THE WORLD BANK PROGRAM

The World Bank launched the Armenia Country Partnership Strategy (CPS) for 2009-2012 in June 2009. The CPS was developed in close partnership with the Government of Armenia and is firmly grounded in Armenia's Sustainable Development Program (SDP). The Strategy was prepared in the context of the global economic crisis and its impact on the country. It focuses on the near-term needs of addressing vulnerability and mitigating the adverse poverty effects of the crisis as well as laying the foundation for promoting medium term competitiveness and growth. The CPS provided for new IDA/IBRD lending of $545 million over 2009-12.

The Government requested a large level of IBRD support to finance anti-crisis measures, and the Bank has been responsive ($395mn of the CPS envelope is IBRD), up to the maximum possible level of IBRD exposure. The CPS was frontloaded both for its IDA and IBRD with the aim of mitigating the impact of the financial and economic crisis.

The current portfolio of active projects in Armenia consists of sixteen projects (thirteen IDA credits, three IBRD loans, and a Geofund project) with a total commitment of $429.9million, of which $172.3million is undisbursed. Disbursement performance continues to be highly satisfactory. In FY10 the disbursement ratio of Armenia portfolio was around 70 percent, well above the ECA average.

The WB Armenia Program Snapshot is a brief on the projects that are developing in many sectors and in all the regions of the country. It captures both the challenges and the results, as well as all the partners with whom the numbers translate into very tangible results on the ground.

Since the inception of the World Bank’s program in Armenia the Bank’s lending has totaled to US$ 1.373bln for 54 projects.
Key Dates:
Approved: July 28, 2009
Effective: October 6, 2009
Closing: June 30, 2011

Financing from all co-financiers, million US Dollars:

<table>
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<tr>
<th>Financier</th>
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<tbody>
<tr>
<td>IBRD Loan</td>
<td>30.00</td>
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<td>Government of Armenia</td>
<td>6.33</td>
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<tr>
<td><strong>Total Project Cost</strong></td>
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</tr>
</tbody>
</table>

World Bank Disbursements, million US Dollars*:

<table>
<thead>
<tr>
<th>Total</th>
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<tbody>
<tr>
<td>IBRD Loan</td>
<td>30.00</td>
<td>24.16</td>
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</table>

* as of September 14, 2010
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge
While much has been achieved, the needs for irrigation rehabilitation investments in Armenia remain important. The recent economic and financial crises and the need for short-term employment stimulation have contributed to the emphasized attention to the irrigation and drainage sector again.

Project Objective
The project is aimed at improving water use efficiency in two selected irrigation schemes while fostering immediate rural employment. These objectives can be achieved by rehabilitating 83.81 km of irrigation canals to reduce water losses in Armavir (24.80 km) and Talin (59.01) main canals, and at the same time, by providing limited assistance to strengthen the institutions managing the irrigation infrastructure.

Key Achieved and Expected Results:
✓ All sections of the Armavir main canal (in total 24.8 km) have been rehabilitated. About 25 km out of the planned 59.01 km of the sections of the Talin main canal have also been rehabilitated. As a result, water losses between primary intake and secondary structure interface are reduced by almost 12% compared with the 20% expected by the end of the project.
✓ By now, 7,011 temporary person-month jobs have been created. This is compared to 9,000 temporary person-month jobs expected by the end of the project. The value of wages generated by this temporary employment is estimated to be in a range of US$2.8 million against expected US$4.5 million by the end of the project.
✓ About 2,400 permanent agricultural jobs are estimated to be created by the completion of project, and about 600 of them are expected during 2010 agricultural season.
✓ Irrigated area increase is estimated to comprise about 4,000 ha in this agricultural season, and by the end of the project it will be about 7,000 ha.

Key Achieved and Expected Result in Graph

Key partners
The World Bank team works closely with (i) the Ministry of Territorial Administration and (ii) the State Committee of Water Management are in charge of policy issues, and (iii) Water Sector Development and Institutional Improvements PIU, which is responsible for implementation of the project.

Key development partners
The World Bank team has developed a long-standing partnership with the Millennium Challenge Corporation (MCC), since the Bank assisted MCC’s efforts to enter the Irrigation and Drainage (I&D) sector by providing plans, analyses and other documents that had been developed under an earlier irrigation project. But due to increase of costs of construction materials and labor, MCC could not finance the rehabilitation of all systems for which it had prepared the technical designs, and re-scoped its program in November 2008. In close discussion among MCC, the Government and the Bank, two schemes - Talin and Armavir primary canals - were identified, and MCC shared the technical designs with the Bank, which formed the basis for the project.
LIFELINE ROADS IMPROVEMENT PROJECT

Key Dates:
- **LRIP Approval**: February 24, 2009
- **LRIP Closing**: December 31, 2010
- **LRIP Additional Financing I Closing**: December 31, 2011
- **LRIP Additional Financing II Closing**: December 31, 2013

**Financing from all co-financiers, million US Dollars:**

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<tbody>
<tr>
<td>LRIP - IDA Credit</td>
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<td>Government of Armenia</td>
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<td>LRIP AF2 - IBRD Loan</td>
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**World Bank Disbursements, million US Dollars**:  

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<td>IBRD Loans</td>
<td>76.60</td>
<td>20.64</td>
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</table>

* as of September 14, 2010

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

**Challenge**

The accessibility of roads connecting the rural settlements to the major road networks is limited, reducing the economic and social development opportunities of rural communities. Thus, the Government of Armenia decided that each community should have at least one “lifeline road” connecting to an interstate highway. The total length of the lifeline road network is 3,014 km, and over 60% of those roads are in poor condition. Moreover, the recent global financial crisis resulted in significant increase of unemployment in rural areas, where a handful of large industrial companies scaled back their operations, thus necessitating the Government’s intervention to create rural jobs.

**Project Objective**

The Lifeline Roads Improvement Project aimed at rehabilitating a total of 430 km of lifeline roads in twelve regions of Armenia in order to reduce the time required for travelling on those roads and generate local employment through use of labor-intensive construction technologies. The project used cost-effective designs in accordance with actual traffic needs to ensure that longer lengths of roads can be rehabilitated without compromising technical integrities.

**Key Results**

- A total of 160 km of lifeline roads with lengths of 1 to 14 km. rehabilitated.
- Over 12,000 person-month of employment created.
- Transfer of knowledge and technologies. The local contractors gained experience in designing and rehabilitating low-volume rural roads in accordance with international standards for such roads.
- Improved road safety. All roads passing through residential areas were provided with sidewalks, and designs sought to allow the use of facilities by disabled people where possible.

**Key Partners**

The Bank team works closely with (i) the Ministry of Transport and Communication (MoTC), which is responsible for overall policy setting and for the overall implementation of the Project; (ii) Transport Project Implementation Unit State Institution (Transport PIU), charged with coordination and management of implementation activities on a day-to-day basis; and (iii) Armenian Roads Directorate State Non-Commercial Organization (ARD) which is responsible for the technical aspects of the project implementation.

**Key Development Partners** included ADB and MCC, which were implementing similar projects and with whom the Bank Team coordinated closely on policy issues.
Key Dates:
Approved: October 30, 2008
Effective: April 20, 2009
Closing: December 31, 2011

Financing from all co-financiers, million US Dollars:

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World Bank Disbursements, million US Dollars*:

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<tbody>
<tr>
<td>IDA Credit</td>
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<td>8.21</td>
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* as of September 14, 2010
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge
The water supply system in Armenia suffered from systemic problems, associated with the poor condition of its water and wastewater networks, limited institutional capacity, and weak financial performance of its water supply and sanitation utilities. Over the past decade, the Government of Armenia has strived to improve access, reliability and quality of the drinking water and its infrastructure. Considerable progress has been made in reforming the sector. Nevertheless, most of the water supply and sanitation systems in Armenia are still in state of disrepair. Although the water resource balance in many parts of the country has improved since the 1980s, and despite the progress in improving water supply in the areas supported by private sector participation, the institutional framework for sustainable water supply delivery in most parts of Armenia remains poor.

Project Objective
The project objective is to improve the quality of water and wastewater services in Armenia Water and Wastewater Company (AWSC) Service Area by providing efficient and sustainable water and wastewater services and strengthening the capacity and sustainability of AWSC.

Key Results:
- The average number of daily hours of drinking water service has increased significantly, from the average 6 hours/day in 2004 to 13.2 hours/day in the 1st quarter of 2010 (end of project target: 16 hours/day).
- Percentage of cities with minimal daily hours of water supply service increased from 68% at baseline to 87% now (end of project target: 90%).
- AWSC and its branches have improved financial sustainability; revenue collection increased significantly (from 47.9% in 2004 to about 90% in 2010).
- Percentage of individual subscribers billed on the basis of metered consumption increased from 40% at baseline to 75% now (end of project target: 77%).
- The bacteriological safety compliance increased from 93% at baseline to 98% now (which has already met the end of project target).

Key Partners
The Bank team works closely with (i) the State Committee on Water Economy and the Ministry of Territorial Administration that it reports to, which is responsible for overall policy setting in water and irrigation sectors; (ii) Armenia Water and Sewerage Company, a water utility outside Yerevan the service area of which covers around 33% of the country's population, and implementer of the MWW Project; (iii) Water Sector Development and Institutional Improvements Project Management Unit, charged with monitoring of the Management Contract and coordination of implementation activities and procurement and financial management of the MWW Project.

Key Development Partners included Asian Development Bank, KfW, EBRD and USAID. The Bank coordinates with ADB on the water sector reforms, particularly on exchange of information on mutual efforts in AWSC service area. EBRD invests in five treatment plants in Sevan region. KfW is financing water supply investments in cities of Armavir, Vanadzor and Gyumri.
ARMENIA GEOTHERMAL ENERGY PROJECT
Updated on 09/14/2010

Key Dates:
Approved: February 26, 2009
Effective: April 28, 2009
Closing: April 30, 2011

Financing from all co-financiers, million US Dollars:

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World Bank Disbursements, million US Dollars*:

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<tr>
<td>GEF Grant</td>
<td>1.5</td>
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<td>0.89</td>
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* as of September 14, 2010
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge
The Republic of Armenia has limited energy resources to satisfy its needs. Armenia does not have fossil fuel reserves. Thermal and nuclear power generation account for about 70% of the total electricity generation in Armenia and the country imports all of the fuel required for the operation of thermal and nuclear plants. Thus, the government prioritizes development of indigenous renewable energy resources as a means to increase energy diversification and achieve a higher degree of energy security. Armenia has an estimated 740 megawatt (MW) of small hydropower, wind and geothermal resources. The results of studies to estimate geothermal potential of the country suggest a high likelihood of the existence of geothermal resources, which could be used for electricity generation purposes. The optimism is justified by the broad presence of young volcanic areas, numerous outcrops of mineral waters and the activity of tectonic-magmatic processes with relatively small geological age. While the above-mentioned preliminary studies are encouraging regarding the overall potential of the country for development of geothermal resources, actual field investigations of specific sites either have not been undertaken or have been very limited in scope. Therefore, because of the lack of thorough site investigation works and no confirmed deposits, the private sector's interest in the development of geothermal energy resources in Armenia has been very limited to date. The following prospective sites for further comprehensive field investigation works were proposed: (1) Karkar site, located on the Syunik plateau in the South Eastern part of Armenia, and (2) Gridzor site, located on the Gegham mountain plateau along the Western shore of Lake Sevan.

Project Objective
The project development objective is to assess the feasibility of exploratory drilling of one geothermal site with the estimated highest geothermal potential through comprehensive field investigation works.

Key Result
✔ Karkar was identified as the prospective geothermal site based on the results of the geological field investigation works and the magneto-telluric sounding works for Gridzor and Karkar sites.

Key Partners
The Bank team works closely with (i) the Ministry of Energy and Natural Resources, which is responsible for overall policy setting; and (ii) the Renewable Resources and Energy Efficiency Fund, which is in charge of the implementation of the project.
RURAL ENTERPRISE AND SMALL-SCALE COMMERCIAL AGRICULTURE DEVELOPMENT PROJECT

Key Dates:
Approved: July 07, 2005
Additional financing Approved: February 24, 2009
Closing: December 31, 2010

Financing from all co-financiers, million US Dollars:

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World Bank Disbursements, million US Dollars*:

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<td>PHRD grant</td>
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<td>IDA fast-track</td>
<td>2.00</td>
<td>2.03</td>
<td>0.008</td>
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</tbody>
</table>

* as of September 14, 2010

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

Challenge
The key concerns in rural Armenia at the time of project conception were how to utilize most effectively the available means for rural production, and how to provide the rural population with employment and income opportunities for a sustainable rural economy. The agriculture sector would remain central to the development of viable farm and non-farm rural employment opportunities and an increased development of agro-processing, distribution and marketing enterprises will be required for the sector to develop further. Both upstream and downstream direct investments in the sector were necessary to achieve broader multiplier effects.

Project Objective
The objective of the project is to support the development of Armenia’s small and medium-scale rural businesses by improving the ability of farmers and rural entrepreneurs to access markets and by stimulating market-oriented (private and public investments in rural areas. The main target groups of the project are small and medium-scale farmers and rural entrepreneurs who would benefit from improved information services, access to finance, improved inputs and technologies, and support for marketing activities.

Key Results
✓ Improved availability of long-term rural lending by providing US$5 mln for 130 sub-loans and leveraging over US$10 mln investments in rural areas.
✓ Introduction of 53 technical and marketing innovations, focusing on improved marketing and income generation for small and medium enterprise (SME) agribusinesses. Improved access to farmer advisory services with at least 23,000 farmers served on a regular basis. Now more farmers are able to access advisory services through a network of 145 rural advisors and at least 100 community advisors.
✓ Improved seed market and access to quality seed and planting material, with 10% of the country’s seed being tested and certified to date.
✓ Support to community-based economic development with around 165 sub-projects supporting priority development and investment plans in 141 village communities. Investments include infrastructure (drinking water, gasification, anti-hail stations, irrigation and sewerage) and income generation (agricultural machinery, rural bus service, milk collection coolers, flour mills).

Key Partners
The Bank works closely with (i) Ministries of Agriculture and (ii) Territorial Administration, (iii) Regional Governors, as well as Village Mayors and farmer groups.

Key Development Partners
The project is coordinated and implemented in close collaboration with a similar project Rural Areas Development (RAEDP) financed by IFAD. The Bank team closely coordinated with IFAD’s supervision teams, including at times joint missions. The analytical work for the preparation of the project served as the main basis for developing MCC’s Water-to-Market support program.
AVIAN INFLUENZA PREPAREDNESS PROJECT
Updated 09/14/2010

Key Dates:
Approved: June 2, 2006
Additional financing approved: February 24, 2009
Closed: July 31, 2010

Financing from all co-financiers, million US Dollars:

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World Bank Disbursements, million US Dollars*:

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<tr>
<td>PHRD grant</td>
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<tr>
<td>AHI Facility Grant</td>
<td>2.0</td>
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</tr>
</tbody>
</table>

* as of September 14, 2010
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge
Animal diseases are a significant factor limiting livestock sector competitiveness, while also having adverse effects on human health. Infectious diseases of national concern and production diseases or conditions are common, and some of these pose severe food safety and human health threats to both producers and consumers. This is of particular concern for diseases such as Avian Influenza and other zoonotic diseases which are a public health concern.

Project Objective
The objective of the project was to minimize the threat in Armenia posed by the Highly Pathogenic Avian Influenza (HPAI) infection and other livestock diseases, and to prepare for the control and response to an influenza pandemic and other zoonoses or infectious disease emergencies in humans.

The Armenia Avian Influenza Preparedness Project (AIP) was originally designed to support emergency response for the possible outbreak of avian influenza amid the global concerns of the rapid spread of AI. The three areas of support were: (i) prevention, (ii) preparedness and planning, and (iii) response and containment.

Key Results
- The project met and surpassed the expected results in preparing the animal and human health services for disease emergencies such as avian influenza and, as a result, the risk assessment associated with potential outbreaks has been significantly reduced. Armenia continues to be free of avian influenza.
- In the response to the 2007 outbreak of the African swine fever the Armenian authorities were able to implement measures that limited the spread of the disease to a few regions.
- Human health preparedness plans, hospital upgrading and improved capacity for clinical diagnosis, treatment and control of outbreaks tested and evaluated in simulation exercises and public awareness campaigns done jointly with veterinarians.
- Comprehensive assessment of animal health services based on recognized WTO/OIE methodology, identification of gaps and development of a strategic plan.
- Improvement of the veterinary and animal disease diagnostic facilities and reference laboratories at the central level. The central veterinary laboratory rehabilitated to meet BSL 2+ requirements, and regional veterinary centers are upgraded with basic laboratory diagnostic equipment and improved working conditions.
- Improvement of the National Animal Disease Surveillance System, introduction of improved disease reporting. Information system is operational, and data are being collected on a regular basis. Improved capacity to confront disease emergencies, and control the spread of infectious diseases, as evidenced by addressing the African swine fever emergency in 2007-2008.
- Broad public awareness of animal health issues. Posters, flyers, informational videos produced and disseminated at regional and central levels, and trainings of journalists implemented.
- Exemplary implementation and awareness under AIP as approach to One Health leading to commitment for control of other important zoonoses including national brucellosis control as follow-on project component.
- Achieving Bank-wide recognition and profile at international conferences and meetings.

Key Partners:
The Bank team worked closely with (i) the Ministry of Agriculture and Ministry of Health of Armenia, which were responsible for overall project implementation; (ii) Food Safety and Veterinary State Inspectorate (FSVSI), and the State Sanitary and Anti-epidemic Inspectorate, the ultimate beneficiaries of the project investments and technical assistance.

Key Development Partners included USAID, USDA and FAO who parallel financed activities for the Armenia contingency plan that was not included in the project envelope.
RENEWABLE ENERGY PROJECT
Updated 09/14/2010

Key Dates:
Approved: March 29, 2006
Effective: August 4, 2006
Closing: June 30, 2011

Financing from all co-financiers, million US Dollars:

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<td>Other</td>
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World Bank Disbursements, million US Dollars*

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<tbody>
<tr>
<td>IDA Credit</td>
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<tr>
<td>GEF Grant</td>
<td>3.0</td>
<td>2.15</td>
<td>0.85</td>
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* as of September 14, 2010

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

Challenge

Armenia is highly dependent on the import of energy, particularly gas for heating and use in thermal power plants, and has experienced substantial increases in natural gas and electricity tariffs in the past few years. Most of the gas imports come from Russia at subsidized prices. However, if Armenia starts paying market prices for the imported Russian gas, this will lead to a significant increase in end-user electricity prices, since around 30% of the total electricity generation is thermal. Although Armenia currently has sufficient generation capacity, the country is expected to experience electricity shortage after the expected decommissioning of the existing nuclear power plant in 2016 and retirement of some other old generation assets. Thus, development of indigenous renewable resources, estimated at 740 MW, is essential for increasing the country’s energy security and reducing the expected electricity supply gap.

Project Objective

The project aimed to increase privately owned and operated power generation utilizing renewable energy through financing of renewable energy projects, improvement of legal and regulatory framework for renewable energy, capacity building for state agencies and the private sector, and support in facilitating investments in renewable projects.

Key Results

✓ Concessional and long-term financing for small renewables. A total of 27 small privately-owned hydro power plants were financed, which, upon completion, will add 53 MW of generation capacity and around 90 GWh of electricity to the grid. 20 of the plants are already operational.
✓ Improvement of the legal and regulatory framework for renewable energy through enactment of legislation to remove renewable energy development barriers as well as development and adoption of technical standards for renewable energy.
✓ Facilitation of renewable energy investments through development of small hydro power scheme, renewable energy Geographical Information System (GIS) and the renewable energy database.
✓ Completion and public availability of feasibility studies on bio-ethanol production as well as the solar photovoltaic industry development potential in Armenia, essential for attraction of private investments.

Key Partners

The Bank team works closely with (i) the Ministry of Energy and Natural Resources, which is responsible for overall policy setting; (ii) the Renewable Resources and Energy Efficiency Fund, which is in charge of the implementation of the project; (iii) the Public Services Regulatory Commission, charged with energy tariff setting and development of energy sector regulatory framework, and (iv) the Cascade Credit (later merged with Cascade Bank) - the participating financial institution, which was implementing the on-lending component of the project.

Key Development Partners included the EBRD, which co-financed the on-lending activities under the project.
URBAN HEATING PROJECT
Updated 09/14/2010

Key Dates:
Approved : July 12, 2005
Effective: February 28, 2006
Closing: December 31, 2010

Financing from all co-financiers, million US Dollars:

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<td><strong>Total Project Cost</strong></td>
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World Bank Disbursements, million US Dollars*:

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<td>1.24</td>
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* as of September 14, 2010 Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge
After the devastating earthquake of 1988 and the collapse of the Soviet Union, Armenia abruptly fell into a severe energy crisis in early 1990s. Heating in residential and public buildings was cut. Severe winters followed. Old-style chimney ovens were installed at homes, defying safety rules. The result was massive deforestation, and great health consequences. Since mid 1990s, following energy reforms, households switched to heating on electricity or natural gas, which, however, was affordable neither to the poor, nor to most of the schools.

Project Objective
The project aimed to mobilize communities and the private sector to develop an enabling environment for effective and safe provision of heating services; develop regulations, safety norms, standards, and certification of suppliers and equipment; improve legal and regulatory framework; build capacity for service providers; conduct a broad information campaign to inform the public about the available new heating technology; enable the poorest households to gain access to improved heating; install gas-based local heating systems in urban schools.

Key Results
 ✓ Increase of safe and affordable gas-based heating in multi-apartment buildings from 13.1% in 2003-04 to 72.5% in 2008-09 heating season.
 ✓ 106 urban schools with rehabilitated heating systems had classroom temperature above 15°c and no idle class-days in 2008-09.
 ✓ Adoption and enforcement of gas equipment and in-house gas system safety requirements, which contributed to reduction of gas-related poisonings, fires and explosions from 37 per 10,000 of population in 2003 to 10.5 in 2009.
 ✓ Availability of commercial loans for financing of individual heating solutions in multi-apartment residential buildings. A total of 6,858 loans were provided with the total amount of US$ 8.9 million.
 ✓ Provision of gas-based heating services to 7,581 urban poor through innovative output-based subsidy mechanism, which led to tangible improvements in their heating conditions
 ✓ Significant increase in the number of private entities engaged in the heating business from 20 in 2004 to 76 in 2009

Key Partners
The Bank team works closely with (i) the Ministry of Energy and Natural Resources, which is responsible for overall policy setting; (ii) the Renewable Resources and Energy Efficiency Fund, which is in charge of the implementation of the project; and (iii) the Public Services Regulatory Commission, tasked with energy tariff setting and development of energy sector regulatory framework.

Key Development Partners included the UNDP with whom the Bank Team closely coordinated the design and implementation of the technical assistance component of the project.
YEREVAN WATER AND WASTEWATER PROJECT
Updated 09/14/2010

Key Dates:
Approved: February 24, 2005
Effective: September 15, 2005
Closing: February 28, 2011

Financing from all co-financiers, million US Dollars:

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World Bank Disbursements, million US Dollars*:

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</table>

* as of September 14, 2010

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

Challenge
For many years Yerevan’s water supply system suffered from problems associated with the poor condition of the water and wastewater networks, limited institutional capacity, and weak financial performance of the water utility. Over the past decade, the Government of Armenia has strived to improve access, reliability and quality of the drinking water and its infrastructure. While recognizing that the main problem for poor water services was the management of the available water resources, the World Bank and the government introduced an example of a performance-based management contract for the capital city in 2000. Since then, considerable progress has been made in reforming the sector. However, the water supply system suffers from excessive unaccounted for water. Continuous support and considerable funding are still needed to revive Yerevan’s water and wastewater systems.

Project Objective
The project objective is to provide the city with safe, increased water supply while reducing environmental pollution. Key indicators include: (i) water quality measurements, (ii) constancy of water supply, and (iii) number of wastewater discharge sites upstream the existing treatment works.

Key Results
✓ The duration of water supply with a base value of 19.6 hours, after a significant decline to 17.4 hours in the second contract year, has now increased to 21.5 hours (end of project target: 24 hours/day).
✓ The number of sites for wastewater discharges into water courses has been significantly reduced from 17 to 8 (end of project target: 8).
✓ Water quality remains high, water samples in compliance with bacteriological safety requirements increased from 93% at baseline to 98% now (end of project target: 100%).
✓ Electricity consumption decreased from 119 MwH at baseline to 24 MwH now (exceeding end of project target: 50 MwH).
✓ The ratio pumped to gravity water supply has become more favorable with a change from 45/55 to 37/63.

Key Partners
The Bank team works closely with (i) the State Committee on Water Economy, which is responsible for overall policy setting in water and irrigation sectors; (ii) Yerevan Municipality, which is responsible for the monitoring of operations in Yerevan Djur (water utility in Yerevan); (iii) Yerevan Djur, a water utility in Yerevan, implementer of the YWW Project; Municipal Development Project Management Unit, charged with monitoring of the Lease Contract and coordination of implementation activities and procurement and financial management of the YWW Project.

Key Development Partners
The French Government provided funding for Yerevan’s water and wastewater services, including some investments in Aeratsia wastewater treatment plant. The coordination efforts bode well for significant future improvement of the sector.
Key Dates:
Approved: February 24, 2009
Effective: April 16, 2009
Closing: September 28, 2011

Financing from all co-financiers, million US Dollars:

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World Bank Disbursements, million US Dollars*:

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* as of September 14, 2010
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge
The financial crisis and the resulting global liquidity squeeze have effectively blocked external borrowing for banks in many emerging markets, including Armenia. Foreign banks operating in Armenia did not continue funding their subsidiaries at prior levels. Many internationally active banks were in the process of re-building capital and liquidity in their home markets. The loss of access to funds has reduced the ability of Armenia to sustain growth. As a result, domestic banks have become more reluctant to lend to Small and Medium Enterprises (SMEs). The rationale for advancing this wholesale credit line operation to SMEs is centered on strengthening their access to finance and improving the resilience of Armenia’s both private and financial sectors in the face of the impacts of the global financial crisis, declining economic growth and a sharp decline in remittances.

Project Objective
The project’s development objective is to maintain or increase the Armenian small and medium enterprises’ access to medium-term finance. The project will positively impact SMEs and participating banks both during and beyond the implementation period (2009-2011). As a revolving facility with an initial five year maturity, Participating Financial Institutions (PFIs) may recycle loans to additional SMEs before repayment to the Central Bank of Armenia (CBA). This will enable PFIs to finance a large number of sub-loans through the life of the AFSME facility.

Key Results
✓ The project implementation to date suggests that the objective to maintain SME access to medium-term finance through providing local currency denominated lending is being met. During the 2009 crisis this credit line facility helped local banks maintain comfortable liquidity cushions with the share of liquid assets to total assets at 34 percent at end-2009 (30% as of end-July 2010). The AFSME project provided medium-term financial resources in Armenian Drams that allowed keeping dram-denominated lending at the same level during 2010 and was made available lending with more acceptable terms for SMEs.
✓ As of July 2010 loans have been provided to about 860 SMEs across all regions and operating in trade, services, production and agricultural sectors for both investment and working capital needs.
✓ From the beginning of the Project SMEs have received more than USD 12 million equivalent in local currency loans.
✓ More than 38% of SMEs’ financed are from regions, or outside the capital city, with about 98% of total amount lent to small and micro borrowers (less than AMD 33 mln).
✓ The SME share in GDP has increased by 0.8% during crisis 2009 to 42.5%.

Key Partners
The Bank team works closely with (i) Central Bank of Armenia which is responsible for overall policy setting in financial sector, (ii) German-Armenian Fund (GAF), the project implementation unit, and (iii) ten participating financial institutions.

Key Development Partners included USAID Financial Sector Deepening Project (FSDP) that supported the Project at the early stages during due diligence of banks and providing series of trainings on SME lending to the participant banks.
Key Dates:
Approved: March 8, 2007
Effective: July 5, 2007
Closing: December 31, 2012

Financing from all co-financiers, million US Dollars:

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* as of September 14, 2010
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge
While much has been achieved in the area of court administration, sustaining the introduced innovations is critical. To do so, the Republic of Armenia needs to invest necessary resources for the maintenance and service of the introduced systems and infrastructure. Nevertheless, the biggest challenge is still the change of mentality and improved capacity of judges, to make the courts more efficient and transparent.

Project Objective
The project objectives are to improve the efficiency, reliability and transparency of judicial operations and services, and to further improve awareness of judicial services and access to legal and judicial information.

Key Results
- About 7 times more people have on-line access to the Armenian legislation through ARLIS legal database.
- 7 courthouses with total 8,750 sq/m area have been rehabilitated under JRP-2.
- According to the findings of joint EBRD-Bank Business Environment and Enterprise Performance survey (BEEPS), 68.9% of businesses believe courts are able to enforce judicial decisions compared to the 42% baseline.
- 30 public information kiosks providing access to judicial services and information were installed in Yerevan courts and selected administrative buildings, with 60 more to be installed in the regions.

Key Results in Graph

Key Partners
The Bank team works closely with (i) the Ministry of Justice of the Republic of Armenia, which is responsible for overall policy setting, and its subordinate Enforcement Service Department (ESD) benefiting from the capacity building for enforcing judicial decisions; (ii) Council of Justice (CoJ) and Judicial Department (JD), main recipients of credit resources respectively in charge of judicial career and resource administration; and (iii) Judicial School (JS to be reorganized to Academy of Justice), charged with training of judges and judicial servants, etc.

Key Development Partners included Governments of Japan and Netherlands who co-financed the project, and EU, EC and USAID with whom the Bank Team coordinated closely on activities supported under separate project components.
**Key Dates:**
Approved: May 4, 2004
Effective: December 13, 2004
Closing: October 31, 2010

**Financing from all co-financiers, million US Dollars:**

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* as of September 14, 2010

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

**Challenge**
The basic challenge has been the change management. Only due to strong government ownership, progress towards introduction of performance appraisal system, information management systems in central and local government, and civil service management became possible. The major challenge is still the low level of public salaries that will hinder the efficiency gains from introducing performance appraisal and pay system.

**Project Objective**
The objective of the project is to enhance the efficiency in public sector management through:
(a) piloting innovations in selected institutions; and
(b) improving transparency in government decision-making and policy implementation.

**Key Results**
- Performance appraisal system has been piloted in selected ministries, and is ready for further roll-out.
- Electronic document management system (Mulberry) has been rolled-out in 16 ministries, in all 10 Governors offices, and in 3 other public administration bodies (total 29 entities).
- Municipal government information system has been introduced in over 200 local government bodies.
- Civil Service Council applies Human resource management system in merit-based recruitment and management of human resources in civil service.

**Key Partners**
The Bank team works closely with (i) the **Office of the Government of the Republic of Armenia** which is the main project counterpart and has been leading the policy on public administration reforms; (ii) the **Civil Service Council of the Republic of Armenia (CSC)**, in charge of civil service reform and administration; (iii) **Chamber of Control (CoC)** the supreme external audit institution, and (iv) **Ministry of Territorial Administration (MoTA), Ministry of Finance (MoF) and Ministry of Economy (MoE)** respectively in charge of sector specific capacity building components/sub-components of the project. Together with the Office of the Government, MoF and MoE served as pilots for the introduced e-government solutions before the roll-out of the systems across the Government.

**Key Development Partners** included DFID, GTZ and USAID, which supported related activities respectively in the areas of civil service reform, external audit and decentralization.
HEALTH SYSTEM MODERNIZATION PROJECT APL2  
Updated 09/14/2010

Key Dates:
Approved: March 08, 2007
Effective: June 06, 2007
Closing: December 31, 2012

Financing from all co-financiers, million US Dollars:

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* as of September 14, 2010

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

Challenges
There is a concern that the sick may postpone seeking care and use of services because of lack of resources, high out-of-pocket payments and perceived low quality of care, especially in rural areas. The main challenge in the health system is to ensure better access to health services, particularly for poor groups and regions, reallocation of the health budget towards Primary Health Care (PHC) and health service rationalization, including optimizing excess capacity in the hospital sector.

Project Objective
The APL2 of HSMP is focused on completing the family medicine-based PHC reform (launched in 1996) to ensure that every Armenian citizen will have access to a qualified and well-motivated family doctor and nurse of his/her choice, consolidating the hospital sector to minimize waste of scarce resources and improve quality of care, strengthening the government’s competencies for effective stewardship in policy making, regulation, oversight and public accountability.

Key Results
✓ 1,182 physicians were re-trained as family physicians and 1,306 nurses were re-trained as family nurses. About 80% of the population covered with retrained family medicine providers.
✓ Infrastructure of 70 PHC facilities was improved (26 new constructions and 44 renovations) in rural areas.
✓ 200 PHC facilities were provided with standard set of medical equipment, supplies, furniture and IT equipment.
✓ Space vacated as a result of modernization in Yerevan hospitals is 15,577 sq/m, in region hospitals – 13,303 sq/m.
✓ 726 managers of hospital facilities were trained in management training courses. As a result, 48 region hospitals have trained key management staff.
✓ 3 region Medical Centers (MCs)-Kotayk region Hrazdan MC (105,300 population), Tavush region Ijevan MC (49,200 pop.) and Armavir region Armavir MC (121,500 pop.) were renovated and provided with modern medical equipment and furniture.
✓ Ararat region Ararat MC (95,300 pop.) was renovated.
✓ 3 region MCs - Aragatsotn region Aparan MC (22,400 pop.), Syunik region Goris MC (44,700 pop.) and Gegharkunik region Gavar MC (57,800 pop.) are currently under renovation.

Key Partners
The Bank team works closely with (i) Ministry of Health, which is responsible for overall policy setting as well as for the implementation of the Bank financed projects; (ii) Ministry of Territorial Administration, which is responsible for the programs on regional developments; local authorities and (iii) Ministry of Finance, responsible for the Poverty Reduction Strategy/Sustainable Development Program as well as for mid-term expenditures projections and programmatic budgeting.

Key Development Partners: The HSM APL project team successfully collaborates with the USAID funded project in the area of performance based contracting for the Primary Health Care providers, improvement of Health Financing Management Information System (HFMIS) and quality assurance mechanisms. With the WHO, the project team collaborates in the development of Health Care Performance Assessment reports and co-payment strategy. UNICEF is a traditional partner in supporting the Mother and Child Health (MCH) programs.
Key Dates:
Approved: October 26, 2006
Closing: June 30, 2011
First Additional Financing Closing: June 30, 2011
Second Additional Financing Closing: March 31, 2012

Financier | Financing
---|---
IDA Credit | 25.00
First AF IDA Credit | 8.00
Second AF IBRD Loan | 7.00
Government of Armenia | 6.67
Communities | 1.50
Sponsors | 0.13
**Total Project Cost** | **48.3**

World Bank Disbursements, million US Dollars*:

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* as of September 14, 2010

**Challenge**

Armenia Social Investment Fund (ASIF) III project was designed to support the Government in its continuing commitment to raise the living standards of the poor and vulnerable groups and fill up the major infrastructure gaps in order to have the poor receive the benefits from the economic growth. In spite of strong economic growth before the crisis, Armenia was facing several critical vulnerabilities stemming from the global economic and financial crisis. To help respond to it, the authorities requested urgent support for small-scale infrastructure that would help generate increased employment. The Bank proposed to address the Government's request to help mitigate the impact of the crisis by supporting activities that can be quickly and effectively scaled-up and implemented under the existing ASIF III Project.

**Project Objective**

The aim of the Project is to support the Government’s policy to raise the living standards of the poor and vulnerable groups through: i) Improving the quality and access, and increasing the coverage of community infrastructure and services in poor communities, and for the most vulnerable groups in response to emerging critical needs; ii) Promoting complementary institutional capacity building at the community and municipal level so as to improve the quality and sustainability of community investments and service delivery, increase accountability, and enhance greater stakeholder empowerment at the local level; and (iii) Creating employment associated with the provision of community infrastructure and services.

**Key Results**

- 156 community infrastructure micro-projects (MPs) completed, and another 44 currently on-going; the completed MPs created 406,150 job days of employment and US$ 6.59 million wage income so far. Total no. of beneficiaries of completed MPs estimated at about 1,596,000;
- 3,977 local community members (292 communities) received training on investment planning, management., 512 municipal officials received training in financial management;
- Poverty mapping and ranking completed for 918 communities (871 rural and 47 urban).

**Key Partners**

The Bank team works closely with (i) **Ministry of Territorial Administration** who is responsible for overall policy setting as well as providing implementation support; (ii) **Ministry of Finance** contributed in policy dialogue and is ensuring the proper flow of funds and carries out financial monitoring of project activities; (iii) **Ministry of Labor and Social Issues** is involved in policy dialogue and provides implementation support.

**Key Development Partners** included UNHCR, All Armenian Fund, Armenian General Benevolent Union (AGBU), Aznavour pour l’Armenie (APA), IFAD, Knits of Vardan (KoF), which have been involved under both matching fund arrangements and partial or full financing of community contributions.
Key Dates:
Approved: May 12, 2009
Effective: October 2, 2009
Closing: November 30, 2014

Financing from all co-financiers, million US Dollars:

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World Bank Disbursements, million US Dollars*:

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* as of September 14, 2010

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

Challenge
Education has been a priority sector for public investment in Armenia since the late 1990s. The government has aimed to reduce poverty by increasing access to and improving quality of general secondary education, and boosted public spending on that sub-sector. The focused investment has contributed considerably to the development of general secondary education, but has also resulted in the relative neglect of other sub-sectors, i.e., preschool and tertiary education. The challenge that the proposed project would address is to sustain and extend the accomplishments in general secondary education, which had been achieved under the first APL phase, through second-generation quality-oriented reforms, at the same time addressing equity and quality concerns in both preschool and tertiary education.

Project Objective
The second phase of the EORP continues to focus on the reforms of general secondary education system, also addressing key policy issues in both higher education and preschool education through: (i) enhancing school learning in general education and improving the school readiness of children entering primary education; and (ii) supporting the integration of the Armenian tertiary education system into the European Higher Education Area. More specifically, the project will support to: increase preschool enrollment for equal primary education start; improve quality of education through improved teacher education and professional development and continued integration of ICT in education; complete transfer to 12-year general education; establish and strengthen national quality assurance system for tertiary education; develop tertiary education management information system and strengthen the capacity to implement a sustainable higher education financing system.

Key Results
✓ Good progress on training for teachers, trainers, high school librarians and principals.
✓ Training of about 550 teachers out of 880 from newly selected 40 high schools is already completed.
✓ The Operational Manual for Grants to Higher Education Institutions and selection of the international consultant for the baseline study of local information needs for tertiary education are underway.
✓ Works ongoing for hiring a consultant to support the student loan system.
✓ Good progress on finalizing the TORs for designing a competitive innovation fund are being revised for final submission.
✓ Partnership arrangements are being made between European and Armenian universities.

Key Partners
The Bank team works closely with (i) the Ministry of Education and Science, which is responsible for overall policy setting as well as for the implementation of the Bank financed Projects (ii) Ministry of Finance, which was responsible for deepening policy dialogue on financial implications of the proposed project as well as for ensuring the proper flow of funds and financial monitoring of project activities.

Key Development Partners included UNICEF, which financially contributed in project through preschool teachers' training; Step by Step, which contributed through developed training modules and training methodology, OSIAF, which supported in project's focusing on integration of ICT in teaching and learning.
Key Dates:
Approved: June 10, 2004
Closing: May 31, 2013
Additional Financing: Approved February 25, 2010
Closing: May 31, 2013

Financing from all co-financiers, million US Dollars:

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* as of September 14, 2010

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

Challenge
Creation of a modern social protection administration which will not only provide effective administration and management of public social programs, but also become a basis for improved social services delivery to poor families and population groups.

Project Objective
The development objective is to improve the effectiveness (including quality, efficiency, user satisfaction, and financial viability) of the public employment, pension and social assistance systems through the introduction of improved business processes, administrative procedures and techniques designed to enhance social protection to poor and vulnerable population groups.

Key Results:
✓ The improved capacity in all major social protection agencies-State Employment Service (SES), State Social Security Services (SSSS), Ministry of Labor and Social Issues (MOLSI); and Revenue Collection (SRC)
✓ Social assistance benefits and pensions are paid more timely
✓ The targeting of social assistance benefits and services are improved
✓ Overall satisfaction of beneficiaries with the social service and benefit improved
✓ Better performance by the public employment, pension and social assistance agencies in providing services to population.

Key Partners
The World Bank team closely collaborates with (i) Ministry of Labor and Social Issues (MOLSI), (ii) State Employment Service (SES); and (iii) State Social Security Services (SSSS) (SSSS); State Revenue Collection (SRC); and (iv) Foreign Financing Project Management Center (FFPMC), which is responsible for the implementation of the project.

Key Development Partners
The project collaborates with the USAID funded project in the area of pension reforms and employment generation, and UNICEF in the development of integrated social services.
Key Dates:
- DPO-I Approved: July 2, 2009
- DPO-II Expected Board Date: November 11, 2010
- DPO-III Planned Board Date: November, 2011

Financing, million US Dollars*:

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*As of August 2010, without taking into account any additional allocation from the IDA replenishment.

Challenges
The global economic crisis revealed vulnerabilities of the Armenian economy and posed several challenges for an immediate response and that of more structure nature to be addressed throughout the medium to long term period.

Project Objective
The budget support operation – the DPO supports the Government’s three strategic objectives of
(i) mitigating the social impact and Armenia’s vulnerability to external shocks (ii) strengthening competitiveness for post-crisis recovery and growth over the medium term and (iii) furthering institutional reforms to improve the quality of public decision making and governance.

Key Results
To mitigate the social impact the operation supports:
- maintaining a sound macro-fiscal framework while protecting the poor by securing funding for safety net;
- improving the management of education, health, and social protection programs

To strengthen competitiveness for recovery and growth, the operation supports:
- strengthening the State Competition Committee to enhance economic competition;
- improving the business climate by modernizing inspection practices (including customs) and setting up one stop shops;
- streamlining tax procedures and re-engineering business processes in the tax administration;
- strengthening the regulatory environment in infrastructure;
- revamping the legal framework for the mining sector.

To advance institutional reforms the operation supports:
- improving public sector efficiency and effectiveness by introducing regulation on conflict of interest and public service.
- improving public financial management by introducing Public Investment Appraisal System and enhancing the linkage between budgeting and strategic planning.

Key Partners
The Bank team works closely with (i) the Ministry of Finance, which is responsible for ensuring sound macro-fiscal policies and monitoring of the expected outcomes. Line Ministries and public agencies, including (ii) the Ministry of Economy, State Revenue Committee, State Economic Competition Promotion Committee, Social Ministries, Ministry of Energy and Natural Resources, Ministry of Transport and the Public Services Regulatory Commission, take primary responsibility for implementation of envisaged reform actions in their respective fields.

Key Development Partners included IMF (monitoring of macro-fiscal and debt performance), EBRD (monitoring of private sector development), IFC (introduction of risk-based inspection system), USAID (tax administration) with whom the Bank Team coordinates closely on policy, implementation and monitoring issues.