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## Where finance and green technologies meet

GEFF in Armenia Newsletter N16: Q4, 2022

### Interview with the Director of GAF on green finance developments in Armenia



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GEFF in Armenia interviewed Ms. Gayane Khachatryan, the Director of the German-

Armenian Fund (GAF) of the Central Bank of Armenia (CBA), who shared her insights regarding the development of green finance in Armenia and what opportunities lie ahead in 2023.

***1. What are the current challenges for green finance in Armenia and what trends are developing?***

Having surmounted a variety of challenges, green finance in Armenia is currently transitioning to a new stage of its development. Despite considerable positive growth in this field recently, the following obstacles remain: awareness-raising, a low level of businesses development, insufficient capacity within financial institutions, a lack of long-term financing, etc. Overcoming these challenges requires consistent and coordinated efforts on the part of major stakeholders.

One major hurdle is the need to create an enabling environment and business climate for green investments, including improvement of the country's legislative and regulatory framework. This in turn will have a positive effect on SMEs and will stimulate their interest in green investments. A good example of this is the housing market in Armenia – the construction volume of energy-efficient buildings began to grow significantly after the adoption of the current legislation, which stipulates that all newly constructed buildings need to be in compliance with energy efficiency standards.

***2. How would you assess the level of interest and activity of local financial institutions in the field of green finance and what are the related challenges and opportunities for facilitating greater uptake?***

Although IFI-based funding still makes up a large share within local financial institutions, more and more green investments are being financed using the institutions' own funds. There are several banks that are very active in green financing and which are taking a lead role in the market by setting up strategies, establishing standards, and designing green products.

One of the major challenges faced is capacity-building – both within financial institutions and among final beneficiaries – in order to identify potential green investments and assess their positive impact on the environment as well as their long-term business efficiency.

On the other hand, financial institutions now have a great opportunity to increase the quality of their portfolio through green investments, which will lead to lower credit risk as a result of the increased efficiency and sustainability of their clients. This will in turn help FIs to increase their profits in the long run, attract long-term financial resources, and become more competitive.

### ***3. How do you evaluate the role of IFI-based funding and the accompanying TA in supporting the further development of green finance in Armenia?***

The development of green finance in Armenia has been continuously supported by IFIs through various important initiation and implementation programmes. These programmes have brought with them international best practices and standards, technical skills and requirements, knowledge, and of course a shift in the culture. This has been very valuable for both financial institutions and the private sector as a whole. One of the key benefits of IFI-based funding has been the provision of technical assistance to financial institutions and potential clients. TA helps to build and develop capacity and competence in various areas of technology, in addition to creating an understanding of the benefits of green finance, providing technical consultations to potential clients, establishing processes and procedures for green financing, designing and promoting different products, and calculating GHG emissions and energy savings.

One example is the adoption by financial institutions of an environmental and social management system, which is in line with IFC and World Bank standards.

### ***4. What are the most popular green investments in Armenia? What else can be done to facilitate other green investments?***

Solar power plants have experienced immense growth in recent years. Solar PV technology is extremely attractive for both private individuals and business entities. Another growing sector is the construction of energy-efficient multi-apartment buildings. The agricultural sector also harbours great potential for green investments, but this still needs to be studied extensively.

One of the most important activities for facilitating green investments is the organisation of awareness-raising campaigns among the vast range of stakeholders, with the aim of disseminating the required knowledge and best practices. This should be supported by the

implementation of pilot projects which can be used to showcase positive experiences in this field and stimulate the further uptake of green investments.

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## New partner financial institution (PFI) joins GEFF in Armenia – HSBC



The EBRD and Green Climate Fund (GCF) continue to contribute to the transition to a green economy by providing green finance through local financial institutions in Armenia. In October, USD 2 million was provided to HSBC Bank Armenia (HSBC) by the EBRD and GCF for on-lending to the private sector.

The proceeds of the loan will be used for financing investments in climate change mitigation and adaptation technologies by local private sector commercial sub-borrowers in a gender-responsive way in line with the standards and reporting requirements for GEFF in Armenia. 100% of the loan proceeds will be related to Green Economy Transition investments. The PFI will benefit from Technical Cooperation (TC) in the form of training activities, capacity-building measures and support for project implementation from the dedicated programme consultants.

The project supports the Green Transition Impact quality through the provision of funding and know-how to financial intermediaries financing private sector investments in high-performing climate change mitigation and adaptation technologies and solutions. This will facilitate Armenia's transition to an environmentally sustainable, low-carbon and climate-resilient economy.

**HSBC Bank** is a commercial bank in Armenia predominantly focused on corporate

banking. HSBC ranked 11<sup>th</sup> in terms of total assets and 9<sup>th</sup> by gross loan portfolio, accounting for 3.7% and 3.9% of the respective market shares as of year-end 2021.

Since the launch of the first phase of GEF in Armenia, HSBC is the fifth PFI to join the programme. A list of all PFIs can be found under the following [link](#)

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## Small-scale solar PVs – All you need to know (event and video)



GEFF in Armenia, together with Climate Investments Funds (CIF), are dedicated to raising awareness about best practices with regard to investing and implementing small-scale solar PV plants in Armenia and sharing extensive experience with local businesses.

On 6 October the GEF team conducted an event on the topic “Small-scale Solar PV Plants – Everything You Need to Know” in Yerevan. The event was supported by CIF.

A PV plant is a long-term investment that provides significant and tangible benefits in the form of renewable energy. The lifetime of the PV plant is assumed to be at least 20 years, so it is important to maximise the benefit from the investment for this period. Correct installation of the panels, equipment certification standards and manufacturer guarantees can help ensure the durability of the plant and its stable operation over time. Therefore,

being knowledgeable about best practices, risks, and mistakes to avoid is crucial for maximising the potential of PV plants.

At the event, experts from the field provided practical guidance on building solar PV plants for businesses' own needs, quality assurance and best practices, as well as discussed industry developments and future expectations.

More than 65 participants attended the event. They included potential and existing PV plant owners, PV plant suppliers and producers, representatives of financial institutions, and other stakeholders of the energy efficiency/renewable energy sector.

The two-hour event, which was followed by a Q&A session and a networking opportunity, covered the following topics:

- GEFF as one of the driving forces behind the growing solar PV market in Armenia
- Lessons learned over the years about financing solar PV plant
- Challenges and expectations for the further development of the Armenian solar PV market
  - Market liberalisation
  - Future of net-metering
  - Quality assurance
- Examples of successful projects and mistakes to avoid

During the event, apart from different video-based showcases, the GEFF team also presented an explainer video summarising the risks, mistakes and recommendations for the optimal performance of a small-scale PV plant. The video was produced by GEFF in Armenia recently and is particularly useful for any business implementing or thinking about investing in a solar PV plant.

Watch the video: [Best practices for maximising small-scale solar PV plant performance](#)

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## **Gender events held in the Caucasus region by the EBRD GEFF**

The EBRD's GEFF conducted eight training sessions in Armenia and Georgia focused on

gender inclusivity and climate change in the last quarter of 2022.

Two sessions held for GEFF's PFIs focused on presenting the results of the baseline assessments conducted by GEFF as well as on showcasing the main discussion points of the first GEFF gender event held in 2021. GEFF experts outlined the main barriers to obtaining green financing for MSMEs and presented possible solutions and measures to accelerate the development of green finance in the region.

Four sessions held for Georgian and Armenian female entrepreneurs were attended by owners, founders, and managers of various businesses. At these sessions, participants were given information about GEFF and provided with expert advice on how to make their businesses more sustainable. After attending the workshop, female entrepreneurs operating in the hospitality and textile industries, as well as wineries, had obtained knowledge on how to use energy more efficiently and thus reduce their energy costs. The workshop also presented the challenges posed by climate change in addition to ways of mitigating climate change using high-performing technologies. The useful tips on behavioural changes aided the businesswomen in becoming more conscious of their day-to-day operations. The session wrapped up with a showcase of real investments financed by GEFF and highlighted their success in developing more energy-efficient businesses.

The two sessions held in November focused on a broader business segment. The session entitled **“Workshop for SME entrepreneurs”** was open to both male and female SME business owners. Participants listened as GEFF experts presented cases for (1) empowering women to take more action and utilise their economic potential as well as accessing the financing opportunities available to them; (2) using energy-efficient technologies in business. Understanding that the cost of *not* investing in newer and more efficient technologies is much higher than the cost of investment was one of the main takeaways of the session.

In total, more than 100 business owners were in attendance. The unexpectedly high attendance rate highlights how eager both female and male entrepreneurs are to receive information on how to move their businesses onto a greener path. Most SMEs now understand that “green” does not only mean being environmentally friendly, but also being business friendly, as these technologies help reduce costs, increase productivity and thus utilise their resources to the

fullest.

More workshop sessions are planned to be held in both countries by GEF in January 2023.

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## Featured technology:

### Rainwater harvesting tanks

We never really think about water or the possibility of its scarcity in the world. Much like any other resource, water needs to be consumed consciously and with efficiency in mind. Entrepreneurs should start thinking about saving and reusing water for purposes that serve their business activities.

For instance, developers can make their buildings more efficient by harvesting rainwater and in this manner reduce their main water consumption.

The harvested water can be used to irrigate landscaping, outdoor taps, etc. Companies operating large headquarters can install RHTs to save on their utility costs and use the greywater to carry out car park maintenance, flush toilets, etc.

See which energy efficient technology suppliers are available on the Armenian market through the [Green Technology Selector](#).

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## Success story

Nairi Land LLC produces more than 15 varieties of ice cream as well as chocolate dragees and chocolate paste. In the production of ice cream, chocolate and cocoa coatings are used, so the company launched its own line of chocolate made from imported cocoa powder. To ensure



the quality of its chocolate, the company decided to upgrade its existing equipment. Nairi Land's new high-performing production line makes chocolates and bars.

The new equipment has a lower specific energy consumption due to several technical solutions:

- Insulated chocolate tank and controller-operated heating and mixing for optimum warm-up times and lowest heat losses
- Moulding machine which fills the moulds with chocolate and filling in a single operation
- Cooling tunnel with integrated cooling and humidity control unit and belt speed control

View more success stories on our [website](#).



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### Investor

Nairi Land LLC

### Location

Aragatsotn region

### Investment

Production line for chocolates and bars

### Investment size

US\$ 108,350

### Energy savings

8.3 MWh/year

### CO<sub>2</sub> savings

2.04 tCO<sub>2</sub>/year

### Impact

Increased production variety

### Donors

GCF, CIF

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Supported by:





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