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**IMF: ARMENIA LIKELY TO GET ANOTHER \$18,2 MLN FROM IMF IN NOV 2014**

*March 24, News.am*

Armenia is likely to get another \$18,2 mln from IMF under the Extended Fund Facility (EFF) program in November 2014, told Mark Horton, IMF Mission chief to Armenia, at the conclusion of the mission's working visit to the country. The total EFF package, agreed upon on March 7, includes 82,21 mln SDR (about US\$127,6 mln, or 89,4% of Armenia's quota) to be disbursed in 38 months. The agreement has enabled the disbursement of the 1st tranche of SDR 11,74 mln (about US\$18.2 mln), told Horton.

He added that the initial progress of Armenia's performance will expectedly be reported to the IMF Executive board in November 2014 and will be followed by the second disbursement. Next ones, in equal amounts of 11,74 mln SDR, are likely to follow every 6 months.

He reminded that the funding is only intended for the country's Central Bank to strengthen its currency reserves, and is likely to be the exit program for the country in terms of financial assistance, which does not mean the country cannot apply for technical assistance. «There are complex reforms ahead, but they can be undertaken without having to borrow new amounts from the IMF. This may well be the case for Armenia 38 months from now», Horton explained. [Top of the Document](#)

## **IMF OFFICIAL: SLOWDOWN OF RUSSIAN ECONOMY IS NOT A DOOM FOR ARMENIA**

*March 24, News.am*

Slowdown of Russian economy does not necessarily mean adverse outcomes for Armenia, told IMF mission chief to Armenia, Mark Horton, at the conclusion of the mission's visit to the country.

He mentioned that Armenian economy has stronger links to Russia than its regional peers do. Still, one must keep in mind that the Armenian exports to Russia have totaled \$280 mln in 2013, and this is but a drop in the ocean against the approximately \$400 bln of the total trade of just the capital city of Moscow. «So Armenia is tightly linked to the Russian economy, but it does not necessarily mean it is destined to follow the ebb and flow of the economic performance of Russia», told Horton.

He noticed that Russian market is in demand of new labor force, following the country's poor demographic record. And Armenians already have a strong position in that market. «They don't occupy lowest-rank jobs, but are well up the scale», he added, concluding that the remittance flow from Russia is expected to remain strong.

«Finally, we understand that Russian authorities are tightening restrictions on migrant workers, but maybe Armenia's expected entry into the Customs Union will make the conditions somewhat milder for Armenian citizens», Horton concluded. [Top of the Document](#)

## **IMF: LIFTING SANCTIONS AGAINST IRAN MAY BENEFIT ARMENIA BUT NOT OVERNIGHT**

*March 24, News.am*

Lifting international sanctions may play a positive role for Armenian economy, told IMF Mission Chief to Armenia, Mark Horton, on March 24, concluding the visit of the mission to Armenia.

Widening the channel of communication with Iranian economy will have a «really terrific» impact for Armenia, told Horton. It is somewhat difficult to make exact predictions off hand, but at a rough estimate, one can expect increased activity in trade, investment, tourism, and services.

«it is going to have a profound effect across the border, but one shouldn't expect that effects overnight. That impact will need some time to unfold», he added.

Trade turnover between Armenia and Iran has totaled \$293,5 mln in 2013 (4,9% of Armenia's total external trade), somewhat less than \$327,9 mln (5,8%) in 2012. Sanctions against Iran are currently leashing the existing trade potential, particularly in the energy sector. In particular, to avoid the ban on transactions with Iran, Armenia has been trading electricity for Iranian gas on a barter basis only. [Top of the Document](#)

### **ARMENIA MAY RECEIVE A SECOND TRANCHE IN THE AMOUNT OF US\$18,2 MILLION FROM IMF IN LATE 2014**

*March 24, ArmInfo*

The second tranche of the International Monetary Fund in the amount of US \$18.2 mln under the Extended Fund Facility (EFF) may be transferred to Armenia in late November - early December 2014, Mark Horton, IMF Mission Chief for Armenia, told reporters, Monday. He said the first tranche in the amount of US\$18.2 million was provided to Armenia on 7 March when the IMF Executive Council approved a new 38-month Extended Fund Facility for Armenia in the amount of 82.21 mln SDR (\$127.6 mln or 89.4% of Armenia's quota).

Discussions for the second tranche will be launched in June and the resolutions will be submitted to the IMF leadership in September, Horton said. According to him, Armenia will receive the EFF in terms of seven equal tranches. Horton said that the new EFF may be the last for Armenia. It is not as large as the previous facilities, and maybe the Armenian authorities will no longer need the IMF's assistance for economic reform, he said. IMF Mission Chief for Armenia recalled that Armenia has already issued the first Eurobonds and seeks other ways to enter international equity markets. To recall, IMF Executive Council approved the seventh and the last tranche for US\$84 million (SDR 55 million) for Armenia on 1 July 2013 . SDR 266.80 million (US\$407.2 million ) were disbursed under the Extended Fund and Extended Credit Facility arrangements. The three- year program supported by IMF under EFF/ECF was approved on 28 June 2010 and the first tranche of SDR 36.2 million (nearly US\$53.6 million ) was provided then. [Top of the Document](#)

### **IMF: ARMENIA'S JOINING THE CUSTOMS UNION WILL MAKE THE PROSPECTS ECONOMIC REFORMS UNCERTAIN**

*March 24. ArmInfo*

Armenia's joining the Customs Union will make its economic dependence on Russia even more and will make the short-term prospects of the economic reforms uncertain, Mark Horton, the head of the IMF Mission to Armenia, told journalists today.

The Association Agreement with the EU supposed strict course towards consistent investments in the economic reforms of Armenia, he said and added that at present Armenia has changed the course and this made the reforms uncertain.

The IMF official said that the economy of Armenia depended much on the situation in Russia, and after Armenia's joining the Customs Union, it will depend even more and will cause extra risks because of decrease of oil and gas export tariffs from Russia. Before the events in the Crimea, the IMF predicted slowdown of the Russian economy, and such a prediction is becoming true now.

Horton added that worsening of the economic situation in Russia may negatively affect the inflow of private transfers to Armenia from Russia.

At the same time, he pointed at several positive factors for Armenia in the matter of its joining the Customs Union. In particular, the gas agreement, which provides stable delivery of gas on stable tariff as well as the possibility of somewhat milder conditions of labor migration for Armenian citizens. [Top of the Document](#)

## **IMF PREDICTS 2% BUDGET DEFICIT IN ARMENIA IN 2014**

*March 24. Arminfo*

The International Monetary Fund predicts that Armenia's budget deficit will amount to 2 % of Gross domestic product stimulating economic growth, the head of IMF Armenian mission Mark Horton told journalists today. He also added that 2013 budget deficit was mainly conditioned by the new regulation of some large-scale programs, in particular, construction expenses and procurement process of the "North-South" highway which aims at making the process clearer and more transparent. "We expect that the expenses will return to their natural rate this year, and the deficit will be significantly higher exceeding GDP 2% which will be an important stimulus for economic growth," - he said.

The IMF predicted earlier that Armenia's budget deficit will be 2,3% of GDP in 2014 and will decrease to 2% in 2015 and 1,8% in 2016-2017. According to IMF specialists, budget deficit in 2013 was less than 1% of GDP. [Top of the Document](#)

## **IMF OFFICIAL: LIFTING SANCTIONS AGAINST IRAN MAY BENEFIT ARMENIA'S ECONOMY**

*March 24, Arminfo*

Lifting international sanctions against Iran may play a positive role for Armenian economy, the head of the IMF Mission to Armenia, Mark Horton, told journalists today.

Widening the channel of communication with Iranian economy will have a "really terrific" impact for Armenia, he said. It is somewhat difficult to make exact predictions off hand, but at a rough estimate, one can expect increased activity in trade, investment, tourism, and services, he added.

To note, trade turnover between Armenia and Iran has totaled \$293,5 mln in 2013 (4,9% of Armenia's total external trade), somewhat less than \$327,9 mln (5,8%) in 2012. Sanctions against Iran are currently leashing the existing trade potential, particularly in the energy sector. In particular, to avoid the ban on transactions with Iran, Armenia has been trading electricity for Iranian gas on a barter basis only. [Top of the Document](#)

## **ARMENIA'S STATE BUDGET DEFICIT WILL AMOUNT TO GDP 2.3%: IMF PREDICTION**

*March 24, Armenpress*

The International Monetary Fund predicts that Armenia's budget deficit will amount to 2 % of Gross domestic product stimulating economic growth. The Head of IMF Armenian mission Mark Horton stated this in a conversation with the journalists. According to him, 2013 budget deficit was mainly conditioned by the new regulation of some large-scale programs, in particular, construction expenses and procurement process of the "North-South" highway which aims at making the process clearer and more transparent. "We expect that the expenses will return to their natural rate this year, and the deficit will be significantly higher exceeding GDP 2% which will be an important stimulus for economic growth," he said as reported by Armenpress.

2014 state budget revenues of Armenia amount 1 trillion 135 billion drams, the expenses 1 trillion 245 billion drams. The budget deficit will reach 110 billion drams or GDP 2.3%, the current account deficit will be 8.6%. [Top of the Document](#)

### **IMF DENIES EXERTING PRESSURE ON ARMENIA'S GOVERNMENT IN REALIZATION OF PENSION REFORMS**

*March 24, Armenpress*

The International Monetary Fund did not exert pressure on the Government of the Republic of Armenia in the realization of the pension reforms. Those reforms were prepared in Armenia over the years. The main aim of the reforms was to reduce poverty among the elderly people. The Head of IMF Armenian mission Mark Horton stated this in a conversation with Armenpress. According to him, the reforms of Armenia's pension are well thought out and implemented. "It, of course, affects the population and there are many people who are dissatisfied with the reform. However, the reform process has been positive, and we expect that the result will also be like that. While implementing pension reforms one has to stand before a number of complicated choices. However, we should remember that this reform is essential for the future," IMF representative said as reported by Armenpress.

The appliance of the multi-level pension system begins to operate parallel to the distributive pension system of Armenia. Due to the ongoing pension reforms, the voluntary pension system has been operating since 2011, while mandatory funded pension system will begin to operate since January 1 2014. The new pension system will give an opportunity to each citizen born in Armenia after 1974, to improve financial security in old age, diversifying the sources of the personal income of the individual. [Top of the Document](#)

### **TRANSFERS FROM RUSSIA TO ARMENIA TO KEEP THE SAME GROWTH RATES - IMF PROJECTION**

*March 25, ARKA*

Head of IMF Staff Mission to Armenia Mark Horton is expecting high growth rates of money transfers from Russia to Armenia to remain unchanged.

Armenians are holding jobs requiring quite high qualifications in the Russian labor market, Horton told a press conference Monday.

Horton said Armenia's accession to Russia-led Customs Union will help Armenian labor migrants maintain their positions amid toughening of the Russian migration laws.

According to the Central Bank, private remittances from Russia to Armenia through the banking system rose by 11.1% to about \$1,606.6 million over 2013.

Armenia's state migration service says about 700-800 thousand labor migrants and their families live currently in Russia. [Top of the Document](#)

### **ARMENIA RECEIVES FIRST EFF TRANCHE OF \$18.2MLN FROM IMF**

*March 25, ARKA*

Armenia has already received the first tranche worth \$18.2 million (11.74mln SDR) under the Extended Fund Facility from IMF, head of IMF Staff Mission to Armenia Mark Horton said.

IMF's executive board approved the agreement with Armenia for 82.21 million SDR (\$127.6mln or 89.4% of Armenia's quota) under the 38-month EFF program on March 7.

The head of the mission said the amount will be allocated in seven equal tranches and regular performance check-ups will be carried out once every half a year. The next tranche is expected in November-December.

The overall amount will be provided to the Central Bank of Armenia, Horton told ARKA.

According to the regulator, Armenia's gross international reserves rose by 19.5% to \$2,113.5 million in January 2014, compared to January the year before.

According to Horton, the program will help Armenia's authorities create a stability reserve as the country will continue facing challenges like trade imbalance, high dollarisation, high unemployment rate and other factors. [Top of the Document](#)

### **IMF DID NOT PUT PRESSURE ON ARMENIAN GOVERNMENT TO MAKE IT ENFORCE MANDATORY PENSION SCHEME - MARK HORTON**

*March 25, ARKA*

The International Monetary Fund did not put pressure on the Armenian government to make it enforce a mandatory pension scheme, Mark Horton, chief of IMF Armenia Mission, said to a news conference March 24 in Yerevan.

He said it took the Armenian government 4-5 years to prepare the pension reform, which he said clearly reflects its goal – to reduce poverty among the elderly.

He noted that the reform had been discussed with all stakeholders in Armenia and the IMF and the World Bank.

"In our opinion, this is a well-designed and well-thought reform," said Horton.

The new pension system that took effect on January 1 requires that all Armenian citizens born after 1973 pay social security taxes equivalent to 5 percent of their monthly wages, which will be matched and doubled by the government. That money has to be deposited with private pension funds licensed by the government late last December.

Armenia's Constitutional Court suspended last month Article 76 of the new law, which provides for penalties for failed or delayed pension tax payments, and the third paragraph of Article 86, which obligates employed citizens to choose a pension fund, among other parts of the law. The Court says it will conclude the inquiry on March 28, 2014.

The constitutionality of the law was challenged by three opposition parties in the National Assembly — the Armenian National Congress, the Armenian Revolutionary Federation, and the Heritage Party — along with the usually pro-government Prosperous Armenia Party. [Top of the Document](#)

## **RECENT IMF EFF PROJECT MAY BE THE LAST WITH ARMENIA - HORTON**

*March 25, ARKA*

The recent Extended Fund Facility project may be the last one with Armenia, head of IMF Staff Mission to Armenia Mark Horton said.

The IMF executive board approved the agreement with Armenia for 82.21 million SDR (\$127.6mln or 89.4% of Armenia's quota) under the 38-month EFF program on March 7.

If there are no major shocks, this will be the last program of the IMF with Armenia, Horton told a press conference Monday.

The country's external imbalance continues reducing. Apart from this, Armenia's euro bond issue of September 2013 provided access to other financing sources, Horton said.

The head of the mission urged to differentiate between the need for reforms and the need for funding. In case of Armenia, it is quite possible the country will need complicated reforms where the IMF can provide technical assistance, but will not need loans from the IMF, Horton said. [Top of the Document](#)

## **TRANSFERS FROM RUSSIA TO ARMENIA TO KEEP THE SAME GROWTH RATES – IMF PROJECTION**

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## OUR LARGEST CREDITOR

*March 25, Haykakan Zhamanak (translated from Armenian)*

The International Monetary Fund is very pleased with Armenia. It is pleased with reforms implemented in Armenia. According to the IMF we are being reformed and everything is satisfactory. Yesterday Mark Horton, the IMF Mission Chief for Armenia, presented such assessments. This is usual. The IMF has always been pleased with Armenia in its statements. Even in 2009 when Armenia dissipated several hundred millions of dollars from its foreign reserves for maintaining the dram exchange rate "stable", the IMF did not speak out. It spoke out several months later and it became evident that the IMF representatives had urged our authorities in a very tough tone not to maintain the dram exchange rate artificially. However, they have not said that publicly.

Publicly, however, they maintained that everything was good and satisfactory... As a result, they provided a fresh debt of several hundred millions to Armenia to be used for replenishing Armenia's dissipated foreign reserves. And due to that the IMF is Armenia's largest creditor. Now Horton is commending reforms implemented by RA authorities. Yesterday Horton even announced that Armenia's accession to the Custom's Union had more pros than cons. The reporters observed that in due time the IMF welcomed Armenia's negotiations on the EU association agreement and asked if back then the IMF had urged Armenia to move away from the EU and become closer to the Customs Union. Horton, who talked smoothly before this question was asked, hesitated a bit but then addressed the question: "The decision has been made and our advice is to gain as much benefit as possible from the already taken decision," Horton said.

According to Horton the Armenian economy has very strong ties with the Russian economy. Possible outcomes of the CU accession could be the entry of Armenian products into the "huge" RF market. The flow of Russian investment into Armenia could also be positive... However, this interconnectedness is slightly dimmed by negative expectations for developments in the Russian economy. Horton explained that nevertheless the Russian market is very big. Indeed, economic downturn is expected, there is capital flight, the demographic situation is not favorable but nonetheless, according to Horton, the Russian market is very big...

In its statements on Armenia the IMF normally talks about tax and customs reforms; of course using diplomatic language, but usually hints that "additional progress should be made" in the sector and other similar expressions. Thus, yesterday we asked a question to Horton. Recently, astronomical wealth of the already former high-ranking officials of Ukraine has been revealed. Is it likely that there is a correlation between the wealth stored up by high-ranking officials and the reforms implemented in



the country? As an example, we mentioned the head of the RA tax agency and the wealth and businesses of his relatives. Has the IMF looked at whether there is a link between the wealth and unsuccessful progress on tax reforms?

The answer was as follows: “We were also astonished by disclosures of wealth of high-ranking officials in Ukraine. It may be concluded that there is a strong correlation between institutional reforms, transparency and, on the other hand, the level of wealth of public officials. I think this is not only true in case of Ukraine but other countries too. And for this reason we underscore the importance of institutional reforms in Ukraine, Armenia and other countries.

We do not have specific information on the wealth of Armenian public officials. We are not forensic accountants or auditors and do not have and not try to find out such information. We, however, pay attention to macroeconomic indicators. Those indicators have been satisfactory,” said Horton. Hence, the correlation between the reforms and the wealth of high-ranking officials is not so “strong”- specifically in Armenia’s case and only in Armenia’s case. [Top of the Document](#)

## **THE IMF TO STOP FINANCING IN THREE YEARS TIME**

*March 25, Civilnet.am (translated from Armenian)*

The 38-month Extended Fund Facility (EFF) arrangement for Armenia approved by the International Monetary Fund (IMF) on March 7 for extending a loan of \$127,6 million (SDR 82,21) to Armenia, could be the last one if there are no major shocks.

Such statement was made by Mark Horton, the IMF Mission Chief for Armenia, during a joint press conference with Teresa Daban Sanchez, IMF Resident Representative in Armenia on March 24. Horton maintained that major shocks include, for instance, sharp downturn in Armenia’s key trade partners and the global economy, similar to the one in 2009, or a dramatic drop in oil and metal prices in the international market, that may negatively affect Armenia’s economy and external balance. According to Horton, the EFF is aimed at supporting institutional reforms and fiscal adjustment, as well as an improvement in the tax-to-GDP ratio over the medium term.

To the question on whether the Armenian authorities would succeed in implementing such reforms in the upcoming 38 months that the IMF’s financial support would no more be needed Horton noted that the primary focus of the program was on the reduction in the negative external balance, which was declining from one year to the other. “This program is smaller than the previous one, which is the result of the reduced negative balance,” said Horton and added that an exit from the financial assistance did not mean that the Armenian authorities would not be able to request technical assistance from the IMF for implementing reforms.

To the question on what would force the Armenian authorities implement reforms at this time, when the reform implementation so far has been an integral part of the IMF financing, Horton said that Armenia accessed the international financial market last September by issuing Eurobonds of 700 million dollars, and the reforms are simply essential for attracting funds from international financial markets. Macroeconomic stability should be secured as otherwise investors would not provide funds. [Top of the Document](#)