

## **EBRD issues new Armenia strategy for 2006-2007.**

EBRD Feb 11 2006

Yerevan, 11 February 2006 (EBRD Press Release) - A new two-year EBRD strategy for Armenia, published on [www.ebrd.com](http://www.ebrd.com), assesses macroeconomic performance as favourable, notes the country's commitment to the principles of political pluralism and market economics and confirms the Bank's intention to broaden the scope of its activities in Armenia.

The EBRD strategy cites real economic growth averaging 12.4 per cent a year in the past three years, higher consumer spending, tight monetary policy, improved fiscal performance, a narrowing of the current account deficit, better management of external debt, and rapid progress in structural reform. It notes that poverty reduction remains a priority and that overall poverty ratios are falling due to government programmes. It notes progress in reforms to democratise the electoral code, strengthen checks and balances in the political system and improve public governance. It adds, however, that the political will to implement these commitments remains uncertain and further steps are needed to fight corruption. Armenia's partial isolation in the region impedes economic development and the country's inclusion in regional projects and initiatives.

The strategy identifies six ways for Armenia to continue its progress towards a market system. One is to improve the business environment by reducing corruption and arbitrariness and emphasising the rule of law. Another is to continue strengthening the relatively underdeveloped financial sector. With privatisation nearly complete, accelerating post-privatisation restructuring and improving corporate governance in the enterprise sector becomes a priority, as does promoting the commercialisation of public infrastructure and utilities, establishing competition in the market, and improving tax and customs administration.

The Bank's activities in Armenia will focus on developing the local private sector and strengthening the financial sector. The strategy reflects the EBRD's Early Transition Countries Initiative, launched in 2004, which aims to stimulate market activity in the Bank's seven lowest-income countries of operations by using a streamlined approach and flexible lending instruments to finance more and smaller projects.

With the help of this initiative, and increased staffing in the Bank's Armenia Resident Office, the EBRD has already significantly expanded operations in Armenia, signing 12 deals in 2005 for 17 million. For the next two years, the EBRD will work to expand small and medium sized business and micro-enterprise financing, primarily through credit lines to local partner banks, but also directly through the Bank's Direct Lending Facility and Direct Investment Facility as well as through co-financing and risk sharing with local banks under the Bank's Medium Sized Co-financing Facility (MCFF). The EBRD will increase support for local banks by supporting new products such as mortgages. It will expand its Armenian Multibank Framework Facility to include equity and subordinated debt.

It will also seek to provide finance to insurance, leasing and regulated micro-credit companies. Turn-Around Management and Business Advisory Services, providing management and consultancy support, will likewise be expanded. In infrastructure, the EBRD will support

creditworthy renewable energy and energy efficiency projects, and will consider commercial financing of private operators in transport, public utilities and transport infrastructure and, in exceptional cases with significant grant co-financing, pursue sovereign backed projects.

---