



AMERICAN UNIVERSITY OF  
ARMENIA

COLLEGE OF BUSINESS ADMINISTRATION

BUSINESS PROJECT

# Financial Institutions of Armenia

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### *The Aim of the Guide*

This work is a guide for Armenian residents and non-residents searching for funds in the most appropriate way to finance their businesses. Having gone through the Soviet period when getting loans from banks were connected with non-business issues, today's businesspersons have difficulties in adapting themselves to a new environment. They may become disoriented and discouraged among the variety of credit/loan organizations and bank/loan programs. It is sometimes a problem to get information about competing loan programs in order to compare their advantages and disadvantages.

Another new feature for Armenian economy is equity financing. Equity financing requires Armenian companies to transfer partial ownership (equity) to the investor. Several international equity-financing organizations have entered the Armenian market. Businesspersons need to understand the equity alternative to debt.

We have tried to design our guide to be as user friendly as possible. First, international loan programs are described, including information about the local banking partners. Next, we provide a guide to equity financing. Finally, loan program information for each bank is presented in a common format.

### *Acknowledgments*

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## **Introduction**

Armenia, one of the former Soviet countries, is experiencing a hard transition towards a market economy. The country has undertaken basic changes in the process. It introduced its national currency, the Armenian dram (ADM), in November 1993 and started the implementation of economic stabilization policies in 1994. Monetary and fiscal policies were tightened, which halted hyperinflation and curtailed the drop in real income of the population. An easing of the geopolitical situation helped the Government to implement a comprehensive stabilization and structural reform program. The stability in the region also allowed many international financial organizations and donor countries to become actively involved in assisting the Government in the implementation of its program.

The World Bank (WB), International Development Association (IDA), International Monetary Fund (IMF), United States Agency for International Development (USAID), European Union (EU), European Bank of Reconstruction & Development (EBRD) have been providing long-term loans to Armenia for special purposes: Armenian Dram stabilization, restructuring of former governmental institutions, loans for big and long-term projects, such as dam safety, electrical station construction, energy transmission etc.

Armenia joined the World Bank in 1992 and the International Development Association (IDA, member of WB group) in 1993. The World Bank's lending to Armenia is designed to help the Government accelerate the transition to a market economy and to alleviate the large pockets of poverty that have emerged over the last few years. In the area of structural reforms, the Bank has placed emphasis on the promotion of private sector development, on more effective social protection, and improved services in health and education. The Bank is working with the Government to develop Armenia's exports and to rehabilitate the country's infrastructure, as well as to reduce poverty through cost-effective delivery of basic social services.

Currently there are 15 Bank-financed operations underway in Armenia, and another five have been completed. Since 1995, the Bank has approved four adjustment credits in support of Armenia's economic reform program (the most recent was approved in December 1998). These were accompanied by three technical assistance projects to help to design and implement the reform program.

Investment lending on IDA terms has provided support for infrastructure rehabilitation, including support for earthquake reconstruction, irrigation, power, road maintenance, and municipal water. IDA credits supporting the strengthening of the social safety net and improving access to services have included operations in health, education, and a social investment fund aimed at improving basic social and economic infrastructure. In 1997, an IDA credit was approved to support private investment, banking reform, and private enterprise development.

For Fiscal Year 1999 (July 1, 1998 - June 30, 1999) an Agriculture Reform Support credit of US\$12 million was approved to provide loans for working capital and investments to small rural farms and business, agribusiness training and technical assistance. It was followed by a US\$8 million Title Registration project. In March 1999, an IDA credit of US\$21 million was approved for supporting electricity transmission and distribution, including support for privatization. In June 1999, a US\$26 million Dam Safety credit was approved to urgently rehabilitate irrigation dams at risk of failure. Total IBRD/IDA commitments to Armenia as of July 31, 1999 were US\$607 million for 20 operations.

The International Monetary Fund has approved the third annual loan for Armenia under the Enhanced Structural Adjustment Facility (which has been increased by SDR 8.1 million (about US\$11 million) to SDR 41.85 million (about US\$59 million), in support of the government's program for 1999. The loan is available in two equal semi-annual instalments of SDR 20.925 million (about US\$29 million), the first of which is available at the end of December 1999. The total commitment under the three-year loan is thus increased to the equivalent of SDR 109.35 million (about US\$154 million).

Since 1997, the Enterprises Development Program has provided loans to Armenian businesses. The value of program is about \$ 16.75 mln, from which \$ 13.6 million is distributed as direct loans, with the remaining part being reserved for technical assistance. According to agreement, interest rate for loans, which EDP gives to partner banks, is LIBOR+2 %.

The USAID budgeted \$40.7 million for Armenia in FY 1995. The FY 1996 budget for Armenia was \$85 million. The FY 1997 budget was \$95 million. USAID's program objectives are Social Stabilization, Democratic Transition, Economic Restructuring.

The USAID-funded Center for Economic Policy, Research, & Analysis and other micro-economic advisors are helping to accelerate the economic reform process through economic analysis, policy development and the training of policy makers. To establish capital markets, the Eurasia Foundation\* is providing emerging businesses with short-term loans.

Assistance with energy efficiency, rehabilitation and policy reform will continue in conjunction with housing privatization and condominium management programs. Assistance in the banking sector is being provided to ensure that monetary and fiscal policies already in place are implemented effectively. The structural loans are useful from a macro-economic point of view, helping the country in its transition period. The loans affect the value of dram - when a loan is expected or given ADM appreciates as dollars amount in circulation increases.

As a source of long-term financing, foreign private investment is increasingly important. In 1998, the level of foreign private investment was 300% of all Armenian bank loans.

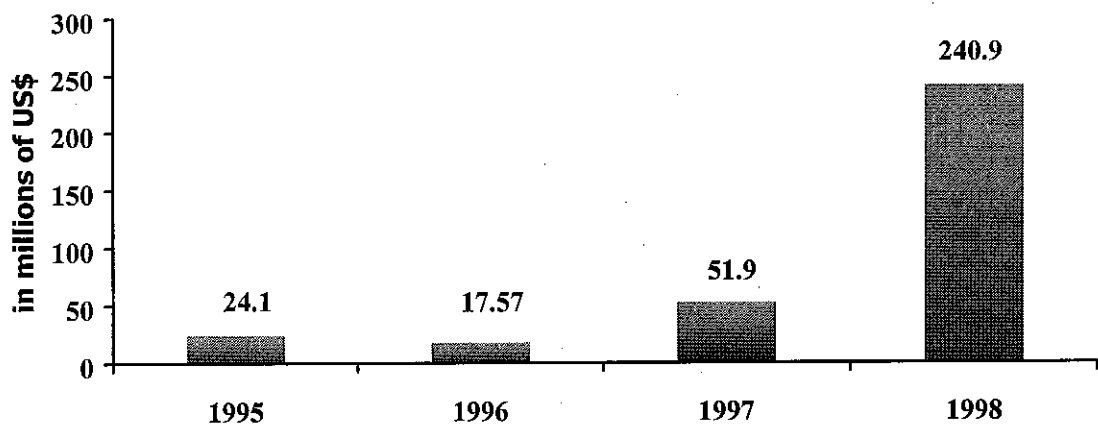
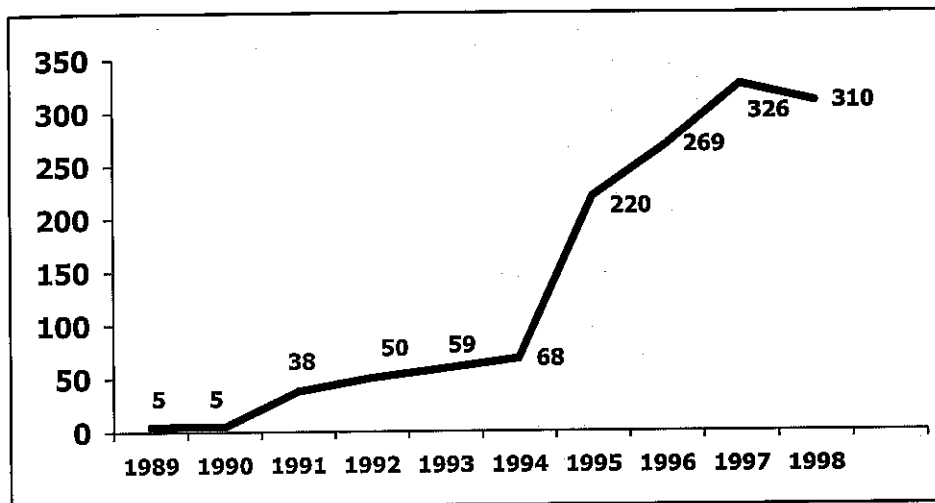


Chart 1. Level of foreign private investments (FDI) in Armenia (million of US\$)\*\*

\* Organization for small and medium business development

\*\* Source: Central Bank of Armenia

As seen in chart 1, there has been sharp increase in private investment since 1994, as reform legislation encouraged and protected foreign investors. The large increase in 1998 is due to the privatization of major companies such as ArmenTel, Armenian Brandy Factory, and two main hotels in Yerevan.



**Chart 2. Number of enterprises with foreign investment\***

Chart 2 shows that the number of companies is also increasing. Privatization is one reason, but a second reason is that a number of multinational companies have already started operations in Armenia including Bristol Myers Squibb, Pernod Ricard, Castel, Coca-Cola, Caritas, First Dynasty Mines, Huntsman, IBM, Italtel, Midland Bank, Macmillan, Siemens, Marriott International, Arthur Andersen and KPMG. Furthermore, the Bilateral and Multilateral Investment Agreements and Tax Treaties signed with different countries have facilitated development of correct procedures and resulted in additional guarantees to foreign investors.

Here it is worthy to note that Armenia has a big Diaspora abroad, which is also contributing to the development of the country. Previously it considered it's contribution as charity, but now it is grasping business opportunities in Armenia (market) and treats Armenia as good business partner. A good example of this is privatization of hotels Ani and Armenia by American Diaspora investors.

\* Source: Ministry of Statistics



Loans from international organization and foreign investment have been helpful but the majority of privatized institutions (factories, farms, shops etc.) face continued difficulties with a short and medium -term bank financing.

The lack of short and medium-term finance creates problems for smaller businesses. The Armenian government attracts funds from the local capital market by paying high prices for T-bills (Government Short-term Obligations). Generally, government obligations are risk-free and usually determine the lowest level of interest rates that banks are willing to accept on short-term loans. In 1998 T-bills were paying 60% annually, in 1999 the rate was dropped to 47%, but this is still unusually high by American standards. As a result, Armenian T-bills crowd out loan activity. Since 1995 banks have increased the proportion of T-bills in their portfolios. The loan/asset ratio has fallen from 55% in 1996 to less than 35% in 1998 (see the chart on page 47).

As expected, businesses have difficulty paying the 48-60% interest rates required by local banks.

The situation is relieved by the funds provided by international financial and development organization - World Bank's Enterprise Development Program (EDP), USAID, and Lincy foundation, Technical Assistance for Commonwealth of Independent States and Mongolia (TACIS) etc. The programs provide loans with only a 15-20% interest rate (USD, annually).

USAID is providing short and medium-term credits through Shorebank and the Eurasia foundation. These institutions are giving loans for small and medium business development in Armenia. They are provided through the local bank system.

In the future, the *Lincy Foundation* plans to provide up to \$100 million through its Entrepreneurial Lending Program. The loan program seeks to provide employment, alleviate poverty and boost economic development in Armenia by fostering small and medium enterprise development. The loans promote the establishment of new production and expand the volume of exports from Armenia. Available loans range from \$100,000- \$1 million for a three year period.

All resident enterprises and individuals of the Republic of Armenia are eligible to apply for the Lincy Foundation loans. 51% of shareholders, including the majority shareholder, must be residents of the Republic of Armenia and no more than 20% of the business may be owned by

the Armenian government. Applications are screened by the fourteen local Armenian banks that provide the loans at an annual interest rate below fifteen percent.

**So far we have introduced the major programs operating in Armenia in general. Now we describe every program in detail, how they are functioning, the approaches used by them, which banks are their partners and other important features.**

**CREDIT AND EQUITY PROGRAMS**

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## *CREDIT AND EQUITY PROGRAMS*

### **1. LINCY FOUNDATION**

The Lincy Foundation is a private foundation that was established by Armenian-American owner of MGM studio Kirk Kerkorian that funds loans under its \$100 million Entrepreneurial Lending Program. Through the loan program the Lincy Foundation intends to provide employment, alleviate poverty and boost economic development in Armenia by fostering small and medium enterprise development in Armenia. The loans will promote the establishment of new production and expand the volume of exports from Armenia.

Available loans range from \$100,000- \$1 million for a three year period.

#### **Eligibility**

All resident enterprises and individuals of the Republic of Armenia are eligible to apply for the Lincy Foundation loans. 51% of shareholders, including the majority shareholder, must be residents of the Republic of Armenia and no more than 20% of the business may be owned by the Armenian government. Applications are screened by the fourteen local Armenian banks that provide the loans at an annual interest rate not to exceed 15%.

For more information, the following banks are participants in the program:

**ArmAgro Bank**

**Anelik Bank**

**Converse Bank**

**Miavorvats Bank**

**LEND Bank**

**ArmEconom Bank**

## 2. CARE INTERNATIONAL

CARE is among the largest international relief and development organizations working throughout the world.

CARE operates a loan program for agricultural development in the Shirak Region of Armenia. The loans are for \$10,000 at a 20% annual interest rate and a period of 6 months to a year (crop season).

The applicant must provide 140% collateral and a \$20 to \$100 fee depending on the evaluation of collateral.

*Contact Information:*

CARE

151 Ellis Street, NE

Atlanta, GA 30303-2439

1-800-521-CARE, ext.999

<http://www.care.org/>

## 3. FINCA

FINCA's loan program is designed for businesses that traditionally are not able to get capital. The loans are available to any Armenian resident living in or around Yerevan with a valid passport, women are strongly encouraged to apply.

The applicant does not need physical collateral. Applicants must form a "business group" that has a business plan. The loans are short term, 4 months. Available loan sizes are \$100 - \$1000 at a 5% monthly interest rate.

*Contact Information:*

Yerevan, Kolchozniknery 102

Phone: 55-04-02, 55-77-25

**Ben Steinberg, Manager**

#### 4. CATHOLIC RELIEF SERVICES - CRS

Catholic Relief Services is an American Catholic social service organization that provides loans.

Loan Size	Terms	Interest rate	Eligibility	Requirements for applicant
- 1st loan cycle- \$ 100,	4 months	4 % per month, paid weekly	-Ararat, Kotayk, Lori, Gyumri and Vanadzor regions	- No collateral needed
- 2 <sup>nd</sup> loan cycle- \$ 175 (\$ 100+ 75% of preceding loan size)	4-6 months		-50% of the loans will go to refugees and 100% of those loans will go to women.	- Applicant pays a 10 % up front "membership fee" which is refundable
...				
...				
- 5th loan cycle-\$ 700	4-6 months		- the legal entity must have 3-6 months business history	

*Contact Information:*

Elissa McCarter

Micro-finance Manager

CRS Caucasus Armenia Office

13/14 Azgagrakan Street, Dzoragiugh Yerevan, Armenia

Phone: (3742) 583-403, 527-463, 151-879

<http://www.catholicrelief.org>

## 5. IZMIRLIAN – EURASIA FUND (SMALL AND MEDIUM BUSINESS CREDITING)

Eurasia Fund – is privately governed benevolent organization established in 1933 and financed by USAID. Fund implements programs concerning to wide scale of economic and democratic reforms in the countries of the Newly Independent States (NIS).

Small business development via lending is a priority area for the Eurasia Foundation since small enterprises have a strong record as an engine of job growth. Throughout the transition, economies of Eastern and Central Europe small businesses are a primary provider of new jobs, replacing those lost in the former state sector. To ignore the small business sector is to miss an opportunity to assist in this important element of economic growth.

So to fulfil its efforts in economic reform and private sector development in Armenia, the Eurasia Foundation has established a small business loan program in Republic.

The primary objectives of the small business loan program are to support the long-term development of the small business sector through local bank lending for capital expenditure investment and long term working capital.

The second objective is to foster institutional development by implementing a credit analysis and collection methodology that allows participant banks to lend in the small business sector with low loan loss ratios and as a result, earn a profit.

**Izmirlan Fund** is benevolent organization, established in 1995 for supporting economic and democratic development of Armenia. Izmirlan Fund financially supports Eurasia Fund's Program of Small and also Medium Business Crediting.

Small and medium enterprises have opportunity to get financial assistance according to the Program of Small and Medium Business Crediting.

Conditions of Crediting

Loan Percents - 18% yearly

Term of loan - up to 36 months

Ceiling of loan - up to \$100000

Status of borrower - 100% private sector (JSCs are not financed)

The Foundation works through local commercial banks to provide financing for manufacturing, agriculture and service sector projects that create jobs in small and medium private businesses.

The program makes the financing for capital expenditures, working capital in manufacturing.

Enterprises, whose development projects are worked out very detailed and realistic, will have priority in further financing. Profits which remains after paying taxes must be enough for covering loan payments monthly according to table payments.

Business-Projects which are not financed

There are several fields of business, which are not credited.

Here are some activities, which are not financed:

- Agricultural commodities
- Motor vehicles
- Pharmaceuticals
- Rubber compounding chemicals and plasticisers
- Trade and Commercial contracts
- Manufacturing of alcoholic and tobacco products
- Luxury goods and gambling equipment
- Abortion equipment and services
- Surveillance equipment
- Fertilizer
- Military equipment
- **Ecologically harmful manufacturing**



**Eligibility:**

Businesses registered and operating in the countries where the program operates with fewer than 100 employees are eligible however joint ventures and foreign-owned companies are not eligible. Loans maximum size \$100,000.

**Applying Process**

Process of applying for commercial loan begins from visiting the Participant Bank. After initial review, credit specialist determines - does your project meet requirements of the Program?

In case of positive answer, you fill credit application form. After complete investigation, there can be necessity for additional information. If application of project is acceptable for bank – participant, then complete package of documentation is sent to the final review of Credit Commission of Small and Medium Business Crediting Izmirlian – Eurasia Program.

Bank - Participants

Bank 'Anelik'

'LendBank'

'Shirakinvestbank'

*Contact Information:*

Armenia Office:

Laurens Ayvazian

Regional Director, Caucasus

Eurasia Foundation

22 Isahakian Street, Suite 11

Yerevan, Armenia 375009

Tel: 3742-151824, 522495, 585598

[Eurasia@eurasia.am](mailto:Eurasia@eurasia.am)

[Laurens@efcaucasus.org](mailto:Laurens@efcaucasus.org)

For more information about the loan program, contact the lending office:

**In Armenia**

**E-mail: [zakar@eflp.arminco.com](mailto:zakar@eflp.arminco.com)**

Eurasia Foundation

1350 Connecticut Ave., NW, Suite 1000

Washington, DC 20036

Tel: 202-234-7370

Fax: 202-234-7377

**E-mail: [eurasia@eurasia.org](mailto:eurasia@eurasia.org)**

**6. SEF INTERNATIONAL (SMALL BUSINESS)**

## 1. Program

Loan 1st time up to \$5000

Term 1 year

2<sup>nd</sup> time up to \$10000

Term 2 year

Interest rate 2.5-3.5% monthly: Equal monthly payments

Eligible Armenian citizens and refugees, Yerevan or nearby and Sisian or nearby residents

Collateral 120% of loan

## 2. Program

Loan \$20000 (GTZ program)

Eligible for Sisian or nearby residents

Collateral 120% of loan

Application procedure

Application form (\$10 for Yerevan residents and 2000-3000 dram for Sisian residents)

Auditor's visit to applicant (appraisal) of business

Auditor's opinion is discussed by credit commission, which gives final answer to application

## 7. INTERNATIONAL ORGANISATION FOR MIGRATION (IOM) -- MICRO-ENTERPRISE DEVELOPMENT PROJECT

IOM is an inter- governmental international organization formed in 1951 to assist individuals. Institutions and governments on issue relating to orderly and humane migration. IOM currently works in over 70 countries. Its office in Armenia was established in 1994. The sectors of its work in the country are capacity building in migration management, development of the NGO sector on migration issues and micro-enterprise development.

### Background and Purpose of the Micro-Enterprise Development (MED) Project

The MED project seeks to increase the economic self-sufficiency of low-income groups and women as well as enhance the self-sufficiency and integration of returnees, refugees and displaced persons through the provision of micro-enterprise training, credit and employment opportunities.

Collateral is provided by the borrowers. Peer guarantee groups are formed wherever possible. The project presently works in and around the cities of Yerevan and Gyumri. Loans are extended through local banks that participate in the approval of collateralized loans and share in the interest and risk.

### Partners

Funds for the project have been provided by the United Nations Development Program (UNDP) and the Japanese Government. The participating banks are ArmAgro Bank and ShirakInvest Bank. National Institute of Economy and Yerevan State University faculty participates in the business training. The project is implemented in co-operation with the Ministries of Industry & Trade and Education.

### Eligibility

Persons who meet the following criteria are eligible to register their intent to participate in the project.

Residence in Gyumri and Yerevan or surrounding areas.

Socially or economically vulnerable status:

Returnees, refugees, people living in temporary shelters, women heads of households and low income persons.

A limited number of micro-entrepreneurs who do not belong to the above categories but whose businesses are able to generate employment among vulnerable groups may also qualify.

Operation of a micro-enterprise or plans to start one.

A limited number of start-ups usually qualify and must demonstrate market potential.

Not more than one person per household may register.

Ability to provide a guarantee for the loan, either through collateral or group guarantee.

### Financial and Business Development Services

A seven day training in micro-business management and business planning for persons already operating a business.

A fifteen 7day training as above mentioned for persons planning a start-up and new businesses.

Loans for working and fixed capital on approval of business plans and collateral offered.

Loan terms of six months to a year with interest ranging from 24% to 36% per annum

The average loan size for collateralized loans is USD 2500 and USK 500 for group guaranteed loans.

Business consultation in business planning, market research, record keeping and taxation.

Promotion of linkages and networking among clients.

### Collateralized Loans:

Advertisement and registration: in the first month of each quarter (January, April, July and October) an announcement is made in the local media, inviting the registration of eligible participants.

Selection for training: in the same way, participants are screened against the eligibility criteria on the basis of the registration form and a site or home visit. In each project location, there are usually forty training places available- twenty for persons with operating businesses and twenty for start-ups or new business. A mix is kept in terms of types of businesses with trade making up not more than 50%.

Training: this is carried out as mentioned in previous section in the second month of the quarter.

Business plan preparation: on completion the training, the participant prepares a business plan, which also serves the loan application form. A business adviser from the project is available to assist with this process.

Appraisal of collateral offered: the partner bank appraises the collateral offered against its stated criteria.

Loan Approval: a loan application is accepted or rejected by a loan selection committee comprising of representatives of the partner bank and IOM on assessment of the business plan and collateral offered. This process is usually completed and the loan disbursed within three months of the start of registration.

### Group Guaranteed Loans (GGLs):

GGLs are for persons without collateral and with an existing business of six months or more. Qualifying persons may either contact the field agent responsible for GGLs in the area or be identified by the agent based on his/her local knowledge.

Group Formation: a group of 15-20 members is formed which is sub-divided into self-selecting cells of five members. The group meets weekly for a period of eight weeks before loans

are considered. During this time the group is certified as functional or not by the project management.

Training: during the eight - week period, the condensed business training module is imparted.

Savings: each member saves at least 250 Drams a week. This may be withdrawn when a member leaves the group with no outstanding payments.

Loan Approval: in the 5 week two members from each cell are selected for loans by the group and field agent. Following four weeks of full and regular repayment, two more members per cell are given loans and after eight weeks the last member. Re-loans are subject to the on-time repayment of all group members and the sum is related to the individual savings accumulated.

Conditions for both types of loans are summarized in the table below

Type of Loan	Amount Range	Terms	Interest	Up-front Fee
Collateralized	2000-2500	6 months-year	24%-36%	0.2%-0.3%
Group Guaranteed	500-5000	6 months-year	24%-36%	---

*Contact Information:*

IOM/UNDP Yerevan  
 IOM Armenia  
 14 K. Libkneht Street  
 UN Building  
 Yerevan, Armenia  
 Tel/fax: 3742-151-827  
 E-mail: [iom@arminco.com](mailto:iom@arminco.com)  
<http://www.iom.ch>

Headquarters  
 17 route des Morillons  
 C.P. 71  
 CH-1211 Geneva 19  
 Switzerland  
 Telephone: 41-22-7179111  
 Fax: 41-22-7986150  
 E-mail: [hqm@iom.int](mailto:hqm@iom.int)  
<http://www.iom.int>

## 8. KREDITANSTALT FÜR WIEDERAUFBAU - KfW

Kreditanstalt für Wiederaufbau is Germany's promotional bank for the domestic economy. KfW also serves as Germany's official development bank for countries in transition and developing countries. The German federation and the federal states own the KfW bank.

In international competition, obtaining a contract often depends on the ability to offer attractive financing to the foreign buyer. KfW extends long-term loans for exports of German enterprises and for projects in Germany and abroad in which Germany has considerable interest. KfW, mandated by the German legislature to promote German exports, has been active in export and project financing for almost 40 years. On behalf of the German government, KfW administers different official financing support schemes for export financing.

KfW loans are granted directly to buyers, banks, and investors or project companies. Borrowers may choose between loans in DEM, USD or other foreign currencies and between favorable fixed or variable interest rates.

To finance goods and services of German exporters may be secured by a cover of HERMES Kreditversicherungs-AG, Hamburg. HERMES cover is a government instrument to promote German exports. KfW gives export loans with HERMES cover mainly to finance exports to newly industrializing and developing countries. Credit risks are acceptable and KfW is prepared to examine whether loans may be granted without HERMES cover.

To facilitate export-financing transactions KfW has concluded basic agreements with many foreign banks and buyers. Project financing loans are given for an investment project, which is designed as an economic entity generating its own income. Project financing is particularly suited for large-scale investment projects.

Official support to promote exports is modest in Germany compared with the overall volume of German exports. The most important instrument is the system of HERMES cover.

*For more information:*

Website: [http://www.kfw.de/e\\_kfw/fz/head/h\\_fz.htm](http://www.kfw.de/e_kfw/fz/head/h_fz.htm)

<http://www.hermes-kredit.com> (all in German)

## 9. SAVE THE CHILDREN (FUNDED BY IESP-SA AND OSI AF)

### Micro-finance Programs in Armenia

Save the Children is a non-profit, non-political, non-sectarian organization. It is a leading provider of development and humanitarian assistance in more than 49 countries around the world. SC has worked in Armenia since 1993. On behalf of the United States Agency for International Development (USAID), funds provided to US PVOs (Private Voluntary Organizations) and local NGOs (non-Governmental Organizations) for humanitarian and development activities in the country. While this program was completed in 1998, SC community development program aimed at promoting community self-reliance.

Save the Children and its mission.

The worldwide purpose of SC's micro-finance programs is to improve the economic security of children in need. SC achieves this by building or reinforcing the capacity of micro-finance institutions that provide sustained access to financial service for poor women micro-entrepreneurs. SC and its partners implement micro-finance programs in 15 countries that currently serve 40000 active clients. The approach of Save the Children is to promote locally appropriate programs in education, health care, environmentally sound agriculture and economic productivity.

### 3 Program Principles

The SC micro-finance program is intended to provide small sized loans to women entrepreneurs. The expectation is that over time, borrowers will progress to larger size loans, enabling them to better meet household security needs and support the growth of their businesses. Specific program requirements include:



- Clients must have an existing business that has been operational for at least six months.
- Clients must form guarantee groups. Comprised of 9-15 members (each member representing one business and one family).
- Initial loans given are in the amount of approximately \$100 (dram equivalent).
- The individual loan term is four months, with weekly repayments.
- Groups with 100% repayment are eligible to receive larger-sized loans, amounting to approximately a 30% increase from the former loan size.

#### Conditions and Interest Rates

Guarantee group 9-15 person

Loan from \$100 to \$500 per person

2% of charge is hold

No collateral

16 equal weekly payments

Work regions Yerevan and Sisian

Contact us for further information:

Save the children, Yerevan MF Office

Address: 2 Apt. Khazar Parpetsi street, Yerevan, Republic of Armenia

Telephone: (374 2) 534 820, AT&T 151 872

E-mail: [vgagik@arminco.com](mailto:vgagik@arminco.com)

Save the children, Sisian MF Office

Address: 35/2 Israelyan street, Sisian, Republic of Armenia

Telephone: 8 (2750) 55 67

#### 10. GERMAN-ARMENIAN FUND (GAF)

The GAF was established in 1998 by the Armenian and German governments, based on an agreement on financial co-operation to support and promote small businesses in Armenia. The Fund totals DEM 6 mln, with an option to increase this to DEM 16 mln. The Central Bank of Armenia (CBA) will allocate these funds to participating Armenian commercial banks – partner banks (PB), and they in turn will lend these funds to micro and small enterprises (MSE) and individual entrepreneurs.

##### Project Description

The objective of the GAF is to develop and strengthen reliable financial institutions in providing financial services to Armenian MSEs. The GAF provides for a micro-loan-financing program and a small loan-financing program. Funds and loans are provided only in the Armenian national currency, the AMD (no exchange rate risk for the borrower).

The micro loan-financing program extends loans of up to AMD 4,500,000, for terms of up to 3 years; the loans are available to businesses with not more than 20 employees. The monthly interest rate in AMD varies from 2% to 3% determined by PBs.

The small loan-financing program extends loans from AMD 4,500,000 to AMD 22,000,000, and is available to businesses with up to 50 employees. The monthly interest rate in AMD varies from 2% to 3%.

The target of the loans is limited by environmental requirements of both countries. Speculation or gambling types of businesses can also not be subject to finance. For this need a sophisticated technical assistance (TA) package is provided which gives temporary financial support, an essential complement provided to local means (CBA, financial sector). The TA component of the GAF has a set time frame of two years.

### Application Procedure

The client gets information on the terms and conditions of the loans, fills in an application form, and gives necessary information and documents concerning his/her financial standing. The loan officer establishes the collateral and visits the client's business premises. The client is rarely asked to submit a business plan. The final decision of disbursing a loan is made by the GAF credit committee. Loan officers are trained in accordance with GAF requirements, so application and processing of applications take minimum of time. Under normal conditions, the whole process from application to disbursement will take about 3 days (repeat micro loans) to 3 weeks.

Start-up client has to participate in project to be financed with minimum 50% of their own resources. In this case, a full and detailed business plan is demanded, which the client has to be able to interpret on his own.

### Development and Implementation Status of the GAF as of August 1999

In March 1999, the GAF began its activity in Yerevan. Armagrobank, Bank Anelik, and Armenian Agricultural Co-operative Bank have been approved as PBs for the pilot phase. Currently, test loans are being disbursed to test lending procedures and adapt them accordingly. After completing the pilot phase, the PBs will extend the GAF lending operation into their branch networks.

For more information contact:

GAF Training Center

25, Sayat Nova st., app. 9a

Yerevan

Tel./Fax: 56 58 74

## 11. United Methodist Committee on Relief (UMCOR)

The United Methodist Committee on Relief is an American based relief organization of the Methodist Church.

### 1. Microcredit Program Aregak

Aregak is primarily involved in extending credit to rural businesswoman. Therefore, it focuses on small family businesses that are concerned to support their families. All small businesses will be considered from a baker making scones to sell at a nearby school to a woman producing cheese for a sale in the market.

The purpose of the program is agricultural assistance to small businesses and introduction of cash in villages, where the barter is now prevailing.

Credit for first time borrowers is extended for nine months for a maximum of \$300 with equal monthly payments of principal and interest. Members who have successfully repaid credit are then offered twelve-month credits for a maximum of \$420 with a three-month grace period on principal payments. All credits are provided at an effective interest rate of 3% per month.

Instead of requiring collateral Aregak forms Guarantee groups comprising five businesswomen who are often engaged in similar types of businesses. The women in the groups assist one another and guarantee that each member will repay their credit.

Aregak also helps members to solve other problems. Marketing of agricultural products, Better health care and qualified education are additional areas of assistance.

UMCOR establishes an Aregak Service Centers with a staff to explain the responsibilities, benefits and activities of the program to prospective members. The Centers are now regulating in Yeghegnadzor, Goris, Masis and Stepanakert.

Aregak encourages people to invest for the future in the form of pre-paid shares in the organization. Interest on the pre-paid shares is contributed to cover the expenses of the program. While pre-paid shares can be withdrawn any time; those program participants who maintain their pre-paid shares will become shareholders in Aregak.

### Medium Credit

Credit is provided for a maximum of 18 months.

Yearly interest rate is 19%.

Areas of credit extension

Milk processing

Livestock Breeding

Cold Storage

UMCOR's partner is Lend Bank.

Programs:

#### *Vayots Dzor, Yeghegnadzor Region*

This program targets agricultural assistance for women. No collateral or up front fee is needed.

The loans are for \$300 for 5-9 months at 36% annual interest.

Countrywide

UMCOR's countrywide program is a larger agricultural credit program. Collateral is needed.

The loans are for \$30,000 for a maximum of 15 months at 19% annual interest.

UMCOR manages a \$1 million loan fund from the U.S. Department of Agriculture.

*Contact Information:*

John Irons

UMCOR

<http://gbgm-umc.org/units/umcor>

## 12. World Vision Armenia

World Vision is a private Christian organization that has worked in the Republic of Armenia since 1988. In 1993, World Vision redirected the focus of its programs from direct humanitarian relief to long-term development assistance. Since 1996, World Vision has operated a micro-enterprise development program (MED) aimed at alleviating poverty and creating sustainable livelihoods. Through the MED program, World Vision established SEF International; a non-bank community based credit institution with offices in the capital Yerevan and Sisian.

World Vision offers loans to businesses ranging from \$1,000- \$10,000 (plus interest rates).

The criteria and focus of the World Vision loan program in Armenia varies for several region specific programs.

### Yerevan Region:

The Yerevan region program is designed for new and existing businesses. The loans are for periods of 3 to 24 months in size from \$500 - \$10,000 at an annual interest rate of 27%- 36%. The applicant must be able to provide 100%- 120% collateral and an up-front fee of 5%.

### Sisian Region

The Sisian region program is designed for new and existing businesses. The loans are for periods of 3 to 36 months in size from \$500 - \$20,000 at an annual interest rate of 18%- 36%. The applicant must be able to provide 100%- 120% collateral and an up-front fee of 5%.

### For more information:

George Karapetyan

Credit Manager

Or Tigran Yepoyan, ytigran@acc.am

SEF International/ World Vision

19/1 Yervand Khochar Street

Yerevan, Armenia

**Phone: (374-2) 57-77-71, 55-25-22, 57-50-55**

**Fax: (374-2) 15-19-12**

### 13. Caspian Sea Initiative

The Caspian Sea Initiative will be a coordinated effort between America's three trade and investment agencies, OPIC, TDA and Ex-Im Bank. The initiative is a coordinated effort to develop the Transcaspian petroleum pipeline and spur American trade and development in the region. The three agencies will identify projects, undertake feasibility studies, provide finance and insurance for those ventures that are commercially viable, and offer technical assistance where needed.

### 14. Ex-Im Bank – Export-Import Bank of the United States

#### *Summary of activities:*

Ex-Im Bank is an independent U.S. government agency that helps finance the sale of U.S. products and services overseas. The mission of Ex-Im Bank is to create jobs through exports. Ex-Im levels the playing field for U.S. exporters by countering export subsidies provided by other governments. Ex-Im's programs focus on expanding the U.S. business market to developing nations with economies growing at twice the rate of industrialized nations. Ex-Im Bank finances the export most types of goods and services with an emphasis on environmental goods and services in high demand for developing nations.

Ex-Im provides guarantees of working capital loans for U.S. exporters, guarantees the repayment of loans or makes loans to foreign purchasers of U.S. goods and services. Ex-Im offers U.S. exporters credit insurance to protect against the risk of non-payment by foreign buyers for political and commercial reasons. Ex-Im Bank also assumes risks not taken by commercial lending institutions.

#### *Programs offered:*

**Working Capital Guarantees:** covers 90% of principal and interest on commercial loans to small and medium size companies needing funds to buy or produce U.S. goods or services for export.

Export Credit Insurance: protects against default of payment by foreign buyers because of political and commercial risk (medium term)

Guarantees of Commercial loans: covers 100% of principal and interest of commercial loans to foreign buyers of U.S. goods or services against political and commercial risks of non-payment

Direct Loans: provides foreign buyers with competitive, fixed-rate financing for purchases from the U.S.A.

*Eligibility/Application:*

U.S. exporter, the foreign buyer, a lending institution, or firm representing the exporter or foreign buyer may apply.

The product or service must have 50% U.S. content and must not adversely effect the U.S. economy.

*For more information:*

In the United States, *applications may be submitted* or just assistance in applying (check) at Ex-Im offices located in major U.S. cities and the U.S. Export Assistance Centers located nationwide. (Also, Select State governments-to promote small business exports, seminar schedules available) Ex-Im information may be obtained at U.S. embassies and consulates abroad.

Export-Import Bank of the United States

811 Vermont Avenue, NW

Washington, DC 20571

Phone: (800) 565-EXIM, (202) 565-3946

Fax: (202) 565-3380

Business Development: (202) 565-3900, Fax: (202) 565-3931

Fax Retrieval: (800) 565-EXIM, press 1, then 2 at voice prompts

TDD: (202) 565-3377

<http://www.exim.gov/>,

E-Mail: [bdd@exim.gov](mailto:bdd@exim.gov)



EX-IM BANK PROGRAM SELECTION CHART

PRE-EXPORT		POST-EXPORT						
1. Need: To finance pre-export operations		TYPE OF PRODUCTS:						
		1. Capital Goods and Services			2. Spare Parts/Consumables/Raw Materials			
		Need: To extend credit terms to foreign buyers to be competitive with foreign suppliers			Need: To protect AR's against non-payment To extend credit to buyers			
		<b>Sale - \$10 Million and Under</b>						
Problem: Lack of collateral Lender unwilling to increase line due to financial concerns		Solutions/Options:	Insurance	Guarantees	CGF	Loans	Insurance	
		Advantages:	- Fast turnaround - No review of documents by Ex-Im Bank - Can be offered by supplier - Spanish financial statements acceptable.	- Legal documents already in place - Bank may cover 15% cash payment - Documents approved before guarantee put on note - Unconditional - Transferable	- Fast - Line in place - No legal documents - Local currency loan - Local bank approval of buyer	- Fixed interest rate	Exporting Experience Level: Inexperienced      Experienced	
		Disadvantages:	- Conditional coverage		- Limited countries - Usually local interest rates	- Legal documents to be written - Shipping requirement - No bank involved for cash payment	- Multi-Buyer Policy - Single Sale Policy	
		Best Used When:	- Time is essential	- Bank willing to lend with Ex-Im Bank guarantee	- Best, if in place	- Fixed interest rate needed	- Ability to have a discretionary credit limit	
		2. Need: To improve cash flow						
		Problem: Bank will not discount foreign accounts receivable					Disadvantages: No discretionary credit limit	
		Solution:	<b>Sale - Over \$10 Million</b>					
			Solutions/Options:	Guarantees	Loans	Project Finance		
			Advantages:	- Same as above	- Fixed interest rate	Credit decision based on cash flow		
			Disadvantages:		- One-off legal agreement - No cash payment financing provided	Expensive Post-completion coverage only		
			Best Used When:	- Bank willing to lend with Ex-Im Bank guarantee	- Facing tied and competition - Fixed interest rate needed	Large projects with off-take contracts		

**Working Capital Guarantee Program**

**Small Business Insurance Policies "Hold Harmless" Assignment**

## 15. International Finance Corporation- IFC

IFC is a member of the World Bank Group which is composed of IFC, the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the Multilateral Guarantee Agency (MIGA). IFC was established in 1956 to encourage private sector activity in developing countries. It does this primarily through three types of activities: financing private sector projects, helping companies in the developing world to mobilize financing in the international financial markets, and providing advice and technical assistance to businesses and governments.

*Armenia is an IFC member country.*

### Project Finance

IFC offers full array of financial products and services to companies in its developing member countries:

Long-term loans in major currencies, at fixed or variable rates

Equity investments

Quasi-equity instruments (subordinated loans, preferred stock, income noted)

Guarantees and standby financing

Risk management (intermediacy of currency and interest rate swaps, provision of hedging facilities)

It can provide financial instruments singly or in whatever combination is necessary to ensure that projects are adequately funded from the outset. I can also help structure financial packages, co-ordinating financing from foreign and local banks and companies and export credit agencies.

IFC charges market rates for its products and does not accept government guarantees.

To be eligible for IFC financing, projects must be profitable for investors, benefit the economy or the host country, and comply with stringent environmental guidelines. IFC finances projects in all types of industries, from agribusiness to mining, from manufacturing to tourism. Although it is primarily a financier of private sector projects, it may provide finance for a company with some government ownership, provided there is private sector participation and the venture is run on a commercial basis. It can finance companies that are wholly locally owned as well as joint ventures between foreign and local shareholders. To ensure the participation of investors and lenders from the private sector, IFC limits the total amount of debt and equity financing it will provide for any single project to 25% of estimated costs; it may provide up to 35% of the equity capital for a project provided it is never the largest shareholder. IFC investments typically range from \$1 million to \$100 million. Its funds may be used for permanent working capital or for foreign or local expenditures in any IBRD member country to acquire fixed assets.

#### Mobilization

Thanks to its success record and special standing as a multilateral institution, IFC is able to act as a catalyst for private investment. Its participation in a project enhances investor confidence and attracts other lenders and shareholders. IFC mobilizes financing directly for sound companies in developing countries by syndicating loans with international commercial banks and underwriting investment funds and corporate securities issues; it also handles private placements of securities.

#### Advice and Technical Assistance

IFC advises businesses in developing countries on a wide variety of matters, including physical and financial restructuring; the formulation of business plans; identification of markets, products, technologies, and financial and technical partners; and mobilization of project finance.

It can provide advisory services in the context of an investment, or independently for a fee, in line with market practice. ♠

It also advises governments on how to improve the environment for private investment. For example, it assists them in developing domestic capital markets and restructuring and privatizing state-owned enterprises. The Foreign Investment Advisory Service, which is operated jointly by IFC and the IBRD, provides advice on attracting foreign direct investment.

#### Ownership and Management

IFC has 174 member countries. To join IFC, countries must first be members of the IBRD. IFC's corporate powers are vested in its Board of Governors, to which member countries appoint representatives. IFC's share capital, which is paid in, is provided by its member countries, and voting is in proportion to the number of shares held. IFC's authorized capital is \$2.45 billion.

The Board of Governors delegates many of its powers to a Board of Directors, of the IBRD, who represent IFC's member countries. The Board of Directors reviews all projects.

IFC is affiliated with the IBRD, but has its own share capital, Articles of Agreement, and staff. Although IFC generally operates independently of the IBRD, the two institutions coordinate their activities in many areas.

#### Funding of IFC's activities

IFC's equity and quasi-equity investments are funded out of its net worth--the total of paid-in capital and retained earnings. Of the funding required for its lending operations, 80% is borrowed in the international financial markets through public bond issues or private placements; the remaining 20% are borrowed from the IBRD. IFC's bond issues have been given triple-A ratings by Moody's and Standard & Poor's.

## HOW TO WORK WITH IFC

### APPLICATION PROCEDURES

#### *Application for IFC Financing*

There is no standard application form for IFC financing. A Company or entrepreneur, foreign or domestic, seeking to establish a new venture or expand an existing enterprise can approach IFC directly. This can be done by requesting a meeting or by submitting preliminary project or corporate information. After these initial contacts and a preliminary review IFC will request a detailed feasibility study or business plan to determine whether or not to appraise the project.

#### *Appraisal and Investment Approval*

Typically, an appraisal team comprises an investment officer with financial expertise and knowledge of the country in which the project is located and an engineer with the relevant technical expertise. The team is responsible for fully evaluating the technical, financial, and economic aspects of the project. This process entails visits to the proposed site of the project and extensive discussions with the project sponsors. After returning to headquarters, the team submits its recommendations to senior management. If financing of the project is approved, IFC's legal department drafts appropriate documents. Outstanding issues are negotiated with the company, government, or financial institutions involved and the project is submitted to IFC's Board of Directors for approval.

#### *Disbursement and Supervision*

Following Board approval, disbursements are made under the terms of the legal documents agreed by all parties. IFC supervises its investments closely, consults periodically with

management, sends field missions to visit the enterprise, and requires quarterly progress reports together with information on factors that might materially affect the enterprise in which it has invested. It also requires annual financial statements audited by independent public accountants.

Preparing your investment proposal

**Preliminary information on a project for consideration by IFC should include the following:**

1. Brief description of project.
2. Sponsorship, management and technical assistance:
  - History and business of sponsors, including financial information.
  - Proposed management arrangements and names and curricula vitae of managers.
  - Description of technical arrangements and other external assistance (management, production, marketing, finance, etc.).
3. Market and sales;
  - Basic markets orientation--local, national, regional, or export.
  - Projected production volumes, unit prices, sales objectives, and market share of proposed venture.
  - Potential users of products and distribution channels to be used.
  - Present sources of supply for products. Future competition and possibility that market may be satisfied by substitute products.
  - Tariff protection or import restrictions affecting products.
  - Critical factors that determine market potential.
4. Technical feasibility, manpower, raw material resources and environment:
  - Brief description of manufacturing process.
  - Comments on special technical complexities and need for know - and special skills.
  - Possible suppliers or equipment.

- Availability of manpower and of infrastructure facilities (and communications, power, water, etc.).
- Breakdown of projected operating costs by major categories of expenditures.
- Source, cost, and quality of raw material supply and relations with support industries.
- Import restrictions on required raw materials.
- Proposed plant location in relation to suppliers, markets, infrastructure and manpower.
- Proposed plant size in comparison with other known plants.
- Potential environmental issues and how these issues are addressed.

5. Investment requirements, project financing, and returns:

- Estimate of total project cost, broken down into land, construction, installed equipment, and working capital, indicating foreign exchange component.
- Proposed financial structure of venture, indicating expected sources and terms of equity and debt financing.
- Type of IFC financing -- loans, equity, or both, and amounts.
- Projected financial statement, information on profitability, and return on investment.
- Critical factors determining profitability.

6. Government support and regulations:

- Project in context of government economic development and investment program.
- Specific government incentives and support available to project.
- Expected contribution of project to economic development.

Outline of government regulations on exchange controls and conditions of capital entry and repatriation.

For further information:

Republic Square, 2 Khorhertaranit Street

IFC, World Bank Group

Phone: (374-2) 52.12.05, Fax: (374-2) 15-17-87

## 16. Multilateral Investment Guarantee Agency – MIGA

The Multilateral Investment Guarantee Agency, MIGA, is a World Bank Group member that encourages foreign direct investment in developing countries. MIGA provides investment guarantees in the form of insurance to private investors against the political risks of transfer restriction, expropriation, breach of contract, war and civil disturbance in the host country. MIGA also gives technical assistance to host governments on means to enhance their ability to attract foreign direct investment. The guarantee program is designed to promote the flow of private foreign investment to developing countries by mitigating political risks associated with a project. The insurance is available to eligible investors including commercial banks, for qualified investments in developing member countries.

### *Programs Offered:*

Currency Transfer Restriction: Protects against losses arising from an investor's inability to convert local currency into foreign exchange for transfer outside the host country.

Expropriation: Protects against the loss of the insured investment as a result of acts by the host country that may reduce or eliminate ownership of, control over, or rights to the insured investment.

Breach of Contract: Protects against losses arising from the host government's breach or repudiation of a contract with the investor.

War and Civil Disturbance: Protects against loss from damage to, or the destruction or disappearance of, tangible assets caused by politically-motivated acts of war or civil disturbance in the host country including revolution, insurrection, coups d'état, sabotage and terrorism.

### Coverage Availability

**MIGA** insures new investments originating in any member country that are destined for any developing country. MIGA considers investment contributions that are associated with the



expansion, modernization or financial restructuring of existing projects to be new investments and therefore are eligible.

MIGA coverage is available for investments in various industry sectors including agribusiness, energy, financial, manufacturing, natural resources, services, and tourism.

MIGA may insure equity investments in each risk category for up to 90% of the investment contribution plus an additional 450 percent of the investment contribution to cover earnings attributable to the investment. In the case of loans and loan guarantees, MIGA may insure up to 90% of the total value of payments due under the insured agreement. Regardless of the nature of the project, an investor is required to remain at risk for at least 10 percent of any loss.

MIGA currently limits coverage for single projects to \$50 million USD regardless of the number of investors or different forms of investment are to be insured.

*For more information:*

**Multilateral Investment Guarantee Agency**

Guarantee Services

Natalie Larionov 202-473-4424

[Lnatalia@worldbank.org](mailto:Lnatalia@worldbank.org)

Investment Marketing Services

David Bridgman 202-473-0775

[Dbridgman@worldbank.org](mailto:Dbridgman@worldbank.org)

Legal Services

Alev Bilgen

1800 G Street, NW, 12<sup>th</sup> Floor

Washington, DC 20433

Phone: 202-473-6163, Fax: 202-522-2630, Telex: RCA 248423

Homepage: <http://www.miga.org/>

## 17. OPIC - The Overseas Private Investment Corporation

### *Summary of activity:*

OPIC is a self-sustaining, independent U.S. government agency promoting and facilitating U.S. private investment in emerging and developing markets in key areas of the world. OPIC sells political risk insurance and financing to American businesses of all sizes. OPIC finances projects and private equity funds to facilitate private sector development.

OPIC political risk insurance protects the investments of U.S. companies overseas in new ventures and expansions or privatization of existing enterprises. OPIC political risk insurance protects U.S. businesses from currency inconvertibility, expropriation and political violence.

OPIC programs are available in Armenia for..... In May 1998, OPIC signed a formal commitment to support a \$46 million dollar Caucasus Fund that will provide equity capital to provide sector projects in Armenia, Azerbaijan and Georgia will focus on investments in the agribusiness, real estate, transportation and services sectors. Commonwealth Property Investors jointly sponsors the Fund with Junction Investors Ltd., both of the parent firm AEW International. The Fund will complement the other OPIC- supported funds that provide investment capital to private sector projects in Russia and other states of the former Soviet Union.

### *Programs offered:*

- Political Risk Insurance
- Financing private investment funds that provide equity to overseas businesses
- Financing overseas businesses through loans and loan guaranties
- Advocating for the interests of the American business community overseas

*Eligibility:*

OPIC programs are available to U.S. businesses of all sizes in nearly 140 countries and areas worldwide.

OPIC insurance is available to US citizens; corporations, partnerships and other associations created under US laws its states or territories and beneficially owned by US citizens; foreign entities that are 100% US owned; and foreign companies 95 % owned by investors eligible by creation under US laws.

*For insurance:*

Description of Letter of Registration: Look on website for more specifics

*For more information:*

Overseas Private Investment Corporation  
1100 New York Avenue, NW  
Washington, DC 20527

General Phone: (202) 336-8400

Program Information: OPIC InfoLine (202) 336-8799

Documents by Fax: OPIC FactsLine: (202) 336-8700

Insurance Department Phone: (202) 336-8595

Insurance Department Fax: (202) 408-5142

Internet: <http://www.opic.gov/>

E-mail: [info@opic.gov](mailto:info@opic.gov)

## 18. U.S. Trade and Development Agency (TDA)

The U.S. Trade and Development Agency (TDA) is an independent US government agency that helps U.S. companies pursue overseas business opportunities through the funding of feasibility studies on major projects in developing and middle income countries. TDA provides grant funding for studies to determine the technical, economic and financial feasibility of major projects and to provide detailed data for making decisions on how to proceed with project implementation. TDA provides funding for both public and private sector projects, including joint ventures in which U.S. companies plan to take equity.

TDA enables American businesses to compete for infrastructure and industrial projects in middle-income and developing countries. By providing assistance in project planning, TDA promotes economic development, while helping the U.S. private sector get involved in projects that offer significant U.S. export opportunities.

Until recently, TDA projects were primarily public sector undertakings planned and implemented by government ministries or agencies. TDA has begun to promote private sector involvement in major infrastructure and industrial projects in the NIS.

### *Eligibility:*

Because of its focused mission, TDA only considers projects that have potential to mature into significant business opportunities for U.S. companies. To be considered for funding, projects must:

- Face strong competition from foreign companies that receive subsidies and other support from their governments;
- Be a development priority of the country where the project is located and have the endorsement of the U.S. embassy in that nation;

- Represent an opportunity for sales of U.S. goods or services that is many times greater than the cost of TDA assistance; and
- Be likely to receive implementation financing, and have procurement process open to U.S. firms.

To initiate TDA consideration of a project, the appropriate NIS sponsoring entity (government or private sector) must make a request for assistance directly to TDA. When a specific U.S. company is identified by the sponsoring entity, that company must submit a detailed proposal to TDA.

Once the feasibility study is approved, the sponsoring entity must select a US firm to carry out the study. The selected firm will share the cost of the feasibility study with TDA.

Official requests for assistance must be made directly to TDA by the sponsoring organization (government or private sector) of the host country. A description of the proposed project should accompany the official letter of request to expedite the review process.

*Contact Information:*

TDA provides detailed instructions for eligibility and application process upon request and from their website.

U.S. Trade and Development Agency

1621 North Kent Street, Suite 300

Arlington, VA 22209-2131

Phone: (703) 875-4357

Fax: (703) 875-4009

E-mail: [info@tda.gov](mailto:info@tda.gov)

Website: <http://www.tda.gov/>

**19. United States Agency for International Development- USAID  
Shorebank Advisory Services**

The United States Agency for International Development, USAID, in conjunction with Shorebank Advisory Services of Chicago, is offering loans intended to develop the small and medium enterprise sector in the Republic of Armenia.

The USAID/Shorebank loans range in size from \$10,000 to \$100,000. Information about estimated time of program and availability is through local banks in Yerevan, Armenia. The loans have a two-year limit and are from three months to two years.

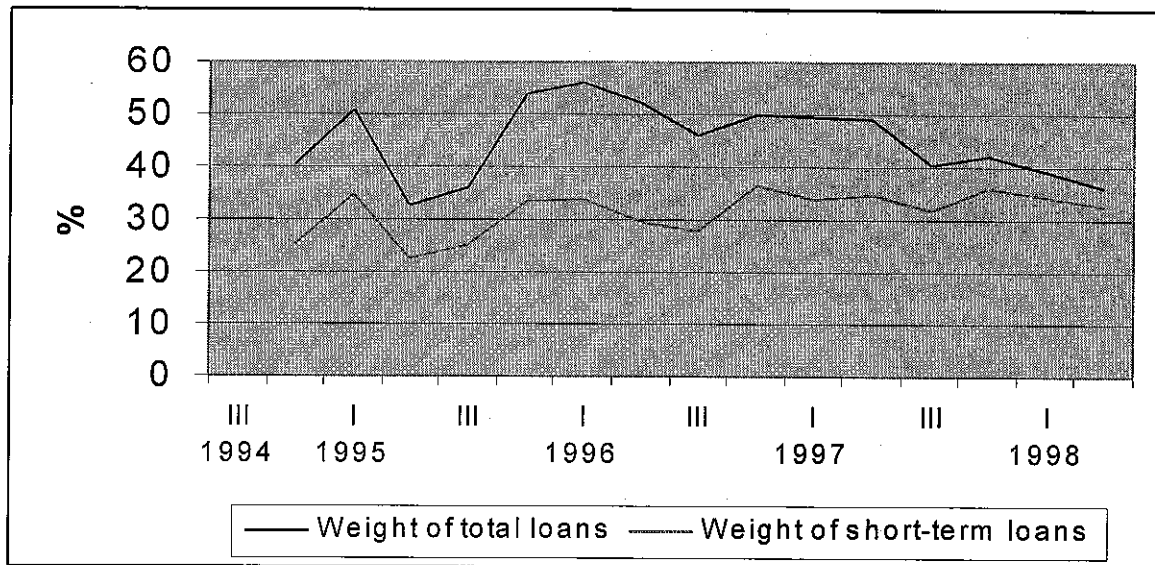
Interest rates are negotiable.

*Eligibility*

There are no sector limitations on the USAID/Shorebank loans. The conditions are negotiable. The loans are not based upon collateral but rather a combination of historical background and repayment projections on an individual case basis.

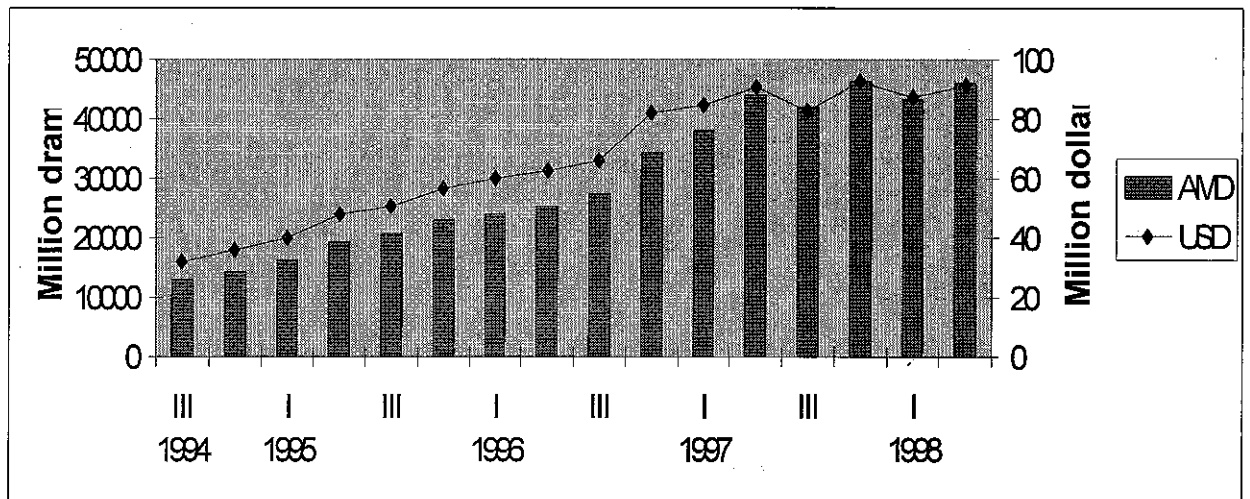
## *BANKS*

Consolidated balances of commercial banks of Armenia show the overall picture of bank activity in Armenia. The main operations of commercial banks are loan disbursements and portfolio investments.



**Figure 1. Percentage of overall loans and short-term loans in total assets of commercial banks\***

According to the statistics provided by the Central Bank (figure 1), the percent of loan disbursements in total assets of commercial banks decreased beginning from September 1995 when T-bills were introduced first time. The banks prefer to have risk free and high return T-bills in their asset portfolios. After entering into T-bills market, some banks even cancelled operations in the loan market (e. g. AdanaBank).



**Figure 2. Overall loan disbursements in AMD & USD**

Despite the situation described above, the figure 2 shows banks' loan activities are continuously growing due to stable economic situation and funds provided by international financial organizations. The upward trend is the same both for the Armenian dram and US dollar equivalent.

Loan features include:

- Term
- Size
- Preferred investment areas
- Type of currency
- Form of disbursement
- Type of collateral

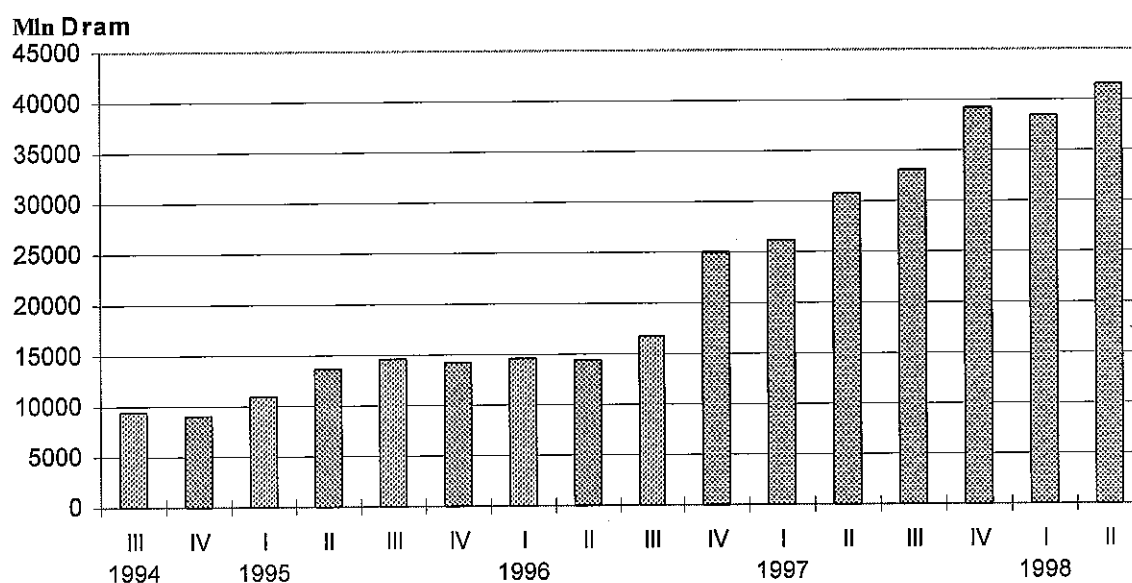
\* Source: Central Bank of Armenia



Short-term loans are used for working capital. Their necessity is determined by the need for raw materials, inventory accumulation, and debt servicing. The medium (1-3 year) and long-term (more than 3 years) loans are given for capital expenditures.

In the credit portfolio, short-term loans constitute the major part because the term is the most important feature of credit. Actually, commercial banks do not want to give long-term loans, because of high risk and relatively low rates of return.

As *figure 3* shows, short-term loans comprise considerable part of banks loan portfolio. For the second quarter of 1998 the weight of short-term loans was 92 %.

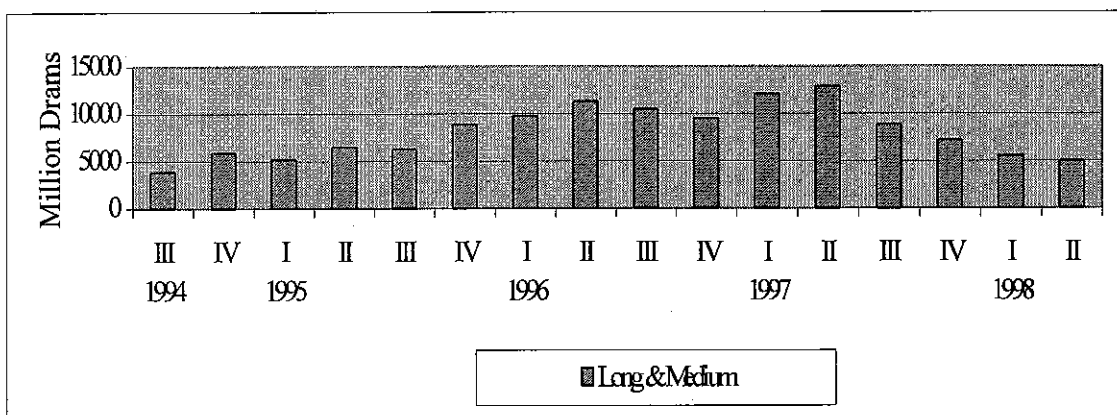


**Figure 3. Short term loans of the RA banks.\***

Therefore, it means that medium and long-term loans comprise an insignificant part of banks' assets. The long and medium term loans have high risk; therefore banks prefer short-term credit. There is no exact explanation for this phenomenon. Some bankers complain about the

\* Source: Central Bank of Armenia

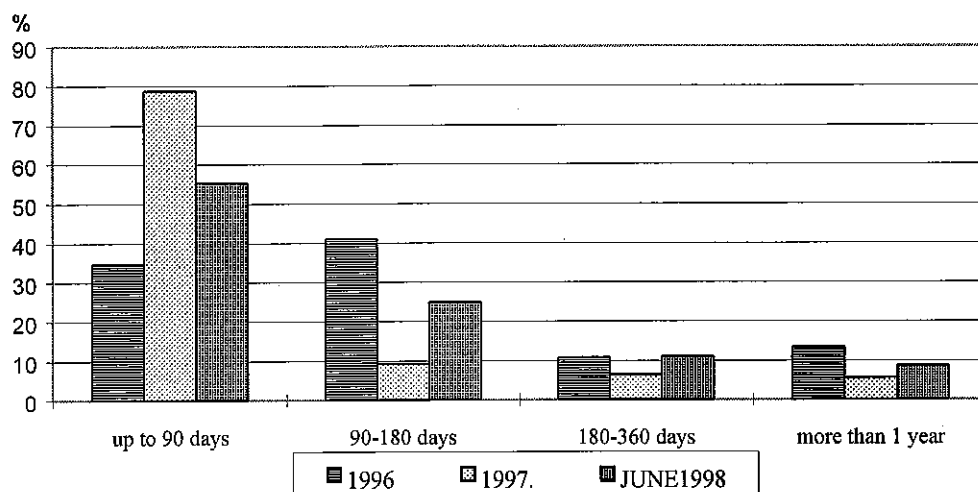
insufficiency of legal environment, others point out shortages of experienced specialists. Figure 4 shows the size of medium and long-term loans in banks total assets.



**Figure 4. The volume of medium and long term loans in banks total assets.\***

The figure 5 shows loan structure for the years 1996-1998. For the beginning of 1996 70.1% of short-term loans were for 180 days or less, while 46.3% were for 90 days or less.

\* Source: Central Bank of Armenia



**Figure 5. Term structure of commercial bank loans.**

Analysis shows that, if at the beginning of 1994 the biggest borrower was trade (about 40% all credits were provided to trade), by the end of 1994 significant amount of loans were involved in the branches of agro-industrial complex. The percent of these two big credits by the end of the year were 21.3 and 21.2% respectively (table 1).

	1993 %	1994 %	1995 %	1996 %	1997 %	Total 1998 %
Industry	6.5	12.9	25	21.8	8.5	8.1
Agriculture	5.2	21.2	17.5	3.2	6.6	4.0
Construction	1.4	0.6	0.8	3.0	0.6	0.9
Energy	0.2	0.07	3.4	31.6	31.2	31.8
Trade	39.5	21.3	19.4	20.7	35.4	12.2
Transportation and network	0.2	0.3	0.2	1.2	0.7	1.0
Other branches	47	43.6	33.7	18.5	17	42

**TABLE 1. Percentage of bank loans by economy branches (for the end of period)**

However it should be noticed that agricultural loans were given under guaranty of the government, paying no attention to the high level of previous debt of the agricultural sector to banks. However, investment in the agricultural sector is becoming more difficult, because of price and term of loans.

The branches of heavy industry (fuel-energetic, metal and chemical, machinery and construction) attract comparatively modest portions of bank loans: by the end of 1997- only 5.6%. Among them, the biggest volume was attracted by energy-enterprises (about 30%). Data indicate the specific indifference of bank credit towards the high degree of depreciation of basic equipment and the necessity of realization of basic structural changes in the mentioned branches. Besides that, provided credits to this branch were basically directed toward the debt payments to fuel, raw material resource suppliers and payment of wages of own personnel.

Considerable amount of credit began to be attracted by energy branches (table 1). Given credits were mainly provided by international credit and financial institutions through local commercial banks. It should also be noted that the ongoing privatization of power plants would increase the attractiveness of this sector for investors and insure further increase in the scale of energy branch crediting.

The credits given to physical persons remain important too. By the end of 1997 credits provided to the population constituted 23.5% of total bank loans. The credits provided to the population were mostly used to establish or continue small business, mainly in retail or sales.

The amount of credits provided in foreign currency indicates the attitude towards the credibility of national currency by commercial banks and economic entities.

In order to carry out its monetary policy, the government will continue the issuance of T-bills. The shortage of local funds for investment intended to be covered by resources provided by international institutions. But do the programs of those institutions work?

Another financing alternative -- the equity market is not developed in Armenia; therefore many firms especially in manufacturing have problems with medium and long-term financing.

**BANKS AND LOAN PROGRAMS THEY PROVIDED**

<b>N</b>	<b>Banks</b>	<b>Programs</b>	<b>Term</b>	<b>Page</b>
<b>1.</b>	<b>Lendbank</b>	<b>IDP</b> <b>Lincy foundation</b> <b>UMCOR</b> <b>Eurasia</b> <b>Foundation</b> <b>USDA</b>	<b>Long-term</b> <b>Long-term</b> <b>Medium-term</b> <b>Medium-term</b> <b>Not limited</b>	<b>55</b>
<b>2.</b>	<b>Areximbank</b>	<b>Own Resources</b>	<b>Short term</b>	<b>56</b>
<b>3.</b>	<b>Armeconombank</b>	<b>Own Resources</b> <b>Lincy Foundation</b> <b>World Bank</b>	<b>Short-term</b> <b>Long-term</b> <b>Long-term</b>	<b>57</b>
<b>4.</b>	<b>Haikap Bank</b>	<b>Own resources</b>	<b>Short-term</b>	<b>57</b>
<b>5.</b>	<b>Gladzor Bank</b>	<b>Own Resources</b> <b>World Bank</b> <b>Lincy Foundation</b>	<b>Short-term</b>	<b>58</b>
<b>6.</b>	<b>Bank Prometevs</b>	<b>Own Resources</b>	<b>Short-term</b>	<b>59</b>
<b>7.</b>	<b>Armenian Bank of Development</b>	<b>Currently don't credit</b>		<b>59</b>
<b>8.</b>	<b>Bank Akunk</b>	<b>Own resources</b>	<b>Short-term</b>	<b>60</b>
<b>9.</b>	<b>David bank</b>	<b>Own Resources</b>	<b>Short-term</b>	<b>60</b>
<b>10.</b>	<b>Bank Anelik</b>	<b>Eurasia</b> <b>Foundation</b> <b>World Bank</b> <b>Lincy Foundation</b> <b>German- Armenian</b>	<b>Medium-term</b> <b>Long-term</b> <b>Medium-term</b> <b>Medium-term</b>	<b>61</b>

<b>N</b>	<b>Banks</b>	<b>Programs</b>	<b>Term</b>	<b>Page</b>
		<b>Own Resources</b>		
<b>11.</b>	<b>Convers Bank</b>	<b>Own resources</b> <b>World Bank</b> <b>Lincy Foundation</b>	<b>Short-term</b> <b>Long-term</b> <b>Medium-term</b>	<b>62</b>
<b>12.</b>	<b>Miavorvats Bank</b>	<b>Own Resources</b>	<b>Short-term</b>	<b>62</b>
<b>13.</b>	<b>ArmAgrobank</b>	<b>Own Resources</b> <b>Market support</b> <b>Program</b> <b>International</b> <b>Programs</b>	<b>Short-term</b> <b>Medium-term</b> <b>Long-term</b>	<b>63</b>
<b>14.</b>	<b>INECO Bank</b>	<b>Own resources</b> <b>World Bank</b> <b>Lincy Foundation</b>	<b>Short-term</b> <b>Long-term</b> <b>Medium-term</b>	<b>64</b>
<b>15.</b>	<b>Melat bank</b>	<b>Own Resources</b>	<b>Medium-term</b>	<b>65</b>
<b>16.</b>	<b>ShirakinvestBank</b>	<b>Currently don't</b> <b>credit</b>		<b>65</b>
<b>17.</b>	<b>Credit Yerevan</b> <b>Bank</b>	<b>Own Resources</b> <b>ShoreBank</b> <b>World Bank</b> <b>Lincy foundation</b>	<b>Medium-term</b> <b>Long-term</b> <b>Medium-term</b>	<b>66</b>
<b>18.</b>	<b>ArdshinBank</b>	<b>Own Resources</b> <b>Lincy Foundation</b> <b>World Bank</b>	<b>Short-term</b> <b>Medium-term</b> <b>Long-term</b>	<b>68</b>
<b>19.</b>	<b>ArmSaveBank</b>	<b>Currently don't</b> <b>credit</b>		<b>68</b>
<b>20.</b>	<b>Credit Service</b> <b>Bank</b>	<b>Own resources</b> <b>Eurasia</b> <b>Foundation</b>	<b>Short-term</b> <b>Medium-term</b> <b>Short-term up</b>	<b>69</b>

<b>N</b>	<b>Banks</b>	<b>Programs</b>	<b>Term</b>	<b>Page</b>
		<b>World Bank Lincy Foundation</b>	<b>Medium-term</b>	
<b>21.</b>	<b>Trust Bank</b>	<b>Own Resources EDP Lincy Foundation</b>	<b>Short-term Medium-term Medium-term</b>	<b>70</b>
<b>22.</b>	<b>Adana Bank</b>	<b>Currently don't credit</b>		<b>70</b>
<b>23.</b>	<b>Econominvest Bank</b>	<b>Own Resources</b>	<b>Short-term</b>	<b>71</b>
<b>24.</b>	<b>Agriculture Co-operative bank of Armenia</b>	<b>Credit from own &amp; borrowed resources</b>	<b>Short-term</b>	<b>71</b>
<b>25.</b>	<b>Armimpex Bank</b>	<b>Lincy Foundation World Bank</b>	<b>Long-term Long-term</b>	<b>72</b>
<b>26.</b>	<b>HSBC-Armenia</b>	<b>Own Resources</b>	<b>Medium-term</b>	<b>73</b>
<b>27.</b>	<b>ArtsakhBank</b>	<b>Currently don't credit</b>		<b>73</b>
<b>28.</b>	<b>ArmInvestBank</b>	<b>No information available</b>		<b>73</b>
<b>29.</b>	<b>BSTDB</b>	<b>Own resources</b>	<b>No limits</b>	<b>74</b>
<b>30.</b>	<b>International InvestBank</b>	<b>Own resources</b>	<b>Short-term</b>	<b>75</b>
<b>31.</b>	<b>Menatep-Yerevan Bank</b>	<b>Own resources</b>	<b>Medium-term</b>	<b>75</b>
<b>32.</b>	<b>RIA</b>	<b>Own resources</b>	<b>Short-term</b>	<b>76</b>

### 1. LENDBANK

Lend Bank is participating several programs organized by World Bank, Eurasia Foundation, and UMCOR, USDA and giving loans for small and medium business in Armenia.

Program Name	Aim of the Loan	Interest rates per year	Size of the Loan	Term of the Loan
EDP	Manufacturing and service	18%	\$100000-200000	3-4 years
Lincy Foundation	Manufacturing, service	15%	\$100000-200000	3-4 years
UMCOR	Agriculture	19%	Up to \$30000	1.5 year
Eurasia Foundation	Manufacturing and service	18%	\$10000-100000	2 year
USDA	Agriculture	15%	Up to \$160000	Not limited

The loans are given to:

Armenian citizens or to organizations that have no more 20% foreign citizens.

Manufacturing that imports up to 25% of its necessary materials.

The loans are not given to:

State sector and Organizations that is constantly connected with one country

*Contact us for further information:*

St. Ervand Kochar 7, Yerevan

Financial manager: Alexander Frynjian

Credit officer: Ashot Muradian Lusienna Kirakosian

Telephone: 55-59-31



## 2. AREXIMBANK

Interest rates depend on how well loan is secured, term of loan and type of currency. Bank set an interest rate from individual approach to every borrower according to the table. Interest rates can be changed (increased or decreased) by the credit commission' decision according to the interest rates table.

Type of collateral	% from collateral	USD, Interest rates, Per year	AMD Interest rates per year
Blank	--	48%	60%
GSO	By agreement	34-36%	54%
Golden goods	80%	50%	60-72%
Car	60%	42-48%	60-72%
Real Estate	50%	42-48%	60-72%
Cycling means	60%	42-48%	60-72%

Legal person can borrow up to \$150000

Physical person can borrow up to \$20000

## 3. ARMECONOMBANK

Sources of loan	Int. rate	Terms	Collateral	Areas of provision
Own resources	4-4.5%	3-6months	80%	Consumer loans
World bank	18% annual	Up to 3 year	40%	Small & Medium business
Lincy foundation	15% annual	Up to 3 year	40%	Agriculture, Production Services

For Gold collateral, loans monthly interest rate 4-4,5% and loan must comprise 75-80% of collateral, depending on loan time

For Consumer Loans monthly interest rate is 5%, in this case, either Collateral of purchased good (loan is 54-60% of collateral) or Guarantee letter is required. Instead of business plan, bank requires filling the form of economic indicators of business.

Maximum Amount provided is regulated by Central Bank normative.

## 4 HAYKAP BANK

Sources of loan	Int. rate	Amount	Terms
Own resources	36-60%	20% of capital	Short-term

Bank gives loans in both Drams and USD. Collateral (gold, real estate, etc.) is required for ordinary clients, but for long-term, special ones loans may be unsecured. The bank provides interbank loans as well.

For more information contact:

HAYKAP BANK

22 Saryan,

Yerevan,

Tel.: 53 20 80

## 5 GLADZOR BANK

Sources of loan	Int. rate	Terms	Field of Interest	Collateral %
Own resources	4%	3 months	Small business	By negotiation
EDP (WB)	21%	Up to 3 year	Small & Medium business	Loan as 40% of collateral
Lincy foundation	15%	Up to 3 year	Agriculture, Production Services	Loan as 40% of collateral

Gladzor bank gives short-term loans from its own resources and participates in two outside programs -- Enterprise Development Program at World Bank and Lincy Foundation Loan Program -- as a partner bank.

The bank's short-term loans are provided for 3 months without possibility to prolong, with an interest rate 4% monthly. Collateral (gold, house, car) is required. Loans are given both to organizations and individuals.

For more information contact:

1b Charents st.

Yerevan,

Armenia

Tel.: 57 67 50

**6 BANK PROMETEVEES**

Bank Prometeves provides credits only from its own and incorporated assets, don't participate in any program.

Sources of loan	Fields of crediting	Int. Rate	Terms	Eligibility
Own and incorporated assets	construction industry trade	depending on field and liquidity of collateral 36-50% 36-50% 48-54%	3-6 months	1. Collateral 2. For legal persons Recommendations from banks 3. Financial indicators of the firm

Provided information the chief of credit department: Tel: 27- 60- 85.

For more information contact:

Prometevs Bank

St. H. Kochari 19, Yerevan

**7 ARMENIAN BANK OF DEVELOPMENT.**

Currently, the bank's credit department does not operate. In 2000, loan disbursements from own resources are expected. Terms, collateral and other conditions are to be determined.

For more information contact:

ARMENIAN BANK OF DEVELOPMENT

21/3 Paronian,

Yerevan,

Tel.: 53 03 12, 53 32 33

**8 BANK AKUNK**

Bank Akunk provides loans by its own and incorporated resources and is not participating in any program. Not distinguishes any area of loan provision.

Sources of loan	Int. Rate	Terms	Type of collateral and Loan's % of it	Accepted recommendations from
Own and incorporated assets	medium is 5% per month, depends on the source of provision (own or incorporated)	up to 1 year	Gold- 80% Real estate- 35%	Banks Government Foreign organizations

Information was provided by the chief of credit department Sahakian Hrair, Tel: 52-07-92.

For more information contact:

Bank Akunk, St. Koryun 19a, Yerevan

**9 DAVID BANK**

Sources of loan	Int. rate	Terms
Own resources	4-5%	4-5 months

Bank gives loans in both Drams and USD. There is an opportunity to prolong a loan.. Collateral (gold, real estate, etc.) is required.

For more information:

23 Halabyan , Yerevan

Tel.: 74 02 56

**10. BANK ANELIK**

Bank Anelik provides loans only to existing organizations, which have substantial economic history.

Project	Int. rate	Term	Fields	Loan's % of Collateral
Eurasia foundation Small Business De- velopment Program	18%	1-3years	Agriculture Production Services	40%
World Bank	18%	Up to 5 years	Agriculture Production Services	40%
Lincy Foundation	15%	Up to 3 years	Agriculture Production Services	40%
German-Armenian Fund	24%	Up to 2 years	Agriculture Production Services Trade	40%
Banks own means	4% monthly		Agriculture Production Services Trade Consumption	40% for legal persons 70% for private persons only by gold collateral

For more information contact:

Bank Anelik,

H Kochari 4, Yerevan

**11. CONVERS BANK**

Loan Programs	Interest rate	Terms
Own resources	3-4%	Up to 6 months
World bank	24%	Up to 5 years
Lincy foundation	15%	Up to 3 years

Every valuable thing like real estate may be collateral, except gold. There is no concrete policy concerning additional percentage of collateral necessary to provide liquid recovery of credit. So collateral must comprise only the amount of principal and interest. However, bank makes especial consideration to objective evaluation of the value collateral.

There isn't any discrimination regarding the fields in which loans may be provided.

For more information contact:

Convers Bank, st. Komitas 49

Yerevan 49,

Tel:(3742)28 10 15, 27 16 10

**12. MIAVORVATS BANK**

Currently, the bank's credit department does not operate. In the near future, loan disbursements from own resources are expected. Short-term loans will be provided for 3 months with 60% interest. Collateral (only gold) will be required.

For information contact:

MIAVORVATS BANK

4 Spendiarian

Yerevan

Tel.: 53 69 05, 53 62 20

**13. AGROBANK**

Sources of loan	Int. rate (monthly)	Terms	Collateral	Amount	Field	Requirements to applicants
Own resources	4.5%	6 month			Small business	Private person
	3.2-4%					Legal person
International programs	1.58%, also negotiable	up to 5 year, 7 year		Neg., also non- cash	production	Legal person
Marketing Support Program	1.25-1.9%	up to 3 year		\$20000	Small & big business	Private person
				\$150000		Legal person
ADP	1.1(3)- 1.(3)%	Up to 11		\$ 2000	Agriculture	Individual
		Up to 3 year		\$50000		Farm

For more information contact:

Agrobank M. Chorenatsy 7a

Yerevan

Tel: (3742) 53 -53-47



#### 14. INECO BANK

Provides loans only to existing organizations, which have substantial economic history.

Transaction	Interest (Dr)	Interest (USD)
Short-term loans		
Trade	60-72%	36-60%
Consumer	60-72%	36-72%
Medium and long-term trade loans	15-20%	18-20%

Short-term loans are provided from own resources for 3 to 6 months with an interest rate in the range of 36-48%. Collateral of 100% of the loan is needed.

Medium and long-term loans are provided within the World Bank's "Development of Enterprises of RA" and "Lincy foundation" programs.

In all cases the interest rate of a loan depends on the client riskiness, which is determined by the bank's credit committee based on a business plan and financial documents, submitted.

For more information contact:

INECO BANK

17 Tumanian,

Yerevan

Tel.: 56 37 25, 56 07 51

**15. MELLAT BANK**

Mellat bank is Persian State Bank which first requirement for giving loans is that borrower must be client of the bank.

Loans	Term	Field of Interest	Interest Rate	Type of Person	Collateral
Up to 20% capital	1-2 year	Industry	30% (yearly)	Legal&Private	Living lot 70% Trade lot 60% Factory 50%
Up to 20% capital	1-2 year	Consuming	36%	Legal&Private	Living lot 70% Trade lot 60% Factory 50%

**16. SHIRAKINVESTBANK**

Loan program is delayed.

For more information contact:

Gyumri, G. Njdeh Str. 7

Phone: (269) 22069, 23865

Fax: (269) 34843, 36214

E-mail: shik@shirak.am

## 17. CREDIT YEREVAN

"Credit Yerevan bank" Open Joint Company was founded in 1994.

PROJECT	Int. rate	Size	Term	Eligibility	Requirements
Shorebank-USAID	21 %	Up to \$ 75 000 (in average \$ 30 000)	2-2.5 years	Agriculture Production Services Prohibited Production of cigarettes and components, alcohol (up to 8%), military equipment, gambling,	Loan's 70% of Collateral Business plan, Ecological request
World Bank EDP	15-21 %	Not more than 1/5 <sup>th</sup> of capital	Up to 5 years	Agriculture, Production, Services Prohibited Production of Cigarettes and components, alcohol (up to 8%), military equipment, some chemicals	Loan's 70% of Collateral Business plan, Ecological request
Lincy Foundation	15%	Not more than 1/5 <sup>th</sup> of capital	Up to 3 years	Agriculture, Production, Services Prohibited Production of Cigarettes and components, alcohol (up to 8%)	40%

USDA	15 %	Not more than 1/5 <sup>th</sup> of capital		Agriculture processing	
WB's Agriculture Reforms Development Program					
-short-term loans	12 %	Up to \$ 2000	Up to 1 year	Individual Farmers in Armavir and Kotaik Regions	Business plan, Registration documents, Ecological request
-mid-term loans	11 %	Up to \$ 50 000	Up to 5 year	Legal Agriculture Organizations	
Banks own means	4-6 % monthly	Not more than 1/5 <sup>th</sup> of capital			

## Contact Information:

Karen Mkrtumyan

Leading specialist of International Credit Programs Service Department

Phone: 58.24.79

**18. ARDSHINBANK**

PROGRAM	INTEREST RATE		TERMS	SIZE	LOAN'S % OF COLLATERAL	ELIGIBILITY
World bank EDP	21%		3-5 years	Not more than 1/5 <sup>th</sup> of capital	40%	Small & Medium Business
Lincy foundation	15%		up to 3 year	Not more than 1/5 <sup>th</sup> of capital	40%	Agriculture, Production, Services Prohibited Production of Cigarettes and components, alcohol (up to 8%)
Own resources, monthly	3,5-4 % for loans in USD	4,5-5% for loans in AMD		Not more than 1/5 <sup>th</sup> of capital	30-40 %	

**19. ARMSAVEBANK**

A 100 % State owned bank , established in 1923.

Currently, the bank's credit department does not operate. In the near future, loan disbursements from own resources are expected.

**20. CREDIT SERVICE**

Credit Service LLC was established in 1995.

PROJECT	INT. RATE	TERMS	AMOUNTS	ELIGIBILITY	REQUIREMENTS
Eurasia	18 %	Up to 3 years	Up to \$100.000	<ul style="list-style-type: none"> <li>• Resident of Yerevan</li> <li>• Any legal business except trade</li> </ul>	<ul style="list-style-type: none"> <li>• Registration Documents</li> <li>• Technical-Economical Program</li> <li>• Collateral</li> </ul>
Agriculture reforms support program (WB)	1) 11.5 % 2) 12.5 %	Up to 1 year	Up to \$2000	1) Resident of Lori marz 2) Resident of Kotayk marz	
Lincy Foundation	15%	Not more than 1/5 <sup>th</sup> of capital	Up to 3 years	Agriculture, Production, Services Prohibited Production of Cigarettes and components, alcohol (up to 8%)	Loan must be 40% of collateral
Own Resources	12-60 %	3-6 months	By agreement	No limitations	Collateral, Business Project Audit isn't required

For more information contact:

Tel (3742) 52 77 94, 58 52 31

St. Tigran Metsi 15

Yerevan

## 21. TRUST BANK

Trust bank is a closed joint stock company, established on 24<sup>th</sup> of July 1996. Shareholders are five residents of the Republic of Armenia. The share capital of the bank has increased from 225000 USD equivalent to 720000 USD equivalent since its foundation. The banks main activities include maintenance of customers' accounts, deposits, loans, securities business and foreign exchange dealing.

Project	Int. Rate	Terms	Amounts	Requirements	Loans % of collateral
Enterprise Development Program	Up to 21%	Up to 3 years	\$30000 - 180000	Collateral of very liquid assets as gold or government short term obligations and audit of financial reports	Gold 90% Gov. Short. Obligations 90% Real estate lower
Lincy Foundation	15%	Up to 3 years	\$10000 0 and more	Collateral of very liquid assets as gold or government short term obligations and audit of financial reports	Gold 90% Gov. Short. Obligations 90% Real estate lower
Own Resources	By agreement	1-12 months	\$10000 0- 150000	Collateral, Business Project Audit isn't required	Same as above

Loans by World Bank are not allowed to provide to participants of stock exchange.

**22. ADANA BANK**

Currently, the bank's credit department does not operate. In the near future, loan disbursements from own resources are expected.

**23. ECONOMINVESTBANK**

"Econominvestbank" of Republic of Armenia is found in February 1998. It is specialized in the investments in private sector, small and medium enterprises. The main shareholders of the bank are legal persons from USA, Germany, Israel and a private person from Armenia.

The priority of " Econominvestbank" is investments in Armenian economy in order to stimulate the economy development.

Today " Econominvestbank" gives loans from its own resources but now bank is consulting with international organization in order to get loans to finance small and medium business.

" Econominvestbank" yet receives and gives loans up to 6 months. The managers have planned to make long-term loans very soon

**24. AGRICULTURE CO-OPERATING BANK OF ARMENIA (ACBA)**

Loan size	Term	Interest rate	Field of interest
Up to \$2000	Short & Medium	22% USD 32% ADM	Agriculture

Also loan's interest rate can be 18% annually, but for getting loan in such conditions borrower must have good credit history with ACBA.

For more information contact:

ACBA St. Byron 1, Yerevan

Fax: (3742) 151 755

**E-mail; [acba@arminco.com](mailto:acba@arminco.com)**



## 25. ARMIMPEX BANK

Program(s)	Sector of economy	Share of private sector	Liability/Equity ratio	Loan Size/term	Requirement for applicant	Interest rate
Lincy Program	Industry Agrobusiness Commercial service Construction Mining Electro-energy Transportation Communication	100%	3/1	100000- \$1000000 Up to 5 year	200% of loan as collateral, non-resident legal & resident person,	Apr. 16%
World Bank Program	Industry Agrobusiness Commercial service Construction Mining Electro-energy Transportation Communication	51% at least	3/1	Up to \$400000 up to 7 year	200% of loan, non- resident legal & resident person,	Apr. 21%

Independent auditor's reasonable opinion for previous financial period - programs 300000(USD) and more.

① List, which is appraising impact on the environment (checklist).

**26. HSBC ARMENIA**

Loan size/Term	Loan for	Interest Rate	Type/size collateral	Requirements to applicants
Up to 1.4 mln USD 6 months	Working capital	15-25%	Working capital 200% Inventory Real Estate Machinery	Legal person, resident of Armenia, 100% private company
Up to 1.4 mln USD 2-3 year	Capital assets			

For more information contact:

Credit Department, HSBC

Komitas 2, Tel: (3742) 228757

(3742) 220250

(3742) 239368

**27. ARTSAKHBANK**

Loan program is delayed.

**28. ARMINVESTBANK**

No material available

## 29. BLACK SEA TRADE AND DEVELOPMENT BANK- BSTDB

The Black Sea Trade and Development Bank is a Black Sea Regional bank comprised of eleven regional member countries. The BSTDB works to foster the development of all member countries while placing an emphasis on those members, who are passing to market-oriented economies. The Bank promotes private and entrepreneurial initiatives. The BSTDB aims to play a catalytic role in stimulating trade in the region with a priority placed on trade finance to be made available at competitive rates.

The BSTDB finances projects designed to facilitate trade and investment, promote prosperity, promote development and mobilize capital, telecommunications, manufacturing, financial services, transportation, energy and agribusiness projects will receive priority.

Trade finance will be supported up to 100% of the proposed project; other project financing is typically limited to 35% of total project cost. BSTDB loans must be backed by some type of security (assets or earnings) and will incur a one-percent up front fee. Rates will be risk-adjusted and loans will be made in any currency, or combination of currencies.

### *Contact Information:*

Black Sea Trade and Development Bank

1 Kominion Street

546 24 Thessaloniki Greece

Phone: 30-31-290-400

Fax: 30-31-221-796 or 30-31-286-590

E-mail: [Info@bstdb.gr](mailto:Info@bstdb.gr)

Web: <http://www.bstdb.gr>

**30. INTERNATIONAL INVESTBANK**

Loan size	Term	Interest Rate	Collateral
Up to 20% of Bank's capitalization	3 month	24 – 72 %	Convertible to Cash,
	6 month		
	1 year		

For more information contact:

International InvestBank

M. Chorenatsy 45

Yerevan

Tel: (3742) 55 16 12, 52 59 55

**31. MENATEP BANK**

Sources of loan	Provision to	Int. rate		Areas
		ADM	USD	
Own resources	Physical persons	54-84%	42-60%	All areas except agriculture
	Legal persons	48-72%	24-54%	

It should be noticed that the bank has a special approach to every client. The first insurance is the business itself. If it is a small retail shop, which want a loan in a small amount and for a short period of time then the business project isn't required and the business itself is considered for assessment. But in the case of production, for example, when the loan should be for a long time and in a large amount, then the business project is required and the risk is

assessed. According to assessment interest rates and collateral amount are determined. Collateral amount also depends on the type of collateral: is it a first class secured or second.

The focus on the client's need applies also to the term of collateral. So the bank don't have limitation concerning the terms.

It s should be noticed, that bank adapts to changing circumstances in market, due to which interest rates are not constant, but floating.

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### 32. RiA

Loan size	Term	Interest Rate	Eligibility	Collateral
Up to 20% of Bank's capitalization	3-6 months	48-60 %	Legal businesses in Yerevan region	Gold, real estate, equity

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## Abbreviations

BSTDB - Black Sea Trade and Development Bank  
CRS - Catholic Relief Services  
EBRD - European Bank of Reconstruction & Development  
EDP - World Bank's Enterprise Development Program  
EU - European Union  
Ex-Im Bank - Export-Import Bank of the United States  
GAF - German-Armenian Fund  
IBRD - Bank for Reconstruction and Development  
IDA - International Development Association  
IFC - International Finance Corporation  
IMF - International Monetary Fund  
IOM - International Organization for Migration  
JSC - Joint Stock Company  
MIGA - Multilateral Investment Guarantee Agency  
OPIC - The Overseas Private Investment Corporation  
PVO - Private Voluntary Organization  
TACIS - Technical Assistance for Commonwealth of Independent States and Mongolia  
TDA - U.S. Trade and Development Agency  
UMCOR - United Methodist Committee on Relief  
USAID - United States Agency for International Development  
WB - World Bank