
Armenia's gross external financing requirements projected at about US\$1.6 billion for 2009

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Armenia's gross external financing requirements are projected at about US\$1.6 billion for 2009, and will remain elevated through 2011, albeit with a slight downward trend, International Monetary Fund's Armenian resident office said in connection with its Friday's approval of US\$540 Million Stand-By Arrangement.

The office said that the Stand-By Arrangement will cover a large share of the country's 2009-2011 financing gap. Additional financing will be provided by Armenia's donors and international partners, including the World Bank.

Besides, extra funds will be provided to other donors and international partners, particularly World Bank and Russia.

Armenia will also receive \$500 million from Russia and \$525 million from the World Bank. The IMF said that Armenian authorities' program is based on a consistent set of measures regarding exchange rate, monetary, financial, and fiscal policies, as well as continued structural reforms.

'Return to a flexible exchange rate regime. The Central Bank of Armenia (CBA) announced on March 3 that it will no longer intervene in the market, except to smooth extreme volatility, and raised its policy interest rate by 100 basis points. Following the announcement, the dram depreciated about 20 %, and since then, has broadly remained in that range', the IMF press release says.

'Key aspects of the CBA's policy response include liquidity support operations, as needed, and enhanced banking supervision.'

As another key aspect, the IMF singled out the strengthening of the financial sector to maintain stability and confidence.

The IMF said that the revision of fiscal priorities to maintain macroeconomic stability, while protecting social outlays and public investment, in light of the expected revenue shortfall.

It also said that the authorities intend to cut back on non-priority spending while providing an increase in social spending of 0.3 percent of GDP, relative to the budget, to protect the poor through well-targeted social safety nets. 'Additional external financing will be used to boost public investment', the press release says.

On Friday, the Executive Board of the International Monetary Fund (IMF) approved a 28-month SDR 368 million (about US\$540 million) Stand-By Arrangement for Armenia to support the country's program to adjust to the deteriorated global outlook, restore confidence in the currency and financial system, and protect the poor.

The approval makes the amount equivalent to SDR 161.5 million (about US\$237 million) immediately available and the remainder in nine installments subject to quarterly reviews. The Stand-By Arrangement entails exceptional access to IMF resources, amounting to about 400 percent of Armenia's quota. It was approved under the Fund's fast-track Emergency Financing Mechanism procedures. M.V
