INTERNATIONAL MONETARY FUND

IMF Country Report No. 22/130

REPUBLIC OF ARMENIA

May 2022

SIXTH REVIEW UNDER THE STAND-BY ARRANGEMENT—PRESS RELEASE; AND STAFF REPORT

In the context of the Sixth Review under the Stand-by Arrangement, the following documents have been released and are included in this package:

- A **Press Release.**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on March 16, 2022 with the officials of Armenia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 12, 2022.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR22/136

IMF Executive Board Completes the Sixth and Final Review Under the Stand-By Arrangement with Armenia

FOR IMMEDIATE RELEASE

- Performance under the 3-year Stand-By Arrangement (SBA) remained strong, notwithstanding a range of domestic and external shocks.
- Following a robust recovery in 2021, growth is projected to slow down and inflation to stay elevated this year, weighed down by the spillovers from the war in Ukraine.
- The completion of the sixth and final SBA review allows the authorities to draw SDR 25.716 million (about US$35 million), bringing total disbursements under the program to SDR 308.8 million (around US$415 million).

Washington, DC – April 29, 2022: The Executive Board of the International Monetary Fund (IMF) completed the sixth and final review under the Stand-By Arrangement with Armenia. The completion of the review will allow the authorities to draw SDR 25.716 million (about US$35 million), bringing total disbursements to SDR 308.8 million (about US$415 million) under Armenia's three-year SBA. The SBA was approved by the IMF's Board on May 17, 2019 and augmented on May 18, 2020 (see Press Release No. 19/173 and Press Release No. 20/219). The Executive Board's decision was taken without a meeting. [1]

The 3-year Stand-By Arrangement, approved in May 2019, comes to an end on May 16, 2022, after the conclusion of this review. Notwithstanding various domestic and external shocks that hit the economy over the past three years, program performance has been satisfactory and important structural reforms have been advanced.

Armenia's economy continued to recover in 2021 and early 2022, largely thanks to the authorities' economic management efforts. They persevered with strong policy implementation and remained proactive to adjust policies appropriately to unforeseen developments. More generally, over the three-year program, the authorities advanced important structural and institutional reforms, including on improving tax compliance, refining the budget process, strengthening the inflation targeting framework and supporting financial sector stability, as well as implementing reforms to strengthen governance, foster transparency, and combat corruption. A flexible exchange rate is more entrenched within the country's policy framework. The authorities have also developed an ambitious medium-term reform program that, if successfully implemented, could lead to stronger and more inclusive growth.

The economic outlook for 2022 is subject to high uncertainty due to the spillovers from the war in Ukraine. Despite the strong momentum in early 2022, economic growth is projected to slow down to about 1.5 percent this year, primarily owing to lower consumption and contraction in trade. Inflation is expected to remain elevated on account of higher import

[1] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

700 19th Street NW
Washington, DC 20431
USA

prices, particularly food and oil, and the current account is expected to widen as the economy adjusts to shocks. In this regard, the CBA's recent policy tightening signals its strong commitment to contain inflationary pressures and anchor inflation expectations. Its ongoing supervisory initiatives would also help preserve financial stability. Fiscal space should be used prudently to mitigate the adverse impact of the war in Ukraine on the economy, while continuing to support the authorities' medium-term fiscal consolidation efforts.

Table 1. Armenia: Selected Economic and Financial Indicators, 2019–27

	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Act.	Act.	Act.	Proj.					
National income and prices:									
Real GDP (percent change)	7.6	-7.4	5.7	1.5	4.0	4.4	4.5	4.5	4.5
Final consumption expenditure, Contrib. to Growth	10.7	-9.7	6.0	2.1	2.8	2.7	2.4	2.3	2.2
Gross fixed capital formation, Contrib. to Growth	0.7	-1.4	1.2	0.4	1.7	1.8	2.1	2.2	2.3
Changes in inventories, Contrib. to Growth	-3.9	0.4	-1.8	0.0	0.0	0.0	0.0	0.0	0.0
Net exports of goods and services, Contrib. to Growth	0.2	3.4	0.4	-1.0	-0.5	-0.1	0.0	0.0	0.0
Gross domestic product (in billions of drams)	6,543	6,182	6,983	7,603	8,337	9,061	9,828	10,654	11,550
Gross domestic product (in millions of U.S. dollars)	13,619	12,641	13,928	14,047	15,842	17,258	18,377	19,726	21,251
Gross domestic product per capita (in U.S. dollars)	4,597	4,267	4,701	4,741	5,347	5,824	6,201	6,656	7,170
CPI (period average; percent change)	1.4	1.2	7.2	7.6	6.0	4.3	4.1	4.0	4.0
CPI (end of period; percent change)	0.7	3.7	7.7	7.5	5.0	4.0	4.0	4.0	4.0
GDP deflator (percent change)	1.0	2.0	6.9	7.2	5.4	4.1	3.8	3.7	3.7
Unemployment rate (in percent)	18.3	18.1	18.5	19.5	19.0	18.5	18.0	17.5	16.5
Investment and saving (in percent of GDP)									
Investment	17.4	18.5	16.6	17.3	18.3	18.5	19.0	19.4	19.5
National savings	10.0	14.7	12.9	11.0	12.4	12.5	13.1	13.6	13.7
Money and credit (end of period)									
Reserve money (percent change)	8.8	18.3	17.1	7.0	4.1	6.0	7.4	8.4	7.5
Broad money (percent change)	11.2	9.0	13.1	5.8	6.4	9.7	7.4	8.4	7.3
Private sector credit growth (percent change)	18.5	14.3	-3.9	0.0	2.0	3.8	5.2	6.2	6.8
Central government operations (in percent of GDP)									
Revenue and grants	23.9	25.2	24.1	24.5	24.9	25.2	25.3	25.7	25.9
Of which: tax revenue	22.1	22.0	22.1	22.3	22.6	22.9	23.1	23.5	23.8
Expenditure	24.9	30.6	28.7	28.5	27.8	27.4	27.2	27.1	27.1
Overall balance on a cash basis	-1.0	-5.4	-4.6	-4.1	-2.8	-2.2	-1.8	-1.4	-1.2
Public and publicly-guaranteed (PPG) debt (in percent of GDP)	53.7	67.4	63.4	67.7	65.1	63.9	62.0	59.7	57.3
Central Government's PPG debt (in percent)	50.1	63.5	60.1	64.9	63.0	62.2	60.8	58.8	56.6
Share of foreign currency debt (in percent)	80.6	77.0	72.7	70.5	68.8	66.8	65.5	65.1	66.0
External sector									
Exports of goods and services (in millions of U.S. dollars)	5,718	3,763	4,881	5,353	5,930	6,549	7,046	7,521	7,987
Imports of goods and services (in millions of U.S. dollars)	-7,513	-5,019	-6,036	-6,685	-7,431	-8,142	-8,696	-9,246	-9,805
Exports of goods and services (percent change)	15.7	-34.2	29.7	9.7	10.8	10.4	7.6	6.7	6.2
Imports of goods and services (percent change)	13.1	-33.2	20.3	10.8	11.2	9.6	6.8	6.3	6.0
Current account balance (in percent of GDP)	-7.4	-3.8	-3.7	-6.3	-5.9	-5.9	-5.9	-5.8	-5.8
FDI (net, in millions of U.S. dollars)	234	74	354	266	319	389	447	465	479
Gross international reserves (in millions of U.S. dollars)	2,850	2,616	3,215	2,877	2,750	2,753	2,761	2,791	2,843
Import cover 1/	6.8	5.2	5.8	4.6	4.1	3.8	3.6	3.4	3.2
End-of-period exchange rate (dram per U.S. dollar)	480	523	480.1	…	…	…	…	…	…
Average exchange rate (dram per U.S. dollar)	480	489	501.4	…	…	…	…	…	…

REPUBLIC OF ARMENIA

SIXTH REVIEW UNDER THE STAND-BY ARRANGEMENT

April 12, 2022

EXECUTIVE SUMMARY

Context. Real GDP growth rebounded strongly in 2021 and early 2022, driven by a pickup in construction, trade, and services activities, and benefiting from strong policies and a gradual improvement of the pandemic, notwithstanding its various waves. In 2022, the budget aimed at continuing a gradual fiscal consolidation, while still providing temporary and targeted support to the economy, and monetary policy aimed at continuing its tightening cycle that started in late-2020 to cool down inflation. The favorable near-term outlook, however, is set to be interrupted by the spillovers from the war in Ukraine and the sanctions against Russia, given Armenia's economic links and exposure to the Russian economy. Growth has been revised down markedly this year, while inflationary pressures are expected to persist, keeping inflation above the Central Bank of Armenia's (CBA) target in 2022.

Policy discussions. Discussions focused on policies to: (i) safeguard macroeconomic stability and limit fiscal risks while supporting the economy; (ii) continue to advance fiscal reforms, including to strengthen public investment management and the PPP framework; (iii) maintain timely and proactive monetary policy to reduce inflationary pressures; and (iv) continue supervisory reforms to strengthen financial soundness, in view of new risks this year and as the recovery unfolds in subsequent years.

Program Performance. The 3-year Stand-By Arrangement (SBA) ends in May, after the conclusion of this sixth and final review. Despite unexpected shocks that hit the economy during this period, overall program performance has been satisfactory, and this continued for this review. All quantitative performance criteria (QPCs) and indicative targets (ITs) for end-December were met. The monetary policy consultation clause (MPCC) was also met. Two out of four structural benchmarks (SBs) due for this review were met and one was implemented with delay. The fourth SB on operationalizing an over-the-counter commercial trading platform for the overnight repo market (March SB) will be temporarily delayed, as additional software development was necessary during implementation. Progress was also made on other program commitments (especially on PPPs).

Sixth Review. Given the satisfactory performance to date and the authorities' commitment to the program's objectives, staff supports the completion of the sixth review under the SBA.

Approved By
Thanos Arvanitis and Martin Cihak

The team comprised Thanos Arvanitis (head), M. El Said, M. Atamanchuk, F. Saliba, and M. Al Taj (MCD), M. Raissi (Resident Representative), M. Bellon (FAD), L. Chumo (MCM), and K. Tokuoka (SPR). M. Aleksanyan, V. Janvelyan and L. Karapetyan (IMF Res. Rep. Office) assisted the mission. V. Rashkovan, M. Scholer, and D. Tevdovski (OED) participated in meetings with the authorities. N. Reyes (MCD) provided excellent research assistance and B. Laumann and S. Zolotareva (MCD) assisted with document preparation. The team met remotely during March 1–16, 2022 with Deputy Prime Minister Grigoryan, Governor of the Central Bank of Armenia Galstyan, Minister of Finance Khachatryan, Minister of Economy Kerobyan, and other senior government officials.

CONTENTS

ANNEXES

APPENDIX

DEVELOPMENTS AND PROGRAM IMPLEMENTATION

A. Context

1. **The 3-year Stand-By Arrangement (SBA), approved in May 2019, is coming to an end after the conclusion of this review.** Notwithstanding various shocks that hit the economy over the past three years (most notably the Covid-19 pandemic, a regional military conflict in the Nagorno-Karabakh conflict zone, and domestic political uncertainty), program performance has been satisfactory and important structural reforms have been advanced (Box 1).

Box 1. Achievements Under the SBA Program

The SBA aimed to support the authorities' policy efforts and provide insurance against external shocks. The 36-month SBA amounting to about US$248.2 million (SDR 180.0 million—139.75 percent of quota) was approved on May 17, 2019, with the authorities initially intended to treat it as precautionary. On May 18, 2020, the IMF Executive Board approved the authorities' request to augment access by 100 percent of quota, bringing overall access to SDR 308.8 million (around 240 percent of Armenia's quota) to help support urgent socio-economic needs related to the pandemic.

The SBA was primarily focused on strengthening economic fundamentals and policy frameworks, with a rich structural reform agenda that focused on four pillars: (i) anchoring fiscal policy on the fiscal rule to maintain debt sustainability, and creating space for priority (social and capital) spending by broadening the tax base and improving revenue mobilization; (ii) further strengthening the monetary policy framework and maintaining a flexible exchange rate system; (iii) safeguarding the financial system and improving access to finance; and (v) implementing a strong package of structural reforms, with renewed emphasis on inclusive growth and governance. While the policy mix needed to be adjusted during the program in the face of unforeseen developments, the overarching program priorities were preserved.

Many of the program objectives have been achieved. Fiscal policies under the program struck a balance between ensuring targeted health and social spending while preserving fiscal sustainability. Priority spending was financed sustainably on the back of revenue administration improvement and strengthened public financial management processes. The inflation targeting framework was strengthened by the CBA's improved communication and steps to develop capital markets. The CBA's supervisory toolkit was refined through implementation of Basel III standards, enhancement to its risk-based supervision framework, and introduction of macroprudential measures. The CBA's reserve coverage gradually increased to 127 percent of the ARA metric in 2022 (vs 115 percent projected when the program was approved). Structural reforms helped improve transparency, strengthen governance, support the business environment, improve social spending adequacy and efficiency, and develop an education and employment strategy. These achievements notwithstanding, it is essential to complete the unfinished and rescheduled reform agendas without further delay.

2. **Still, challenges remain, including from a tense geopolitical and regional situation.** Despite recent meetings between Armenia and Azerbaijan (in Sochi and Brussels), the security situation is still fragile and unresolved issues remain (including related to border demarcation, transportation routes, and PoWs). The war in Ukraine adds to this delicate geopolitical landscape and weighs heavily on economic prospects (Box 2). On the positive side, the domestic political uncertainty has been reduced following the June 2021 elections, which gave a substantial parliamentary majority to the PM's Party. In January 2022, president Sarkisian resigned, and a new president, Vahagn Khachatrian, was inaugurated on March 13, after being elected by the National Assembly.

Box 2. Spillovers of the War in Ukraine

The war in Ukraine and sanctions on Russia impart a large external shock on Armenia's economic prospects due to its strong economic ties with Russia. Spillovers could be experienced through several channels:

Trade:

- **Imports:** In 2021, about one third of Armenia's imports of goods came from Russia. Armenia relies on Russia for most of its imported food, in particular wheat and sugar, and energy (oil and gas). The recent imposition of export quotas by Russia on some food items, such as wheat, would exacerbate food security concerns. Gas imports (volumes and prices) are assumed to remain consistent with the existing long-term contracts with Russia, however, this could change in case of an expansion of the current sanctions. Higher global prices of oil and food commodities would affect imports, although some of this would be mitigated by the dram's expected appreciation against the ruble.
- **Exports**. In 2021, Armenia exported about 30 percent of its goods to Russia. These are likely to decline in 2022 due to both lower demand and lower value (in dollars), as a significant portion of Armenian exports to Russia are priced in rubles that has depreciated sharply.

Remittances: Russia accounted for nearly half of total net remittances in 2021 (about $500 million, or 4 percent of GDP). A weaker ruble and lower income of expatriates working in Russia would considerably lower remittances affecting domestic consumption in Armenia.

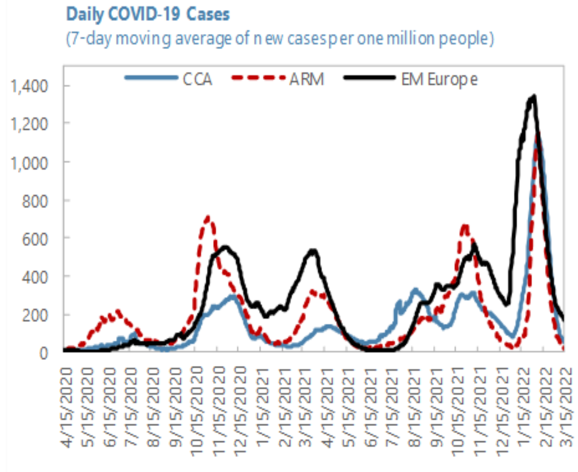
Financial system: Armenian banks heavily depend on Russian banks for most of their correspondent banking relationships (CBRs), particularly with western banks. As some of these Russian banks have been sanctioned, Armenian banks would have to establish new, direct correspondent relationships with western banks to maintain smooth flow of cross-border forex payments. Further, a sanctioned Russian bank, VTB, has a significant footprint in the Armenian banking system, although related risks seem to be mitigated.

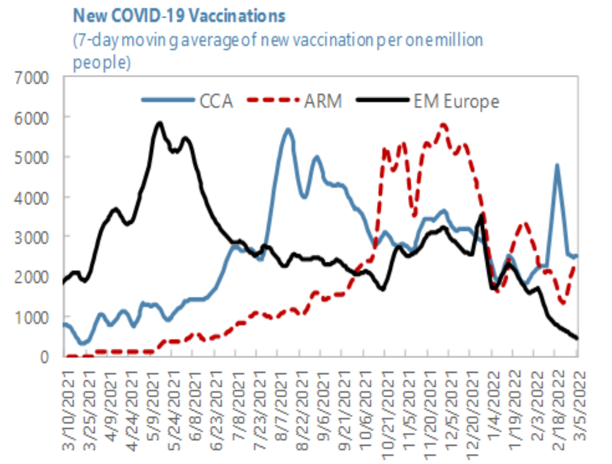
Inflation: About 35 percent of the CPI basket in Armenia comprises imported goods which make Armenia vulnerable to imported inflation. Increased food and energy prices, supply disruptions, potential exchange rate volatility would keep inflationary pressures elevated.

Socio-economic spillovers: As the economy is still recovering from the impact of the COVID-19 pandemic and with inflationary pressures already high, a new shock to the economy may build socio-economic pressures, given concerns about food prices and security, loss of income, and the disproportional impact on low-income households.

Potential opportunities: While the above channels highlight negative implications of the war in Ukraine for Armenia, some positive developments in the form of ongoing relocation of Russian businesses and professionals may give a boost to the Armenian economy.

3. **COVID-19 cases have declined but vaccinations stagnated**. Armenia appears to have gone through the fifth wave of infections (Omicron variant). The seven-day positive case average dropped significantly (around 27, or 1.1 cases per 100,000 people). However, only one third of population is fully vaccinated raising vulnerability to future variants of the virus.



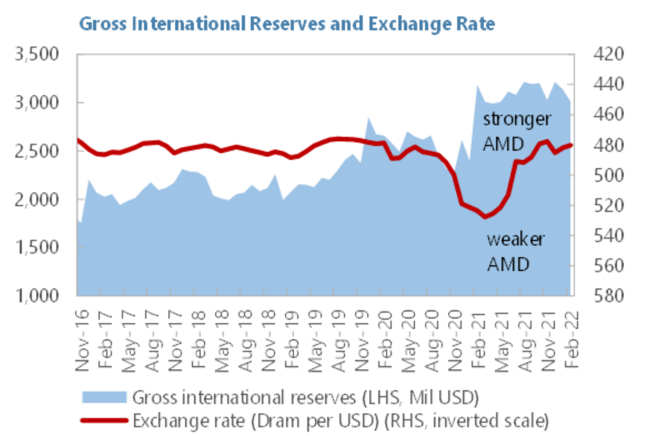


Source: Haver, Oxford University.

B. Recent Economic Developments

4. The economy rebounded strongly in 2021, and inflation moderated. Growth accelerated to 5.7 percent in 2021 led by strong consumption and inflation moderated in February 2022 (6.5 percent yoy), after peaking in November 2021 (9.6 percent yoy) (Figure 1). Ongoing price pressures reflect pent-up demand, domestic supply constraints, and external food inflation.

5. The external position strengthened during 2021. While remittances and exports recovered robustly in 2021, the current account deficit narrowed only slightly to 3.7 percent of GDP from 3.8 percent in 2020, with larger imports and income payments to non-residents. During 2021, gross reserves rose by about $600 million to $3,215 million (around 140 percent of the ARA metric), supported by Eurobond issuance (around $750 million) and the SDR allocation, while the dram appreciated by 9 percent against the US dollar through 2021. However, since the start of the war in Ukraine, dram has mildly depreciated.



6. The headline fiscal deficit declined by 0.8 percent to 4.6 percent of GDP in 2021, driven by declining spending. Total revenue decreased by 1.1 percent of GDP, but tax and duties collection and social contributions increased by 0.3 percent of GDP to 22.7 percent, owing to an ad hoc rise in duties on mineral commodities (estimated at AMD20 billion), increased social contributions (AMD20 billion), and better revenue administration. Central government debt declined by almost 3.2 ppts to 60.3 percent of GDP at end-2021.

7. Domestic banks show signs of recovery from the effects of the pandemic, although credit supply is tight and additional vulnerabilities have emerged. Since May 2021, most FSIs have improved towards their pre-COVID levels (Table 5). Bank capital remains well above the 12 percent minimum capital adequacy ratio (CAR), liquidity is ample, and dollarization is declining. NPLs fell from their 7.4 percent February 2021 peak to around 3.6 percent in January 2022, driven by general improvement in asset quality and write-off of some loans by banks, which impacted their profitability.[1,2] Notwithstanding the strong recovery, credit declined by about 4 percent in 2021, reflecting weaker demand for loans and tightening of lending standards owing to heightened uncertainty. VTB, the eighth largest bank with assets accounting for about 5 percent of total assets of the banking system in Armenia, is subject to sanctions. While pressures on Armenia's VTB subsidiary have emerged, the bank has adequate liquidity and collateral and is downsizing its retail operations. Armenian banks are also looking into establishing new CBRs to replace those conducted by sanctioned Russian banks (Box 2).

C. Outlook and Risks

8. Armenia's economic momentum will be temporarily impacted by the war in Ukraine:

- *Near-term growth* of around 1.5 percent is expected in 2022, a much slower pace than expected at the time of the fifth review, on the back of lower consumption (particularly the component financed by remittances), investment (including FDI), and net exports. Growth is expected to pick up to around 4.0 percent in 2023, as the economy adjusts, although remain well below previous estimates.

- *Inflation* is expected to persist through 2022 on account of imported food inflation and supply disruptions. Provided that policies remain as expected under the baseline, upward price pressures should not feed into higher expectations, and inflation should converge to the CBA target of 4 percent over the medium term.

- *Medium-term (MT) growth* is likely to be around 4½–5 percent range, somewhat lower than before, weighed down by Russia's lower economic prospects, but growth potential would depend critically on the authorities' reform implementation.

- *External position.* The current account deficit is projected to widen to 6.3 percent of GDP, reflecting lower remittances from Russia and higher commodity prices which will be only partially offset by the higher expected prices on exported commodities. Nevertheless, gross reserves are expected to remain adequate, supported by additional government external borrowing.

[1] Banks are required to write-off loans which are more than 270 days past due.

[2] In July 2021, the Central Bank of Armenia aligned the NPL definition with the BCBS regulation. This new definition only considers exposures over 90 days past due (doubtful and substandard loans). On this definition, January 2022 NPLs are 1.7 percent of loans.

9. The baseline outlook is subject to considerable uncertainty and risks are tilted to the downside (Annex II). The government's 2021–26 reform agenda, and its renewed focus on infrastructure and human investment, together with the recent slowdown in COVID cases, create upside risks. On the downside, spillovers from a potentially prolonged war in Ukraine and sanctions on Russia, could have significant implications for the Armenian economy. Additional near-term risks include new COVID-19 variants, intensified regional and security tensions, a slowdown in trading partners (beyond Russia), and stress from global financial volatility and/or trade tensions.

D. Program Performance

10. The program remains broadly on track. All QPCs for end-December were met (text table and LOI Table 1). In addition, the monetary policy consultation clause (MPCC) was met as headline inflation was within the consultation bands and close to the December 2021 mid-point target. Two out of four structural benchmarks for the sixth review were also met and one was implemented with delay. However, the implementation of the fourth SB on operationalizing an over-the-counter commercial trading platform for the overnight repo market (March SB) will be temporarily delayed, as additional software development was necessary during implementation. The authorities remain committed to pursue delayed reforms, including to gradually build a database of public investment projects, revise the turnover tax legislation, and fully operationalize the PIM framework.

Text Table 1. Armenia: Quantitative Performance Criteria, Indicative Targets and Consultation Clause 1/

(In billions of drams, at program exchange rates, unless otherwise specified)

	2021							
	Jun. 2/	Sept. 3/			Dec. 2/			Status
	Act.	EBS 21/110	Adjusted Target	Act.	EBS 21/110	Adjusted Target	Act.	
Performance Criteria								
Net official international reserves (stock, floor, in millions of U.S. dollars)	1,475	1,471	1,521	1,526	1,331	1,406	1,453	Met
Program fiscal balance (flow, floor) 4/	-127	-356		-233	-492		-419	Met
Budget domestic lending (cumulative flow, ceiling)	31	45		31	50		40	Met
External public debt arrears (stock, ceiling, continuous criterion)	0	0		0	0		0	Met
MPCC 5/								
Inflation (upper-outer band, inflation consultation, percent)		5.2			11.0			
Inflation (upper-inner band, percent)		4.2			9.0			
Inflation (mid-point, percent)	6.5	2.2		8.9	8.5		7.7	Met
inflation (lower-inner band, percent)		0.2			3.5			
Inflation (lower-outer band, inflation consultation, percent)		0.0			2.5			
Indicative Targets								
Net domestic assets of the CBA (stock, ceiling)	464	572		545	755		637	Met
Avg. concessionality of newly contracted ext. debt (flow, floor, in percent) 6/	…	…		…	30		31	Met
New government guaranteed external debt (stock, ceiling, in millions of USD) 7/	0	100		0	100		0	Met
Social spending of the government (flow, floor) 8/	33	48		52	65		70	Met

Sources: Armenian authorities; and Fund staff estimates.
1/ All items as defined in the TMU, based on program exchange rates in the TMU.
2/ Quantitative performance criteria at test dates.
3/ Indicative target.
4/ Below-the-line overall balance excluding net lending.
5/ If the end of period year-on-year headline inflation is outside the upper/lower bound, a formal consultation with the Executive Board as part of program reviews would be triggered.
6/ Assessed on a calendar year basis, excluding the Eurobond and any similar refinancing instruments.
7/ Includes both concessional and non-concessional debt, excluding the Eurobond and any simliar refinancing instruments.
8/ Defined as spending on the family benefit program and lump-sum financial aid, one-time childbirth benefits, and childcare benefits for children less than two years of age.

Text Table 2. Armenia: Structural Benchmarks for the Sixth Review		
Measures	**Time Frame**	**Status**
Fiscal		
Undertake a careful review of the taxation and fee regime applicable to the mining sector with a view to its reform so that (i) the government captures its fair share of returns from national resources; and (ii) the future development of the sector is not jeopardized	February 2022	Met
Approve a decree to set a cap on direct PPP-related liabilities, thereby limiting annual payment commitments for any future year that could crowd out other priority spending	March 2022	Not met
Undertake a public expenditure review of civil service compensation.	April 2022	Met
Monetary and Financial		
Create and operationalize an over-the-counter commercial trading platform for the overnight repo market and for the FX market transactions	March 2022	Not met

11. The program is fully financed, and Armenia's capacity to repay remains adequate. There is currently no estimated financing gap through the program, and the authorities plan to save their SDR allocation. Armenia's capacity to repay is supported by the downward debt trajectory in the medium term, and the authorities' track-record of reforms and sound macroeconomic management.

POLICY DISCUSSIONS

Discussions focused on (i) further strengthening the fiscal framework and mitigating fiscal risks; (ii) ensuring that reforms to public investment management and the PPP framework are advanced to ensure quality investment; (iii) monetary policy to return inflation to target; and (iv) progress on supervisory reforms to maintain financial stability.

A. Fiscal Policy and Institutions

12. The authorities intend to continue a gradual fiscal consolidation, although ease the pace of adjustment in 2022 to provide targeted support to the economy. Government revenue is expected to decline with economic activity. The authorities plan to keep nominal expenditure at the budgeted levels and reprioritize spending to provide timely and targeted support to mitigate the impact of the shock on the economy. To this end, they plan to use the reserve fund (0.9 percent of GDP) included in the budget. Although decisions have not yet been finalized, as the authorities wait from some of the current uncertainty on the possible economic impact to be lifted, in general, they envisage some liquidity support to affected exporters and transfers to vulnerable households exposed to declining remittances. The deficit-to-GDP ratio is expected to decline to 4.1 percent this year from 4.6 in 2021 but would be about 1 percentage point higher than anticipated in the budget.

13. Guided by their fiscal rules, the authorities remain committed to a sustainable medium-term fiscal framework. They plan to gradually reduce fiscal deficits to ensure central government debt declines below 60 percent in a timely manner, provided that external shocks do not worsen. Staff encourages the government to implement its 2021–26 program with careful attention to sequencing and costing. Plans to increase basic and labor pensions and the minimum wage should be carefully designed and gradually phased in to meet social needs, while improving the policy framework (e.g., by improved targeting of social safety net spending and linking minimum wage increases to productivity growth).

14. Continued implementation of planned revenue reforms is critical to creating space and supporting consolidation. The authorities remain committed to reducing tax distortions, expanding the tax base, and improving tax compliance, although some tax policy reforms may be delayed due to the current shock. The authorities also reviewed mining sector taxation, with IMF TA support (February SB), and should prepare a balanced and sustainable reform in line with TA recommendations.

15. Critical PFM reforms continue to be implemented to improve spending efficiency and contain fiscal risks:

- *Steady efforts to strengthen the budget process are warranted to improve public spending efficiency*. Informed by a public wage bill review (April SB), staff encourage the authorities to develop an action plan to strengthen wage bill management, starting by institutionalizing the data collection and preparing periodic (annual) reviews.

- *Strengthening public investment management (PIM) is critical to achieving the government's economic priorities*. Staff welcome the first Investment Committee meeting held in March with MOF participation, during which, four projects were reviewed and validated. To make the PIM framework fully operational, the authorities need to continue building the capacity in line and economy ministries, to better integrate the PIM framework in the budget process, and to finalize the PIM procedural guidelines.

- *Progress in finalizing institutional arrangements to regulate Public-Private Partnerships (PPPs) is welcome*. The finalization of PPP secondary legislation would help guide PPP selection and implementation (March SB). This should: (i) safeguard against risks related to unsolicited PPP proposals; (ii) align the PPP evaluation, selection, and prioritization with that for other public investment; and (iii) ensure PPP affordability.

- *Enhancing monitoring, reporting, and management of fiscal risks remains necessary*. It will be important to publish the contracts and analyze lifetime fiscal implications of all recent PPP projects as well as to report on the performance of strategic SOEs (2021 AIV). Expanding government statistics to all public sectors, strengthening cooperation across public data-producing institutions, making use of treasury single account (TSA) expenditure data, as well as an economic classification for planning and analyzing expenditure, would greatly contribute to better fiscal reporting and analysis.

B. Monetary Policy and Financial Resilience

16. Monetary policy should continue to guide inflation back to target. The CBA proactively raised rates (cumulatively 500 bps since December 2020) to 9.25 percent in March. The monetary policy stance is appropriate given staff's and CBA's current inflation path, and further policy changes should remain data dependent including on inflation expectations and the output gap. Staff emphasized that that the CBA should maintain exchange rate flexibility and FX intervention should be limited to mitigating disorderly market conditions.

17. The financial sector weathered the pandemic relatively well, and it is generally sound. Following the severe 2020 recession, the financial sector strengthened markedly in 2021 (¶6). The improvement in banks' capital position is partly attributable to tightening lending standards and reallocation of their lending portfolio which helped reduce the risk profile of their balance sheets. The overall asset quality has also improved, and banks continue to meet their liquidity requirements including the newly introduced Liquidity Coverage Ratio (LCR) of 100 percent for each significant currency. The CBA is closely monitoring banks' liquidity and is in the process of reviewing its stress test scenarios. Just before Russia's invasion of Ukraine, the CBA resolved a small bank, by converting some deposits into equity, bailing in a major shareholder, and changing the bank's governance structure. Participation of the CBA in this bank through the Youth mortgage company should be gradually phased out in line with the exit strategy from non-core activities.

18. The CBA's ongoing supervisory initiatives and plans to develop capital markets are advancing and should be finalized. Staff welcomed the CBA's ongoing initiatives to introduce Pillar 2 capital buffers, to enhance the macroprudential toolkit (including the introduction of LTV limits on new mortgages), the resolution framework, the assessment of banks' business model, and supervisory review of banks' ICAAP. The CBA is finalizing their 2021 capital market development action plan and has created a centralized trading platforms for the FX market. However, the SB on operationalizing an over-the-counter commercial trading platform for the overnight repo market will be temporarily delayed due to the need for additional software needed for its implementation (FX and overnight repo platforms are an SB for end-March).

19. Safeguards Assessment. Most recommendations from the 2019 safeguards assessment have been implemented. The CBA has implemented the recommendation to develop a Board-approved medium-term exit-strategy to phase-out its involvement in non-core central banking activities. Presently, the CBA has also embarked on a project to revise its law and incorporate staff's advice, and the recommendation for the CBA to establish a risk management function is currently in progress.

20. Exchange rate arrangement. Armenia has eliminated a multiple currency practice (MCP) by making an amendment to the agreement between the MoF and CBA that came into effect on January 1, 2022, which requires FX transactions between the MoF and the CBA to take place at the market-determined bid/ask exchange rates set by the CBA. Under the agreement, the difference between the buying and selling exchange rates set by the CBA and the prevailing market buy/sell rates at the time of the transaction may not be greater than 2 percent. Armenia maintains no other multiple currency practices or exchange restrictions on the making of payments and transfers for current international transactions except for exchange restrictions maintained for security reasons and notified to the Fund pursuant to Executive Board Decision No. 144-(52/51).

C. Promoting Inclusive and Sustainable Growth

21. **Despite the unexpected shocks, the authorities remain focused on advancing structural reforms to support sustainable and inclusive growth.** The authorities' economic program appropriately focuses on boosting inclusive growth and increasing public and private investment. Key priorities include: (i) better infrastructure and improved public service delivery through public administration reforms; (ii) human capital development through improved education, healthcare, and social protection; (iii) a stronger business environment with improved transparency and governance; (iv) reduced informality and income inequality through reforms and redistributive policies; and (v) expanded economic opportunities through SME support, capital markets development and improved access to finance. Staff welcomes the authorities' efforts in implementing the government program, including preparing detailed action plan. It is important that these plans are costed and include measurable performance indicators. If implemented successfully, the reforms will strengthen Armenia's medium to long term growth potential, improve inclusivity and attract investments into Armenia.

22. **Efforts should continue to strengthen governance and institutions and promote transparency, including strengthening the AML/CFT legal framework to address corruption risks.** A public beneficial ownership register (www.e-register.am) is being phased in, initially only to include mining companies. It is recommended over the coming year to expand the scope of the register to all types of legal persons, in line with recommendations made by MONEYVAL, and prioritize measures that would have a positive impact as well as on beneficial ownership transparency of companies that are awarded public procurement contracts related to Covid-19 spending and related contracts. To this end, the authorities are encouraged to conduct the planned ex-post audit by mid-2023 of their COVID-19 on-lending business support scheme and publish the results.

STAFF APPRAISAL

23. **Armenia's economy continued to recover, notwithstanding a range of domestic and external shocks.** The authorities should be commended for the skillful economic management and for keeping the program on-track against difficult circumstances. They persevered with strong policy implementation and remained proactive to adjust policies appropriately to unforeseen developments. More generally, over the three-year program, they advanced important reforms, including on broadening the tax base and improving tax compliance, strengthening the inflation targeting framework and supporting financial sector stability, implementing reforms to strengthen governance, foster transparency, and combat corruption. A flexible exchange rate is more entrenched within the country's policy framework. They have also developed an ambitious medium-

term reform program that could guide their efforts towards stronger and more inclusive growth. Largely as a result of these efforts, the Armenian economy recovered strongly in 2021, and had a strong momentum for robust growth this year.

24. Despite these achievements, the economic outlook for 2022 is highly uncertain due to the spillovers from the unprecedented developments in Russia and Ukraine. In 2022, the economy is projected to slow down considerably, but still post a positive growth, primarily owing to lower consumption and contraction in trade. Inflation is expected to remain elevated in 2022 on account of higher import prices, particularly food and oil. The current account is expected to widen temporarily, as the economy adjusts to developments and policies.

25. Fiscal space should be used prudently to mitigate the adverse impact of the war in Ukraine on the Armenian economy. The authorities should continue to balance the support to the economy with well-targeted measures and debt sustainability considerations. To this end, it is appropriate to let the automatic stabilizers to operate, while using resources available under the reserve fund to reprioritize and increase resources for priority social safety net spending. In this regard, staff encourages the authorities to continue reforms aimed at improving spending efficiency and reducing fiscal risks. These together with growth-friendly revenue measures would support their medium-term consolidation objective and create space to address other infrastructure and social needs.

26. Staff welcomes the CBA's timely and proactive efforts to rein in inflationary pressures. Staff supports the CBA policy tightening which signals its strong commitment to inflation targeting and helps anchor inflation expectations. The CBA should continue adjusting monetary policy to contain any second-round effects of higher imported inflation and supply-side disruptions while considering the evolving assessment of the outlook.

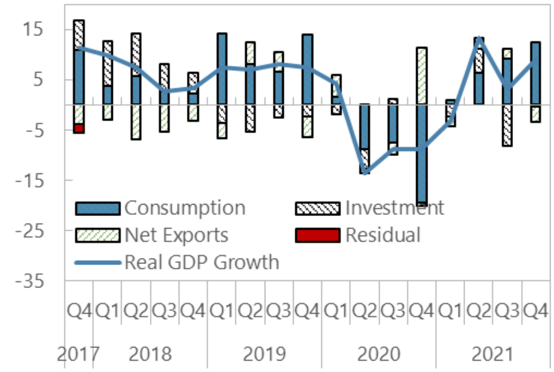
27. The CBA's ongoing supervisory initiatives and banks' existing safeguards should help preserve financial stability. The CBA has improved its supervisory toolkit through implementation of Basel III standards, enhancement to its risk-based supervision framework, and introduction of macroprudential measures. Staff welcome the CBA's ongoing initiatives to introduce Pillar 2 capital buffers, enhance the resolution framework, the assessment of banks' business model, and supervisory review of banks' ICAAP. Banks should use their capital and liquidity buffers if the impact of the war in Ukraine puts significant pressure on their balance sheet.

28. Based on program performance and authorities' policy commitments, staff supports the authorities' request to complete the sixth review under the SBA. Staff recommended the next Article IV Consultation be completed on the 12-month cycle in accordance with the Decision on Article IV Consultation Cycles (Decision No. 14747 – (10/96)). The authorities have expressed interest in a follow-up program but have not made a decision yet. In the absence of a successor arrangement within six months, Armenia will be subject to a Post Financing Assessment (PFA) as its outstanding credit to the Fund exceeds the 200 percent of quota threshold.

Figure 1. Armenia: Real Sector Developments

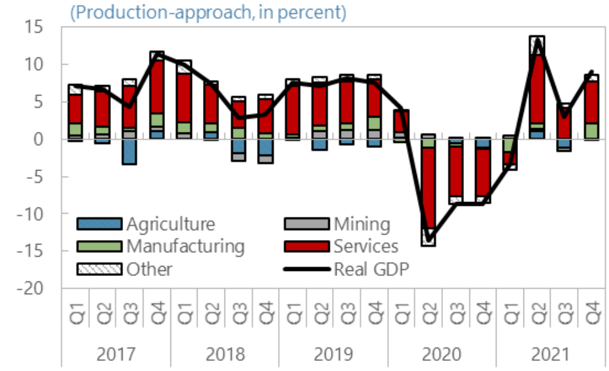
Growth in 2021 was mainly driven by private demand.

Contributions to Real GDP Growth
(Expenditure-approach, in percent)



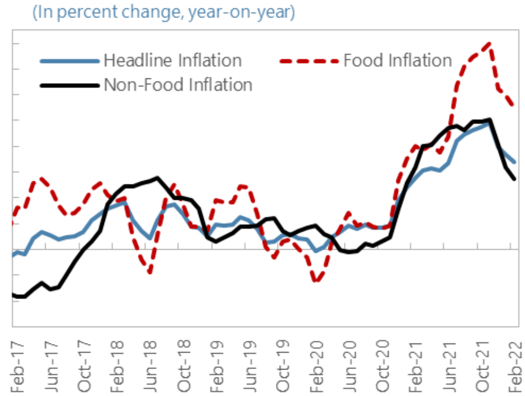
Growth recovery continued in 2021 Q4 driven by services sector.

Contributions to Real GDP Growth
(Production-approach, in percent)



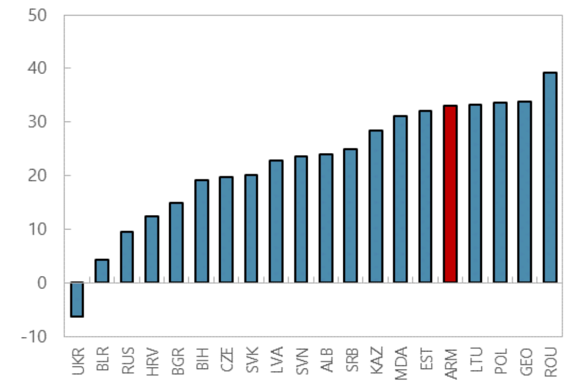
Both food and non-food inflation started to decline in end-2021.

Consumer Price Inflation, SA
(In percent change, year-on-year)



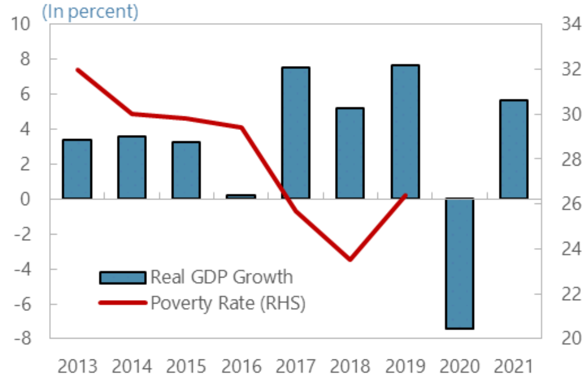
Armenia's per capita income growth is high, compared with peers.

Growth in Real GDP per capita between 2012 and 2021
(In percent)



Pre-pandemic, robust GDP growth helped poverty rates fall significantly.

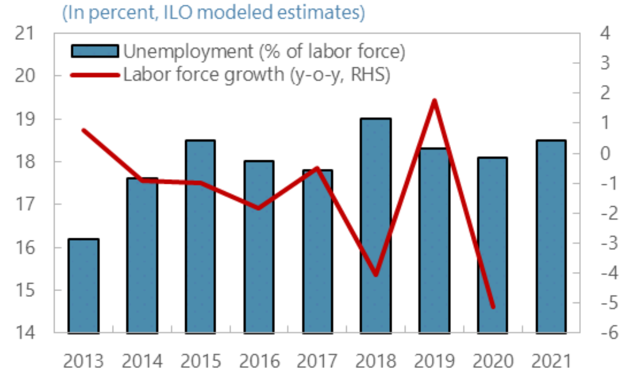
Real GDP Growth Rate and Poverty Rate
(In percent)



Note: Data on poverty rate available up to 2019.

Scarring effect from the pandemic has increased the unemployment rate.

Labor Market Indicators
(In percent, ILO modeled estimates)



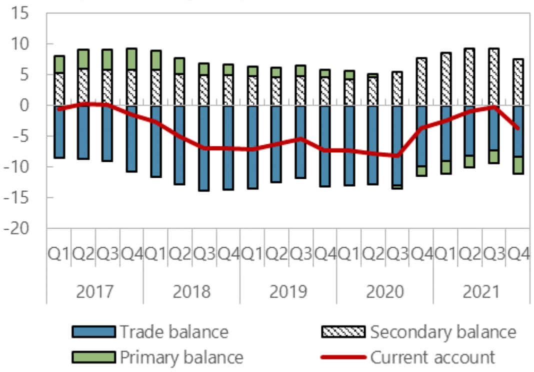
Note: Data on labor force available up to 2020.

Sources: National authorities, Haver, IMF World Economic Outlook, and IMF staff calculations.

Figure 2. Armenia: External Developments

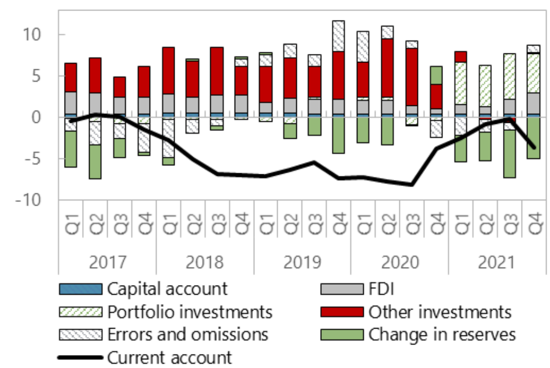
After widening in 2019, the current account deficit narrowed during 2020 and H1 2021.

Current Account Balance
(4-quarter moving sum, percent of GDP)



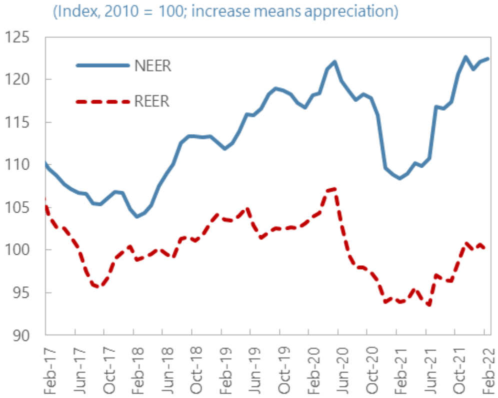
In recent years, current account has been financed mainly by private inflows.

Financing of the Current Account Deficit
(4-quarter moving sum, percent of GDP)



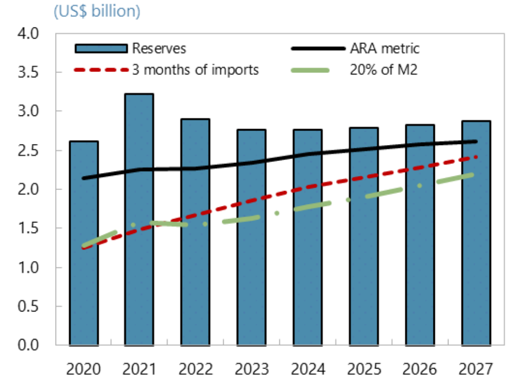
After depreciation, exchange rates turned around in mid-2021.

Real and Nominal Effective Exchange Rates
(Index, 2010 = 100; increase means appreciation)



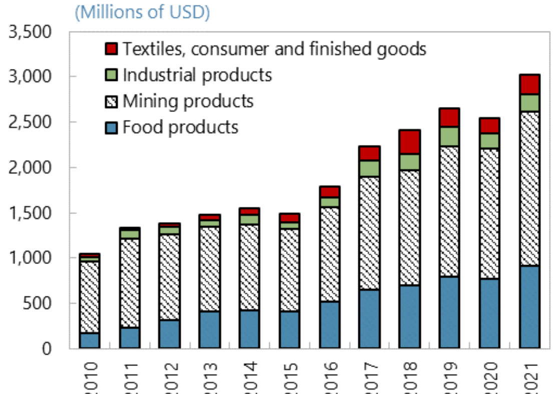
Thanks to IMF financing, Eurobond issuance and SDR allocation, reserves remain adequate.

Reserve Adequacy Indicators
(US$ billion)



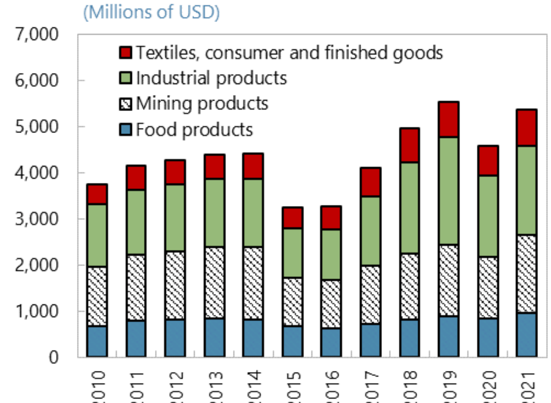
In 2021, exports grew robustly, supported by higher commodity prices …

Export of Goods by Type
(Millions of USD)



…and imports rebounded in line with the economic recovery.

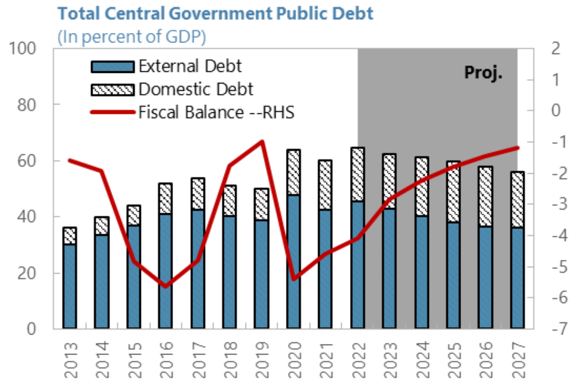
Import of Goods by Type
(Millions of USD)



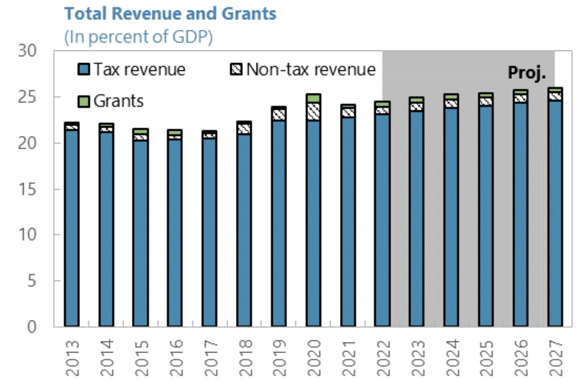
Sources: National authorities, IMF Information Notice Systems Database, and IMF staff calculations.

Figure 3. Armenia: Fiscal Developments

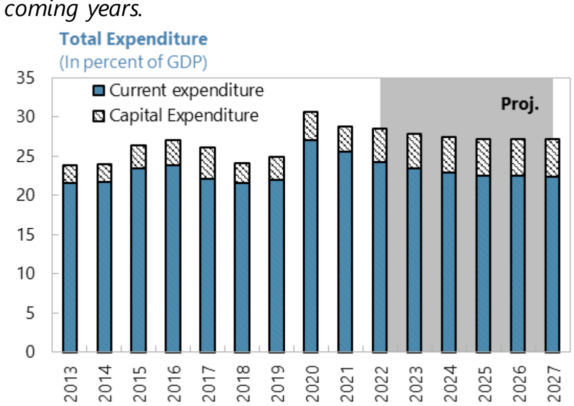
Central government public debt declined in 2021 and is expected to peak in 2022 before it declines in line with the fiscal rule.



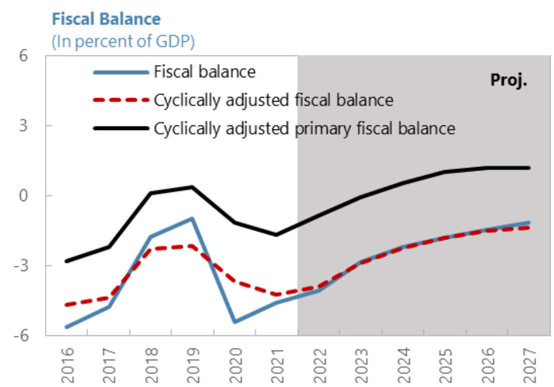
Revenues had been stable but are expected to decrease in 2021 following the twin shocks and projected to increase again in 2022–23.



Current and capital expenditures had increased significantly in 2020 but expected to decline in the coming years.



Cyclically adjusted deficit peaked as a result of the recent pandemic and political conflict.

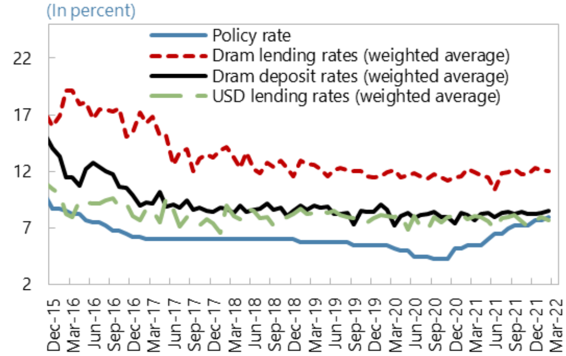


Sources: National authorities and IMF staff calculations.

Figure 4. Armenia: Monetary Developments

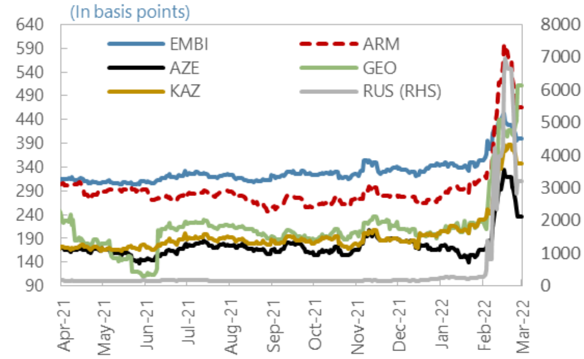
Short-term interest rates have somewhat increased on account of monetary policy tightening in 2021 and early 2022.

Interest Rates
(In percent)



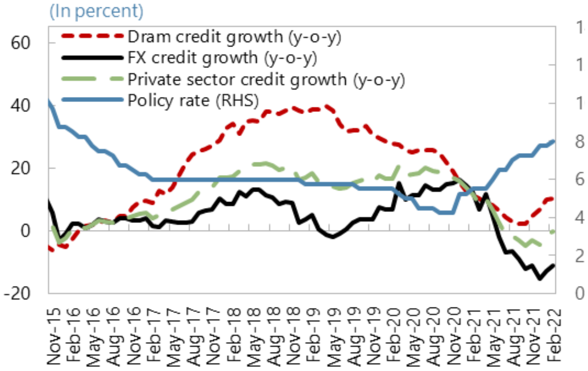
Sovereign spreads jumped in February on account of the war in Ukraine.

Sovereign Spreads
(In basis points)



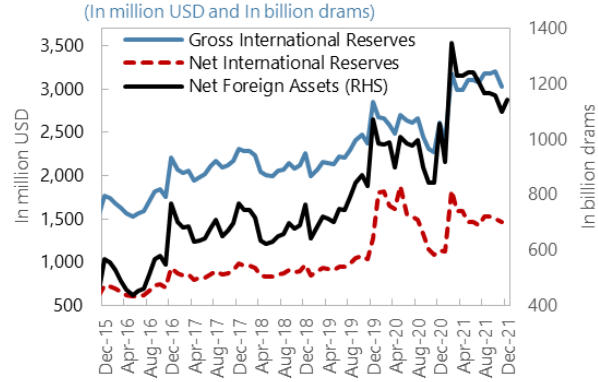
Credit growth was on a sharp declining path in 2021 as banks are becoming more risk averse.

Interest Rates and Credit Growth
(In percent)



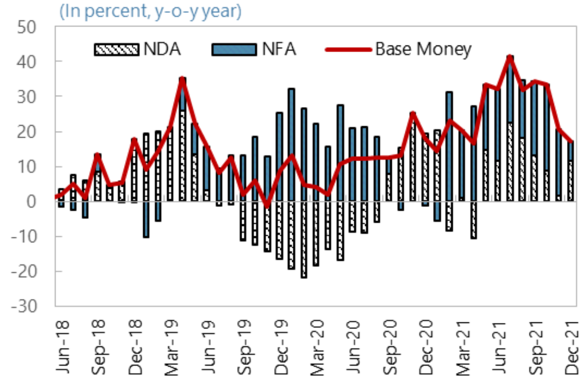
The CBA's net foreign assets jumped in January 2021 due to the Eurobond issuance.

CBA Balance Sheet
(In million USD and In billion drams)



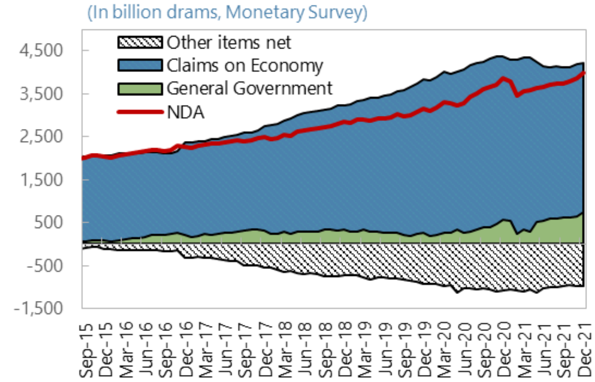
Base money growth in 2021 was driven both by NDA and NFA increase.

Contribution to Base Money Growth
(In percent, y-o-y year)



The main component in the rise of NDA remains growth in claims on economy.

Composition of NDA
(In billion drams, Monetary Survey)

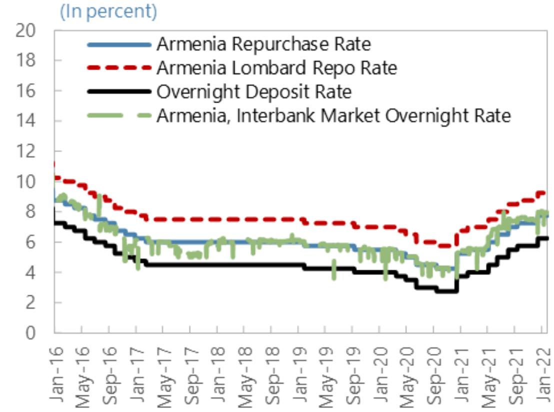


Sources: Central Bank of Armenia, and IMF staff calculations.

Figure 5. Armenia: Financial Developments

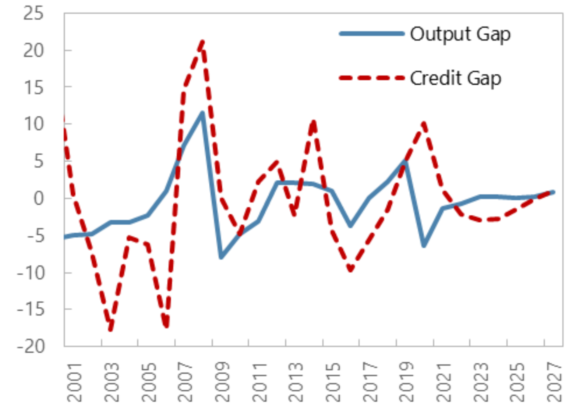
The CBA started increasing the policy rate in end-2020, with a cumulative raise of 500 bps. through February 2022.

Interest Rate Corridor
(In percent)



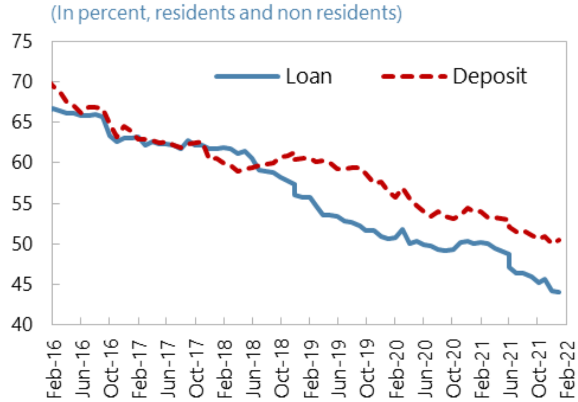
The credit-to-GDP gap is estimated to be marginally negative.

Output Gap vs Credit Gap



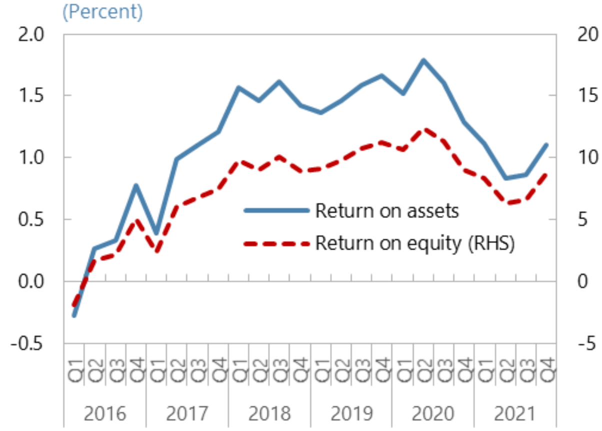
Credit and deposit dollarization, although somewhat moderated, remain significant.

Loan and Deposit Dollarization
(In percent, residents and non residents)



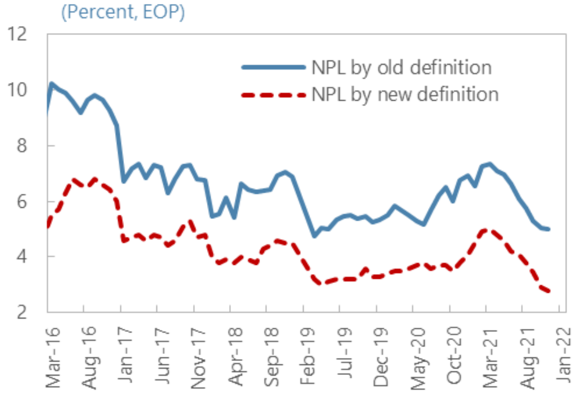
With most FSIs improving towards their pre-COVID level since 2021Q2, bank profitability keeps declining.

Profitability
(Percent)



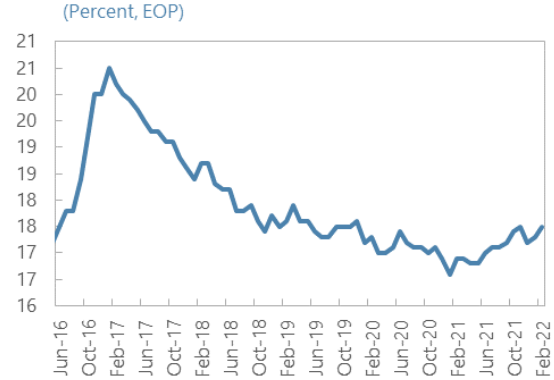
Credit dollarization, although somewhat moderated, remains significant.

Nonperforming Loans to Total Gross Loans
(Percent, EOP)



Deposit dollarization has been declining.

Regulatory Capital to Risk-Weighted Assets
(Percent, EOP)



Sources: National authorities, Central Bank of Armenia, Bloomberg, and IMF staff calculations.

Table 1. Armenia: Selected Economic and Financial Indicators, 2019–27

	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Act.	Act.	Act.	Proj.					
National income and prices:									
Real GDP (percent change)	7.6	-7.4	5.7	1.5	4.0	4.4	4.5	4.5	4.5
Final consumption expenditure, Contrib. to Growth	10.7	-9.7	6.0	2.1	2.8	2.7	2.4	2.3	2.2
Gross fixed capital formation, Contrib. to Growth	0.7	-1.4	1.2	0.4	1.7	1.8	2.1	2.2	2.3
Changes in inventories, Contrib. to Growth	-3.9	0.4	-1.8	0.0	0.0	0.0	0.0	0.0	0.0
Net exports of goods and services, Contrib. to Growth	0.2	3.4	0.4	-1.0	-0.5	-0.1	0.0	0.0	0.0
Gross domestic product (in billions of drams)	6,543	6,182	6,983	7,603	8,337	9,061	9,828	10,654	11,550
Gross domestic product (in millions of U.S. dollars)	13,619	12,641	13,928	14,047	15,842	17,258	18,377	19,726	21,251
Gross domestic product per capita (in U.S. dollars)	4,597	4,267	4,701	4,741	5,347	5,824	6,201	6,656	7,170
CPI (period average; percent change)	1.4	1.2	7.2	7.6	6.0	4.3	4.1	4.0	4.0
CPI (end of period; percent change)	0.7	3.7	7.7	7.5	5.0	4.0	4.0	4.0	4.0
GDP deflator (percent change)	1.0	2.0	6.9	7.2	5.4	4.1	3.8	3.7	3.7
Unemployment rate (in percent)	18.3	18.1	18.5	19.5	19.0	18.5	18.0	17.5	16.5
Investment and saving (in percent of GDP)									
Investment	17.4	18.5	16.6	17.3	18.3	18.5	19.0	19.4	19.5
National savings	10.0	14.7	12.9	11.0	12.4	12.5	13.1	13.6	13.7
Money and credit (end of period)									
Reserve money (percent change)	8.8	18.3	17.1	7.0	4.1	6.0	7.4	8.4	7.5
Broad money (percent change)	11.2	9.0	13.1	5.8	6.4	9.7	7.4	8.4	7.3
Private sector credit growth (percent change)	18.5	14.3	-3.9	0.0	2.0	3.8	5.2	6.2	6.8
Central government operations (in percent of GDP)									
Revenue and grants	23.9	25.2	24.1	24.5	24.9	25.2	25.3	25.7	25.9
Of which : tax revenue	22.1	22.0	22.1	22.3	22.6	22.9	23.1	23.5	23.8
Expenditure	24.9	30.6	28.7	28.5	27.8	27.4	27.2	27.1	27.1
Overall balance on a cash basis	-1.0	-5.4	-4.6	-4.1	-2.8	-2.2	-1.8	-1.4	-1.2
Public and publicly-guaranteed (PPG) debt (in percent of GDP	53.7	67.4	63.4	67.7	65.1	63.9	62.0	59.7	57.3
Central Government's PPG debt (in percent)	50.1	63.5	60.3	64.9	63.0	62.2	60.8	58.8	56.6
Share of foreign currency debt (in percent)	80.6	77.0	72.7	70.5	68.8	66.8	65.5	65.1	66.0
External sector									
Exports of goods and services (in millions of U.S. dollars)	5,718	3,763	4,881	5,353	5,930	6,549	7,046	7,521	7,987
Imports of goods and services (in millions of U.S. dollars)	-7,513	-5,019	-6,036	-6,685	-7,431	-8,142	-8,696	-9,246	-9,805
Exports of goods and services (percent change)	15.7	-34.2	29.7	9.7	10.8	10.4	7.6	6.7	6.2
Imports of goods and services (percent change)	13.1	-33.2	20.3	10.8	11.2	9.6	6.8	6.3	6.0
Current account balance (in percent of GDP)	-7.4	-3.8	-3.7	-6.3	-5.9	-5.9	-5.9	-5.8	-5.8
FDI (net, in millions of U.S. dollars)	234	74	354	266	319	389	447	465	479
Gross international reserves (in millions of U.S. dollars)	2,850	2,616	3,215	2,877	2,750	2,753	2,761	2,791	2,843
Import cover 1/	6.8	5.2	5.8	4.6	4.1	3.8	3.6	3.4	3.2
End-of-period exchange rate (dram per U.S. dollar)	480	523	480.1	…	…	…	…	…	…
Average exchange rate (dram per U.S. dollar)	480	489	501.4	…	…	…	…	…	…

Sources: Armenian authorities; and Fund staff estimates and projections.
1/ Gross international reserves in months of next year's imports of goods and services, including the SDR holdings.

Table 2. Armenia: Balance of Payments, 2019–27

(In millions of U.S. dollars, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Act.	Act.	Act.			Proj.			
Current account	-1,002	-479	-511	-888	-941	-1,022	-1,075	-1,144	-1,225
Trade balance	-1,728	-1,356	-1,577	-1,766	-1,781	-1,740	-1,726	-1,746	-1,805
Exports	3,288	2,658	3,200	3,311	3,627	3,985	4,316	4,631	4,923
Imports	-5,015	-4,014	-4,778	-5,078	-5,408	-5,725	-6,042	-6,377	-6,728
Services (net)	-67	100	423	435	280	147	77	20	-13
Credits	2,431	1,105	1,681	2,042	2,303	2,564	2,730	2,890	3,064
Debits	-2,497	-1,005	-1,258	-1,607	-2,023	-2,417	-2,653	-2,869	-3,077
Income (net)	179	-196	-392	-420	-371	-336	-309	-279	-245
Transfers (net)	614	974	1,035	864	932	907	883	860	838
Private	468	754	953	748	815	791	767	744	722
Official	145	220	82	116	116	116	116	116	116
Capital and financial account	1,164	235	880	488	912	1,208	1,227	1,238	1,298
Capital transfers (net)	54	45	52	51	51	51	51	51	51
Foreign direct investment (net)	234	74	354	266	319	389	447	465	479
Portfolio investment (net)	8	-49	-19	0	0	0	0	0	0
Public sector borrowing (net)	292	-213	670	202	244	276	288	291	388
Disbursements	859	99	912	464	527	565	1,088	688	688
Amortization	-567	-312	-242	-263	-282	-289	-800	-398	-302
Other capital (net)	575	377	-177	-30	298	493	441	433	383
Errors and omissions	502	-255	121	0	0	0	0	0	0
Overall balance	663	-499	490	-399	-29	186	152	94	73
Financing	-663	499	-490	292	29	-186	-152	-94	-73
Gross international reserves (increase: -)	-590	234	-599	337	128	-3	-8	-29	-53
Use of Fund credit, net	-73	264	-66	-46	-99	-183	-143	-65	-21
Of which: IMF (SBA) budget support	0	334	0	0	0	0	0	0	0
SDR allocation	0	0	175	0	0	0	0	0	0
Financing needs	0	0	0	108	0	0	0	0	0
IMF (SBA)	0	0	0	72	0	0	0	0	0
IMF (SBA) BOP support	0	0	0	36	0	0	0	0	0
Memorandum items:									
Current account (in percent of GDP)	-7.4	-3.8	-3.7	-6.3	-5.9	-5.9	-5.9	-5.8	-5.8
Trade balance (in percent of GDP)	-12.7	-10.7	-11.3	-12.6	-11.2	-10.1	-9.4	-8.8	-8.5
Gross international reserves (end of period)	2,850	2,616	3,215	2,877	2,750	2,753	2,761	2,791	2,843
In months of next year's imports	6.8	5.2	5.8	4.6	4.1	3.8	3.6	3.4	3.2
In percent of IMF's Reserve Adqeuacy Metric (ARA)	121	122	143	127	117	112	110	108	109
Goods export growth, percent change	20.7	-19.2	20.4	3.5	9.5	9.9	8.3	7.3	6.3
Goods import growth, percent change	12.8	-20.0	19.0	6.3	6.5	5.9	5.5	5.5	5.5
Nominal external debt	12,121	12,659	13,308	13,905	14,330	14,839	15,397	16,026	16,814
o.w. public external debt	5,785	6,059	6,643	6,980	7,120	7,212	7,357	7,584	7,951
Nominal external debt stock (in percent of GDP)	89.0	100.1	95.6	99.0	90.5	86.0	83.8	81.2	79.1
External public debt-to-exports ratio (in percent)	101.2	161.0	136.1	130.4	120.1	110.1	104.4	100.8	99.6
External public debt service (in percent of exports)	14.5	15.1	9.7	8.6	9.1	9.6	15.4	7.6	5.4

Sources: Armenian authorities; and Fund staff estimates and projections.

Table 3a. Armenia: Central Government Operations, 2019–27

(In billions of Armenian drams)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Act.	Act.	Act.			Proj.			
Total revenue and grants	1,565.5	1,560.7	1,683.8	1,859.4	2,076.5	2,285.9	2,491.4	2,739.8	2,995.3
Total revenue	1,553.1	1,507.5	1,659.6	1,815.2	2,032.3	2,241.7	2,447.2	2,695.6	2,951.1
Tax revenues 1/	1,445.6	1,360.5	1,543.9	1,698.1	1,888.1	2,078.6	2,270.3	2,503.8	2,743.2
VAT	506.5	471.6	556.0	608.3	666.9	733.9	801.0	884.3	958.7
Profits, simplified and presumptive	234.0	148.8	158.6	212.9	275.1	299.0	324.3	351.6	381.2
Personal income tax	440.8	411.5	426.3	436.0	446.6	489.3	530.7	586.0	646.8
Customs duties	95.1	68.3	84.8	98.8	112.5	122.3	132.7	143.8	155.9
Other	169.2	260.3	318.2	342.1	386.9	434.1	481.6	538.0	600.6
Social contributions	18.7	24.7	43.0	57.0	69.2	81.5	88.5	95.9	104.0
Other revenue	88.8	122.2	72.7	60.1	75.0	81.5	88.5	95.9	104.0
Grants	12.4	53.2	24.2	44.2	44.2	44.2	44.2	44.2	44.2
Total expenditure	1,629.4	1,894.6	2,004.3	2,169.1	2,313.6	2,487.1	2,668.9	2,889.8	3,130.7
Expenses	1,437.1	1,668.5	1,788.0	1,842.2	1,946.8	2,074.8	2,211.9	2,394.4	2,582.0
Wages	327.0	380.8	394.8	443.8	471.0	507.4	540.5	586.0	635.3
Payments to individual pension accts.	49.4	59.9	58.7	53.2	61.7	67.0	72.7	78.8	85.5
Subsidies	4.4	1.7	12.7	7.9	8.3	9.1	9.8	10.7	11.6
Interest	157.6	164.6	180.5	232.2	237.7	254.6	276.8	285.9	296.2
Social allowances and pensions	403.9	499.9	564.3	521.1	571.1	643.3	707.6	777.8	843.2
Pensions/social security benefits	269.9	297.1	317.9	332.3	371.0	416.8	461.9	511.4	554.4
Social assistance benefits	134.0	202.9	246.4	188.8	200.1	226.5	245.7	266.4	288.8
Goods and services	128.1	114.1	133.6	146.0	145.9	158.6	172.0	186.5	213.7
Grants	150.0	185.5	202.9	226.0	225.1	217.5	226.0	245.1	265.7
Other expenditure 2/	216.8	261.9	240.5	211.9	225.9	217.5	206.4	223.7	231.0
Transactions in nonfinancial assets	192.3	226.2	216.3	326.9	366.8	412.3	457.0	495.4	548.6
Acquisition of nonfinancial assets	193.0	227.7	218.4	326.9	366.8	412.3	457.0	495.4	548.6
Disposals of nonfinancial assets	0.7	1.5	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (above-the-line)	-63.9	-334.0	-320.5	-309.7	-237.1	-201.2	-177.6	-150.1	-135.4
Statistical discrepancy	-4.3	14.1	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (below-the-line)	-68.2	-319.9	-318.5	-309.7	-237.1	-201.2	-177.6	-150.1	-135.4
Financing	68.2	319.9	318.5	309.7	237.1	201.2	177.6	150.1	135.4
Domestic financing	-13.3	342.3	115.0	261.6	238.7	289.6	230.6	106.3	29.2
Banking system	-39.1	306.7	178.2	261.9	147.4	236.7	188.6	86.9	23.9
CBA	-96.5	59.2	-138.9	91.0	0.0	0.0	0.0	0.0	0.0
Commercial Banks	57.5	247.5	317.2	170.9	147.4	236.7	188.6	86.9	23.9
Nonbanks	25.7	35.7	-63.3	-0.3	91.3	52.8	42.1	19.4	5.3
T-Bills/other	41.5	55.2	-61.0	38.1	32.9	52.8	42.1	19.4	5.3
Promissory note/other	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	-15.8	-19.6	-2.1	-38.5	58.4	0.0	0.0	0.0	0.0
External financing	81.6	-22.5	203.5	48.1	-1.6	-88.4	-53.1	43.8	106.2
Gross disbursement	412.8	211.8	457.2	290.2	237.9	209.4	512.8	351.7	373.9
of which : IMF budget support	0.0	162.5	0.0	39.0	0.0	0.0	0.0	0.0	0.0
Amortization due	-274.2	-152.4	-113.4	-127.5	-170.6	-222.9	-484.6	-219.9	-172.3
Net lending	-57.1	-81.8	-140.3	-144.5	-68.9	-74.9	-81.2	-88.1	-95.5
Other financing	0.0	0.0	0.0	30.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Nominal GDP (in billion of drams)	6,543.3	6,181.7	6,982.8	7,603.1	8,336.9	9,060.5	9,828.0	10,654.4	11,550.3
Program balance 3/	-90.1	-402.6	-432.7	-473.2	-247.6	-276.1	-258.8	-238.1	-230.9
Primary balance 4/	20.7	-270.8	-282.4	-260.4	-9.9	-21.5	18.0	47.8	65.4

Sources: Ministry of Finance, Central Bank of Armenia, and Fund staff estimates and projections.

1/ From 2018, the temporary tax credits used to cover tax obligations are not included in total tax revenues and are also not netted out from individual tax

2/ Includes acquisition of military equipment.

3/ The program balance is measured as below-the-line balance minus net lending.

4/ Sum of overall balance (above the line), interest expense, and domestic and external net lending.

Table 3b. Armenia: Central Government Operations, 2019–27
(In percent of GDP, unless otherwise specified)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Act.	Act.	Act.			Proj.			
Total revenue and grants	23.9	25.2	24.1	24.5	24.9	25.2	25.3	25.7	25.9
Total revenue	23.7	24.4	23.8	23.9	24.4	24.7	24.9	25.3	25.6
Tax revenues 1/	22.1	22.0	22.1	22.3	22.6	22.9	23.1	23.5	23.8
VAT	7.7	7.6	8.0	8.0	8.0	8.1	8.2	8.3	8.3
Profits, simplified and presumptive	3.6	2.4	2.3	2.8	3.3	3.3	3.3	3.3	3.3
Personal income tax	6.7	6.7	6.1	5.7	5.4	5.4	5.4	5.5	5.6
Customs duties	1.5	1.1	1.2	1.3	1.4	1.4	1.4	1.4	1.4
Other	2.6	4.2	4.6	4.5	4.6	4.8	4.9	5.1	5.2
Social contributions	0.3	0.4	0.6	0.8	0.8	0.9	0.9	0.9	0.9
Other revenue	1.4	2.0	1.0	0.8	0.9	0.9	0.9	0.9	0.9
Grants	0.2	0.9	0.3	0.6	0.5	0.5	0.4	0.4	0.4
Total expenditure	24.9	30.6	28.7	28.5	27.8	27.4	27.2	27.1	27.1
Expense	22.0	27.0	25.6	24.2	23.4	22.9	22.5	22.5	22.4
Wages	5.0	6.2	5.7	5.8	5.6	5.6	5.5	5.5	5.5
Payments to individual pension accts.	0.8	1.0	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Subsidies	0.1	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Interest	2.4	2.7	2.6	3.1	2.9	2.8	2.8	2.7	2.6
Social allowances and pensions	6.2	8.1	8.1	6.9	6.9	7.1	7.2	7.3	7.3
Pensions/social security benefits	4.1	4.8	4.6	4.4	4.5	4.6	4.7	4.8	4.8
Social assistance benefits	2.0	3.3	3.5	2.5	2.4	2.5	2.5	2.5	2.5
Goods and services	2.0	1.8	1.9	1.9	1.8	1.8	1.8	1.8	1.9
Grants	2.3	3.0	2.9	3.0	2.7	2.4	2.3	2.3	2.3
Other expenditure 2/	3.3	4.2	3.4	2.8	2.7	2.4	2.1	2.1	2.0
Transactions in nonfinancial assets	2.9	3.7	3.1	4.3	4.4	4.6	4.7	4.7	4.8
Acquisition of nonfinancial assets	2.9	3.7	3.1	4.3	4.4	4.6	4.7	4.7	4.8
Disposals of nonfinancial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (above-the-line)	-1.0	-5.4	-4.6	-4.1	-2.8	-2.2	-1.8	-1.4	-1.2
Statistical discrepancy	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (below-the-line)	-1.0	-5.2	-4.6	-4.1	-2.8	-2.2	-1.8	-1.4	-1.2
Financing	1.0	5.2	4.6	4.1	2.8	2.2	1.8	1.4	1.2
Domestic financing	-0.2	5.5	1.6	3.4	2.9	3.2	2.3	1.0	0.3
Banking system	-0.6	5.0	2.6	3.4	1.8	2.6	1.9	0.8	0.2
CBA	-1.5	1.0	-2.0	1.2	0.0	0.0	0.0	0.0	0.0
Commercial Banks	0.9	4.0	4.5	2.2	1.8	2.6	1.9	0.8	0.2
Nonbanks	0.4	0.6	-0.9	0.0	1.1	0.6	0.4	0.2	0.0
T-Bills/other	0.6	0.9	-0.9	0.5	0.4	0.6	0.4	0.2	0.0
Promissory note/other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	-0.2	-0.3	0.0	-0.5	0.7	0.0	0.0	0.0	0.0
External financing	1.2	-0.4	2.9	0.6	0.0	-1.0	-0.5	0.4	0.9
Gross disbursement	6.3	3.4	6.5	3.8	2.9	2.3	5.2	3.3	3.2
Amortization due	-4.2	-2.5	-1.6	-1.7	-2.0	-2.5	-4.9	-2.1	-1.5
Net lending	-0.9	-1.3	-2.0	-1.9	-0.8	-0.8	-0.8	-0.8	-0.8
Other financing	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Nominal GDP (in billion of drams)	6,543	6,182	6,983	7,603	8,337	9,061	9,828	10,654	11,550
Program balance 3/	-1.4	-6.5	-6.2	-6.2	-3.0	-3.0	-2.6	-2.2	-2.0
Primary balance 4/	0.3	-4.4	-4.0	-3.4	-0.1	-0.2	0.2	0.4	0.6

Sources: Ministry of Finance, Central Bank of Armenia, and Fund staff estimates and projections.

1/ From 2018, the temporary tax credits used to cover tax obligations are not included in total tax revenues and are also not netted out from individual tax categories.

2/ Includes acquisition of military equipment.

3/ The program balance is measured as below-the-line balance minus net lending.

4/ Sum of overall balance (above the line), interest expense, and domestic and external net lending.

Table 4. Armenia: Monetary Accounts, 2019–23

(In billions of drams, unless otherwise indicated)

	2019	2020	2021				2022				2023			
	Act.	Act.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
			Act.				Proj.				Proj.			
Central Bank of Armenia														
Net foreign assets	1071.8	1058.3	1267.7	1247.8	1169.5	1180.4	1116.3	1141.5	1140.0	1128.2	1146.8	1156.4	1158.3	1153.9
Net international reserves 1/	865.4	603.9	903.5	736.7	739.9	694.2	631.4	659.6	659.4	650.7	672.3	684.9	689.9	688.5
Other	206.3	454.4	364.2	511.1	429.6	486.2	484.9	481.9	480.6	477.5	474.5	471.5	468.4	465.4
Net domestic assets	250.5	505.3	229.9	424.2	542.3	650.3	723.1	755.8	788.6	831.3	841.8	842.8	874.2	886.2
Claims on general government (net)	-314.1	-254.9	-555.0	-524.2	-492.5	-393.8	-371.1	-348.3	-325.6	-302.8	-302.8	-302.8	-302.8	-302.8
Of which : central government (net)	-252.8	-189.6	-482.1	-450.9	-414.6	-324.6	-301.9	-279.1	-256.4	-233.6	-233.6	-233.6	-233.6	-233.6
central government deposits	327.3	266.5	565.3	534.4	502.3	403.5	311.6	288.8	266.1	243.3	243.3	243.3	243.3	243.3
Claims on banks	231.7	467.9	502.5	627.9	694.9	696.4	706.4	716.4	716.4	716.4	726.9	727.8	759.3	761.2
Other items (net)	332.9	292.3	282.4	320.4	339.9	347.8	387.8	387.8	397.8	417.8	417.8	417.8	417.8	427.8
Reserve money	1,322.2	1,563.7	1,497.5	1,672.0	1,711.8	1,830.7	1,839.4	1,897.3	1,928.6	1,959.6	1,988.7	1,999.1	2,032.6	2,040.1
Currency issue	607.2	751.5	680.9	709.3	712.3	747.2	749.5	716.5	724.4	751.9	796.0	745.1	748.0	771.1
Banks' reserves	674.3	758.7	760.2	910.1	952.2	1,043.9	1,050.2	1,141.1	1,164.5	1,168.0	1,153.0	1,214.4	1,244.9	1,229.4
In drams	304.8	275.4	343.6	354.0	385.5	408.8	415.2	506.0	529.5	532.9	518.0	579.4	609.8	594.3
In foreign currency	369.4	483.3	416.6	556.1	566.7	635.1	635.1	635.1	635.1	635.1	635.1	635.1	635.1	635.1
Other accounts	40.8	53.6	56.4	52.6	47.4	39.7	39.7	39.7	39.7	39.7	39.7	39.7	39.7	39.7
Banking system														
Net foreign assets	-70.0	-504.3	-139.8	-167.3	-132.0	-184.2	-248.3	-223.1	-224.6	-236.3	-217.7	-208.2	-206.3	-210.7
Net domestic assets	3,155.5	3,866.4	3,564.8	3,658.5	3,737.6	3,986.8	4,259.2	4,057.6	4,101.1	4,260.1	4,580.6	4,345.0	4,359.5	4,491.7
Claims on government (net)	259.3	565.7	344.1	544.8	612.4	744.0	809.4	874.9	940.4	1,005.8	1,042.7	1,079.5	1,116.4	1,153.3
Of which : claims on central government (net)	342.0	631.0	417.0	618.0	690.2	813.2	878.6	944.1	1,009.6	1,075.1	1,111.9	1,148.8	1,185.6	1,222.5
Claims on rest of the economy	3,830.6	4,378.5	4,339.1	4,137.1	4,115.2	4,208.7	4,404.2	4,137.1	4,115.2	4,208.7	4,492.3	4,219.8	4,197.5	4,292.9
Other items (net)	-934.5	-1,077.8	-1,118.4	-1,023.4	-990.0	-965.9	-954.4	-954.4	-954.4	-954.4	-954.4	-954.4	-954.4	-954.4
Broad money	3,085.5	3,362.0	3,425.0	3,491.1	3,605.5	3,802.6	4,010.9	3,834.5	3,876.6	4,023.8	4,362.8	4,136.7	4,153.2	4,281.0
Currency in circulation	502.3	648.4	596.2	623.1	617.5	636.1	630.9	603.2	609.8	633.0	666.3	621.8	624.2	643.5
Deposits	2,583.2	2,713.6	2,828.7	2,868.0	2,988.1	3,166.5	3,380.0	3,231.3	3,266.8	3,390.8	3,696.5	3,515.0	3,529.0	3,637.6
Domestic currency	1,400.8	1,535.5	1,560.1	1,622.0	1,698.1	1,826.7	1,996.3	1,828.2	1,829.8	1,920.1	2,191.9	1,976.5	1,956.6	2,031.4
Foreign currency	1,182.3	1,178.1	1,268.6	1,246.1	1,290.0	1,339.8	1,383.7	1,403.1	1,436.9	1,470.8	1,504.6	1,538.5	1,572.4	1,606.2
Memorandum items:														
Exchange rate (drams per U.S. dollar, end of period)	479.7	522.6	531.2	495.9	484.2	480.1	...	...	...	...	...	...	...	...
12-month change in reserve money (in percent)	8.8	18.3	20.4	32.1	34.5	17.1	22.8	13.5	12.7	7.0	8.1	5.4	5.4	4.1
12-month change in broad money (in percent)	11.2	9.0	11.4	13.0	11.5	13.1	17.1	9.8	7.5	5.8	8.8	7.9	7.1	6.4
12-month change in dram broad money (in percent)	21.5	14.8	15.6	14.6	11.2	12.8	21.8	8.3	5.4	3.7	8.8	6.9	5.8	4.8
12-month change in private sector credit (in percent)	18.5	14.3	8.3	2.1	-3.3	-3.9	1.5	0.0	0.0	0.0	2.0	2.0	2.0	2.0
Velocity of broad money (end of period)	2.1	1.8	1.8	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.9	1.9	1.9
Money multiplier	2.3	2.2	2.3	2.1	2.1	2.1	2.2	2.0	2.0	2.1	2.2	2.1	2.0	2.1
Private sector credit (in percent of GDP)	58.5	70.8	62.1	59.2	58.9	60.3	63.1	59.2	58.9	60.3	64.3	60.4	60.1	61.5
Dollarization in bank deposits 2/	45.8	43.4	44.8	43.4	43.2	42.3	40.9	43.4	44.0	43.4	40.7	43.8	44.6	44.2
Dollarization in broad money 3/	38.3	35.0	37.0	35.7	35.8	35.2	34.5	36.6	37.1	36.6	34.5	37.2	37.9	37.5
Currency in circulation in percent of deposits	19.4	23.9	21.1	21.7	20.7	20.1	18.7	18.7	18.7	18.7	18.0	17.7	17.7	17.7
NIR (U.S. dollars, program exchange rate)	1,811.5	1,131.2	1,693.9	1,474.6	1,525.0	1,452.7	1,305.2	1,363.5	1,363.1	1,345.1	1,389.8	1,415.8	1,426.2	1,423.3
NIR (U.S. dollars, actual exchange rate)	1,804.1	1,155.6	1,700.9	1,485.8	1,528.1	1,445.9	1,305.2	1,363.5	1,363.1	1,345.1	1,389.8	1,415.8	1,426.2	1,423.3

Sources: Central Bank of Armenia; and Fund staff estimates and projections.

1/ In line with the TMU definition.

2/ Ratio of foreign currency deposits to total deposits (in percent).

3/ Ratio of foreign currency deposits to broad money (in percent).

Table 5. Armenia: Financial Soundness Indicators for the Banking Sector, 2019–21
(In percent, unless otherwise indicated)

	2019				2020				2021			
	Mar	June	Sept	Dec	Mar	Jun	Sept	Dec	Mar	Jun	Sep	Dec
Capital adequacy												
Total regulatory capital to risk-weighted assets	17.9	17.4	17.5	17.6	17.0	17.4	17.1	16.9	17.0	17.0	17.2	17.2
Capital (net worth) to assets	15.0	14.7	14.8	14.1	14.1	14.6	14.0	13.1	13.3	13.0	12.8	13.0
Asset composition												
Sectoral distribution of loans (in billions of drams)												
Industry (excluding energy sector)	337.7	340.5	345.2	357.4	375.2	371.8	404.5	436.3	435.2	418.2	389.3	390.2
Energy sector	158.3	130.8	143.0	134.0	153.5	154.0	180.8	209.0	195.9	127.5	136.5	120.8
Agriculture	146.6	155.1	154.6	161.4	171.6	177.7	189.4	198.0	200.6	190.6	196.3	222.3
Construction	170.8	172.6	182.0	192.7	213.8	225.1	247.6	269.1	275.0	304.2	325.1	315.2
Transport and communication	105.4	102.9	105.5	101.7	114.7	108.4	110.4	141.8	139.8	129.6	121.8	126.9
Trade/commerce	443.5	460.9	467.5	508.6	501.1	513.4	537.7	533.9	532.8	501.3	481.0	482.4
Consumer credits	744.4	795.4	846.0	915.9	951.9	955.5	960.9	929.0	915.6	871.2	833.2	824.8
Mortgage loans	270.2	295.3	321.6	358.8	395.0	404.6	441.2	481.2	517.2	551.5	587.3	654.7
Sectoral distribution of loans to total loans (percent of total)												
Industry (excluding energy sector)	11.2	10.8	10.6	10.1	10.3	10.0	10.4	10.8	11.0	11.2	10.5	10.3
Energy sector	5.2	4.2	4.4	3.8	4.2	4.1	4.6	5.2	4.9	3.4	3.7	3.2
Agriculture	4.8	4.9	4.7	4.6	4.7	4.8	4.9	4.9	5.1	5.1	5.3	5.9
Construction	5.6	5.9	5.6	5.5	5.9	6.1	6.3	6.7	6.9	8.1	8.8	8.3
Transport and communication	3.5	3.3	3.2	2.9	3.2	2.9	2.8	3.5	3.5	3.5	3.3	3.3
Trade/commerce	14.7	14.7	14.3	14.4	13.8	13.8	13.8	13.2	13.4	13.4	13.0	12.7
Mortgage loans	8.9	9.4	9.8	10.2	10.8	10.9	11.3	11.9	13.0	14.8	15.8	17.3
Consumer credits	24.6	25.3	25.9	26.0	26.2	25.7	24.6	23.0	23.1	23.3	22.4	21.8
Other sectors	21.4	21.5	21.6	22.5	21.0	21.7	21.3	20.8	19.1	17.1	17.3	17.2
Foreign exchange loans to total loans	55.8	54.5	53.5	52.4	53.1	51.4	50.6	51.7	51.5	48.4	47.3	45.5
Asset quality												
Nonperforming loans (in billions of drams)	158.5	177.7	186.2	200.0	211.0	217.8	241.7	272.1	290.0	236.8	113.6	74.1
Watch (up to 90 days past due)	64.5	71.6	64.3	75.1	73.9	81.6	100.6	84.0	95.2	75.4	82.6	64.8
Substandard (91-180 days past due)	42.5	49.0	67.2	68.3	79.9	85.3	89.6	129.0	121.5	90.4	66.7	46.4
Doubtful (181-270 days past due)	51.6	57.1	54.7	56.6	57.2	50.8	51.4	59.1	73.3	71.0	46.9	27.7
Loss (>270 days past due, in billions of drams)	278.4	278.4	285.4	286.5	313.5	315.5	328.5	360.1	357.8	394.0	428.8	440.6
Nonperforming loans to gross loans	5.0	5.4	5.5	5.5	5.5	5.7	6.0	6.6	7.1	6.1	2.9	1.9
Provisions to nonperforming loans	52.1	50.9	51.1	49.9	48.7	46.2	41.8	45.0	45.2	49.4	84.1	99.7
Spread between highest and lowest rates of interbank borrowing in AMD	0.9	0.4	0.6	0.9	0.9	0.9	1.1	2.5	0.9	1.8	0.3	1.6
Spread between highest and lowest rates of interbank borrowing in FX	1.3	1.0	0.4	1.7	0.6	0.1	1.5	2.1	0.4	0.3	0.0	0.6
Earnings and profitability												
ROA (profits to period average assets)	1.6	1.4	1.6	1.7	1.52	1.79	1.60	1.28	1.12	0.84	0.9	1.1
ROE (profits to period average equity)	10.4	9.6	10.7	11.2	10.6	12.4	11.3	9.0	8.3	6.3	6.6	8.7
Interest margin to gross income	32.1	31.8	31.9	31.8	33.3	33.7	33.6	33.7	35.2	34.5	33.5	32.3
Interest income to gross income	75.7	75.2	74.3	73.4	74.7	75.5	75.4	74.7	76.7	76.5	76.3	75.5
Noninterest expenses to gross income	30.9	30.0	29.8	30.6	28.8	27.6	27.1	27.1	26.7	28.7	28.6	29.3
Liquidity												
Liquid assets to total assets	27.2	27.2	27.6	27.1	27.0	26.9	27.7	25.6	28.1	30.8	31.7	32.0
Liquid assets to total short-term liabilities	116.0	111.4	108.2	111.7	118.5	119.3	117.0	108.8	117.6	122.1	120.1	122.7
Customer deposits to total (non-interbank) loans	110.4	109.3	109.5	112.1	109.7	107.1	105.2	106.9	108.7	115.3	117.3	119.7
Foreign exchange liabilities to total liabilities	56.9	56.6	56.6	55.4	56.0	52.6	52.5	52.8	52.1	49.8	48.4	47.4
Sensitivity to market risk												
Gross open positions in foreign exchange to capital	3.7	3.7	4.6	4.0	4.3	3.1	3.1	4.5	4.2	3.6	5.5	5.9
Net open position in FX to capital	-0.1	0.5	-2.0	0.3	-3.6	0.3	1.1	1.3	-2.1	-0.1	1.5	4.6

Source: Central Bank of Armenia.

Note: In July 2021, the CBA aligned the NPL definition with the BCBS regulation. New NPL definition only takes into account exposures that are more than 90 days past due (doubtful and substandard loans)

Table 6. Armenia: Fund Credit Available and Timing of Reviews Under the Standby Arrangement

Date of Availability[1/]	Conditions	Amount (millions of SDRs)	Percent of Quota	Percent of Quota (cumulative)
May 17, 2019	Board approval of the arrangement	25.714	19.96	19.96
September 30, 2019	Observance of end-June 2019 performance criteria and continuous performance criteria, and completion of first review	25.714	19.96	39.93
May 18, 2020	Observance of end-December 2019 performance criteria and continuous performance criteria, and completion of second review	154.514	119.96	159.89
October 15, 2020	Observance of end-June 2020 performance criteria and continuous performance criteria, and completion of third review	25.714	19.96	179.86
May 20, 2021	Observance of end-December 2020 performance criteria and continuous performance criteria, and completion of fourth review	25.714	19.96	199.82
October 15, 2021	Observance of end-June 2021 performance criteria and continuous performance criteria, and completion of fifth review	25.714	19.96	219.79
April 15, 2022	Observance of end-December 2021 performance criteria and continuous performance criteria, and completion of sixth review	25.716	19.97	239.75
	Total	308.8	239.75	239.75

Sources: Fund staff estimates and projections.

1/ The fourth review was delayed because of elections. The fourth and fifth reviews were combined.

Table 7. Armenia: Indicators of Capacity to Repay the Fund, 2021–27

	2021	2022	2023	2024	2025	2026	2027
		Projections					
Fund obligations based on existing and prospective credit (in millions of SDRs)							
Principal	46.5	32.0	70.2	128.5	99.8	45.1	14.2
Charges and interest	5.6	5.5	7.4	4.3	2.1	1.2	0.7
Fund obligations based on existing and prospective credit							
In millions of SDRs	52.2	37.4	77.6	132.8	101.9	46.3	14.8
In millions of US$	74.3	52.2	109.4	188.9	146.1	66.7	21.5
In percent of Gross International Reserves	2.3	1.8	4.0	6.9	5.3	2.4	0.8
In percent of exports of goods and services	1.5	1.0	1.8	2.9	2.1	0.9	0.3
In percent of debt service	15.7	11.3	20.2	30.1	13.5	11.6	4.9
In percent of GDP	0.5	0.4	0.7	1.1	0.8	0.3	0.1
In percent of quota	40.5	29.1	60.3	103.1	79.2	35.9	11.5
Outstanding Fund credit based on existing and prospective drawings							
In millions of SDRs	313.7	357.9	287.7	159.1	59.3	14.2	0.0
In billions of US$	0.4	0.5	0.4	0.2	0.1	0.0	0.0
In percent of Gross International Reserves	13.9	17.3	14.7	8.2	3.1	0.7	0.0
In percent of exports of goods and services	9.2	9.3	6.8	3.5	1.2	0.3	0.0
In percent of debt service	94.5	108.3	74.9	36.0	7.8	3.6	0.0
In percent of GDP	3.2	3.6	2.6	1.3	0.5	0.1	0.0
In percent of quota	243.5	277.9	223.3	123.5	46.0	11.0	0.0
Net use of Fund credit (millions of SDRs) existing and prospective	-46.5	45.2	-70.2	-128.5	-99.8	-45.1	-14.2
Disbursements	0.0	77.1	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	46.5	32.0	70.2	128.5	99.8	45.1	14.2

Sources: IMF staff estimates and projections.

Table 8. Armenia: External Financing Requirements and Sources, 2021–27
(In millions of U.S. dollars, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027
			Proj.				
Gross Financing Requirements	2,454	1,723	2,126	2,404	2,910	2,497	2,438
External current account deficit (excl. transfers)	1,547	1,752	1,872	1,929	1,958	2,004	2,063
Debt amortization and Fund repurchases	308	308	381	472	943	463	322
Gross international reserve accumulation 1/	600	-337	-128	3	8	29	53
Of which: IMF repurchases and repayments	66	46	99	183	143	65	21
Available financing	2,454	1,615	2,126	2,404	2,910	2,497	2,438
Capital and Financial Account and Current Transfers	2,454	1,615	2,126	2,404	2,910	2,497	2,438
of which: Capital transfers (net)	52	51	51	51	51	51	51
Foreign Direct Investment (net)	354	266	319	389	447	465	479
Public Borrowing (net)	670	202	244	276	288	290	386
Disbursements	912	464	527	565	1,088	688	688
Amortization	-242	-263	-282	-289	-800	-398	-302
SDR allocation	176	0	0	0	0	0	0
Private transfers (net)	953	748	815	791	767	744	722
Other private capital (net)	-177	-30	298	493	441	433	383
Financing needs	0	108	0	0	0	0	0
IMF (SBA) budget support	0	72	0	0	0	0	0
IMF (SBA) BOP support	0	36	0	0	0	0	0
Memorandum item:							
Current Account deficit, percent of GDP	-3.7	-6.3	-5.9	-5.9	-5.9	-5.8	-5.8
Gross Reserves	3,215	2,878	2,750	2,753	2,762	2,791	2,844
In percent of ARA metric 1/	143	127	117	112	110	108	109
In months of prospective imports	5.8	4.6	4.1	3.8	3.6	3.4	3.2

1/ ARA metric for Assesing Reservers Adequacy (floating)

Sources: Armenian authorities; and Fund staff estimates and projections.

Annex I. Public Debt Sustainability Analysis[1]

Results from an updated DSA using the staff's baseline projections indicate that, due to a strong recovery in GDP growth and exchange rate appreciation in 2021, Armenia's public debt remains sustainable, but the high share of foreign currency debt remains a source of vulnerability. Alternative scenarios and stress tests suggest that shocks to growth and the exchange rate would have the largest impact on debt dynamics and government financing needs.

1. **After improving in 2021 on the back of strong economic recovery, debt is projected to deteriorate in 2022 due to spillovers from the war in Ukraine but will remain on a sustainable path as it is projected to decline over the medium term in line with the fiscal rule.** The 2021 budget deficit clocked in at 4.6 percent of the GDP, which the government financed from international markets by issuing 10 years Eurobond worth $750 million at a favorable 3.9 percent interest rate. The end-2021 central government debt came down to around 60.3 percent of GDP. Interest rate and growth differential and exchange rate appreciation have contributed to the reduction of debt to GDP in 2021 by 5.1 percent and 3.8 percent respectively. Similarly, while the gross financing need narrowed to 11.0 percent of the GDP in 2021, it is estimated to increase to 11.7 percent in 2022 and revert to the norm—around 7–8 percent of GDP by 2026–27. After using the fiscal rule's escape clause during 2020–21, the authorities are committed to bringing the central government debt below 60 percent of GDP by 2026. The baseline scenario shows this goal is achievable given planned revenue measures and current spending restraint. The share of FX-denominated debt is projected to be around 66.0 percent in 2027, due to sizable external financing in 2021 and potential financing from IFIs in 2022.

2. **Baseline projections are subject to significant uncertainty.** Historically, Armenian growth, primary balance, and inflation have all been volatile, which implies potential uncertainty in the baseline projections. Assuming the symmetric distribution of shocks, a fan chart for the public debt-to-GDP ratio—corresponding to the range between the 10th and 90th percentiles—points to a range between 61 and 75 percent in 2022 and between 42 and 74 percent in 2027. An asymmetric fan chart, which rules out real exchange rate depreciation, suggests that debt could range between 49 and 80 percent of GDP at the end of the projection horizon.

3. **The heat map highlights vulnerabilities stemming from debt level, and residency and currency composition.** While the debt is currently sustainable, a surge in public debt levels, especially if the spillovers of the shock from the war in Ukraine deepen, could pose sustainability risks. FX-denominated debt and debt held by non-residents remain important risk factors for debt sustainability. A major depreciation of the exchange rate beyond the baseline would worsen the debt outlook as indicated by the relevant stress test (see Figure A4). Overall, risks associated with public external debt are modest. External public debt stood at about US$ 6.6 billion at end-2021, of which a large share is owed to multilateral official creditors. The outstanding Euro bonds at end-2021 were US$ 1.75 billion (US$0.5 billion each in 2025 and 2029 and US$0.75 billion in 2031 will be

[1] The coverage of public debt is general government debt and debt of the CBA.

maturing). Thanks to the high share of debt to multilateral official creditors, the average interest rate of the external public debt is relatively low at 3 percent.

4. Scenarios assuming key variables at their historical averages underscore the need for consolidation. The paths of public debt and gross financing needs deviate significantly from the baseline under the historical scenario; the debt ratio would be above 70 percent in 2027. This would place debt sustainability at risk and increase financing needs to around 14 percent of GDP in 2027. This implies that without active policy measures aimed at reducing the fiscal deficit, debt sustainability would be jeopardized.

5. Stress tests suggest that shocks to growth have the largest impact on debt indicators. A combined macro-fiscal shock, whereby real GDP contracts by another 4.5 percent in 2023–24 in each year together with worsening primary balance, can cause public debt to increase to around 80 percent of GDP, and for public gross financing needs to remain around 12 percent of GDP in 2027. Given the twin shocks of 2020, the government conducted a public expenditure review of civil service compensation in 2022 to improve the efficiency and effectiveness of current expenditure and aim to implement quality revenue measures over the medium term starting in 2022 (Staff Report ¶14, LOI ¶7). These are important to mitigating risks which could come from higher primary balances and macroeconomic shocks. In isolation, shocks to growth, followed by shocks to the real exchange rate, have the most sizable adverse impact on the public debt path, relative to the baseline.

Figure AI.1. Armenia: Public Sector Debt Sustainability Analysis - Baseline Scenario

(in percent of GDP unless otherwise indicated)

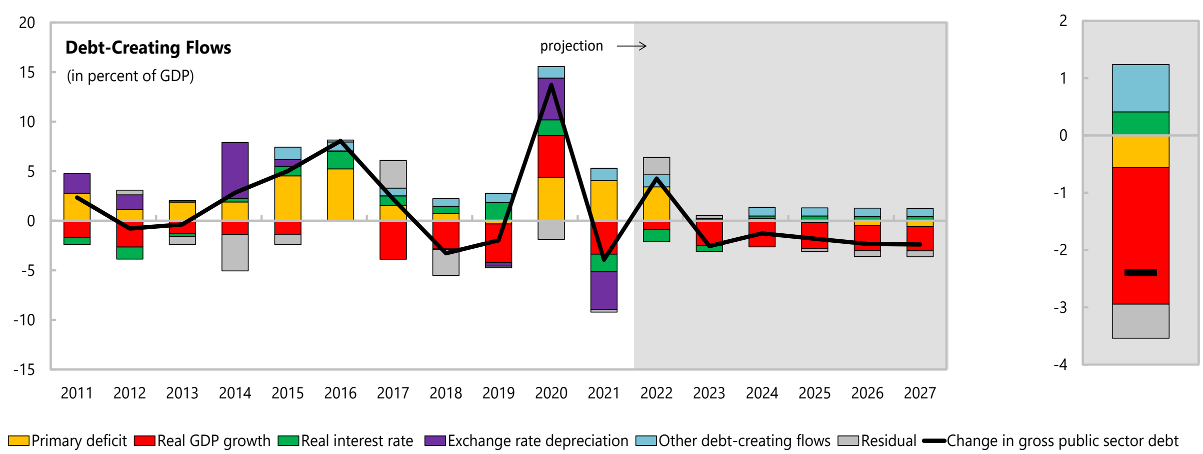
Debt, Economic and Market Indicators [1/]

	Actual			Projections					
	2011-2019 [3/]	2020	2021	2022	2023	2024	2025	2026	2027
Nominal gross public debt	49.1	67.4	63.4	67.7	65.1	63.9	62.0	59.7	57.3
Public gross financing needs	7.4	11.5	11.0	11.7	8.6	9.1	11.3	8.2	7.0
Net public debt 2/		61.4	57.8	62.1	60.7	59.8	58.3	56.2	54.1
Real GDP growth (in percent)	4.7	-7.4	5.7	1.5	4.0	4.4	4.5	4.5	4.5
Inflation (GDP deflator, in percent)	2.5	2.0	6.9	7.2	5.4	4.1	3.8	3.7	3.7
Nominal GDP growth (in percent)	7.4	-5.5	13.0	8.9	9.7	8.7	8.5	8.4	8.4
Effective interest rate (in percent) [5/]	3.5	4.7	4.3	5.2	4.6	4.7	4.8	4.7	4.7

As of March 23, 2022		
Sovereign Spreads		
Spread (bp) 4/		411
CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	Ba3	Ba3
S&Ps	B+	B+
Fitch	B+	n.a.

Contribution to Changes in Public Debt

	Actual			Projections							
	2011-2019	2020	2021	2022	2023	2024	2025	2026	2027	cumulative	debt-stabilizing primary balance [10/]
Change in gross public sector debt	1.6	13.7	-3.9	4.3	-2.6	-1.3	-1.8	-2.3	-2.4	-6.1	
Identified debt-creating flows	2.1	15.6	-3.7	5.7	-2.4	-0.4	-1.0	-1.5	-1.6	-1.2	
Primary deficit	2.2	4.4	4.0	3.4	0.1	0.2	-0.2	-0.4	-0.6	2.6	-1.0
Primary (noninterest) revenue and grants	22.0	25.2	24.1	24.5	24.9	25.2	25.3	25.7	25.9	151.6	
Primary (noninterest) expenditure	24.1	29.6	28.2	27.9	25.0	25.5	25.2	25.3	25.4	154.2	
Automatic debt dynamics [6/]	-0.6	10.0	-9.0	1.0	-2.7	-1.5	-1.6	-1.9	-1.8	-8.5	
Interest rate/growth differential [7/]	-1.6	5.8	-5.1	-2.1	-3.1	-2.4	-2.2	-2.1	-2.1	-14.0	
Of which: real interest rate	0.5	1.6	-1.8	-1.2	-0.6	0.2	0.5	0.4	0.4	-0.3	
Of which: real GDP growth	-2.1	4.2	-3.4	-0.9	-2.5	-2.6	-2.6	-2.6	-2.5	-13.7	
Exchange rate depreciation [8/]	1.1	4.2	-3.8	…	…	…	…	…	…	…	
Other identified debt-creating flows	0.5	1.2	1.2	1.2	0.1	0.8	0.8	0.8	0.8	4.6	
Domestic net lend./drawdown of gov. dep. (negative)	0.0	0.0	-0.6	-0.7	-0.7	0.0	0.0	0.0	0.0	-1.4	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
External net lending	0.5	1.2	1.8	1.9	0.8	0.8	0.8	0.8	0.8	6.0	
Residual, including asset changes [9/]	-0.5	-1.9	-0.3	1.7	0.3	0.1	-0.3	-0.6	-0.6	0.6	



Source: IMF staff.

1/ Public sector is defined as general government.

2/ Net public debt is defined as gross debt minus financial assets corresponding to debt instruments.

3/ Based on available data.

4/ Bond Spread over U.S. Bonds.

5/ Defined as interest payments divided by debt stock at the end of previous year.

6/ Derived as [(r - p(1+g) - g + ae(1+r)]/(1+g+p+gp)) times previous period debt ratio, with r = interest rate; p = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

7/ The real interest rate contribution is derived from the denominator in footnote 4 as r - π (1+g) and the real growth contribution as -g.

8/ The exchange rate contribution is derived from the numerator in footnote 2/ as ae(1+r).

9/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

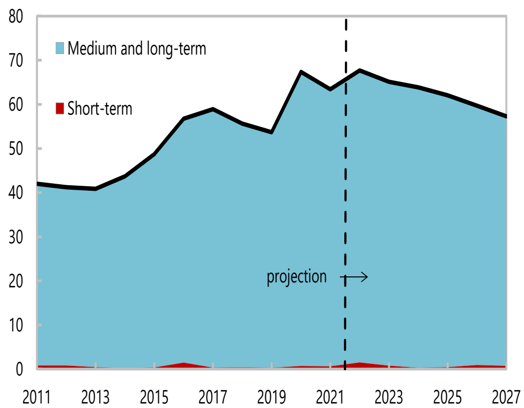
10/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure AI.2. Armenia: Public Debt Sustainability Analysis - Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

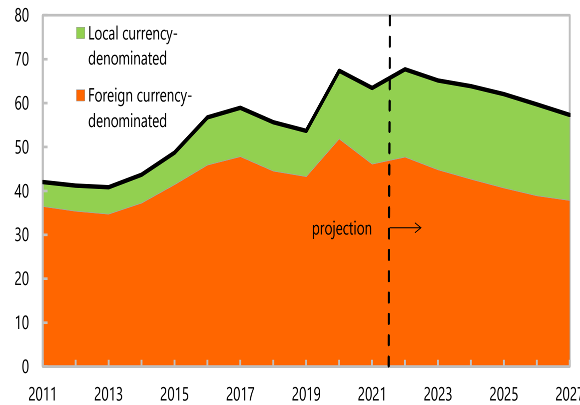
By Maturity

(in percent of GDP)



By Currency

(in percent of GDP)

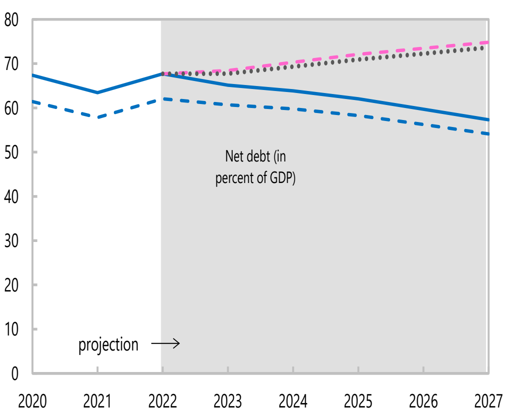


Alternative Scenarios

Baseline Historical Constant Primary Balance

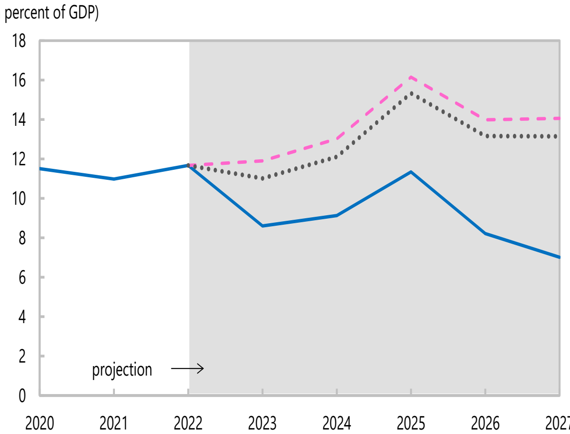
Gross Nominal Public Debt

(in percent of GDP)



Public Gross Financing Needs

(in percent of GDP)



Underlying Assumptions

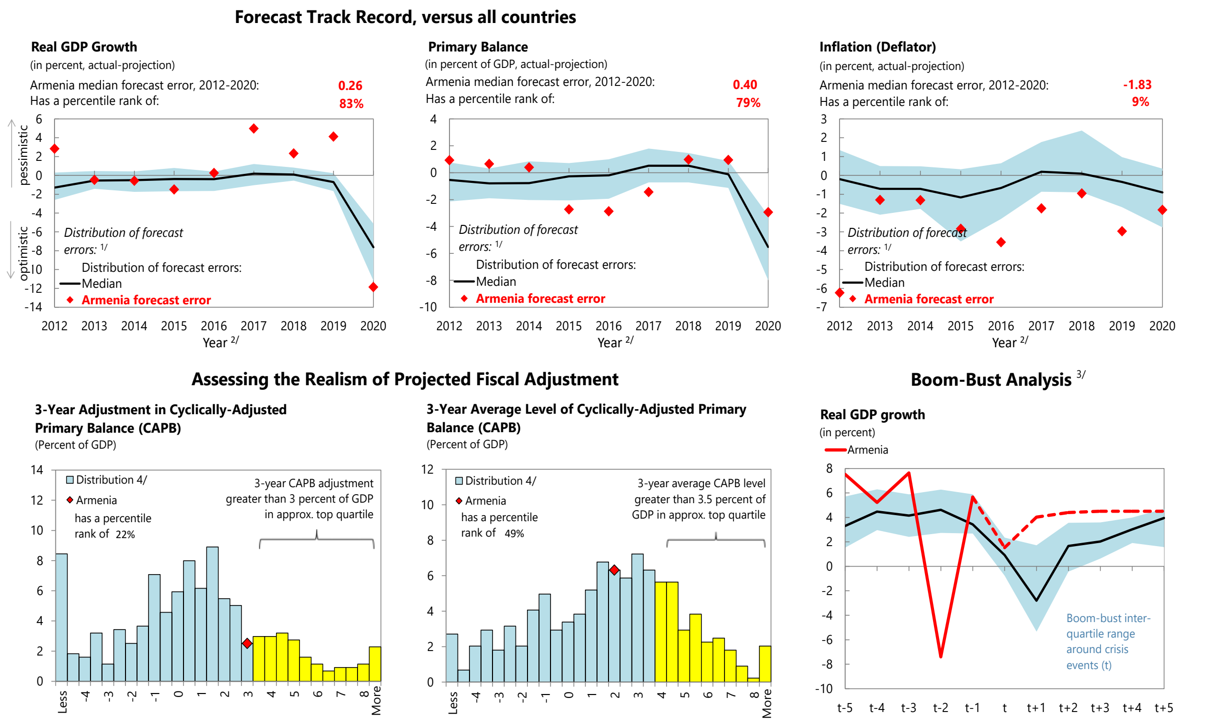
(in percent)

Baseline Scenario	2022	2023	2024	2025	2026	2027
Real GDP growth	1.5	4.0	4.4	4.5	4.5	4.5
Inflation	7.2	5.4	4.1	3.8	3.7	3.7
Primary Balance	-3.4	-0.1	-0.2	0.2	0.4	0.6
Effective interest rate	5.2	4.6	4.7	4.8	4.7	4.7
Constant Primary Balance Scenario						
Real GDP growth	1.5	4.0	4.4	4.5	4.5	4.5
Inflation	7.2	5.4	4.1	3.8	3.7	3.7
Primary Balance	-3.4	-3.4	-3.4	-3.4	-3.4	-3.4
Effective interest rate	5.2	4.6	4.8	5.0	4.9	4.9

Historical Scenario	2022	2023	2024	2025	2026	2027
Real GDP growth	1.5	3.6	3.6	3.6	3.6	3.6
Inflation	7.2	5.4	4.1	3.8	3.7	3.7
Primary Balance	-3.4	-2.5	-2.5	-2.5	-2.5	-2.5
Effective interest rate	5.2	4.6	4.9	5.2	5.3	5.4

Source: IMF staff.

Figure AI.3. Armenia: Public Debt Sustainability Analysis - Realism of Baseline Assumptions



Source : IMF Staff.

1/ Plotted distribution includes all countries, percentile rank refers to all countries.

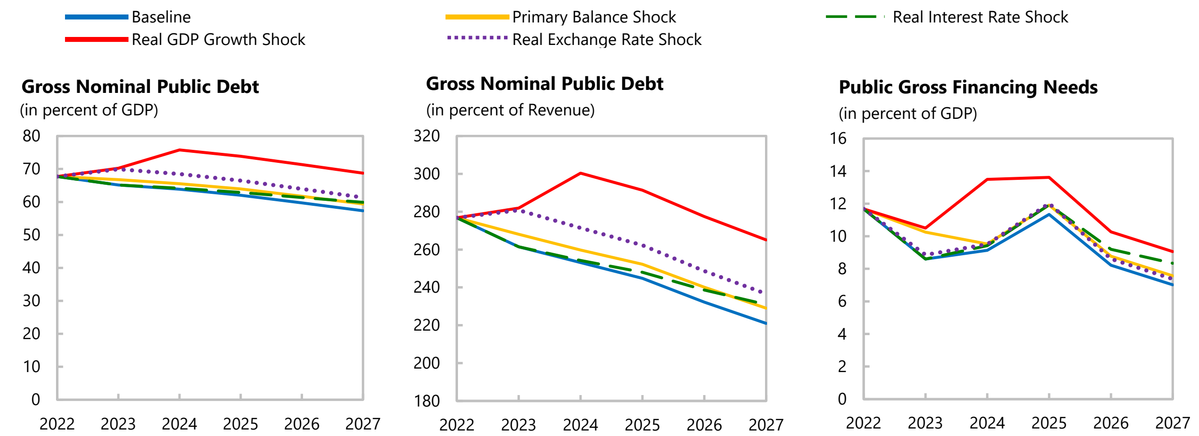
2/ Projections made in the spring WEO vintage of the preceding year.

3/ Armenia has had a positive output gap for 3 consecutive years, 2019-2021 and a cumulative increase in private sector credit of 7 percent of GDP, 2018-2021. For Armenia, t corresponds to 2022; for the distribution, t corresponds to the first year of the crisis.

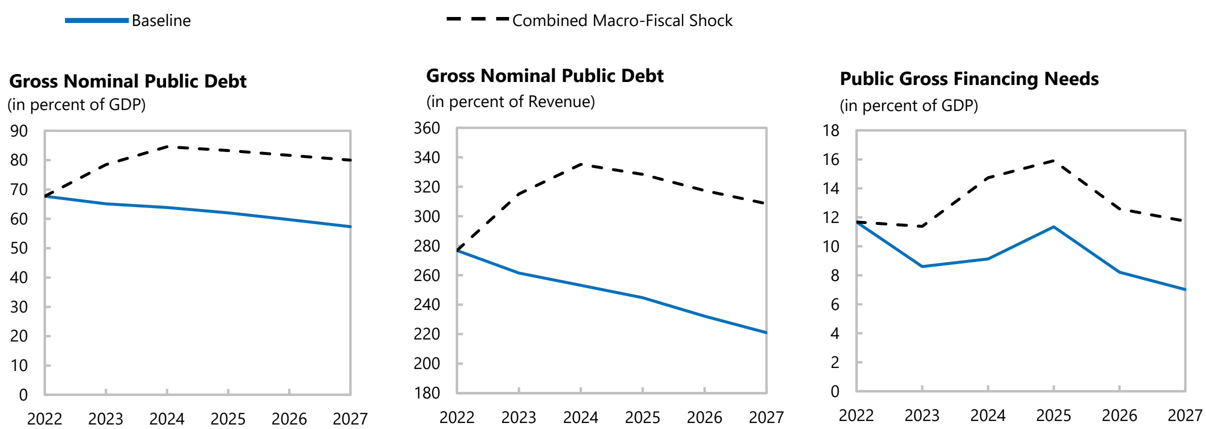
4/ Data cover annual observations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure AI.4. Armenia: Public Debt Sustainability Analysis - Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(in percent)

	2022	2023	2024	2025	2026	2027
Primary Balance Shock						
Real GDP growth	1.5	4.0	4.4	4.5	4.5	4.5
Inflation	7.2	5.4	4.1	3.8	3.7	3.7
Primary balance	-3.4	-1.8	-0.2	0.0	0.3	0.5
Effective interest rate	5.2	4.6	4.8	4.9	4.8	4.8
Real Interest Rate Shock						
Real GDP growth	1.5	4.0	4.4	4.5	4.5	4.5
Inflation	7.2	5.4	4.1	3.8	3.7	3.7
Primary balance	-3.4	-0.1	-0.2	0.2	0.4	0.6
Effective interest rate	5.2	4.6	5.2	5.7	6.1	6.4
Combined Shock						
Real GDP growth	1.5	-0.5	-0.1	4.5	4.5	4.5
Inflation	7.2	4.3	3.0	3.8	3.7	3.7
Primary balance	-3.4	-1.8	-3.2	0.0	0.3	0.5
Effective interest rate	5.2	4.9	5.1	5.8	6.3	6.5

	2022	2023	2024	2025	2026	2027
Real GDP Growth Shock						
Real GDP growth	1.5	-0.5	-0.1	4.5	4.5	4.5
Inflation	7.2	4.3	3.0	3.8	3.7	3.7
Primary balance	-3.4	-1.5	-3.2	0.2	0.4	0.6
Effective interest rate	5.2	4.6	4.8	5.1	5.0	4.9
Real Exchange Rate Shock						
Real GDP growth	1.5	4.0	4.4	4.5	4.5	4.5
Inflation	7.2	9.6	4.1	3.8	3.7	3.7
Primary balance	-3.4	-0.1	-0.2	0.2	0.4	0.6
Effective interest rate	5.2	4.9	4.5	4.6	4.6	4.6

Source: IMF staff.

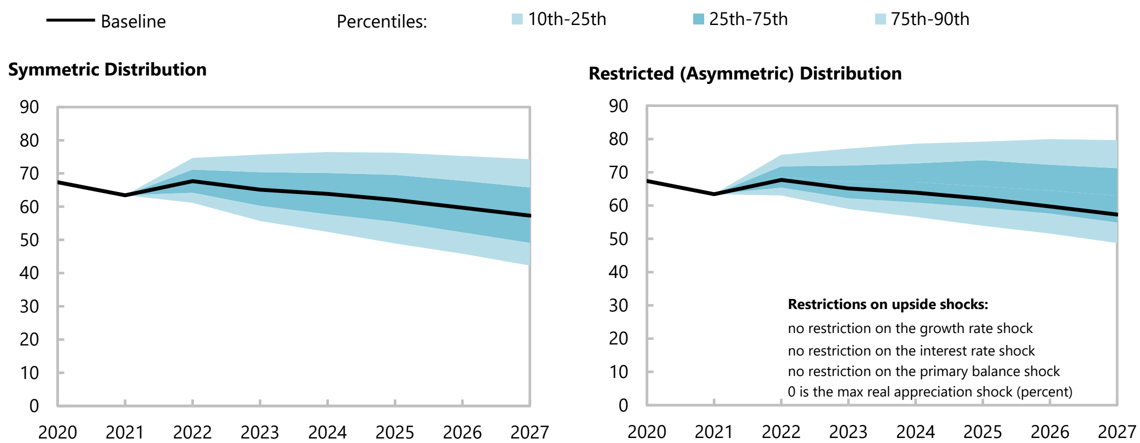
Figure AI.5. Armenia: Public Debt Sustainability Analysis Risk Assessment

Heat Map

Debt level [1/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs [2/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile [3/]	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

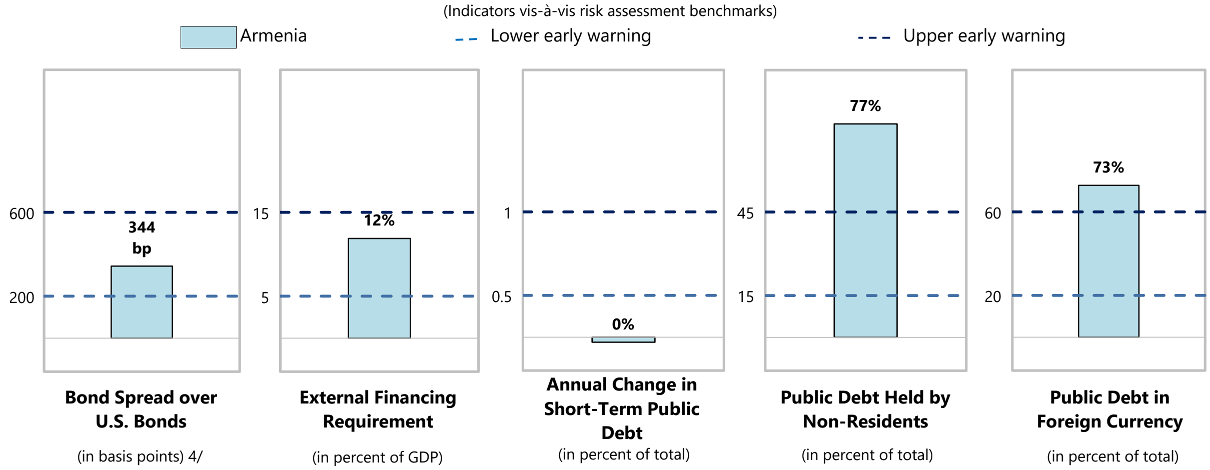
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.

Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ An average over the last 3 months, 23-Dec-21 through 23-Mar-22.

Table AI.1 Armenia: Decomposition of Public Debt and Debt Service by Creditor, 2020–22 1/

	Debt Stock (end of period) 2021			Debt Stock (end of period) 2021			Debt Service (is represented on an instrument principle, data by residency principle is not available)					
							2021	2022	2023	2021	2022	2023
	(In US$)	(Percent total debt)	(Percent GDP)	(In US$)	(Percent total debt)	(Percent GDP)	(In US$)			(Percent GDP)		
Total	7945.2	100.0	62.9	7945.2	100.0	62.9						
External	6036.2	76.0	47.8	6110.5	76.9	48.3	566.9	472.7	460.5	4.5	3.4	2.9
Multilateral creditors[2,3]	3914.5	49.3	31.0	3914.5	49.3	31.0	295.7	308.4	289.1	2.3	2.2	1.8
IMF	516.0	6.5	4.1	516.0	6.5	4.1						
World Bank	1827.7	23.0	14.5	1827.7	23.0	14.5						
ADB/AfDB/IADB	788.3	9.9	6.2	788.3	9.9	6.2						
Other Multilaterals	782.4	9.8	6.2	782.4	9.8	6.2						
o/w: list largest two creditors		0.0	0.0									
EDB	317.0	4.0	2.5	317.0	4.0	2.5						
EIB	247.5	3.1	2.0	247.5	3.1	2.0						
list of additional large creditors		0.0	0.0									
Bilateral Creditors[2]	1175.4	14.8	9.3	1175.4	14.8	9.3	110.3	106.2	113.3	0.9	0.8	0.7
Paris Club	1148.4	14.5	9.1	1148.4	14.5	9.1	103.4	103.4	103.4	0.8	0.7	0.7
o/w: list largest two creditors	756.5	9.5	6.0	756.5	9.5	6.0						
Germany/KFW	397.1	5.0	3.1	397.1	5.0	3.1						
RF	359.4	4.5	2.8	359.4	4.5	2.8						
list of additional large creditors		0.0	0.0									
Non-Paris Club	27.0	0.3	0.2	27.0	0.3	0.2	2.8	2.8	2.8	0.0	0.0	0.0
o/w: list largest two creditors	27.0	0.3	0.2	27.0	0.3	0.2						
Export-Import Bank of China	23.0	0.3	0.2	23.0	0.3	0.2						
Abu-Dhabi Fund for Development	4.0	0.1	0.0	4.0	0.1	0.0						
list of additional large creditors	-											
Bonds (in column C bonds (Eurobonds) are presented on a residency principle, in column G they are represented on an instrument principle)	**925.7**	11.7	7.3	**1000.0**	12.6	7.9	159.0	55.5	55.5	1.3	0.4	0.4
Commercial creditors	20.6	0.3	0.2	20.6	0.3	0.2	1.9	2.6	2.6	0.0	0.0	0.0
o/w: list largest two creditors												
Erste Bank/Austria	9.8	0.1	0.1	9.8	0.1	0.1						
Raiffeisen Bank/Austria	7.7	0.1	0.1	7.7	0.1	0.1						
list of additional large creditors												
Other international creditors	-			-			-	-	-			
o/w: list largest two creditors												
list of additional large creditors												
Domestic (in column C dom. debt is presented on a residency principle, in column G it is represented on an instrument principle)	1909.0	24.0	15.1	1834.8	23.1	14.5	378.3	211.3	148.7	3.0	1.5	0.9
Held by residents, total	1909.0	24.0	15.1	1828.5	23.0	14.5	N/A	N/A	N/A	N/A	N/A	N/A
Held by non-residents, total				6.3	0.1	0.0	N/A	N/A	N/A	N/A	N/A	N/A
T-Bills	90.9	1.1	0.7	90.9	1.1	0.7	64.8	90.9	0.0	0.5	0.7	0.0
Bonds	1743.9	21.9	13.8	1743.9	21.9	13.8	313.5	120.4	148.7	2.5	0.9	0.9
Loans	0.0			0.0	0.0	0.0	-					
Memo items:												
Collateralized debt[4]												
o/w: Related												
o/w: Unrelated												
Contingent liabilities												
o/w: Public guarantees	8.6	0.1	0.1	8.6	0.1	0.1						
o/w: Other explicit contingent liabilities[5]												
Nominal GDP	12641			12641			12641	13888	15729			

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA, however CBA debt conversions to USD are based on end of the year exchange rates, while the Government debt conversions are based on average annual exchange rates. As a result this leads to different valuation in the stock of debt relative to the DSA.

2/Some public debt is not shown in the table due to [confidentiality clauses/capacity constraints].(Include for all creditor groups where applicable)

3/Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Annex II. Risk Assessment Matrix[1]

Risk Assessment Matrix				
Risk	**Description**	**Likelihood**	**Possible Impact**	**Policy Advice**
External Risks and Spillovers				
Outbreaks of lethal and highly contagious Covid-19 variants lead to subpar/volatile growth, with increased divergence across countries.	Rapidly increasing hospitalizations and deaths, due to low vaccination rates or caused by vaccine-resistant variants, force lockdowns and increased uncertainty about the course of the pandemic. Policies to cushion the economic impact are prematurely withdrawn or for many EMDEs, constrained by lack of space. In addition to declines in external demand, a reassessment of growth prospects triggers capital outflows, financial tightening, currency depreciations, and debt distress in some EMDEs, with spillovers to AEs, leading to growing divergence of economic recovery paths.	High	The new lockdown might trigger capital outflows, depreciations, and debt defaults.	Additional fiscal measures to ensure vaccine rollout for the population, and targeted support to the population most adversely affected and vulnerable to the pandemic.
De-anchoring of inflation expectations in the U.S. and/or advanced European economies.	A fast recovery in demand amid a lagging supply-side response leads to a rapid de-anchoring of inflation expectations, which prompts central banks to tighten policies abruptly. The resulting sharp tightening of global financial conditions and spiking risk premia lead to currency depreciations, asset market selloffs, bankruptcies, sovereign defaults, and knock-on effects (e.g., lower commodity prices and possible contagion across EMDEs).	Medium/ Low	Armenia's external debt is not sensitive to interest shocks given that most of the debt is concessional. Nonetheless, tightening of global financial conditions may put pressure on the exchange rate, resulting in macroeconomic and fiscal implications as majority of the PPG is denominated in foreign currency and the financial system is highly exposed to dollarization.	Continue the de-dollarization efforts. Maintain exchange rate flexibility. Strengthen banking supervision and provision in the event of higher NPLs in dollar.
Extended global supply chains disruptions.	Persistent disruptions in the production and shipment of components caused by lockdowns and logistical bottlenecks continue until 2023. This leads to shortages of intermediate and final consumer	High	Global supply chain disruptions may cause disruption in production activity, impact growth and fiscal revenues, and increase inflationary pressures.	Continue the de-dollarization efforts. Maintain exchange rate flexibility. Build fiscal cushions. Strengthen banking

[1] Risk assessment matrix shows events that could materially alter the baseline path.

Risk Assessment Matrix				
Risk	**Description**	**Likelihood**	**Possible Impact**	**Policy Advice**
	goods, growth slowdowns, and price surges, compounded by the passthrough from currency depreciations in vulnerable countries.			supervision and provision in the event of higher NPLs in dollar.
Abrupt growth slowdown in China.	A combination of a sharper-than-expected slowdown in the property sector, more frequent Covid-19 outbreaks, and inadequate policy responses result in a sharp slowdown of economic activity, with spillovers affecting other countries through financial, trade, and commodity-price channels.	Medium	Slowdown in China may have trade, commodity price and financial spillovers.	Strengthen and diversify trade channels/markets. Enhance diplomacy. Prepare and implement contingency plans.
Rising and volatile food and energy prices.	Commodity prices are volatile and trend up amid pent-up demand and supply disruptions, conflicts, or a bumpy transition to renewable energy sources. This leads to bouts of price and real sector volatility, including acute energy crises in some countries.	High	Uncertainty surrounding each of these factors leads to bouts of volatility, especially in oil prices.	Continue the de-dollarization efforts. Maintain exchange rate flexibility. Diversify trade markets. Strengthen banking supervision and provision in the event of higher NPLs in dollar.
Widespread social discontent and political instability.	Social tensions erupt as the imposition of vaccine mandates and mobility restrictions and/or a withdrawal of pandemic-related policy support—amid increasing prices of essentials, slower growth, and rising inequality—result in higher unemployment and heavier household debt burdens. Political instability triggers capital outflows.	High	Prolonged pandemic and resulting containment measures and mobility restrictions may result in social discontent and protests.	Strengthen social safety net, undertake labor market reforms, and build fiscal cushions.
Structural Risks				
Geopolitical tensions and de-globalization.	Intensified geopolitical tensions, security risks, and conflicts cause economic and political disruptions, disorderly migration, production reshoring, a decline in global trade, and lower investor confidence. Associated supply chain disruptions	High	Border tensions, conflict and regional disturbances would have adverse economic impacts, including higher uncertainty as well as reduced trade and investment	Strengthen and diversify trade channels/markets. Enhance diplomacy. Prepare and implement contingency plans. Strengthen social safety nets

Risk Assessment Matrix				
Risk	**Description**	**Likelihood**	**Possible Impact**	**Policy Advice**
	and commodity price shocks give rise to inflationary pressures.			
Global information infrastructure failure.	A disruption in global information systems (from an unintended error, natural disaster, or knock-on effects of widespread energy shortages) and/or cyber-attacks on critical infrastructure and institutions trigger financial instability or widespread disruptions in socio-economic activities and remote work arrangements.	Medium	The lack of information about Internet connectivity and cyber-defenses of key institutions and the fast-evolving nature of the cyberattack vulnerabilities make any assessment of systemic risks and their potential economic costs highly uncertain.	Strengthening international and regional cooperation and developing government and business contingency and continuation plans.
Natural disasters related to climate change.	Higher frequency of natural disasters cause severe economic damage to smaller vulnerable economies and accelerate emigration. Severe events in large economies reduce global GDP, cause further supply chain disruptions and inflationary pressures, and prompt a recalculation of risk and growth prospects. Disasters hitting key infrastructure or disrupting trade raise commodity price levels and volatility.	Medium	Higher frequency and severity of natural disasters would cause severe economic damages and disrupt economic activities.	National adaptation and mitigation policies to strengthen the resilience against climate change risks.
Domestic Risks				
Financial sector risks	Risks could increase due to ongoing war in Ukraine, sanctions on Russian origin financial institutions, and the pandemic. Stress could arise due to exposure of the financial sector to Russia, particularly for the correspondent banking relationships (CBR), weak market discipline due to directed lending at preferential terms and the rising exposure to the real estate sector.	Medium	A rise in NPLs could increase contingent government liabilities and could also undermine the stability of the financial system. Problem banks and limited correspondent banking relationships could impact financial sector stability and efficiency.	Enforce prudential and provisioning rules that are consistent with international standards and strengthen further the regulatory and supervisory framework. and the effective implementation of AML/CFT measures to support the establishment of new CBRs'. Implement macroprudential measures. Closely monitor the financial sector.

Risk Assessment Matrix				
Risk	**Description**	**Likelihood**	**Possible Impact**	**Policy Advice**
Geopolitical tensions and regional conflict:	Risks from the spillovers of the war in Ukraine, tensions at the border and possibly renewed military conflict, on the Armenian economy.	High	The war in Ukraine, sanctions on Russia and border tensions could have adverse economic impacts, including higher uncertainty as well as reduced trade and investment, lower remittances, higher imported inflation, pressure on the exchange rate, and probable implications for domestic food security due to supply chain disruptions and ban on food items by Russia.	Enhance diplomacy. Prepare and implement contingency plans. Strengthen social safety nets. Diversify trade markets/channels. Enhance monitoring of the financial sector. Maintain flexibility of the exchange rate as a shock absorber. CBA interventions in the FX market in case of excessively volatility to address disorderly market conditions.
High inflation	Pent-up in consumption, supply constraints, global and domestic food inflation could lead to prolonged periods of high inflation.	High	Prolonged breach of the CBA's inflation target; leading to an extended period of monetary policy tightening that will subside economic activity.	Analyze drivers of inflation, anchor inflationary expectations, deliver clear communication on monetary policy priorities, and proactively respond with adequate monetary policy adjustments, whenever required.

Appendix I. Letter of Intent

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Yerevan, April 12, 2022

Dear Ms. Georgieva:

1. **The last review of the Stand-by Arrangement (SBA), which was approved on May 17, 2019, and expires on May 16, 2022, finds Armenia in a stronger economic position but, at the same time, facing significant uncertainty from the war in Ukraine**. The SBA provided much needed support against the two shocks that hit the economy during this period and helped mitigate their impact on the economy. Growth rebounded strongly in 2021 and continued to recover in early 2022, and per capita incomes have risen. Public debt has increased, as the fiscal space was used to cushion the impact of the shocks on the economy, but fiscal policy remains anchored on the broader objective of debt sustainability, and tax policy and administration reforms continue to broaden the tax base. The reserve position is stronger than expected, as the current account narrowed during the pandemic while remittances stayed strong, and the Eurobond issuance and the SDR allocation added to international reserves. We are grateful for the policy advice and financial and technical assistance that the International Monetary Fund has provided to Armenia.

2. **We have also formulated a reform agenda for the period 2021–26 to strengthen economic resilience and improve growth prospects.** The government presented a new 5-year economic program to the National Assembly in August 2021 and formulated detailed action plans with indicative costing of some measures. Our key goal is to pursue a knowledge-based, export-led, investment-driven growth model, aimed at reducing poverty and enhancing social protection. Consistent with this goal, our policies for 2022 and beyond aim to boost public and private investment, develop human capital, enhance social safety nets, bolster financial sector resilience and domestic capital markets, improve the business climate and governance systems through various structural reforms, and maintain macro-fiscal and financial stability.

3. **However, the regional and global spillovers from the war in Ukraine would inevitably have a notable impact on Armenia**. The wide-ranging sanctions on Russia, higher food and fuel prices, increased financial market volatility, and disruption to payment systems in Russia are expected to affect external demand and remittances to Armenia, widen the current account deficit, lead to higher inflation, and reduce economic growth in the coming months. Our policies, with support from the Fund and other international partners, aim to mitigate these effects.

A. Recent Economic Developments

4. Armenia's economic performance strengthened in 2021 and through early-2022, broadly in line with expectations:

- In 2021, real GDP growth rebounded to 5.7 percent led mainly by strong consumption. Economic Activity Index rose by 15.4 percent yoy in January 2022. Inflation moderated from its recent highs to 6.5 percent yoy in February 2022.

- The banking system remained adequately capitalized and liquid, and asset quality has improved. Notwithstanding the rebound in activity, credit growth was negative in 2021, reflecting weaker demand for loans and tightening of lending standards owing to heightened uncertainty and banks' decision to maintain additional capital buffers.

- The fiscal deficit narrowed to 4.6 percent of GDP in 2021, largely on the back of lower government spending (by 1.9 percentage points of GDP) owing to the gradual unwinding of Covid-19 support measures. The revenue-to-GDP ratio declined by 1.1 percentage points, but tax-to-GDP ratio improved modestly. Despite the deficit, strong economic growth ensured central government debt declined to 60.3 percent of GDP.

- The external position strengthened in 2021. The current account deficit narrowed to 3.7 percent of GDP, supported by robust exports and remittances. Gross reserves rose by $600 million to $3,215 million, supported by the Eurobond issuance and the SDR allocation, while the dram appreciated by 9 percent against the US dollar.

B. Policies for 2022 and Beyond

5. We remain committed to the policy objectives described in our letter of intent for the combined Fourth and Fifth Reviews. These include ensuring macro-financial stability; balancing support to the economy and fiscal sustainability; limiting fiscal risks; completing reforms to public investment management and the PPP framework; and structural reforms to improve the business environment and competitiveness as well as support private investment and productivity gains.

6. Our immediate focus is to mitigate the economic spillovers from the war in Ukraine. While there is considerable uncertainty about the impact on Armenia, as this will depend on the duration of the crisis, and the situation is still evolving, our preliminary assessment is that the economy will grow at a much slower pace than expected this year, inflation will temporarily pick up given the passthrough of the higher food and fuel prices to domestic prices, and the current account deficit will widen, including due to lower remittances from Russia, temporary hardships in certain exporting sectors, and the higher cost of imported food and energy which will only be partially offset by the higher expected prices on exported commodities. In view of this:

- In the near term, we will seek to cushion the effect of the shock by effectively implementing the planned capital expenditures and reallocating non-priority spending toward economic support measures. We will make sure any public assistance to firms (e.g., in the form of liquidity support) and vulnerable households are temporary and targeted. Though compared to 2022 Budget, the deficit and government debt may increase we will make sure that the debt-to-GDP ratio remains at the sustainable and manageable level.

- We will continue to allow the exchange rate to function as a key shock absorber and adjust monetary policy to limit inflationary risks and anchor inflation expectations. In this regard, our FX interventions will be limited to mitigating disorderly market fluctuations. Monetary policy will remain data-dependent, reflecting the evolving assessment of the outlook, and we stand ready to adjust policy rates to contain any second-round effects from higher imported prices and supply-side disruptions. We have already raised rates by 500 bps (cumulatively) since December 2020, bringing the policy rate to 9.25 percent in March 2022, which is an important step to manage inflation dynamics.

- We are closely monitoring the liquidity position of banks and their credit risks and will take any measures necessary to ensure the stability of the financial system. Banks can use their available liquidity and capital buffers to cushion against potential liquidity pressures and absorb credit losses. Viable banks will also be able to access the CBA liquidity lines, when necessary.

7. **Notwithstanding these challenges, we remain committed to continue our efforts to advance structural reforms and strengthen the economy's resilience to future shocks.** In this regard we plan to steadily reduce the fiscal deficit-to-GDP ratio aiming to place the government debt-to-GDP ratio on a declining path in the medium-term in line with our fiscal framework. To ensure medium-term fiscal sustainability and create space for higher capital and social spending, we plan to continue to improve the efficiency and equity of our tax system by removing distortions and broadening the tax base (by harmonizing the tax burden across firms of difference size and addressing issues with micro-enterprises taxation, and reforming securities taxation) and strengthening revenue administration (by introducing broad-based individual income declarations with appropriate compliance safeguards, as well as strengthening the tax audit legislation and methods). Informed by the recent IMF review of the mining sector taxation (February SB), by the end of April we plan to finish discussions on Tax Code draft which will introduce a progressive reform that moves away from price-based royalty schedules and ad-hoc export duties to avoid discouraging investment. We are also committed to improve the efficiency of current spending, including by developing and adopting guidelines for an annual pay review for greater consistency in remuneration across the government and between the public and private sectors (April SB). To improve our program-based budgeting processes and enhance spending efficiency, we plan to conduct regular program assessments and create a council that coordinates budget execution activities.

8. **We are also committed to strengthening our fiscal risk management, transparency, and governance frameworks**. Progress made in recent budget documents on the analysis, disclosure and management of fiscal risks will be continued by expanding and mainstreaming the coverage of risks monitored and developing institutional capacity. We will continue to improve government financial statistics by strengthening the cooperation between statistical compilation institutions and

by improving the quality and coverage of reporting on the use of public funds. We will also publish the contracts and analyze fiscal risks and lifetime fiscal implications of all recent PPP projects and we will analyze and report on the performance of strategic SOEs such as the Armenian National Interest Fund before considering new capital injections. We will develop clear guidelines and strategies on the scope and nature of SOEs' operations and approve the corporate governance code by June 2022.

9. **We intend to fully operationalize the recently approved public investment management decree and the PPP framework.** To this end, we inaugurated the Investment Committee on March 14, 2022; presented four investment project concepts to the Investment Committee for prioritization; and plan to establish a link between upstream phases of the PIM process and the downstream stages in budgets/MTEFs. We will include in the 2023 budget documentation information on the PIM pipeline as well as comprehensive information on lifetime fiscal implications of PPPs. We plan to pass secondary legislation to complete the PPP operational framework, including PPP procedures and a cap on direct PPP liabilities by end-April 2022. We will ensure that all PPPs that have been legislated by a government decree before the effective date of the amended PPP law will have undergone a thorough and comprehensive assessment of fiscal risks. We will also ensure timely and transparent communication of new PPP related costs and risks in line with international best practice (Fiscal Transparency Handbook 2018).

10. **To facilitate timely identification of risks to financial stability and proactive supervisory response, we will continue to undertake comprehensive top-down solvency and liquidity stress testing of banks.** We plan to improve our bottom-up stress testing capabilities and the use of cybersecurity simulation exercises to inform our cyber threat response. We will also continue to enhance our scenario formulation and selection process to ensure proper assessment of vulnerabilities to the banks' balance sheets including the impact from regional conflicts and cross-border contagion. We are also in the process of improving our resolution framework and our approach to assessment of banks' internal capital assessment processes. Further, we will be introducing a loan-to-value limit on new mortgages from April 2022 to help address risks from mortgage lending.

11. **We continue to focus on advancing our broader reform agenda.** Our key goal is to ensure resilient, export-led, and inclusive growth, which is critical for the future prosperity of the Armenian people. To achieve our goals, we will need to develop human capital, enhance social safety nets by strengthening their coverage and targeting in a cost-effective and financially sustainable manner, bolster domestic capital markets, and improve the business climate and governance.

C. Sixth Review Issues

12. **The SBA–supported program remains on track**:

- We met all quantitative performance criteria (QPCs) and indicative targets (ITs) for end-December 2021.

- Two out of four structural benchmarks for the sixth review have been met and one was implemented with delay. However, the implementation of SB on operationalizing an over-the-counter commercial trading platform for the overnight repo market will be temporarily delayed as a need for additional software development occurred during the implementation.

- We remain committed to the underlying actions for the program's structural benchmarks not implemented over the course of the SBA (Table 3), including gradually building a database covering both externally and domestically funded investment projects that provides information on their lifetime fiscal implications, revise the turnover tax legislation, fully operationalize the PIM and PPP frameworks, and conduct an efficiency review of the existing government SME support programs and consolidate support mechanisms, tools, and programs.

13. In the remaining program period, 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 objectives under the SBA. 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 for the 6^{th} review are set out in Tables 1 and 2, respectively.

14. Based on our performance under the program, we request that the IMF Executive Board complete the Sixth Reviews of the SBA program and approve the associated disbursements of SDR 25.716 million. We consent to the IMF's publication of this Letter of Intent and its attachment, as well as the accompanying IMF staff report, subject to Executive Board approval.

Yours sincerely,

/s/
Nikol Pashinyan
Prime Minister

/s/
Tigran Khachatryan
Minister of Finance

/s/
Martin Galstyan
Governor, Central Bank of Armenia

Table 1. Armenia: Quantitative Performance Criteria, Indicative Targets and Consultation Clause 1/

(In billions of drams, at program exchange rates, unless otherwise specified)

	2020	2021									2022
	Dec. 2/	Mar. 3/	Jun. 2/	Sep. 3/			Dec. 2/				Mar. 3/
	Act.	Act.	Act.	EBS 21/110	Adjusted Target	Act.	EBS 21/110	Adjusted Target	Act.	Status	Proj.
Performance Criteria											
Net official international reserves (stock, floor, in millions of U.S. dollars)	1,131	1,695	1,475	1,471	1,521	1,526	1,331	1,406	1,453	Met	1,282
Program fiscal balance (flow, floor) 4/	-421	-72	-127	-356		-233	-492		-419	Met	-160
Budget domestic lending (cumulative flow, ceiling)	41	0	31	45		31	50		40	Met	45
External public debt arrears (stock, ceiling, continuous criterion)	0	0	0	0		0	0		0	Met	0
MPCC 5/											
Inflation (upper-outer band, inflation consultation, percent)	4.5			5.2		0.0	11.0		0.0		10.0
Inflation (upper-inner band, percent)	3.5			4.2		0.0	9.0		0.0		8.0
Inflation (mid-point, percent)	3.8	5.8	6.5	2.2		8.9	8.5		7.7	Met	7.5
inflation (lower-inner band, percent)	0.0			0.2		0.0	3.5		0.0		3.5
Inflation (lower-outer band, inflation consultation, percent)	0.0			0.0		0.0	2.5		0.0		2.5
Indicative Targets											
Net domestic assets of the CBA (stock, ceiling)	599	348	464	572		545	755		637	Met	757
Avg. concessionality of newly contracted ext. debt (flow, floor, in percent) 6/	43	...	...	...		...	30		31	Met	...
New government guaranteed external debt (stock, ceiling, in millions of USD) 7/	0	0	0	100		0	100		0	Met	100
Social spending of the government (flow, floor) 8/	62	17	33	48		52	65		70	Met	17

Sources: Armenian authorities; and Fund staff estimates.

1/ All items as defined in the TMU, based on program exchange rates in the TMU.

2/ Quantitative performance criteria at test dates.

3/ Indicative target.

4/ Below-the-line overall balance excluding net lending.

5/ If the end of period year-on-year headline inflation is outside the upper/lower bound, a formal consultation with the Executive Board as part of program reviews would be triggered.

6/ Assessed on a calendar year basis, excluding the Eurobond and any similar refinancing instruments.

7/ Includes both concessional and non-concessional debt, excluding the Eurobond and any simliar refinancing instruments.

8/ Defined as spending on the family benefit program and lump-sum financial aid, one-time childbirth benefits, and childcare benefits for children less than two years of age.

Table 2. Armenia: Structural Benchmarks for the 6th Review				
Measures	**Responsible Agency**	**Time Frame**	**Status**	**Macro Criticality/Status**
Fiscal				
Undertake a careful review of the taxation and fee regime applicable to the mining sector with a view to its reform so that (i) the government captures its fair share of returns from national resources; and (ii) the future development of the sector is not jeopardized	MoF	February 2022	Met	Enhance revenue mobilization
Approve a decree to set a cap on direct PPP-related liabilities, thereby limiting annual payment commitments for any future year that could crowd out other priority spending	MoF	March 2022	Not Met	Improve fiscal risk management
Undertake a public expenditure review of civil service compensation.	MoF	April 2022	Met	Improve the analytical capacity of the Ministry of Finance to increase the efficiency and effectiveness of current spending
Monetary and Financial				
Create and operationalize an over-the-counter commercial trading platform for the overnight repo market and for the FX market transactions	CBA	March 2022	Not Met	Support capital market development and access to finance.

Table 3. Armenia: Structural Benchmarks Not Implemented Over the Course of the SBA

Measures	Responsible Agency	SB Time Frame	Current Commitment	Macro Criticality/Status
Fiscal				
Build a database of projects covering both externally and domestically funded projects that provides information on projects throughout their lifecycle.	MoE and MoF	December 2020	MEFP commitment, May 2022	Enhance project selection and monitoring.
Revise the turnover tax legislation by reducing the VAT registration threshold to AMD 60.00 million and adjusting tax rates to equalize the tax-burden across the turnover and general taxation regimes, effective from January 1, 2022.	MoF	May 2021	MEFP commitment to revise the turnover tax legislation to take effect from January 1, 2023	Enhance revenue mobilization and fairness
Include in the 2022 budget documentation a comprehensive list with all ongoing public investment projects and new public investment projects starting in the budget year, including PPPs, providing comprehensive information on lifetime fiscal implications, including project by project information for all externally financed projects and large domestically financed projects (at least 50 percent of investment volume from domestic financing).	MoF	October 2021	MEFP commitment to improve transparency around the PIM process	Enhance project selection and monitoring
Structural				
Conduct an efficiency review of the existing government SME support programs and consolidate support mechanisms, tools and programs	MoE with support from the CBA	September 2020	Not Met	Improve effectiveness of the SME state support activities and enhance access to finance

Table 4. Armenia: Structural Benchmarks				
Measures	**Responsible Agency**	**Time Frame**	**Status**	**Macro Criticality/Status**
Fiscal				
Create an action plan to implement key recommendations from IMF TA on tax administration on developing a compliance strategy and strengthening core functions and processes	State Revenue Committee (SRC)	June 2019	Met	Improve tax administration and compliances
Submit a draft law "On Establishing Market Evaluation Procedure for Real Estate Taxation" to the National Assembly to implement a value-based recurrent property tax with appraised property values closely aligned to market prices	Deputy Prime Minister's Office	June 2019	Met	Enhance revenue mobilization and fairness
Submit a public-private partnership (PPP) law to the National Assembly, establishing reporting and monitoring as well as requiring a ceiling on government exposure from such partnerships	Ministry of Economic Development and Investments (MoE)	June 2019	Met	Incentivize FDI and investment in infrastructure projects
Design an action plan to improve tax compliance and raise tax-to GDP ratio in the medium term, based on a study identifying tax potential and factors preventing tax collection reaching this potential	Deputy Prime Minister's Office	December 2019	Not met. Split into new SBs with new dates.	Improve tax administration and compliances
Design a Compliance Risk Management strategy to improve tax administration and compliance, based on IMF TA recommendations.	State Revenue Committee	September 2020	Met	Improve tax administration and compliance
Conduct a study identifying tax potential and factors preventing tax collection reaching its potential.	Deputy Prime Minister's Office	October 2020	Not met, implemented with delay	Create fiscal space
Design an action plan to reduce the tax policy gap identified in the study.	MoF	December 2020	Not met, implemented with delay	Create fiscal space
Develop and approve by ministerial order a plan for how GFS in Armenia will be extended and improved over the next two to three years.	MoF, in collaboration with the CBA and Armstat	September 2020	Met	Improve government statistics

Table 4. Armenia: Structural Benchmarks (continued)

Compile a comprehensive sectorized list of all public sector entities, with IMF TA support.	MoF and Armstat	March 2021	Met	Improve government statistics
Compile and estimate all the existing and future contingent liabilities associated with implemented and approved PPPs	MoF	January 2021	Met	Improve fiscal risk management
Approve and publish a decree setting a cap to the total contingent liabilities contracted from PPPs.	MoF	February 2021	Not met, implemented with delay	Improve fiscal risk management
Build a database of projects covering both externally and domestically funded projects that provides information on projects throughout their lifecycle.	MoE and MoF	December 2020	Not met MEFP commitment (¶11), May 2022	Enhance project selection and monitoring.
Revise the turnover tax legislation by reducing the VAT registration threshold to AMD 60.00 million and adjusting tax rates to equalize the tax-burden across the turnover and general taxation regimes, effective from January 1, 2022.	MoF	May 2021	Not met. MEFP commitment (¶10), to revise the turnover tax legislation to take effect from January 1, 2023	Enhance revenue mobilization and fairness
Undertake a public expenditure review, with a view to identifying options for efficiency gains and improving the social protection system.	MoF	May 2021	Not met MEFP commitment (¶11), with a new SB for April 2022.	Create fiscal space
Conduct the review of securities' taxation to ensure appropriate taxation in this area and identify possible distortions and impediments to capital market development.	MoF	June 2021	Met	Promote capital market development and ensure fair taxation

Table 4. Armenia: Structural Benchmarks (continued)

Include in the 2022 budget documentation a comprehensive list with all ongoing public investment projects and new public investment projects starting in the budget year, including PPPs, providing comprehensive information on lifetime fiscal implications, including project by project information for all externally financed projects and large domestically financed projects (at least 50 percent of investment volume from domestic financing).	MoF	October 2021	Not met. MEFP commitment (¶11) to improve transparency around the PIM process	Enhance project selection and monitoring
Undertake a careful review of the taxation and fee regime applicable to the mining sector with a view to its reform so that (i) the government captures its fair share of returns from national resources; and (ii) the future development of the sector is not jeopardized	MoF	February 2022	Met	Enhance revenue mobilization
Approve a decree to set a cap on direct PPP-related liabilities, thereby limiting annual payment commitments for any future year that could crowd out other priority spending	MoF	March 2022	Not Met	Improve fiscal risk management
Undertake a public expenditure review of civil service compensation.	MoF	April 2022	Met	Improve the analytical capacity of the Ministry of Finance to increase the efficiency and effectiveness of current spending
Monetary and Financial				
Prepare a time-bound action plan and communication strategy to boost foreign currency liquidity buffers as described in the 2018 FSAP recommendations (paras 19, 21 and 32) through a combination of liquidity tools	Central Bank of Armenia (CBA)	September 2019	Met	Enhancing macro prudential measures
Develop a capital market development program	MoE, CBA, MoF	May 2020	Not met. Implemented with delay	Create access to long-term, local-currency finance and improve monetary policy transmission

Table 4. Armenia: Structural Benchmarks (continued)

Develop a framework for strengthening financial reporting and auditing to establish the public oversight body and the Chamber of Accountants and Auditor, focusing on improving corporate financial information and reducing SME financial reporting requirements with assistance by the World Bank	MoF	March 2020	Met	Strengthen transparency and improve SME's access to finance
Prepare a medium-term exit strategy to phase out the CBA involvement in non-core central bank activities (i.e., development lending and subsidiaries)	CBA	April 2021	Not met. Implemented with delay	Curtail engagement in quasi-fiscal activities that do not relate to core central bank's mandate; eliminate potential financial and reputational risks.
Introduce limits to stressed Loan-to-Value (LTV) ratio	CBA	March 2021	Not met. Implemented with delay	Mitigate credit risks from unhedged borrower and vulnerabilities from rapid credit growth and dollarization This measure has been approved, and given a required notification period, is expected to start in April 2022.
Create and operationalize an over-the-counter commercial trading platform for the overnight repo market and for the FX market transactions	CBA	March 2022	Not Met	Support capital market development and access to finance.
Structural				
Submit to the National Assembly a draft law on a single autonomous anti-corruption entity in line with international standards, which combines all detection and investigative functions	Ministry of Justice (MoJ)	September 2020	Not met, implemented with delay	Combat against corruption
Adopt a legislation to require the establishment of a registry of beneficial ownership information, which is adequately resourced and staffed, and can conduct verification, first beginning with companies in the extractive industry, as identified in the EITI 2016 Standard	MoJ	June 2019	Met	Combat against corruption
Prepare an annual action plan to improve the business environment to address core issues identified by the 2019 Doing Business	MoE	February 2020	Met	Improve business climate

Table 4 Armenia: Structural Benchmarks (concluded)				
Conduct an efficiency review of the existing government SME support programs and consolidate support mechanisms, tools and programs	MoE with support from the CBA	September 2020	Not met	Improve effectiveness of the SME state support activities and enhance access to finance
Develop Armenia's employment strategy for 2019–23	MoL	December 2019	Met	Reduce unemployment and enhance inclusiveness of vulnerable groups in the labor market
Submit to the National Assembly a draft law on Higher Education and Science which sets the legal ground for (i) reforming the tertiary education management system; (ii) upgrading licensing and accreditation requirements, state financing principles, supervision mechanisms for quality of education services.	Ministry of Education and Science	June 2020	Not met, implemented with delay	Improve growth inclusiveness
Develop a comprehensive education reform strategy	Ministry of Education and Science	June 2020	Met	Enhance equitable access to education and improve physical conditions.

Attachment I. Technical Memorandum of Understanding

1. This memorandum sets out understandings between the Armenian authorities and the IMF staff regarding the definition of performance criteria (PCs) and indicative targets (ITs), adjusters, and data reporting requirements for the Standby Arrangement as per the Letter of Intent and Memorandum of Economic and Financial Policies (LOI/MEFP) dated April 26, 2019.

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 483.75 dram per one U.S. dollar. The cross-rates for other foreign currencies are provided in Table 1.

QUANTITATIVE TARGETS

3. The program sets PCs, ITs, and the Monetary Policy Consultation Clause (MPCC) for defined test dates (see Table 1 in the MEFP).

The program sets the following PCs:

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

The program sets the following ITs:

- Ceiling on the net domestic assets (NDA) of the CBA;
- Floor on average concessionality of newly contracted external debt;
- Ceiling on new government guaranteed external debt; and,
- Floor on social spending of the government.

The program sets the following MPCC:

- Headline inflation.

4. **The net official international reserves** (NIR) (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 SDR allocations, 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 (excluding SDR allocations) 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 convertible currencies other than the U.S. dollar shall be converted into dollar-equivalent values using the convertible exchange rates as specified in Table 1.

5. **MPCC headline inflation** is defined as the year-on-year rate of change of the Consumer Price Index as measured by Armenia's National Statistics Service. The MPCC will be considered met if headline inflation falls within the upper and lower (outer bands) around the mid-point target specified in Table 1 in the LOI/MEFP. Consultation with IMF Board would be triggered for end December 2021 test date if inflation falls outside the outer bands. The consultation with the Board will be on the reasons for the deviation and the proposed policy response before further purchases could be requested under the SBA. Specifically, the consultation will explain (i) the stance of monetary policy and whether the Fund-supported program remains on track; (ii) the reasons for deviations from the specified band, taking into account compensating factors; and (iii) on proposed remedial actions, as deemed necessary. In addition, a staff consultation clause whereby the CBA will consult with IMF staff on the outlook for inflation and the proposed policy response will be triggered if inflation falls outside the inner bands and within the outer bands (Table 1 in the LOI/MEFP) for the December 2021 test date.

Inflation Consultation Bands

	Dec-21	March-22
Upper outer band	11.0	10.0
Upper inner band	9.0	8.0
Center point	8.5	7.5
Lower Inner band	3.5	3.5
Lower outer band	2.5	2.5

Source: IMF Staff.

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 external debt obligations of the government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods).[1] This PC excludes arrears on external financial obligations of the government subject to rescheduling.[2] This PC is to be monitored continuously by the authorities and any occurrence of new external arrears should be immediately reported to the Fund. The ceiling on external payment arrears is set at zero.

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);[3] (2) any other disbursement or transaction that increases nonbanks' claims on the central government plus withdrawals from the Special Privatization Account (SPA) 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. Net external financing also includes any privatization proceeds received from non-residents in foreign currency and not held in the SPA.

9. **Budgetary ER.** Foreign currency-denominated transactions take place at the prevailing market ER at the time of the transaction. The framework arrangement will not be modified (in

[1] The term debt will be understood as defined in Guidelines on Public Debt Conditionality in Fund Arrangements, Decision No. 16919-(20/103).

[2] 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 14).

[3] 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.

substance) but may be clarified to the extent necessary to avoid noncompliance with the program continuous PC on non-introduction of new exchange restrictions and multiple-currency practices, or intensification/modification of existing ones. External and domestic net lending, which are recorded as financing items, are excluded from the calculation of the program fiscal balance, which is calculated from the financing side (see ¶8). This effectively treats net lending as an expenditure item when loans are made and as a revenue item when the loans are repaid.

10. Transactions related to the extension of the operating life of the Metsamor nuclear power station—which will take place via lending from the Russian Federation to the Ministry of Finance of Armenia and from the MoF of Armenia to the Armenian Nuclear Power Plant JSC—will be excluded from the measure of the program fiscal deficit.

11. 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.

12. Foreign currency proceeds from selling enterprises are credited to the SPA and their use is reflected in the state budget. In addition, the Government will ensure full transparency of revenues and spending from the sales of major assets (beyond regular day-to-day operations) of enterprises with state ownership. 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 withdrawal from the SPA will be accounted for as privatization proceeds used to finance the budget and will be recorded below the line. 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. Finally, as noted in ¶8, privatization proceeds received from non-residents in foreign currency and not held in the SPA are also treated as a financing item (sale of financial assets) and recorded below the line.

13. **Domestic budgetary lending** is defined as the gross amount of new loans made to resident individuals, enterprises, or entities financed from the state budget or other general government resources. This includes, but is not limited to, loans financed from the Economic Stabilization Fund and lending under existing or prospective government programs, such as agricultural sector support and real estate development programs, among others. Lending operations related to targeted projects financed with external loans and grants will be excluded from the calculation of the ceiling on budget domestic lending.

14. **Floor on average concessionality of newly contracted external debt.** The program sets an annual indicative floor of 30 percent on the average concessionality of new debt on a contraction basis with nonresidents with original maturities of one year or more as contracted and guaranteed by the public sector, but excludes purchases from the IMF, the Eurobond issuance, and any similar refinancing instruments. The concessionality floor is calculated on a calendar-year basis.

- 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 rate used for this purpose is a unified discount rate set at 5 percent.

- The public sector here comprises the general government (central plus local governments and covering the state budget and state debt), 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.

15. **Ceiling on government guaranteed external debt.** In addition to the indicative floor on average concessionality, a separate, cumulative ceiling (IT) of $100 million for the program period applies to new government guarantees of the total of concessional and non-concessional external financing, excluding the Eurobond and any similar refinancing instruments. The issuance of debt guarantees will be measured at the exchange rates listed in Table 1. The above limit covers debt guarantees issued by the general government to entities outside the general government (excluding the CBA). Guarantee issuance will be monitored on a monthly basis and the Ministry of Finance will provide data within 21 days from the end of the month.

16. The program sets a floor on **social spending of the government**. For the purposes of the program, social spending of the government comprises the family benefit program and maternity benefits, one-time childbirth benefits, childcare benefits for children less than two years of age, and additional emergency or temporary spending for social protection related purposes appropriated through the budget (or supplementary budget).

17. 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 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.

- **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.

- **Project support grants** are defined as grants received by the general government for public sector projects.

- **Budget support loans to the public sector** are defined as disbursements of commercial loans (e.g., Eurobonds), 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, and project financing loans and grants disbursed through the CBA, compared to program amounts (excluding Fund purchases by the government) as indicated in the first line of Table 2. The downward adjustment will not exceed the amount as indicated in the second line of Table 2. 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 for privatization proceeds received from non-residents in foreign currency and not held in the SPA.

- **The ceiling on NDA** will be adjusted downward (upward) by the cumulative amount of any excess (shortfall) of budget support loans, and project financing loans and grants disbursed through the CBA compared to program amounts (first line of Table 2). The upward adjustment will not exceed the amount as indicated in the second line of Table 2.

- **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 $100 million per year 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 loans received in excess (to account for a shortfall) of the program amounts (Table 3), subject to a cap of $100 million in either direction.

- **The ceiling on domestic budgetary lending** will be adjusted upward by the amount of undisbursed funds under domestic budgetary lending programs approved in the previous year.

DATA REPORTING

18. The government and the CBA 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 25 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)	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, yields, exchange rates)	Daily	Within 1 day
	Bank liquidity	Reserves and excess reserves, by currency	Monthly	Within 15 days of the end of each reference period
	Interest rates and	By currency and maturity	Weekly	First working day

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
	flows of the funds attracted and allocated by commercial banks			of the next 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	First working day of the next 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, 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 35 of the end of each month
	Other monetary data	IFS format	Monthly	Within 45 days of the end of each month
	Balance of payments	Detailed balance of payments	Quarterly	Within 95 days

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
		data		of the end of each quarter
	T-bill and coupon bond financing	By holders, i.e., CBA, resident banks, resident nonbanks, and nonresidents	Monthly	Within 7 days of 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)
Ministry of Finance	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,	Monthly	Within 7 days of the end of each month

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
		state budget account and the Republic correspondent account—flows during the month and end of month stocks.		
	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
	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 and lending 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.
National Statistical Service	Balance of payments	Detailed export and import data (issues that have arisen in 2015 with EEU trade data need to be overcome as soon as possible)	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
	CPI	By category	Monthly	Within 5 days of the end of each month

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
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, in both net and gross terms	Monthly	Within 45 days of the end of each (monthly data provided on a quarterly basis)
	Tax Revenues	Tax Revenue by type of tax	Monthly	Within 45 days of the end of each quarter (monthly data provided on a quarterly basis)
	VAT and turnover tax	Number of registered taxpayers	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 processed per month.	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
	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	Percentage of selected companies	Monthly	Within 45 days

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
	approach	chosen on the basis of risk-based approach, identified revenue from risk-based audits		of the end of each month (monthly data provided on a quarterly basis)
	Pension system	Number of participants in the pension second pillar, social payments and funded contributions	Monthly	Within two months of the end of each quarter (monthly data provided on a quarterly basis)

Table 1. Armenia: (Program) Exchange Rates of the CBA
(As of December 28, 2018, in U.S. dollars per currency rates)

		USD	AMD
AMD	Armenian Dram	0.002	1.00
XDR	SDR	1.387	670.79
USD	U.S. Dollar	1.000	483.75
CHF	Swiss Franc	1.015	491.12
GBP	Pound Sterling	1.264	611.61
JPY	Japanese Yen	0.009	4.38
EUR	EURO	1.144	553.65
CNY	Chinese Yuan	0.146	70.48
AUD	Australian Dollar	0.704	340.75
CAD	Canadian Dollar	0.735	355.46
XAU	Gold (1 gram)	40.76	19,721.11

Source: National Authorities and IMF Staff Calculations

Table 2. Armenia: External Disbursements through the CBA in 2021–22 1/
(In millions of U.S. dollars)

	Mar-21 Prog.	Jun-21 Prog. 2/	Sep-21 Prog. 2/	Dec-21 Prog. 2/	Mar-22 Prog.
Loans and grants disbursed through the CBA	515	630	743	772	11
Maximum adjustment allowed	515	130	143	72	11

1/ Cumulative during the year

2/ The maximum cumulative adjustment is lower than in March to allow for possible temporary delays in the mobilization of external financing.

Table 3. Armenia: External Disbursements to the Government in 2021–22 1/
(In millions of U.S. dollars)

	Mar-21 Prog.	Jun-21 Prog.	Sep-21 Prog.	Dec-21 Prog.	Mar-22 Prog.
Budget support grants	0	0	0	11	0
Project financing loans	30	80	86	162	24

1/ Cumulative during the year