

EBS/01/61  
Supplement 3

CONFIDENTIAL

June 25, 2001

**To:** Members of the Executive Board

**From:** The Secretary

**Subject:** **Republic of Armenia—Poverty Reduction and Growth Facility—  
Three-Year Arrangement**

Attached for the records of Executive Directors is the text of the three-year arrangement for the Republic of Armenia under the Poverty Reduction and Growth Facility, as agreed at Executive Board Meeting 01/53 (5/21/01).

Att: (1)

Other Distribution:  
Department Heads



### **Armenia: Three-Year Arrangement Under the Poverty Reduction and Growth Facility**

Attached hereto \* is a letter ("the Letter") dated April 26, 2001, with an annexed Memorandum of Economic and Financial Policies for 2000-03 (the "Memorandum"), from the Prime Minister of Armenia, Minister of Finance and Economy of Armenia and the Governor of the Central Bank of Armenia requesting from the International Monetary Fund as Trustee of the Poverty Reduction and Growth Facility Trust ("the Trustee") a three-year arrangement under the Poverty Reduction and Growth Facility, and setting forth:

(a) the objectives and policies of the program that the authorities of Armenia intend to pursue during the three-year period of the arrangement;

(b) the objectives, policies and measures that the authorities of Armenia intend to pursue during the first year of the arrangement; and

(c) understandings of Armenia with the Trustee regarding reviews that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of Armenia will pursue for the second and third years of the arrangement.

To support these objectives and policies, the Trustee grants the requested three-year arrangement in accordance with the following provisions, and subject to the provisions applying to assistance under the Poverty Reduction and Growth Facility Trust.

1. (a) For a period of three years from May 23, 2001, Armenia will have the right to obtain loan disbursements from the Trustee in a total amount equivalent to SDR 69 million, subject to the availability of resources in the Poverty Reduction and Growth Facility Trust.

(b) Disbursements under this arrangement shall not exceed the equivalent of SDR 50 million until May 23, 2003 and the equivalent of SDR 69 million until May 23, 2004.

(c) During the first year of the arrangement:

- (i) the first disbursement, in an amount equivalent to SDR 10 million, will be available on or after May 23, 2001, at the request of Armenia;
- (ii) the second disbursement, in an amount equivalent to SDR 10 million, will be available on or after September 15, 2001, at the request of Armenia and subject to paragraph 2 below; and
- (iii) the third disbursement, in an amount equivalent to SDR 10 million, will be available on or after March 15, 2002, at the request of Armenia and subject to paragraph 2 below.

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\* See EBS/01/61 (4/30/01)

(d) The right of Armenia to request disbursements during the second and third years of this arrangement shall be subject to such phasing and conditions as shall be determined. The phasing of, and conditions for, disbursements during the second year of this arrangement shall be determined in the context of the second review of Armenia's program with the Trustee contemplated in paragraph 2(e) of this arrangement.

2. Armenia will not request the second or third disbursements specified in paragraph 1(c)(ii) and 1(c)(iii) above:

(a) If the Managing Director of the Trustee finds that, with respect to the second disbursement, the data as of June 30, 2001, and with respect to the third disbursement, the data as of December 31, 2001 indicate that:

- (i) the ceiling on the net domestic assets of the Central Bank of Armenia, or
- (ii) the ceiling on net domestic banking system credit to the central government; or
- (iii) the ceiling of state budget arrears; or
- (iv) the ceiling on arrears of the State Fund for Social Insurance (SFSI); or
- (v) the floor on state budget tax revenues; or
- (vi) the ceiling on the overall cash deficit of the state budget; or
- (vii) the floor on the primary balance of the energy sector; or
- (viii) the ceiling on net disbursements of short-term external debt contracted or guaranteed by the government or the Central Bank of Armenia; or
- (ix) the ceiling on the contracting or guaranteeing by the government and the Central Bank of Armenia of nonconcessional medium- and long-term external debt in maturities of more than one year, with a sub-ceiling on debt in maturities of one to five years, or
- (x) the floor on net official international reserves; or
- (xi) the ceiling on external arrears of the central government or the Central Bank of Armenia,

referred to in paragraph 55 and further specified in Table 1 of the Memorandum and in the technical memorandum of understanding attached to the Letter, was not observed; or

(b) If the Managing Director of the Trustee finds, with respect to the second disbursement, that Armenia has not carried out its intentions regarding the passage of the law on financial disclosure of public officials, as specified in Table 2 of the Memorandum; or

(c) If, at any time during this arrangement, the Government of Armenia or the Central Bank of Armenia accumulates any new external payment arrears as specified in Table 1 of the Memorandum; or

(d) If Armenia has:

- (i) imposed or intensified restrictions on payments and transfers for current international transactions, or
- (ii) introduced or modified multiple currency practices, or
- (iii) concluded bilateral payments agreements that are inconsistent with Article VIII, or
- (iv) imposed or intensified import restrictions for balance of payments reasons; or

(e) Until the Trustee has determined, with regard to the second disbursement, that the first review of Armenia's program scheduled for completion not later than September 15, 2001 has been completed and, with regard to the third disbursement, that the second review of Armenia's program, scheduled for completion not later than March 15 2002, as contemplated in paragraph 55 of the memorandum has been completed.

When Armenia is prevented from requesting disbursements under this arrangement because of this paragraph 2, such disbursements may be made available only after consultation has taken place between the Trustee and Armenia and understandings have been reached regarding the circumstances in which Armenia may request the disbursements.

3. In accordance with paragraph five of the Letter, Armenia will provide the Trustee with such information as the Trustee requests in connection with the progress of Armenia in implementing the policies and reaching the objectives of the program supported by this arrangement.

4. In accordance with paragraphs four and five of the Letter, during the period of this arrangement Armenia, shall consult with the Trustee on the adoption of any measures that may be appropriate at the initiative of the Government or whenever the Managing Director of the Trustee requests such a consultation. Moreover, after the period of this arrangement and while Armenia has outstanding financial obligations to the Trustee arising from loan disbursements under this arrangement, Armenia will consult with the Trustee from time to time, at the initiative of the Government or whenever the Managing Director of the Trustee requests consultation on Armenia's economic and financial policies. These consultations may

include correspondence and visits of officials of the Trustee to Armenia or of representatives of Armenia to the Trustee.