

SU/20/103

May 18, 2020

**The Acting Chair's Summing Up
Republic of Armenia—Second Review Under the Stand-By Arrangement,
Requests for Augmentation of Access, Modification of Performance
Criteria, and Monetary Policy Consultation Clause
Executive Board Meeting 20/61
May 18, 2020**

Executive Directors commended Armenia's good performance under their Fund-supported program and welcomed the authorities' proactive efforts to contain the pandemic and mitigate its near-term socio-economic impact. They also appreciated the authorities' commitment to ensuring strong governance and transparency in administering these programs, underscoring the need to closely monitor their implementation.

Directors supported the authorities' fiscal plans to accommodate COVID-19-related measures. They recognized that while the fiscal deficit is projected to widen in 2020, the authorities are committed to pursuing their medium-term goal of debt sustainability once the crisis abates, with government debt expected to gradually decline over the medium term in line with Armenia's fiscal rule. Directors encouraged the authorities to continue pursuing actions to raise revenue-to-GDP over the medium term, create space for priority investment and social spending, and strengthen the monitoring, disclosure, and management of fiscal risks. They also underscored the importance of persevering with structural reforms to improve the business environment, deepen the financial sector, and enhance governance.

Directors emphasized the need for pandemic-related measures to be temporary and well targeted. Any direct investment in companies should include sufficient transparency and strong safeguards to limit risks to the public sector balance sheet and the potential for distorting competition or weakening corporate governance.

Directors welcomed the authorities' consultation under the Monetary Policy Consultation Clause (MPCC) and agreed with the authorities' plan to bring inflation back to its target, as well as add a staff consultation band to the MPCC. Directors emphasized the importance of limiting foreign exchange intervention to preventing disorderly exchange rate movements.