

## Press Release

For immediate release

# Armenian Central Bank subsidiary Small and Medium Business Credit Support CJSC invests EUR 2 million in EFSE Armenia Local Currency Facility to support small and medium enterprises

**Yerevan (Armenia), December 5, 2011** – The European Fund for Southeast Europe (EFSE), initiated by KfW Entwicklungsbank (The German Development Bank) with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission, announced today that Small and Medium Business Credit Support CJSC (SMBCS), a subsidiary of the Central Bank of Armenia, is investing EUR 2 million in the Fund's newly established Armenia Local Currency Facility. Through this investment, the Central Bank supports the financing of local small and medium enterprises (SMEs) in Armenia. The investment agreement was signed in Armenia's capital, Yerevan, today.

The EFSE created the Armenia Local Currency Facility to support and promote local currency lending to SMEs in the country. The Facility, funded by SMBCS as its founding investor, forms a separate investment window within the EFSE. It has already proven to serve as a catalyst to mobilise additional funding as EUR 5 million are earmarked by the German Federal Ministry for Economic Cooperation and Development (BMZ) to further promote local currency lending in Armenia and other EFSE target countries. The Facility remains open to further donor funds from international donor agencies and local institutions. Local currency financing is considered the most effective means of mitigating foreign currency risks, comprising at least devaluation risk, convertibility risk and transfer risk. In particular SMEs benefit from long-term local currency loans which eliminate their foreign currency risks.

*"We are very pleased to count Armenia as an investor in the Local Currency Facility. The fact that the Central Bank of Armenia is investing a substantial amount sends a very strong signal of confidence in the EFSE and its positive impact on the country's economic development",* said Dr. Klaus Glaubitt, Chairman of the EFSE Board of Directors.

Monika Beck, Chairperson of the EFSE Investment Committee, said: *"Though they form the backbone of the Armenian economy, SMEs do not generate the foreign currency income necessary to meet the foreign currency obligations linked with a long-term foreign currency loan. Thus SMEs bear the full risk in case of devaluation of the local currency against the US dollar in which the loan is denominated. The Central Bank of Armenia therefore provides an excellent example of responsible finance by investing in the EFSE Local*

*Currency Facility and thereby facilitating local currency finance for SMEs. By supporting a broader range of loan products in the banking sector via long-term local currency loans, the Central bank of Armenia contributes to promoting the stability and development of the banking sector.”*

Arthur Javadyan, Governor of the Central Bank of Armenia, said: *“We highly value the cooperation with the EFSE in the field of SME funding. Creating an additional source of AMD-denominated lending for SMEs is an important step toward sustainable development of the banking sector. The investment of the CBA’s subsidiary in the EFSE’s capital will open a new window for Armenian lending institutions to obtain additional funding from international sources of SME financing. At this point, two Armenian banks, Ararat and Converse bank, have attracted funds from the EFSE for SME lending and we expect the number of partner financial institutions to increase with the newly established Armenian Local Currency Facility. This is a great achievement and I wish to congratulate all of us.”*

#### **About the European Fund for Southeast Europe**

The European Fund for Southeast Europe (EFSE) aims to foster economic development and prosperity in Southeast Europe and the European Eastern Neighbourhood Region (ENR) of the European Union, including Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Georgia, Kosovo, Moldova, Montenegro, Romania, Serbia, Turkey and Ukraine. It provides long-term finance primarily for micro and small enterprises (MSEs) and private households in the form of home improvement loans channelled through local financial institutions. As access to finance is a key success factor in developing the micro, small and medium enterprise segments, the EFSE focuses on assisting local financial sectors in strengthening their ability to ensure adequate and sustainable financing. Supporting the EFSE’s investment activities is the EFSE Development Facility, which provides partner lending institutions with technical assistance, consulting and training services to build operational capacities and professional management. The EFSE was initiated by KfW Entwicklungsbank (The German Development Bank) on 15 December 2005 from four multi-donor programs under its management. The EFSE is the first public-private partnership of its kind and the first privately managed fund in development finance to leverage private funding for MSE finance in the target region. Capital is provided by donor agencies, international financial institutions and private institutional investors, including the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Commission (EC), the Government of Albania, Small and Medium Business Credit Support CJSC (SMBCS), a subsidiary of the Central Bank of Armenia, the Development Bank of Austria (Oesterreichische Entwicklungsbank - OeEB), the Swiss Agency for Development and Cooperation (SDC), the Danish International Development Agency (Danida), KfW Entwicklungsbank as Lead Investor, the International Finance Corporation (IFC), the Netherlands Finance Company (FMO), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and Sal. Oppenheim and Deutsche Bank. Oppenheim Asset Management Services S.à r.l, Luxembourg, and Finance in Motion GmbH, Germany, are, respectively, the EFSE’s Fund Manager and Fund Advisor.

For more information, please visit: <http://www.efse.lu>

### **About Small and Medium Business Credit Support CJSC**

Small and Medium Business Credit Support CJSC (SMBCS) was incorporated on 28 December in 2010 to support small and medium enterprise (SME) financing in Armenia in cooperation with foreign specialised financial institutions. The main purpose of SMBCS is to establish cooperations with international financial organisations specialised in SME lending, and to find ways of channelling funds from international markets to Armenian financial institutions. SMBCS is a wholly owned subsidiary of the Central Bank of the Republic of Armenia.

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