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## Armenian government decides on budget redistribution

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At its sitting today the Armenian Government made a decision on the redistribution of the 2009 state budget and suspension of the elaboration of the medium-term expenditure program for 2010-2012.

RA Minister of Finance Tigran Davtyan reported that the global economic crisis, as well as the present economic developments in the world, does not inspire optimism.

'The global economic processes begin to exert essential influence on the Armenian economy. We are closely following the developments, conducting monitoring. However, the results of the first two months of the year show that the risks we mentioned are presently becoming more apparent. This concerns both the GDP dynamics and the general dynamics of tax collection and formation of budget revenues,' he said.

The Minister said that the Armenian Government earlier stated it has necessary instruments for responding to this situation and discussed the possible measures.

Davtyan also reported that the package of decisions approved by the Government is the first prompt response to the current situation to make the budget process more predictable, improve the tax collection process and formation of budget revenues.

'The package is a document on quarterly redistribution of the state budget. The size and structure of quarterly redistribution are being submitted for approval,' he said.

The Minister reported that the funds to be redistributed amount to 93bln AMD. Davtyan also reported that risk-based assessments of budget revenues have been made, with the amount totaling 131bln AMD. The Minister pointed out that the risk amount is the budgeted revenue that is unlikely to be ensured and has to be carried forward to the 4th quarter of this year.

'It is not budget reduction, but changes in quarterly allocations, that is in question. The changes have nothing to do with social expenditure. The most important programs of economic development as well as the defense budget will not be revised either. The changes will mostly deal with the allocations for the purchase of property, business trips and expenditures on the government staff,' Davtyan said.

The Minister also reported that the Government plans a number of measures to specify the budget process. Specifically, there was a proposal to address the elaboration and implementation of the medium-term expenditure program and suspend the elaboration of a program for 2010-2012, because forecasts are most difficult to make now. The Government also issued a number of instructions to improve the implementation of the target and grant programs for 2009, tax collection and the GDP/tax revenues ratio.

The Minister said that the GDP/tax revenues ratio is expected to be increased by 0.4% this year. 'This ratio must remain 17.4% - we have no alternative,' Davtyan said.

He also reported that the Government plans to maintain last year's tax collection trends. He added that the aforementioned package is supposed to ensure the controllability and predictability of the budget process inline with the present situation.

Davtyan also reported that the discussion of the Government-proposed package will take five days. Thereafter, the Ministry of Finance will sum up all the proposals by ministries and other government agencies to elaborate a final version.

On November 27, 2008, the RA Parliament approved Armenia's state budget for 2009. According to the document, the budgeted revenues were to reach 905bln AMD, expenditures 945bln AMD and deficit 40bln AMD. The budgeted AMD/USD exchange rate was 303.69 AMD/\$1, GDP growth 9.2% and inflation rate 4% ( $\pm 1.5\%$ ).

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