



Armenia

Financing baseline

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1. INTRODUCTION

This report is part of the baseline analysis of the E-FIX project. The E-FIX project aims at triggering private finance for sustainable energy projects using innovative financing mechanisms. In the target countries of Central and South Eastern Europe as well as the countries of the Caucasus region there is considerable idle potential for sustainable energy products and services. Both potential energy project developers and financiers face diverse financing barriers. An innovative energy financing mix is needed in order to activate new source of finance and facilitate an increased implementation of sustainable energy projects. Accordingly, the objective of the E-FIX project is to facilitate the take up and intensified usage of innovative energy financing mechanisms in the energy sector.

In order to accurately assess the idle potential of both financing sources and energy project implementation in each of the focus countries the E-FIX experts are conducting a baseline study including Gap Analysis. The present report presents one part of the baseline analysis focusing on the financial sector for Armenia.

2. FINANCIAL SECTOR OVERVIEW

The Armenian banking sector dominates the Armenian financial system. It accounts for roughly 90% of total financial assets. The financial system is composed of 17 commercial banks and 36 credit organizations, 9 insurance companies and two pension funds. (as of March 2018).

Table 1: Financial Sector Overview

Commercial Banks			NBFIs	MFIs	Insurance Companies	Pension Funds
Total	Branches	Service Centers				
17	528	528	8	73	17	2

The following sub-sections provide a more detailed overview of the banking and MFI sectors including the leasing sector although not directly subsumed under FIs. NBFIs, insurance companies, credit unions and pension funds are not considered relevant for the purpose of this study.

2.1. BANKING SECTOR

Armenian banking sector has been shaped by the entry of large foreign banks and strict capital requirements, which led to the consolidation and exit of small banks and increased the overall concentration. The banking sector has been consolidated significantly over the past two decades, reducing the number of banks from 50 (1995) to 17 (March 2018). 10 banks are majority foreign-owned; the total share of foreign capital is more than 70 percent. Several IFIs hold ownership stakes in Armenian banks. For instance, EBRD, and, ADB, jointly own 31.7% percent of Ameriabank Bank. There are no state-owned banks; all institutions were privatized in the immediate post-Soviet era.

Table 2. List of commercial banks in Armenia

	Name of FI		Total Assets (EUR) ¹	Loan portfolio ² (EUR)	Market share (% of total assets)
1	ACBA-Credit Bank	Agricole	559,393,885	337,016,187	7.1%

¹ 1 Euro=556 AMD

² Loan portfolio includes loans and the receivables from letters of credits, finance lease and factoring.

2	AmeriaBank	1,218,924,460	862,663,669	15.5%
3	ID Bank	237,285,971	116,043,165	3.0%
4	AraratBank	382,377,698	214,329,137	4.9%
5	Ardshinbank	1,022,073,741	705,985,612	13%
6	ArmBusinessBank	1,034,071,942	676,228,417	13.2%
7	ArmEconomBank	343,170,863	187,440,647	4.4%
8	ArmSwissBank	291,402,878	111,264,388	3.7%
9	ArtsakhBank	247,012,590	124,597,122	3.1%
10	Byblos Bank Armenia	153,093,525	51,332,734	2.0%
11	Converse Bank	454,561,151	297,064,748	5.8%
12	HSBC Bank Armenia	375,267,986	171,638,489	4.8%
13	InecoBank	499,715,827	311,269,784	6.4%
14	Mellat Bank	83,212,230	10,474,820	1.1%
15	Evocabank	189,805,755	102,302,158	2.4%
16	UniBank	365,505,396	243,318,345	4.7%
17	VTB Bank Armenia	388,597,122	242,456,835	5.0%

In 2017, total assets amounted to were EUR 7.84 billion, increasing by 6.7 percent (in current prices) compared to 2016. Armenia's banking sector exhibits moderate concentration among the largest banks, with the top five banks by assets holding 55.2% of total banking sector assets as of Jan-2018 and by loans, 60%. Ameriabank is the largest bank by total assets, holding 15.5% of total assets.

From March 2017 to March 2018 the total lending volume increased by EUR 0.9 billion (14.4 percent) to reach EUR 6.9 billion.

Table 3. Lending trends to legal entities (in mln EUR)

Period	Total	Industry	Construction	Trade	Agriculture	Service	Transport and Communication	Other services
March 2017	2,579	775	195	619	252	338	115	285
March 2018	3,067	875	270	755	249	410	128	380

Commercial banks' interest rates to ultimate borrowers have been constantly decreasing since 2009. In May 2018, the annual interest was 12.81 percent for national currency loans and 9.07 percent for foreign currency loans (maturity – more than one year).

Table 4: Annual interest rates on commercial bank loans

Year	National currency		Foreign currency	
	Short-term loans	Long-term loans	Short-term loans	Long-term loans
2012	17.23	17.52	11.15	12.12
2013	15.99	17.61	10.75	12.21
2014	16.41	17.59	10.19	11.97
2015	17.59	17.15	10.31	11.78
2016	17.36	17.28	9.04	10.56
2017	14.41	15.43	8.0	9.85

May-2018	13.73	12.81	8.04	9.07
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2.2. MICROFINANCE SECTOR

Armenian financial system includes 36 microfinance institutions, accounting for about 5% of total financial sector assets as of January 2018. Aside few larger players, the market share of most individual institutions is very small.

The CBA is responsible for supervision of microfinance institutions by registering them, revoking their licence, auditing them and imposing sanctions. Operations of microfinance organizations and the conduct of their activities are regulated by the Law of Armenia on Credit Organizations, which was enforced in 2002³. Microfinance institutions are authorized to engage in the following activities: extend loans; invest in state and public securities; provide money transfers; operate as an insurance agent; provide consultation services in microcredit; receive loans; provide operations as micro leasing, factoring, foreign exchange, etc. However, a microfinance organization shall not receive a deposit from either individuals or legal entities.

MFIs offer loans, money transfers, insurance, and other services such as leasing, factoring, and foreign exchange.

MFIs are not allowed to mobilise deposits and hence depend solely on external funding. More than 80 percent of the sector's funding is senior loan borrowing, of which over 74 percent come from IFIs and other international investors. The remaining funding is subordinated liabilities and the MFIs' own debt securities. Subordinated liabilities made up a small, 0.58 percent of total funding, with only some larger MFIs reporting subordinated debt on their balance sheets.

Together with providing financial services, some MFIs work for social development in the areas in which they operate and generally have the following characteristics:

- Providing small loans for the working capital requirements of the rural poor.
- Softer appraisal of borrowers and investments as compared to commercial banks.
- Collateral demanded to a lesser extent by those MFIs having more capacity to operate sound versus safe credit practices, applying innovative guarantee schemes.
- Flexibility to provide increasing larger loans to the individual members, based on their loan repayment history.

Table 5. List of MFI's in Armenia

N	Microfinance Organizations
1	"ACBA LEASING" Credit organization CJSC
2	"ACRA Credit Reporting" Credit Bureau CJSC
3	"AGROLIZING" Universal credit organization LTD
4	"ANIV" Universal credit organization LTD
5	"AREGAK" Universal credit organization CJSC
6	"ARFIN" Universal Union LTD

³ http://www.parliament.am/law_docs/220602HO359eng.pdf?lang=eng

7	"BLESS" Universal credit organization LTD
8	"CARD AgroCredit" Universal credit organization CJSC
9	"CREDIT CORP" CJSC
10	"Credo Finance" Universal credit organization CJSC
11	"Development and Investments Corporation of Armenia" CJSC
12	"ECLOF UCO LLC" Universal credit organization LTD
13	"Export Finance" CJSC
14	"EXPRESS CREDIT" Universal credit organization CJSC
15	"FARM CREDIT ARMENIA" Universal credit organization
16	"Fast Credit Capital" CJSC
17	"FIDESS HYPOTHEC COMPANY" Universal credit organization CJSC
18	"FINCA" Universal credit organization CJSC
19	"First Mortgage COMPANY" Refinancing credit organization CJSC
20	"G AND A" Universal credit organization LTD
21	"GARNI INVEST" Universal credit organization CJSC
22	"GLADZOR" Universal credit organization CJSC
23	"GLOBAL CREDIT Universal credit organization" CJSC
24	"Good Credit" Universal credit organization CJSC
25	"Home for youth" Refinancing credit organization CJSC
26	"KAMURG" Universal credit organization CJSC
27	"MOGO" Universal Credit Organization LTD
28	"MYCREDIT" Universal credit organization LTD
29	"NATIONAL MORTGAGE COMPANY" Refinancing credit organization CJSC
30	"NOR HORIZON" Universal credit organization LTD
31	"Norman Credit" CJSC
32	"Parvana Credit" Universal credit organization LTD
33	"Premium Credit" Universal credit organization CJSC
34	"SEF INTERNATIONAL" Universal credit organization LTD

35	"UNILIZING" Universal credit organization CJSC
36	"Varks AM" Universal credit organization LTD

Table 6. Some consolidated KPI's of MFI Sector

Total Assets	Total Liabilities	Total Capital	Current period retained profit/loss	Previous period retained profit/loss
930,793	516,672	414,121	27,199	79,984

The larger MFIs (Finca, Global Credit etc) reported an average cost of funds of 5 percent to 8 percent, in both fixed and floating rates, while smaller MFIs pay between 13 percent and 18 percent on borrowings. In general, the larger MFIs report easy access to short term USD funds, with local currency funding being much harder to obtain.

LEASING SECTOR

There are three leasing companies operating in Armenian Leasing Market: "ACBA LEASING" CO CJSC, "Agroleasing Leasing Credit Company" LLC and "Unileasing" CO CJSC. There are also several banks that offer leasing products in the market. The dominated role in the Armenian leasing market belongs to ACBA leasing with 70.6% market share as of March 2018.

"ACBA Leasing" Credit Organization CJSC is the first registered specialized leasing company in RA, which was founded in 2003 together with IFC and French Credit-Agricol Bank Holding to offer new financial product in the market and to develop opportunities for leasing operations.

Below table provides consolidated information of the leasing companies (in EUR) by March 2018.

Table 8. Consolidated info of the leasing companies

Consolidated Data	
Assets	28,040,089
Equity	7,070,440
Lease Portfolio	22,664,930
Repossessed Assets	N/A
Fixed Assets	562,764

Table 9. ACBA Leasing Portfolio distribution (in EUR) by March 2018*.

Sector	Portfolio EUR	% of Total Portfolio
Consumer	2,637,801	12.58%
Education	2,559,679	12.21%
Agriculture	994,610	4.74%
Communication	94,060	0.45%
Construction and real estate	965,944	4.61%
Distribution	143,690	0.69%
Food & Beverages production	1,206,480	5.75%
Light Industry	177,143	0.84%
Medicine	20,243	0.10%
Mining industry	197,821	0.94%
Polygraph/Printing	516,536	2.46%
Power Engineering	548,379	2.61%
Road Construction	2,672,536	12.74%
Service	2,109,840	10.06%
Trade	4,199,525	20.03%
Transportation	1,078,374	5.14%
TMT	151,602	0.72%
Financial institutions	-	-
Other	696,688	3.32%
TOTAL:	20,970,950	100.00%

*There is no available data on Armenian leasing market consolidated portfolio distribution

There are several main products offered by leasing companies:

- Financial Leasing – mainly used to purchase new or secondary assets from local or international suppliers. After making certain down payment by the lessee, the lessor purchases the asset and leases it to the client for monthly payments in return. Equipment remains in lessor’s ownership until all the payments are made by the client, after which the ownership of the asset is transferred to the lessee.
- Leaseback – is a financial transaction in which the owner sells an asset to the leasing company but still continues to use it. Leaseback enables companies to release amount of funds already invested in fixed assets. Once the payments are fully covered, the lessee returns back the ownership of the asset.
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Table 10. General Leasing Terms

Micro, SME & Corporate	
Leasing Amount	Min. USD 200 – Max. Not Determined
Leasing Term	Max 10 Years.
Down Payment	Min 0%
Interest Rate AMD	Average 12.5 – 15%
Interest Rate USD	Average 9 – 11%
Interest Rate EUR	Average 7 – 10%

- Leasing projects are made in three main currencies: AMD, USD and EUR. According to the Law on Currency Regulation and Currency Control all the payments are made in AMD considering daily official exchange rates published by Central Bank of Armenia.

2.3. CROWDFUNDING SECTOR

The distinctive feature of Armenia is Armenian diaspora. Armenians represent a rare example of a nation, the majority of whose representatives live outside the homeland. The diaspora has supported Armenian through different charity foundations for many years and crowdfunding for charity organisations and different philanthropic projects is a common practise.

Another example of crowdfunding is Bright Border project. “Bright Border” is a volunteer initiative aiming to sooth the burden of electricity charges and showcasing the possibilities of affordable electricity to the public of Armenia by means of installing free of charge LED technology enabled bulbs in the remote communities ofborder villages of the Republic of Armenia.

The project is operating in more than 20 villages and more than 2000 lamps were replaced since the commencement.

3. ENERGY EFFICIENCY/RENEWABLE ENERGY FINANCE ACTIVITIES

International financial institutions (IFIs) play a crucial role as a source of financing for EE projects. Finance is either provided as credit lines to local FIs, or directly to larger projects or industries. IFIs often offer concessional terms, combined with consulting and technical assistance (TA), and/or packaged with other types of incentives/grants for the borrower.

A number of IFIs have established connections to local banks and have projects underway, partly with a focus on sustainable energy lending. However, the focus is currently on RE technology; particularly SHPPs, while EE lending recently started. For instance, KfW and EBRD provide refinancing for EE investments for the private sector for local financial institutions, as well as capacity building (e.g. to identify, develop, finance and implement EE projects).

The following sub-sections give an overview about i) international development banks/funds that provide EE finance facilities, and ii) local banks and MFIs that already offer EE/RE lending.

3.1. INTERNATIONAL AND LOCAL FINANCE INSTITUTIONS WORKING IN EE SECTOR

KREDITANSTALT FÜR WIEDERAUFBAU (KfW)

KfW has been a major player in financing large infrastructure projects in Armenia. Since the formal beginning of bilateral financial cooperation in 1998, Armenia has been supported in these efforts by KfW primarily on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) with low interest rates, loans and grants totaling almost one billion Euros so far.

KfW priority areas in Armenia include:

- Integrated water resource management techniques to fight water losses, illegal water abstraction, excessive and inefficient use of irrigation water.
- Sustainable energy (an integrated regional electricity network between Georgia – Armenia – Iran as well as renewable energy and energy efficiency measures),
- The expansion of the financial sector (housing mortgage, SME development, agro-financing) and nature conservation (establishment of national parks, support to protected areas).

With respect to sustainable energy (RE/EE) lending, KfW is actively engaged in Armenia. For instance, in 1998 the Central Bank of Armenia and KfW have established "German-Armenian Fund" aiming to provide support to the financial sector of Armenia, by channeling funds from external and internal sources to the development of defined sectors of economy, including renewable energy, SME finance and housing finance.

Development of the Renewable Energies

The overall objective of the Program for the Promotion of Renewable Energies is to contribute to an improved energy supply and to the further development of the private sector in Armenia by the cost-effective utilization of renewable energy sources for electricity production. The Program envisages

promoting the utilization of renewable energy, in particular Small Hydro Power Plants (SHPP), by enhancing the access to loans for private entrepreneurs and private enterprises. In 2004, KfW provided through GAF a EUR 6 million loan for the Development of RE (phase I), which was extended by EUR 18 million in 2010 (phase II) due to its success. In 2012, the CBA signed a EUR 40 million loan agreement (in national currency at the rate of 10.5%) with KfW (phase III), destined to finance not only the construction of SHPPs, but also wind farms and other types of RE systems up to a total capacity of 100 MW. GAF-RE finance is channelled through local banks; e.g. Armeconombank, ACBA Bank, Anelik Bank, Arm Swiss Bank, Ardshininvestbank, HSBC, ASHB, Artsakhsbank, Armeria Bank, Armenian Development Bank, Araratbank, VTB, Unibank, Inecobank, ABB, Byblosbank, and Conversebank. Capacity building provided through GAF-RE comprises e.g. training for FIs (including business planning, project analyses, and financial modelling for the rehabilitation, extension, and construction of SHPPs).

Development of sustainable housing market

The Program focuses on the development of a sustainable housing finance market in Armenia. The purpose of the Program is the expansion of sustainable lending to private households by commercial banks and credit organizations for the purpose of either purchase or modernization of housing. The target groups are private households which do not have adequate access to housing finance from financial institutions. In 2005, the Governments of the Republic of Armenia and the Federal Republic of Germany agreed in principle on the implementation of the "Development of sustainable housing market" loan program. In December 2007 an agreement was concluded on increasing the volumes of funding and provision of new funding within the framework of the effective contract (phase II), thus increasing the size of the loan program up to EUR 12 million. The funding was received fully from KfW bank and by September 2009 had been allotted to the Partner Financial Institutions. Afterwards, the crediting of the PFIs continued at the expense of the revolving fund raised from loan repayments and interest payments, thus ensuring the continuity of the Program. On April 19, 2010 a new loan agreement was concluded between the RA Central Bank and the KfW bank, on granting a loan of EUR 20 million at a subsidized interest rate within the framework of the "Development of sustainable housing market" loan program of the German-Armenian Fund (phase III). Third phase of the Program is carried out in accordance with a new pattern, through cooperation with the "National Mortgage Company" (NMC) Credit organization. NMC was established by the Government of Armenia in 2009 in order to provide refinancing to local commercial banks and to support the housing finance sector. Loans are provided in Armenian drams to Armenian nationals residing in the country, with a repayment period of at least 10 years and with the market interest rate, for purchasing apartments or mansions or for reconstruction of those available. The maximum amount of the loan to be granted is set at AMD 12 million.

Energy Efficiency Programme for MSMEs

In 2016 a concessional loan under the umbrella of the German-Armenian Financial Cooperation was launched in order to support energy efficiency investments in Armenian enterprises through the "GAF Energy Efficiency Programme for MSMEs". The aim of this programme is not only to help MSMEs reduce their energy consumption and CO2 emissions, but also to support them in increasing their competitiveness. The program targets SMEs, which are planning to invest in energy efficient technologies, production plants and other machinery and equipment, which will reduce energy consumption and increase the quality of production.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

EBRD plays a significant role in developing and modernizing the country's finance and energy sectors. The cumulative investments amounts to EUR 1.12 billion (March 2018), including EUR 300 million in ongoing projects. The share of the private sector in EBRD portfolio is 84%.

The Caucasus EE Project (CEEP) started in 2007 as a EUR 60 million credit facility for Georgia and Armenia. Initially, EBRD did not offer any incentives and only limited TA to two partner banks. Based on lessons learnt, the project was restructured and expanded in 2013 (CEEP II):

- Provision of another EUR 40 million credit line;
- Provision of investment incentives (grants) and enhanced TA;
- 7 financial institutions in Armenia, including 5 banks and 2 credit organizations (ACBA Credit Agricole Bank, HSBC, Ameriabank, Inecobank, Armsiwssbank, SEF International, ACBA Leasing);
- Branding of individual country programs as "Energocredit".

Of the total EUR 125 million credit facility, more than EUR 100 million has been committed to local partner banks. All committed funds have been disbursed by end of 2017.

The program focuses on EE. Roughly 50 percent of funds are lent to the corporate sector (average loan amount is EUR 2.5 million), and another 50 percent to the residential sector (including building efficiency but also household appliances for only a few hundred EUR). According to EBRD, challenges are low creditworthiness of potential borrowers, and, especially, low incentives to invest in EE (particularly in the residential sector where there are no regulatory EE standards for buildings and no effective regulations for condominium blocks).

Private companies and individuals who pursue the highest EE standards and take out an Energocredit loan will be rewarded. EBRD together with the EU Neighborhood Investment Facility (EU-NIF) offer cashback of 10 percent or 15 percent of the Energocredit loan amount.

All successfully verified sub-projects deemed eligible through an eligibility check or the eligible equipment, products, and materials (LEME) procedure are eligible to receive a 10 percent incentive, calculated on the sub-loan amount disbursed to the sub-borrower net of VAT or other taxes.

All successfully verified sub-projects undergoing an Energy Audit and subsequently implementing a recommended best available technology solution are eligible for a higher incentive of 15 percent of the sub-loan amount disbursed to the sub-borrower net of VAT or other taxes.

GREEN FOR GROWTH FUND (GGF)

The GGF is an initiative of IFIs already active in EE/RE finance in Southeast Europe (including Turkey and the Caucasus), and it was designed to be complimentary to existing programs and funding sources. Its main investors and donors for the TA facility are the European investment Fund (EIF), EBRD, EIB, KfW, IFC, EU, BMZ, FMO, and OeEB, but also private companies like Sal. Oppenheim and the Fund/TA manager is Finance in Motion.

In 2012, the Green Growth Fund (GGF) signed three loan agreements (Inecobank, ACBA Bank, ACBA Leasing and Araratbank) for USD 5 million to support the development of EE lending products within the institutions.

INTERNATIONAL FINANCE CORPORATION (IFC)

Armenia became an IFC member in 1995. Since then, IFC's long-term investment commitments have totaled \$480 million, including nearly \$118 million mobilized from other lenders. That has financed 49 projects across a range of sectors, including financial markets, manufacturing, agribusiness, services, and mining. IFC has also supported trade transactions worth more than \$130 million through its trade finance program, and implemented advisory projects focused on private sector development.

In 2010, IFC launched its Sustainable Energy Finance Project in Armenia, supported with funds from the Ministry of Finance of Austria. Under the project, IFC assists banks in developing RE and EE lending, providing capacity development to local banks, lobbying to improve the regulatory framework, and building awareness and market demand for sustainable energy finance via a public education campaign. The project aimed to achieve 35 MW new renewable power generation capacity, 120 GWh per year increase in RE generation by 2015 through client investments, and in total 20 GWh annual energy savings⁴. Among others, IFC is working with Ameriabank; providing a USD 15 million loan with the objective to increase the number of SHPPs⁴⁶ In 2012, IFC has provided USD 10 million (including USD 4 million from the IFC-Canada Climate Change Programme) to HSBC Bank Armenia to promote financing of RE and EE projects, i.e. promoting the efficient use of resources and reducing GHG emissions. Through the project, HSBC Bank Armenia receives advisory services and support in providing loans to SHPP projects and to SMEs interested in EE technologies Additionally, in 2012, IFC has signed a USD 10 million credit line with Byblos Bank Armenia with the overall objective to expand mortgage lending and residential EE financing.⁴⁸ This also includes capacity building for the bank.

WORLD BANK

The World Bank has been present in Armenia since 1992, and during this period has financed 16 projects in different sectors of the country totaling over USD 1.1 billion. These sectors include: central government and public administration, general energy, industry and trade, and urban and rural transportation sectors.

Currently no dedicated credit line or financing facility is established for EE/RE development in the country. Nevertheless, the WB is actively involved in the country's development through implementation of a variety of state- and private-institution-empowering projects.

3.2. INVESTMENT FUNDS

Armenia's private equity/venture capital sector is highly underdeveloped, with only 1 local operating fund and one in the process of registration.

Currently, there are only 2 investment funds are investing (or will start investing soon) in the country, including⁵:

- **Amber Capital Fund** - EBRD (European Bank for Reconstruction and Development)-funded Armenia SME private equity fund. Through a competitive process⁶ EBRD appointed Amber Capital

⁴ IFC, 2012, Promoting Sustainable Energy Finance in Armenia: Armenian Sustainable Energy Finance Project.

⁵ Source: interviews with the fund managers

⁶ <https://www.ebrd.com/documents/comms-and-bis/ebrd-armenian-private-equity.pdf>

a large international fund manager to run the fund. The fund received commitments from EBRD (USD 5 million), European Union (USD 10 million) and Amber Capital (USD 5 million) and is fund-raising with private investors to reach total USD 40-50 million, with expected close in Q3-2018. The fund will provide growth equity to established Armenian SMEs with an average equity injections per company of USD 4-5 million and 8% target IRR, as per EBRD requirements.

- **Granatus⁷** – venture capital fund lunched in 2013, investing in tech companies connected to Armenia – either based in the country or committed to setting up operations and use local staff as pre-condition to investments. Granatus manages USD 7 million, of which USD 3 million comes from the Armenian government and the rest from individuals and family office (mostly Armenian diaspora). It focuses on very early stage investments in a broad spectrum of tech companies – including e-commerce, food delivery, taxi service, hardware and artificial intelligence. The fund’s fee structure (2% management and 20% carry) and return targets (20%IRR) are in line with VC standards. The Armenian government and World Bank provided Granatus with a USD 50,000 subsidy per annum for the first 4 years of operations, to help the underwrite the otherwise small management fee. The fund is domiciled in Armenia.

⁷ <http://www.granatusventures.com/>

4. CONCLUSIONS

The Armenian residential, transportation, and industrial sectors offer great potential for energy savings. However – although Armenia has signed a Comprehensive and Enhanced Partnership Agreement (CEPA) with EU, which includes commitment towards promotion of EE/RE, the country does not have binding laws that would enforce certain EE investments. This is particularly challenging for residential sector investments, where there are no regulatory EE standards for buildings and no effective regulations for condominium blocks. Besides, energy prices are still relatively low, overall economic conditions are difficult (resulting in low creditworthiness of potential borrowers), and there is only a low level of awareness about EE issues, especially among households.

The banking sector is relatively well developed (compared to other post-Soviet countries), with moderate competition.

The MFI Sector is well developed and diversified by 37 sector members. Mainly concentrated on Residential and Retail segment financing the MFI sector is not capable to support EE/RE projects financing.

A potential niche for E-FIX development could be leasing companies, which at the moment are not targeted by any existing programs. Although the market is quite small (total assets are EUR 28 million), leasing companies are active in sectors (transport, construction, production) that include EE/RE components.

The availability of a large diaspora and a long history of implementation of philanthropic projects through charity funds and NGOs creates opportunities for small scale EE/RE projects especially in least developed regions.

Financing activities

-> common practice

-> rarely used

-> not used

-> not applicable



<i>Projects in need of financing</i>	Improvement in building sector		Financing of energy performance improvements incl. ee equipment				Project preparation and development	R&D projects	Start-ups	Renewable energy production plants	
	Public	Private	Industry	Large companies	SMEs	Public infrastructure				Large/ utility scale	Small-scale
Sources of funds											
Equity financing	0	0	1	1	1	0	1	1	1	1	1
Financing through local finance institutes	0	1	2	2	2	1	2	2	0	2	2
Financing through intern. finance institutes	0	1	1	2	0	1	1	1	1	1	1
Microfinancing	0	1	1	1	2	0	0	0	0	0	1
Subsidies	0	0	0	0	0	0	0	0	0	0	0
Leasing	0	1	1	1	1	1	0	0	0	2	1
Energy Performance Contracting	0	0	0	0	0	0	0	0	0	0	0
Investment funds	0	0	0	0	0	0	0	0	0	0	0
Green bonds	1	1	1	1	1	1	1	1	1	1	1
Crowdfunding/ Energy Cooperatives	0	0	0	0	0	0	0	1	1	0	0