

NON-OFFICIAL TRANSLATION

Eurasian Fund for Stabilization and Development

Eurasian Fund for Stabilization and Development Strategy for the Republic of Armenia 2022–2026

This document is an abstract of the 2022–2026 Country Strategy of the Eurasian Fund for Stabilization and Development for the Republic of Armenia



Contents

List of Abbreviations	2
Main Socio-Economic Indicators of the Republic of Armenia	3
Introduction	4
1. Socio-Economic Environment and Challenges to Sustainable and Inclusive Economic Growth in the Republic of Armenia	5
2. Current Cooperation between the EFSD and the Republic of Armenia	8
2.1. Support to the Republic of Armenia in ensuring macroeconomic stability and implementing structural and institutional reforms	8
2.2. Support to the Republic of Armenia in upgrading and developing its basic and social infrastructure	9
3. Defining EFSD Strategic Objectives in the Republic of Armenia for 2022–2026	17
3.1. Defining EFSD strategic objectives for 2022–2026	17
3.1.1. Objective 1. Promote macroeconomic and financial stability	19
3.1.2. Objective 2. Support structural and institutional reforms	20
3.1.3. Objective 3. Assist in upgrading the basic infrastructure	21
3.1.4. Objective 4. Promote the development of social sectors	22
4. Coordination of Support with Development Partners	28
References	29

List of Abbreviations

ADB	Asian Development Bank
CA	current account
CIS	Commonwealth of Independent States
EAEU	Eurasian Economic Union
EFSD	Eurasian Fund for Stabilization and Development
EU	European Union
GDP	gross domestic product
GNI	gross national income
HPP	hydroelectric power plant
IMF	International Monetary Fund
PHC	primary healthcare
TPP	thermal power plant
WB	World Bank

Main Socio-Economic Indicators of the Republic of Armenia

Economic indicators	Latest available	Global ranking
GDP (2020, billion US \$)	12.6	132
GNI per capita (2020, Atlas method, US \$)	4,220.0	111
Logistics Performance Index (2018, 0 to 5)	2.6	92
Ease of Doing Business (2019, 0 to 100)	74.5	41
Social indicators		
Poverty rate (2020, national definition)	27	n/a
Human Development Index (2019, 0 to 1)	0.8	81
Inequality (2019, Gini coefficient)	29.9	26
Rural access to water (2019, % of total)	57.8	n/a
Population increase/decline (% , average over the past 5 years)	0.3	167
Share of population under 30 (2020, % of total population)	40.4	129
Share of rural population (2020, % of total population)	36.7	91
Child mortality rate (2019, per 1,000 births)	10.5	74
Total fertility rate (2019, births per woman)	1.8	130
Life expectancy (2019, years)	75.1	85

Introduction

The Country Strategy of the Eurasian Fund for Stabilization and Development (hereinafter referred to as the Fund, the EFSD) for the Republic of Armenia complements the Fund’s Strategy for 2022–2026. It reflects the Fund’s strategic objectives within the framework of its core mandate aimed at supporting the macroeconomic and financial stability in its member countries. The Country Strategy also defines the priority areas of activity for 2022–2026 to assist the Republic of Armenia in implementing structural reforms in its economy and improving its key institutions, upgrading its basic (energy, agriculture, road, social) infrastructure, and developing its human capital to ensure sustainable economic growth and promote integration processes in the Eurasian region.

To determine the priority areas of the Fund’s cooperation with the Republic of Armenia within the framework of its mandate of macroeconomic stabilisation, the EFSD ran diagnostics of the macroeconomic environment for the Strategy period, including debt sustainability analysis and stress tests. Taking into account the country’s priorities enshrined in the national strategic and policy documents, as well as the results of its own diagnostics of structural and institutional constraints and working in close coordination with the key ministries and agencies of the Republic of Armenia, the Fund identified the main areas of reforms, the implementation of which will be supported through budget financing and/or technical assistance provided to the authorities in 2022–2026. Again in close coordination with the country’s authorities, the Fund identified the priority areas for upgrading the basic and social infrastructure to be supported with targeted financing and grant programmes.

Since the EFSD resources are limited, the Fund determined the priority areas of its activity for 2022–2026 taking into account the priorities and objectives of the key development partners in the Republic of Armenia, with which bilateral consultations were held, as enshrined in their strategic documents. Such coordination will facilitate maximum synergies and, thus, better use of the Fund’s resources in assisting the Republic of Armenia in maintaining the macroeconomic stability and creating conditions for the country’s sustainable development and improvement of the living standards of the population.

1. Socio-Economic Environment and Challenges to Sustainable and Inclusive Economic Growth in the Republic of Armenia

The Republic of Armenia is an upper middle-income country. In 2020, the per capita GNI (Atlas method) was US \$4,220.¹ In 2010–2019, the economic growth rate averaged at 4.5% (see Figure 1), mainly supported by positive developments in terms of consumption and exports. Despite a significant decline in poverty since the early 2000s, it remains at a relatively high level, with the poverty rate of 26.4%² in 2019 (see Figure 2). This is a result of a consistently high unemployment rate, which has remained within the range of 17–20% for many years and is structural in nature.

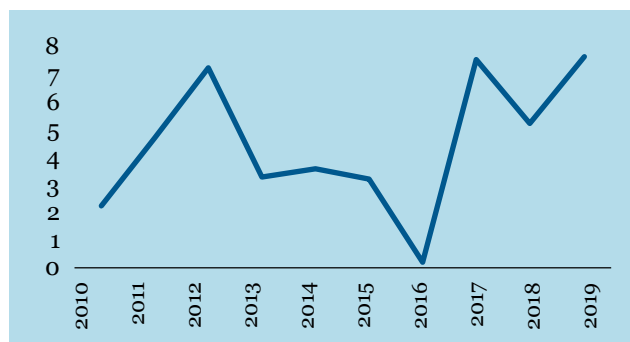
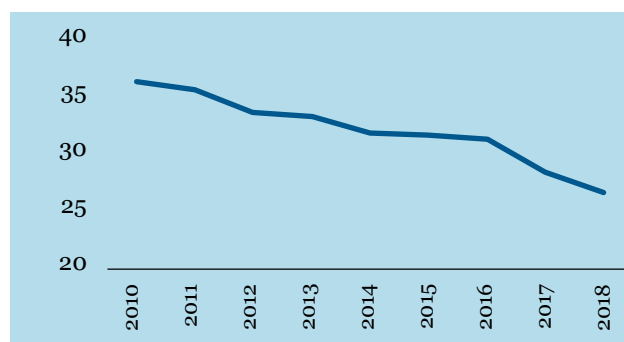
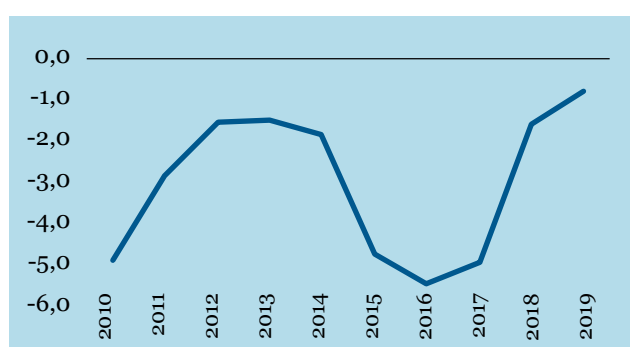
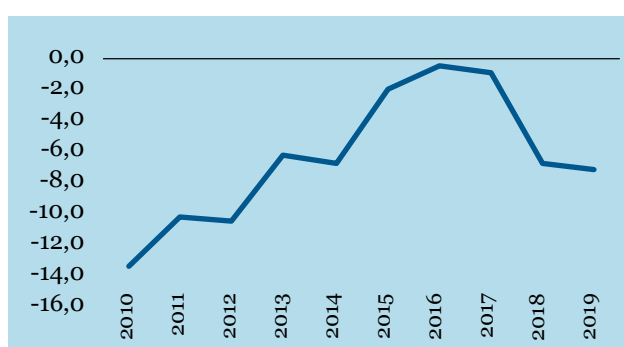
In recent years, thanks to the export-oriented and investment policies of the Government of the Republic of Armenia and support to the development of tourism, as well as the commissioning of new capacities in extractive sectors, there were prerequisites emerging for changing the economic model with a shift towards tradeable sectors and diversification. Despite an improvement in the resilience of the economy to external shocks in the context of sound macroeconomic policies (see Figure 3), the economic growth remains dependent on external factors (economic growth in partner countries, changes in the terms of trade, and significant – albeit weakening – effects of remittances of labour migrants).

One of the key deterrents to the development of Armenia's export potential is its geographical position – with the borders with Azerbaijan and Turkey closed, transit through Georgia and Iran is the only channel for international trade supported by road transport networks. In addition, most of the road infrastructure in the Republic of Armenia needs improving, which, in turn, limits the trade potential of the agricultural sector.

The high concentration of exports and dependence on remittances from labour migrants pose significant risks to the balance of payments. In 2010–2019, the current account (CA) deficit was characterised by high volatility, averaging at 6.8% of GDP (see Figure 4). The main export items include non-ferrous metals and their alloys, mainly copper and molybdenum, which are exported to the European Union, China, and some other countries. The share of agricultural products, including alcoholic beverages and tobacco products, the main market for which is Russia, reaches almost 30%. The great importance of remittances from labour migrants, which account for about 15% of GDP, has a significant effect both on the state of the CA and on the economy in general. Since the source of more than half of the remittances is the Russian Federation, deterioration of the economic situation in that country has a significant negative impact on developments in the economy of the Republic of Armenia.

¹ According to the World Bank.

² The indicator is calculated based on a new methodology and is not comparable to those for the previous years.

Figure 1. Real GDP growth y-o-y, %**Figure 2. Poverty rate (national poverty line definition), %****Figure 3. Fiscal balance, % of GDP****Figure 4. CA balance, % of GDP**

Source: official statistics of the Republic of Armenia.

One of the main structural challenges for the economy of the Republic of Armenia is the relatively low productivity in the private sector, associated with a high share of the shadow economy and limited investment opportunities. This is a fundamental constraint to the potential for economic growth and job creation in the long term. The average share of investment in GDP was about 22% in 2010–2020, lower than in Belarus, Kyrgyzstan, and Tajikistan (about 30%). However, it should be noted that, in recent years, a number of systemic amendments were introduced to the tax legislation of the Republic of Armenia aimed at reducing the tax burden on economic entities and creating incentives for the economy and investments.

The COVID-19 pandemic and the Nagorno-Karabakh military conflict had a severe negative impact on the economy of the Republic of Armenia. Due to deceleration of global investments, migration, and commodity flows, the impact of which was amplified by the outbreak of hostilities in September 2020, the real GDP of the Republic of Armenia dropped by 7.4% in 2020. Growing budget expenditures to support vulnerable groups of the population and the economy, as well as declining tax revenues against the background of weaker economic activity, led to an increase in the budget deficit and Government debt to 5.4% of GDP (from 1.0% in 2019) and 63.5% of GDP (from 50.1% in 2019), respectively. Moreover, as a result of the negative impacts of the hostilities, the potential economic growth rates of the Republic of Armenia are expected to decline to 3.5–4% (from 5.0%).³

³ Based on estimates of the Central Bank of the Republic of Armenia.

In the long run, the economy can develop in a sustainable way only if it addresses the challenges of basic infrastructure upgrading and development, including road, water, and energy infrastructure. Taking into account that the country is landlocked and has got problems at the borders, improving transport links and reducing transportation costs are among its key priorities. In the absence of proven fossil fuel reserves, Armenia depends on imports of natural gas and petroleum products from the Russian Federation and Iran. To enhance its energy security, energy sources should be diversified by upgrading the existing and developing new generating capacities and electricity grids, using the potential of renewable energy sources. Rehabilitation and development of the water management infrastructure to ensure access of agricultural regions to reliable water sources is also a key objective.

In the long term, demographic challenges will be getting increasingly relevant for the Republic of Armenia. Against the background of zero population growth over the past five years,⁴ the share of the population under 30 is only 41% of the total population. The labour force participation rate among females is about 50%, compared to that of 70% among males. The employed population accounts for 48.9% of the total population, compared to the global average of 54%. Greater labour force participation of women would reduce the gap. The main reason for females being engaged so little in organised labour activities is the need to take care of children. Moreover, wages of the economically active part of the female population are substantially lower than those of males, since women are mainly concentrated in low-wage sectors such as agriculture, education, health, and social sphere. Greater investments in social infrastructure, including access to quality education and health services, would increase the economic mobility of the population. In addition, preschool education contributes to improving learning outcomes in the future and ensuring a higher number of women participating in the workforce. Despite high rates of general education enrolment, the quality of outcomes needs to be further improved. In addition, gender norms influence education choices, which may contribute to a mismatch between the supply of and demand for skills, needed for the economic development, in the labour market.

⁴ Statistical Yearbook of Armenia, 2020. Statistical Committee of the Republic of Armenia.

2. Current Cooperation between the EFSD and the Republic of Armenia

2.1. Support to the Republic of Armenia in ensuring macroeconomic stability and implementing structural and institutional reforms

The Republic of Armenia received an EFSD-funded financial credit of US \$300 million, which was disbursed in three equal tranches during 2015–2017. That budget support programme was implemented by the Fund in close coordination with other development partners within its core mandate of ensuring the macroeconomic and financial stability, as well as developing the institutional capacity and human capital.

The implementation of the budget support programme contributed to achieving progress in the following important areas of institutional and structural reforms:

- reducing the fiscal deficit by cutting current expenditures while maintaining expenditures to support long-term economic growth and social services;
- raising budget revenues through the introduction of the first Tax Code in the history of Armenia;
- improving the doing business environment through the introduction of international investor protection mechanisms;
- improving the methodology for energy generation forecasting and tariff setting to eliminate arrears in the energy sector and minimise the risks of their occurrence in the future; and
- improving the effectiveness of monetary policies through greater exchange rate flexibility.

The dialogue with the authorities of the Republic of Armenia aimed at effective implementation of objectives within the framework of macroeconomic stabilisation and ongoing structural and institutional reforms is supported through information sharing and, if needed, consultations. The EFSD Project Unit also holds regular consultations with development partners on the macroeconomic situation and risks, as well as essential structural and institutional reforms. The key partners include the International Monetary Fund (IMF), the World Bank (WB), and the Asian Development Bank (ADB).

2.2. Support to the Republic of Armenia in upgrading and developing its basic and social infrastructure

Area: Transport infrastructure

Assistance in the rehabilitation of the road infrastructure

Cooperation between the EFSD and the Republic of Armenia in the area of transport infrastructure began in 2013, when the first consultations were held with the Ministry of Transport and Communications of the Republic of Armenia regarding the provision of an investment credit to support the Construction of the North-South Road Corridor (Phase IV) Project in Armenia as part of its co-financing with the ADB, which had allocated funds for the preparation of a feasibility study for the project. The project is part of the national project “Construction of the North-South Transport Corridor”, which aims at providing reliable transport links between the northern and southern regions of Armenia, promoting the development of international trade and integration, as well as helping unlock the international transit potential of the country (an overview of the transport sector of the Republic of Armenia is presented in Box 1).

Box 1. Overview of the Transport Infrastructure Sector in the Republic of Armenia

The geographical location of the Republic of Armenia has largely determined the features of its transport infrastructure development, with the road transport prevailing and accounting for 75% of freight (excluding the pipeline transport) and 85% of passenger traffic in the country. In 2020, the total length of roads of international, national, and local importance was 7,700 km in Armenia. As for the railway transport – both freight and passenger – it has lost its former importance due to the closure of borders with Azerbaijan and the termination of railway connection with Georgia, where it used to be possible to tranship goods and containers or use a railway ferry (to Novorossiysk and Ilyichevsk) in the ports of Poti and Batumi. There are two international civil aviation airports in the cities of Yerevan and Gyumri, offering flights to 24 destinations and 11 countries of the world. The contribution of transport to the country’s GDP is 3.2%.

Almost all the transport infrastructure of Armenia was created in the Soviet era, with no or with minimal consideration to the existing administrative borders between the Union republics. Transport planning decisions were taken by the authorities centrally, depending on the geography of the deployment of productive facilities in Armenia, that resulted in most of freight traffic crossing its eastern and western borders. Since the closure of its borders with Azerbaijan and Turkey, much of the transport infrastructure has been unused, turned substandard, or got completely destroyed. Similarly, the demand for part of this infrastructure was influenced by the break-up of economic ties and disruptions in value chains between the Soviet Union Republics. At the same time, another part of Armenia’s transport infrastructure, primarily the road infrastructure, has been severely congested due to increased traffic intensity and loads. For many years, road maintenance and repair have been underfinanced, therefore, most of the country’s existing road infrastructure is in an unsatisfactory condition.

The development of the road network and ensuring its current standard technical condition is an important factor of the social and economic development of any country. This is all the more true for the Republic of Armenia, taking into account its mountainous terrain and climate features, the high density of the country's population in the north, primarily in the capital city of Yerevan, the geographical distribution of mines / metallurgy production facilities, and its large number of small and medium-sized agricultural producers, who form an important part of the national economy. Developed transport infrastructure is also a prerequisite for the country's inclusion in the international division of labour and its integration into production and logistics chains in the context of the globalisation of the world economy.

To improve the connectivity of territories within the country, break the relative transport isolation and realize the country's transit potential, in 2005, the Government of the Republic of Armenia endorsed the implementation of a large-scale national project "Construction of the North-South Transport Corridor". The project involves the construction of a modern reliable road to link the northern and southern regions of the country, which would also improve the international integration capabilities of the national economy and lead to an increase in transit freight traffic through the territory of Armenia, in particular under the more global initiative of the EU to create the Transport Corridor Europe-Caucasus-Asia (TRACECA). As a result of the project, the total length of the North-South road is to be reduced from 556 km to 470 km – thanks to different routing of certain sections of the road and construction of tunnels – while the speed limit is to increase to 80–100 km/h, and the total travel time from the Georgian to the Iranian border will be 6–7 hours.

In 2015, the Agreement on the Provision of Investment Credit in the amount of US \$150 million, to finance the Construction of the North-South Road Corridor (Phase IV) Project in Armenia, came into force. This project is part of the national project "Construction of the North-South Transport Corridor" and involves the design and construction of a section from the bypass road for the town of Qajaran to the town of Agarak on the Iranian border of a total length of about 47 km. The implementation of this technically complex project at high altitudes will improve the capacity of the road by increasing the number of lanes and raising the speed limit to 80 km/h and will reduce road accident risks at this section of the road. The beneficiary began using the loan proceeds in December 2019, and the project is currently at the phase of the detailed design completion.

Assistance in agriculture and water sector development

Agriculture is one of the key economic sectors in the Republic of Armenia, contributing around 12% of GDP. About 317,000 farms, each using 1.48 hectares of land on average, produce 97% of the country's gross agricultural output. The employment in agriculture makes 24.3% of the total employment in the country. Despite the expansion of cultivated land, the country is not self-sufficient in terms of a number of important agri-food products (an overview of the agricultural and water sectors is presented in Box 2).

Box 2. General Overview of the Situation in the Agricultural and Water Sectors of the Republic of Armenia

Irrigation is a major contributor to yields in the agricultural sector of Armenia. In 2013, the cultivated area in Armenia was 319,100 hectares, of which 207,600 hectares were equipped for full or partial irrigation. The gap between the needs of agriculture and the country's irrigation potential is expanding further, and water losses in irrigation canals on average range from 37% to 44%, depending on the type of canal (inter-farm, intra-farm).

In Armenia, there are 444,854,000 hectares of potentially usable arable land, of which 227,915,000 hectares (51.23%) are used and 216,939,000 hectares (48.77%) remain uncultivated. The launch of irrigation of non-irrigated land may significantly improve the food security. Irrigation systems were largely created during the Soviet era, with very little attention paid to the level of their energy consumption. Despite significant progress, Armenia's irrigation infrastructure still needs investments to recover. In the absence of proper operation, the capacity of canals declines significantly, leaving formerly serviced areas without access to irrigation. Insufficient availability of reservoirs, combined with poor control of the water use, leads to high irrigation water losses amounting to more than 40% of the water withdrawal. The technical level of irrigation systems is not suitable to accommodate advanced irrigation technologies, including drip irrigation.

The performance of the agrarian sector can be improved if the following challenges are addressed:

- **Inefficiency of the sector:** low productivity primarily due to poor agricultural practices and lack of knowledge among farmers of the requirements of modern production systems and markets.
- **Fragmented subsistence agriculture sector:** agriculture is dominated by small farmers with weak access to markets, technology, finance, and extension services. Modernisation and commercialisation challenges due to lack of scale.
- **Climate change:** sensitivity to a number of threats, including landslides and floods, which are exacerbated by the climate change and can cause severe damages to the infrastructure and economic losses. Food security, loss of biodiversity, and vulnerability of water resources are among major challenges.

The need for investment is also driven by the climate change and increased water consumption, as farmers try to switch to growing more valuable water-intensive crops.

In 2015, the EFSD Council approved an investment credit of US \$40 million to the Republic of Armenia for the implementation of **the Republic of Armenia Irrigation System Modernisation Project**. The project is aimed at improving the water supply of existing and developing new irrigated lands, reducing irrigation water losses, building the management capacity and improving the technical infrastructure of water users. Availability of advanced irrigation infrastructure is a prerequisite for sustainable development of agriculture in Armenia, therefore the implementation of the project will contribute to better economic

sustainability and stronger balance of payments of the country. The Project has a moderate integration effect – its implementation will contribute to the expansion of exports of agricultural products by the Republic of Armenia to the CIS countries.

Again in 2015, the Fund Council approved the Preliminary Application and the Concept Note for the Republic of Armenia investment project “Construction of Mastara Reservoir” in the amount of US \$30.5 million, with the anticipated financing by the Fund in the amount of \$25.2 million. The Fund expects a request for project financing to be submitted by the Republic of Armenia.

Assistance in energy sector modernisation

In January 2021, the Government of Armenia approved the Energy Sector Development Strategic Programme to 2040 and an action plan to implement it.

The main goal of the document is to set out a strategic plan for the energy sector, taking into account the fact that all the previous documents lost their relevance and there is a need to revise the strategy in accordance with modern requirements.

The document sets out the main areas of the sector development and measures planned for its implementation.

The main areas include: maximum utilisation of the renewable energy potential; realisation of energy saving opportunities; extension of the service life of the second unit of the Armenian Nuclear Power Plant (NPP); full implementation of the North-South Energy Transit Corridor Construction Programme; and gradual liberalisation of Armenia’s energy market.

The document also defines the key priorities for the development of the energy sector, its generation capacity, high-voltage and distribution networks, and the electricity market. In addition, the document covers the development of regional cooperation in this area, the issues of gas and heat supply, energy saving and other matters. An overview of the electric power sector is presented in Box 3.

Box 3. Overview of the Electric Power Sector in the Republic of Armenia

The institutional structure of the energy system in the Republic of Armenia includes:

- electricity generating capacities;
- the high-voltage network; and
- the distribution networks.

The power generating capacities, except for the Armenian Nuclear Power Plant (NPP) and the Yerevan Thermal Power Plant (TPP), and the distribution networks “Electric Networks of Armenia” (ENA)

are mainly private entities, operating in the private sector. ENA contracts directly with electricity generating companies to purchase electricity and then sells electricity to retail consumers. Thus, it is clear that the electric power market in the Republic of Armenia is private, the only state-owned entity being “High-Voltage Electric Networks” CJSC, which transmits electricity through high voltage networks.

In 2017–2018, the electricity generation amounted to 7.8 billion kWh annually; the largest share is that generated by TPPs (Yerevan and Razdanskaya) – 42%, then come hydroelectric power plants (HPPs) and wind farms – just over 29%; and the Armenian NPP – less than 29%.

The main generating capacities are located in Yerevan and neighbouring oblasts, Kotayk and Armavir.

At present, only one power unit of the Armenian NPP, Unit 2 (WWER-440 reactor), is operational. In contrast, Unit 1 was not restored after an inspection of its steam generator performance, following the 1988 earthquake, which the NPP successfully resisted.

The average annual electricity generation by the NPP, depending on the duration of its repair campaigns, is within 2.3–2.5 billion kWh. In 2014, the authorised service life of the NPP was extended until 2026.

There are 2 TPPs operated in Armenia: Razdanskaya TPP and Yerevan TPP.

The construction of a new TPP with a design capacity of 250 MW and annual output of 1.8–2 billion kWh of electricity was launched in Yerevan in July 2019. The construction, worth more than US \$250 million, was scheduled to be completed by end-2021. After the plant is put into operation, the Razdanskaya TPP, where the generation of electricity is much more expensive, is to be decommissioned.

In 2019, there were 188 small HPPs with a total capacity of 369 MW. Additional 33 small HPPs with a total capacity of 66 MW are under construction.

The domestic demand for electricity is mainly satisfied in the Republic of Armenia through an extensive network of 110 kV overhead power transmission lines, which has got 119 substations and a total length of about 3,170 km.

According to data as at end-2019, there were 1,500 small solar farms with a total capacity of 23 MW, operating in parallel with the network.

By February 2019, 907 autonomous solar producers of total capacity of about 12.9 MW had received technical parameters, with 854 of them of total capacity of about 10.3 MW already connected to the electric power system. The largest station in 2019 had an installed capacity of 2 MW with an estimated annual output of 3.4 million kWh.

It is planned to bring the power generation at solar farms to 1% of the total output in 2021.

Armenia's electricity distribution system operates in a synchronous (parallel) mode with Iran's system due to large flows. Electricity is exchanged with Georgia, among other things in emergency situations, but without synchronising the systems.

The 220 kV transmission line network covers almost the entire country and is over 1,300 km long.

The development of alternative energy sources in Armenia is a promising sector of electricity generation, given their great potential and the relatively low cost of the electricity they generate. Renewable energy sources are studied in Armenia in a number of areas, the most promising of which are hydropower, wind, geothermal, and solar energy.

Since the main power generating capacities of the country are private, cooperation with donors – currently the WB and the German Development Bank (KfW) – is aimed at upgrading state-owned substations and overhead power transmission lines and introducing a regional synchronisation system.

At present, **the EFSD Project Unit continues to monitor the situation in the country's electricity sector** and stands ready to consider projects for future financing aimed at the development and modernisation of the sector.

Support of Government social sector programmes

Due to budget constraints, the Republic of Armenia lacks financing for the key social sectors that largely determines the unfavourable institutional environment and low level of development of the social infrastructure in the country, and that, in turn, poses significant risks to the human development and limits the social and economic mobility of the population. Therefore, one of the priority areas of the domestic policy of the Republic of Armenia is to make high-quality services of the social sector more accessible to citizens and generally improve the living standards of the population.

To support social sector development programmes in low-income countries, in 2015, the EFSD launched its grant programmes in the social sphere. The Republic of Armenia took an active part in contests for grant programmes. At the moment, grant projects are implemented and being prepared for implementation in the health, energy saving, and employment sectors.

Health sector

The Strategy for Health System Development for 2020–2025 summarises the reforms implemented in the Republic of Armenia over the past two decades: accumulation of knowledge; linking expertise to current challenges; and identification of guidelines for the development of the health system.

The target areas reflected in the strategy are:

- Reduction of the incidence of non-communicable diseases (NCDs), premature mortality, and negative health risk factors and improvement of the mental health;

- Reduction of morbidity and mortality from infectious diseases;
- Improvement of maternal, child, reproductive health, and reduction of neonatal, paediatric, adolescent, and maternal morbidity and mortality;
- Improvement of the health-related fertility rate, including reduced perinatal loss, infertility, and improvement of the reproductive health of women;
- Ensuring effective and balanced management and use of healthcare resources;
- Provision of high-quality and effective medical care; and ensuring the recovery of the actual costs of healthcare, arrangement of maintenance, efficient planning and allocation of financial resources in the health system.

Box 4. General Overview of the Situation in the Health Sector of the Republic of Armenia

In the 1990s, the Government of the Republic of Armenia launched reforms in order to modernise and streamline the healthcare system, which, little by little, led to improved efficiency, quality, and accessibility of services provided, especially for the most vulnerable groups of citizens. Health sector reforms are based on national strategies, concept documents, and health policy programmes adopted by the Government of the Republic of Armenia.

The programme of modernisation of Armenia's health system was implemented in three main areas: 1) development of the primary healthcare (PHC); 2) streamlining and modernisation of the hospital system; and 3) improvement of the public health system. The PHC was improved by moving the healthcare focus from hospitals to health clinics and outpatient clinics, thus maximising the alignment of the primary and in-patient healthcare with the needs of the population. The concept was implemented by introducing the institute of the family physician, whose goal is on-going monitoring and provision of the PHC within the smallest units of the society – within family groups. As a result of the reforms, family physician services became available to about 85% of the urban population and about 100% of the rural population; about 1,600 doctors and 1,800 nurses specialised in this area; and 175 modernised rural PHC institutions serve about 630,000 people in rural areas. Since 2006, healthcare and medical services have been provided to the population free of charge at the PHC level.

As a result, the number of visits to PHC institutions doubled between 2001 and 2009 alone (up from 1.8% to 3.4%). The PHC is usually provided to the population through city health clinics and rural medical / paramedical centres staffed with one doctor per 1,200–2,000 people and one paediatrician per 700–800 children.

At the moment, there are 264 outpatient clinics and 630 paramedical centres – one in each village – offering basic types of healthcare for children and adults, antenatal care, control tests of infant development, medicine prescription, first aid, emergency care, patronage visits, and preventive

services, such as vaccination, and simple types of health education. A group of villages usually has a combined outpatient centre with a family physician or a general practitioner who is able to offer a wider range of health services. All cases beyond the competence of the rural health centre network are referred to oblast health clinics or directly to hospitals.

The functioning of healthcare institutions was streamlined by merging hospitals, reducing the bed capacity, eliminating duplication of services provided, and closing down unused premises. To support these developments, the Government invested in hospital upgrades and clinical staff training. Hospitals were also given greater autonomy in making decisions about costs and staffing matters.

From 2007 to 2018, the construction / rehabilitation efforts covered 16 regional hospitals, as well as 175 outpatient clinics in the Republic of Armenia. The Law on Healthcare and Medical Services to the Population of 1996 formalised alternative mechanisms for financing medical services and laid the initial legal framework for reforms in healthcare system financing. The Government approved a state procurement system in 1997 and introduced a package of basic benefits.

The Republic of Armenia was greatly affected by the spread of COVID-19 in 2020. Despite the fact that the Republic of Armenia is in the process of overcoming the epidemic and the pace of its development has fallen, there is a risk that the number of people infected by the coronavirus would increase as the incidence of seasonal colds goes up. This development may again become a serious burden on Armenia's healthcare system, as well as throughout the world. Therefore, it is important to prepare the entire national healthcare system – not only centres dealing with the treatment of COVID-19 – to enable medical institutions throughout the country to promptly respond to the growth of morbidity.

Within the framework of grant programmes, the EFSD supports the Republic of Armenia in improving its healthcare system. The EFSD grant project of “Improving Prevention and Control of Non-Communicable Diseases in Primary Healthcare” in the amount of US \$1 million is under implementation. The project is aimed at improving the methods of prevention, early detection, and treatment of non-communicable diseases in primary healthcare institutions and will cover three regions of the Republic of Armenia – Lori, Syunik, and Tavush regions. The project is aimed at developing the institutional capacity of healthcare institutions in breast cancer diagnosis; funding activities carried out by primary healthcare institutions in breast cancer screening; raising the public awareness of healthy lifestyles; and developing an online Continuing Medical Education Module. Disbursements under the Project currently stand at US \$645,000. In December 2020, the recipient was preparing a mobile mammography complex for operation. As at end-January 2021, free mammography screening was launched, and other project activities were underway.

3. Defining EFSD Strategic Objectives in the Republic of Armenia for 2022–2026

3.1. Defining EFSD strategic objectives for 2022–2026

Taking into account the main challenges for sustainable and inclusive growth of the economy of the Republic of Armenia in the long term, as well as the country's strategic priorities for economic development and improvement of the living standards of the population (see Box 5), the EFSD, in its capacity of a regional financing and development arrangement, identifies the following long-term priorities for cooperation with the Republic of Armenia:

- to enhance the macroeconomic and financial stability;
- to support the private sector development;
- to upgrade the basic infrastructure in the energy, transport, and agricultural sectors; and
- to develop the human capital.

Box 5. Overview of the Strategic Priorities of the Republic of Armenia

The core document regulating the strategic priorities of the Government of the Republic of Armenia is the Strategic Programme of Long-Term Development of the Republic of Armenia for 2014–2025. The main goal of the strategy is to improve employment as a quantitative target of policies aimed at ensuring sustainable economic growth. It includes four key priorities:

- to improve employment;
- to develop the human capital;
- to improve the social protection system; and
- to implement the institutional modernisation of the public administration system.

To improve employment is the top priority, it is focused on the need to implement measures aimed at creating quality and high-paying jobs. In the context of the Strategic Programme, quality jobs are those that ensure physical and psychological satisfaction of employed persons, while resulting in a

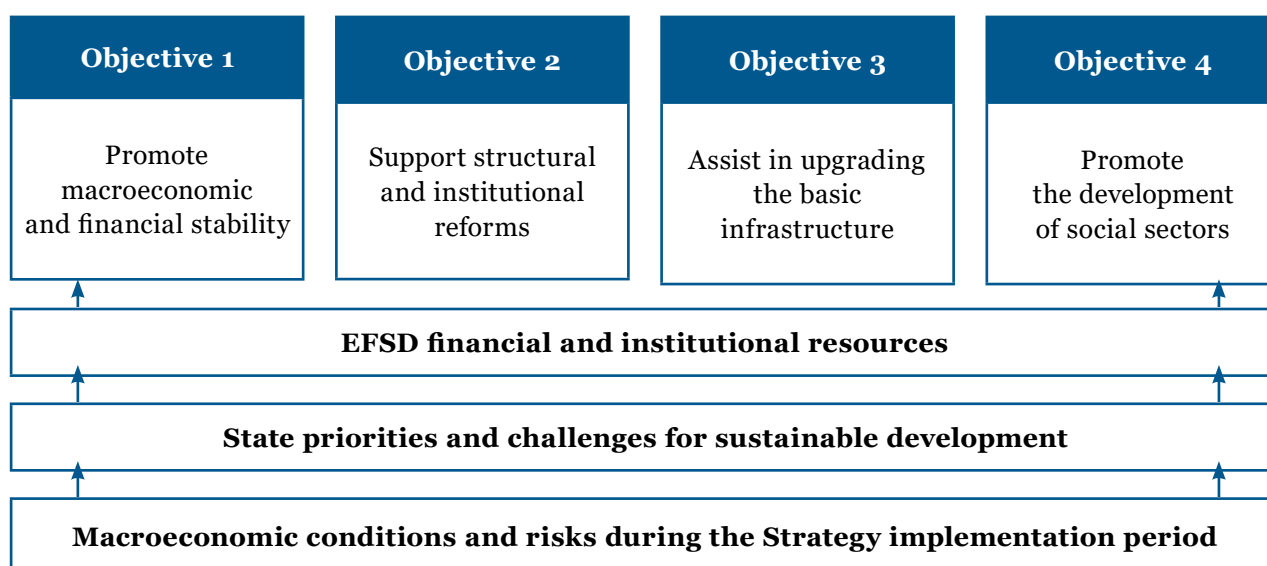
sense of satisfaction with work. The Government of the Republic of Armenia will focus its efforts on creating equal opportunities for all to receive fair remuneration for the work done.

To develop the human capital, activities will be aimed at expanding the volume and improving the quality and accessibility of primary services (including health, education, science, culture, and primary infrastructure), emphasising the relationship and harmonious development of man and nature. The Government will focus on measures aimed at improving personal growth of citizens of the Republic of Armenia, their civic education and cultural level.

To improve the social protection system, there will be measures taken aiming at enhancing the efficiency of existing systems (including improved targeting) and creating the basis for financial stability in the long term. Such measures ensure the provision of appropriate social guarantees, a significant reduction of social risks and poverty. At the same time, steps will be taken for a gradual transition to providing low-income and socially vulnerable groups of the population with comprehensive packages of social services instead of predominantly cash forms of social support they currently receive.

To implement the institutional modernisation of the public administration system, efforts will be made aiming at improving the efficiency of the State; expanding and ensuring the use of available resources for intended purposes; improving the quality and accessibility of services provided; reducing corruption; and enhancing the transparency of decisions made and the engagement of the civil society.

To clarify the focus of cooperation between the EFSD and the Republic of Armenia during the Strategy implementation period, four strategic objectives have been identified for 2022–2026. Several key factors, including the macroeconomic conditions and risks; long-term priorities of the Republic of Armenia and challenges to its sustainable growth; as well as the availability of the necessary competencies, expertise, and adequate resources of the Fund (see Figure 5), were taken into account in determining the priorities of cooperation within the framework of these strategic objectives and the mandate of the Fund.

Figure 5. Defining EFSD strategic objectives in the Republic of Armenia for 2022–2026

Source: EFSD Project Unit.

3.1.1. Objective 1. Promote macroeconomic and financial stability

Taking into account the still high uncertainty regarding the economic impact of the COVID-19 pandemic, as well as high vulnerability of the economy of the Republic of Armenia to external shocks, the EFSD, in its capacity of a regional financing arrangement, will provide assistance to the national authorities in maintaining the macroeconomic and financial stability, including prompt budget and/or balance of payments support in the event of crises. To achieve this objective, the EFSD will focus its efforts in 2022–2026 on the following priority activities:

- Regular macroeconomic monitoring, including updated forecasts of major macroeconomic indicators, fiscal and balance of payments gaps, and debt sustainability analysis;
- Continued close dialogue with the national authorities on the need for additional financing to maintain the macroeconomic stability, including the sustainability of the budget and the balance of payments;
- Continued close dialogue with key development partners (IMF, WB, ADB,) on assessments of the macroeconomic and social environment, as well as on additional financing needs, in the event of worsening of the fiscal and/or balance of payments crisis in the coming years;
- Provision of timely updates to the shareholders on the macroeconomic situation in the Republic of Armenia, as well as on its financing needs and other risks; and
- Provision of emergency financing if the shocks contributing to the formation of financing gaps materialise.

3.1.2. Objective 2. Support structural and institutional reforms

Despite the high pre-pandemic economic growth, the remaining structural challenges limit the long-term growth potential and make the current economic model highly vulnerable to external shocks. The acceleration of the GDP growth from 3.5% to 6.8% over the previous five-year plan period of 2017–2019 was mainly driven by a higher contribution of non-tradeable sectors. At the same time, weak growth of tradeable sectors is explained by the relatively low productivity and competitiveness of Armenia's economy, despite a significant share of the private sector.

A key factor of poor productivity is the large share of the shadow sector against a backdrop of the chronically high structural unemployment. At the same time, the strong dependence of the economy on incomes of labour migrants results in its high sensitivity to external shocks. These circumstances, along with infrastructure limitations, prevent the enhancement of the country's economic potential, including the creation of competitive jobs.

Taking into account the long-term challenges to sustainable economic development of the Republic of Armenia, as well as the country's strategic priorities identified above, the EFSD sees the following priority areas of reforms for 2022–2026 for potential assistance to the Government of the country, among other things under potential budget support programmes:

- enhanced competitiveness and export potential;
- improved efficiency of the labour market and reduced informal employment; and
- development of the basic and social infrastructure.

Productivity growth in tradeable sectors is needed to improve the economy's *competitiveness and export potential*. An important prerequisite for this is promotion of private investments by improving the business environment. Specific measures in this area can include both those related to reducing barriers to market entry (easing the regulatory burden, facilitating access to finance, improving antitrust laws) and those to support exporters (strengthening of non-commodity export support mechanisms).

An expansion of the labour force participation and development of the social infrastructure are needed to improve the *efficiency of the labour market*. The efficiency of the labour market can be improved by changing the composition of demand for labour (stimulating the development of the private sector, facilitating employers' access to skilled labour) and adjusting the composition of supply in the labour market. The key measures include those to improve the quality of education services for skilled labour development, including the introduction of re-qualification programmes and the life-long education approach.

To *bridge the infrastructure gaps*, best international practices should be introduced, and institutional reforms should be implemented. The current level of supply of the basic (logistics, irrigation and land reclamation, energy supply) and social infrastructure (health, education, and social protection) does not meet the current needs of the economy.

3.1.3. Objective 3. Assist in upgrading the basic infrastructure

Transport infrastructure

Further implementation of the national project “Construction of the North-South Transport Corridor” is considered by the Government of the Republic of Armenia a strategic priority, which should ensure the national security and prerequisites for further social and economic development of the country. The financing of this project was arranged by the ADB, which prepared the project concept document, divided the project into five construction phases (tranches), funded the preparation of a feasibility study for each phase, and provided investment loans to support three design and construction phases. As mentioned above, under a co-financing agreement with the ADB, the EFSD is responsible for financing the Construction of the North-South Road Corridor (Phase IV) Project, which includes the design and construction of the section from the bypass road for the town of Qajaran to the town of Agarak.⁵

At the same time, it should be noted that the aggravation of the military and political situation in the region in late 2020 raised the need to accelerate the construction of all southern sections of the national project “Construction of the North-South Transport Corridor” to reinforce the national security and promote the economic development of southern regions of the country. Therefore, in 2021–2022, the Government of the Republic of Armenia may make a number of important decisions on changing the financing arrangement and the priority of construction of certain sections of the North-South transport corridor.

In early 2021, the Interdepartmental Council for the Management of the National Project “Construction of the North-South Transport Corridor” approved an amendment to the design that would lead to a significant increase in the cost of the Construction of the North-South Road Corridor (Phase IV) Project. Therefore, by end-2021, the Government of the Republic of Armenia may decide to change the project financing arrangement to increase its share of co-financing, thus necessitating an amendment to the Credit Agreement.

In 2021, the preparation of a detailed design for the Construction of the North-South Road Corridor (Phase IV) Project continued. It is expected that in late 2021 and early 2022, a contractor will be selected, and the construction work will begin to be completed in early 2026.

Under the same EFSD-funded Construction of the North-South Road Corridor (Phase IV) Project, efforts are underway to design a bypass road for the town of Qajaran and a tunnel under the Meghri Pass. If the Government of the Republic of Armenia endorses an early start of the construction of the bypass road and the tunnel, the Ministry of Finance of the Republic of Armenia may send an application for an EFSD-funded investment credit to finance this new project.

⁵ The project funded by the EFSD is divided into two sections and, according to the Credit Agreement with the Republic of Armenia, the EFSD funds the design of both sections and the construction of only one section (excluding the construction of a bypass road for the town of Qajaran and a tunnel under the Meghri Pass).

Agriculture and water supply

Farm-level investments in advanced irrigation technologies require not only significant cash flows, but also access to reliable and sustainable sources of irrigation water. To address these challenges and to improve the efficiency of the water sector, the Government has been implementing donor-funded (WB, AFD, KfW) investment projects to upgrade the sector.

In particular, the transition from pump to gravity irrigation is carried out, main and secondary irrigation canals are reconstructed, intra-farm networks are adapted for the use of drip irrigation in future. The institutional capacity development is also underway.

The implementation of the **Irrigation System Modernisation Project in Armenia** continues as part of assistance to the sector. In December 2020, the project implementation period was extended until December 2023. Thus, it is envisaged to include the rehabilitation of additional irrigation systems in the project to use project savings.

Consultations with the authorised bodies of the Republic of Armenia will continue in the future, covering both the investment project “**Construction of Mastara Reservoir**” and potential projects focusing on water management, among other things aimed at the support and development of the capacity of irrigated agriculture.

Other donors in the sector (especially AFD and KfW) will continue to support the construction of Vedi and Kaps reservoirs during the Strategy period. In addition, the WB may extend the implementation of the agricultural project “CARMAC II” aimed at improving the potential of livestock breeding and enhancing the competitiveness of farmers.

Thus, the package of donor activities in the irrigation sector will provide comprehensive support to agriculture, ensuring its resilience to risks and product diversification.

3.1.4. Objective 4. Promote the development of social sectors

Along with the projects already under implementation and preparation for implementation in the Republic of Armenia, it is planned to expand the portfolio of grants in social sectors and public administration. To this end, the EFSD will hold contests to provide grants to its member states and will explore the possibilities of implementing projects in the area under consideration jointly with other international donors working in Armenia (and/or complementing their projects with EFSD-funded ones).

Health sector

In 2021, the EFSD supported the project “Improving Prevention and Control of Non-Communicable Diseases in Primary Healthcare” in the Republic of Armenia and will actively assist the country in its implementation in 2022. The procurement under the project is scheduled to be completed in late 2022 – early 2023.

At present, the EFSD project “Improving Preparedness for COVID-19 Outbreak in the Republic of Armenia: Detection and Response to Coronavirus Threat” is under preparation for implementation, and procurement under the project is planned to be completed at end-2022. The goal of the project is to improve the effectiveness of infection prevention and control, upgrade the infrastructure of the infectious disease service, as well as to develop the system of case management in the Republic of Armenia. To this end, in particular, the Ararat branch and the Armavir branch of the State Non-Profit Organisation “National Disease Control and Prevention Centre” of the Republic of Armenia will be reconstructed and equipped, as well as a new building of the Infectious Disease Centre of “Vanadzor Medical Centre” CJSC in the town of Vanadzor of Lori oblast will be built and equipped with specialised medical equipment, medical furniture, and supplies for laboratories and intensive care units. In addition, the project will include raising the public awareness of COVID-19 among the population and medical personnel. The implementation of the project will contribute to the development of the healthcare system, building the capacity for coronavirus detection and diagnosis and that of intensive care services of the Republic of Armenia.

In the Strategy implementation period, the activities of other donors, primarily the WB, in this sector cover a wide range of projects – they help to implement financing arrangements for the PHC service, perform country-wide screening of the most common NCDs, develop the regional hospital system, and provide funds to combat the consequences of the COVID-19 pandemic. Within the framework of its project, the ADB provides technical assistance on the implementation of the e-health system and the creation of a register of medical workers in the Republic of Armenia. The UN will continue its projects to fight HIV/AIDS, tuberculosis, and malaria. Thus, the projects funded by the EFSD and other donors complement each other within the framework of the National Strategy of the Republic of Armenia.

Energy sector

In 2004, the Republic of Armenia adopted the Law “On Energy Saving and Renewable Energy”; in 2007, the Government of the Republic of Armenia approved the “National Energy Saving Programme”, which defined the main goals of energy saving, including quantitative targets, both for the energy sector and for other sectors of the economy. In November 2010, the Government approved the “Action Plan of the Government of the Republic of Armenia Aimed at Implementing the National Energy Saving and Renewable Energy Programme of the Republic of Armenia”. In addition, the President of the Republic of Armenia signed the Decree “On Approval of the Energy Security Concept Document” (2013); the “Action Programme for Energy Security of the Republic of Armenia for 2014–2020” and the “Areas of Long-Term Development of the Energy System (until 2036)” (2015) were adopted.

Box 6. General Overview of the Situation in the Energy Saving Sector of the Republic of Armenia

The World Bank studies, completed in 2008, showed that investments in energy saving might help Armenia save 3–4% of GDP per year. At the same time, the investments needed to expand the energy facilities by 1kW are 3 times higher than those needed to reduce the energy consumption by 1 kW. In addition to saving energy and costs, energy saving is considered an important condition

for differentiated energy supply and enhanced competitiveness of Armenia's economy. And this can be done at lower costs compared to investments in new generation facilities or energy imports.

The Republic of Armenia plans to achieve energy savings of 50.7% in public buildings in the near future. In this context, the main achievement of the country and the most important step for successful implementation of the proposed Project is the creation of the Renewable Energy and Energy Saving Fund of Armenia (established by the Government of the Republic of Armenia in 2005) with the World Bank's financing of the revolving fund, through which energy saving measures were financed at 164 public facilities, providing 50.3% energy saving. The main advantage of the revolving fund is that its beneficiaries repay the loans used for energy-saving investments with their own savings derived from energy-saving measures. Moreover, these resources contribute to the implementation of such programmes in the future.

Another important tool to mobilise resources to improve energy efficiency is the membership of sixteen cities in Armenia in the "Global Covenant of Mayors for Climate & Energy". The membership opens up the possibilities to offer energy saving projects for financing on a competitive basis if there is an action plan approved by the secretariat.

Awareness-raising through promotion of success stories, creation and use of infrastructures and, most importantly, assistance to regional authorities in adapting the energy efficiency principles appear to be key to further development of instruments and scaling up of financing of energy saving initiatives.

In 2021, the EFSD will launch the implementation of its project "Energy Efficient Regions: Engaging Mechanisms to Improve Energy Saving in Public Buildings and Promoting Green Energy Development" totalling US \$1.7 million to be financed with the Fund's resources. The project involves investment and energy audits of public infrastructure buildings and subsequent energy-saving activities, as well as raising the public awareness through outreach activities, preparation and dissemination of relevant printed materials.

The key objectives of the Project are:

- to improve energy saving in public buildings;
- to assist the development and formation of infrastructure facilities providing energy services; and
- to raise the awareness among representatives of regional authorities about the effectiveness, the principles and mechanisms of mobilising energy saving loans.

If implemented, the Project will assist the Government of the Republic of Armenia in achieving the UN Sustainable Development Goals, in particular: SDG 7 Ensure access to affordable, reliable, sustainable and modern energy for all; SDG 11 Make cities and human settlements inclusive, safe, resilient and sustainable; and SDG 13 Take urgent action to combat climate change and its impacts.

Improving the efficiency of public administration. Labour market

Based on the country's international treaties and membership in international organisations, the Ministry of Labour and Social Affairs of the Republic of Armenia fulfils obligations of the Government in the sphere of labour and social protection, cooperates with foreign States, international organisations, foreign governmental and non-governmental organisations and foundations, other legal and physical persons in the area of labour and social protection.

Within the framework of the policy implemented by the Ministry of Labour and Social Affairs of the Republic of Armenia, cooperation is carried out with various international partner organisations in the sphere of labour and social protection, including the EAEU, the CIS, UN specialised agencies, the Council of Europe, the EU, and other international organisations.

The Ministry of Labour and Social Affairs of the Republic of Armenia has developed a strategy to introduce comprehensive social services in the sphere of social protection in the Republic of Armenia and is currently implementing it. If fully implemented, this strategy is expected to ensure integration at three tiers: physical, functional, and information technology.

The intention is to ensure the development and implementation of a single Social Protection Information System in the Republic of Armenia. The “Electronic Labour Exchange” Project is under preparation and is seen as an important component of this information system. The labour exchange will automate business processes in the sphere of employment, replacing the existing local information system, which has already become obsolete both morally and technically, thereby limiting the prospects of further development and introduction of innovative technologies in the sphere of employment in Armenia.

Box 7. General Overview of the Labour Market of the Republic of Armenia

Working age population in Armenia, as at end-2017:

- total working age population in Armenia – 2,021,300 people;
- labour force – 1,230,700 people;
- employed population – 1,011,700 people;
- the unemployed – 219,000 people; and
- economically inactive population – 790,600 people.

The labour force participation rate in Armenia is 60.9% and the unemployment rate is 17.8%. Moreover, the working age population has declined significantly since 2008, when it was 2,376,900. 31% of the employed population are agricultural sector workers, 13% are employed in industry, 4% – in construction, and 52% – in the service sector.

In 2018, the average monthly labour costs in Armenia amounted to AMD 205,871 (about US \$430). As at 20 August 2019, the minimum wage was AMD 55,000 per month (about US \$113.84), excluding deductible taxes and other payments.

The highest-paid jobs are found in mining, financial and insurance, as well as information technology and communications companies.

The following industries experienced shortage of specialists in 2019:

- medicine (qualified doctors);
- universities and schools (teachers);
- information technologies (IT specialists);
- banking sector (banking specialists);
- lending (loan inspectors); and
- industry (engineers).

At the same time, the continued high growth of the economy facilitated an improvement in the labour market conditions. The unemployment rate (based on the ILO methodology) dropped from 17.8% in 2017 to 16.3% in 2018, and the number of people employed increased by 6.1%, against growth by 0.5% in 2017. Available data indicate that employment growth was mainly observed in the non-public sector of the economy, including both employees (up by 12.1%) and self-employed persons (5.1%). An improvement in the labour market conditions was accompanied by a rise in real wages by +1.4% (+1.0% in 2017) and a 1.3% reduction in labour migration, which provides employment for one in four able-bodied people in the Republic of Armenia.

Stronger consumer activity had a positive effect on employment growth, while the consolidation of government expenditures proved to be a deterrent to wage growth. The employment growth accelerated to 8.5% in the first half of 2019 (4.6%).

In part, the improvement in employment dynamics was due to measures aimed at reducing the shadow economy – the observed improvement in tax administration suggests that the higher employment rate may be explained by the formalisation of previously unaccounted jobs. In terms of economic sectors, the determining factor of the employment growth was a 3-fold increase in the contribution of trade and other industries (mainly transport and tourism) to employment: from 1.9 p.p. to 6.7 p.p. for the reporting period. However, the real wage growth slowed to 2.7% (against 4.9%) under the influence of mixed developments in the sectors: the contribution of trade increased to 1.9 p.p. (-0.1 p.p.), while that of other sectors decreased to 1.2 p.p. (4 p.p.). At the same time, the planned termination of the expansion of staff in the budgetary sector, with its contribution to the total down to +0.1 p.p. (1.7 p.p.), led to a lower contribution of the sector to the wages dynamics, down to -0.8 p.p. (+1.1 p.p.).

The implementation of the EFSD Electronic Labour Exchange Project will begin in 2022. The total amount of financing provided by the Fund is US \$518,000 to support studying the experience of similar projects within the EAEU, developing, testing, installing, and implementing the state electronic labour exchange platform accessible to employers and job seekers. An important component of the project is to inform the public about the electronic labour exchange and hold an outreach campaign.

The electronic labour exchange will offer a wide range of functions that will help job-seekers, including vulnerable groups in the labour market (persons with disabilities, unemployed, etc.), and employers register and create accounts for job-seekers to post their CVs and for employers to advertise their vacancies.

The main goal of the Project is to create a single online platform for employers and job-seekers, which would help balance supply and demand in the labour market.

The platform can enable the exchange of information on the labour market within the framework of the Eurasian Economic Union, as well as between CIS countries, contributing to the formation of a single labour market. In particular, the focus is on exchanging information on the demand in the labour market, the basic indicators, the guarantees offered by the government in the area of employment, and the rights of users in the specified countries

During the Strategy implementation period, it is planned to continue the donor-funded projects (WB, United Nations Population Fund, UNICEF) in the sector, with innovative electronic platforms created in different areas to link all the existing systems in the social sphere around a single platform and create solutions that meet modern requirements and offer a wider range of digital services.

Thus, the implementation of the EFSD Electronic Labour Exchange Project can launch the creation of an extensive and multifunctional electronic platform.

4. Coordination of Support with Development Partners

The EFSD pays special attention to the coordination of its planned support in the Republic of Armenia with key development partners, including the IMF, the WB, and the ADB. Given the limited resources of development partners and the EFSD, as well as the complexity of the structural and institutional reforms to be implemented, and the vast financing needs for basic and social infrastructure modernisation and development, such close coordination will enhance the effectiveness of support in certain areas of cooperation and achieve maximum synergies in helping the Republic of Armenia create the conditions for its sustainable and inclusive development. The key priority areas identified by the main development partners in Armenia have been taken into account in setting the Fund's strategic objectives for 2022–2026 and are presented below.

The World Bank's Armenia Country Partnership Framework for 2019–2023 includes 3 main areas of reforms: enhancement of the country's export potential and competitiveness; human capital development; and sustainable management of environmental and natural resources.

The key areas of reforms supported in Armenia by the IMF are reflected in the IMF Standby Arrangement, signed in May 2019, including: improved efficiency of public administration; better business environment; expanded social protection programmes to improve access to education and healthcare for vulnerable groups of the population; and enhanced macroeconomic and financial stability.

The Country Partnership Strategy of the Asian Development Bank for 2021–2023 covers 3 main areas of support: development of the transport, energy, and urban infrastructure; improvement of education, health, and financial intermediation services; and support for regional cooperation and integration.

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