

Armenia

Project Name: Armenian Social Investment Fund (P035768); Armenia Social Investment Fund II (P057952) and Armenia Social Investment Fund III (P094225)

Effective Date: January 5, 1996 (ASIF), October 23, 2000 (ASIF II), and December 20, 2006 (ASIF III)

Closing Date: December 31, 2000 (ASIF), August 31, 2006 (ASIF II), and June 30, 2011 (ASIF III)

Project Description: The three Armenian Social Investment Fund projects were designed to raise the living standards and improve basic infrastructure for the rural poor. As such, the ongoing program targets priority investments in the poorest communities in remote or mountainous areas. It was designed in the context of a central government still weak in the provision of these services. Yet, the program—and the ASIF II and ASIF III projects in particular—have been designed within the framework of the Government's overall inter-governmental finance and decentralization program. To this end, the Social Fund is building capacity at the municipal level, helping to improve accountability, transparency and empowerment at the local level. As the basic government framework is put into place to deliver social goods, the ASIF will focus on those elements of infrastructure that continue to need support.

Impact: *The Armenian Social Investment Fund has supported more than 600 micro-infrastructure projects, including schools, clinics, and basic water and irrigation works. Combined with parallel investments being made in rural roads, dams, and enterprise support, the SIF has made an important contribution to sustaining agriculture growth and reducing the country's poverty rate, from about 56 percent in 1998 to about 30 percent in 2005.*

Some Highlights:

- **300** schools rehabilitated or newly constructed in the earthquake zone; the largest contribution from a single agency in support of the Government's Earthquake Recovery program.
- Badly needed **furniture** provided for about **500 schools**
- **Heating systems** constructed or repaired in approximately **100 schools**
- **Water supply services** rehabilitated or constructed in **62 villages**. As a result, the ASIF contributed significantly to the increase in access to safe drinking water in rural communities from 65 percent in 1998/1999 to 74 percent in 2004.
- **Training** of some **1,800 mayors** in financial management, budgeting, accounting, and asset management and about **200 school accountants** in financial management and accounting contributed to the quality of local administration, improved documentation for regional officials, and stronger foundation for mayoral leadership

Total Financing: ASIF I: Total cost was \$20 million, of which IDA provided \$12 million, the Government \$1 million, private sponsors \$2 million, local communities \$2.5 million, and the Netherlands and UK a combined \$2.5 million.

ASIF II: Total cost was \$28.14 million, of which IDA provided \$20 million, the Government \$1.43 million, private sponsors \$2.71 million, local communities \$2 million, and the Netherlands and UK a combined \$2 million.

ASIF III: Total cost was \$33.3 million, of which IDA provided \$25 million, the Government \$6.67 million, private sponsors \$0.13 million, and local communities \$1.5 million.

IDA Contribution: IDA provided the bulk of funding for the ASIF, but, more importantly, provided technical support and guidance, within a framework of an overall program to improve governance and build decentralized delivery systems. To this end, IDA helped structure the ASIF both so that it could systematically and impartially target high-priority activities and communities, while recognizing the need for regional equity to mitigate political pressures in funding. Likewise, IDA supported ASIF in its efforts to build capacity at the local level, drawing on its experience with other countries. Specifically, ASIF projects linked local communities to civil society and local governments in a way that builds up local institutions that empower the poor.

Linkages: ASIF has contributed to the national goal of supporting improved access to safe drinking water and complemented the Government's programs in the education sector through the construction or rehabilitation of school infrastructure. The comprehensive municipal training carried out under ASIF II was linked to the Government's decentralization reform agenda, helping both the Government and the public gain a better understanding of the fundamentals of participation, project management, and accountability. In addition, under the ASIF III Project, basic financial management training will be provided at the municipal level, complementing the work of the Bank's Public Sector Modernization Project, which concentrates on the provision of computerized municipal information systems.

Next Steps: ASIF III will build on the foundation created by ASIF I and II. Microprojects will be targeted where infrastructure gaps are the most acute, particularly in rural and remote communities. The microprojects will be complemented by local government capacity building to ensure the sustainability of facilities rehabilitated or constructed by ASIF and to provide support to the Government's decentralization program. The ASIF will implement a strengthened monitoring and evaluation framework designed to assess the linkage between outcomes and inputs, the effectiveness of reaching vulnerable groups, and the sustainability of key project activities.