
Crisis-Hit Armenia Set To 'Delay' Government Spending

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Citing the growing impact of the global economic crisis, Armenia's Finance Ministry urged the government on Thursday to delay 131 billion drams (\$354 million) in planned expenditures until the fourth quarter of this year.

The figure is equivalent to almost 14 percent of total government spending envisaged by the Armenian state budget for 2009. The government hoped to meet this record-high target by ensuring a 21 percent rise in its tax and other revenues. However, those revenues fell by about 11 percent in January as the country's Gross Domestic Product shrunk for the first time since the early 1990s.

Presenting the ministry's proposals to fellow cabinet members, Finance Minister Tigran Davtian said the shortfall in tax revenues could total 93 billion drams, or over 10 percent of the full-year revenue target, before the fourth quarter. He warned that the government will have to revise its budgetary targets downwards if the economic situation in Armenia follows a 'worst-case scenario.'

Prime Minister Tigran Sarkisian backed Davtian's recommendations, telling government ministries and other agencies to operate in a 'regime of strict economy.' 'Uncertainty is extremely high at the moment,' said Sarkisian. 'Nobody can say how economic developments will shape up. We must be prepared for the worst-case scenario.'

'In essence, we are switching to a quarterly budgetary planning,' he added. 'We will summarize [fiscal] results on a quarterly basis and plan [expenditures] for the next quarter. That is why the finance minister is urging you to be careful about expenditures.'

Sarkisian told journalists late Wednesday that the government is still hopeful that it can avoid major spending cuts. Analysts expect it to use at least some of a \$500 million loan promised by the Russian government for meeting Armenia's budgetary needs.

The Finance Ministry proposals will be discussed by various ministers and may undergo some changes before being formally approved by Sarkisian's cabinet. They also need to be endorsed by parliament.

Some government officials attending the cabinet meeting openly protested against the proposed austerity measures. 'If we shift all maintenance and current expenditures to the fourth quarter, then how do we imagine payments for utility services?' said Robert Nazarian, chairman of the state Public Services Regulatory Commission. 'In accordance with the existing rules, we will see electricity, gas and water supplies [to government agencies] cut off.'

The commission approved last month a considerable increase in the cost of those services that will take effect on April 1.
