



FINANCING FOR DEVELOPMENT

Session 4

CASE OF ARMENIA

*Finance for SMEs and Attracting Investments in
Sustainable Cities*

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LOCAL AND INTERNATIONAL FINANCING INSTITUTIONS FOR SME SECTOR IN ARMENIA

- *Local banks and UCOs*
- *SME support government projects*
- *World Bank*
- *International Finance Corporation*
- *KfW*
- *EBRD*
- *Asian Development Bank*
- *Black Sea Trade and Development Bank (BSTDB)*
- *EIB*



THE ROLE OF ENABLING POLICIES FOR INVESTMENTS AND FINANCING

Loan Guarantees

- The objectives of these schemes are to help small entrepreneurs with good projects but little collateral to obtain loans; to encourage banks to overcome their reluctance to deal with SMEs; and to provide banks with the opportunity to venture into new lending areas.
- The major LGPs currently operating in Armenia are: USAID Development Credit Authority (DCA), IFC Global Trade Finance Program (GTFP), ADB Trade Finance Program, EBRD Trade Facilitation Program.

Credit enhancements

This approach has succeeded in pushing banks to deliver some financing to SMEs. The reason for this large funding by international agencies is because banks and UCOs do not have adequate access to capital on the domestic market to satisfy the demand for SME credit.



INCREASING ACCESS TO FINANCE FOR SME's

Main obstacles for SME's to access to finance.

- Lack of sufficient collateral- banks heavily prefer land and real estate as collateral instead of movable assets
- Credit enforcement and creditor priority issues
- Lack of knowledge and capacity in SME's
- Lack of information and transparency- it increases the borrowers risks and the interest rates of lending

Possible solutions for increasing access to finance for SME's

- Initiating secured transactions reform
- Creation of registry for moveable property
- Improvement of legislation and introduction of relevant mechanisms for enforcement procedures
- Development and implementation of Financial literacy programs for targeted groups of population





TING INCLUSIVE BUSINESS MODEL



Dilijan Development Project

n's development seeks to attract local and international investors, or plan, support the micro and small enterprises, develop the tourism resort and sport centers, preserve the historical and cultural heritage

Core components of the project:

t of the city;
services and infrastructures;
community life;
l, scientific and cultural infrastructure in the city and surrounding
l and historical heritage;
community life and helping it to develop.
goals, as part of the project, plans call for implementation of long-
g the region's development, growth of investment attractiveness and
ell as constructing Dilijan itself in compliance with contemporary
ndards.