

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. **ARMEN R. DARBINIAN**,  
Governor of the Fund for the **REPUBLIC OF ARMENIA**,  
at the Joint Annual Discussion

## THE SPEECH

DELIVERED BY THE GOVERNOR FOR ARMENIA, Mr. ARMEN DARBINYAN,  
MINISTER OF FINANCE AND ECONOMY OF THE REPUBLIC OF ARMENIA, AT  
THE WORLD BANK AND IMF ANNUAL MEETINGS, SEPTEMBER 24

Dear Mr. Chairman,

Mr. President,

Mr. Managing Director,

Dear Governors

Distinguished guests,

Ladies and Gentlemen:

First of all I would like to express my gratitude to Chinese and Hong Kong Authorities for outstanding efforts given for mobilization of such an event as is the Annual Meetings of the IMF and the World Bank. Taking this opportunity I wish them all the prosperity and success in the future implementation of the formula “one country – two systems”.

Armenia is a small country but with very knowledgeable history and very impressive traditions, which the newly created independent state was based on. We announced political democracy, economic liberalization and social safety as three main elements of our policy. Armenia was very successful in implementation of economic reforms program and the transition process in Armenia is known as a “success story” both in the Fund and in the Bank. We took ambitious decisions on privatization of land and state owned enterprises, price liberalization and macroeconomic developments aimed to having less than 10 percent inflation annually and GDP growth over 6 percent, and increasing the gross international reserves up to 3 months of imports. We have created fully liberal regime for current account and capital account transaction and we strongly support the extension of the Fund’s mandate to capital account liberalization, because we strongly believe that there is a strait link between the country’s capital market on the one hand, and its macroeconomic stability and the solvency of its financial institutions on the other hand.

We strongly support the Joint Statement of the President of the World Bank and the IMF Managing Director on the collaboration in strengthening financial systems. It is extremely important for ensuring that emerging financial sector problems in all countries are promptly identified, and as such - more recognized the problems will be, more non-emerging the markets will become.

And here Armenia with its short experience can also show an example of a “success story”. By the implementation of prudential regulations and standards of Basle Committee,

we have developed a high quality supervision of the commercial banks by the Central Bank, which, in accordance with the newly created legislation, is strongly independent and has sole responsibility for conducting the monetary policy and banking supervision. Having these achievements in supervision area, Armenia has initiated and became the leader of Transcaucasus and Middle Asia regional group of banking supervisors under the auspices of the Basle Committee. We are very happy with the outstanding opportunities of sharing the experiences of each country involved in the activities of the group. In this regard we welcome the increased attention being paid by the IMF and the World Bank to the financial sector issues and their cooperation with the Basle Committee.

By trade system liberalization and floating exchange rate regime implementation we joined the Article VIII of the IMF Agreements and we intend to improve our external position through the reduction of current account and overall balance of payments deficits. Armenia has pursued a liberal trade policy based on open import regime with a low uniform import tariff, avoidance of quantitative restrictions on imports and exports.

We are currently applying for the membership to the World Trade Organization and we do believe that we will be accepted at the beginning of 1998 and will again be amongst the first countries in the CIS.

We also welcome the World Bank's efforts in developing the regional cooperation, which in our case is becoming hopeful. Armenia's forced economic isolation has been significantly eased by the recovery of the Georgian economy and substantial volume of trade with Iran. We hope that our existing informal trade with our other neighbors, Azerbaijan and Turkey, will soon be turned into official commercial, trade and financial transactions.

It goes without saying that our achievements are strictly connected with the cooperation developed with both the IMF and the World Bank. It refers not only to the substantial amount of financial assistance but also to the outstanding efforts given by experts in technical assistance area.

We were very successful in the implementation of STF, Stand-by and ESAF programs with the IMF supported by direct budget financing by the World Bank within the framework of Structural Adjustment and Rehabilitation Credits. And now predicting the budget for 1998 by substantial increase in our tax revenues by improving tax and customs

administrations we are very closed to come to the conclusion that Armenia has already passed rehabilitation part of the transition and has entered into the development era. In this particular context we welcome the agreement on the quota increase and IMF Board decision on special SDR-allocation which effectively would raise our ability to borrow for the development purposes. Of course, some clarifications are needed in quota calculation principles and we will work in this issue with the Fund staff.

We appreciate the World Bank Directors' decision to start IBRD lending to Armenia, which will accelerate and enhance the sustained economic growth achieved in the past years and will help the basically privatized economy to grow further. A number of major enterprises are being offered for privatization by the end of this year through international tender. We will continue the same policy having an ambitious program of the infrastructure sector of the economy next year.

And here I would like to emphasize the importance of IFC and MIGA in providing support for investors and I encourage them to expand their activities in our country. I am sure that building upon Armenia's strong macroeconomic and structural reform record, these institutions could be more responsive to the country's pressing investment needs.

We appreciate the efforts of the World Bank Directors for the establishment of Development Grant Facility within the framework of the Institutional Development Fund. I think that these facilities could improve the real sector developments in Newly Independent States. We support Board discussions on the development of domestic capital markets and increasing privately financed infrastructure projects. I would like also to emphasize the ongoing importance for the Bank to remain involved in public infrastructure projects which are considered as priorities in Armenia.

As for the perspectives for 1998 we considered our highly educated labor force as one of the major factor contributing to the country's future economic growth. In this regard the Government intends to make the reforms of the education and health sectors priorities in its overall economic reform program. Since the domestic savings remain notably low Armenia will therefore continue to require substantial external capital flows.

In conclusion, I would like to assure that Armenia will continue its strong reform performance which, with the appropriate support of International Financial Institutions will bring to a sustainable economic growth and substantial improvements in living standards of the people.

Thank you.