
PM : Government will ensure transparency of its anti-crisis actions

NOYAN TAPAN – 9/1/2008

"The Armenian government intends to confront the expected economic crisis in two major ways: by giving impetus to construction of infrastructures and assisting the enterprises in difficult conditions," the RA Prime Minister Tigran Sargsyan said during a talk with NT correspondent.

In his words, Armenia has good opportunities to launch new infrastructure-related programs. The government envisages spending 300 million dollars in the energy sector, another 300 million dollars in the irrigation and water supply sectors, and 250 million dollars on restoration of the earthquake zone within the next 1-2 years. T. Sargsyan said that the World Bank and the Asian Development Bank have shown interest in allocation of respective funds to Armenia. Negotiations are underway for receiving funds from Russia and other partners.

Armenia has asked the World Bank to provide, in addition to 420 million dollars - a sum already approved for the country - for the next 3 years, another 250 million dollars for crediting small and medium enterprises and construction of infrastructures. The prime minister noted that Armenia's Action Plan was approved by the International Monetary Fund (IMF), and the agreement envisages the possibility of providing a credit line urgently to Armenia by the IMF.

As regards the assistance of enterprises, Tigran Sargsyan said that with this aim a wide range of instruments will be used, including credit guarantees, loans (especially to small and medium enterprises), the government's participation in the capital of companies, and government subsidies. The government is sure that it will have enough resources for all this, even if the revenues of the 2009 budget are not sufficient. For this purpose the government may spend its reserve resources in the Central Bank of Armenia (more than 300 million dollars). Besides, thanks to the strict budgetary policy conducted in the previous years, Armenia has a low level of foreign debt (17% of its GDP) and quite high credit rating which is favorable for receiving loans. Finally, an extremely low level of budgetary deficit (0.95% of GDP) is planned for 2009. This will allow the government to increase several fold the deficit of the budget in case of necessity and to obtain additional funds in this way. The government has already provided 52 million dollars for crediting small and medium enterprises.

Tigran Sargsyan underlined that the Armenian government will have to fulfill an unprecedented function soon: to assess the state of enterprises and the business plans submitted by them in order to make decisions on provision of financial assistance to them. With this aim an operative headquarters was established. It is headed by the prime minister and composed of state officials and independent experts. The prime minister stated that the government intends to ensure transparency of the headquarters' activity so that the public will be informed and can control the decision making on the government's contribution, as well as the allocation and spending of financial resources.

The government is also going to ease the tax burden of enterprises in 2009. According to Tigran Sargsyan, this will be done not through reduction of tax rates (although tax reduction is also possible in some cases), but first of all by simplifying the order of paying taxes, thanks to which entrepreneurs will spend less time on their contacts with tax bodies.

According to estimates of the World Bank, in 2008 businessmen spent 1,120 hours on tax payment annually in Armenia, which is one of the worst ten indices in the world. Azerbaijan where businessmen spend 952 hours on tax payment annually is also among the worst ten. However, the prime minister did not indicate the amount of time, by which they envisage reducing the time spent by businessmen on contacts with tax bodies in Armenia.

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