

Table 1. Armenia: Quantitative Targets, June 2003-June 2004 1/  
(End of period ceilings on stocks, unless otherwise specified)

	2003			2004	
	Jun. Act.	Sept. Est.	Dec Prog. 3/	Mar. Prog. 2/	Jun. Prog. 2/
	(in billions of drams)				
Net domestic assets of the CBA 4/	-34.1	-40.1	-24.6	-30.9	-26.2
Net banking system credit to the government	-14.6	-13.1	0.5	-4.4	2.6
Domestic arrears of the central government and the State Fund for Social Insurance	0.9	0.0	0.0	0.0	0.0
Tax revenues of the central government (floor) 5/	...	58.8	124.7	175.2	237.5
Balance of the central government on a cash basis (floor) 5/	...	-7.7	-28.4	-29.8	-44.2
Reserve money (band) 2/	95.4	103.4	(118-123)	(105-109)	(108-112)
Primary balance of the energy sector (floor) 2/ 5/ 6/	...	1.2	2.8	4.5	6.3
	(in millions of dollars)				
Contracting and guaranteeing of new nonconcessional external debt with maturity of more than one year 5/	0	0	0	0	0
Net disbursements of short-term external debt 5/ 7/	0	0	0	0	0
External arrears (continuous criterion)	0	0	0	0	0
Net official international reserves (floor) 4/	234	258	262	250	247

1/ The definitions of the line items and the adjusters on the fiscal balance and the stock of domestic arrears are specified in the attached Technical Memorandum of Understanding (TMU).

2/ Indicative target.

3/ Performance criterion.

4/ At program exchange rates as specified in the TMU.

5/ Cumulative flow from June 2003 until the end of the month indicated.

6/ Excluding the balance of the distribution company and of two generation companies recently privatized.

7/ Obligations with maturity of less than one year, excluding normal import-related credit and sales of treasury bills to nonresidents.

Table 2. Armenia: Structural Measures under the PRGF-supported Program<sup>1/</sup>

	Target Date <sup>2/</sup>
<b>Prior Action for Completing the Fourth Review</b>	
Approve the Integrated Financial Rehabilitation Plan for the energy, water, and irrigation and transport sectors and pass a government resolution to implement the reforms and debt restructuring measures recommended in the plan.	November 6, 2003
<b>Performance Criteria</b>	
Parliament to approve a law reducing the number of import categories exempt from VAT effective January 1, 2004. The reduction will apply to 282 customs lines representing 23 percent of the value of taxable imports (at 2002 prices).	December 2003
Parliament to approve legislation imposing a minimum profit tax of 1 percent of companies' gross sales effective April 2004. This tax will be non-refundable but will be credited against profit taxes due.	December 2003
<b>Benchmarks</b>	
Finalize resolution strategy for intervened banks by: (i) revoking the license and nominating a liquidator for Credit Yerevan and (ii) nominating liquidators for Arm communication bank if an agreement with a potential investor to purchase both the bank and Nairit does not materialize. If the agreement materializes, approve a detailed and time-bound action plan including projected financial flows for the resolution of Armcommunications.	November 2003
To limit the erosion of the profit tax base, clarify Article 4 of the Law on Simplified Tax so that it applies to taxpayers and not activities. Make taxpayers transferring to the simplified tax regime from the profit tax regime subject to the profit tax for a minimum of 3 years.	December 2003
Ensure compliance with customs procedures by:	
<ul style="list-style-type: none"> <li>• making the post-clearance verification program at customs headquarters operational and increasing the share of the value of commercial imports for which the approved customs value is determined on the basis of the declared transaction price to at least 25 percent of the value of commercial imports; and</li> </ul>	December 2003
<ul style="list-style-type: none"> <li>• increasing the above-mentioned share to 50 percent of the value of commercial imports.</li> </ul>	June 2004
Restructure the midstream energy sector (the settlement, dispatch, and transmission functions) as recommended in the integrated financial rehabilitation plan. Establish a corporate governance structure with independent board of directors, and internal and external audit mechanisms.	February 2004
Regulate the use of cash registers and register traders (as businesses) at large retail markets.	March 2004
Begin regular reporting for government-owned noncommercial enterprises.	April 2004
Develop a deferral payment system for VAT for large imported capital goods (valued more than US\$ 100,000) not currently taxed at the border:	
<ul style="list-style-type: none"> <li>• A multi-agency commission (Ministry of Finance and Economy, State Tax Service, Customs Committee, Ministry of Trade) will establish the technical criteria for granting deferrals.</li> </ul>	April 2004
<ul style="list-style-type: none"> <li>• The Customs Committee and the State Tax Service sign a Memorandum of Understanding on exchange of information and initiate the deferral system on a pilot basis. The criteria for determining the items that will be covered under the pilot project will be developed in consultation with Fund staff.</li> </ul>	June 2004

1/ The TMU defines these measures as needed. The performance criteria for the sixth review will be set at the time of the fifth review.

2/ End of period.