

**BOARDS OF GOVERNORS•1999 ANNUAL MEETINGS•WASHINGTON, D.C.**

**WORLD BANK GROUP**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL FINANCE CORPORATION  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES  
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **LEVON V. BARKHOUDARIAN**,  
Governor of the Fund for the **REPUBLIC OF ARMENIA**,  
at the Joint Annual Discussion

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Honorable Mr. Chairman,  
Honorable Mr. President,  
Honorable Mr. Managing Director,  
Dear Governors,  
Distinguished Guests,  
Ladies and Gentlemen:

I am pleased to participate at this Annual Meetings of the World Bank Group and the International Monetary Fund and to be able to offer briefly Armenia's views on those policy directions for the year 2000 and beyond that will enhance global growth and development for my country and for those like us who seek to complete the difficult transition to a fully-functioning market economy.

Overcoming financial crises this past year in parts of the world economy once again highlights for us all the importance and the necessity of continued joint efforts by the international financial community. At the same time, I believe that these financial failures also underscore the critical importance of creating and executing specific strategies that will address problems at the pre-crisis stage before world markets are buffeted by events that may be avoidable.

While none of us can predict the future with absolute certainty, I believe that the Governors should affirm a forward-looking policy that states unequivocally that a country that has already demonstrated convincingly its commitment to tight monetary and fiscal policies shall have the backing of the international community. Without such mutual accord between country and community, agreed to and understood in advance, the world economy will continue to face similar shocks, a corresponding decrease in the level of trust of the people in countries seeking international integration and a resultant lowering of trade volumes, and a general decrease in the efficiency of the world economy.

It should go without saying that during our discussions on world integration, special attention should be devoted to the equal treatment of all countries which recognizes the necessity of financial support for transition economies, especially small and, therefore, comparably manageable ones, firmly following the path of establishing a market democracy.

The Republic of Armenia, together with many of the countries in world, has been affected by the international and especially the Russian financial crisis. The impact of the latter was multiple – a decrease of income flowing into Armenia, a contraction of gross demand and decrease in consumption volumes, with a corresponding reduction of fiscal revenues, a noticeable decline in both import and export volumes, and an outflow of capital from both the treasury bill market and important investment projects. Obviously, our Government had to take corrective action swiftly to contain the impact of the crisis in Armenia. As evidence of the efficacy of the measures undertaken, I am pleased to state that the midterm review under the Enhanced Structural Adjustment Facility has just been concluded, and the documents have been presented for discussion by the IMF's Executive Board at the beginning of October.

Mr. Chairman, Armenia attaches great importance to the attraction of foreign investments. As a factor in assuring the stability of the investment environment in our republic and, as importantly, in asserting our firm position with respect to our maximum integration into the world economy, I want to reaffirm Armenia's best efforts towards accession to the World Trade Organization. I hope and expect our efforts will show results this year.

Perhaps the Governors will agree with me when I say that a situation where some two thirds of all foreign direct investment flows to only a few countries cannot foster the level of development for all countries that we would desire. The problem in my country is made even more acute by the fact that almost all investment flow so far has been related to the privatization process. I would urge that the efforts of the international financial institutions in the new millennium be directed towards offering the full assistance required by emerging economies in gaining the knowledge, the experience, and the tools necessary to compete successfully in the global marketplace.

A fully integrated world economy, Mr. Chairman, is difficult to imagine without regional cooperation. The strengthening of such cooperation is one of Armenia's top priorities. International financial institutions could greatly facilitate regional cooperation in our region and in others by giving increased importance to those projects which benefit both the country and the region.

The financial crises we have experienced appear to have contributed to an even greater appreciation of the importance of transparency, as reflected in the implementation of World Bank and IMF programs. Transparency is the only means by which it is possible to reach an understanding within a society on the economic programs being implemented and, thus to ensure their success. Armenia, for one, participates in the pilot project of the International Monetary Fund to guarantee greater transparency of projects being implemented, and I can tell you that it has been our experience that encouraging public discussions enhances the efficiency of these programs. As stated in the principles adopted by the Fund, monetary and fiscal policies benefit greatly when their goals and instruments are presented to and understood by the public.

Mr. Chairman, we welcome the day-by-day increase in cooperation between international financial institutions, especially the International Monetary Fund and the World Bank. I consider that in such areas as pensions, provision of satisfactory infrastructure for the development of the private sector, environmental protection and fiscal federalism, the cooperation of sister organizations in a coordinated and efficient manner can bring major benefits to the economic prosperity of the countries involved.

In such circumstances, the on-site study of projects and the initiation of public discussion on projects being implemented acquire greater importance than ever. And, in this regard, it is worth noting that both the Bank and the Fund have the possibility of associating their lending programs with non-lending activities such as technical assistance, consulting services and other such mechanisms that help develop efficient solutions to specific problems.

Mr. Chairman, the topic of the Annual Meetings – “Setting the Agenda for Global Growth and Development on the Eve of the Millennium” – is designed to give us an opening to discuss the problems the world economy faces at the end of the millennium, and to identify coming tasks and new policy directions. I believe that the Governors

should continue to focus their attention on the areas of greater transparency, crises prevention and regional and global integration. Next year in Prague I hope we will be able to affirm our progress in this regard and to continue our discussion on specific measures to reach these objectives.

Thank you.