TECHNICAL ASSISTANCE REPORT

REPUBLIC OF ARMENIA

Public Investment Management Assessment (PIMA) Update and Climate PIMA

JULY 2026

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Abbreviations and Acronyms

ADB	Asian Development Bank
AMD	Armenian Dram
APSAS	Armenia Public Sector Accounting Standards
BPCD	Budget Process Coordination Department
BSL	Budget System Law
CBT	Climate Budget Tagging
CCDR	Country Climate and Development Report
CEPA	Comprehensive and Enhanced Partnership Agreement
C-PIMA	Climate Module of the Public Investment Management Assessment
DPM	Deputy Prime Minister
DRM	Disaster Risk Management
EIA	Environmental Impact Assessment
EMEs	Emerging market economies
FAD	Fiscal Affairs Department
GFMIS	Government Financial Management Information System
GFS	Government Finance Statistics
GHG	Greenhouse gases
IFI	International Financial Institution
KPI	Key Performance Indicator
LT-LEDS	Long-term Low Greenhouse Gas Emissions Development Strategy
MDAs	Ministries, Departments, and Agencies
MTAI	Ministry of Territorial Administration and Infrastructure
MTEF	Medium-Term Expenditure Framework
MoE	Ministry of Economy
MoEnv	Ministry of Environment
MoF	Ministry of Finance
ND-GAIN	Notre Dame Global Adaptation Index
NDC	Nationally Determined Contribution
PEIA	Program Evaluation and Internal Audit Policy Department
PIC	Public Investment Committee
PIMA	Public Investment Management Assessment
PIUs	Project Implementation Units
PPAs	Power purchase agreements
PPP	Public-private partnership
PSRC	Public Services Regulatory Commission
SAPs	Sectoral adaptation plans
SNG	Subnational government
SOE	State-owned enterprise
TDF	Territorial Development Fund
TSA	Treasury Single Account
UNDP	United Nations Development Program

Preface

At the request of the Ministry of Finance (MoF) of Armenia, a team from the IMF's Fiscal Affairs Department (FAD) undertook a Public Investment Management Assessment (PIMA) Update with the Climate Module (C-PIMA) during the period from February 11 to 24, 2026. The team was led by Ed Hearne and comprised Natalie Manuilova (both FAD), Juan Alberti, Hana Huzjak, Magdalena Tomczynska-Smith, and Ken Cleary (FAD experts) with Sylke von Thadden-Kostopoulos and Lukas Adamski (both FAD) providing analysis of climate issues remotely.

The mission met with Deputy Finance Ministers, Mr. Edgar Mkrtchyan, Mr. Vahan Sirunyan and Mr. Avag Avanesyan, who provided strategic insight into public investment management in Armenia. Within the MoF, the mission held meetings with the Program Evaluation, Public Investment and Internal Audit Policy Department, Budget Block, Macro-fiscal Policy and Public Debt Management, Office of Controller and Accountant General, Treasury, Budget Reporting Department, Procurement Policy Department, Fiscal Risks Management Department, Department of Accounting and Audit Activities Regulation and Reports Monitoring.

The mission also met with deputy Minister of Internal Affairs and Director of Rescue Service, Mr. Aram Ghazaryan, Chairman of the State Property Management Committee, Mr. Arnak Avetisyan Chairman of the Water Committee of Armenia, Mr. Aramazd Ghalamkaryan, and Director of the Yerevan Urban Development Project Implementation Unit, Ms. Aneta Babayan. The assessment team met with senior officials from other ministries and bodies and their staff, including from the Deputy Prime Minister's Office (DPM), the Ministry of Territorial Administration and Infrastructure (MTAI), the Ministry of Environment (MoEnv) and the Ministry of Internal Affairs. The mission conducted meetings with a number of bodies and local authorities, including State Property Management Committee, Audit Chamber of Armenia, Public Services Regulatory Commission, Territorial Development Fund and Yerevan Municipality.

The team would like to thank the Government of Armenia for their hospitality, cooperation and constructive discussions during the assessment, and for their active engagement at the Preliminary Findings Workshop on February 20, 2026. The team would particularly like to thank Mr. Garik Petrosyan for his key role in facilitating the mission and Ms. Knarik Poghosyan for excellent work in coordinating the meetings and providing logistical support.

The mission also extends its appreciation to the IMF Resident Representative Office in Yerevan for its cooperation and facilitation of the mission, including Mr. Umang Rawat and Ms. Marine Aleksanyan and in particular to Mr. Vahram Janvelyan for his excellent support throughout.

Executive Summary

Public investment in Armenia has been increasing in recent years, but the public capital stock is nonetheless significantly smaller than a decade ago. Spending has grown since 2019 but while planned public investment has been ramped up, actual capital budget execution has not matched this ambition with the result that Armenia's capital stock as a share of GDP has fallen. This has been particularly pronounced in economic infrastructure sectors and is a marked turnaround from the pattern of over-execution described in the 2018 Public Investment Management Assessment (PIMA). In the last decade, the domestic budget has replaced international loans and grants as the dominant source of investment finance. The government plans to continue to increase investment over the medium term with the sectoral composition shifting from transport to education, reflecting policy commitments to enhance Armenia's schools and kindergartens and deliver the Academic City project.

The quality and extensiveness of Armenia's public infrastructure generally lag comparators. The density of rail and road networks in Armenia is lower than peer countries and while road quality is comparatively better, rail service efficiency is below the regional average. Armenia's electricity network continues to experience strains and power outages are typically longer than those in neighboring countries. Access to basic drinking water and sanitation is high, although there is a high level of water leakage. The overall quality of Armenia's infrastructure has remained broadly stable in recent years. IMF estimates point to a gap in public investment efficiency of about 16 percent, meaning that Armenia achieves a lower level of physical infrastructure for its capital stock compared to the best performing country with a comparable level of capital stock. These trends underscore the importance of robust institutions for public investment management (PIM), especially as the government plans to ramp up investment to address the shortcomings in infrastructure provision discussed above.

This assessment finds an improvement in infrastructure governance since the 2018 PIMA. Armenia has introduced a range of public investment reforms in recent years. Changes include the establishment of a stronger legal footing through the PIM Decree; the introduction of new arrangements for project appraisal, assurance, and prioritization; a revised PPP framework, public procurement reforms and a strengthened Budget System Law (BSL). The reassignment of central PIM oversight from the Ministry of Economy (MoE) to the Ministry of Finance (MoF) is a further key reform. This report applies the PIMA framework, which assesses PIM both in terms of its strength of design, and its effectiveness in practice (Figure 1 and Table 1). Compared to the 2018 PIMA there has been an aggregate improvement in the ratings of institutions, both in terms of design and effectiveness. Improvements include the effectiveness of the fiscal framework for public investment, requirements for project appraisal, capital investment budgeting and requirements for central project reviews. At the same time there has been a deterioration in portfolio monitoring and asset management. In addition, the scope of the PIM procedures entails some significant exemptions, facilitating certain priority projects to bypass appraisal requirements until 2028 and investment budget decisions are not fully linked to the PIM process in practice. These weaknesses limit the impact of reforms implemented to date.

Armenia's PIMA results compare favorably to regional and income group comparators. The PIMA presents results for Armenia relative to averages for Emerging Market Economies (EMEs) and Middle East and Central Asia (MCD). Regarding institutional design, the assessment finds comparative strengths in project appraisal, multiyear budgeting, budget comprehensiveness and unity and funding availability.

On effectiveness, the fiscal framework and budget and funding institutions also score above income group and regional averages.

Armenia has made progress in incorporating climate change in public investment management, but there is scope to improve (Figure 2 and Table 2). This report also applies the climate change module of the framework (C-PIMA) introduced in 2021. Armenia has begun to reflect climate issues into sectoral strategies and construction regulations. Arrangements for coordination have been strengthened with the recent passage of the Climate Law. There are some requirements for climate appraisal, but these do not usefully inform project prioritization given the more general disconnect between the PIM process and investment budgeting. Progress has been achieved in developing a climate budget tagging system. Armenia has a significant opportunity to reflect climate issues in asset maintenance and management and to expand the frameworks for disaster risk management.

The assessment has revealed a number of remaining issues that undermine investment efficiency and contribute to under-execution of capital budgets. Since the 2018 PIMA, under-execution has emerged as a persistent challenge. In the intervening years, cumulative spending – excluding defense – has been less than 65 percent of planned investment. This has been particularly pronounced in economic infrastructure sectors. This assessment uncovers a number of issues across the lifecycle that, if addressed, can enhance investment efficiency and improve budget execution:

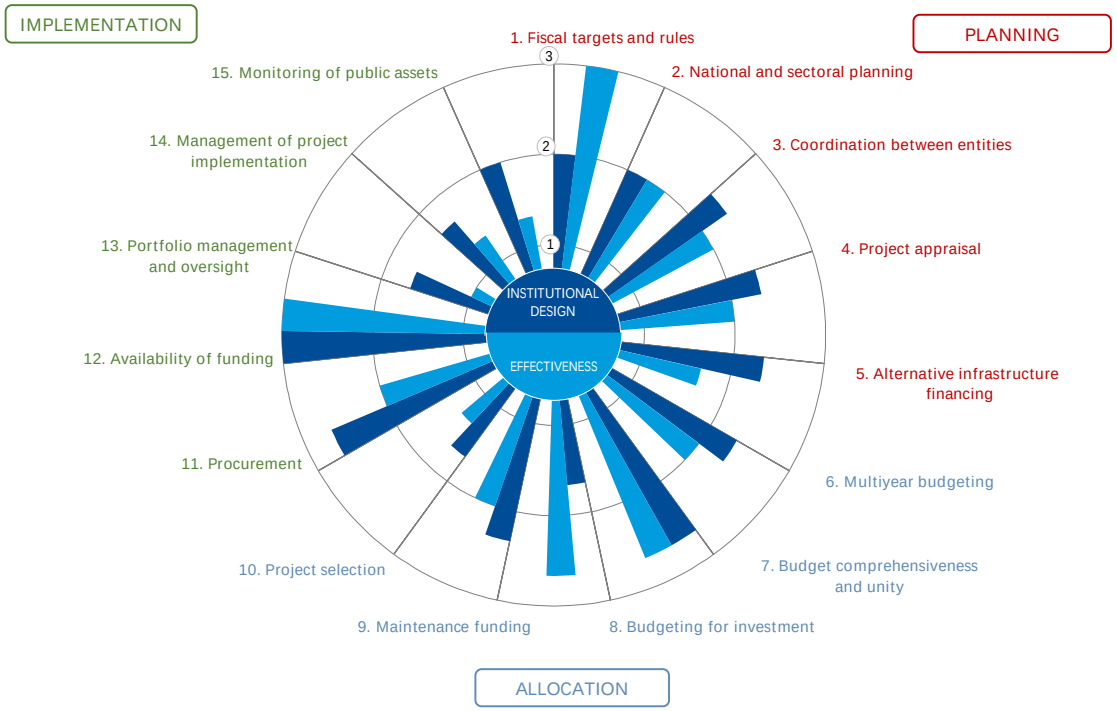
- **Infrastructure policy is not sufficiently developed to guide public investment management.** National and sectoral policies are fragmented and not linked to resource availability. Armenia does not have an economy-wide assessment of key infrastructure gaps. Sectoral allocations are volatile and deviate from projections, posing a challenge to project implementation planning.

- **Design of the PIM system has been strengthened, but full integration with the budget is a work in progress.** There have been substantial improvements to institutions for project preparation, appraisal and assurance. At the same time, Armenia's budget institutions score highly. While the PIM process produces a ranked list of priority projects, de facto prioritization through the budget is independent of this process and the system does not take adequate account of climate issues.

- **There are weaknesses in project implementation and asset management.** This assessment finds that procurement planning can be made more reliable, project management capacity is under-developed and there is an absence of active portfolio monitoring and management to identify and address impediments to infrastructure delivery and to reallocate between projects to expedite implementation where possible. There is no consolidated register of Armenia's critical national infrastructure or an assessment of its potential vulnerabilities to extreme weather and climate change.

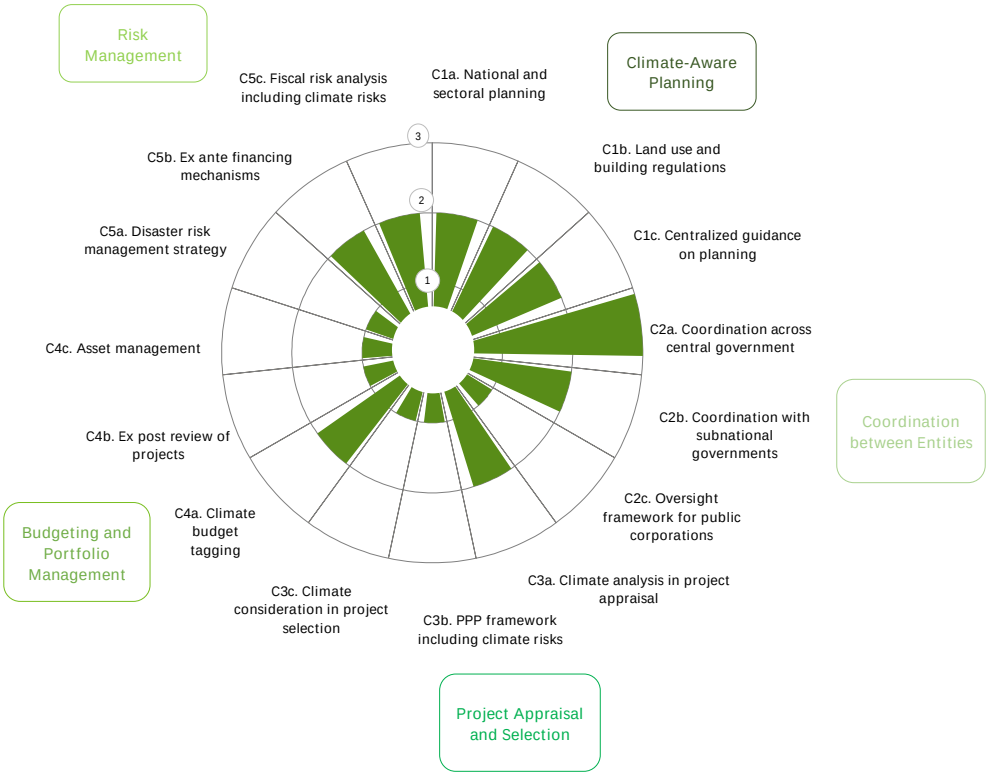
This report recommends a number of targeted reforms to address these issues, enhance public investment efficiency and improve its climate sensitivity (Table 3). These include developing a national infrastructure strategy, informed by a cross-sectoral assessment of infrastructure needs and backed by multiyear sectoral ceilings; continuing to refine project appraisal and selection requirements, enhance their climate sensitivity and broaden their application; fully integrating PIM and budget functions; enhancing procurement and project implementation and establishing more active portfolio management; taking steps to incorporate climate change impacts in SOE investment planning, asset maintenance, and fiscal risk analysis. Addressing these issues can support budget execution and help unlock maximum value from Armenia's growing public investment.

Figure 1. Armenia PIMA: Institutional Design and Effectiveness



Source: IMF staff assessments; 1 is low; 2 is medium and 3 high.

Figure 2. Armenia C-PIMA: Institutional Design



Source: IMF staff assessments; 1 is low; 2 is medium and 3 high.

Table 1. PIMA Summary Assessment for Armenia

Phase/Institution			Institutional Strength	Effectiveness	Reform priority
A. Planning	1	Fiscal targets and rules	MEDIUM. Armenia has fiscal rules for central government but not general government and the MTEF distinguishes current and capital.	HIGH. Armenia's debt and deficit have been within limits and capital budgets in line with the MTEF.	LOW
	2	National and sectoral planning	MEDIUM. Government Action Plan includes some capital projects but costing and output targets are partial in coverage.	MEDIUM. There is a moderate link from the Five-Year Action Plan to the budget and limited systematic use of KPIs.	HIGH
	3	Coordination between entities	MEDIUM. Requirements to share SNG development programs, transparent capital transfers, and requirements for disclosing SOE and PPP liabilities.	MEDIUM. SNG capital plans are somewhat coordinated with government, budget transfers are timely and PPPs are reported, but not most PPAs.	LOW
	4	Project appraisal	MEDIUM. There are requirements for systematic appraisal, with a standard methodology which includes risk analysis but significant exemptions.	MEDIUM. Requirements are not applied to all major projects; but many are appraised – including risk - through IFI processes.	MEDIUM
	5	Alternative infrastructure financing	MEDIUM. Regulatory framework established in key sectors, PPP framework in place, and some rules for SOE coordination but there is no consolidated report of SOE investments.	MEDIUM. There is private participation in energy and telecoms, SOE investment plans are agreed with line ministries, but PPP use is lower in recent years.	LOW
B. Allocation	6	Multi-year budgeting	MEDIUM. MTEF includes multiyear projections with sector ceilings, but project costs only for IFI projects.	MEDIUM. Capital budgets are in line with MTEF, but sector ceilings are not guiding budgeting and changes in project costs are not explained.	MEDIUM
	7	Budget comprehensive-ness and unity	HIGH. Investment is through the budget, current costs are presented together, and most externally financed projects are disclosed.	HIGH. There is no extrabudgetary investment, budget documents provide detailed view of public investments.	LOW
	8	Budgeting for investment	MEDIUM. Appropriations are annual, virements from capital to current spending require Government decision but total costs not required to be disclosed.	HIGH. The Budget shows project costs for many major capital projects, virements are rare, and projects receive required funding.	LOW
	9	Maintenance funding	MEDIUM. There are methodologies for maintenance but some fragmentation. Spending is identified in the budget.	MEDIUM. Budgets for routine maintenance are low, but capital maintenance is growing and maintenance budgets are executed.	MEDIUM
	10	Project selection	MEDIUM. There is a central review and prioritization criteria, and arrangements for pipeline of appraised projects but these are weakly connected to investment budgeting.	LOW. Central review screens out projects, but investments enter the budget without coming through the PIM system.	HIGH
C. Implementation	11	Procurement	HIGH. Competitive bidding required by law, procurement is centrally reported and there is a review and appeals process.	MEDIUM. High use of urgent procurement in practice, a procurement database is available, and a court-based procurement review process.	HIGH
	12	Availability of funding	HIGH. Monthly cash flow forecasts and quarterly allotments are required, and donor funds are integrated into the TSA.	HIGH. Cash flow forecasts are reliable, releases are timely and information on external finance is up to date.	LOW
	13	Portfolio management and oversight	MEDIUM. Requirements for implementation monitoring and scope for reallocation, but not for ex-post reviews.	LOW. Significant budget under-execution, reallocation does not happen in practice and ex-post reviews are not conducted.	HIGH
	14	Management of project implementation	MEDIUM. Implementation plans are required and ex-post audits are possible, but no process for project adjustment.	LOW. Execution plans in place prior to approval, but project adjustment is not systematic and very few audits completed.	MEDIUM
	15	Monitoring of public assets	MEDIUM. Asset registers and deprecation required, but non-financial assets are not required in financial statements.	LOW. Infrastructure not generally covered in asset registers, not consolidated into public sector reporting.	HIGH

Table 2. C-PIMA Summary Assessment for Armenia

Phase/Institution			Institutional Strength	Reform priority
Climate - PIMA	C1	Climate-aware planning	MEDIUM. Strategies incorporate climate investment costs, guidance on mainstreaming climate in national strategies and building codes incorporate energy efficiency standards but spatial planning lacks specific reference to climate risks and impacts.	MEDIUM
	C2	Coordination between entities	MEDIUM. The new Climate Law provides a strong basis for improving the coordination of climate investment across central and sub-national governments, but SOEs remain outside of the coordination framework.	MEDIUM
	C3	Project appraisal and selection	LOW. The PIM process requires some climate assessment in appraisal, but this does not fully inform selection, and the PPP framework does not contain climate risk allocation.	HIGH
	C4	Budgeting and portfolio management	LOW. Identification of climate-related expenditures in the budget is a legal requirement in the Climate Law, but climate perspectives not included in ex-post reviews, audits or asset management policies.	HIGH
	C5	Risk management	MEDIUM. Armenia has a legally grounded Disaster Risk Management framework, contingency financing mechanisms, and published fiscal risk analysis, but lacks a mandatory update cycle, systematic asset-level risk assessment, dedicated disaster risk financing architecture, and quantitative analysis.	HIGH

Recommendations

Table 3. PIMA and C-PIMA Recommendations

#	Recommendation	Priority
Investment Planning		
1	Develop a 5 to 10 year National Infrastructure Strategy, based on an assessment of cross-sectoral needs, with agreed priorities and an indicative capital envelope (Office of the Deputy Prime Minister (DPM), Q3 2027).	HIGH
2	Take stock of all PPAs and include the assessment of related fiscal risks in the Fiscal Risk Statement, prioritizing the largest contracts (MoF, Q4 2028).	MEDIUM
Investment Allocation		
3	Update the BSL and PIM Decree to remove exemptions for medium and large projects, include a formal project selection process and mandate that only mature, stringently appraised, climate-screened and National Infrastructure Strategy-aligned projects - regardless of financing source or procurement model - are prioritized in the budget (MoF, Q3 2027).	HIGH
Investment Implementation		
4	Enact measures to restrict the use of urgent procurement and publish and update a rolling 1–3 year procurement pipeline, (in time, derived from the National Infrastructure Strategy), to provide market visibility, enable early market engagement, strengthen competition and private sector preparedness (MoF, Q4 2027).	MEDIUM
5	Introduce a central portfolio management function to validate the rationale for legacy projects, track financial and physical progress of the largest projects, review bottlenecks to delivery and take decisions to accelerate portfolio implementation, including reallocation between projects (DPM & MoF, Q3 2027).	HIGH
6	Expand asset registers to systematically cover major infrastructure with attached values and standardized valuation approaches (MoF, Q1 2028).	MEDIUM
Climate-Sensitive Public Investment Management		
7	For key SOEs in energy, transport and water, use the *Declaration of Substantiation of Ownership* process to mandate that investment strategies be consistent with climate policy and that all major projects are appraised, incorporating climate adaptation and mitigation (MoF, Q1 2027).	MEDIUM
8	Update the guidance for pre-feasibility and feasibility studies with more detailed processes for climate appraisal and mandate that only climate-screened projects are considered for budget funding (MoF, Q2 2027).	MEDIUM
9	Improve the climate sensitivity of asset management by reflecting the climate-exposure of selected critical infrastructure assets in transport, water and energy in asset registers, develop risk mitigation and climate-informed asset maintenance strategies (MoF, Q2, 2028).	HIGH
10	Publish an enhanced Fiscal Risk Statement that strengthens the long-term fiscal risk analysis under different climate scenarios and provides quantitative analysis of climate fiscal risks and risks to public infrastructure (MoF, Q4 2027).	MEDIUM
Cross-Cutting Issues		
11	Adopt a sequenced Public Investment Capability Building Strategy that develops skills in project preparation, delivery, portfolio oversight, and risk management, with practical measures to professionalize roles and embed learning across government (MoF & DPM, Q4 2027).	HIGH

I. Public Investment in Armenia

A. Trends in Public Investment and Capital Stock

1. Public investment in Armenia has been increasing in recent years, but the public capital stock is significantly smaller than a decade ago. While the sharp decline in public investment reported in the 2018 PIMA has been reversed, the capital stock – measured in GDP terms – has continued to decline as investment has not kept pace with economic growth and depreciation of the asset base (Figure 3). While the capital stock has increased in nominal terms, it continues to lag regional comparators (Figure 4) as was the case at the time of the 2018 PIMA.

Figure 3. Public Investment and Capital Stock in Armenia (2014–2023)

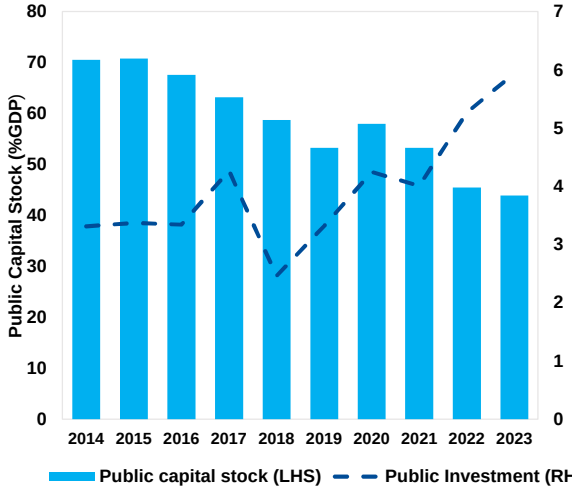
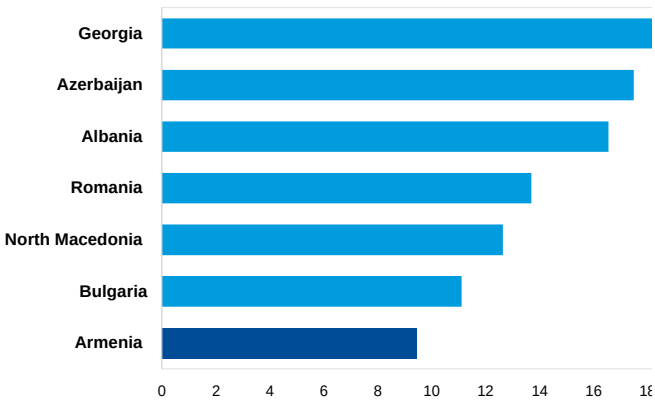


Figure 4. Public Capital Stock Per Capita, 2023
(thousands of dollars)



Source: IMF GFS Database, IMF staff estimates .

2. Planned public investment has been ramped up significantly, but actual capital budget execution has fallen short. The 2018 PIMA reported over-execution of capital spending in the preceding decade. That trend has been reversed and in the intervening period, cumulative execution – excluding defense - has been 65 percent and there has not been a year where full execution has been recorded (Figure 5). In the five-year period to 2018, capital budgets were significantly over-executed, with contingency reserves required to fund excess spending on domestically funded projects. In the period from 2019 to 2024, domestically funded investment spending was largely spent, but execution of internationally financed projects fell to just over 50 percent (Figure 6). Under-execution is also an issue in the SOE sector. For example, expenditure on the Caucasus Transmission Network Project was planned to reach €100 million per annum from 2021 to 2024 but in actuality there has been no significant outlay on the project.

Figure 5. Public Investment Budget and Execution Rate, 2018–2024 (excluding defense)

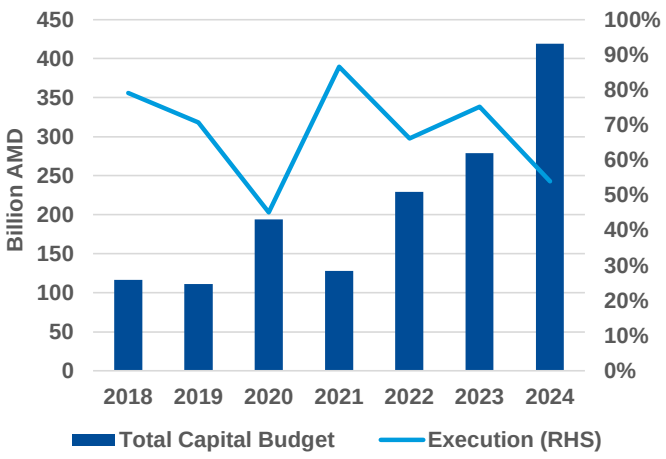
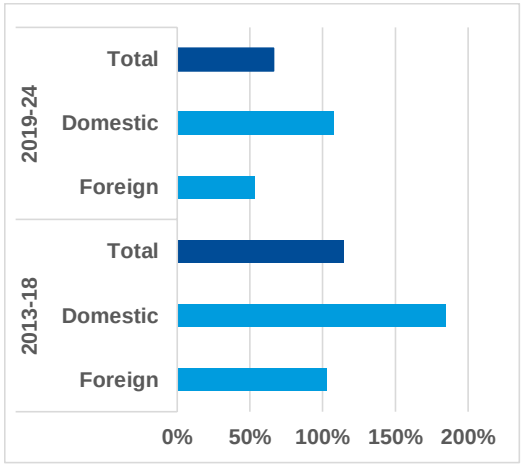


Figure 6. Execution Rate in Different Periods (excluding defense)



Source: Staff analysis of MoF data

B. Composition and Financing of Public Investment

3. In the last decade, the domestic budget has replaced international loans and grants as the dominant source of finance and SOE investment has been volatile but trended downwards. Since 2015, the share of total investment accounted for by international sources of finance has fallen steadily from 76 to 27 percent (Figure 7). Excluding capital spending on defense, domestically funded investment stood at just over AMD 160 billion in 2024, compared to internationally funded spending of AMD 62 billion (Figure 8). Internationally financed capital investment by IFIs has been subject to considerable annual variation but trended downwards overall (Figure 9).

Figure 7. Source of Finance of Public Investment, 2015–2024 (Excluding Defense)

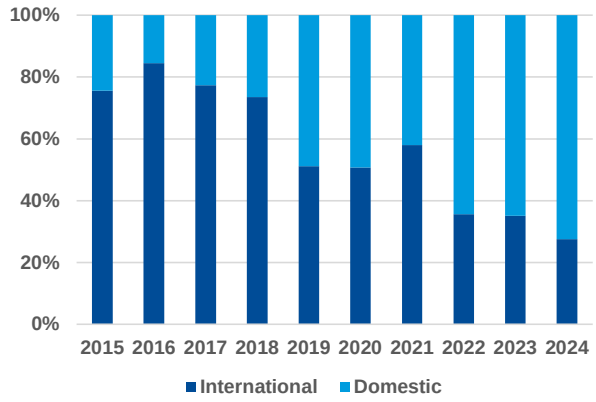
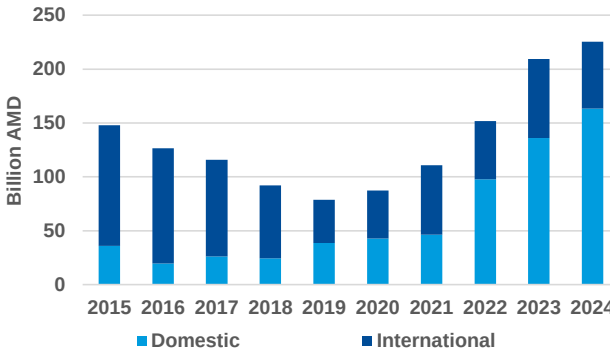
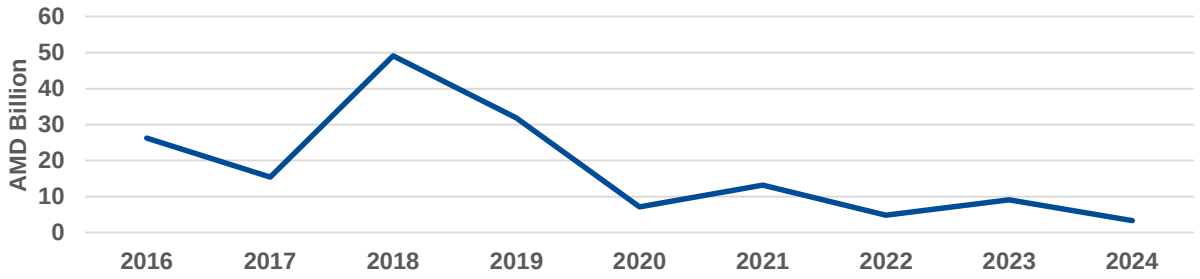


Figure 8. Public Investment by Source of Finance, 2015–2024 (Excluding Defense)



Source: Staff analysis of MoF data.

Figure 9. IFI Financed SOE investments, 2016–2024

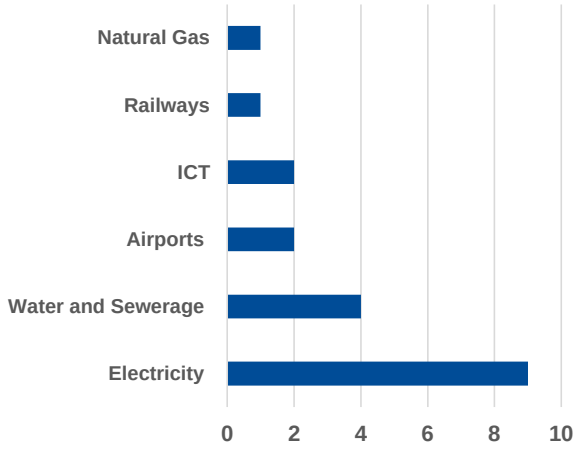


Source: Staff analysis of MoF data

4. Armenia has a comparatively high level of capital stock from PPPs. In total, 19 projects have reached financial close (Figure 10). Total investment through PPPs has been over USD 2.6 billion. Projects have been primarily concentrated in the electricity sector (Figure 10). Compared to regional peers, Armenia has a relatively large level of capital stock from PPPs (Figure 11). The majority of these contracts were concluded prior to 2015 and in the last decade, projects have been exclusively in electricity, except for one PPP in water and wastewater.[1]

Figure 10. Armenia PPP Investment

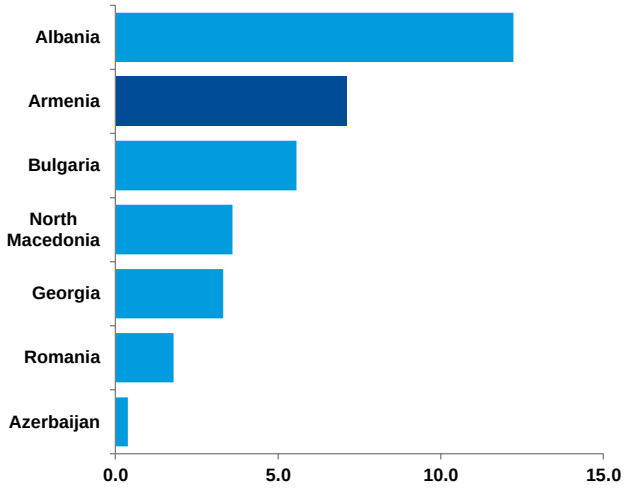
Total Projects by Sector



Source: World Bank.

Figure 11. PPP Capital Stock

Armenia and Comparators, 2020



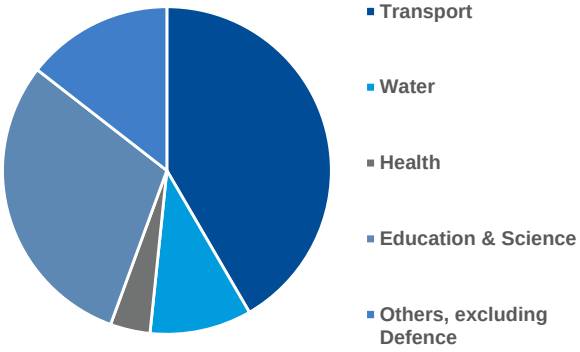
Source: FAD Infrastructure and Capital Stock Database.

5. Budget investment has been concentrated in transport and education. In the period since the Covid-19 Pandemic, transport investment accounted for over 40 percent of total investment (Figure

[1] World Bank (2026) Private Participation in Infrastructure – Country Snapshots – Armenia.

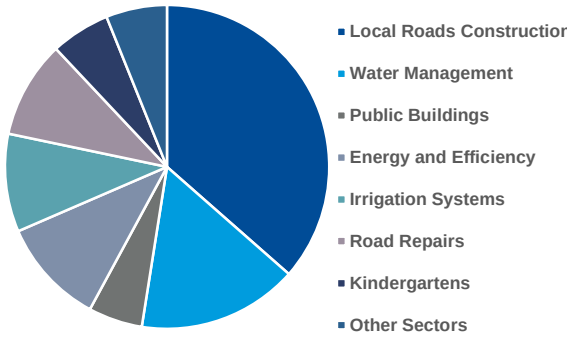
12). The share of spending on education has also grown, reflecting policy commitments to enhance schools and kindergartens. Public investment at the sub-national government level has been concentrated in road construction and rehabilitation and water services (Figure 13).

Figure 12. Sectoral Shares of Budget Investment, 2022–2025, Excluding Defense



Source: Staff analysis of Budget 2022–2025.

Figure 13. Sectoral Shares of Community Investment, 2025



Source: MTAI.

C. The Outlook for Public Investment

6. The government plans to continue to increase public investment over the medium term. This will see capital investment increasing five-fold, in nominal terms, in the ten-year period from 2021 to 2030 (Figure 14). While a significant increase in investment was achieved in the five-year period to 2024, this was predominantly delivered by increasing defense expenditures which accounted for close to 60 percent of total capital spending. Over the medium term, defense spending will moderate and investment in economic and social infrastructure will increase (Figure 15).

Figure 14. Actual and Planned Public Investment, 2021–2030

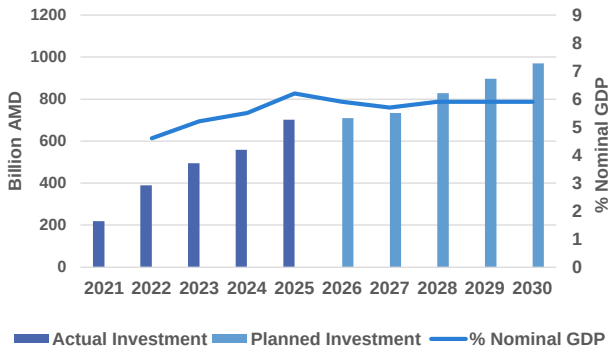
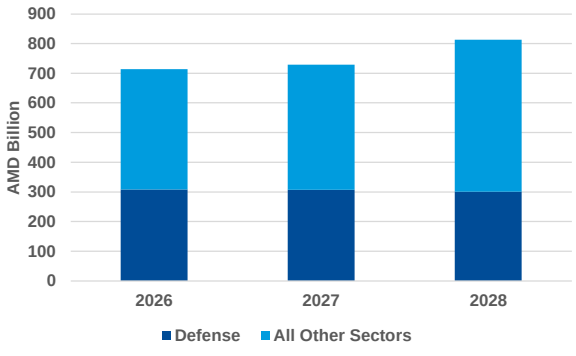


Figure 15. Composition of Planned Public Investment, 2026–2028



Source: Staff Analysis of Budget Execution Reports and MTEF.

7. The sectoral composition of investment is changing, with increased funding for education. Capital investment in education, science, culture, and sport will have the largest cumulative ministerial allocation in the years to 2028 as the government continues its policy commitment to schools and kindergartens and pursues the Academic City project (Figure 16). Spending on transport and water management will fall as a share of total investment, though will remain large in nominal terms. Plans entail considerable volatility in ministerial allocations (Figure 17). While some of this variance may be attributable to the implementation profiles of large projects, significant swings can mitigate against efficient ramp-up of investment: a smoother path of investment growth would allow ministries and agencies to steadily build up capacity and enable the supply side – such as building contractors, engineers, planners and associated services – to plan more sustainably.

Figure 16. Sectoral Shares of Budget Investment, 2026–2028, Excluding Defense

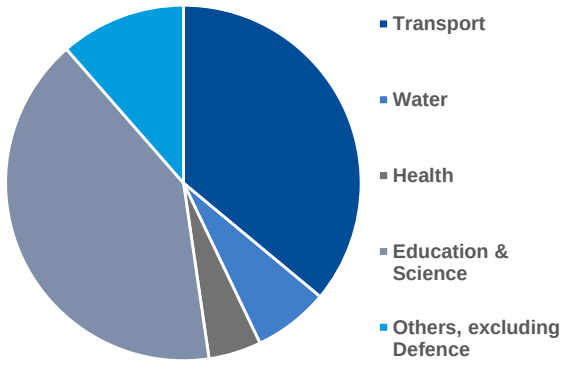
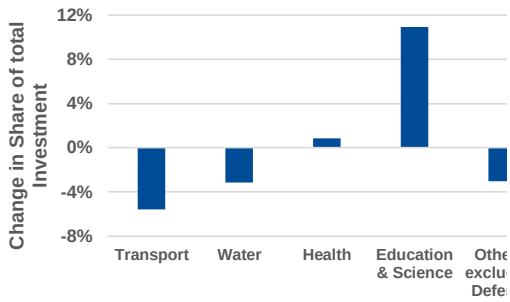
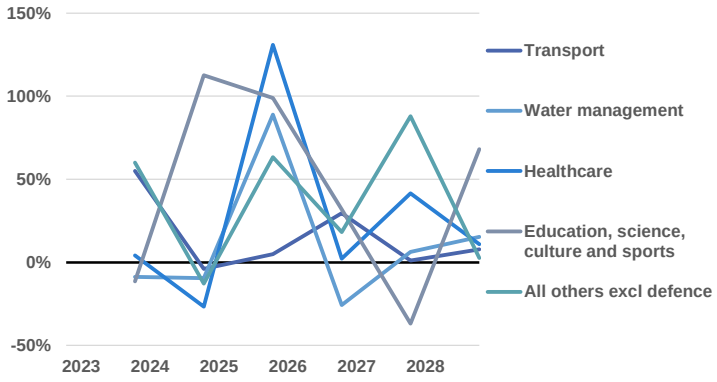


Figure 17. Change in Sectoral Shares of Budget Investment, 2022–2025 and 2026–2028, Excluding Defense



Source: Staff analysis of Budgets 2022-2025 and MTEF 2026–2028.

Figure 18. Annual Change in Sectoral Allocations, 2023–2028 Excluding Defense



Source: Staff analysis of Budgets 2022-2025 and MTEF 2026–2028.

II. The Efficiency of Public Investment

A. Sectoral Infrastructure Performance

Transport

8. Transport infrastructure in Armenia is generally lagging behind comparator countries. While Armenia has a comparatively less extensive road network than peers (Figure 19), the quality of the infrastructure is roughly mid-range (Figure 20). Density of the rail network is also lower than peers (Figure 21) and there is lower train service efficiency (Figure 22). While the quality of roads and efficiency of public transport have increased by about 6 percent since the 2018 PIMA, there has been a reduction of similar scale in rail efficiency. Most other metrics have remained unchanged.

Figure 19. Road Density, Armenia and Comparators, 2024 (Km/surface area)

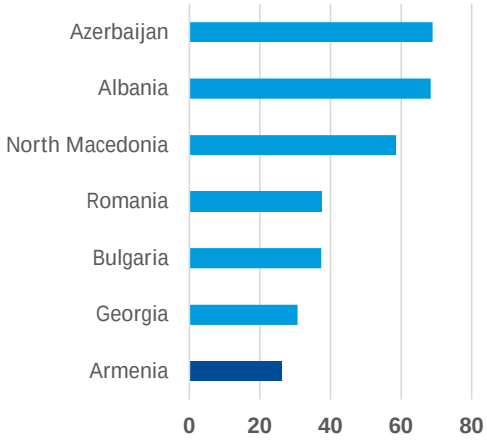


Figure 20. Quality of Roads Armenia and Comparators, 2024 (Scale of 1-7)



Figure 21. A Railroad density, Armenia and Comparators, 2024 (km/100 square km)

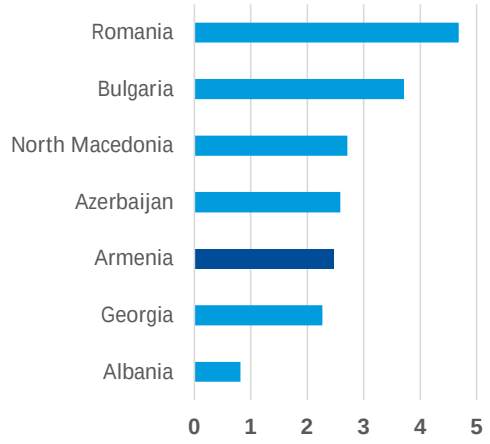
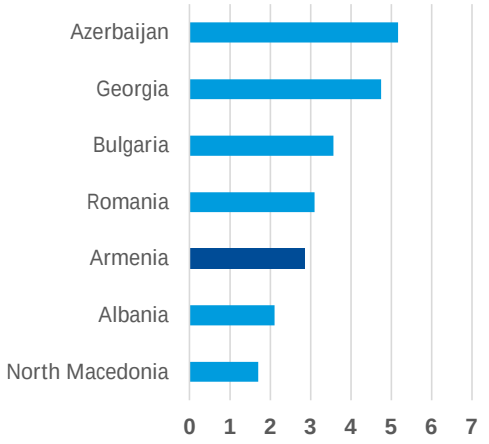


Figure 22. Efficiency of Rail Services, Armenia and Comparators, 2024 (Scale of 1-7)



Source: World Bank Development Indicators, 2024.

Energy

9. Armenia's electricity network continues to experience strains. There has been a moderate improvement in power distribution losses in recent years (Figure 23) and the country stands about mid-range among peers for this metric (Figure 24). At the same time, Armenia continues to experience more days of power outages than comparators (Figure 25).

Figure 23. Power Distribution Losses, Armenia, 2019–2024, % of domestic supply

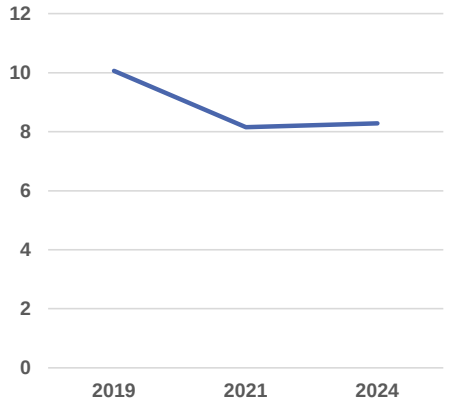
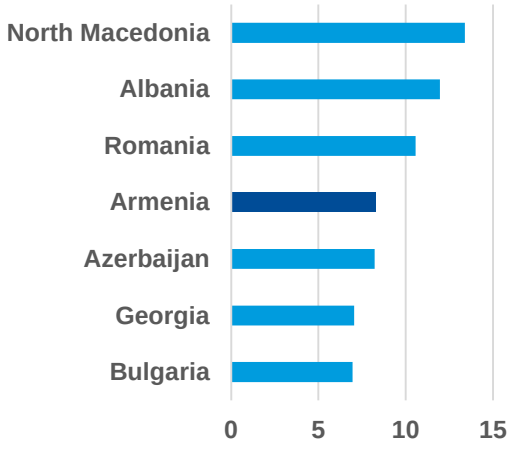
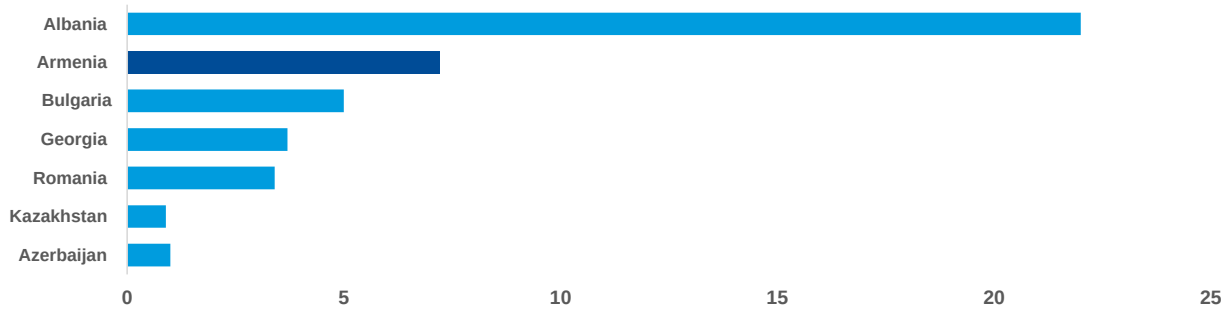


Figure 24. Power Distribution Losses, Armenia and Comparators, 2024, % of domestic supply



Source: World Bank Development Indicators, 2024.

Figure 25. Days of Power Outages, Armenia and Comparators, 2020



Source: System Change Labs.

Water and Sanitation

10. Armenia has high levels of access to basic drinking water and sanitation, but the water distribution network is old, and transmission losses are significant. Armenia has universal access to basic drinking water, marginally ahead of some regional peers and compares favorably on access to basic sanitation (Figure 26). Water distribution is operated on a lease, but over 500 settlements are not connected to the core infrastructure.[2] Moreover, distribution losses are high, with "non-revenue water" in the range of 70 percent.[3] The proportion of the population with access to safely treated drinking water is low, at 40 percent, but in line with many regional comparators (Figure 27).

Figure 26. Use of Basic Drinking Water and Sanitation, Armenia and Comparators, 2024, % pop

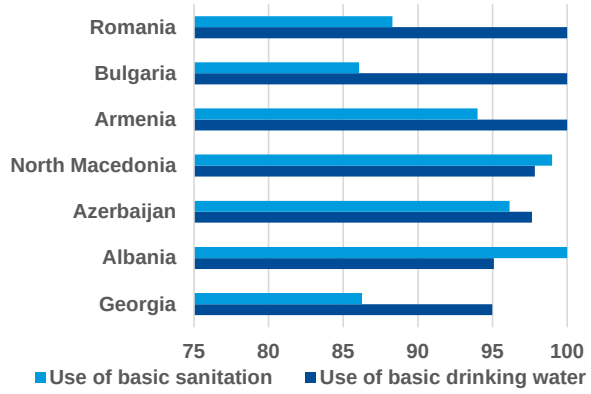
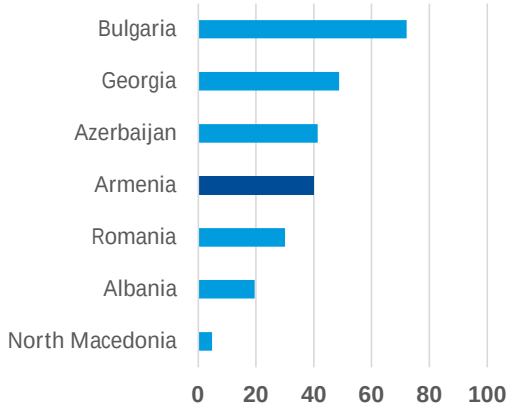


Figure 27. Safely Treated Domestic Waste Waterflow, Armenia and Comparators, 2024, % of pop



Source: World Bank Development Indicators, 2024.

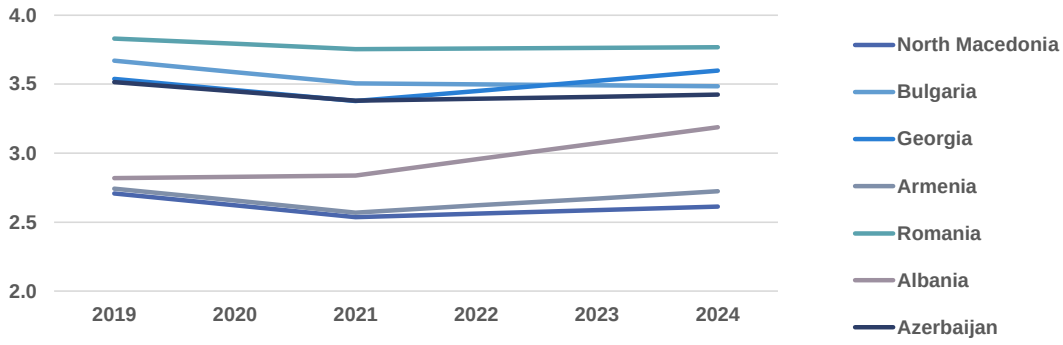
[2] USAID (2024) Water Sector Political Economy Analysis for USAID/Armenia Improved Water Management Program.

[3] Trancon, D.S. and G Halpern (2024) Assessing the enabling conditions for investment in Armenia's water security.

B. Overall Infrastructure Quality and Efficiency

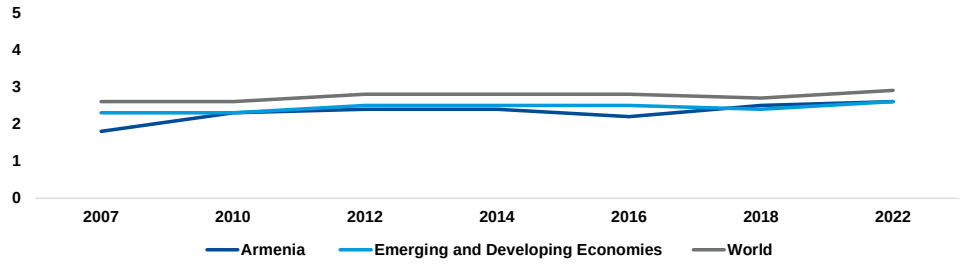
11. The quality of Armenia's infrastructure has remained broadly stable in recent years but lags many comparator countries. The World Economic Forum's (WEF) composite index of the quality of infrastructure and services shows a slight deterioration between 2019 and 2021 followed by a recovery in the years to 2024.[4] By this measures, Armenia's infrastructure and services quality lags many comparator countries (Figure 28). The World Bank's Logistics and Performance Index also shows a broadly stable trend over the fifteen years to 2022 and a level of quality in line with the average of emerging market economies (EMEs) (Figure 29).

Figure 28. Index of Infrastructure and Services Quality, Armenia and Comparators, 2019–2024, Scale of 0-7



Source: WEF (2025) Travel and Tourism Development Index – Infrastructure and Services Pillar.

Figure 29. Quality of Trade and Transport Infrastructure, Armenia and Comparators, 2007–2022, Scale of 1-5



Source: World Bank Trade and Logistics Index

[4] WEF (2025) Travel and Tourism Development Index – Infrastructure and Services Pillar.

12. Most recent data available points to a gap in public investment efficiency for Armenia. Data from 2019 points to an efficiency gap for physical infrastructure output of 16 percent (Figure 30 and 31), meaning that compared to the most efficient country with a similar capital stock, Armenia delivers about 16 percent less physical infrastructure. While this gap is lower than peer group averages, it should be recalled that Armenia has a lower level of capital stock as well as a lower level of infrastructure coverage and quality. There is no guarantee that this level of efficiency can be maintained at higher levels of investment and capital stock. Accordingly, reforms to infrastructure governance such as those recommended in this report will be a critical accompaniment to Armenia's plans for increased public investment in order delivery maximum efficiency.

Figure 30. Physical Infrastructure Efficiency, Armenia and Comparators

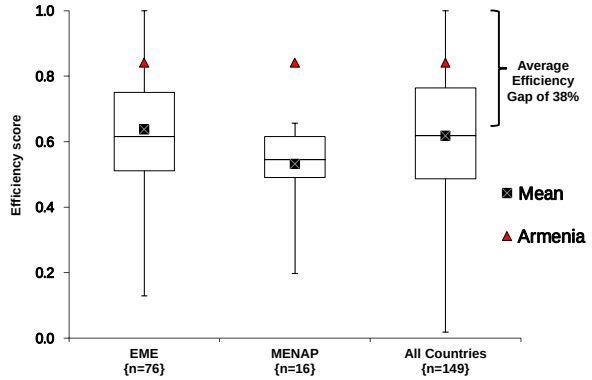
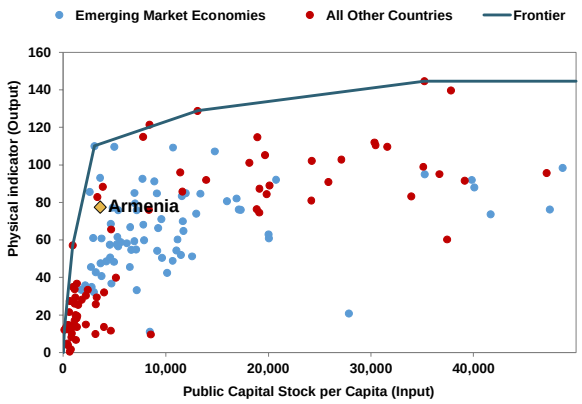


Figure 31. Physical Infrastructure Efficiency Frontier



Source: FAD Public Investment and Capital Stock Database. Data relates to 2019.

13. Better infrastructure governance can help Armenia increase public investment efficiency. IMF research has shown that, on average, countries could close two thirds of the efficiency gap by improving public investment management practices to the level of the most efficient comparator. In addition, good infrastructure governance practices are also associated with improved productivity of public investment: countries with better PIM systems get more growth "bang" for their investment "buck".[5] Accordingly, improving institutions for public investment can improve the quality and coverage of infrastructure delivered and improve the chances of that infrastructure enhancing growth prospects. Section III assesses the design and effectiveness of Armenia' s PIM institutions across the full investment lifecycle.

[5] IMF (2015) Making Public Investment More Efficient.

III. Public Investment Management Institutions

A. The 2018 PIMA Framework

14. The IMF has developed the PIMA framework to assess the quality of the public investment management of a country. It identifies the strengths and weaknesses of institutions and is accompanied by practical recommendations to strengthen them and increase the efficiency of public investment. The tool evaluates 15 "institutions" involved in the three major stages of the public investment cycle (Figure 32). These are: (i) planning of investment levels for all public-sector entities to ensure sustainable levels of public investment; (ii) allocation of investments to appropriate sectors and projects; and (iii) delivering productive and durable public assets.

15. For each of these 15 institutions, three dimensions are analyzed and scored according to a scale that determines whether the criterion is met in full, in part, or not met (see Annex 2 for the PIMA Questionnaire). Each institution is scored on three aspects: institutional design, effectiveness and reform priority.

- *Institutional design* refers to the objective facts indicating that appropriate organizations, policies, rules, and procedures are in place. The average score of the institutional design of three dimensions provides the score for the institution, which may be high, medium, or low.

Figure 32. PIMA Framework



Source: Public Investment Management Assessment Handbook.

- *Effectiveness* refers to the degree to which the intended purpose is being achieved or there is a clear useful impact. The average score of the effectiveness of the three dimensions provides the effectiveness score for the institution, which may be high, medium, or low.
- *Reform priority* refers to whether the issues contained within the institution are important to be improved in the specific conditions faced by Armenia.

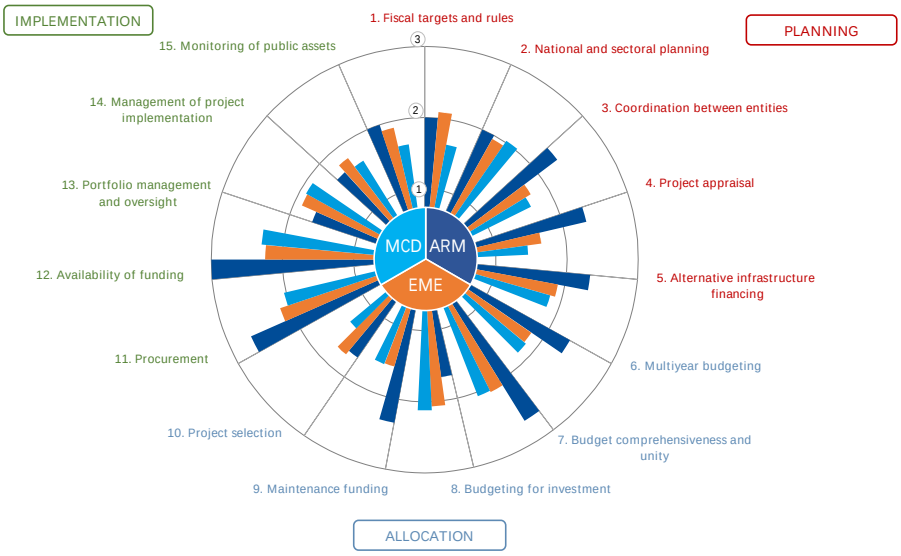
B. Overall Assessment

2026 Assessment

16. Armenia's PIMA results compare favorably to regional and income group comparators. The PIMA presents results for Armenia relative to averages for Emerging Market Economies (EMEs) and the Middle East and Central Asia (MCD). On institutional design, the assessment finds comparative strengths in project appraisal, multiyear budgeting, budget comprehensiveness and unity and funding

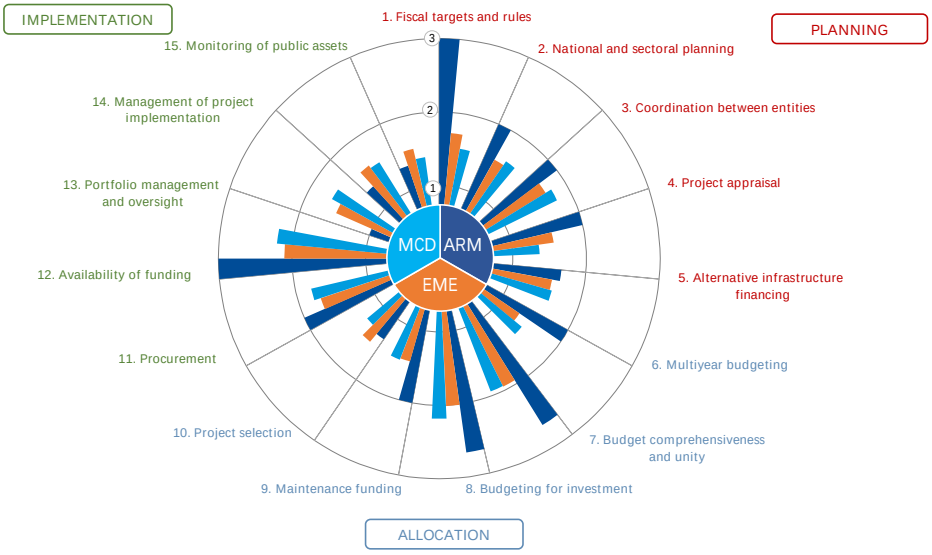
availability (Figure 33). On effectiveness, the fiscal framework and budget and funding institutions also score above income group and regional averages (Figure 34). As is common across all regions and income groups, Armenia exhibits a gap between scores for institutional design and effectiveness. The average gap is in line with the average for EMEs but larger than MCD.

Figure 33. Institutional Design of Public Investment Management Institutions



Source: Staff calculations, comparison to MCD and EME PIMAs completed at February 2026.

Figure 34. Effectiveness of Public Investment Management Institutions



Source: Staff calculations, comparison to MCD and EME PIMAs completed at February 2026.

Comparison to 2018 Assessment

17. This assessment finds an improvement in infrastructure governance since the 2018 PIMA. Compared to the 2018 assessment there has been an aggregate improvement in the ratings of institutions, both in terms of design and effectiveness. Key improvements include the effectiveness of the fiscal framework for public investment, requirements for project appraisal, capital investment budgeting and requirements for central project reviews. At the same time there has been a deterioration in portfolio monitoring and asset management (Table 4).

Table 4. Summary of Changes in Armenia's PIMA Scores 2018 to 2026

Phase/Institution			Institutional Design	Effectiveness	Explanation for change
A. Planning	1	Fiscal principles or rules	HIGH to MEDIUM	MEDIUM to HIGH	Change in assessment framework drives the revised score on design; improvement in adherence to rules drives increased effectiveness.
	2	National and sectoral plans	MEDIUM	LOW to MEDIUM	Clearer strategic hierarchy and guidance; medium-term costing and fiscal anchoring remain uneven.
	3	Coordination between entities	MEDIUM	MEDIUM	No change in institution score.
	4	Project appraisal	LOW to MEDIUM	MEDIUM	Robust standardized appraisal framework introduced, coverage and adherence still incomplete.
	5	Alternative infrastructure financing	MEDIUM	MEDIUM	No change in institution score.
B. Allocation	6	Multiyear budgeting	MEDIUM	LOW to MEDIUM	Budget capital allocations have recently been broadly in line with the earlier medium-term forecasts consistent with the stated fiscal targets.
	7	Budget Comp and unity	HIGH	HIGH	No change in institution score.
	8	Budgeting for investment	LOW to MEDIUM	LOW to HIGH	Total project costs for some major projects are now published with budget. Provisions to prioritize funding for ongoing projects.
	9	Maintenance funding	MEDIUM	MEDIUM	No change in institution score
	10	Project selection	LOW to MEDIUM	LOW	Central review process in place, but PIM process and budget integration remains limited.
C. Implementation	11	Procurement	HIGH	MEDIUM	No change in institution score.
	12	Availability of funding	HIGH	HIGH	No change in institution score.
	13	Portfolio management and oversight	MEDIUM	MEDIUM to LOW	Portfolio monitoring is fragmented across several institutions, with no information on non-financial performance, project delays or cost overruns.
	14	Project implementation	MEDIUM	LOW	No change in institution score.
	15	Management of public assets	MEDIUM	MEDIUM to LOW	Infrastructure assets are not consistently recorded and lack values. No reporting on public assets in government financial statements.

18. Many of the recommendations of the 2018 PIMA have been fully or partially implemented. Armenia has made good progress in bolstering the capacity and role of the MoF in the PIM process. At the institution level, some progress has been registered on recommendations relating to investment planning, project appraisal, project selection and procurement. Annex 5 provides more detail.

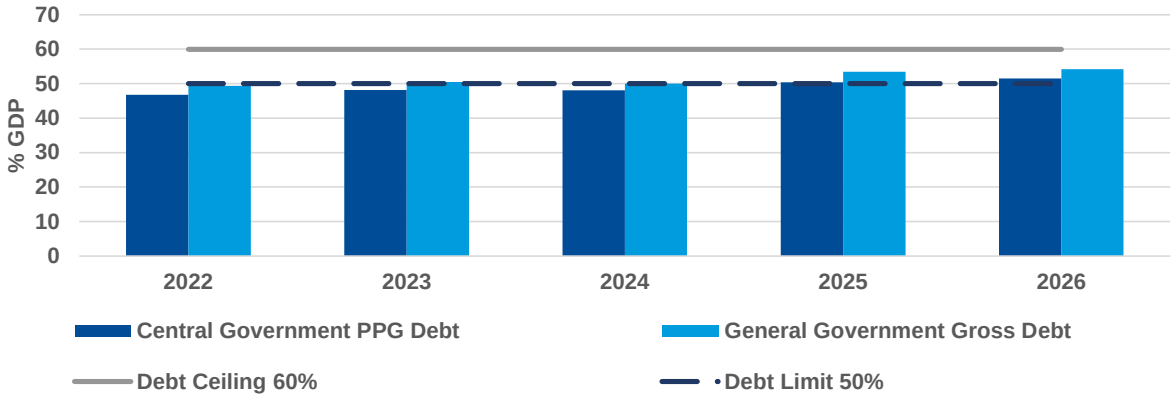
19. The following sections of this chapter provide a detailed assessment of Armenia's public investment management institutions. Sections C, D and E of this chapter present supporting evidence for these ratings in the areas of planning, allocation and implementation.

C. Investment Planning

1. Fiscal Targets and Rules (Strength—Medium; Effectiveness—High; Reform Priority—Low)

20. Armenia has legally established limits for central government but not general government debt and central government debt has remained below the limit over the last three years. The Law on State Debt sets the limits on central government debt.[6] These are a maximum ceiling on government debt of 60 percent of GDP and limits of 50 and 40 percent of GDP respectively, which if exceeded require the government to adopt corrective measures as set out in the BSL.[7] The framework provides for an escape clause that can be triggered in exceptional cases of large-scale natural disasters, wars, and economic shocks. The BSL also establishes limits on state liabilities from contractual contingent liabilities and liabilities arising from budget guarantees. Central government debt over the past three years has remained below the 50 percent of GDP limit (Figure 35).

Figure 35. Central Government Debt (in % of GDP)



Source: IMF (2025) Country Report No. 25/323 Article IV Consultation, December 2025 and IMF Data Mapper

21. Armenia's fiscal policy is guided by multiple permanent numerical fiscal rules at the central government but not general government level and these have been followed in practice.

[6] Republic of Armenia (2025) On Amendments to the Law on State Debt Article 3.

[7] Republic of Armenia (1997) Law on Budget System Article 21, Parts 8.2 to 8.6.

The BSL establishes a range of numerical fiscal rules, which set parameters for the preparation and execution of the MTEF and the budget within the overall fiscal framework (Table 5). For the period 2022 to 2024, the central government budget deficit outturn averaged -2.6% of GDP and remained below the limit.

Table 5. Armenia's Fiscal Rules Framework

Type of Rule	Central Government Rules
Budget Balance in T+1	▪ Budget deficit < 7.5 percent of GDP. ▪ Capital expenditures should not be below the level of the budget deficit if the government debt exceeds 40 percent of GDP
Expenditure ceiling in T+1	**Debt in T-1 < 60 percent of GDP, but >50 percent:** ▪ Average current primary expenditure growth < average nominal GDP growth in previous 7 years. **Debt in T-1 > 60 percent of GDP:** ▪ Average current primary expenditure growth < average nominal GDP growth in previous 7 years – 0.5 percentage points. ▪ Current expenditures < tax revenues + state duties. ▪ The expenditure rule was introduced in 2018 and applies for ex-ante planning purposes only. ▪ The expenditure rule does not apply to capital expenditures.
Debt in T+1	**Upper threshold: 60 percent of GDP.** ▪ Debt in T-1 > 60 %: Submit an action plan to parliament to bring debt below 60 percent of GDP. ▪ Debt in T-1< 60 %: Present an action plan in MTEF to lower debt to 50 percent of GDP in 5 years

Source: IMF (2025) Evaluating Armenia's Fiscal Framework

22. The BSL requires the preparation of the MTEF before budget preparation, and approved capital budgets are consistent with the MTEF. The BSL requires that medium-term macro-fiscal framework is prepared and published for the budget year and the following two years as part of a comprehensive MTEF.[8] The Law mandates that the government approves its spending program by July 10, and then publishes and submits it for information to the National Assembly by July 20 of each year. The most recent MTEF for the period 2026–2028 presents projections of the main fiscal aggregates, including breakdown into current and capital expenditure, on an extended five-year horizon to 2030.[9] The MTEF also includes a comparative analysis of changes in the aggregate capital expenditure projections from one edition to the next.[10] The MTEF serves as the basis for the development of the detailed draft state budget. Approved capital budget allocations are broadly consistent with allocations indicated in the medium-term fiscal framework and deviate from the earlier forecast by less than 5 percent for each of the last three years (see also Institution 6).

[8] Republic of Armenia (1997) Law on Budget System Article 21 Part 2.1.

[9] Government of Armenia (2025) 2026-2028 MTEF Table 2.1.

[10] Government of Armenia (2025) 2026-2028 MTEF Table 2.7.

23. Effectiveness of the fiscal framework has improved since the 2018 PIMA. Recent improvements in macro-fiscal forecasts and reforms of fiscal rules framework effectively supported central government's debt sustainability and provided a well-integrated anchor for the MTEF and annual budget. Together, these changes represent a strengthening in the fiscal rule framework, and this concurs with the findings of previous technical assistance.[11]

2. Planning (Strength—Medium; Effectiveness—Medium; Reform Priority— High)

24. National planning operates through a broad strategic hierarchy anchored in the Government Program and its Five-Year Action Plan. The Armenia Transformation Strategy 2020–2050 functions as a high-level vision setting long-term ambition.[12] This is operationalized through the Government Program 2021–2026, which identifies general directions for sectors including transport, roads, water, energy, and education.[13] The Five-Year Action Plan derived from the Government Program identifies implementing entities, timeframes, and some capital investment projects.[14] In parallel, Armenia has an extensive and somewhat unstructured list of sectoral strategies across ministries. These strategies are publicly available but developed under different formats, time horizons, and methodological approaches. Some include explicit investment projects, while others provide policy direction without clearly articulated capital plans. As a result, the sectoral landscape appears fragmented. In practice, most new major projects included in annual budgets are also in the Plan, but inclusion in the Plan does not guarantee subsequent budget allocation. A significant share of listed projects does not materialize in the annual budget, suggesting that the Plan functions more as a broad policy goal statement than as a clearly prioritized investment program, indicating scope to strengthen its credibility and strategic filtering function.

25. Project-level costing exists for several major investments, but national and sectoral strategies are not costed as fiscally constrained, consolidated multiyear investment plans. The Government Program 2021–2026 sets policy priorities and sectoral commitments but does not include an aggregate capital envelope or multiyear fiscal framework; the Five-Year Action Plan includes costing at the level of individual actions, although this is not set out as a comprehensive financial envelope. Cost estimates are inconsistently presented across sectors: transport projects such as the North–South corridor include explicit total costs and financing breakdowns; education infrastructure and health facility construction include detailed project-level estimates; energy projects disclosed loan and grant amounts though not always full capital estimates; and water and sanitation investments are shown as aggregated program figures rather than project-by-project estimates. As a result, while several large anchor projects are costed with reasonable specificity, the overall strategy is not consolidated into a sectoral or cross-sectoral capital plan aligned with fiscal ceilings. In practice, strategic planning functions as a framework for defining overall direction and generating an initial list of potential projects. However, it does not operate as a fiscally constrained multiyear investment program.

26. Sector strategies include measurable output targets, but outcome indicators are less systematically quantified and there is limited evidence of active use of this information. The Five-

[11] IMF (2025) Republic of Armenia: Improving the Medium-Term Strategic Focus of the Budget.

[12] The Government of the Republic of Armenia The Armenia Transformation Strategy 2020-2050

[13] The Government of the Republic of Armenia (2021) Government Program 2021-2026

[14] The Government of the Republic of Armenia (2021) Five Year Action Plan

Year Action Plan includes information on measurable outputs – particularly in education (e.g., construction/renovation of 300 schools and 500 kindergartens; professional orientation clubs in 1,391 schools; operational career centers in 103 PSVET institutions), as well as in transport (road construction and renovation works), water (reservoir construction), and health (construction and equipment of medical centers, introduction of universal health insurance). By contrast, outcome targets – such as improved human capital, universal access to healthcare, enhanced connectivity, sustainable water management, or energy security – are clearly articulated in the Government Program 2021–2026 but are not consistently translated into indicators with baselines and quantified targets across sectors. In most sectors (transport, water, energy), outcome objectives remain strategic and qualitative rather than numerically defined, while education and health include partial outcome indicators but without a fully structured results framework linking outputs to measurable medium-term impacts. In terms of effectiveness, performance data are used to some extent for management and are required in budget submissions. The Expenditure Methodological Guidelines[15] under the BSL require state bodies to present policy objectives and targets during the MTEF period and to link them explicitly to budget programs and to the Government Program and sectoral strategies.

27. Armenia has developed a more structured strategic hierarchy since the last PIMA, but there is scope to more tightly anchor infrastructure investment planning in a coherent strategy. Compared to the previous assessment – where planning horizons were poorly synchronized and flagship projects were not consistently reflected across strategic documents – the current framework benefits from a clearer hierarchy linking the Armenia Transformation Strategy 2020–2050 to the Government Program 2021–2026 and its Five-Year Action Plan. The country is adopting a Strategic Management and Policy Development Guide[16] which strengthens this architecture by standardizing sectorial document typologies, requiring clearer objectives and indicators, and promoting stronger alignment with the MTEF. These reforms provide a clearer institutional basis for improving strategic coherence. There is a strong case to develop a dedicated national infrastructure plan that would be informed by a cross-sectoral analysis of infrastructure needs and developed within a set resource envelope. Box 1 provides two international case studies. These reforms could help support an improvement in investment efficiency, leading to expanded infrastructure provision.

[15] MoF (2025) Methodological Instructions – Preparation and Submission of Budget Application

[16] Government of the Republic of Armenia (2026) Strategic Management and Policy Development Guide

Box 1. International Examples of Fiscally-Anchored Strategic Infrastructure Plans

United Kingdom – UK Infrastructure: A 10 Year Strategy

The UK's National Infrastructure strategy provides a clear example of long-term infrastructure planning developed within an explicit fiscal envelope. It aims to strengthen predictability by aligning strategic priorities with the medium-term fiscal framework and published capital budgets and is informed by an independent assessment of infrastructure investment needs across key sectors. A key feature is the use of multi-annual allocations.

The most recent strategy (2025) also rebalances policy emphasis toward maintenance and renewal, explicitly addressing asset conditions and backlogs alongside new investment. Its scope is broad, covering both economic infrastructure (energy, transport, water and communications) and social infrastructure (like schools, hospitals, housing and prisons), supporting a more integrated view of public infrastructure planning across government.

Ireland – National Development Plan (NDP) 2026–2035

Ireland's model combines medium-term ministerial ceilings with longer-term strategic direction through a ten-year investment plan, underpinned by five-year departmental capital envelopes. While the plan highlights key projects and programs to support coordination and visibility, mention in the plan does not replace project-level quality control: individual investments must still be appraised and assured before proceeding, in line with Ireland's *Infrastructure Guidelines*. The framework is also anchored in the national spatial planning architecture, strengthening coherence between capital allocation decisions and territorial development objectives.

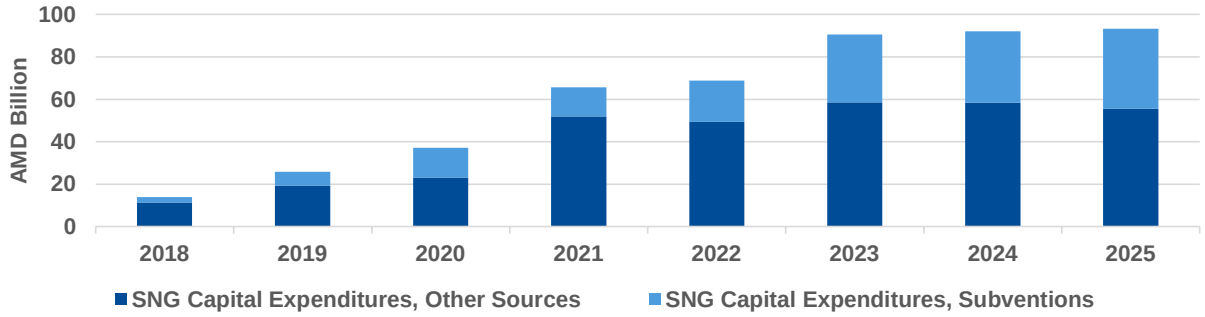
Source: Staff analysis of HM Treasury (2025) UK Infrastructure: A 10 Year Strategy and Government of Ireland (2025) National Development Plan

3. Coordination Between Entities (Strength—Medium; Effectiveness— Medium; Reform Priority— Low)

28. Armenia has an established system of general coordination between the central and local governments in this is somewhat followed in practice. The Law on Local Self-Government (2002) and respective secondary legislation require all communities (marzes) to prepare and publish five-year development programs, which serve as the basis for annual plans, medium-term expenditure frameworks, and local budgets.[17] Communities are legally obligated to disclose plans and implementation reports. The planning framework is standardized nationwide and requires consistency with regional and national development strategies. The legislation institutionalizes processes governing state budget subventions to communities and establishes a multi-stage review process involving line ministries, local governments, and the MTAI. In recent years, a growing share of the public investment budget has been implemented by the communities (Figure 36). In practice many of the communities' plans are financed and implemented by the central government (for example the Yerevan Metro Reconstruction Project).

[17] Government Decree No. 1708-N dated November 16, 2006.

Figure 36. Capital Expenditures by Local Governments, 2018–2025



Source: Budget Implementation Reports.

29. A clear, rules-based system governs state budget subventions to local governments, and transfers are predictable and timely. Anchored in the Law of Local Self-Government (2002), it is further supported by Decree No. 1708-N that requires all subvention-financed projects be consistent with communities' five-year development programs and be submitted for initial screening before review by central government bodies. Decree No. 1708-N specifies standardized documentation requirements, co-financing thresholds, and appraisal criteria, and mandates the involvement of inter-ministerial commissions in final project approval. 2023–2025 amendments have aligned the process with the centralized PIM framework and further strengthened the coordination by tightening eligibility criteria and enhancing documentation requirements. These arrangements provide a clear and predictable channel for aligning subnational investment decisions with the central government budget processes, ensuring that project financing is included in the MTEF and annual budget. Payments are predictable and timely.

30. Contingent liabilities from public investment are required to be reported and this is largely followed in practice, though most power purchase agreements (PPAs) are not reported. In the last five years, Armenia has made notable progress in identifying potential liabilities from public investment projects, as well as enhancing the analysis and reporting of related fiscal risks. Amendments to the BSL adopted in December 2025 require the medium-term expenditure framework and annual budget documentation to include comprehensive information on fiscal risks, explicitly covering risks stemming from SOEs, PPPs, budgetary loans, and guarantees, and to disclose this information twice a year.[18] The MoF's Fiscal Risks Management Department regularly assesses and reports on contingent liabilities, which are disclosed in budget documents alongside the MTEF and annual budget for the key categories of fiscal risks:[19]

- SOE related fiscal risks analysis is based on SOE financial statements, also covering guarantees and budget loans issued for such entities. Analysis is performed based on the IMF Fiscal Risks Toolkit, including the SOE Health Check Tool, and the SOE Stress Test Tool. [20]
- PPPs and PPP-like transactions[21] are analyzed based on the respective contracts, assessing various scenarios, and disclosure of potential fiscal impact.

[18] Budget System Law, as amended in 2025, Article 15-1.
[19] MTEF documents, Analytic Annex 2 (multiple years).
[20] IMF Fiscal Risks Toolkit
[21] Other types of contracts, or concessions, entered into prior to the PPP Law taking effect in 2020.

- PPAs are not comprehensively addressed. Major PPAs with private sector entities, which account for approximately 30 percent of national energy production, are thoroughly examined and disclosed within the fiscal risks statement. However, a significant number of smaller-scale PPAs, representing an additional 30 percent of energy generation, remain excluded from the current fiscal risk analysis.
- Subnational governments' borrowing is strictly limited and regulated under the Law on Local Self-Government, which significantly constrains direct fiscal risks at the local level.

31. Armenia has improved coordination between central and local governments and enhanced analysis and disclosure of contingent liabilities, although gaps remain. The legal framework for community subventions has been refined to clarify roles, standardize procedures, and enhance controls. Vertical coordination between central and local governments was further improved to link community development plans to central government budget decisions, which is evidenced by a growing volume of investment projects implemented by communities. Remaining gaps relate mainly to broader coordination mechanisms beyond the subvention framework, and better use of investment data for strategic planning. The framework for analyzing contingent liabilities is robust, with major liabilities reported to the central government and disclosed publicly. However, gaps remain in the coverage of PPAs and fiscal risk analysis for subnational governments, especially Yerevan Municipality, limiting system-wide fiscal risk oversight.

4. Project Appraisal (Strength— Medium; Effectiveness—Medium; Reform Priority—Medium)

There is a requirement for systematic appraisal of major projects, but there are significant exemptions and effective coverage has been partial. Government Decision No. 175-N of 2023 – the PIM Decree[22] requires medium and large public investment programs to undergo rigorous pre-feasibility and feasibility studies before consideration by the Public Investment Committee (PIC). However, the procedures do not apply to certain types of capital investment including locally financed projects, urgent and secret projects, projects in the public administration sector and small projects. Moreover, the Decree states that – in exceptional cases – the procedures to do not apply to projects directly arising from the Government Program and strategic goals. While this clause is due to expire in 2028, it represents a significant loophole which undermines the usefulness of the PIM Decree. For non-exempted spending the framework is comprehensive and mandates technical, economic and financial analysis - as well as climate screening – but does not require independent external review or systematic publication of appraisal reports. In practice, many major projects included in recent budgets have not followed the formal PIM process; however, most of them were financed by multilateral institutions and have been subject to rigorous appraisal under lender requirements.

[22] GDN 1580/2025 amends GDN 175/2023

Box 2. Appraisal Requirements in Armenia

Armenia's PIM Decree establishes a formal appraisal requirement for medium and large public investment projects.[23] Projects above defined monetary thresholds must undergo either a pre-feasibility study or a full feasibility study before entering the formal pipeline. The legal framework requires appraisal to assess project viability in a structured and documented manner, distinguishing between preliminary analysis based on secondary data (pre-feasibility) and more advanced, evidence-based analysis relying on primary data (feasibility).

From a technical perspective, appraisal must define the project rationale, objectives, scope, and expected results, and include a structured analysis of alternatives. This typically requires comparison against a baseline ("do-nothing" or business-as-usual scenario), assessment of feasible technical options, identification of implementation arrangements, schedule estimates, and preliminary procurement planning. The methodology also requires identification and categorization of risks, together with proposed mitigation measures, ensuring that technical feasibility and implementation realism are explicitly examined.

On the economic side, appraisal must evaluate the expected benefits and costs of the proposed intervention relative to alternatives. This includes identifying direct and indirect effects, applying cost–benefit or cost-effectiveness as appropriate, and assessing sensitivity to key assumptions. The economic analysis is expected to demonstrate that the selected option provides the strongest justification in terms of public value, relative efficiency, and alignment with strategic priorities.

Financial appraisal requirements focus on the affordability and sustainability of the project. This includes detailed estimation of capital and operating costs, identification of financing sources (budgetary and non-budgetary), assessment of fiscal implications over the medium term, and evaluation of implementation capacity. Together, the legal and methodological framework establishes that appraisal in Armenia is designed to integrate technical soundness, economic justification, and financial sustainability as core conditions for project approval. It is expected, in this context, that the process will be effective for all medium and large projects starting in 2028, and that the benefits of its application will materialize from that point onwards.

Sources: Staff analysis of GD-N1580 of 2025; GD-N175 of 2023; Appraisal Guide; Appraisal Methodology.

32. A standard appraisal methodology is required, and centralized support is mandated, but application has been limited in practice. GD-N175 of 2023 establishes a structured appraisal process for medium and large projects and mandates the MoF to develop and publish detailed guidelines for pre-feasibility and feasibility studies; however, such MoF guidelines have not yet been issued. In practice, the standard methodology currently in force for the newly developed PIM process was developed by the Ministry of Economy (MoE), including a feasibility guide, methodological annex, and quality checklist. Approximately 30 percent of the projects that entered the PIM process completed the appraisal methodology. However, those that skipped the process in the last three years did not use the standard methodology. Therefore, the standard methodology was fully applied for few major projects.

33. Risk analysis and mitigation planning are formally required for major projects following the PIM process, and most major projects have had risk analysis in practice. The PIM Decree

[23] As noted, the Decree details a number of exclusions: 1) Projects financed entirely from community budget; 2) Urgent and State Secret Programs; 3) Projects involving capital expenditures of an exclusively administrative nature; 4) Capital expenditures Periodic in Nature; 5) Small Public Investment Projects; 6) In exceptional cases, to projects directly arising from the Government Program and strategic goals, subclause applicable until 2028.

requires pre-feasibility and feasibility studies to include a dedicated section on risk identification, as well as structured mitigation and risk management measures. As noted above, there are potentially wide exemptions to the process, particularly in the years to 2028. In practice, although only a limited number of major projects followed the full PIM process, including the standardized risk analysis, projects financed by multilateral institutions or subject to central budget review typically contain documented risk assessments and mitigation measures. However, the depth and methodological stringency of these analyses vary significantly. Risk assessments are often descriptive and do not systematically apply advanced quantitative techniques, such as probabilistic modeling or scenario analysis, nor do they consistently ensure comprehensive coverage across all project phases.

34. Armenia has strengthened project appraisal since the last PIMA but should widen the scope of application as quickly as possible. Whereas the previous PIMA identified the absence of a standardized methodology, weak central coordination, and heavy reliance on donor-driven appraisal, the current framework establishes pre-feasibility and feasibility studies for medium and large projects, introduces a structured appraisal methodology, and embeds explicit risk analysis requirements. However, there are a number of "carve-outs" that reduce the application of these procedures. While a major exemption is due to expire in 2028, Armenia should act to remove this earlier. Full application of the PIM procedures can consolidate recent institutional gains and improve the quality, transparency, and efficiency of public investment decisions.

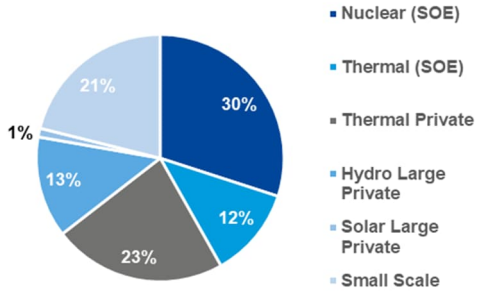
5. Alternative Infrastructure Financing (Strength—Medium; Effectiveness—Medium; Reform Priority— Low)

35. Armenia's regulatory framework supports private participation in certain network sectors and there is some competition in practice. The Public Service Regulatory Commission (PSRC) is established and operates pursuant to the Law on the PSRC of 2003 which outlines its mandate, emphasizing its independence, transparency, and commitment to non-discrimination. The PSRC is responsible for regulating electronic communications, energy, and water sectors, establishing tariffs and is empowered to review and approve investment plans that inform tariff setting processes in relevant sectors. The Armenian regulatory environment supports competition in certain contestable markets, though the degree of market openness varies across sectors and sub-segments. Box 3 provides more information on the structure of key sectors and levels of private participation.

Box 3. Market Structure and Private Participation in Infrastructure Services in Armenia

The **electricity generation** market is open to private players whose total share accounts for 58 percent of the market (Figure 37), and **electricity distribution** is being liberalized while **electricity transmission** remains operated by High Voltage Electricity Networks (HVEN). **Drinking water and waste water** are provided through a nationwide lease with a private provider, with tariffs established by contract and periodically reviewed and adjusted by the PSRC. The **Railway sector** operates under a concession agreement granting an international private sector monopoly long-term responsibility for operating, maintaining and investing in Armenia's rail network, while the state retains ownership and regulatory oversight. **Gas distribution** operates as a regulated private monopoly. There is robust competition in **mobile telecommunications** with multiple private providers and market-based pricing; the PSRC does not intervene in setting tariffs. **Landline telephony** is characterized by an incumbent operator that is subject to regulated tariffs set by the PSRC, as well as a number of alternative operators that provide telephony services at market-based prices.

Figure 37. Electricity Generation in Armenia
(Percent of Total GWh, 2025)



Source: PSRC Reports

36. Since 2018 PIMA, Armenia has strengthened its legal and policy framework governing PPPs, though there has been little investment through this model in recent years. The dedicated PPP Law (2019) now defines the legal basis for PPPs, sets out institutional responsibilities, and establishes procedures and eligibility criteria for project identification, appraisal, approval, and implementation. These arrangements represent a clear step forward since 2018 PIMA. At the same time, the effectiveness of the PPP framework remains limited. As discussed in Chapter 1, Armenia has a comparatively high level of investment through PPPs relative to peer countries, however PPPs have been less prominent as a component of Armenia's public investment program in recent years. Over the past three years, only one PPP project has been approved and implemented under the framework, with an estimated investment value of less than 1 percent of total public investment.

37. SOEs are required to submit business plans – including major investments – to the State Property Management Committee and the largest investment projects are reviewed by line ministries but not consolidated in a single report. Over the past five years, Armenia has taken substantial strides towards strengthening SOE oversight and coordination. The 2018 PIMA highlighted that infrastructure investments implemented by SOEs accounted for over half of public investment and were largely financed via on-lending from the state budget, with only partial information available on their financial performance and investment plans. In 2025, Armenia adopted a state ownership policy, which establishes a governance and reporting architecture intended to strengthen oversight of SOEs and companies with state minority participation.[24] In addition to introducing stronger coordination mechanisms, the Ownership Policy introduces a requirement for SOEs to submit to the State Property

[24] Government Decision No. 1617 N (November 14, 2025).

Management Committee their plans detailing investment assessments, financing sources, alignment with sector strategies, and responses to project deviations. The policy also assigns to MoF explicit responsibilities for fiscal-risk assessment and publication of related results, opinions on budget loans/guarantees and on the fiscal impact of large transactions and monitoring of SOE financial performance. In addition, the Ownership Policy links large, budget-financed SOE investment programs to the Government's public investment programs, strengthening the interface between SOE investment planning and the central public investment management process. The largest SOEs report and agree their investment to respective line ministries, but these are not consolidated in a single report.

38. Armenia has made progress in formalizing alternative infrastructure financing frameworks since the 2018 PIMA. Key highlights include the adoption of a PPP legal framework that defines roles, selection criteria tied to the public investment prioritization process, and reporting provisions as well as the adoption of a state ownership policy that strengthens structured business planning - including investment and financing assessments – for SOEs and an explicit MoF role in fiscal-risk monitoring. At the same time, gaps remain in competition and contestability across infrastructure sub-markets even where regulation is established. The share of PPPs in total investment has been subdued in recent years, and the new SOE regime will be required to be consistently applied in practice and produce credible, decision-relevant investment plans rather than formal compliance documents.

Recommendations on Planning Public Investment

Issue: Strategic planning is fragmented, not fiscally anchored, and not formally linked to public investment prioritization in the budget.

Recommendation: Develop a 5–10 year National Infrastructure Strategy, based on an assessment of cross-sectoral needs, with agreed priorities and an indicative capital envelope (DPM, Q3 2027).

Issue: Contingent liabilities analyzed by the MOF do not cover all power purchase agreements and longer-term fiscal risks stemming from climate change.

Recommendation: Take stock of all PPAs and include the assessment of related fiscal risks into the Fiscal Risks Statement, prioritizing largest contracts (MoF, Q4, 2028).

6. Multiyear Budgeting (Strength—Medium; Effectiveness—Medium; Reform Priority—Medium)

39. Medium-term aggregate and sectoral projections of capital spending are published in the MTEF and subsequent total capital budget allocations are broadly in line with the earlier forecasts. The BSL requires that multiyear projections are prepared and published for the budget year and the following two years as part of a comprehensive MTEF. The most recent MTEF for the period 2026–2028 projects aggregate capital spending until 2030 and provides forecasts by sector - broken down by domestic and external sources of financing - for a three-year period.[25] As part of the 2026 budget process, for the first time, multiyear projections of capital spending were updated after the MTEF and

[25] Government of Armenia (2025) 2026-2028 MTEF Table 2.1.

included in the Budget Message.[26] Comparison of the previous 2024-2026 MTEF and subsequent budget allocations shows that approved aggregate capital budgets deviated somewhat (on average by 5 percent) from medium-term projections for the same years (Table 6).

Table 6. Variance of MTEF Forecast with Subsequent Capital Budgets (% of total ceiling)

	Budget Y (2024)	Y+1 (2025)	Y+2 (2026)	Mean
Variance of Capital Budget with MTEF	4.5	-2.5	-17.2	-5.1

Source: Staff analysis based on the MTEF and Budget Message, various years.

40. There are indicative sectoral and ministerial multiyear ceilings on capital expenditure, but subsequent budget allocations differ significantly. Expenditure ceilings are determined and approved by the Cabinet as part of the MTEF.[27] Ceilings cover all sources of financing and extend to a three-year planning period. In practice, capital budget amounts approved for individual sectors deviate significantly from their earlier projections. While discrepancies between projections and allocations are small at the aggregate level, they are wide for specific sectors thereby undermining the effectiveness of multiyear budgeting. Table 7 compares budgets for the three largest infrastructure sectors in 2024, 2025, and 2026 with ceilings indicated in the 2024–2026 MTEF.

Table 7. Variance of MTEF Ceilings with Sectoral Capital Budgets (% of sectoral ceiling)

Sector	Budget Y (2024)	Y+1 (2025)	Y+2 (2026)	Mean
Transport	-16.0	-48.5	-40.4	-35.0
Water Management	-11.6	-18.3	22.8	-2.4
Education	1.3	-27.0	-23.9	-16.6

Source: Staff analysis based on the 2024-2026 MTEF and Budget Message 2024, 2025, 2026.

41. Total construction cost estimates for major capital projects are published, but not for domestically funded projects and changes from one budget to the next are not explained. Appendix No. 6 to the Budget Message provides comprehensive information on costs of externally funded projects (mostly major projects), including information on program, source of funding (loan, grant), capital/current breakdown, start and end dates, total cost, projected balance as of year-end 2026, 2024 actual expenditure, 2025 approved budget, and estimated distribution for the 2026–2028 period.[28] For domestically funded projects, the 2026 budget law provides details of budget allocations by ministry, program, measure, or project shown for the budget year only and without total cost estimates. Budget documents do not explain when and why total cost estimates are changed, nor do they provide a reconciliation of such changes over time. Changes in total construction costs are not identified and

[26] Government of Armenia (2025) 2026 Budget Message Table 9 (structure of financing of expenses on non-financial assets in 2022–2028 by external and internal sources).

[27] Government of Armenia (2025) 2026-2028 MTEF contains the following multiyear ceilings: (i) by ministry and agency, including breakdown into current and capital (Appendix N 1.1), (ii) by economic classification (Appendix N 1.2), (iii) by functional classification (Appendix N 1.3), and (iv) by main sectors, including capital expenditure financed by domestic and external sources (Table 3.5.3).

[28] For projects with an implementation period longer than three years, estimates of total cost distribution may be incomplete.

explained in budget documents; however, the MoF can internally track changes based on the MDAs budget request submissions and project implementation plans.[29]

42. The reliability of multiyear capital projections has been strengthened recently but there is scope to improve the usefulness of sectoral ceilings. To further align the annual budget with MTEF it will be important to improve the credibility and compliance with sectoral ceilings. This will be important in providing greater stability in public investment planning, more reliably linking procurement planning and budget allocations to provide better forward guidance to the construction sector and tackling sectoral weaknesses in budget execution. Public and legislative oversight of multiyear capital spending projections is hampered by the lack of information on total project costs for domestically funded capital projects. Oversight would be strengthened by incorporating information on total project costs and highlighting changes in cost estimates into budget documents.

7. Budget Comprehensiveness and Unity (Strength—High; Effectiveness—High; Reform Priority—Low)

43. Capital spending is undertaken through the budget. The Treasury Single Account (TSA) covers all state revenues and expenditures. The 2017 amendments to the Law on Treasury System extended coverage of the TSA to extrabudgetary entities under the supervision of the state and community governments (or Non-Commercial Organizations, NCOs).[30] The operations of NCOs are fully carried out through the TSA. NCOs are effectively budgetary units controlled by and reporting to their respective line ministries, and subject to the regular budget preparation, approval, and reporting requirements.[31] In practice, there is no capital expenditure by the general government units outside of the budget and this finding corresponds with conclusions of previous technical assistance.[32]

44. Budget documentation includes details of major SOE and externally financed projects, but not PPPs. The legal and regulatory framework does not require PPPs and SOE capital projects financed from own resources to be disclosed in budget documents. In practice, the 2026 budget law provides a detailed view of public investment including projects financed by external loans and grants, on-lending, and budget loans to capital projects of SOEs.[33] This accords with previous analysis, which concluded that most SOEs capital expenditure is financed through on-lending through the state budget.[34]

45. Capital and recurrent budgets are prepared and presented together using a program classification and current spending needs of capital projects are reviewed by MoF in advance. Budget preparation instructions require that MDAs must present both capital and current cost implications

[29] The MoF noted that as the estimate of total cost of individual project is included in the annual budget submission forms and project implementation plan, it can be tracked periodically and be re-assessed during the next budget process.

[30] Republic of Armenia (2001) Law on Treasury System Article 14(5).

[31] PEFA (2024) Armenia Public Expenditure and Financial Accountability Performance Assessment PI-6.

[32] IMF (2022) Technical Assistance Report Government Finance Statistics: Appendix II. Provisional GFS for 2020–Statement of Operations shows extrabudgetary gross investment in nonfinancial assets equal to zero.

[33] Republic of Armenia (2025) Law on the State Budget for 2026 Annex 1 Tables 3, 4, and 5; and Annex 3 Table 1.1.1 and Table 1.1.1.

[34] World Bank (2023) Armenia Public Expenditure Review

of any proposed investment projects and programs in their budget submissions.[35] Operating cost information is also collected and analyzed through Concept Notes and Feasibility Studies for each proposed public investment project and program under the PIM procedures. The current cost impacts of major capital projects are reviewed by the MoF during budget preparation.

46. There is some scope to improve budget comprehensiveness and unity, but in relative terms, this is not a pressing reform priority. While capital spending is undertaken through the regular budgetary procedures, the lack of disclosure of the PPP projects and SOEs capital projects financed from own resources in budget documentation limits the legislature from having a full overview of all public investments and this could be addressed in the future.

8. Budgeting for Investment (Strength—Medium; Effectiveness—High; Reform Priority—Low)

47. While information on total project outlays is not required in budget documentation, in practice cost information is disclosed for many major projects. Project spending is appropriated annually. The 2026 Budget Law shows annual budget appropriations for all capital expenditure, while total project costs - along with their distribution over the medium-term - are presented in the 2026 Budget Message for externally funded projects. Total project cost estimates are shown in the budget documents for almost 65 percent (by value) of major projects above 1 billion drams. Neither parliament, nor the public, has a complete picture of the total costs of major projects approved in the budget, including domestically funded major projects appropriated under a single budget line that potentially might have a value exceeding 1 billion drams threshold established in the PIM Decree.

[35] MoF (2025) 2026–2028 Methodological Instructions.

Table 8. Presentation of Capital Projects in the 2026 Budget Documents

	(Billion Drams)	(%)	Appropriation	Individual Project	Total Project Cost	Medium-Term Cost Breakdown
1. Total Capital Budget, of which	**718**	**100**				
Medium and Large Projects	193	27				
Externally Funded Projects	124	17				
1.1. Domestically Funded Projects[a]	**594**	**83**				
1.1.1 Medium and Large Projects	**69**	**10**				
Individual Project	4	1	Annual	Yes	No	No
Group of Projects	30	4	Annual	No	No	No
Undistributed Reserves	34	5	Annual	No	No	No
1.1.2 Rehabilitation/Renovation	**61**	8	Annual	No	No	No
1.1.3 Small Projects (< 1B)	**465**	**65**	Annual	Yes	No	No
1.2. Externally Funded Projects[b]	**124**	**17**	Annual	Yes	Yes	Yes
Share of projects shown with total cost in all major projects (=1.2/(1.1.1+1.2)	**124**	**64**	Annual	Yes	Yes	Yes

Source: Staff analysis.
Notes: (a) 2026 annual budget law Table 1.3; (b) 2026 budget message Annex 6.

48. Virements from capital to current require the approval of the Government and are insignificant in practice. Article 23(3) of the BSL requires that any reallocation between different programs must be approved by Government decision, based on an opinion provided by the MoF. It limits the reallocations between different programs to 3 percent of total expenditure. Reallocation within the same program can be made by a spending agency. Under the current budget classification, a "program" typically relates to a single capital project or a group of capital projects (e.g., major repairs of public roads). As was the case in the 2018 PIMA, this effectively means that reallocation from capital to recurrent expenditure always requires the Prime Minister's approval. The MoF noted that in practice virements from capital to current spending are extremely rare.

49. The regulatory framework includes some provisions to prioritize funding for ongoing projects, and this is not an issue in practice. The BSL recognizes that some capital projects extend beyond a single year and require financing across multiple years.[36] Budget preparation methodological instructions provide that baseline budget estimates should account for funding required for already contracted multiyear and continuing infrastructure projects.[37] The MoF instructions require MDAs to prioritize funding for ongoing projects during the budget preparation process. The mission did not learn of any examples of major projects not receiving sufficient funding or amassing payment arrears for capital projects.

[36] Republic of Armenia (1997) Law on Budget System Article 21(8).

[37] MoF (2026) 2027-2029 Budget Methodological Instructions Section 10.

50. The availability of information on project costs has improved since the 2018 PIMA, but there is scope for further enhancement and arrangements to protect funding for ongoing projects should be established. In the absence of total project costs in the budget documentation, the legislature does not have a clear overview of the necessary funding commitments for capital projects over the medium-term. Information on total project costs of externally funded projects currently displayed in the budget documents can be supplemented with information on domestically funded projects at a similar level of detail. Moreover, there is a need to establish a more formal requirement to protect funding for ongoing projects and to ensure that new projects are not added while there are outstanding commitments from ongoing or completed projects.

9. Maintenance Funding (Strength— Medium; Effectiveness— Medium; Reform Priority— Medium)

51. Routine maintenance needs assessment is defined in sectoral frameworks, although practices continue to differ across sectors and spending is low as a share of total capital. In the roads sector, the framework for routine maintenance is set out in detail in secondary legislation developed by the Roads Department of the MTAI.[38] The framework establishes standardized definitions of routine summer and winter maintenance, prescribes condition-based maintenance levels, and provides methodologies for assessing road condition, calculating unit maintenance costs, and linking maintenance needs to annual budget submissions. Annual condition assessments now inform budget requests, and multiyear contracts with defined service levels and performance-based payments make funding more predictable and reduce deferred allocations. In other infrastructure sectors, maintenance funding continues to rely primarily on sector-specific policy and regulatory instruments. For example, in the energy sector, maintenance costs are embedded in tariff-setting methodologies under the Energy Law and overseen by the PSRC, which applies cost-recovery principles, including depreciation and allowable returns.[39] For social infrastructure (e.g., schools and health facilities) routine maintenance is not comprehensively articulated in overarching planning documents, and responsibilities are fragmented. The routine maintenance budget has been volatile over the past decade and has not increased in line with the growing trend in investment spending and the needs of Armenia's capital stock. At under 3 percent of total capital spending in 2024, maintenance investment is likely not sufficient to keep pace with asset degradation (Figure 38).

52. Formal escalation rules create a distinction between capital and routine maintenance, and while needs are not systematically assessed, investment has been increased recently. Secondary Legislation (Decision No. 1419) explicitly states that routine maintenance cannot improve a road's condition classification, which can be upgraded only through medium repair, capital repair, or reconstruction, and operationally reinforces this separation by excluding from routine maintenance road sections under contract for, or scheduled to receive, capital works. The framework further specifies a limited "allowable" maintenance regime for roads in bad condition, preserving their adequacy while deferring structural restoration to capital works, with engineering standards for new construction and major works separately defined in national construction standards.[40] While the legal design establishes

[38] Government Decision No. 1419 (dated 4 November 2010), amended by Decision No. 1908 (dated 18 December 2025).

[39] Law of the Republic of Armenia on Energy (2001), Article 21.

[40] Order of the Chairman of the Urban Development Committee of the Republic of Armenia No. 28-N (dated December 12, 2022).

clear triggers and handoff rules between routine maintenance and capital works, it does not in itself demonstrate that capital renewal is systematically prioritized through a network-wide, multiyear lifecycle plan, constraining the effectiveness of the approach. Outside the road sector, maintenance planning remains fragmented and project based, rather than asset portfolio based. On the implementation side, capital maintenance or major works have been steadily growing in line with the upward trend in investment spending (Figure 39).

Figure 38. Routine Maintenance, 2017 - 2024
(AMD, Billion)

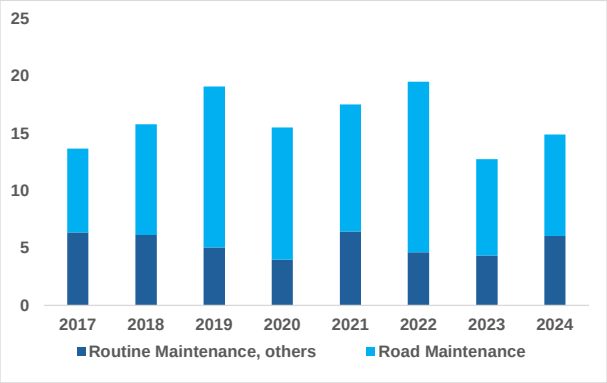
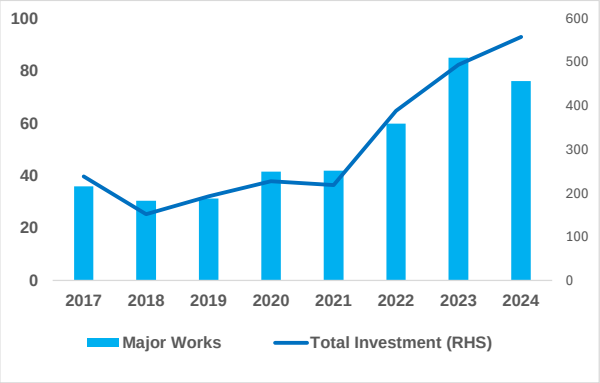


Figure 39. Major Maintenance, 2017 - 2024
(AMD, Billion)

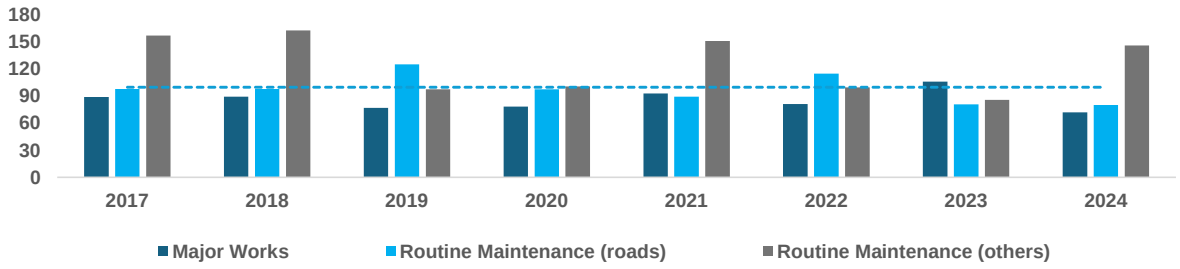


Source: Staff analysis of Budget Execution Reports.

53. Budget legislation and execution documentation provide clear information on maintenance and execution is in line with allocations. The BSL mandates a clear distinction between current and capital expenditures, ensuring that budget formulation and reporting consistently present capital and current spending separately in both budget laws and annexes. Further guidance is provided by the MTEF, annual budget laws, and annual budget preparation instructions.[41] The framework applies these classifications consistently, presenting routine maintenance under current expenditure measures and rehabilitation or reconstruction as capital activities, including separate identification of multiyear capital programs and their annual financing. As a result, Armenia's budget documentation provides a transparent and reliable basis for identifying routine maintenance and major improvement expenditures, and for their transparent and consistent reporting. This regular reporting allows tracking both routine and capital maintenance, including by sector, and their outturn against the original budget. Outturn data shows consistent reasonable execution in the roads sector in most years, and over-execution of maintenance budgets in other sectors (Figure 40).

[41] Government Decision No. 741 of 5 June 2025 for MTEF 2026–2028, and Annual Budget Preparation Instructions via Government Decision No. 71 of 24 January 2024 for the 2025 budget cycle.

Figure 40. Budget Execution for Maintenance (% Original Budget)



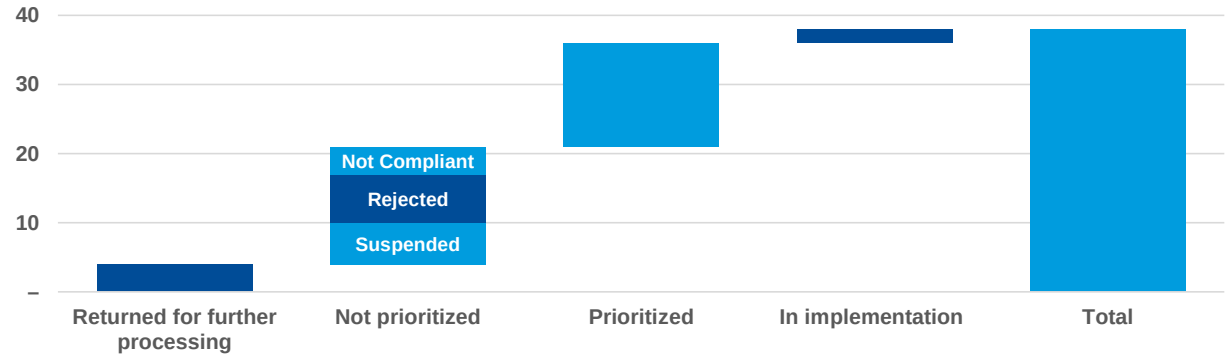
Source: Staff analysis of budget data

54. While Armenia has a reasonable framework for maintenance, infrastructure management is hampered by fragmentation and lack of unified strategy towards capital assets renewal. The framework for maintenance funding has evolved over the past decade, with supplemental guidance implemented for the roads sector, and clear budget classifications and reporting for all sectors. Routine maintenance planning, execution, and monitoring are highly formalized and supported by multiyear contracting and condition-based budgeting. However, weaknesses persist in the fragmented approach to maintenance funding and planning across other sectors, limited integration of asset-level performance reporting, and the absence of a unified cross-sector strategy for maintenance and capital renewal. These gaps highlight the need for broader institutionalization and consistent application of best practices beyond roads to ensure adequate funding and efficient prioritization across Armenia's entire infrastructure portfolio.

10. Project Selection (Strength—Medium; Effectiveness—Low; Reform Priority—High)

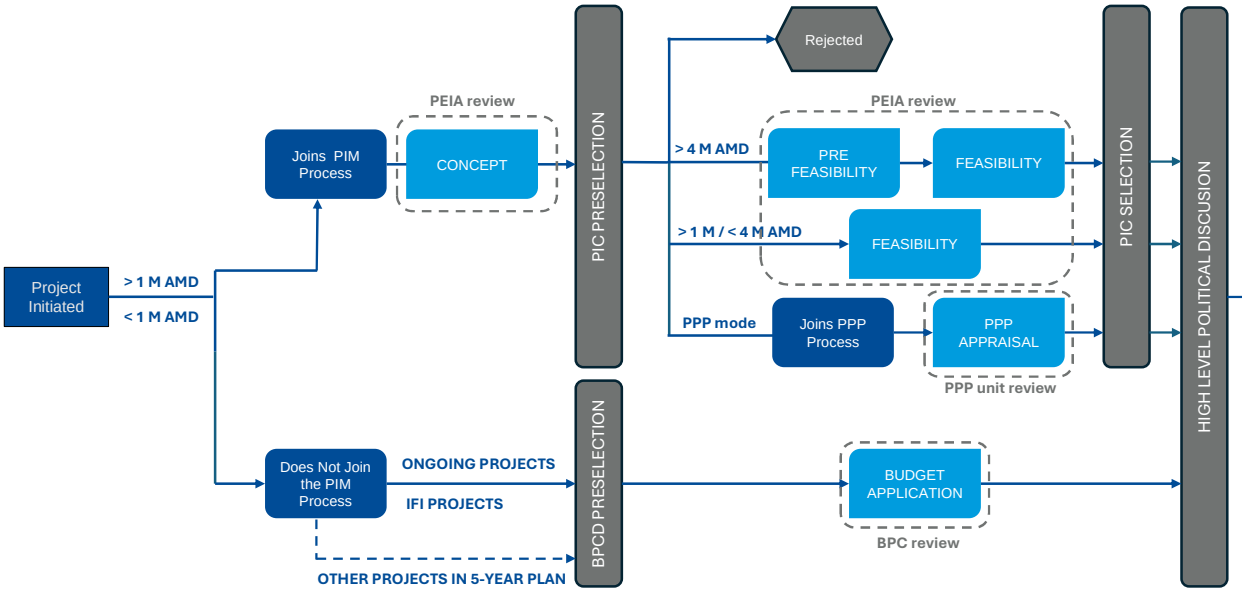
55. There is a central review process for large projects which has rejected or returned a significant number of projects. The PIM Decree establishes a formal centralized review process for medium and large public investment programs - including donor-funded projects - by the PIM Unit of the MoF, prior to consideration by the PIC. Budget regulations state that all investment programs exceeding 1 billion AMD can be included in the MTEF and the budget if they have received a positive position from the PIC. In this context, PPPs are treated as an exception but are also subject to the review of a specialized PPP Unit. Within its scope, the mechanism does exercise a gatekeeping function: data provided by MoF shows that at the time of the mission, 61 projects had been considered by the PIC, of which 23 were in preparation. Of the remainder, about half were either returned for further analysis or rejected (Figure 41). However, this reflects only projects processed under the PIM Decree. Over the same period, a substantial number of additional major projects, approximately 5 per year, were incorporated into the budget through the regular budget process. As a result, the centralized review process filters some proposals but does not function as a comprehensive screening mechanism for all major projects.

Figure 41. Outcomes of the Project Review Process (number of projects)



Source: Staff analysis of MoF Projects Database.

Figure 42. Armenia's Project Preparation and Assurance Model



Source: Staff analysis

56. While the PIM Decree establishes formal prioritization criteria, these could be improved and budget decisions are often disconnected from the PIM system. The new regulation introduces multi-criteria analysis and provides for the preparation of a priority list; however, the criteria as designed have some weaknesses and inconsistencies (see Box 4) In practice, budget decisions are often taken outside the PIM prioritization framework: many projects are selected based on the availability of IFI financing, while others are incorporated by the Budget Process Coordination Department. In these cases, prioritization is not based on the formal multi-criteria methodology in the PIM Decree.

Box 4. Scope to Improve Armenia's Project Prioritization Criteria

Armenia's public investment framework uses multi-criteria analysis (MCA) to prioritize projects. While MCA introduces structure and comparability, the existing design does not clearly differentiate between projects that are ready and suitable to proceed and those that should not advance.

A core weakness is the absence of explicit "pass/fail" gates before projects enter the scoring phase. Characteristics such as policy alignment, climate compatibility, financing realism, and design studies demonstrating technical feasibility should operate as minimum entry conditions rather than as weighted criteria within a composite score. Projects that lack credible cost estimates, site definition, preliminary engineering design, or implementation planning should not compete in the same prioritization pool as mature proposals. Without such gating mechanisms, projects that fail basic standards of readiness or feasibility may still achieve acceptable aggregate scores if offset by performance in other categories. This blurs the distinction between *screening* and *prioritization* and weakens the integrity of the selection process.

The current framework uses economic internal rate of return (EIRR) rather than economic net present value (ENPV) as a primary decision rule and does not systematically penalize negative externalities or material fiscal and climate risks. Risk analysis, while documented at appraisal stage, is not consistently integrated into the scoring mechanism in a way that adjusts expected value or ranking. As a result, projects with high uncertainty, weak economic fundamentals, or potentially harmful impacts may not be appropriately discounted in the prioritization process, leading to rankings that are formally compliant but economically suboptimal.

Once eligibility gates are introduced, the scoring system itself should be strengthened to ensure robustness and economic coherence. Improvements should include:

- Anchoring prioritization in ENPV rather than EIRR, ensuring selection based on net economic value. Introducing negative marking for adverse impacts (including climate harm, fiscal risk, and implementation fragility), instead of assigning neutral scores.
- Integrating risk directly into the scoring formula, adjusting for probability and impact rather than treating risk descriptively.
- Ensuring arithmetic integrity through transparent weights, consistent scaling, and defensible aggregation rules.
- Giving explicit priority to projects with confirmed or highly probable external financing, improving realism and implementation.

Without these refinements, the current MCA framework risks producing rankings that are formally compliant but not economically or strategically optimal. Strengthening the distinction between eligibility screening and value-based prioritization would materially improve the quality and credibility of public investment decisions.

57. There is a pipeline of appraised projects, but many major projects are not selected from it. Regulations assign the MoF responsibility for maintaining a public investment database and the Priority List of projects that have passed concept approval and feasibility review. In practice, only a limited share of major projects included in recent budgets has originated from this formally appraised pipeline. Furthermore, coverage gaps are evident for projects below the thresholds, which are not subject to systematic appraisal and central review. This creates incentives to fragment projects into smaller components or classify them as ongoing to bypass the full PIM process, despite their cumulative fiscal and operational significance. Administrative capital expenditures also fall outside the framework, potentially discouraging rigorous analysis in those cases.

58. There has been progress in establishing a formal project selection architecture since the last PIMA, but gaps in coverage, prioritization logic, and link to the budget limit effectiveness. Compared to the previous assessment, where no structured selection procedure, no centralized pipeline, and no effective gatekeeping function existed, the PIM system now has formal centralized review mechanisms, a regulated project database and Priority List, and explicit multi-criteria prioritization rules embedded in regulation. The review process has demonstrated a degree of gatekeeping, with a

meaningful share of proposals rejected or returned. However, central review has not covered all major projects in practice. Moreover, although prioritization criteria formally exist, they do not effectively inform budget decisions, which remain influenced by IFI financing availability and selection as part of the budget process. Strengthening the prioritization process, and aligning budget and PIM processes remain key reform priorities going forward. Future reviews of the PIM Decree should aim to broaden the coverage to ensure quality-at-entry for smaller and administrative projects, as the latter often carry a high degree of risk of cost overrun and schedule delay.

Recommendations on Investment Allocation

Issue: Project selection is not fully linked to the PIM framework, with a disconnect between formal appraisal processes and actual budget decision-making.

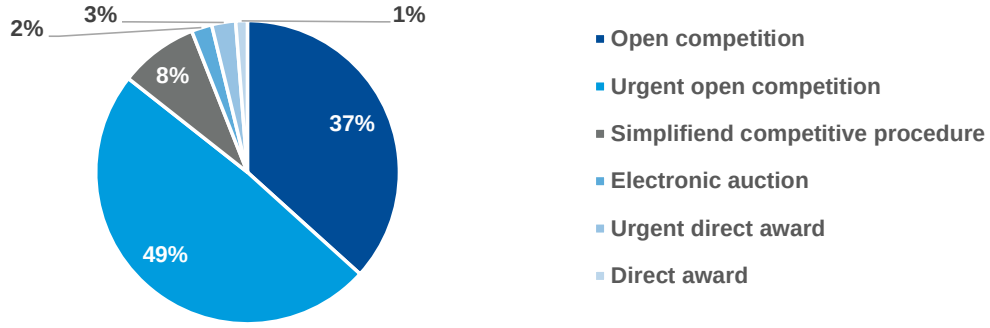
Recommendation Update the BSL and PIM Decree to remove exemptions for medium and large projects, include a formal project selection process and ensure that only mature, stringently appraised, climate-screened and National Infrastructure Strategy-aligned projects - regardless of financing source or procurement model - are prioritized in the budget (MoF, Q3 2027).

11. Procurement (Strength— High; Effectiveness— Medium; Reform Priority— High)

59. Competitive tendering is the default procurement procedure in legislation, but with a significant use of urgent tendering provisions in practice. Public procurement in Armenia is regulated by the 2016 Public Procurement Act, which reflects many of the principles set out in the European Union Procurement Directives.[42] The law allows the use of both price and non-price award criteria. It defines several types of contract award procedures, stipulating competitive procedure as the preferred method (Article 18), timeframes for bid submissions (Article 20), as well as conditions for exemptions and use of single-source procurement (Article 23). Competitive procedures are dominant in public procurement of works (96.5 percent of total value in 2024), though with a majority share of urgent competitive bidding (49 percent in 2024, up from 42 percent in 2022, suggesting weaknesses in planning by contracting authorities. Failed tenders account for a relatively high share of tender processes launched (7.4 percent in 2024), with works tenders above average and rising (10.3 percent in 2024, up from 5 percent in 2022). On the other hand, the average number of bidders in competitive procurement procedures has been increasing, from 1.9 in 2022 to 2.5 in 2024.

[42] OECD (2025), Public Administration in Armenia 2025, SIGMA Monitoring Reports, p.157. However, there are some discrepancies from the EU Directives. In particular, for urgency under open tenders, the Act proviides shorter timeframes, and gives broader justification for urgency, not excluding the responsibility of contracting authority, which in not aligned with Article 32 of Directive 2014/24/EU. (p 158).

Figure 43. Shares of Procurement Procedures for Works Contracts, 2024 (in million AMD)



Source: Staff Analysis of Procurement Reports

60. The procurement database is comprehensive, and basic reports are published on an annual basis, but do not allow for monitoring of performance. The Act requires publication of main procurement documents on a central website, and mandates contracting authorities to submit reports to the MoF. The procurement website provides extensive documentation such as procurement plans, contract award notices and other relevant information but the quality and reliability of procurement plans has varied. Armenia's central e-procurement platform, ARMEPS, provides digital options for the main procurement processes, including publication of procurement notices and tender submissions, but is not mandatory for contracting authorities.[43] While the procurement website and ARMEPS publish a large volume of documents, options to monitor public procurement processes or performance of individual contracts are not available. The MoF publishes procurement reports on an annual basis, but without information on contract delivery, KPIs or an overarching assessment of the performance of the procurement system. The authorities are taking steps to modernize and further digitalize the procurement system, which should support better monitoring across the procurement cycle.[44]

61. Procurement complaints are reviewed by the civil court, but there is no information available on the timeliness of complaints resolution. The appeals procedure is defined in the Act (Article 46) and governed by the Civil Procedure Code. The court must reach its decision within 30 days, with one extension of up to 10 calendar days allowable. The outcomes of the appeals process are published within the annual procurement reports but there is no information available on timeliness of resolution of complaints. The number of complaints has been increasing, potentially indicating the effectiveness of the system, but also increasing pressure on the court's capacity. A large share of procurement complaints relates to exclusion of potential providers from the tendering process, which is under the responsibility of the head of contracting authority. In practice, timelines for submission and resolution of complaints may extend and delay the procurement process.

[43] Regulated by Government Decree No. 386-N.

[44] Government Decree 977-L on the Development of the Procurement System Concept with Action Plan

Table 9. Court Decisions regarding Procurement Complaints

Reason for complaint	2023				2024			
	Accepted	Rejected	Total	%	Accepted	Rejected	Total	%
Tender documentation	4	5	9	4%	5	10	16	5%
Evaluation committee results	13	37	50	24%	27	35	66	21%
Unilateral contract termination	17	23	42	20%	50	48	100	32%
Exclusion of ineligible bidder	53	53	109	52%	74	52	128	41%
Total	**87**	**118**	**210**	**100%**	**156**	**145**	**310**	**100%**

Sources: MoF, IMF. Total numbers include withdrawn or cancelled complaints. Rounding may affect totals.

62. While the procurement system has some strengths, further reforms are required to support enhanced investment efficiency. Public procurement is characterized by extensive use of urgent competitive procedures, potentially contributing to reduced competition and increased number of failed tenders. Procurement information is publicly available on the ARMEPS website, but the data is incomplete, and the system lacks functionalities for contract management. The quality and frequency of procurement plans is not consistent, limiting predictability for potential bidders and consequently reducing market participation. These key weaknesses in procurement planning and contract management are likely contributing to under-execution of capital budgets and should be addressed as a matter of priority. Following legislative amendments in 2022, the specialized review body was abolished and appeals procedures are reviewed only by civil courts. The lack of data regarding the timeliness of complaints procedures undermines the efficiency and transparency of the process.

12. Availability of Funding (Strength—High; Effectiveness—High; Reform Priority—Low)

63. There is a legal and regulatory requirement for cash flow forecasting and quarterly budget allocations and there are no examples of commitment ceilings not funded. Monthly and quarterly cash flow forecasts are prepared for all General Fund accounts and regularly updated on a daily, weekly, and monthly basis.[45] All receipts and payments by the general government are made through the TSA at the Central Bank of Armenia, providing centralized control and visibility. Cash flow forecasts are prepared by the Strategy and Risk Management Division (SRMD) of the Public Debt Management Department. Cash flow forecasts are prepared and updated on the basis of: (i) approved budget allocations, (ii) in-year Government decisions, (iii) actual inflows and outflows, and (iv) three-to-five-year historical outturns. Comprehensive cash flow forecasting procedures and methodologies are set in the ministerial order and provide accurate revenue and expenditure forecasts to support cash availability management.[46] The SRMD has noted that reviews of forecast errors indicate little deviation between cash flows forecasts and outturns. In accordance with the state budget execution procedures, MDAs can commit expenditures for the whole fiscal year up to the annual appropriation in line with the budget allocations plan, forming the basis for quarterly payment limits.[47] According to Article 23(4) of the Law on Budget System, commitment ceilings for the fiscal year are provided at the beginning of the year (broken down into quarterly proportions) and approved by the Government within 45 days after the annual state budget law enters

[45] MoF (2020) Finance Minister Order No. 433 of December 30 on Methodology for Forecasting and Management of Cash Flows of the Treasury Joint Account.

[46] PEFA (2024) Armenia Public Expenditure and Financial Accountability Performance Assessment PI-21.

[47] Government of Armenia (2018) Decree No. 706 on Execution of the State Budget.

into force. The budget allocations act as an effective commitment control mechanism and there are no examples of commitment ceilings not funded.

64. There are formal mechanisms to ensure timely release of funds for project outlays and cash releases are in line with annual appropriations and allocation plans. Commitment controls and payment procedures are established in Decree No. 706 of 2018 on the execution of the state budget. Payment procedures ensure there are no delays in the release of funds in accordance with quarterly allocation plans provided that the submission of the required documents is compliant. The Treasury maintains a cash buffer. Reliable cash forecasting, commitment controls, and high compliance of non-salary expenditures with regular payment procedures ensure that invoices are paid on a timely basis and there are no payment arrears reported.[48]

65. External funding of capital projects is fully integrated into the Government's TSA and information on donor funding is up to date. The bank accounts for donor-funded projects, including those in foreign currencies, are sub-accounts of the TSA, thus information on external funding is up to date and the funding is available when required.[49] The TSA sub-accounts of project implementation units (PIUs) are usually pre-funded by donors so that contractor invoices are paid in a timely manner. The PIUs need to submit withdrawal requests into the Treasury IT system, and the Public Debt Management Department tracks information on disbursements.[50] Integration of donor bank accounts into the Government's bank account structure facilitates visibility of donor bank balances and cash flows related to project expenditures.

66. Armenia's modern TSA and cash flow forecasting ensure that cash is available to meet the payment commitments when needed without any recourse to cash rationing or arrears. Compliance with payment rules supports spending of funds as planned, including for public investments. As was the case in the 2018 PIMA, the institutional design and effectiveness of this institution remains high.

13. Portfolio Management and Oversight (Strength—Medium; Effectiveness—Low; Reform Priority—High)

67. The framework for monitoring major projects is fragmented and there is little evidence of active portfolio management in practice. The PIM Decree outlines a general framework for monitoring public investment programs in a central database.[51] However the approach is applicable only to a limited number of projects developed under PIM procedures, and a specific monitoring methodology is not yet developed. At the same time, there is a legacy of ongoing projects, with fragmented responsibilities across the MoF, Office of the Deputy Prime Minister (DPM) and line ministries. A key weakness is that

[48] This finding aligns with finings in the 2024 PEFA, and SIGMA (2025) report SIGMA Monitoring Report, Public Administration in Armenia 2025.

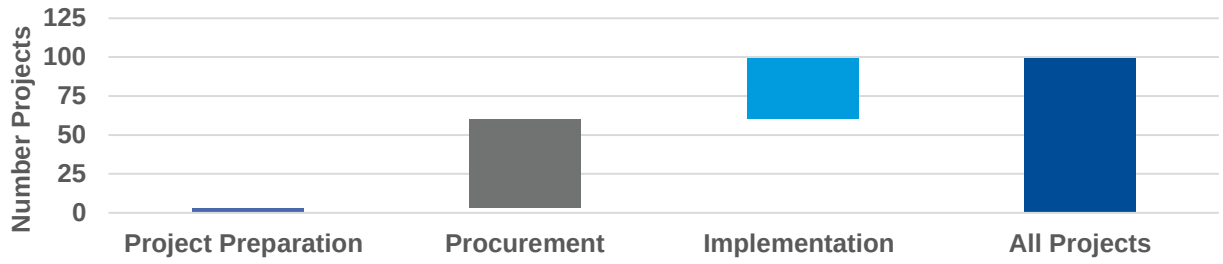
[49] Republic of Armenia (2001) Law on Treasury System Article 14(5).

[50] Treasury IT system consisting of LS Finance and LS Budget, which covers ministries, communities and donor accounts, handles all transactions, budget accounting and performance (2024 PEFA, PI 13 and PI-27). Article 46 of Decree No. 706 establishes that the Treasury exercises preliminary control over the circulation of all monetary funds within the treasury system before funds are transferred from the Treasury accounts.

[51] GD-N175 of 2023.

information is not being used to monitor portfolio performance in aggregate: for example, to identify systemic issues impacting public infrastructure provision, to pinpoint bottlenecks impeding project execution and to track developments in project cost and schedule performance. Information gathered is used for general reporting and not utilized in any way to improve project and portfolio performance. Due to absence of a central mechanism, there is no systematic data on portfolio delays and cost overruns. The Territorial Development Fund – which in 2025 implemented about one third of the non-defense capital budget – monitors the portfolio of projects within its own areas of responsibility but data is not available on aggregate trends such as the share of projects on time and on budget.

Figure 44. Territorial Development Fund (TDF)-Managed Projects at each Phase of the Project Lifecycle



Source: Staff analysis of TDF data.

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68. Although funds can be reallocated between projects during implementation, there is no evidence this has accelerated project delivery and execution remains a persistent challenge. The BSL allows reallocation between different projects, provided they are within the same budgetary program, though some programs have specific rules outlined in budgetary documents. Line ministries reported that reallocations are rare in practice, and the mission found no examples of reallocations between projects to accelerate overall portfolio performance. As shown in Chapter 1, budget under-execution is a persistent problem. However, this is not uniform across sectors (Table 10). More active portfolio management could play a role in improving execution.

Table 10. Heatmap of Budget Execution

Sectoral Investment Outturn as Share of Budget, 2019–2024

Sector	2019	2020	2021	2022	2023	2024
General Public Services	75%	**39%**	**56%**	60%	107%	**71%**
Defense	103%	**149%**	**123%**	**195%**	102%	**114%**
Public Order, Security & Judicial	**184%**	82%	**243%**	**189%**	100%	**116%**
Economic Relations	78%	**45%**	83%	**59%**	73%	63%
Environment Protection	**28%**	**2%**	**19%**	**31%**	**48%**	80%
Housing & Utility Services	**47%**	**11%**	66%	**48%**	**51%**	72%
Health	**144%**	**465%**	**127%**	64%	63%	**46%**
Recreation, Culture & Religion	**34%**	**118%**	**539%**	100%	85%	**59%**
Education	**51%**	66%	**130%**	60%	63%	**46%**
Social Protection	**51%**	**32%**	104%	**47%**	90%	**47%**

Source: Staff analysis of Budget Execution reporting.

69. There are no formal requirements for ex-post reviews of major capital projects, and these are not typically completed in practice. Under the PIM decree, project completion reports are required, but these do not constitute detailed ex-post evaluations. For externally-financed projects, there is no evidence that completion reports or more detailed ex-post reviews prepared by IFIs are being considered by implementing ministries, or that they are sufficient for comprehensive evaluation of project outcomes and lessons learned in Armenia. Reports on completed projects have pointed to a number of implementation challenges

Box 5. Implementation Challenges of Large Infrastructure Projects in Armenia

In the last decade and in common with many countries, Armenia has encountered implementation delays and cost overruns. While there is a lack of coherent portfolio monitoring for main sectors, such as road or energy, several examples point to weak front-end planning and challenges with institutional capacity. Several examples can be found across externally-funded projects, based on IFI implementation reports:

- Power Transmission Rehabilitation Project: The project was approved in July 2014 with estimated total cost of USD50 million, of which USD37 million was to be financed by Asian Development Bank (ADB) loan. While the final total project cost was USD39.52 million, approximately 21 percent lower than planned, the project underwent two changes of scope, with accumulated delays. The completion date was extended by two years, to June 2022, and the project achieved just three out of five output performance targets.
- Electricity Transmission Network Improvement Project. The project's original cost estimate was USD64.86 million, of which USD52 was to be financed by the World Bank loan. The final expenditure was USD43.9 million, as a result of savings and partial investment cancellations. The project underwent four formal restructurings, including the addition of a new investment mid-implementation, reallocation of proceeds, two partial loan cancellations, and three closing date extensions. Implementation extended from the originally planned four years to nine years.
- North–South Road Corridor Investment Program (Tranche 1). The project was approved in October 2009 with a loan of USD60 million and estimated implementation until 2014. Works were completed in June 2016, while disbursements lasted until 2018, with three loan extensions. While the loan tranche remained unchanged, the project suffered from frequent and large changes in scope, shifts in priorities and reallocations among subsequent tranches.

While some delays were due to factors beyond the control of the authorities, such as supply chain disruptions, several elements could have been mitigated. One of key challenges was inconsistent strategic planning that led to scope changes, as even in cases where there was clear prioritization of investments, ad hoc changes were made based on maturity and shifting governmental priorities. In addition, the lack of institutional capacity and staff continuity proved to be a critical weakness. Projects were marked by delayed government decision-making, fragmented internal coordination, organizational changes of implementing units, fluctuations of staff, as well as lack of knowledge regarding IFI procurement practices, which impacted timely implementation.

Sources: ADB (2023), Completion Report : Armenia Power Transmission Rehabilitation Project; ADB (2024), Validation Report: Armenia Power Transmission Rehabilitation Project; The World Bank (2025). Implementation Completion and Results Report: Electricity Transmission Network Improvement Project; ADB (2021) Performance Evaluation Report: Armenia: North–South Road Corridor Investment Program (Tranche 1).

70. Improving portfolio monitoring and management practices is crucial for improving delivery of public investment projects in Armenia. Armenia lacks a coherent framework for portfolio management, which would enable systematic monitoring and active portfolio management. Stronger monitoring would provide timely information on risks, reducing the likelihood of project delays and cost overruns. Improved budget execution can be supported by introducing an early-warning system (for example traffic-light thresholds for delay, cost growth, and low execution) with mandatory corrective action requirements. There should also be greater scope to reallocate between investment programs where this could speed delivery of the aggregate portfolio and the MoF and DPM should have mandate to make such decisions. Ex-post reviews would give the possibility to incorporate the lessons learned into future projects. For legacy projects that were not prepared and appraised under the PIM processes, there is merit in conducting a validation review to ensure continuing rationale underpinning the investment and assure key variables like cost and schedule estimates.

14. Management of Project Implementation (Strength—Medium; Effectiveness—Low; Reform Priority—Medium)

71. The PIM framework requires project implementation plans, which are usually prepared but there are no requirements for the appointment of project managers prior to approval. The PIM Decree mandates preparation of a project implementation plan as part of the appraisal process, without a requirement for appointing project managers. The MoF has prepared a template implementation plan (Box 6) which captures all key project features, including risk identification and mitigation, as well as a maturity form, to assess the level of preparedness of the project. Some project implementation plans have been prepared to date, mostly for externally funded projects.

Box 6. Project Implementation Planning in Armenia

The PIM Decree provides an update of 2023 procedures for preparing and managing public investment projects in Armenia. Within this framework, the project implementation plan is defined as a detailed document that outlines project activities, associated timelines, management arrangements and previous relevant experience of those involved. It also specifically covers identification and mitigation of risks throughout project delivery.

In addition, the project maturity form serves as a tool for judging a project's readiness prior to approval. The form requires an outline of project status: how far the design works have progressed, whether financing sources are secured, a description of procurement plans, and whether land acquisition and permitting processes have been completed.

The project implementation plan and project maturity form are integral elements of the PIM process, giving an overview of project preparedness and potential risks during implementation. Both are required during project preparation, within defined templates (Annex 1 and Annex 4), and are to be maintained and regularly updated (Article 2).

Source: GD-N175 of 2023.

72. There are no standardized rules for project adjustment, and in practice, decisions are made on a case-by-case basis. Under the procurement regime, individual contracts must be reviewed if costs increase by more than 15 percent of the original contract value. However, there is no framework that would trigger reassessment or adjustment of project scope, costs, or schedule. For example, there is no regulatory requirement for updating the feasibility study if the project faces significant changes in scope, demand, or cost. There is little evidence of project adjustment based on active review of developments during delivery.

73. The mandate of the Audit Chamber includes public investment, but few infrastructure projects have been audited to date. The Chamber is tasked with conducting financial, compliance and performance audits, publishing reports, and reporting them to the National Assembly. Potential audit topics are assessed against a set of criteria including significance, potential to create added value, and auditability. Based on this assessment, the Audit Chamber selects those topics where the audit is expected to have the greatest impact in terms of improving public administration and strengthening public

accountability. The Chamber prepares multi-annual plans[52] and annual work programs[53]. In practice, specific investment projects rarely feature. Armenia would benefit from performance audits of major investment projects that would specifically focus on project implementation, final project costs compared with initial estimates, and achievement of planned outputs.

74. There is significant scope to improve project implementation management. The PIM Decree improved the procedures for project planning. However, there is a need to improve project implementation, including stronger governance, enhanced technical capacity of PIM staff, as well as introducing a systematic process for project review and adjustments. The abolition of Project Implementation Units (PIUs) is likely to have had an impact on delivery capacity (see Box 7) and this also coincided with a shift from over-execution to under-execution of capital budgets. Armenia could consider changes to enhance capacity in the future (see also cross-cutting institution on Capacity). In 2024, legislative amendments enhanced the Audit Chamber's mandate,[54] but performance audits of investment projects are not conducted. Armenia would benefit from a stronger mandate for the Chamber for ex-post reviews of major investments, as well as development of a systematic process for follow-up of audit recommendations.

Box 7. Project Implementation Units in Armenia

Since the 1990s, Armenia made extensive use of Project Implementation Units (PIUs), particularly for externally-funded public investment projects. PIUs worked under the authority of line ministries, ensuring that IFI standards and procedures are properly followed during project implementation. Funded through project loans, PIU staff were typically paid higher salaries than public service norms.

In 2018, the Government dissolved most of these specialized units, citing concerns about their effectiveness and efficiency. Former PIUs were restructured into ministries. For example, during implementation of the North-South Corridor project (Tranche 1), the PIU was transformed to the Transport Projects Implementation Organization, to be later integrated into the Roads Department of MTAI.

Over time, the elimination of PIUs is likely to have weakened the Government's overall project implementation capacity. These changes contributed to increased staff turnover and reduced technical expertise in managing complex aspects of projects, such as project design, contracting, and coordination with IFI partners.

Source: Staff.

15. Monitoring of Public Assets (Strength— Medium; Effectiveness—Low; Reform Priority—High)

75. Asset registers are required for accounting purposes and must be regularly updated, but in practice there is no consolidated register and coverage of key infrastructure is partial. All ministries and agencies are required to maintain their accounting records and update them, with sufficient level of detail, in line with the Law on Accounting of Public Sector Organizations (2014). These registries are updated for new assets additions, and revaluation (for land and buildings only) as they primarily relate

[52] The Audit Chamber of Armenia (2025). Strategic Development Program 2026-2032, with Action Plan

[53] The Audit Chamber of Armenia (2025). Activity Plan for 2026.

[54] Government of Armenia (2024). Law on the Audit Chamber. 240-N.

to administrative assets. Infrastructure asset registers are not consistently prepared or updated – a roads register exists but contains only physical characteristics of roads (not value). In addition, the State Property Management Committee and State Cadaster Committee also keep assets registers with different degree of coverage and detail (Table 11). Infrastructure assets managed and operated by SOEs are recorded and regularly updated with sufficient details and assets value, in line with corporate accounting standards.

Table 11. Government Assets Registers

Register	Custodian	Asset Class	Asset Value	Asset Depreciation
Accounting records of ministries, agencies	Individual ministries, agencies	All, mainly own administrative use	Recorded	Recorded
State property asset register	State Property Management Committee	All types, varying coverage	Varies	Not Recorded
Road Asset Management System (RAMS)	MTAI Roads Department	Roads, varying coverage	Not Recorded[a]	Not Recorded[a]
State Unified Register of Real Estate	State Cadastre Committee	Immovable property (land, buildings)	Recorded	Not Recorded

[a] While depreciation and asset values are not recorded in the RAMS, these are captured by the Ministry of Territorial Administration and Infrastructure.
Sources: Staff analysis.

76. Asset registers are required and must be reflected in the government financial statements, but these are not valued or consolidated. While Armenia has adopted its public sector accounting standards (APSAS) and developed model financial statements, annual government financial reports continue to be prepared on a cash basis and do not include balance-sheet information on the value of public non-financial assets. Asset stocks are therefore not reported as part of government financial accounts. Although the Law on Accounting of Public Sector Organizations envisages preparation and publication of the public sector financial statements, this only started in 2024 and has not achieved sufficient entity or asset coverage and is not yet published. By contrast, reporting practices differ in the SOE sector: the annual SOE portfolio report prepared by the State Property Management Committee reports on fixed asset stocks at the level of individual enterprises, drawing on their accrual-based financial statements.

77. The existing accounting framework includes explicit provisions for assets depreciation, but its implementation remains uneven. Ministerial Order No. 3 (2016) establishes standard useful lives and depreciation norms for all types of fixed assets in public sector organizations, and the Law on Accounting of Public Sector Organizations empowers the MoF to set inventory procedures. These provisions represent a coherent institutional basis for depreciation and asset stocktaking. Evidence from implementation indicates that most government agencies apply depreciation in their internal accounting systems for their own administrative assets in accordance with prescribed norms. Infrastructure assets do not seem to be regularly depreciated. Therefore, depreciation charges and respective net residual values are not consolidated or reported in government financial statements, and there is no regular public reporting on asset condition or service potential. While internal practices appear to be broadly in place, their impact on transparency and asset monitoring at the aggregate level is limited.

78. Improving infrastructure asset management is a key reform priority. Over the past decade, Armenia has established key foundations for public asset monitoring, including through a legal framework for public sector accounting. These efforts go hand-in-hand with implementing the updated accounting legislation and adoption of APSAS-based principles for asset recognition and depreciation, and several registers for immovable property and SOE assets. Digitalization of land and property registry and the application of depreciation by most central government entities represent concrete progress since the 2018 PIMA. However, these elements are not yet integrated into a coherent system for monitoring the public asset portfolio at the central government level. Asset information remains fragmented across registers, physical surveys are not conducted on a standardized and regular basis, and government financial reports do not include balance-sheet information on non-financial assets. As a result, value-based assets registers and depreciation practices, while applied internally, do not support consolidated reporting or systematic oversight of asset values, condition, and service potential at the central government level. This has implications for maintenance practices as discussed under Institution 9 and may become a macro-critical issue owing to climate change, as discussed in Institution C4.

Recommendations on Public Investment Implementation

Issue: Limited predictability of procurement and overuse of urgent mechanisms constrains the capacity of the market to prepare for and respond to tender opportunities, weakening competition, limiting the effectiveness of procurement and slowing budget execution.

Recommendation: Enact measures to restrict the use of urgent procurement and publish and update a rolling 1–3 year procurement pipeline, (in time, derived from the National Infrastructure Strategy), to provide market visibility, enable early market engagement, strengthen competition, and private sector preparedness (MoF, Q4 2027)

Issue: There is no active portfolio management of the public investment projects.

Recommendation: Introduce a central portfolio management function to validate the stock of legacy projects, track financial and physical progress of the largest projects, review bottlenecks to delivery and take decisions to accelerate portfolio implementation, including reallocation between projects (MoF & DPM, Q3 2027).

Issue: Asset registers are maintained at the MDA level, but information is not consolidated, infrastructure assets coverage is partial, non-financial assets are not covered in government financial statements and there is no assessment of the vulnerability of key assets to climate change.

Recommendation: Expand asset registers to systematically cover major infrastructure assets with attached values and standardized valuation approaches (Q1 2028).

IV. The Climate PIMA

A. Climate Change and Public Infrastructure

79. Armenia faces increasing climate-related challenges characterized by rising temperatures, changing precipitation patterns and more frequent extreme weather events. Armenia's average annual temperature rose 1.4°C in comparison to the preindustrial level (1980) and is expected to rise further 1.4 °C by 2060 (SSP2.4.5 scenario) (Figure 45).[55] Rainfall patterns have already changed – July and September observe increased precipitation, with decreases in June (Figure 46). Although the annual mean precipitation is expected to stay stable under an SSP2.4.5 scenario, a high emission scenario (SSP3.7.0) projects falling precipitation. Changing rainfall patterns coupled with higher temperatures will increase drought risk and aridity in regions, such as the Ararat Valley, while mountainous regions may face heavy rainfall episodes, leading to increasing flood risk.

Figure 45. Armenia: Temperature Change, by Month (ºC)

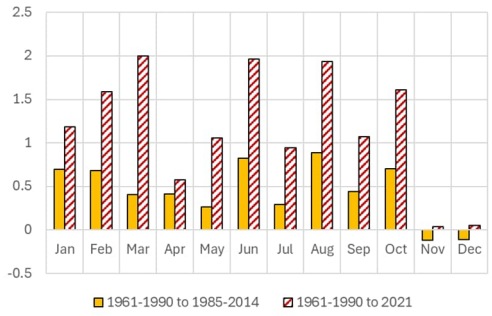
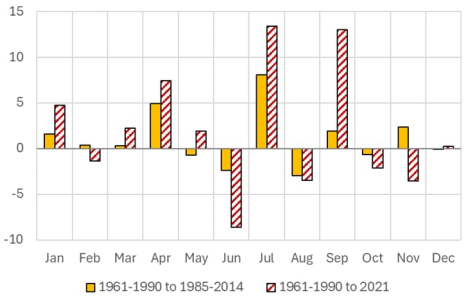


Figure 46. Armenia: Precipitations Change, by Month (mm/month)



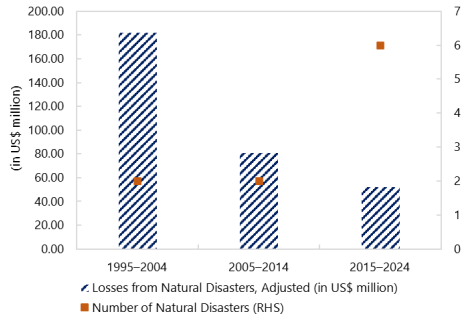
Source: IMF Climate Dataset, Massetti and Tagklis (2024) Impact of Climate Change in: IMF Staff Country Reports Volume 2024 Issue 300 (2024); Harris et al. (2020) Version 4 of the CRU TS monthly high-resolution gridded multivariate climate dataset.

80. Armenia is exposed to climate-related hazards, with associated implications for critical sectors - including infrastructure - and posing risks of fiscal and economic costs. While Armenia is comparatively less disaster-prone relative to peer countries (Figure 49), the frequency of recorded natural disasters has risen notably (Figure 47). Of the eight disasters recorded in the period between 2005 and 2024, six were recorded in the past 10 years, while only two such events occurred in prior period. Storms, in particular hailstorms, are the most common disaster type, followed by floods, climate-driven mass movements, and extreme temperatures (Figure 48). These developments increase the strain on infrastructure leading to faster asset degradation, greater risk to connected systems, service interruptions and reduced reliability. Armenia's mountainous terrain makes the country susceptible to flash flooding and mudflows. Extreme weather events impact economic outcomes. Floods caused significant damage to

[55] FADCP Climate Dataset (Massetti and Tagklis, 2024), using Climatic Research Unit (CRU) data (Harris et al., 2020), and CMIP6 data (Copernicus Climate Change Service, Climate Data Store, 2021).

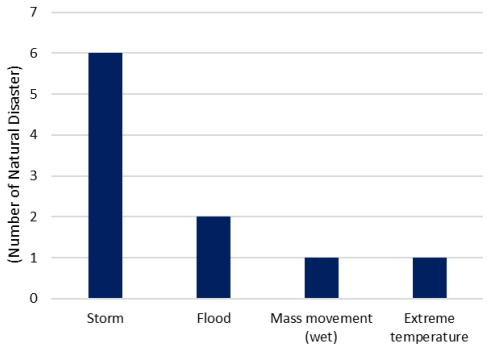
agricultural land, crops, and irrigation systems and drainage infrastructure, reducing yields in the disaster years. The intensity of flood impacts on roads, buildings and agricultural land already costs the country 0.8–2.3 percent of GDP annually in asset damages.[56] An estimate from the World Bank shows damages and losses through natural disasters amounted to USD 1.5 billion from 1994 to 2014.

Figure 47. Armenia - Natural Disasters Numbers and Losses



Source: EM-DAT International Disaster Database

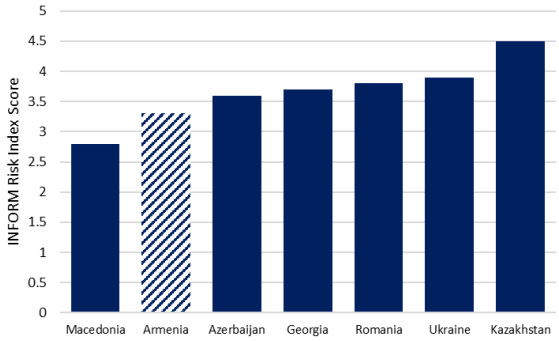
Figure 48. Armenia - Natural Disasters 2001 to 2024 by type



Source: EM-DAT International Disaster Database

Note: The International Disaster Database (EM-DAT) is a widely used global dataset with known limitations. These include limited coverage of smaller events due to threshold-based inclusion criteria, substantial missing data, especially for economic losses, and events prior to 1990, and variability in reporting quality across countries and over time.

Figure 49. Classification of Selected Countries at Risk from Natural Hazards



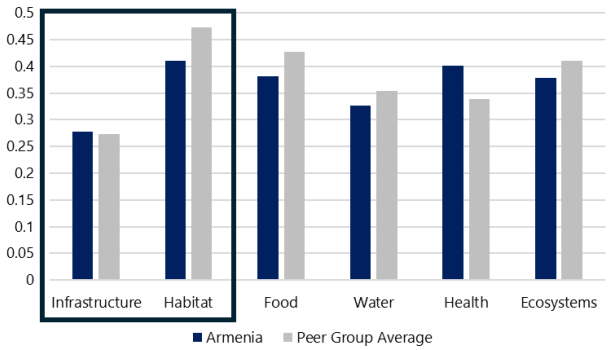
Source: Climate-driven INFORM Risk Indicator, IMF staff calculation
Note: The Climate-driven INFORM Risk Index score ranges from 0 to 10, with 0 indicating very low risk, and 10 indicating very high risk.

81. While broadly aligned with those of Armenia's peer countries, risks to public infrastructure are significant and increasing. According to the IMF-adapted Notre Dame Global Adaptation Index (ND-GAIN), Armenia's vulnerability in infrastructure and housing (habitat) is comparable to the peer-country average (Figure 50). However, rising drought risk and water-stress are placing pressure on hydropower plants that currently produce around 20 percent of Armenia's electricity. In addition, declining and variable rainfall may require agriculture to transition from rainfed to irrigation-based farming, necessitating investments in water infrastructure and conservation projects. Further, the flash floods of

[56] https://www.worldbank.org/en/country/armenia/publication/the-country-climate-and-development-report-for-armenia

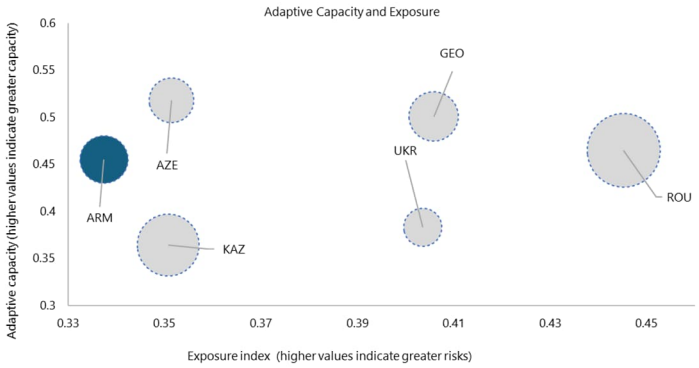
2024 exemplify the growing flood risk. Torrential rain led to floods in the northern Provinces Lori and Tavush, damaging public infrastructure, such as bridges, highways, utility poles, as well as gas and water pipelines.[57] A UNDP Post Disaster Needs Assessment (PDNA) estimated the destruction to amount up to USD 49 million in damage and USD 33 million in losses. Of these, public infrastructure amounted to 50 percent, with transport infrastructure alone recording USD 20.7 million in damages.[58]

Figure 50. Vulnerability composition of Armenia in Comparison to Peer Countries



Source: IMF-Adapted ND-GAIN Index.
Note: The ND-GAIN vulnerability score ranges from 0 to 1, with 0 indicating very low vulnerability and 1 indicating very high vulnerability. The peer group includes Azerbaijan, Georgia, Kazakhstan, Macedonia Romania, Ukraine.

Figure 51. IMF-Adapted ND-GAIN Index: Adaptive Capacity & Exposure



Source: IMF-Adapted Climate-driven ND-GAIN Index.
Note: Peer group includes Azerbaijan, Georgia, Kazakhstan, Macedonia Romania, Ukraine. Bubble size indicates per-capita GDP in USD (2024). Capacity index is the difference between one and the ND-GAIN capacity indicator so that higher values indicate greater capacity.

82. Strengthening climate-resilient infrastructure is essential as Armenia faces growing pressure from intensifying climate risks. While Armenia is less exposed than comparators, its adaptive capacity, which is defined as the availability of social resources (infrastructure, institutions, and capacity

[57] https://ge.boell.org/en/2024/09/18/climate-risks-armenia-delayed-response-amid-persistent-vulnerabilities-alaverdi

[58] https://www.undp.org/sites/g/files/zskgke326/files/2024-11/pdna_armenia_eng_final.pdf

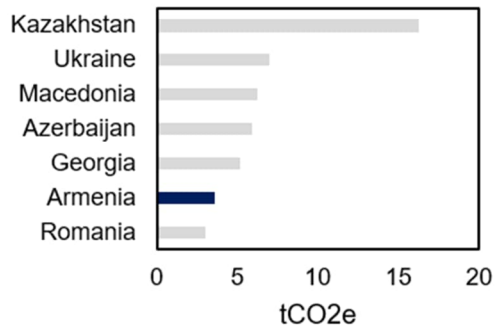
to respond) shows potential for further improvement (see Figure 51. IMF-Adapted ND-GAIN Index: Adaptive Capacity & Exposure).

83. Limited adaptive capacity increases the vulnerability of infrastructure to natural disasters by leaving assets poorly designed, maintained, and protected. In turn disaster-related infrastructure damage further erodes adaptive capacity by disrupting essential services, slowing recovery, and amplifying economic and fiscal losses. These challenges highlight the need to integrate climate-related risks into infrastructure planning and regulation, as climate-resilient investments – despite higher upfront costs – reduce long-term socio-economic losses by limiting service disruptions, asset damage, and reconstruction and maintenance needs.

B. Climate Change Objectives and Strategies

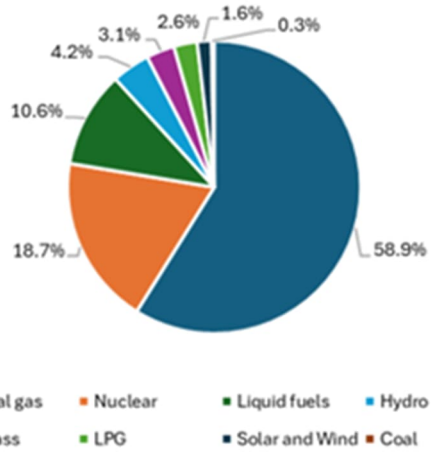
84. Armenia has stepped up its climate commitments in recent years, advancing both mitigation and adaptation efforts under its updated Nationally Determined Contributions (NDCs). Armenia's overall contribution to global greenhouse gas (GHG) emissions is modest, accounting 0.02 percent of global emissions in 2023, though emissions have grown annually by 2.5 percent over the past decade (2013–2023; **Error! Reference source not found.**). Armenia's NDC 3.0 raises ambition by increasing its 2035 emissions-reduction target to 44 percent unconditionally and 52 percent conditionally relative to 1990, compared with the 2021 NDC's reduction target of 40 percent by 2030, while adding deeper sectoral measures and a much stronger adaptation and transparency framework. The NDC is supported by its Long-term Low Greenhouse Gas Emissions Development Strategy (LT-LEDS), adopted in December 2023. Covering five sectors – energy, agriculture, industry, forestry and other land use, and waste – the LT-LEDS focuses on technological advancement and sustainable development to drive emissions reductions.

Figure 52. Total GHG Emissions per capita (Inc. LULUCF) Armenia and Peer Countries, 2023



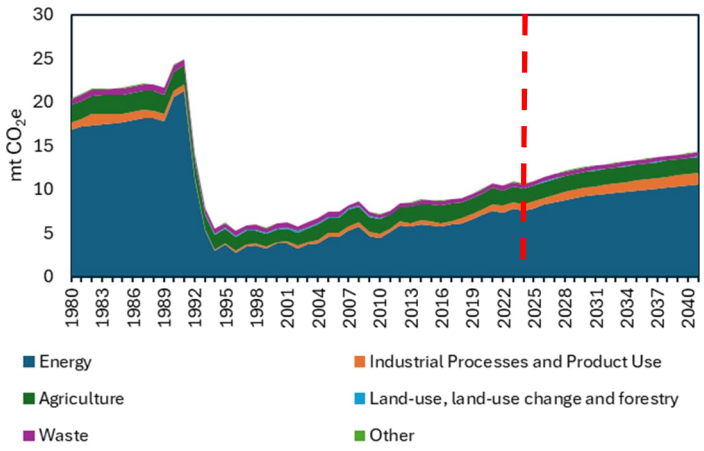
Source: IMF Climate Policy Assessment Tool

Figure 53. Total Energy Consumption (2022)



Source: IMF Climate Policy Assessment Tool

Figure 54. Total GHG Emissions, Historical and Projections (2022)



Source: IMF Climate Policy Assessment Tool
Note: Datapoints ante 2024 reflect historical data, datapoints post 2023 reflect projections

85. Armenia is advancing a comprehensive adaptation agenda aimed at strengthening resilience to its intensifying climate risks. Its updated NDCs and recent passage of a comprehensive Climate Law require climate risk assessments and the integration of adaptation measures into national and sectoral planning. In 2021, the government launched the National Adaptation Plan (NAP) process through the National Action Program of Adaptation to Climate Change in May 2021, establishing institutional arrangements for coordination and monitoring.[59] The NAP action plan identifies seven sectors with particular adaptation needs and envisages the development of sectoral adaptation plans (SAPs) for forest ecosystems, human health, water, agriculture, energy, human settlements and infrastructure, and tourism, and outlines adaptation plans for all 10 marzes. Implementation has advanced through the development of sectoral and regional adaptation plans. At the institutional level, Armenia has strengthened adaptive capacity by conducting climate risk and vulnerability assessments, developing climate hazard atlases for selected regions, establishing adaptation monitoring and evaluation frameworks, and integrating climate considerations into sectoral legislation.[60]

86. Armenia's transition toward a resilient, low carbon economy will require substantial investment but also presents opportunities for innovation, and green jobs. According to the World Bank's Country Climate and Development Report (CCDR), Armenia will need an estimated USD8 billion in climate related investments between 2025 and 2060 to advance both mitigation and adaptation priorities. Strengthening adaptation capacity is particularly urgent given the projected impacts on water resources, agriculture, and disaster vulnerability, including potential reductions in crops and livestock yields of up to 37 percent by 2050 without targeted investment. Investments in renewable energy and the broader energy transition may deliver dual benefits, by reducing GHG emissions, and by strengthening Armenia's energy security. The World Bank estimates the cost for this energy transition to amount to USD

[59] Government of Armenia (2021) National Adaptation Plan

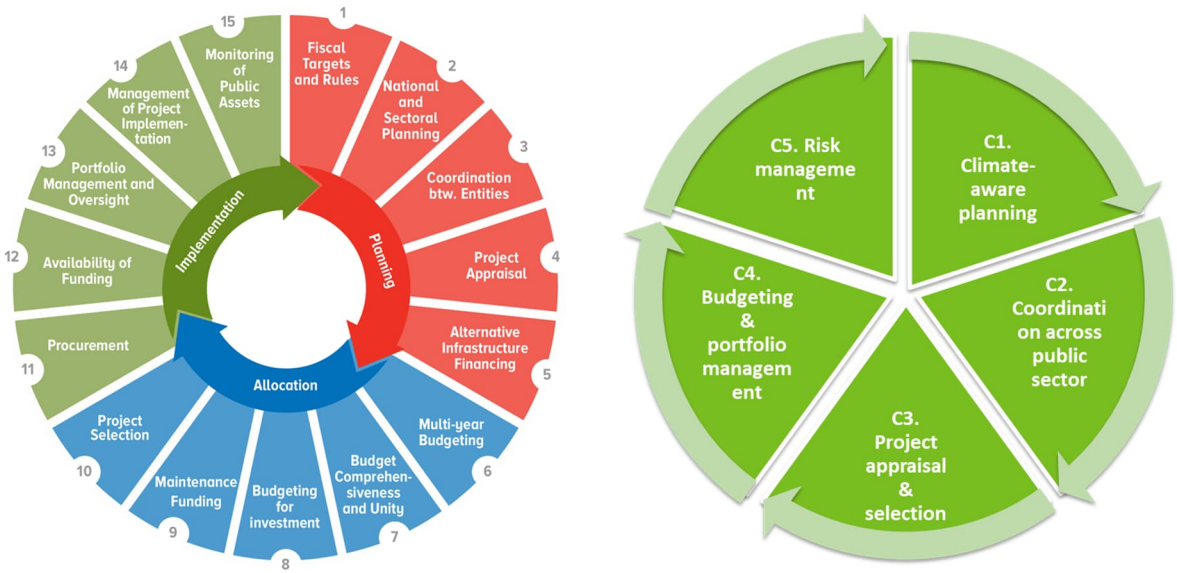
[60] UNDP (2022) Results of Armenia's National Adaptation Plan project have been summarized and presented to the stakeholders

3 billion.[61] Targeted investments that generate synergies between mitigation and adaptation – such as scaling solar energy to reduce reliance on imported gas, improving water smart agriculture, and enhancing disaster risk management – offer a pathway to support economic resilience, strengthen energy security, and create new green economic opportunities.

C. Climate PIMA Framework

87. The Climate PIMA assesses five key public investment management practices from the climate change perspective and is an extension of the existing PIMA framework. Figure 55 describes the main elements.

Figure 55. Climate Public Investment Management Assessment Framework



88. The Climate PIMA covers the following specific issues (see Annex 3 for the C-PIMA Questionnaire):

- C1. Climate-aware planning: Is public investment planned from a climate change perspective? This is necessary to ensure that long- and medium-term plans contribute to meeting climate objectives and facilitate effective prioritization and decision-making.
- C2. Coordination across public sector: Is there effective coordination of decision making on climate change-related public investment across the public sector? In addition to the central government, subnational governments (SNGs), public corporations (PCs) and private sector entities play key roles in realizing climate-related public investment. Climate adaptation investments will often take place at the SNG level, and both PCs and private sector entities may play key roles for instance in energy production.
- C3. Project appraisal and selection: Do project appraisal and selection include climate-related analysis and criteria? This is necessary to ensure that the most effective and efficient investments are

[61] https://documents1.worldbank.org/curated/en/099062424121038546/pdf/P170030-619bb5f5-65c2-47c7-8c6b-c554e0879f1e.pdf

prioritized. This serves to maximize the climate impacts of public investments with available resources.

- C.4 Budgeting and Portfolio management: Is climate-related investment spending clearly identified in the budget and subject to active management and oversight? Because the climate benefits may be less tangible and more difficult to quantify than other project benefits, systematic and consistent management, and oversight of benefits over the project lifecycle is critical.
- C5. Risk management: Are fiscal risks relating to climate change and infrastructure incorporated in budgets and fiscal risk analysis and managed according to a plan? The likelihood of climate related disasters is expected to increase over time. The impacts of these risks on public infrastructure must be systematically assessed and monitored, to facilitate adequate and effective risk mitigation.

D. Detailed Assessment

C1 Climate-aware Planning (Strength—Medium; Reform Priority—Medium)

89. Climate-sensitive public investment management requires that national and sectoral planning integrates mitigation and adaptation considerations. This ensures that public infrastructure investment is aligned with government's commitments on decarbonization and the risk to infrastructure arising from likely changes in climatic conditions is minimized. Land regulations and building codes can mitigate the exposure to climate-related risks and disasters and help limit related emissions. Ministries should be provided with guidance and support on how to incorporate climate considerations into their investment plans and how to cost such measures, based on standard methodologies.

90. Armenia has strong commitments on both adaptation and mitigation that are reflected in dedicated national and sectoral strategies, including estimated investment costs. A new NDC was adopted in late 2025 and previous NDC targets are reflected in a range of national and sectoral strategies. Some strategies have linked action plans containing lists of planned measures and investments with associated cost estimates and impacts. However, the proliferation of strategies presents a risk of fragmentation and strategies do not provide certainty on the availability of financing for the implementation of these measures, with funding decisions taken in the annual budgetary process, and – as discussed in Institution 2 – a weak link from plans to the budget.

Key national climate strategies that include estimated investment costs are:

- The 2021 – 2026 Action Plan of the Government of the Republic of Armenia (2021) – With 439 main goals and 1,276 actions, is comprehensive statement of Government priorities. This includes commitments to developing climate policy generally and specific sectoral measures across energy, transport and buildings.

- The Third NDC (2025) – see Section B above.

- Long-Term Low Emissions Development Strategy (2023) – This strategy sets out the Government's 2050 greenhouse gas emissions target. It models three scenarios for emissions to 20250 and outlines the priorities and measures that will be implemented, along with an estimated investment costs (USD5.3 – 7.2 billion).

- NAP – This plan was published in 2021 and sets out how Armenia will build capacity to adapt to the expected impacts of climate change, including investment.

91. Building regulations for new apartment buildings and public buildings apply energy efficiency standards but spatial planning lacks specific reference to climate risks and impacts. Armenia has undertaken to converge with EU energy efficiency standards under the Comprehensive and Enhanced Partnership Agreement (CEPA) between the EU and Armenia. It also published a national strategy on energy saving in 2022.[62] Building codes have been implemented to ensure minimum efficiency standards are applied to new multi-dwelling and public sector buildings since 2018.[63] Though these standards have not been updated since, a new Renewable Energy and Energy Efficiency Law is in the final stages of development that will provide a framework to further strengthen efficiency standards. Climate issues are less well embedded within spatial planning systems. Planning laws, such as the law on urban development, typically pre-date climate considerations and spatial planning functions are devolved to sub-national governments. Sub-national governments develop master plans for their areas of responsibility, with area-based zoning and local development plans, following an over-arching framework set by government. These over-arching requirements include prioritizing balanced and sustainable development and developing integrated solutions to environmental challenges but do not specify broader requirements in relation to climate risk.

92. There is limited guidance to support public entities in developing climate aware strategies but no centralized guidance for costing. The Office of the DPM is in the process of developing guidance on the development of six new national strategies through a strategy playbook that includes guidance on mainstreaming climate change. In addition to these efforts, the MoEnv has actively assisted with the preparation of a number of regional adaptation plans. However, there is no wider guidance or support for ministries to cost climate-aware public investment plans.

93. Armenia has an extensive suite of climate strategies and plans, and there is scope to improve their linkage to investment policy and provide more guidance to MDAs. The new Climate Law creates an updated institutional framework that should be used to facilitate the harmonization of climate aware investment planning through the Climate Change Council. This should be coupled with the development of a more in-depth guide to climate mainstreaming that also provides a standard methodology for costing climate initiatives (as well as considering the potential cost implications of climate for all initiatives). A new consistent, centralized framework for embedding and costing climate considerations should then be linked with the broader public investment framework. Sectoral plans should be updated on this basis and for consistency with NDC targets**.** Progress on energy efficiency, particularly updating the energy efficiency standards applied to new construction should be prioritized.

C2 Coordination Between Entities (Strength—Medium; Reform Priority—Medium)

94. A whole-of-government approach facilitates effective climate action – including investment - across all levels of the public sector. Effective coordination needs to take place within central government, between central government and subnational government, and across the broader

[62] Government of Armenia (2022) Program on Energy Saving and Renewable Energy

[63] Government of Armenia (2018) Energy Efficiency Standards in Buildings

public sector, ensuring alignment in decision-making on climate-related investment. The regulatory and oversight framework for public corporations should ensure that infrastructure investments are consistent with national strategies for climate change.

95. Coordination of climate-related investment in Armenia has been weak, but the new Climate Law empowers the Climate Change Council with a mandate to coordinate investment. The annual budget message requires state bodies to separately present all programs and measures included in the budget request that are aimed at or contribute to climate change mitigation and adaptation as one of a number of intersecting policies. Individual investment priorities are decided in the budgetary process based on bilateral engagements between the MoF line ministries. The new Climate Change Law (Box 8) commits that all climate policy priorities and the indicative amounts of funding to be allocated to state bodies will be discussed at the Council, regardless of funding source. This encompasses capital spending. The conclusions of the Council will also be attached to the draft state budget package. If implemented effectively, this can improve coordination of climate-related public investment across central government.

Box 8. Armenia's New Climate Change Law

Armenia's new Climate Change Law was signed by the President on February 12, 2026, and came into effect on February 23. The Law contains forty articles, split across eleven chapters. It is one of the two explicitly listed objectives of the legislation to consistently reduce the vulnerability of infrastructure to climate change.

The Act defines the powers of various arms of Government (Chapter 3) and gives a legal basis to a Climate Change Council (Chapter 4) that will coordinate climate policy and will supersede the previous Inter-agency Coordinating Council on Climate Change. The new Council will also have a specific role in the integration of climate considerations within the budgetary process (Article 21).

The Act obliges the Government to establish monitoring and verification systems for greenhouse gas inventories and to measure the impact of individual policies and measures – including infrastructure investment - with associated quality control and validation systems (Chapter 7).

Source: Mision analysis of Government of Armenia (2026) Climate Change Law.

96. Coordination of investment with SNG is limited but the new Climate Change Law provides an opportunity for improvement. There is little evidence of strategic coordination or formal engagement structures between central and sub-national governments on climate-related investments. The central government does not issue guidance to sub-national governments on climate-related investments, but project details are typically shared with the central government through the budgetary process. There is a steady flow of donor supported projects emerging from sub-national governments that proceed to the budgetary process for the allocation of State funds. As noted, the new Climate Change Law has the potential to improve coordination as it assigns legally distinct roles to each branch of public administration in Armenia. While the composition of the Council and its working groups are left to discretion of the DPM within the Act, the mission understands that the intention is to broaden the membership of the Council to provide for representation from sub-national governments.

97. The regulatory and oversight framework for SOEs does not mandate the alignment of climate related investments. The new SOE Decree includes a requirement to formally approve the primary objectives of priority SOEs, along with the targets and activities suggested by the SOE to achieve

these targets, including investment. An inter-agency governance commission may be formed for each priority SOE to progress this function. However, there is no explicit reference in the Decree to alignment between investment priorities and overarching considerations such as climate change. Given the critical role played by SOE investment in key climate-related sectors of the economy, particularly energy, the absence of an explicit requirement for policy alignment at a portfolio level is a significant weakness.

98. The framework provided by the Climate Change Law affords the opportunity to strengthen the coordination of climate investment across all levels of Government in Armenia. In particular, the law sets out a series of new high-level structures and processes that will require significant institutional capacity to implement effectively. Effective engagement will be required between the new public investment management structures and procedures, including the PIC and the Council on coordinating climate-related public investment. The Climate Change law is silent on the role of SOEs. Given the proportion of capital investment SOEs are responsible for in critical sectors, it is important to put in place formal mechanisms that can ensure that their investment plans are aligned with the Government's overall climate objectives. Over time, this framework could be strengthened allowing SOEs to converge with standards on international climate related disclosures that, in turn, may facilitate increased funding for climate projects.

C3 Project Appraisal and Selection (Strength—Low; Reform Priority—High)

99. Project appraisal and selection systems for public investment management should incorporate consideration of climate change adaptation and mitigation. Understanding the impact public investments will have on greenhouse gas emissions is critical to ensure that investment plans are aligned with national climate objectives. Similarly, assessing the potential vulnerability of infrastructure to future climate risks is necessary to determine how to effectively minimize and mitigate these risks. Incorporating a climate focus in project appraisal allows evidence informed decisions to be made when projects are selected for funding. It also ensures that climate risks can be incorporated into other funding instruments, such as PPPs, avoiding potential future liabilities by assessing how climate change risks might affect future costs within these contracts.

100. The PIM process includes an assessment of the anticipated climate impacts of projects but this is high-level. Project Concept Notes are required to provide an assessment of some of likely impacts of the project on climate and environment (Box 9). Project sponsors are encouraged to value any change in emissions in the economic appraisal, but this is not mandatory and there is no guidance provided on how to do this. At feasibility stage an environmental impact assessment is required, but this focuses on environmental rather than climate dimensions. There is no requirement for a more detailed assessment of the likely impacts of the project on greenhouse gas emissions or vulnerability to climate change specified in the minimum requirements for a feasibility study. This is a gap in the climate appraisal framework that should be rectified by requiring a more detailed assessment of the climate-related impacts of proposed projects, building on the information captured in qualitative form at the concept note stage. This is particularly warranted for the largest projects.

Box 9. Climate and Environmental Appraisal Requirements in Armenia

Concept Note

Mitigation

Project proponents are required to report whether the implementation of the project will contribute to mitigating the effects of Climate Change. Within the framework of the project, it is necessary to assess whether its implementation will lead to an increase in greenhouse gas emissions or contribute to their reduction. Concept notes are encouraged to include the reduction or increase of CO_2 in the calculation of the economic net present value.

Adaptation

Project proponents are required to state whether the implementation of the project will contribute to increasing Armenia's climate change adaptation readiness. This includes a high-level description of how the project will help reduce the negative impacts of climate change. For example:

- Does it improve water access, supply or storage?
- Does it increase the resilience of infrastructure to withstand floods, droughts, landslides and other risks?
- Does the project envisage increasing climate change adaptation in the sectors of agriculture, health or housing?

Pre-Feasibility

This should include a description of the impact of the project on the environment, including the potential negative impact on the environment and human health as a result of the project implementation, but is less prescriptive on climate impacts and risks.

Feasibility

In accordance with the Law on Environmental Impact Assessment and Expertise, a strategic assessment and expert examination of a potential project, which includes the identification of environmental issues during the construction and subsequent stages before construction, the assessment of their impact and, if necessary, the development of mitigation measures, including the assessment of their associated costs.

Source: Staff analysis of Government Decrees 1580 of 2025 and 175 of 2023 and accompanying annexes.

101. The framework for managing longer-term public investment contracts, such as PPPs, does not explicitly address climate-related challenges. The legal framework for PPP contracts in Armenia is set by the Law on PPPs[64] which came into effect in 2020 and was updated in 2021.[65] In particular, the 2021 amending legislation specifies that there must be an allocation of risks between the State and the PPP provider (Article 5). The rules governing this allocation are set in the non-statutory PPP guidelines which require environmental impact analysis for all significant projects, identification of potentially negative environmental impacts and that all new PPP projects proceed through the public investment management process. In practical terms, individual contracts deal with some climate risks but there are no framework or system-wide requirements. Without explicit reference to the risks posed by a changing climate, the PPP guidelines are not likely to be sufficient to protect the State from any climate risks that may arise over the lifetime of the contract and provide certainty on how any resultant costs might be dealt with.

[64] Government of Armenia (2019) Law on Public Private Partnerships

[65] Government of Armenia (2021) Updated Law on PPPs

102. Climate considerations are not a significant factor in project selection decisions in Armenia. The PIC reviews all appraised projects to build a priority project list. It undertakes this based on a review of the appraisal conducted by the MoF through a multi-criteria assessment of project documentation (see Box 10 for elaboration of the climate dimensions). This methodological approach is too weak to drive effective prioritization of climate-related projects. Projects can only score up to 2 marks from a total of 17 available (12 percent) on climate change, with half of this score (1 mark) available even for projects that have no discernible impact on emissions. This suggests that the climate characteristics of a project are unlikely to be a deciding factor in project selection decisions. This approach does not allow the PIC to differentiate between projects that will lead to a significant decrease in greenhouse gas emissions versus those where any impact is likely to be positive but marginal. It also means that the PIM process provides no effective barrier to the selection of projects that may have a significant negative impact on greenhouse gas emissions. In any case, and as discussed under Institution 10, final investment decisions are currently made in the budgetary process based on bilateral engagements with individual Ministries on priorities.

Box 10. Multi-Criteria Analysis Ranking Assistance for Project Selection (Draft)

The following questions guide the assessment of the climate dimension of the prioritization framework.

- Does the program reduce energy consumption?
- Does the program promote energy efficiency?
- Does the project increase the amount of electricity or heat energy from renewable sources?
- Does the program promote lower carbon fuels? (or the transition of transport powered by that fuel)
- Did the project improve land use, resulting in reduced emissions?
- Does the program support sustainable and green agricultural practices?
- Does the project protect or increase forested areas?
- Will the implementation of the project reduce the amount of waste placed in landfills?
- Does the project contribute to increased greenhouse gas emissions compared to the baseline scenario?

If at least one of the questions 4.1 – 4.8 is answered "YES" and the answer to question 4.9 is "NO", then the program is given 2 points. If the answer "NO" is given to all questions 4.1 – 4.9, then the program is given 1. If the answer "YES" was given to 4.9 and the project directly or (where possible to estimate) indirectly leads to significant deforestation over time, then the project is scored 0 points, regardless of the number of positive responses.

Source: MoF draft shared with mission.

103. Expanding the analysis of climate issues in project appraisal and selection is an important reform priority. The current qualitative appraisal and selection methodology and the lack of detailed analysis at feasibility stage provide insufficient evidence to allow policy makers to take adequately climate-informed investment decisions. Given the hazards that climate change poses to infrastructure, this is a significant risk. Improving the rigor of the appraisal process, particularly at the feasibility stage will allow for prioritization among projects that reduce emissions and identification of particularly vulnerable projects. This can be achieved by strengthening climate risk analysis at the project appraisal stage, accompanied by publishing standard methodologies, guidance on their application and training to strengthen the appraisal process.

C.4. Budgeting and Portfolio Management (Strength—Low; Reform Priority— High)

104. Integrating climate considerations into public investment budgeting and portfolio management is a core element of climate-aware infrastructure governance. An integrated institutional framework ensures that climate-related investment projects are systematically identified, budgeted, monitored, maintained, and managed as part of a coherent portfolio. It also supports governments in anticipating and mitigating climate-related fiscal risks, as climate change is likely to increase maintenance costs and disaster-related damages to core infrastructure assets.

105. Armenia has made good progress in identifying planned climate-related public investment expenditures in the budget documents. In line with Article 21 of the Climate Law, Armenia's legal framework requires identification of climate-related public investment expenditures in the budget and this requirement is also reflected in the methodological guidelines for 2027–2029 MTEF and 2027 budget.[66] Building on these requirements, climate budget tagging will become mandatory for the 2027 budget. The MoEnv has been leading the preparatory process. Pilot exercises were undertaken for the annual budgets of 2025 and 2026, in cooperation with UNDP.[67] A tagging methodology has been developed, but is not yet formally adopted (Box 11). In the 2026 budget, 5.2 percent of investments are tagged as green (Table below). Climate spending is concentrated in areas of housing, infrastructure, energy, water and agriculture, predominantly focusing on adaptation measures (73.6 percent of climate expenditures). The majority of planned climate expenditures are financed through the national budget (36 percent of climate spending is externally financed, of which 79.3 percent is loan financing).

Table12. Armenia - Green Budgeting in 2026

Government entity	Number of climate-related measures	Climate-related expenditures (million AMD)	Share of total entity expenditures (percent)	Share of total climate expenditures (percent)
Ministry of Territorial Administration and Infrastructure	77	94,030.9	29	49.7
Ministry of Economy	34	21,904.9	29.4	11.6
Ministry of Environment	26	13,686.5	87.2	7.2
Ministry of Education, Science, Culture and Sports	17	22,700.8	5.4	12
Ministry of Health	7	26,034.3	12.3	13.8
State Revenue Committee	7	1,324.3	1	0.7
Ministry of Internal Affairs	3	9,227.1	9	4.9
Ministry of Labor and Social Affairs	1	97.7	0	0.1
Ministry of Defense	1	4.6	0	0
Total	**173**	**189,011.1**	**5.2**	**100**

Source: Ministry of Environment, UNDP.

[66] MoF (2026). Methodological guidelines for the preparation of budget applications within the framework of the State Medium-Term Expenditure Program for 2027-2029 and the development of the National Budget Projects for 2027.

[67] UNDP project "Climate Promise Armenia - From Pledge to Impact"

Box 11. Armenia's Climate Budget Tagging (CBT) Methodology

Armenia's Climate Budget Tagging (CBT) Guidelines have been designed to help government agencies identify, categorize, and record climate-related expenditures within the national budget. The authorities' main objective was to create a consistent system, where budget line items that contribute to climate change mitigation and adaptation objectives can be tagged within the budget cycle, making expenditures visible and measurable over time.

Armenia's methodology for tracking climate-related expenditures follows a structured screening and coding process. The first step is the systematic review of budget programs, to determine whether they contribute to climate change mitigation or adaptation objectives. Line ministries assess each proposed budgetary expenditure against defined eligibility criteria and national climate policy commitments, with a simple questionnaire and a typology of measures. Measures that demonstrate a clear and direct linkage to mitigation or adaptation objectives proceed to the tagging stage.

The second step is the assignment of a numerical climate relevance code within the budget classification system. Climate classification is independent of other classifications of budget expenditures and is applied at the level of budget program measures. The methodology includes four main tagging categories, depending on contribution to climate objectives: (i) direct relevance to climate objectives; (ii) high relevance, (iii) medium relevance; and (iv) low relevance to climate objectives.

As the third step, the code assigned translates into weights that correspond to the climate relevance attributed to the measure. All budget measures are to be tagged based on this approach, with weights falling into four categories (75–100 percent, 50–75 percent, 25–50 percent and 0–25 percent).

A methodological manual includes a chart with simplified sequence of steps (Annex 1) and several examples of climate classification (Annex 2).

Source: Staff analysis and MoEnv (2024). Guidelines for Climate Budget Tagging.

106. Armenia does not conduct ex-post reviews or audits on the climate change mitigation and adaptation outcomes of public investments. In the legal and regulatory framework, there is no formal requirement to review the climate-related impacts of projects. The mission found limited evidence of ex-post reviews of IFI-funded projects that include climate-related information. For example, a completion report on rehabilitation of the power infrastructure concluded that the project contributed to tackling climate change, including through building climate and disaster resilience.[68] At project inception, a GHG emission reduction target of 20,000t of CO2-equivalent per year was set, but was not met as planned project investments were not fully completed. More generally, there is no evidence that completed major investments are monitored for possible adjustment needs in response to climate change.

107. Armenia does not have asset management and maintenance policies, practices or methodologies that account for the implications of climate change on infrastructure. There is no standard methodology or approach for assessing maintenance needs that consider the impacts of climate change, therefore neglecting potential damage to climate change-exposed infrastructure assets. Maintenance budgets are generally set based on expenditures in previous years, while existing property registers do not record climate-related data. There are examples of national and sectoral approaches to climate-sensitive maintenance in other countries. See Box 12 for the example of Portugal.

[68] ADB (2023). Completion Report: Armenia Power Transmission Rehabilitation Project, p.5

Box 12. Maintenance of Climate-Exposed Infrastructure in Portugal

Redes Energéticas Nacionais (REN) is the national energy company of Portugal, responsible for management of the electricity transmission grid and a large share of national gas network. To ensure the security and continuity of energy supply, REN integrates climate risk considerations into its management policies.

REN's strategies acknowledge that extreme weather events present systemic risks to energy infrastructure. Regular analyses of vulnerability of electricity and gas transmission infrastructure are being conducted. Asset planning policies incorporate climate adaptation through climate risk assessments integrated into REN's core investment plans, including the Strategy for Maintenance of the National Transmission Network, in addition, a risk-based Methodology for Determining the Criticality of Transmission Network Assets was developed, which includes weather and climate-related events.

REN's climate adaptation measures are focused on targeted investments to make electricity grid less vulnerable to extreme events, such as ice formation on gridlines, and the integration of resilience criteria into grid upgrades and design of new infrastructure.

Selected mapping of REN projects addressing climate risks to assets

Project	Sector	Fire risk	Floods, Landslides	Lightning strike	Strong winds
Remote asset monitoring	Electricity	•	•		•
Power lines rehabilitation and upgrade	Electricity	•			•
Hight Voltage equipment replacement	Electricity			•	•
New mooring Points in LNG Terminal Jetty	Gas				•
Pipeline monitoring using fiber optics	Gas		•		
Firefighting system upgrade in LNG Terminal	Gas	•			

Sources: REN, IMF staff.

108. Armenia should systematically assess and plan for the impacts of climate change on critical public infrastructure. Given the increasing risk of severe weather events and infrastructure damages, particularly heavy rainfall and floods, Armenia would greatly benefit from a coherent approach for understanding the vulnerability of critical infrastructure to climate change and natural disasters, reflecting this in asset management policies and estimating and budgeting for increased maintenance costs. For example, introducing mandatory asset management methodology that would incorporate climate risks would support identification of fiscal risks. Ex-post reviews, assessing efficiency and effectiveness of climate-related investments, could improve the design of future major projects.

C5 – Risk Management (Strength—Medium; Reform Priority—High)

109. Assessing and managing risks to public infrastructure arising from climate change should be an integral part of the government's risk and PIM systems. Governments need to be aware of climate-related and transition risks to public investments and their potential impact on the public finances. Such risks are increasing in significance and are expected to be chronic sources of fiscal risk in all countries. To better manage these risks, it is important for governments to (1) develop and publish a disaster risk management (DRM) strategy that identifies the exposure of public infrastructure to climate related disasters; (2) develop mechanisms to finance the cost of climate-related damages and adaptation costs to infrastructure; and (3) analyze climate related risks to public infrastructure assets.

110. Armenia has an approved and published a DRM Strategy but periodic updating and a comprehensive infrastructure risk inventory are not legally mandated and remain limited. The DRM Strategy and its action plan are publicly available.[69] The Law on Disaster Risk Management and Protection of the Population (adopted in May 2025, entering into force in 2027) requires the Government to approve a DRM strategy and action plan; however, neither the new law nor the previous framework establishes a fixed periodicity for mandatory revision, although annual progress reporting is required under general strategic planning rules. Substantively, the strategy includes risk identification systems, GIS mapping, early warning mechanisms, urban planning standards, and references to critical infrastructure, but it does not provide a systematic assessment of exposure and vulnerability across public infrastructure networks. Economic impacts are addressed at a high level, and while emergency procurement mechanisms and post-disaster compensation schemes exist under separate laws, the strategy does not explicitly integrate risk modeling into infrastructure investment decisions.

111. There is a general budget contingency that is available to meet climate-related damages to public infrastructure, but Armenia lacks a dedicated disaster risk financing strategy. The BSL requires the inclusion of a Government Reserve Fund as a separate line in the budget, capped at 5 percent of total approved expenditures and accessible by Government decision. This fund is legally designed to finance additional or unforeseen expenditures and is therefore formally available to cover disaster-related damages, including climate impacts, although it is not earmarked exclusively for such events. Recent evidence, including the 2024 flood Post-Disaster Needs Assessment, confirms that the Reserve Fund and budget reallocations were used to finance recovery and rehabilitation of infrastructure costs. However, the fund competes with other unforeseen expenditures and is not a dedicated climate contingency instrument. Complementary mechanisms can include international donor assistance, but Armenia does not currently operate sovereign risk transfer instruments (such as catastrophe bonds or parametric insurance) nor contingent credit lines for disaster response, and no formally adopted national disaster risk financing strategy with explicit risk-layering is in place.

112. Climate-related fiscal risks are disclosed, but there is an opportunity to improve quantitative analysis. Climate and disaster risks are identified as a material fiscal risk in the fiscal risk chapter, covering hydro-meteorological hazards (floods, droughts, extreme weather) and explicitly linking them to infrastructure damage (roads, bridges, railways, embankments, water and sanitation networks). The analysis includes historical damage data (e.g., the monetary value of disaster losses in recent years),

[69] Disaster Risk Management Strategy 2023–2030 / 2023–2026 Action Plan Government Decision No. 1717-L (5 October 2023)

hazard frequency statistics, and climate projections to 2100. However, the document acknowledges that scenario analysis and stress-testing methodologies for environmental and climate fiscal risks have not yet been developed. Overall, Armenia demonstrates credible qualitative coverage and partial quantitative reporting of climate-related fiscal risks, but risk modeling, forward-looking stress testing, and systematic infrastructure valuation remain incomplete.

113. The foundations for climate and disaster risk management are in place, but integration and financial resilience measures remain incomplete. Armenia has an approved DRM Strategy, incorporates climate and disaster risks into fiscal risk analysis, and maintains a Government Reserve Fund that can be mobilized for post-disaster recovery. However, these elements are not yet part of a fully integrated financial resilience system. Overall, while institutional foundations are in place, risk management remains partially reactive and fragmented, suggesting reform priorities should focus on strengthening quantitative fiscal risk analysis and integrating infrastructure-level risk assessment into capital planning.

Recommendations on Climate Sensitive Public Investment

Issue: There are insufficient mechanisms to align the infrastructure activities of SOEs with the government's climate policy.

Recommendation: For key SOEs in energy, transport and water, use the *Declaration of Substantiation of Ownership* process to mandate that investment strategies be consistent with climate policy and that all major projects are appraised, incorporating climate adaptation and mitigation (MoF, Q1, 2027).

Issue: Project appraisal is not sufficiently developed to take account of the climate impacts of projects, climate-screen projects and inform project selection

Recommendation: Update the guidance for pre-feasibility and feasibility studies with more detailed processes for climate appraisal and mandate that only climate-screened projects are considered for budget funding (MoF, Q2, 2027).

Issue: There is inadequate information on the vulnerability of critical national infrastructure assets to climate change and natural disasters.

Recommendation: Improve the climate sensitivity of asset management by reflecting the climate-exposure of selected critical infrastructure assets in transport, water and energy in asset registers and develop risk mitigation and climate-informed asset maintenance strategies (MoF, Q1, 2028).

Issue: There is scope to improve the quantification of fiscal risks arising from infrastructure in the Fiscal Risk Statement.

Recommendation: Publish an enhanced Fiscal Risk Statement that strengthens the long-term fiscal risk analysis under different climate scenarios and provides quantitative analysis of climate fiscal risks and risks to public infrastructure (MoF, Q4 2027)

V. Cross-Cutting Issues

A. Legal and Regulatory Framework

114. Public investment management in Armenia is governed by a layered framework that combines primary legislation, secondary regulations, and methodological guidance (Annex 6)**.** Together, these layers form a comprehensive legal architecture for public investment management, though differences in coverage and enforceability across layers continue to affect system-wide effectiveness. The PIM framework is established and governed by:

- Primary Legislation, notably the BSL, which defines fiscal rules, medium-term expenditure planning, budget unity, and capital expenditure protections; the Law on State Debt; the Law on Public-Private Partnerships; the Law on the Treasury System; the Public Procurement Law; the Law on Local Self-Government and, more recently, the Climate Change Law adopted in 2026.

- Secondary Legislation operationalizes these laws through a robust set of government decrees and decisions, with major acts including Government Decree No. 175-N (PIM Decree), which establishes and refines public investment management procedures, appraisal requirements, and centralized review mechanisms; Government Decree No. 741 on MTEF Preparation; Government Decree No. 1708 N for local governments investments with standardized documentation requirements, co-financing thresholds, and appraisal criteria; State Ownership Policy (Government Decision No. 1617-N); Government Decree No. 706 on State Budget Execution, among others.

- Methodological guidance is issued for the areas involving greater technical complexity and aims to support the legislation implementation. Key documents in this category include MOF Instructions on MTEF and annual budget preparation, budget application submissions, and public investment project preparation, which provide practical guidance to line ministries and agencies on applying legal requirements in day-to-day PIM processes.

115. Since the 2018 PIMA, Armenia has made substantial progress in strengthening the legal underpinnings of public investment management. Key advances include the reinforcement of fiscal rules under the Law on the Budget System, the formalization of a centralized PIM framework through Government Decree No. 175-N, the adoption of a dedicated Law on Public-Private Partnerships, reforms to SOE governance through the State Ownership Policy (Government Decision No. 1617-N), and the enactment of a new Climate Change Law in 2026. Collectively, these reforms represent a significant improvement in the institutional design of Armenia's PIM system.

116. The legal framework does not yet ensure comprehensive application of PIM procedures to all major public investments. Small projects, administrative capital expenditures, urgent projects, and some projects introduced directly through the budget process under the BSL, may bypass the full PIM procedures until at least 2028. As a result, parallel procedural channels exist alongside the formal PIM system, weakening legal enforceability and diluting the gatekeeping role of centralized appraisal and review.

117. Remaining challenges relate less to the absence of legislation and more to fragmentation, incomplete coverage, and uneven enforceability across laws and decrees. The critical priority area for further strengthening is to widen the coverage of the PIM procedures to cover all major projects and fully linking the PIM processes to the budget. In addition, formalizing ex-post evaluation requirements, and fully embedding climate considerations into investment decision-making, asset management, and infrastructure governance rules are important steps to take. Addressing these gaps would significantly enhance the effectiveness of Armenia's public investment institutions and support the efficient scaling-up of infrastructure investment over the medium term.

B. Information Systems and Technology

118. Several IT systems are currently operational in Armenia and their modernization and integration could contribute to more coherent infrastructure governance. The MoF uses several IT systems for budget planning and implementation, including LS Budget, used for compilation of MTEF and budget data, and LS Finance, used for expenditure monitoring, fiscal reporting and treasury operations. The two systems are partially linked, also with systems of line ministries, with a degree of manual processing required during budget preparation. The MoF is taking steps to modernize the system, with a procurement process for the updated Government Financial Management Information System (GFMIS) ongoing. The GFMIS is designed to include key budgeting functionalities, including integration with existing LS Budget and LS Finance, to have a comprehensive digital approach to public financial management.

119. The existing IT systems lack functionalities to track information throughout project lifecycle, undermining Armenia's capacity for active portfolio monitoring and management. Armenia's electronic procurement platform ARMEPS supports key stages of the procurement cycle and provides public access to digital procurement documents, but the data is incomplete and not always machine-readable, limiting policy monitoring and accountability.[70] The authorities are taking steps to improve existing e-procurement systems, expected to be operational in 2027. There is no centralized database to monitor project implementation. There is also a need to record key assets and infrastructure in asset registers once projects are completed.

120. Armenia is developing a system to facilitate monitoring of climate-related expenditure but there is a need for better tools to monitor infrastructure vulnerability and exposure. As climate tagging becomes mandatory for 2027 budget and subsequently, the MoEnv is finalizing a methodology and digital interface to track climate-related spending. The current exercise is conducted in excel files but should be integrated into a centralized digital platform within GMFIS, to support planning and future monitoring of executed expenditures. Armenia would also benefit from creating a centralized, GIS-based digital registry of public infrastructure assets, integrated with national hazard and climate-risk maps, in order to improve asset management and resilience and strengthen fiscal risk management.

[70] OECD (2025). Public Administration in Armenia 2025, SIGMA Monitoring Reports.

B. Capacity

121. Institutional reforms have strengthened the PIM architecture, but capacity constraints persist across the investment cycle and limit effective system-wide performance. The transfer of the central PIM function to the MoF has clarified roles and reinforced the gatekeeping role of the MoF. In line ministries, capacity gaps are visible in upstream functions for example preparation of Project Concept Notes, feasibility studies, and structured risk analysis - especially for large and complex projects. Cross-cutting planning and monitoring competencies also remain unevenly institutionalized, limiting methodological consistency across sectors.

122. Execution, monitoring, and corrective feedback mechanisms remain constrained by limited human resource capacity across institutions. Monitoring information is collected for reporting purposes, but there is little evidence of systematic aggregation, trend analysis, or proactive identification of bottlenecks, delays, or cost overruns at the portfolio level. The gradual dismantling of PIUs after 2018 – while intended to improve efficiency and mainstream functions – resulted in a loss of specialized delivery, procurement, and project management expertise and has likely contributed to the deterioration in capital budget execution. This loss has been compounded by high staff turnover and limited technical depth within line ministries, weakening contract management, implementation oversight, and structured project review practices. As a result, reallocations, implementation adjustments, and ex post assessments are not consistently supported by strong technical analysis, and institutional learning remains limited. Strengthening professional depth in project management, procurement, monitoring, and evaluation functions will therefore be critical to improving execution performance.

123. Capacity constraints constitute a key bottleneck to effective infrastructure governance require a sequenced institutional strengthening strategy. Reform priorities should therefore focus on: (i) building and retaining specialized skills in project preparation, appraisal, quantitative risk analysis, and portfolio analytics; (ii) professionalizing procurement and contract management functions; (iii) strengthening central capacity for consolidated monitoring and performance analysis; and (iv) institutionalizing structured feedback loops from implementation and ex post review into future project design. Sequencing reforms realistically – aligning procedural ambition with administrative capacity and progressively internalizing delivery capabilities within the core civil service – will be essential to ensure that formal institutional advances translate into sustained improvements in investment performance.

Recommendations on Cross-Cutting Issues

Issue: There are gaps in PIM capacity in the public sector.

Recommendation: Adopt a sequenced Public Investment Capability Building Strategy that develops skills in project preparation, delivery, portfolio oversight, and risk management, with practical measures to professionalize roles and embed learning across government (MoF, Q4, 2027).

Annex 1. PIMA and C-PIMA Action Plan

#	Issue	Recommendation	Action	Timing
1	Strategic planning is fragmented, not fiscally anchored, and not formally linked to public investment prioritization in the budget.	Develop a 5–10 year National Infrastructure Strategy, based on an assessment of cross-sectoral needs, with agreed priorities and an indicative capital envelope (MoF, Q4 2027).	Undertake a review of the existing infrastructure capacity and demand in key sectors	Q4, 2026
			Develop key strategic priorities for medium-term infrastructure planning within a set fiscal constraint	Q1, 2027
			Agree and publish a medium-term plan setting out sectoral allocations and highlighting major projects and programs in key sectors	Q3, 2027
			Provide credible multiyear ministerial ceilings in line with plan priorities and fiscal constraints	Q3, 2027
2	Contingent liabilities analyzed by the MOF do not cover power purchase agreements and longer-term fiscal risks stemming from climate change.	Take stock of all PPAs and include the assessment of related fiscal risks into the Fiscal Risks Statement, prioritizing largest contracts (MoF, Q3, 2027).	Undertake a full stock-take of all PPAs	Q4, 2027
			Expand the FRS to include fiscal risks arising from PPAs	Q4, 2028
3	Project selection is not fully linked to the PIM framework, with a disconnect between formal appraisal processes and actual budget decision-making	Update the BSL and PIM Decree to remove exemptions for medium and large projects, include a formal project selection process and ensure that only mature, stringently appraised, climate-screened and National Infrastructure Strategy-aligned projects - regardless of financing source or procurement model - are prioritized in the budget (MoF, Q4 2027).	Agree the process by which investment projects over 1 billion AMD are prioritized for funding	Q4, 2026
			Set pass/fail criteria relating to maturity, risk and technical feasibility	Q1, 2027
			Review prioritization criteria and address existing shortcomings	Q2, 2027
			Publish an updated BSL and Decree to reflect these changes	Q3 2027

4	Limited predictability of procurement and overuse of urgent mechanisms constrains the capacity of the market to prepare for and respond to tender opportunities, weakening competition, limiting the effectiveness of procurement and slowing budget execution.	Enact measures to restrict the use of urgent procurement and publish and update a rolling 1–3 year procurement pipeline, (in time, derived from the National Infrastructure Strategy), to provide market visibility, enable early market engagement, strengthen competition, and private sector preparedness Q4 2026)	Undertake a full review of all sectoral procurement plans.	Q4, 2026
			Prepare new plans that are up-to-date, in line with sectoral spending ceilings consistent with implementation plans for major projects	Q2, 2027
			Publish plans and conduct market engagement to provide advance guidance to construction sector	Q4, 2027
			Tighten the grounds on which urgent procurement can be used	Q4, 2027
5	The portfolio of public investment projects is not actively monitored and managed in aggregate.	Introduce a central portfolio management function to track financial and physical progress of the largest projects, review bottlenecks to delivery and take decisions to accelerate portfolio implementation, including reallocation between projects (MoF & DPM, Q2 2027).	Consolidate project reporting functions in the MoF or DPM	Q4, 2026
			Determine a portfolio of the largest and most strategically important projects to be monitored	Q4, 2026
			For legacy projects that were not appraised under the PIM processes, conduct a validation review to ensure continuing rationale for the investment and assure key variables like cost and schedule estimates.	Q2, 2027
			Establish a small Portfolio Analytics function in MoF or DPM to consolidate project data and produce quarterly risk dashboards	Q2,2027
			Set reporting requirements and procedures for portfolio management and decision-making	Q2, 2027
			Introduce a simple early-warning system (traffic-light thresholds for delay, cost growth, and low execution) with mandatory corrective action requirements	Q2, 2027
			Require structured implementation reviews for projects breaching thresholds (e.g., >20 percent delay, persistent under-execution or cost escalation above a defined trigger)	Q2, 2027
			Reflect the changes in updated PIM Decree	Q3, 2027

6	Asset registers are maintained at the MDA level, but information is not consolidated, infrastructure assets coverage is partial, non-financial assets are not covered in government financial statements and there is no assessment of the vulnerability of key assets to climate change.	Expand asset registers to systematically cover major infrastructure with attached values and standardized valuation approaches (Q1 2028).	Expand asset registers to systematically cover the largest infrastructure assets in transport, energy and water, with attached values and standardized valuation approaches	Q2, 2027
			Begin reporting on public assets by including notes about available information on MDA assets and roads in existing budget execution reports	Q1, 2028
			Overtime, consolidate asset information reported by MDAs into central government financial statements, and construct public sector balance-sheet details, such as depreciation, to enhance fiscal transparency and support informed decisions regarding investment and maintenance.	Q2, 2028 +
7	There are insufficient mechanisms to align the infrastructure activities of SOEs with the government's climate policy.	For key SOEs in energy, transport and water, use the *Declaration of Substantiation of Ownership* process to mandate that investment strategies be consistent with climate policy and that all major projects are appraised, incorporating climate adaptation and mitigation.	Determine the role of SOE public investment in achieving climate policy objectives	Q4, 2026
			Include climate sensitive investment obligations under the *Declaration of Substantiation of Ownership* process	Q1, 2027
			Create a centralized climate governance framework for application to all large SOE	Q1, 2028
			Integrate NDC and NAP targets within SOE investment plans	Ongoing
			Monitor and Report under the *Declaration of Substantiation of Ownership* process	Ongoing
8	Project appraisal is not sufficiently developed to take account of the climate impacts of projects, climate-screen projects and inform project selection	Update the guidance for pre-feasibility and feasibility studies with more detailed processes for climate appraisal and ensure that only climate-screened projects are considered for budget funding (Q2, 2027).	Improve the rigor of the appraisal process by developing central methodologies that allow for project-specific climate analysis, including impact on emissions and climate resilience	Q3, 2026
			Issue guidance on the application of the new methodology, including handbook and undertake training for officials on its practical application	Q3, 2026

			Over time move towards the mandatory application of quantitative methods for valuing emissions and long-term climate risks in economic appraisal	Q4, 2026 +
			Introduce more rigorous assessment of climate-related risks at project selection, including pass/fail tests where risks are considered to be high and publish assessment decisions	Q4, 2026
			In the updated PIM Decree, mandate that only large projects that have been rigorously climate-screened are eligible for funding.	Q3, 2027
9	There is inadequate information on the vulnerability of critical national infrastructure assets to climate change and natural disasters	Improve the climate sensitivity of asset management by reflecting the climate-exposure of selected critical infrastructure assets in transport, water and energy in asset registers and develop risk mitigation and climate-informed asset maintenance strategies (MoF, Q1, 2028).	Select a list of critical infrastructure assets in key sectors	Q3, 2026
			Conduct an exercise to assess exposure of selected critical national infrastructure assets to climate risks in key sectors	Q2, 2027
			Analyze and agree mitigating measures	Q3, 2027
			Update maintenance policy and processes to reflect climate and natural disaster-related risks	Q2, 2028
			Gradually expand coverage over time and periodically update the analysis	Ongoing
10	There is scope to improve the quantification of fiscal risks arising from infrastructure in the Fiscal Risk Statement	Publish an enhanced Fiscal Risk Statement that strengthens the long-term fiscal risk analysis under different climate scenarios and provides quantitative analysis of climate fiscal risks and risks to public infrastructure (MoF Q4 2027)	Identify key transmission channels for fiscal risks from climate.	Q1, 2027
			Identify short-term risks from extreme weather events and disasters including the damage to public infrastructure in energy, transport, water and public buildings.	Q1, 2027
			Expand the quantification of climate-related fiscal risks analysis in the Fiscal Risks Statement.	Q4, 2027
			Quantify the medium- and long-term risks from climate change.	Q4, 2027

			Expand the climate-risk analysis to include PPPs and SOEs that are vulnerable to climate-related risks.	Q4, 2027 +
11	There are gaps in PIM capacity in the public sector.	Adopt a sequenced Public Investment Capability Building Strategy that develops skills in project preparation, delivery, portfolio oversight, and risk management, with practical measures to professionalize roles and embed learning across government (MoF, Q2, 2027).	Define minimum competency profiles for project directors, supervising engineers, and contract managers on major projects.	Q1, 2027
			Develop and launch a short training program (modular, 3–5 days + casework) on procurement and contract management for non-specialist staff working on public investment	Q4, 2027
			Examine the case for establishing PIUs in critical priority areas	Q4, 2027

Annex 2. PIMA Questionnaire

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
A. Planning Sustainable Levels of Public Investment				
1. Fiscal targets and rules: Does the government have fiscal institutions to support fiscal sustainability and to facilitate medium-term planning for public investment?				
1.a.	Is there a target or limit for government to ensure debt sustainability?	There is no target or limit to ensure debt sustainability.	There is at least one target or limit to ensure central government debt sustainability.	There is at least one target or limit to ensure general government debt sustainability.
1.b.	Is fiscal policy guided by one or more permanent fiscal rules?	There are no permanent fiscal rules.	There is at least one permanent fiscal rule applicable to central government.	There is at least one permanent fiscal rule applicable to central government, and at least one comparable rule applicable to a major additional component of general government, such as subnational government (SNG).
1.c.	Is there a medium-term fiscal framework (MTFF) to align budget preparation with fiscal policy?	There is no MTFF prepared prior to budget preparation.	There is an MTFF prepared prior to budget preparation, but it is limited to fiscal aggregates, such as expenditure, revenue, the deficit, or total borrowing.	There is an MTFF prepared prior to budget preparation, which includes fiscal aggregates and allows distinctions between recurrent and capital spending, and ongoing and new projects.
2. National and Sectoral Planning: Are investment allocation decisions based on sectoral and inter-sectoral strategies?				
2.a.	Does the government prepare national and sectoral strategies for public investment?	National or sectoral public investment strategies or plans are prepared, covering only some projects found in the budget.	National or sectoral public investment strategies or plans are published covering projects funded through the budget.	Both national and sectoral public investment strategies or plans are published and cover all projects funded through the budget regardless of financing source (e.g. donor, public corporation (PC), or PPP financing).
2.b.	Are the government's national and sectoral strategies or plans for public investment costed?	The government's investment strategies or plans include no cost information on planned public investment.	The government's investment strategies include broad estimates of aggregate and sectoral investment plans.	The government's investment strategies include costing of individual, major investment projects within an overall financial constraint.
2.c.	Do sector strategies include measurable targets for the outputs and outcomes of investment projects?	Sector strategies do not include measurable targets for outputs or outcomes.	Sector strategies include measurable targets for outputs (e.g., miles of roads constructed).	Sector strategies include measurable targets for both outputs and outcomes (e.g., reduction in traffic congestion).

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
3. Coordination between Entities: Is there effective coordination of the investment plans of central and other government entities?				
3.a.	Is capital spending by SNGs, coordinated with the central government?	Capital spending plans of SNGs are not submitted to, nor discussed with central government.	Major SNG capital spending plans are published alongside central government investments, but there are no formal discussions between the central government and SNGs on investment priorities.	Major SNG capital spending plans are published alongside central government investments, and there are formal discussions between central government and SNGs on investment priorities.
3.b.	Does the central government have a transparent, rule-based system for making capital transfers to SNGs, and for providing timely information on such transfers?	The central government does not have a transparent rule-based system for making capital transfers to SNGs.	The central government uses a transparent rule-based system for making capital transfers to SNGs, but SNGs are notified about expected transfers less than six months before the start of each fiscal year.	The central government uses a transparent rule-based system for making capital transfers to SNGs, and expected transfers are made known to SNGs at least six months before the start of each fiscal year.
3.c	Are contingent liabilities arising from capital projects of SNGs, PCs, and PPPs reported to the central government?	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are not reported to the central government.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, but are generally not presented in the central government's budget documents.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, and are presented in full in the central government's budget documents.
4. Project Appraisal: Are project proposals subject to systematic project appraisal?				
4.a.	Are major capital projects subject to rigorous technical, economic, and financial analysis?	Major capital projects are not systematically subject to rigorous, technical, economic, and financial analysis.	Major projects are systematically subject to rigorous technical, economic, and financial analysis.	Major projects are systematically subject to rigorous technical, economic, and financial analysis, and selected results of this analysis are published or undergo independent external review.
4.b.	Is there a standard methodology and central support for the appraisal of projects?	There is no standard methodology or central support for project appraisal.	There is either a standard methodology or central support for project appraisal.	There is both a standard methodology and central support for project appraisal.
4.c.	Are risks taken into account in conducting project appraisals?	Risks are not systematically assessed as part of the project appraisal.	A risk assessment covering a range of potential risks is included in the project appraisal.	A risk assessment covering a range of potential risks is included in the project appraisal, and plans are prepared to mitigate these risks.

Indicator		Scoring		
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5. Alternative Infrastructure Financing: Is there a favorable climate for the private sector, PPPs, and PCs to finance in infrastructure?				
5.a.	Does the regulatory framework support competition in contestable markets for economic infrastructure (e.g., power, water, telecoms, and transport)?	Provision of economic infrastructure is restricted to domestic monopolies, or there are few established economic regulators.	There is competition in some economic infrastructure markets, and a few economic regulators have been established.	There is competition in major economic infrastructure markets, and economic regulators are independent and well established.
5.b.	Has the government published a strategy/policy for PPPs, and a legal/regulatory framework which guides the preparation, selection, and management of PPP projects?	There is no published strategy/policy framework for PPPs, and the legal/regulatory framework is weak.	A PPP strategy/policy has been published, but the legal/regulatory framework is weak.	A PPP strategy/policy has been published, and there is a strong legal/regulatory framework that guides the preparation, selection, and management of PPP projects.
5.c.	Does the government oversee the investment plans of public corporations (PCs) and monitor their financial performance?	The government does not systematically review the investment plans of PCs.	The government reviews the investment plans of PCs but does not publish a consolidated report on these plans or the financial performance of PCs.	The government reviews and publishes a consolidated report on the investment plans and financial performance of PCs.
B. Ensuring Public Investment is Allocated to the Right Sectors and Projects				
6. Multi-Year Budgeting: Does the government prepare medium-term projections of capital spending on a full cost basis?				
6.a.	Is capital spending by ministry or sector forecasted over a multiyear horizon?	No projections of capital spending are published beyond the budget year.	Projections of total capital spending are published over a three to five-year horizon.	Projections of capital spending disaggregated by ministry or sector are published over a three to five-year horizon.
6.b	Are there multiyear ceilings on capital expenditure by ministry, sector, or program?	There are no multiyear ceilings on capital expenditure by ministry, sector, or program.	There are indicative multiyear ceilings on capital expenditure by ministry, sector, or program.	There are binding multiyear ceilings on capital expenditure by ministry, sector, or program.
6.c.	Are projections of the total construction cost of major capital projects published?	Projections of the total construction cost of major capital projects are not published.	Projections of the total construction cost of major capital projects are published.	Projections of the total construction cost of major capital projects are published, together with the annual breakdown of these costs over a three-five-year horizon.

Indicator		Scoring		
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7. Budget Comprehensiveness and Unity: To what extent is capital spending, and related recurrent spending, undertaken through the budget process?				
7.a.	Is capital spending mostly undertaken through the budget?	Significant capital spending is undertaken by extra-budgetary entities with no legislative authorization or disclosure in the budget documentation.	Significant capital spending is undertaken by extra-budgetary entities, but with legislative authorization and disclosure in the budget documentation.	Little or no capital spending is undertaken by extra-budgetary entities.
7.b.	Are all capital projects, regardless of financing source, shown in the budget documentation?	Capital projects are not comprehensively presented in the budget documentation, including PPPs, externally financed, and PCs' projects.	Most capital projects are included in the budget documentation, but either PPPs, externally financed, or PCs' projects are not shown.	All capital projects, regardless of financing sources, are included in the budget documentation.
7.c.	Are capital and recurrent budgets prepared and presented together in the budget?	Capital and recurrent budgets are prepared by separate ministries, and/or presented in separate budget documents.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, but without using a program or functional classification.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, using a program or functional classification.
8. Budgeting for Investment: Are investment projects protected during budget implementation?				
8.a.	Are total project outlays appropriated by the legislature at the time of a project's commencement?	Outlays are appropriated on an annual basis, but information on total project costs is not included in the budget documentation.	Outlays are appropriated on an annual basis, and information on total project costs is included in the budget documentation.	Outlays are appropriated on an annual basis and information on total project costs, and multi-year commitments is included in the budget documentation.
8.b.	Are in-year transfers of appropriations (virement) from capital to current spending prevented?	There are no limitations on virement from capital to current spending.	The finance ministry may approve virement from capital to current spending.	Virement from capital to current spending requires the approval of the legislature.
8.c	Is the completion of ongoing projects given priority over starting new projects?	There is no mechanism in place to protect funding of ongoing projects.	There is a mechanism to protect funding for ongoing projects in the annual budget.	There is a mechanism to protect funding for ongoing projects in the annual budget and over the medium term.

Indicator		Scoring		
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9. Maintenance Funding: Are routine maintenance and major improvements receiving adequate funding?				
9.a.	Is there a standard methodology for estimating routine maintenance needs and budget funding?	There is no standard methodology for determining the needs for routine maintenance.	There is a standard methodology for determining the needs for routine maintenance and its cost.	There is a standard methodology for determining the needs for routine maintenance and its cost, and the appropriate amounts are generally allocated in the budget.
9.b.	Is there a standard methodology for determining major improvements (e.g. renovations, reconstructions, enlargements) to existing assets, and are they included in national and sectoral investment plans?	There is no standard methodology for determining major improvements, and they are not included in national or sectoral plans.	There is a standard methodology for determining major improvements, but they are not included in national or sectoral plans.	There is a standard methodology for determining major improvements, and they are included in national or sectoral plans.
9.c.	Can expenditures relating to routine maintenance and major improvements be identified in the budget?	Routine maintenance and major improvements are not systematically identified in the budget.	Routine maintenance and major improvements are systematically identified in the budget.	Routine maintenance and major improvements are systematically identified in the budget and are reported.
10. Project Selection: Are there institutions and procedures in place to guide project selection?				
10.a.	Does the government undertake a central review of major project appraisals before decisions are taken to include projects in the budget?	Major projects (including donor- or PPP-funded) are not reviewed by a central ministry prior to inclusion in the budget.	Major projects (including donor- or PPP-funded) are reviewed by a central ministry prior to inclusion in the budget.	All major projects (including donor- or PPP-funded) are scrutinized by a central ministry, with input from an independent agency or experts prior to inclusion in the budget.
10.b.	Does the government publish and adhere to standard criteria, and stipulate a required process for project selection?	There are no published criteria or a required process for project selection.	There are published criteria for project selection, but projects can be selected without going through the required process.	There are published criteria for project selection, and generally projects are selected through the required process.
10.c.	Does the government maintain a pipeline of appraised investment projects for inclusion in the annual budget?	The government does not maintain a pipeline of appraised investment projects.	The government maintains a pipeline of appraised investment projects, but other projects may be selected for financing through the annual budget.	The government maintains a comprehensive pipeline of appraised investment projects, which is used for selecting projects for inclusion in the annual budget, and over the medium term.

Indicator		Scoring		
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C. Delivering Productive and Durable Public Assets				
11. Procurement				
11.a.	Is the procurement process for major capital projects open and transparent?	Few major projects are tendered in a competitive process, and the public has limited access to procurement information.	Many major projects are tendered in a competitive process, but the public has only limited access to procurement information.	Most major projects are tendered in a competitive process, and the public has access to complete, reliable and timely procurement information.
11.b	Is there a system in place to ensure that procurement is monitored adequately?	There is no procurement database, or the information is incomplete or not timely for most phases of the procurement process.	There is a procurement database with reasonably complete information, but no standard analytical reports are produced from the database.	There is a procurement database with reasonably complete information, and standard analytical reports are produced to support a formal monitoring system.
11.c	Are procurement complaints review process conducted in a fair and timely manner?	Procurement complaints are not reviewed by an independent body.	Procurement complaints are reviewed by an independent body, but the recommendations of this body are not produced on a timely basis, nor published, nor rigorously enforced.	Procurement complaints are reviewed by an independent body whose recommendations are timely, published, and rigorously enforced.
12. Availability of Funding: Is financing for capital spending made available in a timely manner?				
12.a.	Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash-flow forecasts?	Cash-flow forecasts are not prepared or updated regularly, and ministries/agencies are not provided with commitment ceilings in a timely manner.	Cash-flow forecasts are prepared or updated quarterly, and ministries/agencies are provided with commitment ceilings at least a quarter in advance.	Cash-flow forecasts are prepared or updated monthly, and ministries/agencies are provided with commitment ceilings for the full fiscal year.
12.b	Is cash for project outlays released in a timely manner?	The financing of project outlays is frequently subject to cash rationing.	Cash for project outlays is sometimes released with delays.	Cash for project outlays is normally released in a timely manner, based on the appropriation.
12.c	Is external (donor) funding of capital projects fully integrated into the main government bank account structure?	External financing is largely held in commercial bank accounts outside the central bank.	External financing is held at the central bank but is not part of the main government bank account structure.	External financing is fully integrated into the main government bank account structure.

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
13. Portfolio Management and Oversight: Is adequate oversight exercised over implementation of the entire public investment portfolio				
13.a	Are major capital projects subject to monitoring during project implementation?	Most major capital projects are not monitored during project implementation.	For most major projects, annual project costs, as well as physical progress, are monitored during project implementation.	For all major projects, total project costs, as well as physical progress, are centrally monitored during project implementation.
13.b	Can funds be re-allocated between investment projects during implementation?	Funds cannot be re-allocated between projects during implementation.	Funds can be reallocated between projects during implementation but not using systematic monitoring and transparent procedures.	Funds can be re-allocated between projects during implementation, using systematic monitoring and transparent procedures.
13.c	Does the government adjust project implementation policies and procedures by systematically conducting ex post reviews of projects that have completed their construction phase?	Ex post reviews of major projects are neither systematically required, nor frequently conducted.	Ex post reviews of major projects, focusing on project costs, deliverables and outputs, are sometimes conducted.	Ex post reviews of major projects focusing on project costs, deliverables, and outputs are conducted regularly by an independent entity or experts and are used to adjust project implementation policies and procedures.
14. Management of Project Implementation: Are capital projects well managed and controlled during the execution stage?				
14.a	Do ministries/agencies have effective project management arrangements in place?	Ministries/agencies do not systematically identify senior responsible officers for major investment projects, and implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, but implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, and implementation plans are prepared prior to budget approval.
14.b.	Has the government issued rules, procedures and guidelines for project adjustments that are applied systematically across all major projects?	There are no standardized rules and procedures for project adjustments.	For major projects, there are standardized rules and procedures for project adjustments, but do not include, if required, a fundamental review and reappraisal of a project's rationale, costs, and expected outputs.	For all projects, there are standardized rules and procedures for project adjustments and, if required, include a fundamental review of the project's rationale, costs, and expected outputs.
14.c.	Are ex post audits of capital projects routinely undertaken?	Major capital projects are usually not subject to ex post external audits.	Some major capital projects are subject to ex-post external audit, information on which is published by the external auditor.	Most major capital projects are subject to ex post external audit information on which is regularly published and scrutinized by the legislature.

Indicator		Scoring		
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15. Monitoring of Public Assets: Is the value of assets properly accounted for and reported in financial statements?				
15.a	Are asset registers updated by surveys of the stocks, values, and conditions of public assets regularly?	Asset registers are neither comprehensive nor updated regularly.	Asset registers are either comprehensive or updated regularly at reasonable intervals.	Asset registers are comprehensive and updated regularly at reasonable intervals.
15.b	Are nonfinancial asset values recorded in the government financial accounts?	Government financial accounts do not include the value of non- financial assets.	Government financial accounts include the value of some non- financial assets, which are revalued irregularly.	Government financial accounts include the value of most nonfinancial assets, which are revalued regularly.
15.c	Is the depreciation of fixed assets captured in the government's operating statements?	The depreciation of fixed assets is not recorded in operating statements.	The depreciation of fixed assets is recorded in operating statements, based on statistical estimates.	The depreciation of fixed assets is recorded in operating expenditures, based on asset-specific assumptions.

Cross-cutting issues	
A	**IT support**. Is there a comprehensive computerized information system for public investment projects to support decision making and monitoring?
B	**Legal Framework**. Is there a legal and regulatory framework that supports institutional arrangements, mandates, coverage, procedures, standards and accountability for effective PIM?
C	**Staff capacity.** Does staff capacity (number of staff and/or their knowledge, skills, and experience) and clarity of roles and responsibilities support effective institutions?

Annex 3. C-PIMA Questionnaire

Indicator		Scoring		
		1 = To no or a lesser extent	**2 = To some extent**	**3 = To a greater extent**
C1. Climate-aware planning: Is public investment planned from a climate change perspective?				
C.1.a	Are national and sectoral public investment strategies and plans consistent with NDC or other overarching climate change strategy on mitigation and adaptation?	National and sectoral public investment strategies and plans are not consistent with NDC or other overarching climate change strategy.	National public investment strategies and plans are consistent with NDC or other overarching climate change strategy for ***some*** sectors.	National and sectoral public investment strategies and plans are consistent with NDC or other overarching climate change strategy for ***most*** sectors.
C.1.b	Do central government and/or sub-national government regulations on spatial and urban planning, and construction address climate-related risks and impacts on public investment?	Central government and/or sub-national government regulations on spatial and urban planning, and construction do not address climate-related risks and impacts on public investment.	Central government and/or sub-national government regulations on spatial and urban planning, ***or*** construction (through building codes) addresses climate-related risks and impacts on public investment.	Central government and/or sub-national government regulations on spatial and urban planning, ***and*** construction (through building codes) address climate-related risks and impacts on public investment.
C.1.c	Is there centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies?	There is no centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies.	There is centralized guidance/support for government agencies on the ***preparation*** of climate-aware public investment strategies.	There is centralized guidance/support for government agencies on the ***preparation and costing*** of climate-aware public investment strategies.
C2. Coordination between entities: Is there effective coordination of decision making on climate change-related public investment across the public sector?				
C.2.a	Is decision making on public investment coordinated across central government from a climate-change perspective?	Decision making on public investment is not coordinated across central government from a climate-change perspective.	Decision making on public investment is coordinated across budgetary central government from a climate-change perspective.	Decision making on public investment is coordinated across all central government, including externally financed projects, PPPs and extra-budgetary entities, from a climate-change perspective.

Indicator		Scoring		
		1 = To no or a lesser extent	**2 = To some extent**	**3 = To a greater extent**
C.2.b	Is the planning and implementation of capital spending of SNGs coordinated with the central government from a climate-change perspective?	The planning and implementation of capital spending of SNGs is not coordinated with the central government from a climate-change perspective.	The central government issues guidance on the planning and implementation of capital spending from a climate-change perspective and information on major climate-related projects of SNGs is shared with the central government and is published alongside data on central government projects.	The central government issues guidance on the planning and implementation of capital spending from a climate-change perspective, information on major climate-related projects of SNGs is shared with the central government and is published alongside data on central government projects, and there are formal discussions between central government and SNGs on the planning and implementation of climate-related investments.
C.2.c	Does the regulatory and oversight framework for public corporations ensure that their climate-related investments are consistent with national climate policies and guidelines?	The regulatory and oversight framework for public corporations does not promote consistency between their climate-related investments and national climate policies and guidelines.	The regulatory and oversight framework for public corporations promotes consistency between their climate-related investments and national climate policies and guidelines.	The regulatory and oversight framework for public corporations requires that their climate-related investments be consistent with national climate policies and guidelines.
C3. Do project appraisal and selection include climate-related analysis and criteria?				
C.3.a	Does the appraisal of major infrastructure projects require climate-related analysis to be conducted according to a standard methodology with central support?	The appraisal of major infrastructure projects does not require climate-related analysis to be conducted according to a standard methodology.	The appraisal of major infrastructure projects requires climate-related analysis to be conducted according to a standard methodology.	The appraisal of major infrastructure projects requires climate-related analysis to be conducted according to a standard methodology, and a summary of appraisals is published or subject to independent external review.
C3b	Does the framework for managing longer-term public investment contracts, such as PPPs, explicitly address climate-related challenges?	The referred framework does not include explicit consideration of climate change for risk allocation or contract management.	The referred framework includes explicit consideration of climate change with respect to how risks are allocated between the parties in infrastructure contracts.	The referred framework includes explicit consideration of climate change with respect to how risks are allocated between the parties in infrastructure contracts, and contract managers in government departments and agencies are mandated to address climate-related challenges.

Indicator		Scoring		
		1 = To no or a lesser extent	**2 = To some extent**	**3 = To a greater extent**
C.3.c	Are climate-related elements included among the criteria used by the government for the selection of infrastructure projects?	Either there are no explicit selection criteria or climate-related elements are not included among the criteria used by the government for the selection of projects for financing.	Climate-related elements are included among the criteria used by the government for the selection of all major budget-funded projects, and the criteria are published.	Climate-related elements are included among the criteria used by the government for the selection of all major projects, including externally financed projects, projects financed by extra-budgetary entities, and PPPs, and the criteria are published.
C.4 Budgeting and portfolio management: Is climate-related investment spending subject to active management and oversight?				
C.4.a.	Are planned climate-related public investment expenditure, sources of financing, outputs and outcomes identified in the budget and related documents, monitored, and reported?	Planned climate-related public investment expenditure are not identified in the budget and related documents.	Some planned climate-related public investment expenditure are identified in the budget and related documents, including investment expenditure funded externally, by extra-budgetary entities, and PPPs.	Most planned climate-related public investment expenditure, sources of financing, and outputs and outcomes are identified in the budget and related documents, including investment expenditure funded externally, by extra-budgetary entities, and PPPs, and expenditure on these projects is monitored and reported.
C4.b.	Are ex-post reviews or audits conducted of the climate change mitigation and adaptation outcomes of public investments?	No ex-post reviews or audits are conducted of the climate change mitigation and adaptation outcomes of public investments.	Ex-post reviews or audits are conducted for selected major public investments of either the climate change mitigation or adaptation outcomes.	Ex-post reviews or audits are conducted and published for selected major public investments of both the climate change mitigation and adaptation outcomes.
C4.c.	Do the government's asset management policies and practices, including the maintenance of assets, address climate-related risks?	Neither the government's asset management policies and practices nor methodologies for estimating the maintenance needs of climate change-exposed infrastructure assets address climate-related risks.	Methodologies prepared by the government for estimating the maintenance needs of some climate change-exposed infrastructure assets address climate-related risks.	Methodologies prepared by the government for estimating the maintenance needs and associated costs of most climate change-exposed infrastructure assets address climate-related risks, and government asset registers include climate-related information of these assets.

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
C5. Risk management: Are fiscal risks relating to climate change and infrastructure incorporated in budgets and fiscal risk analysis and managed according to a plan?				
C5.a.	Does the government publish a national disaster risk management strategy that incorporates the potential impact of climate change on public infrastructure assets and networks?	Either there is no published national disaster risk management strategy, or the strategy does not identify the key climate-related risks to public infrastructure assets and networks.	The government publishes a national disaster risk management strategy that identifies the key climate-related risks to public infrastructure assets and networks in terms of hazards, exposure, and vulnerability.	The government publishes a national disaster risk management strategy that identifies and analyses the key climate-related risks to public infrastructure assets and networks in terms of hazards, exposure and vulnerability, and includes the government's plans to mitigate and respond to these risks.
C5.b.	Has the government put in place ex-ante financing mechanisms to manage the exposure of the stock of public infrastructure to climate-related risks?	The government has not put in place any ex-ante financing mechanisms to manage the exposure of the stock of public infrastructure to climate-related risks.	There is an annual contingency appropriation in the budget or other financing mechanisms that are available to meet the costs of climate-related damages to public infrastructure.	There is an annual contingency appropriation in the budget and other financing mechanisms that are available to meet the costs of climate-related damages to public infrastructure.
C5.c.	Does the government conduct and publish a fiscal risk analysis that incorporates climate-related risks to public infrastructure assets?	The government does not conduct a fiscal risk analysis that incorporates climate-related risks to public infrastructure assets.	The government conducts and publishes a fiscal risk analysis that incorporates a qualitative assessment of climate-related risks to public infrastructure assets over the medium term.	The government conducts and publishes a fiscal risk analysis that incorporates a quantitative assessment of climate-related risks to public infrastructure assets over the medium term and policies to mitigate these risks, and a qualitative assessment of the risks that may arise over the long-term.
Cross-cutting issues				
A	**IT support**. Is there a comprehensive computerized information system for public investment projects to support decision making and monitoring?			
B	**Legal Framework**. Is there a legal and regulatory framework that supports institutional arrangements, mandates, coverage, standards and accountability for effective			
C	**Staff capacity.** Does staff capacity (number of staff and/or their knowledge, skills, and experience) and clarity of roles and responsibilities support effective			

Annex 4. Detailed PIMA Scores

The following color coding is used in presenting the scores:

Score	1	2	3
Color			

A. Planning		
	Institutional Design	Effectiveness
1.a.	2	3
1.b.	2	3
1.c.	2	3
2.a.	2	3
2.b.	2	1
2.c.	2	2
3.a.	2	2
3.b.	2	2
3.c.	3	2
4.a.	2	2
4.b.	3	1
4.c.	2	3
5.a.	3	2
5.b.	2	1
5.c.	2	2

B. Allocation		
	Institutional Design	Effectiveness
6.a.	3	3
6.b.	2	1
6.c.	2	2
7.a.	3	3
7.b.	2	2
7.c.	3	3
8.a.	1	2
8.b.	2	3
8.c.	2	3
9.a.	2	2
9.b.	2	1
9.c.	3	3
10.a.	2	2
10.b.	1	1
10.c.	2	1

C. Implementation		
	Institutional Design	Effectiveness
11.a.	3	2
11.b.	2	2
11.c.	3	2
12.a.	3	3
12.b.	3	3
12.c.	3	3
13.a.	2	1
13.b.	2	1
13.c.	1	1
14.a.	2	2
14.b.	1	1
14.c.	2	1
15.a.	2	1
15.b.	2	1
15.c.	2	2

C1. Climate-aware planning	
C1.a.	National and sectoral planning
C1.b.	Land use and building regulations
C1.c.	Centralized guidance on planning
C2. Coordination between entities	
C2.a.	Coordination across central government
C2.b.	Coordination withsubnational governments
C2.c.	Oversight framework for public corporations
C3. Projection appraisal and selection	
C3.a.	Climate analysis in project appraisal
C3.b.	PPP framework including climate risks
C3.c.	Climate consideration in project selection
C4. Budgeting and portfolio management	
C4.a.	Climate budget tagging
C4.b.	Ex post review of projects
C4.c.	Asset management
C5. Risk management	
C5.a.	Disaster risk management strategy
C5.b.	Ex ante financing mechanisms
C5.c.	Fiscal risk analysis including climate risks

Annex 5. Implementation of Recommendations from 2018 PIMA

Recommendation	Progress Assessment
A. Planning Sustainable Levels of Investments	
Improve the hierarchical structure of investment strategy documents to (i) define consistent planning horizons; (ii) ensure consistency of project information; (iii) include resource envelop constraints.	**Some progress.** Armenia has improved the hierarchical structure and alignment of strategic documents, but investment planning remains weakly anchored in consistent sector frameworks and fiscally binding multi-year resource envelopes.
Develop a unified appraisal methodology to ensure comparability across all major projects regardless of financing sources or implementers	**Good Progress.** A standardized appraisal framework has been introduced.
B. Allocating Investments	
Establish the MoF's power to challenge the project cost estimate baselines and require reappraisal of the projects for reprioritization, when their budgets are persistently under- or over-executed.	**Some Progress.** A centralized review mechanism has been established but arrangements for systematically challenge cost baselines and trigger mandatory reappraisal for reprioritization remains limited.
Amend the Budget System Law to establish restrictions on in-year adjustments to capital expenditure	**No Progress.** Article 19 continues to allow the use of Government Reserve Fund during a budget year as a source of financing for additional new expenditures.
Establish a project selection process based on a "gateway" approach, where the central agency has a veto on all major projects at the project concept and appraisal stages, together with a centralized pipeline of projects, which have been ranked and selected.	**Some Progress.** A centralized review mechanism and a regulated project pipeline have been established, but the gateway function is not yet binding across all major projects, and prioritization does not systematically determine budget inclusion.
C. Implementing Investments	

Improve the system and capacity for public procurement associated with capital projects	**Some Progress.** In 2022, the Government adopted a Concept for the development of Armenia's procurement system (Decree No. 977-L), as part of public procurement reform. A comprehensive e-procurement system, integrated into the GFMIS, has not been developed. Capacity challenges remain.
Establish a constraint on in-year changes in project implementation plans and complete the transformation of the Audit Chamber from the Control Chamber	**Some Progress.** With 2025 PIM decree, budgeting and PIM processes are centralized in the MoF, but there is no formal link between annual budget allocation and implementation plans of major projects. 2024 legislative amendments improved the Chamber's independence, its mandate includes financial, compliance and performance audits.
Establish in the MoF a dedicated unit covering all domestic and externally financed projects, in order to ensure that projects are consistently appraised and selected prior to funding negotiations and inclusion in the budget.	**Good Progress.** The PIM function has been consolidated within the MoF and a centralized review process has been introduced but is not yet fully integrated with budgeting.

Annex 6. Key Legal and Regulatory Documents

PIM Phase	Legal / Regulatory Act	Date (Adoption / Latest Amendment)
Investment Planning	Law on the Budget System	1997 (latest amendments 2025)
	Law on State Debt	2008 (latest amendments 2025)
	Government Decree No. 175-N on Public Investment Management Procedures	9 February 2023 (latest amendments 2025)
	Methodological Instructions for Budget Applications (MoF)	Annual; latest issued 2026
Investment Allocation	Law on the Budget System (MTEF, ceilings, prioritization rules)	1997 (latest amendments 2025)
	Government Decree No. 741 on MTEF Preparation	5 June 2025
	Government Decree No. 1708-N on Subventions to Local Governments	16 November 2006
	Law on Public-Private Partnerships	2019 (latest amendments 2025)
	State Ownership Policy (Government Decision No. 1617-N)	14 November 2025
Investment Implementation	Law on the Treasury System	2001 (as amended)
	Public Procurement Law	2016 (as amended)
	Law on the Audit Chamber	2006 (latest amendments 2024)

	Government Decree No. 706 on State Budget Execution	2018
Climate	Climate Change Law	12 February 2026
	Nationally Determined Contribution (NDC 3.0)	2025
	Long-Term Low Emissions Development Strategy (LTLEDS)	December 2023
	Methodological Guidelines on Climate Budget Tagging	2024 (pilot); mandatory from 2027 budget

Source: Staff analysis of legislation and regulations.