International Monetary Fund

Republic of Armenia
and the IMF

Press Release:
IMF Executive Board Completes Fifth Review Under EFF/ECF Arrangement for Armenia and Approves US$51.4 Million Disbursement
December 10, 2012

Country's Policy Intentions Documents

E-Mail Notification
Subscribe or Modify your subscription

Republic of Armenia: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 20, 2012

The following item is a Letter of Intent of the government of Republic of Armenia, which describes the policies that Republic of Armenia intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Republic of Armenia, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

ARMENIA: LETTER OF INTENT FOR THE FIFTH REVIEWS UNDER THE EXTENDED FUND AND EXTENDED CREDIT FACILITIES

Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431

Yerevan, November 20, 2012

Dear Madam Lagarde:

1. **Armenia's economic performance has strengthened in 2012.** Growth has accelerated to over 6 percent, with particularly strong performance in agriculture, agro-processing, mining, and services. Construction is showing signs of recovery. Credit has continued to expand at a healthy pace. The financial sector remains strong and well capitalized, and inflation is subdued with low agricultural prices, benign global price developments, and supportive policies. Fiscal consolidation in 2012 will be stronger than expected, reflecting efficiency gains, spending restraint, and delays in large capital projects. Despite a fall in metals prices, export volumes grew rapidly, and the external current account consolidation continues, albeit at a somewhat slower pace than expected. In addition, while significant spillovers from the euro area have not materialized, there have been weaknesses in some financial flows, particularly FDI and banking sector inflows.

2. **In 2013, further deterioration in Europe and in the global environment are downside risks.** We expect growth to moderate. Inflation should remain within the target range (4 ± 1.5 percent). Over the medium-term, we are committed to strengthen buffers and reduce vulnerabilities through continued fiscal and external consolidation. Structural reforms to improve the business environment and competitiveness will support private investment growth and boost productivity. These reforms and prudent macroeconomic management should support growth over the medium-term, as financial flows recover.

3. **Our program, supported by Extended Fund and Extended Credit (EFF/ECF) arrangements, remains broadly on track**. All but one continuous and quantitative performance criteria (PC) and most indicative targets (IT) for end-June 2012 [and September 2012] were met. The end-June PC and end-September IT on net international reserves (NIR) of the Central Bank of Armenia (CBA) was missed, however, due to unexpected pressures in the foreign exchange market. All structural benchmarks were observed or are on track with brief delays possible. This letter of intent (LOI) describes policies for the remainder of 2012 and the first half of 2013. These continue to aim at containing pressures, limiting disruptions to the recovery, enhancing growth and poverty reduction, strengthening fiscal and debt sustainability, and further developing a sound financial system. We anticipate policy continuity following presidential elections in February.

I. THE PROGRAM FOR 2012–13

A. Fiscal Policy and Debt Sustainability

4. **We have continued our strict fiscal management.** We expect the deficit for 2012 to be around 2 percent of GDP, 1 percentage point lower than budgeted. Revenue is on track to achieve the envisaged 0.6 percent of GDP gain over 2011. Expenditure will be lower, most notably by delayed implementation of a few large, externally-financed capital projects. The 2013 budget will aim at a headline deficit of 2.6 percent of GDP with a further 0.9 percentage point increase in the tax-to-GDP ratio. The headline deficit is in line with our 2013–15 medium-term framework, which aims to reach the debt stabilizing deficit level by 2015. In recent years, including in connection with mitigating the effects of the crisis, the government and CBA have undertaken extensive lending operations (e.g., energy, mining, SMEs). As repayments to external lenders commence soon, we will closely monitor borrowers to ensure timely debt service.

5. **We are continuing our efforts to improve tax policy and revenue administration to support higher revenues.** We are on track to submit legislative proposals to adopt OECD guidelines for transfer pricing regulation (Structural Benchmark, November 2012), with support from the IFC. Implementation will depend on preparation and issuance of guidelines and regulations, which we expect will take place during the course of 2013. We will propose a range of tax policy measures to support the envisaged revenue increase in 2013, including removal of personal income tax exemptions for all occupations, including the military and the police (0.7 percent of GDP), and an additional 0.2 percent of GDP from introduction of a turnover tax for small businesses and expansion of the range of application of the patent law. The revenue gains will also reflect scheduled increases in tobacco taxes, as well as further improvements in revenue administration. We will begin to receive the new mining royalty, based on 2012 results. Key tax administration reform efforts planned for 2013, including launching an electronic system for individual accounting and recording under the new unified personal income tax, which will bring together the income tax with social security contributions. The reforms are far-reaching, complex, and critical to the launch of the new pension system. The work is being undertaken on an ambitious time schedule and will be supported by World Bank financing and USAID TA on strategic planning, revenue analysis, internal control processes, and IT infrastructure.

6. **We are augmenting growth-enhancing expenditures and strengthening social protection.** After delays in 2011–12, we have now launched the major North-South highway project and will accelerate implementation of urban infrastructure projects. We will also begin to reverse the erosion in education spending. We have made progress in our efforts to integrate the wide range of social services to improve efficiency and service quality. We adopted a list and timetable of legal amendments needed for integration in July (Structural benchmark, October 2012) and have begun a pilot program to test and refine the functioning of one-stop service centers. We will integrate the results of the pilot and submit the legal changes to parliament in the second half of 2013.

7. **We are on track in our preparation for pension reforms.** Preparation of government decrees and regulations and legislative changes has proceeded as planned, and an on-line system of individual accounts will be launched and managed by NASDAQ-OMX Armenia to running in parallel with the unified income tax IT system. Two key decrees are to be submitted to Cabinet by end-December 2012. These would establish procedures for managing the guarantee fund for mandatory, funded contributions and quantitative and currency restrictions on investing mandatory funded pension assets in financial instruments (New structural benchmark, December 2012). We have stepped up our awareness campaign with involvement of high-ranking officials and expanded access to the Internet, in light of the integration of personal income tax and social contributions that will start in 2013. We are also making progress toward producing updated estimates of the fiscal costs of the reform (including the contingency costs of state guarantees), with the first set of comprehensive estimates to be completed by year end (Structural benchmark, December 2012).

B. Monetary and Exchange Rate Policy

8. **Monetary policy will continue to aim at maintaining price stability**. Activity has expanded faster than expected, but this has reflected largely supply side developments (agriculture, mining), and inflation has remained subdued. We have kept the policy rate steady at 8 percent since September 2011. Under the baseline scenario, the output gap is expected to close gradually while growth moderates, and headline inflation is likely to stay in the target range over the policy-relevant horizon. Thus, further interest rate policy action is unlikely to be needed. We will, however, remain vigilant to both upside and downside risks and stand ready to adjust policies using the full range of tools.

9. **Balance of payments pressures caused us to miss the end-June reserves target.** To mitigate market pressures, we sold reserves in May and June to contain what we perceived as temporary turbulence. Over the course of the summer, however, it became clear that the pressures reflected more persistent, weaker-than-expected external flows, and we were unable to rebuild NIR as planned. We therefore request an adjustment of the end-December NIR target, supported by corrective actions that we are taking. Since the start of the year we have allowed the dram to adjust by 5 percent in real terms. We have strictly limited foreign exchange sales, and will confine our interventions to smoothing unusually large movements, while maintaining a strong NIR buffer against shocks. We will continue to communicate frequently with the markets and the public on developments. More broadly, we are confident that continued structural reforms, fiscal consolidation, and a flexible exchange rate will support the continued reduction of the external current account deficit. In support of these efforts, we have updated our reserve management guidelines in consultation with the Fund staff.

10. **We will further improve our inflation-targeting framework.** We are improving our policy framework by making organizational changes and enhancing our capacity for model building and forecasting with support from IMF TA. Two key recommendations under implementation are: augmenting the current survey of private forecasters by requiring banks to regularly submit macroeconomic forecasts (output, inflation, interest and exchange rates,

external current account) to the CBA; and devising a communications strategy on the monetary policy framework, covering the objectives and operations of exchange rate and inflation-forecast-targeting policies (by end-2012).

11. **We are also strengthening monetary operations to increase the relevance of the policy rate to market rates**. We are closely communicating with market participants and providing enhanced information on liquidity conditions. We will continue to conduct timely and sufficient fine-tuning operations aiming to further reduce the volatility of interbank rates. To reinforce this aim, we have narrowed the width of the interest rate corridor around the policy rate from 600 to 400 basis points. We will further reduce the corridor to 300 basis points by end-2012. For the enhancement of the monetary transmission mechanism, we are also supporting efforts of NASDAQ-OMX Armenia to develop a term interbank trading platform, which is expected to start during the fourth quarter of 2012 and to introduce longer-term money market instruments.

C. Financial Sector Stability and Development

12. **We will continue to safeguard the stability of the banking system, especially in light of rapid growth of loan portfolios.** In line with the program's structural benchmarks and FSAP recommendations, we have introduced a new prudential norm for bank foreign currency liquidity ratios, which will become effective in January 2013 and increase gradually thereafter. In addition, we issued a regulation requiring banks to initiate transmission to the CBA of information on potential currency mismatches of large borrowers. We will consider standardizing reporting of this information, and use it to assess risks and tailor our stress-testing guidance to the banks. We will continue efforts to reduce the high levels of dollarization of the banking system, primarily by fostering a stable macroeconomic environment anchored on our inflation targeting framework. In light of continued strong growth of FX deposits and lending, we are assessing possible policy actions, including expanding the differential between reserve requirements for foreign currency liabilities and dram liabilities. Finally, in line with FSAP recommendations and in light of changes to the system of property registration in 2012, the government and CBA will assess whether further changes are needed to streamline the execution of collateral.

13. **We are strengthening our regulatory and supervisory framework in line with FSAP recommendations.** We will continue our effort to integrate the use of Basel II Pillar II powers in the supervisory toolkit to mitigate individual, institution-specific risks, including application of additional capital and other prudential requirements in case banks are not following appropriate risk-management practices. From this perspective, we will further strengthen our structured dialogue with bank boards or senior management on their capital adequacy assessments. We will amend and issue new regulations to require banks to immediately report changes to operations that have a material adverse impact on the bank by end-2012 (New structural benchmark, December 2012). Also in line with FSAP recommendations, we are reviewing the calculation of large exposures to determine whether changes are needed to bring treatment fully in line with international good practice. Finally, we will take further steps to clarify the division of responsibilities between the CBA and the government in crisis management, including setting

out in CBA rules that the Finance Ministry and the Deposit Guarantee Fund should participate in the Financial Stability Committee when financial institutions become insolvent and state budget allocation and deposit payouts are needed.

D. Structural Reforms

14. **We continue to pursue a structural reform agenda aimed at improving the business environment**. We are implementing a government action plan comprising more than 50 measures to improve the business environment in 2012. Key milestones include approval of legal changes to streamline customs operations and electronic systems for notary services and construction permits. We expect to adopt a similar action plan for 2013 by end-December 2012. We have also initiated full operation of the Regulatory Guillotine program, with preparation in 2012 of comprehensive legislative packages to significantly streamline regulation and red-tape in three areas—transportation, utilities, and healthcare—from a total of 17 areas. These will be submitted to parliament by end-year (Structural benchmark—one area). Further guillotine reforms areas will be initiated in the first half of 2013, possibly covering education and tax and customs (New structural benchmark—one area, March 2013). Reform of inspection and safety agencies is another key area, with a focus on merging and rationalizing functions, limiting administrative influence, and risk-based approaches.

15. **The State Committee for the Protection of Economic Competition (SCPEC) has continued to step up enforcement efforts against abuse of market dominance**. Armenia's ranking in the 2013 World Economic Forum competitiveness index improved significantly owing to improvements in competition policies and SCPEC actions. These actions have focused on the fuel sector and pharmaceuticals. Further legal changes to strengthen the definition and assessment of anticompetitive practices, increase fines, and introduce sanctions were returned by the Cabinet and are now expected to be proposed to parliament by end-December rather than end-October (Structural benchmark). In 2013, the SCPEC will focus on new actions within public procurement, state aid, and agro-processing.

16. **We continue to explore options for Nairit that strictly minimize government exposure and use of public funds.** We are assessing a new feasibility study commissioned by a potential investor from the region and covering the state of Nairit's plant and equipment, the market for its products, possible modernization plans (including environmental impacts), and other options (including closure). We would only assume liabilities (including guarantees) in consultation with the Fund and the World Bank, and we expect no participation in the company in the future. In the event that we are unable to find a relevant private-party solution, we look forward to IFI assistance in handling Nairit's wide range of concerns (including workforce, environmental clean-up, and safety issues).

E. Successor Program

17. **We intend to seek a successor arrangement with the IMF, after the current program concludes in mid-2013**. The new program would provide significant policy support to the

continuing external and fiscal adjustment throughout a period of elevated repayment of crisis-related assistance. Key objectives would be to further establish policy buffers, especially strong CBA reserves supported by a flexible exchange rate–as a result of an improved policy framework and further development of the policy toolkit—and higher tax revenues to create fiscal space for growth-enhancing and poverty reducing outlays, while helping further reduce the fiscal deficit and public debt. Continued structural reforms would target sustained and accelerated growth by supporting further financial sector development, business environment improvements, and competitiveness.

F. Conclusion

18. **In support of its policies, we request that the IMF Executive Board complete the Fifth Reviews of the EFF/ECF-supported program and approve the associated disbursements.** We also request that the Board grant a waiver of nonobservance of the PC on NIR at end-June 2012 and modification of the end-December PCs on NIR of the CBA and of the end-December indicative target on reserve money. Finally, we request that SDR 33.5 million be made available upon completion of the reviews.

19. **We will maintain a close policy dialogue with the Fund and stand ready to take additional measures, as appropriate, to ensure the achievement of our social and economic objectives under the EFF/ECF program.** We will continue to consult with the Fund on the adoption of measures, and in advance of revisions of the policies contained in the LOI, in accordance with the Fund's policies on such consultation. We will also provide the Fund with information it requests for monitoring program implementation. The program's quantitative PCs and ITs, as described in the attached Technical Memorandum of Understanding, and structural benchmarks are set out in Tables 1 and 2. The Sixth Review is expected to be completed on or after March 30, 2013.

20. **We authorize the IMF to publish this Letter of Intent and its attachments, as well as the accompanying staff report.**

Very truly yours,

/S/
Tigran Sargsyan
Prime Minister
Republic of Armenia

/S/
Vache Gabrielyan
Minister of Finance
Republic of Armenia

/S/
Artur Javadyan
Chairman of the Central Bank
Republic of Armenia

ARMENIA: UPDATED TECHNICAL MEMORANDUM OF UNDERSTANDING

1. This memorandum sets out the understandings between the Armenian authorities and the IMF staff regarding the definition of performance criteria and indicative targets, their adjusters, and data reporting requirements for the three-year EFF/ECF Arrangement as per the Letter of Intent dated November 20, 2012 (LOI).

2. For program monitoring purposes, all foreign currency-related assets, liabilities, and flows in the monetary accounts will be evaluated at program exchange rates. The program exchange rate of the Armenian dram to the U.S. dollar is set at 385 dram per one U.S. dollar. The cross-rates for other foreign currencies are provided in Table 1.

I. Quantitative Targets

3. The program sets performance criteria and indicative targets for defined test dates (see Table 1 in the LOI). The program sets the following performance criteria:

- Floor on the net official international reserves (NIR) of the Central Bank of Armenia (CBA);
- Ceiling on the net domestic assets (NDA) of the CBA;
- Ceiling on external public debt arrears (continuous); and
- Floor on the program fiscal balance;

The program sets the following indicative targets:

- Ceiling on reserve money;
- Floor on average concessionality of new debt; and
- Floor on social spending of the government.

4. **The net official international reserves** (stock) of the Central Bank of Armenia (CBA) will be calculated as the difference between total gross official international reserves (excluding commercial bank required and excess reserves at CBA in FX) and gross official reserve liabilities.

- Gross official international reserves are defined as the CBA's holdings of monetary gold (excluding amounts pledged as collateral), holdings of Special Drawing Rights (SDRs), including the August 28, 2009 General Allocation and the September 9, 2009 Special Allocation, the country's reserve position at the IMF, and holdings of convertible currencies in cash or in nonresident financial institutions (deposits, securities, or other financial instruments). Gross reserves held in the form of securities and other financial instruments are marked to market. Excluded from gross reserves are the balance on the government's Special Privatization Account (SPA), capital subscriptions in foreign financial institutions and illiquid foreign assets, any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals other than gold, assets in nonconvertible currencies, and illiquid assets.

- Official reserve liabilities shall be defined as the total outstanding liabilities of the government and the CBA to the IMF and convertible currency liabilities of the CBA to nonresidents with an original maturity of up to and including one year, as well as commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options).

NIR is monitored in U.S. dollars, and, for program monitoring purposes, assets and liabilities in currencies other than the U.S. dollar shall be converted into dollar-equivalent values using the exchange rates as specified in Table 1.

5. **Reserve money** is defined as the sum of currency issued, required and excess reserves, and current and time deposit accounts of certain resident agents. Liquidity absorbing transactions under reverse repurchase agreements, foreign currency swaps, and securities issued by the CBA are excluded from the reserve money definition. The ceiling will be considered as met if the outcome is within AMD 5 billion of the indicative target sets in Table 1 attached to the LOI.

6. **Net domestic assets** are defined as reserve money minus NIR, minus other assets not included in gross official international reserves, minus commercial bank required and excess reserves at CBA in FX, plus medium and long-term foreign liabilities (i.e., liabilities with a maturity of one year or more) of the CBA, plus other foreign liabilities not included in official reserve liabilities, minus the balance of outstanding Fund purchases credited to the government account at the CBA. NDA is composed of net CBA credit to the general government plus outstanding credit to domestic banks by the CBA (including overdrafts) minus liabilities not included in reserve money and other items net.

7. **External public debt arrears** are defined as all unpaid debt-service obligations (i.e., payments of principal and interest) arising in respect of public sector loans contracted or guaranteed, including unpaid penalties or interest charges associated with these obligations that are overdue beyond 30 days after the due date.[1] The ceiling on external payment arrears is set at zero.

[1] The public sector is here defined following the *Government Financial Statistics Manual* (GFS 2001) and *System of National Accounts* (1993 SNA). It includes the general government and nonfinancial public enterprises (as defined in paragraph 12).

8. **The program fiscal balance** is cumulative from the beginning of the fiscal year and is measured from the financing side as the negative of the sum of net domestic banking system credit to the central government, net domestic nonbank financing, and net external financing to the central government. Should a general subsidy or any other fiscal transaction be introduced off-budget, the overall balance will be measured including the subsidy and other fiscal transactions as part of government spending

- **Net banking system credit to the central government** equals the change during the period of net credit to the central government.

- **Net nonbank financing** equals the sum of: (1) the change during the period of outstanding treasury bills and bonds to nonbanks (including accrued interest for treasury bills and excluding accrued interest for treasury bonds);[2] (2) any other disbursement or transaction that increases nonbanks' claims on the central government plus withdrawals from the special privatization account or the treasury sub-account containing privatization proceeds in drams, less amortization paid by the central government to private resident nonbank agents.

- **Net external financing** equals total debt-increasing disbursements from non-residents to the central government (including Fund net purchases credited directly to the government accounts at the CBA) less total amortization from the central government to non-residents. All foreign currency-denominated transactions are recorded in drams using the prevailing exchange rate at the time of the transaction.

9. External and domestic net lending, which are recorded as financing items, are *excluded* from the calculation of the program fiscal balance. This effectively treats net lending as an expenditure item when loans are made and as a revenue item when the loans are repaid.

10. Some project implementation units maintain accounts at the CBA. Grants received by these units are recorded in the fiscal accounts as external grants on the revenue side and as foreign-financed expenditure on the expenditure side. In addition, any loans to finance investments that are intermediated through the banking system are recorded in the financial accounts as a financing item below the line and are thus excluded from net lending. Under previous Technical Memoranda of Understanding, these activities were excluded from the calculation of the program fiscal balance. This treatment reflected lags in receiving information from project implementation units and on project loans intermediated through the banking system. With the shift to semi-annual program reviews with the EFF/ECF arrangement and consolidation of the accounts of these units in the Treasury, there is no longer a need for such exclusion, and these activities are now fully accounted for in the program fiscal balance.

[2] Domestic nonbank holdings of treasury bills and treasury bonds are defined as total outstanding treasury bills and bonds less holdings by the banking system and the State Fund for Social Insurance.

11. Foreign currency proceeds from selling enterprises are deposited into the Special Privatization Account (SPA). The SPA is held at the CBA and the proceeds are invested abroad together with the CBA's international reserves. These proceeds are included in the definition of the monetary accounts of the CBA as part of net foreign assets with a counter entry in other items net. Any budgeted withdrawal from the SPA will be accounted for as privatization proceeds used to finance the budget and will be recorded below the line. Any unanticipated withdrawal from the SPA will be recorded below the line as privatization receipts; these withdrawals, however, will be replenished during the same fiscal year. Domestic currency proceeds from selling enterprises to residents are deposited in a sub-account of the treasury single account and are also treated as a financing item and recorded below the line.

12. The program sets an annual indicative floor of 30 percent on average concessionality of new debt on a contraction basis on debt with nonresidents with original maturities of one year or more contracted and guaranteed by the public sector.

- The grant element is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. The discount rates used for this purpose for 2011 onwards are the currency specific commercial interest reference rates (CIRRs), published by OECD. For debt with a maturity of at least 15 years, the ten-year-average CIRR is used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR is used. The margins for differing repayment periods (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more) are added to the ten-year and six-month CIRR averages.

- The public sector here comprises the general government, the central bank, and nonfinancial public enterprises (enterprises and agencies in which the government holds a controlling stake—typically owns more than 50 percent of the shares, but which are not consolidated in the budget).

- For program purposes, the guarantee of a debt arises from any explicit legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind), or from any implicit legal or contractual obligation of the public sector to finance partially or in full any shortfall incurred by the debtor.

13. The program sets a floor on **social spending of the government**. For the purposes of the program, social spending of the government is defined as 100 percent of the budgeted amount of the family benefit program and lump-sum financial aid.

II. Adjustors

14. The quantitative performance criteria and indicative targets under the program are subject to the following adjusters, calculated, where relevant, using program exchange rates:

- **Changes in reserve requirements**: The ceiling on the NDA of the CBA and the ceiling on reserve money will be adjusted downward (upward) by the amount of banks' reserves freed (seized) by any reduction (increase) of the reserve requirement ratio on both domestic currency and foreign currency liabilities relative to the baseline assumption as per the following formula: $\Delta NDA = \Delta rB$, where B denotes the level of liabilities subject to reserve requirements in the initial definition and Δr is the change in the reserve requirement ratio.

- **KfW and World Bank loan disbursements**: the ceiling on the NDA of the CBA will be adjusted upward (downward) by the full amount of any excess (shortfall) of disbursements from the KfW and World Bank loans directed at SME financing compared to programmed amounts (Table 2). The floor on NIR will be adjusted upward (downward) by the cumulative amount of any excess (shortfall) of these disbursements compared to program amounts.

- **Budget support grants to the public sector** are defined as grants received by the general government for direct budget support from external donors and not related to project financing.

- **Budget support loans to the public sector** are defined as disbursements of loans from bilateral and multilateral donors for budget support and Fund purchases credited directly to the government accounts at the CBA.

- **Project financing to the public sector** is defined as disbursements of loans from bilateral and multilateral donors for public sector projects.

- **The floor on NIR** will be adjusted upward (downward) by the cumulative amount of any excess (shortfall) of budget support loans or budget support grants (excluding Fund disbursements to the government) compared to program amounts (Table 3). The floor on NIR will be adjusted downward for any external public debt amortization amounts in excess of program amounts. The floor on NIR will be adjusted upwards by the amount of any funds received in respect of deposits held at the Inter State Bank.

- **The ceiling on NDA** will be adjusted downward (upward) by the cumulative amount of any excess (shortfall) of budget support loans or budget support grants compared to program amounts (Table 3).

- **The floor on the program fiscal balance on a cash basis** will be adjusted upward (downward) by the cumulative total amount of the budget support grants received in excess (to account for a shortfall) of the program amounts (Table 3), subject to a cap of $50 million in either direction. The floor on the program fiscal balance on a cash basis will also be adjusted downward (upward) by the cumulative total amount of the project financing received in excess (to account for a shortfall) of the program amounts (Table 3), subject to a cap of $100 million in either direction.

III. Data Reporting

15. The government will provide the IMF the information specified in the following table.

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
CBA	CBA balance sheet	Summary	Daily	The following working day
	CBA balance sheet	Summary at program exchange rates; and by chart of accounts at actual official exchange rates	Monthly	Within seven days of the end of each month
	Monetary survey	Summary banking system balance sheet for the central bank at both program exchange rates and by chart of accounts at actual official exchange rates; the consolidated balance sheet of commercial banks by chart of accounts at actual official exchange rates	Monthly	Within 25 days of the end of each month
	International reserves	By chart of accounts; at (i) program exchange rates; and (ii) at actual official exchange rates	Daily	The following working day
	Foreign exchange market	Official exchange rates (buying and selling); daily trade volume, and weighted average exchange rate of the interbank, intrabank and Nasdaq-OMX	Daily	Within 1 day
	Foreign exchange market	CBA foreign exchange operations, (exchange rate, volume, counterpart)	Daily	Within 1 day
	Foreign exchange market	Exchange rate (buying and selling)	Daily	Within 1 day
	Interest rates	Refinance rate	At least monthly	Within 1 days of the CBA Board decision
	Interbank money market	Daily interbank repo volume and interest rate and number of trades	Daily	Within 1 day
	CBA operations	Repo (reverse repo) operations, open market operations, Lombard credits, deposit facility, and foreign exchange swaps (volumes, maturity,	Daily	Within 1 day

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
		yields, exchange rates)		
	Bank liquidity	Reserves and excess reserves, by currency	Monthly	Within 15 days of the end of each reference period
	Interest rates and flows of the funds attracted and allocated by commercial banks	By currency and maturity	Weekly	Last working day of the week
	T-bill and coupon bond financing, CBA securities	Auction data: date, original and remaining maturities, issuance volume, allocation, average yield and coupon yield (if available)	Weekly	Last working day of the week
	Banking data	Sectoral distribution of loans and deposits; dollarization of loans and deposits; loan maturities; interbank rate, by volume and maturity; T-bill rate, bond yield; deposit and lending rates, by maturity; monthly weighted average interest rate on government bonds	Monthly	Within 25 days of the end of each month
	Banking indicators	Capital adequacy; asset composition and quality; profitability; liquidity; open FX positions; and compliance with prudential norms	Monthly	Within 30 days of the end of each month
	Banking sector stress tests	Results of stress tests on exchange rate, liquidity, and credit risk	Monthly	Within 30 days of the end of each month
	On-lending via commercial banks	On lending via the CBA and government (from the Russian loan, KfW, WB, ADB, etc.) by type of on-lending projects (including loan disbursements and repayments)	Monthly	Within 10 days of the end of each month.
	CPI	Index of core inflation	Monthly	Within 21 days of the end of each month
	Transfers	Non-commercial transfers of individuals	Monthly	Within 30 of the end of each month
	Other monetary data	IFS format	Monthly	Within 45 days of the end of each month
Ministry of	T-bill and coupon	By holders, i.e., CBA, resident banks,	Monthly	Within 7 days of

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
Finance (MOF)	bond financing	resident nonbanks, and nonresidents		each month
	External debt	Disbursements and stock of outstanding short-term and contracting or guaranteeing and outstanding stock of medium-and long-term external debt of the government, the CBA, and state-owned companies (by company); any stock of arrears on external debt service and outstanding stock of government guarantees and external arrears	Monthly	Within 21 days of the end of each month. For project implementation units, within 21 days of the end of each month (preliminary data) and within 45 days of the end of each month (final data)
	Revenue collection	Total revenue collected separately by the tax administration and customs administration, including revenue by individual tax, and social contributions	Monthly	Within 7 days of the end of each month
	Domestic expenditure arrears	All unpaid claims outstanding at the end of the month which includes wages, social contributions (including for pensions), family allowances, and amortization and domestic interest payments	Monthly	Within 45 days of the end of each month for government arrears
	Privatization receipts	Balance on the SPA; gross inflows into and outflows from the SPA during the month, specifying the nature of each transaction	Monthly	Within 7 days of the end of each month
	Treasury single account (TSA)	Detailed breakdown of central treasury account, including deposits at the central treasury, community budgets, off budget account, monetization account, state budget account and the Republic correspondent account—flows during the month and end of month stocks.	Monthly	Within 7 days of the end of each month
	Consolidated central government	State budget	Monthly	Within 30 days of the end of each month
	Consolidated general government	Central and local governments, and Non-Commercial Enterprises that belong within the general government (NCEs)	Quarterly	Within 60 days of the end of each quarter

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
	Consolidated general government	Central and local governments, and NCEs that belong within the general government	Annual	Within 180 days of the end of each year
	Budget execution	All cash receipts, cash expenditures, including domestic and external debt-service payments, external and domestic borrowing operations, and inflow of grants to the central government; expenditure data will be provided according to both economic and functional classifications, consistent with the GFSM2001 methodology	Monthly	Within one month following the end of each quarter.
NSS	Balance of payments	Detailed export and import data	Monthly	Within 28 days of the end of each month
		Detailed export and import data	Quarterly	Within 45 days of the end of each quarter
		Detailed balance of payments data	quarterly	Within 60 days of the end of each quarter
	CPI	By category	Monthly	Within 5 days of the end of each month
State Revenue Committee	Tax arrears	By type of tax	Monthly	Within 30 days of the end of each quarter (monthly data provided on a quarterly basis)
		For or the 30 largest debtors and for all major companies in the energy, water, and irrigation sectors	Quarterly	Within 30 days of the end of each quarter
	Tax credits	Detailed data, by type of tax, of outstanding tax credits for all types of tax revenues	Monthly	Within 45 days of the end of each month (monthly data provided on a quarterly basis)
	VAT refund claims in arrears	Detailed data on VAT refunds in arrears which include all outstanding VAT refunds that have not been accepted (and refunded), or offset (in full or in part), or rejected (in full or in part) after the 90 day statutory processing period. Number of refund applications	Monthly	Within 45 days of the end of each month (monthly data provided on a quarterly basis)

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
		processed per month.		
	Large taxpayers	Data on the number of taxpayers and amount of taxes managed by the large tax inspectorate	Monthly	Within 45days after the end of each month
	Import data	1. Total value of recorded imports, breaking out raw diamond imports; 2. Total value of non-duty free recorded imports; 3. Number of total transactions involving recorded imports; 4. Number of total transactions involving non-duty free recorded imports 5. Value of recorded imports where customs value was assessed using transaction prices, breaking out raw diamond imports; 6. Value of non-duty free recorded imports where customs value was assessed using transaction prices; 7. Number of transactions involving recorded imports where customs value was assessed using transaction prices; 8. Number of transactions involving non duty free recorded imports where customs value was assessed using transaction prices	Quarterly	Within 30 days of the end of each quarter
	Automated VAT refunds	Number of refunds that were processed automatically (share of total refunds); total value of automated and automatic refunds and offsets; average waiting time (days) to receive refund	Monthly	Within 45 days of the end of each month (monthly data provided on a quarterly basis)
	Risk-based selection approach	Percentage of selected companies chosen on the basis of risk-based approach, identified revenue from risk-based audits	Monthly	Within 45 days of the end of each month (monthly data provided on a quarterly basis)

Table 1. Armenia: (Program) Exchange Rates of the CBA
(As of December 31, 2008 in U.S. dollars per currency rates)

Country	Drams Per Currency	Dollars Per Currency
Australian dollar	266.57	0.6924
Canadian dollar	313.39	0.8140
Swiss franc	365.58	0.9496
Danish krone	73.26	0.1903
Euro	546.00	1.4182
Pound sterling	558.68	1.4511
Japanese yen	4.27	0.0111
Norwegian krone	55.20	0.1434
Russian ruble	13.13	0.0341
Swedish krone	18.21	0.0473
SDR	593.00	1.5403

Table 2. Armenia: KFW and IBRD SME Loan Disbursements [1]
(In millions of U.S. dollars)

Dec-11		Mar-12		Jun-12		Sep-12		Dec-12		Mar-13	Jun-13
EBS/11/170	Act.	EBS/11/170	Act.	EBS/11/170	Act.	EBS/11/170	Proj.	EBS/11/170	Proj.	Proj.	Proj.
23.8	27.7	25.8	35.6	27.8	45.0	29.8	50.4	31.8	65.0	65.0	65.0

[1] Cumulative from end of the previous year.

Table 3. Armenia: External Disbursements to the Public Sector [1]
(In millions of U.S. dollars)

	Dec-11		Mar-12		Jun-12		Sep-12		Dec-12		Mar-13	Jun-13
	EBS/11/170	Act.	EBS/11/170	Act.	EBS/11/170	Act.	EBS/11/170	Proj.	EBS/11/170	Proj.	Prog.	Proj.
Project financing loans	152	116	60	12	121	31	181	99	241	167	87	175
Budget support loan	175	119	175	175	242	279	242	279	259	296	296	368
Budget support grant	86	73	86	73	101	73	101	73	113	96	96	96
of which: EU MFA	50	50	50	50	50	50	50	50	50	50	50	50

[1] Budget support cumulative from the end of the previous year. Project financing loans cumulative during the same year.