While substantial political risks remain in Armenia, we believe the recent progress towards resolution of the regional conflicts offers a window of opportunity for the Bank to assist Armenia in consolidating its gains in economic reform and enhancing macro economic management. It will also serve to demonstrate an important "peace dividend" effect to the contending parties.

Baring a deterioration in the external environment, we believe the strong commitment to economic reform and the demonstrated capabilities to implement difficult reform measures of the Armenian authorities, as well as the consensus across the political spectrum on the desirability of economic reform to improve the livelihood of the people, would constitute the important ingredients ensuring the success in the stepped-up economic reform effort to be supported by the CAS.

We agree with the management that in light of the scarce resources of the Bank and IDA, Bank’s assistance should focus on areas where this institution has the most comparative advantage. In this context, we support the thrust of the Bank’s assistance strategy to focus on maintaining macro economic stability and financial discipline, and promoting private sector development. There is much scope for an enhanced effort on privatization and the creation of enabling environment for direct foreign investment and capital inflows. We also applaud the Bank’s assistance in alleviating poverty and redressing the inequity in income distribution, which should contribute to the social sustainability of the reform program.

Finally, we would like to endorse the proposed sequencing of the three-year Bank’s assistance program for Armenia. In this regard, we extend our support to the two proposed Adjustment Credits for the country.