5	28	86	162	256	321
Of which present value of guarantees (US\$m)	0	0	0	0	0	0	0	0	0
Share of IBRD portfolio (%)	0.01	0.00	0.00	0.00	0.03	0.08	0.16	0.25	0.31
IDA TDO (US\$m) ^d	746	841	973	1015	1161	1195	1206	1206	1200

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

Armenia - Key Economic Indicators

Indicator	Actual			Estimate			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (as % of GDP)									
Gross domestic product ^a	100	100	100	100	100	100	100	100	100
Agriculture	21	20	20	18	19	17	17	16	16
Industry	45	45	44	44	35	37	37	38	38
Services	34	35	36	38	46	46	47	46	46
Total Consumption	84	80	82	85	94	96	96	96	95
Gross domestic fixed investment	30	36	38	44	34	31	27	28	28
Government investment	4	4	7	4	6	6	4	4	4
Private investment	26	31	32	40	28	25	23	23	24
Exports (GNFS) ^b	29	23	19	15	16	16	16	16	16
Imports (GNFS)	43	39	39	41	44	41	39	37	36
Gross domestic savings	16	20	18	15	6	4	4	4	5
Gross national savings ^c	29	34	32	32	18	17	16	17	19
<i>Memorandum items</i>									
Gross domestic product (US\$ million at current prices)	4900	6384	9206	11662	8541	8857	9020	9394	9888
GNI per capita (US\$, Atlas method)	1470	1920	2580	3380	3070	3140	3090	3200	3310
Real annual growth rates (%)									
Gross domestic product at market prices	13.9	13.2	13.7	6.9	-14.1	2.1	4.6	4.3	4.2
Gross Domestic Income	13.5	13.3	12.8	8.6	-13.5	4.6	4.9	4.8	4.6
Real annual per capita growth rates (%)									
Gross domestic product at market prices	13.8	13.1	13.6	6.7	-14.3	1.9	4.4	4.1	4.0
Total consumption	8.2	8.7	16.5	8.6	-4.9	7.9	5.6	4.7	4.0
Private consumption	7.2	8.2	17.8	5.1	-6.3	13.3	6.7	4.4	3.9
Balance of Payments (US\$ millions)									
Exports (GNFS) ^b	1416	1510	1777	1757	1338	1513	1720	1927	2124
Merchandise FOB	1005	1025	1197	1112	749	839	965	1080	1210
Imports (GNFS) ^b	2124	2536	3589	4748	3688	3889	4129	4383	4653
Merchandise FOB	1593	1921	2797	3776	2830	3014	3201	3399	3610
Resource balance	-708	-1026	-1813	-2991	-2349	-2376	-2409	-2456	-2529
Net current transfers	524	694	945	1138	814	849	1021	1065	1176
Current account balance	-52	-117	-589	-1382	-1369	-1289	-1112	-1072	-985
Net private foreign direct investment	233	450	701	925	725	569	620	651	684
Long-term loans (net)	79	85	390	564	1586	624	293	80	-178
Official	34	67	182	145	1044	261	311	301	250
Private	45	18	208	419	542	364	-18	-222	-428
Other capital (net, incl. errors & omissions)	-72	-30	58	-360	-345	-49	129	282	323
Change in reserves ^d	-188	-388	-560	252	-597	145	69	60	156
<i>Memorandum items</i>									
Resource balance (% of GDP)	-14.4	-16.1	-19.7	-25.6	-27.5	-26.8	-26.7	-26.2	-25.6
Real annual growth rates (YR96 prices)									
Merchandise exports (FOB)	29.1	1.5	14.7	-8.6	-30.0	7.7	11.9	10.4	9.9
Primary	18.3	8.4	9.2	-42.6	-34.2	29.3	4.5	9.6	64.2
Manufactures	110.5	-12.6	41.4	50.6	-23.7	7.9	15.8	13.7	12.8
Merchandise imports (CIF)	29.2	14.3	48.0	24.5	-35.9	16.5	3.4	6.6	6.2

(Continued)

Armenia - Key Economic Indicators
(Continued)

Indicator	Actual			Estimate			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public finance (as % of GDP at market prices)^e									
Current revenues	16.2	16.0	21.0	21.3	21.7	18.1	18.3	18.4	18.6
Current expenditures	14.7	13.4	15.8	18.3	22.7	22.0	22.4	20.4	20.1
Current account surplus (+) or deficit (-)	1.5	2.6	5.2	3.0	-1.0	-3.9	-4.1	-2.0	-1.5
Capital expenditure	4.2	4.3	6.6	3.9	6.2	6.1	4.2	4.3	4.5
Foreign financing	..	..	..	..	..	7.9	6.3	5.8	4.2
Monetary indicators									
M2/GDP	16.3	18.3	22.0	19.8	26.3	27.0	27.8	27.8	27.8
Growth of M2 (%)	27.8	32.9	42.3	2.4	15.1	15.4	13.4	9.1	8.4
Growth of credit to private sector (%)	32.3	28.1	92.3	47.9	11.5	25.7	12.5	9.2	15.8
Price indices(YR96 =100)									
Merchandise export price index	96.5	96.2	98.1	98.5	92.8	103.6	106.5	108.0	110.1
Merchandise import price index	114.3	121.7	122.6	133.4	156.2	121.6	125.0	124.5	124.6
Merchandise terms of trade index	84.4	79.0	80.0	73.8	59.4	85.2	85.2	86.8	88.4
Real exchange rate (US\$/LCU) ^f	97.5	106.4	122.7	137.0	125.7	125.7	125.7	125.7	125.7
Real interest rates									
Consumer price index (% change)	0.6	2.9	4.4	9.0	3.4	5.9	4.6	3.6	3.2
GDP deflator (% change)	3.2	4.6	4.3	6.0	1.2	9.9	5.5	4.6	4.0

a. GDP at factor cost

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Armenia Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2003-09	Europe & Central Asia	Lower-middle-income
POPULATION					
Total population, mid-year (<i>millions</i>)	3.3	3.2	3.1	404.2	3,810.8
Growth rate (<i>% annual average for period</i>)	1.5	-1.9	0.1	0.2	1.2
Urban population (<i>% of population</i>)	67.1	66.3	63.9	64.0	40.9
Total fertility rate (<i>births per woman</i>)	2.5	2.1	1.7	1.8	2.5
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	23.5	..	..
Urban headcount index	..	..	23.8	..	..
Rural headcount index	..	..	22.9	..	..
INCOME					
GNI per capita (<i>US\$</i>)	..	450	3,070	6,793	2,298
Consumer price index (<i>2005=100</i>)	..	68	142	134	130
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	38.9	..	..
Low est quintile (<i>% of income or consumption</i>)	..	..	6.8	..	..
Highest quintile (<i>% of income or consumption</i>)	..	..	53.1	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (<i>% of GDP</i>)	..	..	2.1	3.5	1.8
Education (<i>% of GNI</i>)	..	..	3.4	4.4	4.0
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	..	84	92	87
Male	..	..	83	93	88
Female	..	..	86	92	86
Access to an improved water source					
<i>(% of population)</i>					
Total	..	91	98	96	87
Urban	..	99	99	98	95
Rural	..	75	96	89	81
Immunization rate					
<i>(% of children ages 12-23 months)</i>					
Measles	..	96	94	96	80
DPT	..	98	89	95	79
Child malnutrition (<i>% under 5 years</i>)	..	..	4	..	25
Life expectancy at birth					
<i>(years)</i>					
Total	70	69	74	69	68
Male	67	65	70	65	66
Female	72	72	77	74	70
Mortality					
Infant (<i>per 1,000 live births</i>)	54	42	21	19	43
Under 5 (<i>per 1,000</i>)	64	48	23	21	58
Adult (15-59)					
Male (<i>per 1,000 population</i>)	158	216	165	314	204
Female (<i>per 1,000 population</i>)	85	119	80	130	138
Maternal (<i>per 100,000 live births</i>)	..	..	36	32	230
Births attended by skilled health staff (%)	..	..	100	97	65

CAS Annex B5. This table was produced from the CMU LDB system.

06/02/11

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

CAS Annex B8 - Armenia
Operations Portfolio (IBRD/IDA and Grants)

As Of Date 4/6/2011

Closed Projects 42

IBRD/IDA *

Total Disbursed (Active)	284.54
of which has been repaid	0.00
Total Disbursed (Closed)	472.72
of which has been repaid	66.29
Total Disbursed (Active + Closed)	757.26
of which has been repaid	66.29
Total Undisbursed (Active)	197.42
Total Undisbursed (Closed)	0.15
Total Undisbursed (Active + Closed)	197.57

Active Projects

Project ID	Project Name	Last PSR		Fiscal Year	Original Amount in US\$ Millions				Difference Between Expected and Actual Disbursements ^{1/}		
		Supervision Rating			IBRD	IDA	GRANT	Cancel.	Undisb.	Orig.	Frm Rev'd
		Development Objectives	Implementation Progress								
P117384	PSMP II	MS	S	2010	9				8.7775	0.1441667	
P083352	RENEW ENERGY	S	S	2006		5			0.207441	-0.131071	
P115109	AM Access to Finance for SME	S	S	2009	50				19.875	18.208333	
P116451	Armenia DPO 2	S	HS	2011	4	21			24.93683	0.0083333	
P120028	Community Agri. Res. Managem. and Comp.	#	#	2011		16			16.28523		
P115647	E-SOCIETY & INNOVATION	S	S	2011	24				24		
P107772	EDUC QUAL & REL (APL#2)	S	S	2009		25			24.43251	2.1855926	
P114409	GEOFUND 2: Armenia Geothermal Project	S	S	2009			1.5		0.877531	0.8775307	
P104467	HLTH SYS MOD (APL2)	S	S	2007	19	22			22.09929	1.7680425	
P116681	IRRIGATION REHABILITATION EMERGENCY PROJ	S	S	2010	30				2.029527	-0.155473	
P099630	JUDICIAL REFORM 2	S	MS	2007		22.5			4.640493	-0.567367	
P115486	LIFELINE ROADS IMPROVEMENT PROJECT	S	HS	2009	76.6	25			30.25069	-47.33304	-12.4972
P063398	MUN WATER & WW	S	S	2004		43			5.880258	-14.48386	5.516134
P090058	RENEW ENERGY (GEF)	S	S	2006			3		0.504916	0.5049162	
P094225	SIF 3	S	S	2007	7	33			6.059239	-10.11294	-2.58628
P087620	SOC PROT ADMIN	S	S	2004	5	5.15			4.7875	-0.595736	
P057880	URBAN HEAT	S	S	2006		15			0.632442	0.3190952	
P087641	YEREVAN WATER/WW SERV	S	S	2005		20			2.527637	2.5400959	2.540096
Overall Result					224.6	252.65	4.5		198.804	-46.82338	-7.02725

International Finance Corporation
Statement of IFC's Committed and Outstanding Portfolio

Amounts in US Dollar Millions
Accounting Date as of : 03/31/2011

Region(s): Europe & Central Asia

Country(s) : Armenia

Commitment	Institution	LN	ET	QL + QE	GT	RM	ALL	ALL	LN	ET	QL + QE	GT	RM	ALL	ALL
Fiscal Year	Short Name	Cmtd - IFC	Cmtd - IFC	Cmtd - IFC	Cmtd - IFC	Cmtd - IFC	Cmtd - IFC	Cmtd - Part	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - IFC	Out - Part
2003/ 2010	<u>ACBA Leasing</u>	3.00	0	0	0	0	3.00	0	3.00	0	0	0	0	3.00	0.00
2011	<u>ACBA Bank</u>	20.00	0	0	0	0	20.00	0	20.00	0	0	0	0	20.00	0.00
2008/ 2010/ 2011	<u>ASHIB</u>	11.25	6.47	0	(0.00)	0	17.72	0	11.25	6.47	0	0	0	17.72	0.00
2010/ 2011	<u>Ameriabank</u>	15.00	0	0	7.08	1.84	23.92	0	15.00	0	0	7.08	0.25	22.33	0.00
2004/ 2007/ 2008/ 2009/ 2010/ 2011	<u>Armeconombank</u>	5.76	0	0	0.38	0	6.13	5.00	5.76	0	0	0.38	0	6.14	5.00
2010	<u>Elite Group</u>	5.40	0	0	0	0	5.40	0	4.20	0	0	0	0	4.20	0.00
2001/ 2004	<u>Hotel Armenia</u>	0	0	0.44	0	0	0.44	0	0	0	0.44	0	0	0.44	0.00
2006/ 2007/ 2009/ 2011	<u>Inecobank</u>	3.13	1.30	0	0.10	0	4.53	0	3.13	1.30	0	0.10	0	4.53	0.00
2008/ 2009/ 2010/ 2011	<u>Lydian Intl</u>	0	6.52	0	0	0	6.52	0	0	6.52	0	0	0	6.52	0.00
2006	<u>NAREK</u>	1.63	0	0	0	0	1.63	0	1.63	0	0	0	0	1.63	0.00
Total Portfolio		65.16	14.29	0.44	7.56	1.84	89.28	5.00	63.96	14.29	0.44	7.56	0.25	86.49	5.00



ARMENIA

- SELECTED CITIES AND TOWNS
- ⊙ PROVINCE (MARZ) CAPITALS
- ⊕ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- PROVINCE (MARZ) BOUNDARIES
- · - INTERNATIONAL BOUNDARIES

