

# »» Project information

Implemented by:



## Sustainable economic development – Armenia

KfW Development Bank supports German-Armenian Fund (GAF)

In order to promote the Armenian economy, KfW Development Bank set up the German-Armenian Fund in 1999 using funds provided by the German Federal Government. The funds are used to support projects in the agricultural and energy sector. Small and medium-sized enterprises, which provide one-third of jobs and generate up to 40 % of its total economic output, receive funds for their investments.

enterprises (SMEs) and agricultural businesses. Two programmes for agricultural financing with a total volume of around EUR 23 million have thus been implemented through the GAF. One of the programmes promotes the companies in one single value chain for individual agricultural products. Until now, loans have mainly been in demand for the purpose of cattle breeding and crop growing. Also, the GAF supports investments in renewable energies (small hydropower plants).

The GAF has concluded framework credit agreements with almost all Armenian banks and some micro-finance institutions. Under the scope of the GAF, a total of 65,059 loans with a cumulative volume of EUR 374.8 million were extended to small and medium-sized

### Background

Armenia is the poorest of the southern Caucasian nations: one-third of the population lives below the poverty line according to official figures. To improve people's living situation, the government introduced a number of reforms that aim, among other things, to create a stable financial sector that meets western standards. The private sector (companies and households) in particular needs sufficient access to financial products for investments and thus contribute to sustainable economic growth.

### Project approach

In order to promote the Armenian economy, KfW Development Bank used funds provided by the Federal Ministry of Economic Cooperation and Development (BMZ) to set up the German-Armenian Fund (GAF) in 1999 which is administered by the Central Bank of Armenia. The GAF provides Armenian financial institutions with local-currency funding for investment loans.

The GAF's target groups are small and medium-sized

<b>Project name</b>	German-Armenian Fund (GAF)
<b>Commissioned by</b>	Federal Ministry for Economic Cooperation and Development (BMZ)
<b>Country/region</b>	Armenia
<b>Project executing agency</b>	Central Bank of Armenia (CBA)





Drying the apricots for own use and for export in the Armavir region.  
Source: GAF

enterprises. The BMZ made available EUR 16.8 million in loans and EUR 2.2 million in grants for precisely this purpose.

Grants are used to finance the training of bank employees, especially loan officers. Credit analysis in the small business sector is more time-consuming than in the traditional loan business. Loan officers visit their customers at their business premises and their home during both the creditworthiness analysis and the term of the loan, so as to build up a meaningful picture of the borrower's financial situation.

Agricultural financing requires special knowledge during the lending and loan monitoring processes. In this regard, the GAF also uses grants provided by the German Federal Government to offer training sessions and advisory services especially focused on agricultural lending to bank employees.

In 2006, the Fund was expanded to include loans aimed at financing renewable energies, particularly hydropower. 28 projects with a total volume of EUR 64 million have been financed until now. Looking at 2015 a new programme for financing energy-efficient investments made by SMEs will be launched. In addition to the objectives of environmental and climate protection, the project aims to help reduce the Armenian economy's high level of dependency on gas imports.

## Impact

The GAF has established itself very successfully as a platform for the introduction of new financial products in the Armenian financial sector. The project makes a contribution to supporting the transformation process in Armenia. It has succeeded in introducing "state-of-the-art" lending and loan monitoring procedures in the FC programmes' partner institutions and, at the same time, in providing the institutions with long-term loan funds in local currency. The programmes support the creation of income and jobs for the Armenian people and contribute to food security, environmental and climate protection.



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