

Brussels, 18 February 2011

The EU and Armenia have signed a memorandum on 100 million euros of financial assistance to Armenia

The European Commissioner for Economic and Monetary Affairs Olli Rehn has signed on behalf of the EU the Memorandum of Understanding with the Republic of Armenia setting forth the economic policy conditions for the provision of macro financial assistance (MFA) to Armenia in the form of a loan of up to €65 million and a grant of up to €35 million. The assistance will support the adjustment programme agreed between Armenia and the International Monetary Fund to help the country through the global crisis.

The planned assistance is part of the external financing provided to cover Armenia's balance of payment needs in 2011. The EU programme is conditional on the respect of the economic programme agreed between the Armenia and the International Monetary Fund (IMF) and on the implementation of a number of economic policy measures agreed by the Republic of Armenia and the European Union in the areas of: public debt management, pension system, public internal financial control, external audit, public procurement, tax policy and tax administration, and customs policy.

It supports the economic adjustment and reform programme of the Armenian authorities designed to achieve sustainable medium-term growth. The first instalment, amounting to EUR 40 million, will be released after the ratification of the Memorandum of Understanding and the Loan and Grant Agreements by the Armenian Parliament. The release of the second instalment is planned for autumn 2011.

The MFA will complement the financial resources provided by the EU, in the form of sector budget support programmes financed under the European Neighbourhood and Partnership Instrument. International donors, including the IMF, the World Bank and the Asian Development Bank, as well as other bilateral donors, also support Armenia's economic adjustment efforts.

The impact of the global crisis was particularly strong on the Armenian economy, which contracted by 14.2% in 2009. In 2010, economic activity supported by appropriate macroeconomic policies revived with real GDP growing by 4%. While the economic recovery is taking hold, the country's external situation remains vulnerable as the financing of the large current account deficit remains uncertain. The planned assistance was approved by the EU Council in November 2009.

Background on Macro Financial Assistance (MFA)

MFA is an exceptional EU crisis response instrument available to EU neighbours. It is conditional on satisfactory progress under an economic programme supported by IMF financing. Since 1990, fifty-five MFA decisions have been approved, with total commitments amounting to EUR 7.4 billion.

MFA operations are approved by the European Parliament and the Council. MFA loans are financed through EU borrowings on the market and the funds are on-lent with similar financial terms to the beneficiary countries. MFA grants are financed under the EU's budget.

For more information:

http://ec.europa.eu/economy_finance/financial_operations/market/third_countries/index_en.htm