



The new World Bank Group Country Partnership Framework (CPF) for FY19 - 23 will support the rebalancing of Armenia's economy toward a new growth model, through three focus areas:

- 1) Boosting export enablers and firm competitiveness,**
- 2) Enhancing human capital and equity,**
- 3) Sustainably managing environmental and natural resources.**

Under each focus area, the CPF incorporates key elements of good governance and inclusion, public accountability and transparency, citizen engagement, gender equality, spatial equity, and digital connectivity.

The World Bank's active portfolio in Armenia consists of 13 active operations, with a total commitment of \$586.23 million.

It includes \$80.87 million in International Development Association (IDA) credit and \$505.36 million in International Bank for Reconstruction and Development (IBRD) loans.

An active program of 25 trust fund operations, totaling \$15 million, is supporting institutional capacity building and stand-alone activities in the areas of energy and extractives, water, education, social protection, health, agriculture, poverty, urban development, transport, and finance.

ARMENIA: DISEASE PREVENTION AND CONTROL PROJECT



| Financier | Financing | Disbursed* | Undisbursed |
|---|-----------|------------|-------------|
| IDA Credit | 31.42 | 29.09 | 4.09 |
| Government | 8.26 | 6.12 | 2.14 |
| Health Results-based Financing Trust Fund | 1.80 | 1.8 | 0.00 |
| Total | 41.48 | | |

Financing in million US Dollars

* World Bank disbursements as of April 1, 2020.

Key Dates:

Approved: March 27, 2013

Effective: July 22, 2013

Closing: September 30, 2022

Challenge: While noncommunicable diseases (NCDs), including cardiovascular diseases, diabetes and cancers, account for 93 percent of deaths in Armenia, there are significant gaps in the prevention and management of NCDs at the primary care level. For example, in 2016, only 24 percent of individuals who were 15 and older had their blood glucose level measured during the past 12 months.

The Project Development Objective is to improve (i) maternal and child health (MCH) services and the prevention, early detection, and management of selected NCDs at the primary health care (PHC) level; and (ii) the efficiency and quality of selected hospitals in Armenia.

Results related to performance-based financing to improve MCH and NCD services in PHCs:

- Screening coverage has increased. Between January 1, 2015 and February 29, 2020, about 1.34 million adults between 35 and 68 years were screened for hypertension; 753,053 people between 35 and 68 years were screened for diabetes mellitus; 272,446 women between 30 and 60 years were screened for cervical cancer; and 78,444 antenatal care attendees were screened for glycosuria, hypertension, and proteinuria in at least three antenatal visits.
- The quality of care received in PHCs has been strengthened. In 2014, 2,700 PHC providers were trained to implement clinical guidelines for cardiovascular disease, diabetes mellitus, and cervical cancer, and training of 950 administrative staff was conducted in preparation for the screening program.
- Performance-based financing has facilitated accountability for results. Evidence for reported screening coverage was verified in 97.5 percent of PHC facilities (351 out of 360) and ascertained by phone call interviews of patients for results from 94.4 percent of PHC facilities (340 out of 360).

Results related to improving the efficiency and quality of selected hospitals:

- The Hematology Center was equipped with capacity for bone marrow transplants and high-dose chemotherapy in 2016.
- Two regional medical centers in Gegharkunik marz and in Ararat marz have been constructed and renovated.
- A new hemodialysis department has been set up in Martuni Medical Center to improve management of chronic kidney disease.

Key government partners: The World Bank team works closely with the (i) Ministry of Health; (ii) National Institute of Health; and (iii) State Health Agency.

Key development partners include the World Health Organization, UNDP, the Asian Development Bank, the Global Fund, and GAVI, the Vaccine Alliance, which are involved in different aspects of health care reform undertaken by the Government of Armenia.

ARMENIA: EDUCATION IMPROVEMENT PROJECT



| Financier | Financing | Disbursed* | Undisbursed |
|------------|-----------|------------|-------------|
| IDA Credit | 15.00 | 8.83 | 4.48 |
| IBRD | 15.00 | 9.07 | 5.93 |
| Government | 7.50 | | |
| Total | 37.50 | 16.90 | 10.41 |

Financing in million US Dollars

World Bank disbursements as of April 1, 2020.

* Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Key Dates:

Approved: March 13, 2014

Effective: November 20, 2014

Closing: September 30, 2021

Challenge: Since the 1990s, continued investment in education has been aimed at increasing access to, and improving the quality of general secondary education. The current project addresses the challenge of sustaining and expanding the accomplishments in general secondary education while addressing equity and quality concerns in both preschool, general, and higher education.

The Project Development Objectives are to (i) improve the school readiness of children entering primary education, (ii) improve the physical conditions and availability of educational resources in upper-secondary schools, and (iii) support improved quality and relevance in higher education institutions in Armenia.

Results achieved to date:

- 18 new preschools were established in fall 2019, and 400 four to six-year-old children have been enrolled. The activity is aimed at improving equitable access to preschool education and the school readiness of the participating students. All teachers serving in the newly established preschool groups received training from the National Institute of Education. 115 preschool education micro-projects were launched between 2015 and 2019, benefiting about 8,100 four to six-year-old students across Armenia. More new preschools will be established in spring/summer 2020.
- Rehabilitation and seismic strengthening of 8 high schools planned for the second batch started in July 2019 and is underway. The 8 high schools are based in Yerevan and in Armavir, Gegharkunik, Syunik and Shirak marzes.
- All high schools of Armenia received laboratory equipment on natural sciences. Based on the schools' education streams, 87 schools received physics laboratories, 84 schools - chemistry laboratories, 84 schools - biology laboratories, and 48 schools received educational printed materials on geography.
- ICT training of school representatives is ongoing. The total number of trained school representatives is 2,096 from intended 4000. As of March 1, 2020, 63 schools have been provided with LCD projectors, and 42 schools - with interactive projectors.
- Working groups have been established for revision of subject standards and curricula for the following disciplines: Armenian Language and Literature, Foreign Languages, Society, Social Sciences, Arts, Technology and Physical Education and Safety Activities. The revision of subject standards and curricula of the mentioned disciplines is in process and will be completed by the end of the school year.
- 18 higher education institutions received grants under the Competitive Innovation Fund (CIF) to improve the quality and labor market relevance of their education programs, 12 of which have already completed the implementation of their grant projects. The other six universities that were awarded grants in July 2019 will complete the implementation of their projects by 2021.

Key partners: The World Bank team works closely with the (i) Ministry of Education, Science, Culture and Sport responsible for the overall policy setting, as well as for the implementation of the project; and (ii) Ministry of Finance, responsible for conducting policy dialogue on the financial implications of the project and ensuring the proper flow of funds and financial monitoring of project activities.

ARMENIA: SOCIAL PROTECTION ADMINISTRATION PROJECT II



| Financier | Financing | Disbursed* | Undisbursed |
|------------|-----------|------------|-------------|
| IDA Credit | 21.20 | 7.91 | 11.36 |
| Government | 4.30 | | |
| Total | 25.50 | | |

Financing in million US Dollars

* World Bank disbursements as of April 1, 2020.

Key Dates:

Approved: March 24, 2014

Effective: October 29, 2014

Original Closing Date: December 31, 2018

Current Closing Date: November 30, 2020

Expected New Closing Date: October 31, 2022

Challenge: The improvements in living conditions witnessed in the country before the 2009 global financial crisis have since receded, resulting in increased inequality and more instances of people falling below the poverty line. In post-crisis Armenia, improvements in living conditions have remained slow, leading to the Government's renewed focus on the efficiency of the social service delivery system and effectiveness of the Family Benefit Program. These efforts need further enhancement to cope with the protracted and high unemployment, poverty and vulnerability. The Government of Armenia initiated a reform aimed at integrating the provision of social safety net through establishment of a State Agency of "Complex Social Services", which would reorganize and combine the structural units of the Social Security Service (SSS), State Employment Agency (SEA), Medical-Social Expertise Agency (MSEA) of the Ministry of Labor and Social Affairs (MLSA) by the end of the calendar year 2020. This major reform effort has been only partially implemented and most of the Integrated Social Protection Centers (ISPCs) still need to be established and become operational.

The Project Development Objectives are to (i) improve social protection service delivery; and (ii) strengthen the analytical, and monitoring and evaluation functions of the agencies delivering social protection benefits and services.

Key expected results:

- The project supports the functional integration of the four existing agencies responsible for pensions, social assistance, employment, and medical examination into an ISPC.
- This model is being rolled out to another 34 ISPCs. The activities, which include civil works, the provision of furniture and IT equipment with software, training and on-the-job mentoring, and active communication with the public, will help ensure that the centers are fully operational and deliver high-quality services tailored to the needs of the beneficiaries.
- The project supports the development of a comprehensive monitoring and evaluation system for the social protection sector. It will finance an integrated system of monitoring and evaluation of social protection benefits and services, targeting over 70 different programs. This would enable the MLSA to directly manage the beneficiary feedback by collecting information on the quality of the delivered services.
- Following a period of slow implementation due to the Government's fiscal consolidation measures and political changes, the project is now back on track. The project is currently under restructuring that entails the revision of project components and an extension of the closing date to October 31, 2022. The extension will provide enough time to refurbish, equip and make operational the remaining ISPCs throughout the country, develop a new integrated information system, and train employees to increase their capacity to provide integrated services.

Key partners: The World Bank works closely with the MLSA, as well as the State Employment Agency, State Social Security Service, and the NORF Foundation.

Key development partner involved in different components of the social protection reform is UNICEF.

ARMENIA: SOCIAL INVESTMENT AND LOCAL DEVELOPMENT PROJECT



| Financier | Financing | Disbursed* | Undisbursed |
|-------------|-----------|------------|-------------|
| IBRD Loan | 50.00 | 22.35 | 27.65 |
| Local Comm. | 3.16 | 1.36 | 1.80 |
| Government | 18.09 | 8.11 | 9.98 |
| Total | 71.25 | | |

Financing in million US Dollars

*including Additional Financing approved on March 20, 2020

** World Bank disbursements as of April 1, 2020.

Key Dates:

Approved: March 13, 2015

Effective: September 22, 2015

Current Closing: June 30, 2020

New Closing Date (including AF): June 30, 2023

Challenge: Armenia's territorial fragmentation is exacerbated by insufficient budgets, leading to inefficiencies and inability of local governments to effectively deliver services to their constituencies. The Armenia Development Strategy (ADS) for 2014–2025 aims to overcome territorial development disparities through targeted territorial development policies and programs. It will require stronger intra-governmental coordination, as well as significant capacity building and institutional development within the organizations involved in local and regional development. The Government Program 2019–2023 builds on the vision outlined in the immediate aftermath of the velvet revolution and the ADS while articulating the Government's strategic development directions toward boosting economic growth, improving the efficiency of public administration, increasing human capital potential, and strengthening the reliability of and access to infrastructure. A continued push for further implementation of the territorial reform agenda is also of high priority, including equitable territorial development. So far, 52 consolidated communities covering 465 municipalities have been established, with the consolidation process aimed to be continued to cover the remaining communities.

Additional information: An Additional Financing for the SILD in the amount of EUR 17.9 million was approved by the Board on March 20, 2020. It is aimed to support continued territorial reform by scaling-up all the three project components, with a primary focus on Component 2 (support to the consolidated communities) through implementing about 30 new sub-projects in the consolidated communities. It is expected to become effective by June 2020.

The Project Development Objective is to improve the quality and use of, as well as access to community and intercommunity infrastructure.

Key expected results (including Additional Financing):

- Local populations will benefit from renovated and rehabilitated social infrastructure, thus improving the living conditions of people in vulnerable communities, and from improved provision of multifunctional municipal services in consolidated communities.
- The project will directly benefit 115 mostly rural communities and enable them to identify and implement their own social investment priorities. In addition, at least 60 consolidated communities will benefit from the project through sub-projects aimed at improving the municipal and agricultural services and promoting economic development of the consolidated communities.
- The project will support the piloting of socioeconomic initiatives for integrated communities,
- The Armenian Territorial Development Fund (ATDF) will be supported to transform its work from smaller projects to larger, sustainable development projects.

Key partners: The World Bank works closely with the Ministry of Territorial Administration and Infrastructure, and the project implementing agency - the Armenian Territorial Development Fund.

Key development partners involved in different areas of the territorial development reform are USAID, GIZ, EU and the Swiss Development Cooperation (SDC).

ARMENIA: THIRD PUBLIC SECTOR MODERNIZATION PROJECT



| Financier | Financing | Disbursed* | Undisbursed |
|---|-----------|------------|-------------|
| IBRD Loan | 21.0 | 6.37 | 14.63 |
| Government (including parallel financing from the Russian Federation) | 15.7 | | |
| | Total | | |
| | 36.7 | | |

Financing in million US Dollars

* World Bank disbursements as of April 1, 2020.

Key Dates:

Approved: September 30, 2015

Effective: May 6, 2016

Closing: November 30, 2022

Challenge: There is no integrated Government Financial Management Information System (GFMS) in Armenia. Many processes and government services which can be delivered online are provided through government offices. This leads to significant inefficiencies in processes and service delivery. The GFMS implementation is at the initial phase of being rolled out with a business process review. Current developments with COVID-19 may affect the implementation of the project.

The World Bank also continues to support Armenia's public administration reform to help professionalize the civil service, in addition to implementing the e-governance agenda (investments in IT technologies, capacity building, legislative and institutional reforms).

The Project Development Objective is to improve: (i) the quality of the public financial reporting; and (ii) access to selected enhanced e-government services.

Selected measurable results will include:

- A whistleblowing platform (azdarar.am) was developed and launched in May 2019 in support of Armenia's enhanced anti-corruption efforts. It is based on a single, unified, web portal that serves as the main point of contact between whistleblowers and those who investigate their reports. The portal is freely accessible to the public, allowing whistleblowers to register their reports. The portal is freely accessible to the public, allowing whistleblowers to register their reports.
- The e-Consular System was launched in mid-May 2018.
- The platform of systematic collection and processing of citizen feedback on public services is being developed to enable the collection of user feedback for services delivered - both electronically and face-to-face. The platform will be supporting the government's ongoing commitment to improving the transparency and accountability.

Key partners: The World Bank team is working closely with the (i) Office of the Deputy Prime Minister of Armenia, which is in charge of public administration and e-governance reforms and is also the main project counterpart of PSMP III; (ii) Ministry of Finance related to the implementation of the GFMS; and (iii) Ministry of Foreign Affairs, Ministry of Justice, General Prosecutor Office, Police, Ethics Commission for High-level Officials, Corruption Prevention Committee, State Commission for Economic Protection of Economic Competition, e-Government agency (EKENG) and other stakeholders partnering on specific automation and e-service delivery solutions.

Key development partners include the Ministry of Finance of the Russian Federation, which provided \$ 8.2 million in parallel financing for GFMS implementation.

ARMENIA: SECOND COMMUNITY AGRICULTURAL RESOURCES MANAGEMENT AND COMPETITIVENESS (CARMAC2) PROJECT



| Financier | Financing | Disbursed* | Undisbursed |
|------------|-----------|------------|-------------|
| IDA Credit | 9.67 | 6.56 | 1.94 |
| IBRD Loan | 23.00 | 10.91 | 12.09 |
| Government | 10.00 | | |
| Total | 42.67 | | |

* World Bank disbursements as of April 1, 2020.

Key Dates:

Approved: June 20, 2014

Effective: January 23, 2015

Closing: April 30, 2022

Challenge: Despite the favorable demand growth outlook, the livestock sector in Armenia appears to perform below its potential. The sector challenges include underutilization of the country's pasture resources, persistent livestock diseases, processing and marketing constraints, and modest productivity growth. This project builds on the World Bank experience and successes in agriculture, rural development, pasture and livestock management, and participatory community development promoted under the CARMAC project to help Armenia address these urgent challenges and provide investment support.

The Project Development Objective is to (i) improve the productivity and sustainability of pasture and livestock systems in targeted communities; and (ii) increase the marketed production from selected livestock and high-value agri-food value chains. This would be evidenced by: (i) increased livestock productivity as measured by milk productivity and an increase in daily animal weight gain; (ii) the increased efficiency of communal pasture management as measured by increased communal budgetary revenues from the lease of pastures; (iii) increased farm sales from livestock; and (iv) increased pasture management effectiveness.

Key expected results:

- Support for services for farmers involved in livestock production in 107 more communities has been initiated as compared to the planned 100 (in addition to the 81 communities included under CARMAC).
- As a result of project interventions, milk productivity for cattle has increased by about 17 percent as compared to an end-project target of 20 percent and the sales of animals, both cattle and sheep, was estimated at 23,820 and 30,160, respectively, compared to the end-project targets of 33,000 (large ruminants) and 44,000 (small ruminants).
- The Value Chain Development component is to enhance the ability of agricultural producers and processors to meet domestic demand and access international market opportunities in the food value chains of fodder-based milk and meat and in processed fruit and vegetables. In 2019, the value of the annual marketed production of milk, meat, fruits, and vegetables in 2019 was estimated at 600 million Armenian dram (AMD) compared to the end-project target of 800 million AMD.
- The capacity of public sector institutions to facilitate business development and enable market access in the selected value chains has been improved. The project supported the opening of a one-stop shop at the State Service of Food Safety to make it easier for the private sector to interact with the agency and trained 55 food safety inspectors.

Key partners: The World Bank works closely with the Ministry of Economy and regional governors, as well as village mayors and farmer groups.

Key development partners: The World Bank cooperates with the Swiss Development Cooperation, GIZ, UNDP, FAO, and Austrian Development Agency.

ARMENIA: LOCAL ECONOMY AND INFRASTRUCTURE DEVELOPMENT PROJECT



| Financier | Financing | Disbursed* | Undisbursed |
|------------------------|--------------|------------|-------------|
| IBRD Loan | 55.00 | 6.40 | 48.60 |
| Government Preparation | 13.75 | | 13.75 |
| Grant | 0.66 | | |
| Total | 69.41 | | |

Financing in million US Dollars

* World Bank disbursements as of April 1, 2020.

Key Dates:

Approved: December 22, 2015

Effective: December 29, 2016

Closing: April 30, 2021

Challenge: Despite the steady growth of tourism arrivals and its positive economic impact, Armenia tourism sector faces multiple challenges, such as limited competitiveness, awareness – due to scarce marketing, air connectivity, enabling environment – poor infrastructure and transportation, diversity of offerings, scarce specialized and tailored skills to meet tourists' needs, and uneven accommodation offerings. Tourism has grown at an average of about 9% compound annual growth rate (CAGR) between 2013 and 2018. There have been limited shifts in the composition of the main tourist markets with Russia, Georgia, and Iran – countries that support most of Armenia's inbound tourists.

The Project Development Objective is to improve infrastructure services and institutional capacity for an increased contribution from tourism to the local economy in six selected regions of Armenia.

Key Expected Results:

- Improved access roads in selected tourism attraction sites, measured in kilometers (current: 15.8km, target: 40km).
- Piped household water connections that are benefiting from rehabilitation works undertaken by the Project, measured by number of households (current: 80, target: 350).
- Increased volume of private sector investments in targeted areas, measured in USD million (current: USD8 million, target: USD 20 million).
- Establishment and operation of Destination Management Offices (target: 3).

Key partners: The Bank team works closely with the (i) Ministry of Economy, which is responsible for the overall policy setting under Tourism Committee and for overall implementation of the project; (ii) Ministry of Education, Science, Culture and Sport; (iii) Ministry of Environment; (iv) Ministry of Territorial Administration and Infrastructure (MoTAI); and (v) Armenia Territorial Development Fund under the MoTAI, which is the project implementing entity that coordinates and manages the implementation activities on a day-to-day basis.

Key development partners include (i) USAID, which, together with Smithsonian Institution, is implementing a project aimed at improving Armenia's cultural heritage offerings to promote tourism; (ii) GIZ; and (iii) UNDP.

ARMENIA: LIFELINE ROAD NETWORK IMPROVEMENT PROJECT



| Financier | Financing | Disbursed* | Undisbursed |
|---------------|---------------|------------|-------------|
| IBRD Loan | 45.00 | 43.27 | 1.73 |
| IBRD Loan AF1 | 40.00 | 37.80 | 2.20 |
| IBRD Loan AF2 | 15.00 | | |
| Government | 25.00 | | |
| Total | 125.00 | | |

Financing in million US Dollars

* World Bank disbursements as of April 1, 2020.

Key Dates:

Approved: January 31, 2013

Effective: July 15, 2013

Closing: December 30, 2021

Additional Financing 1 Approved: July 31, 2015

Additional Financing 1 Effective: April 20, 2016

Additional Financing 1 Closing: December 30, 2021

Additional Financing 2 Approved: May 8, 2019

Additional Financing 2 Effective: Expected in June 2020

Challenge: Since the launch of the Lifeline Road Improvement Project (LRIP) in 2009, there have been noticeable improvements in both local employment and journey time. Despite the extensive rehabilitation and visible improvement, about 50 percent of the Lifeline Road Network (LRN) remains in poor condition. The degraded part of the LRN causes high transport costs and journey times for road users. This has occurred due to a historic pattern of underinvestment and deferred maintenance, as well as the inefficient use of available resources including focus on capital investments rather than investments in maintenance, which has resulted in a considerable maintenance backlog.

The Project Development Objective is to improve the access of rural communities to markets and services through the upgrading of selected lifeline roads and to strengthen the capacity of the Ministry of Territorial Administration and Infrastructures (MoTAI) in charge of roads to manage the LRN.

Results achieved to date:

- 369 kilometers have been rehabilitated to date (target: 450 kilometers).
- Average speed on lifeline roads in project areas has improved from 20 to 40 kilometers per hour.
- The Road Financing Study has been finalized and endorsed by the Government.
- 78 “Safe Village” projects have been completed with a combination of engineering improvements and education programs near village schools (target: 100).
- The development and use of the Road Asset Management System (RAMS) within the MoTAI to support decision making on the LRN is under implementation (to roll out by September 2020).
- Percentage of project-related grievances addressed by the project implementation unit increased from 0 to 100 (target 100).
- Users’ perceptions of improved access to markets and services increased from 0 to 4.5 (target 4.5; measured by 1–5 scale).
- Number of rural people with access to an all-season road increased from 600,000 to 851,485 (target: 909,200).
- Share of rural population with access to an all-season road increased from 51 to 72.4 percent (target: 76.8 percent).

Key partners: The World Bank works closely with (i) MoTAI; (ii) “Road Department” State Non-Commercial Organization, the implementing agency of the project.

Key development partners include the ADB, which is implementing road projects and with which the Bank team coordinates closely on policy issues; and the EBRD and EIB on road safety matters.

ARMENIA: ELECTRICITY SUPPLY RELIABILITY PROJECT



| Financier | Financing | Disbursed* | Undisbursed |
|------------|-----------|------------|-------------|
| IBRD Loan | 35.50 | 33.66 | 1.84 |
| IBRD Loan | 36.00 | 19.57 | 16.43 |
| Government | 23.00 | | |
| Total | 99.5 | | |

Financing in million US Dollars

* World Bank disbursements as of April 1, 2020.

Key Dates:

Approved: May 26, 2011

Effective: November 28, 2011

Closing: December 31, 2020

Additional Financing Approved: July 2, 2014

Additional Financing Effective: February 3, 2015

Additional Financing Closing: December 31, 2020

Challenge: Armenia's power transmission infrastructure is old and under-maintained. The average age of transmission assets is 45 years. The Government recognizes the need for urgent rehabilitation, and an increase in power supply reliability is among the key strategic objectives of the sector. The original loan is financing the replacement of (a) the transmission line connecting two key generation centers in the central part of the country (Hrazdan Thermal Power Plant [TPP]) and in the south (Vorotan Cascade of hydropower plants), which serve large electricity consumers in the central-eastern part of the country, and (b) the Lalvar-Noyemberyan transmission line, which is critical to the reliability of the northeastern part of the transmission network and to the reliable supply of power to end-users. The Additional Financing loan (US\$36.0 million) is financing rehabilitation of the Haghtanak, Charentsavan-3, Vanadzor-1, and Zovuni substations. The Haghtanak substation is critical to ensuring a reliable power supply to distribution substations and consumers in the western parts of Yerevan. Charentsavan-3 serves residential consumers and functions as a switching station that links to six other substations in northeastern Armenia. Vanadzor-1 serves residential and large industrial consumers in the northern parts of Armenia. The Zovuni substation, located in the northern part of Yerevan, is an important hub as a transformation point from the 220 kilovolt (kV) to the 110kV networks, which supply electricity to the capital city.

The Project Development Objective is to increase the reliability and capacity of the transmission network.

Results achieved to date:

- Replacement of the overhead transmission line from Hrazdan TPP to Shinuhayr substation is completed.
- Land acquisition for the Lalvar-Noyemberyan overhead transmission line is completed.
- Rehabilitation of Haghtanak substation was completed and the substation was commissioned in October 2019.
- Rehabilitation of Vanadzor-1 substation is expected to be completed by end of December 2020.
- Negotiations between HVEN and the contractor for Charentsavan-3 substations have not been concluded yet; both sides, however, have confirmed their commitment to continuing and completing the reconstruction of Charentsavan-3 substation, given its systemic importance to ensuring the transmission network's reliability.
- The bidding document for Zovuni substation is expected to be finalized by the end of April 2020.
- The project would probably require extending the closing date to allow for rehabilitation of Charentsavan-3 and Zovuni substations.

Key partners: The World Bank team works closely with the (i) High Voltage Electric Networks of Armenia, the power transmission company responsible for the construction, operation, and maintenance of the high-voltage power transmission network of the country; and (ii) Ministry of Territorial Administration and Infrastructures, which is responsible for the overall policy setting.

ARMENIA: ELECTRICITY TRANSMISSION NETWORK IMPROVEMENT PROJECT



| Financier | Financing | Disbursed* | Undisbursed |
|------------|-----------|------------|-------------|
| IBRD Loan | 39.86 | 23.76 | 16.20 |
| Government | 9.86 | | |
| Total | 49.72 | | |

Financing in million US Dollars

* World Bank disbursements as of April 1, 2020.

Key Dates:

Approved: March 30, 2015

Effectiveness: September 21, 2015

Closing: December 31, 2020

Challenge: The reliability of the power supply is among the key challenges currently facing the power sector of Armenia. The proposed project will leverage the World Bank's current engagement in the energy sector in Armenia, including the ongoing Electricity Supply Reliability Project (ESRP) and its Additional Financing (ESRP AF), to help the Government comprehensively address the challenge of supply reliability. It will finance the rehabilitation of the substations of Ashnak, Ararat-2, and the Yerevan Thermal Power Company (YTPC), which will help reduce the number of equipment failures due to technical reasons. The Ashnak substation is essential to ensuring a reliable power supply to consumers in the eastern and northeastern parts of Armenia, including a large dairy products company, an asphalt plant, and a diamond polishing and jewelry production factory, which employ around 6,500 people. The YTPC substation is used for the evacuation of electricity from the modern and efficient combined-cycle gas turbine (CCGT) plant with 240 MW of installed capacity. The existing CCGT plant at YTPC accounts for 20 percent of the total annual electricity generation in the country. Therefore, it is essential to ensuring an adequate and low-cost electricity supply to the more than 1 million electricity consumers in the country. The Ararat-2 substation is an important transmission hub in the Ararat marz, 40 km southeast of the city of Yerevan. The project will also finance the purchase of specialized machinery and equipment for the power transmission network.

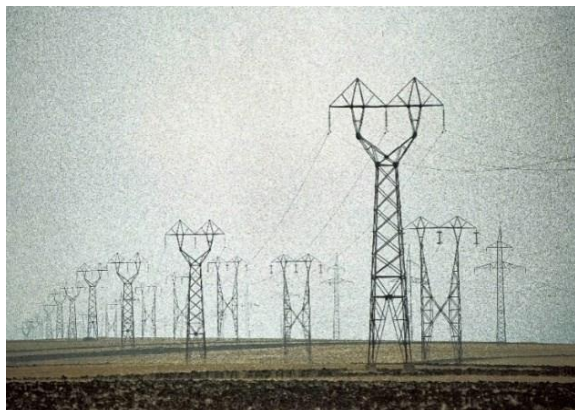
The Project Development Objectives are to increase the reliability and capacity of the transmission network.

Results achieved to date:

- All works at YTPC have been completed, while rehabilitation works at the Ashnak substation are expected to be completed by the end of 2020.
- The bidding document for Ararat-2 substation is expected to be finalized by the end of April 2020.
- Project closing date will be extended to allow for rehabilitation of Ararat-2 substation.

Key partners: The World Bank team works closely with the (i) High Voltage Electric Networks of Armenia, (ii) Yerevan Thermal Power Plant, and (iii) Ministry of Territorial Administration and Infrastructures, which is responsible for the overall policy setting.

ARMENIA: POWER SECTOR FINANCIAL RECOVERY PROGRAM (PROGRAM-FOR-RESULTS)



| Financier | Financing | Disbursed* | Undisbursed |
|----------------|-------------|------------|-------------|
| IBRD Loan | 30.00 | 27.74 | 2.26 |
| OLBC- Local | 10.00 | | |
| Sources | | | |
| Government | 0.5 | | |
| Total | 40.5 | | |

Financing in million US Dollars

* World Bank disbursements as of April 1, 2020.

Key Dates:

Approved: April 27, 2016

Effectiveness: July 19, 2016

Closing: July 31, 2021

Challenge: The financial viability of the state-owned power generation companies (ANPP and YTPC) and the private power distribution company (ENA) have been deteriorating since 2011 due to several factors. Specifically, the financial standing of ANPP and YTPC deteriorated due to non-core business-related borrowing, lending, and expenses by those companies; and ENA became financially distressed due to the lack of an adequate mechanism to compensate for its losses resulting from the mismatch between actual and forecast costs of purchasing electricity, which is the main determinant of its margin. ANPP and YTPC have accumulated large cash deficits amounting to US\$104 million, which were closed by (a) building up payables by delaying payments to their suppliers; (b) taking expensive commercial loans to finance the required expenditures related to the generation and supply of electricity; and (c) deferring the expenditures required for main operational needs. A part of the Government's program to restore the financial viability of the sector is supported under the Program for Results.

The Project Development Objective is to support the Borrower's efforts to ensure an adequate and reliable electricity supply by improving the financial standing of the state-owned power generation companies and the private power distribution company.

Results achieved to date:

- The targets for disbursement-linked indicators (DLI) #1, 5, 6, and 7 that were fully met by the end of the first semester of 2016 were confirmed to have been maintained by the end of 2019.
- Targets for DLIs #8, 9 and 10 for 2019 were achieved.
- Verification of achievement of the targets for DLIs # 3 and 4 for 2019 is due by June 30, 2020.
- The cash deficit of ANPP and YTPC was reduced to US\$29.8 million as of December 31, 2019.
- The Ministry of Territorial Administration and Infrastructures (MoTAI), acting as the sole shareholder of YTPC and ANPP, adopted decisions prohibiting non-core business-related expenditures, lending, and borrowing by those companies.
- The commercial loans of ANPP and YTPC were fully repaid.
- The Public Sector Regulatory Commission (PSRC) amended the methodology of tariff margin calculation for ENA to allow its margin for each new tariff period to fully reflect the loss (revenue) accrued due to differences between the forecast and actual cost of electricity purchased during the preceding tariff period.
- PSRC amended the methodology of tariff calculation for nuclear and thermal power generating plants to allow tariffs for each new tariff period to fully reflect the loss (profit) resulting from differences between forecast and actual cost of purchased fuel due to fluctuations in the foreign exchange rate during the preceding period.

Key partners: The World Bank team works closely with the (i) Yerevan Thermal Power Plant, (ii) Armenian Nuclear Power Plant, (iii) MoTAI, and (iv) Public Services Regulatory Commission.

ARMENIA: TRADE PROMOTION AND QUALITY INFRASTRUCTURE PROJECT



| Financier | Financing | Disbursed* | Undisbursed |
|-----------------------|-----------|------------|-------------|
| IBRD | 50.00 | 12.04 | 37.96 |
| Government of Armenia | 9.50 | | |
| Total | 59.50 | | |

Financing in million US Dollars

* World Bank disbursements as of April 1, 2020.

Key Dates:

Approved: July 2, 2014

Effective: January 14, 2015

Closing: May 31, 2022

Challenge: Armenia has had a relatively low export base, with a declining sophistication in export products over the years, while its export basket is primarily concentrated in commodities that have low value added and are vulnerable to volatility in global markets. Another challenge is the need to attract efficiency-seeking foreign direct investment (FDI), maximizing benefits to the local economy. Furthermore, though it is crucial that Armenia meet the requirements of global quality standards to be able to promote its products and services, its national quality infrastructure suffers from weaknesses that hinder technology upgrading and undermine the competitiveness of its exports.

The Project Development Objective is to strengthen the Government's capacity to provide export promotion, investment attraction, and quality management services to firms.

Key expected results:

- At least 50 exporters accessing new markets and/or introducing new products.
- Six facilities in the form of public-private partnerships (PPPs) will be created to strengthen industry clusters (cluster development PPPs) and to facilitate efficiency-seeking FDI to strengthen their level of engagement in Armenia and promote skills development by funding joint projects between multinationals and academia (research and skills development PPPs).
- 10 new investments by new or existing FDI in Armenia initiated and supported through investment promotion services.
- Two Industrial Laboratories of the National Institute of Metrology will be internationally recognized.
- A National Accreditation Body will obtain international recognition.
- Training of the technical staff of the national quality infrastructure will be provided.

Key partners: The World Bank works closely with the intergovernmental Board, which is chaired by the Deputy Prime Minister and responsible for the overall implementation of the Project. The daily project implementation and coordination with various stakeholders is carried out by the Project Management Unit under Deputy Prime Minister's Office. Based on the Borrower's request, the project has been restructured on January 1, 2020. The restructuring envisaged extension of the Project Closing Date from June 2020 to May 2022 to allow additional time to implement the envisaged activities. The restructuring also entailed reduction of certain sub-components and adding of a new activity (launch of high-tech venture fund). The overall amount of the project remained unchanged.