



Eurasian  
Development  
Bank

# **Progress Report on the EDB Country Strategy for the Republic of Armenia: 2022**



# 1

## Overview of Country Strategy Progress in 2022

Armenia  
Yerevan

### Executive Summary

In 2022, the EDB launched its new 2022–2026 Country Strategy for the Republic of Armenia (“Country Strategy”), primarily focusing on strengthening its role as a multilateral development bank – leading investor in Armenia’s economy over the key areas: development and improvement of project mechanisms and transformation of its operational model.

As of 1 December 2022, the following results had been achieved:

→ **The first investment project in Armenia was successfully implemented, with the Bank assuming a leading role in its organisation, preparation and structuring at all stages.**

The Bank fully leveraged its resources, competencies and instruments as a leading participant of the project to finance the Yeremyan Group’s business in agriculture and food industry, thereby fulfilling the goal of bolstering the Bank’s role in nurturing investment initiatives from pre-investment to transaction stages.

→ **The Bank intensified its efforts to synchronise project priorities with the development objectives outlined in the Country Strategy.**

In 2022, the Bank worked in close cooperation with local executive authorities and state bodies, as well as business representatives in Armenia to focus joint efforts on the Bank’s priority areas in the country. In collaboration with the Government of Armenia, the Bank presented its 2022–2026 Country Strategy to the local business community to expand the scale and impact of its activity in Armenia in the context of the EDB’s newly introduced country-focused approach based on the Country Strategy.

→ **In terms of sector-specific objectives, the most significant progress was made in agro-industrial complex development.**

In 2022, the Bank continued to focus on initiatives in agriculture and the financial sector. In subsequent periods, the EDB plans to diversify investments in line with its key objectives specified in the Country Strategy, including in industry, infrastructure and the digital transformation of the economy and public governance.

→ **The Bank deployed a record amount of the EDB Technical Assistance Fund's resources as a support instrument to nurture promising initiatives in Armenia.**

The EDB allocated US \$1.7 million from the TAF to reduce the cost of resources within the project to finance the Yeremyan Group's agriculture and food project, making it a record project for the TAF, which accounted for about 32% of its financing volume of new projects in 2022.

→ **In 2022, the EDB signed new agreements for major projects in Armenia's key sectors.**

During the first year of the Armenia's Country Strategy implementation period, the Bank met or exceeded preliminary targets set for the five-year period through 2026 within the strategic plan.

→ **By the end of 2022, the Bank's portfolio in Armenia was projected to reach a record high.**

The first year of the EDB Country Strategy for Armenia can result in a record amount of new investments and portfolio volume since Armenia's accession to the Bank. The volume of annual real-sector investments in 2022 is projected to be nearly six times higher than in 2021, with the portfolio anticipated to grow by 1.4 times.

→ **The Bank's digital transformation efforts earned international recognition.**

The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) awarded the COVID-19 Free Travel app, developed by the EDB Fund for Digital Initiatives and listing 125 labs across Armenia, with its Sustainable Awards 2022. In early 2023, the EDB Fund for Digital Initiatives plans to launch Armenia's national segment in its "Work in the EAEU" app.

# Year 2022 in Figures

As of 1 December 2022



**\$464.7m**

Cumulative portfolio



**\$241.7m**

Current investment portfolio

↓ Cumulative expected results for 2022

**\$100m**

New signings

↓ In 2022:



**\$95m**

The Bank's annual investment in Armenia's real sector



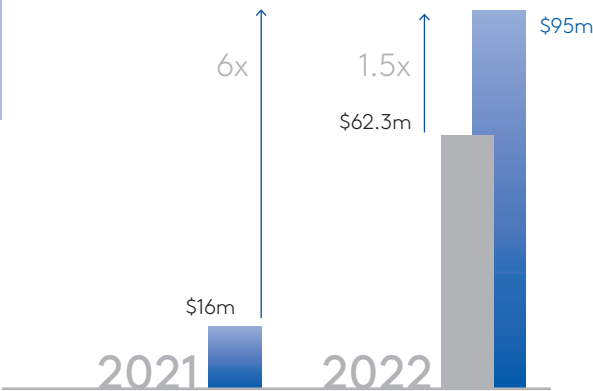
**\$43.5m**

Agriculture



**\$5m**

Financial sector



It will exceed the cumulative investment volume in Armenia's real sector since Armenia's accession to the Bank by 1.5 times

Almost six-fold increase compared to the Bank's investment activity results in 2021



The first new projects signed in this Armenia's sector in 12 years

The EDB's current portfolio investments contribute to:



Increased outputs in Armenia's economy

**\$387m**

per year



Increased tax revenues

**\$3m**



New jobs creation

**200**

jobs

# 2

## Progress on Strategic Objectives in 2022



In 2022, supported by improvements in the macroeconomic environment led to the restoration of Armenia's demand for investments.

Armenia maintained high economic growth rates in the first half of 2022 due to increased domestic demand and maintaining high prices for key export products. At the same time, growth rates may slow in the second half of 2022 due to weakened external demand for exports, as well as high inflation rate.

## Objective 1



# Facilitating the development of sustainable infrastructure

↓ What we do



**Our focus: projects considered and reviewed by the Ministry of Economy and the Ministry of Territorial Administration and Infrastructure**

### 1.1 **Developing and modernising energy infrastructure**

Supporting the diversification of electricity generation sources

### 1.2 **Developing sustainable and safe industrial and transport infrastructure**

Working on a related initiative to implement automatic metering systems in Armenia's energy system

Identifying promising projects to develop socially important infrastructure in healthcare

↓ Achievements



## A solar energy development project was prepared for signing

- o Project review completed
- o Terms and conditions successfully negotiated



**Financing the construction and commissioning of solar power plants**

**11**

Solar power plants

**55 MW**

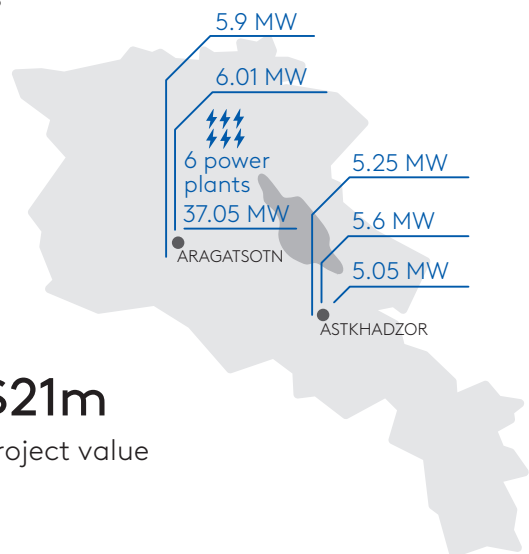
Total capacity

**12/2022**

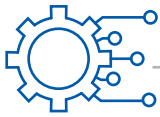
Signing expected date

**\$21m**

Project value



## Objective 2



# Diversifying industry and exports

↓ What we do



**Our focus: promoting innovative development and establishing long-term partnerships**

**2.1 Developing tourism and increasing the share of services, including digital ones, in foreign trade**

Preparations for future activities in progress

**2.2 Modernising and setting up new high-performance enterprises**

Exploring promising areas of collaboration on initiatives implemented by Armenian businesses

↓ Achievements



## New project agreement for financing the implementation of automatic metering systems in Armenia's energy system

The project will help to:

- o Increase the safety and reliability of the energy system
- o Reduce the average rate of emergency outages

**\$30m**  
Project value



## Cooperation agreement with the Tashir Group of Companies

- o Covering the Bank's operating region and several sectors



Metallurgy



Telecommunications



Energy

## Objective 3



### Food security

↓ What we do



↓ Achievements

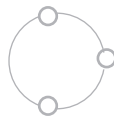


#### Trilateral cooperation with Yeremyan Farm

*Yeremyan*  
projects

- o Negotiating the terms and signing a trilateral memorandum between

The EDB



The Government of Armenia

Yeremyan Farm

- o Participating in the **Experimental Programme to Support Investment in Armenia's Livestock Sector\***



\* Approved by Government Resolution 276-L dated 3 March 2022

**Objective:** The EDB provides assistance to the Government by financing projects that promote:

- 💰 Deeper processing of raw materials
- ⬆️ Increased added value of products



\$43m

Funding provided

- o Activities implemented to use TAF resources to reduce borrowing costs.

The funds will be used to:

- develop the full production cycle, including replacing low-yielding animals with pedigree livestock
- expand the farmland for fodder crop production
- modernise assets to boost meat and dairy production capacity

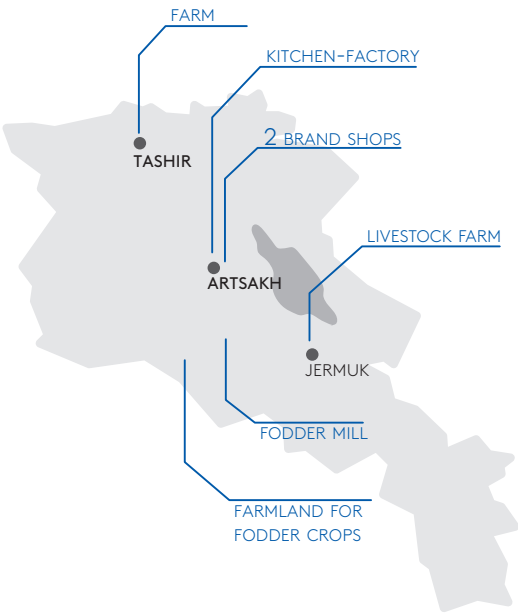
The build-up of Armenia's own production capacity is anticipated to

substitute  
**7% of imports**

improve domestic  
**milk supplies**  
of Armenia

\* the current percentage of milk supplied from domestic sources is 82%

Formulating financing conditions and signing an agreement on the Bank's pilot participation in the Programme, with the EDB to finance the Yeremyan Group's investment projects in agriculture and the food industry



## Supporting the development of an agricultural goods distribution network

The Bank worked on identifying promising initiatives to promote cooperation in the construction and modernisation of infrastructure facilities in the agricultural sector.

Objective 4



# Developing accessible financial services

↓ What we do



↓ Achievements



**Our focus: scaling up the effects of infrastructure development and targeted lending programmes**

4.1 **Developing financial infrastructure**

The Bank continued to implement its joint initiative with the Armenia Securities Exchange to modernise and develop the country's financial markets

4.2 **Increasing the capacity of the financial services market, including with targeted SME financing programmes**

In 2022, the Bank continued to implement joint initiatives with its partner commercial banks in Armenia to finance targeted lending programmes

## The final tranche of funding for software modernisation at the Armenia Securities Exchange

- o Financed by the EDB TAF
- o By the end of 2022, plans included fully integrating the trading system into the exchange infrastructure

## Loan facility provided

- o A new loan facility agreement signed with ARMSVISBANK

**\$5m**  
Project value

## Objective 5



# Digital transformation of the economy and public governance

↓ What we do



↓ Achievements



### Our focus: supporting the synergies of digitalisation

- project activities by sectors
- with financing provided through the TAF
- work on the initiatives to use the EDB Fund for Digital Initiatives

#### 5.1 Promoting the development of safe and sustainable digital solutions and infrastructure

The EDB prioritised expanding the key activities of its Fund for Digital Initiatives. The Fund for Digital Initiatives:

- participated in the establishment of an interagency task force for the “Work in the EAEU” project, chaired by Armenia’s Deputy Minister of Labour and Social Affairs
- developed a roadmap to launch Armenia’s segment in the “Work in the EAEU” mobile app

#### 5.2 Improving the efficiency of data circulation

Promoting the development of technology platforms

A related initiative financed by the Fund for Digital Initiatives



A project to modernise the Armenia Securities Exchange

To develop the activities of the Fund for Digital Initiatives and as requested by the Armenian side:

**The Fund prepared proposals for its participation in the first donor conference on implementing the national digital agenda**



The Fund prepared proposals on the format of the EDB's participation in financing digital projects



Armenia joined the Fund's COVID-19-Free Travel project

**125**

labs connected to the app in Armenia

**> 560 000**

times used by country residents



Preparing for the Armenia Securities Exchange modernisation project

o The Bank focused on preparations to launch a technology platform within the related initiative to develop financial services accessibility, with the use of TAF resources – the project to modernise the Armenia Securities Exchange

o This project helps to improve the:



speed



reliability

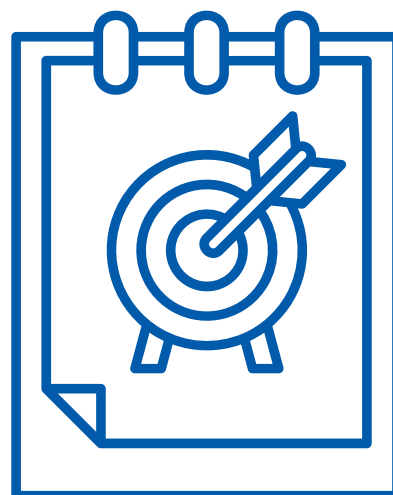


security

of data exchange within the technology platform supporting interactions between the regulator and financial market participants

# 3

## Strategic Objectives for the Next Period



## Plans

In 2023, Armenia's GDP rates will stabilise. The EDB expects it to grow by 4.5%, which is line with the medium-term expectations outlined in the 2022–2026 Country Strategy.

The EDB will pursue the following objectives in 2023:

→ **Increased investment diversification.**

In 2023, besides ongoing cooperation programmes with partner commercial banks in the financial sector, the EDB will work to develop cooperation on investment initiatives that increase value-added in Armenia's manufacturing sector, as well as on projects that foster economic diversification and increase the share of services in GDP.

→ **Expanding the list of promising initiatives to enhance the cooperation agreements reached by 2022 in line with the Bank's development priorities in Armenia.**

During the first year of its 2022–2026 Country Strategy, the Bank reached agreements with project initiators, including private businesses and relevant institutions, to develop cooperation in promising investment areas. The Bank expects that these agreements will lay the groundwork for expanded investments in Armenia, which the Bank aims to review and explore further in 2023.

→ **Potential use of TAF resources for real sector projects.**

The Bank anticipates strong demand for TAF financing in support of promising project initiatives in Armenia aligned with the EDB's key objectives of developing infrastructure, industry and agriculture.

The activities to implement the Bank's strategic objectives are outlined below.

Objective 1



# Facilitating the development of sustainable infrastructure

↓ What we do



## 1.1 Developing and modernising energy infrastructure

In 2023, the Bank plans to reach advanced stages in its review of promising project initiatives to construct renewable energy facilities

Priority

Developing a solar power plant project up to the financing stage in 2023

In addition, the Bank plans to focus more on:

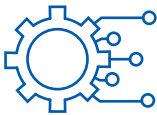
- o Initiatives to develop and modernise key conventional generation facilities
- o Exploring a project to upgrade a thermal power plant



## 1.2 Developing sustainable and safe industrial and transport infrastructure

Exploring conditions and the possibility of co-financing to support the development of healthcare infrastructure in Armenia

Objective 2



# Diversifying industry and exports

↓ What we do



## 2.1 Modernising and setting up new high-performance enterprises

The Bank may consider an initiative to establish a foundry, which aims to:

- o Increase the share of domestic processing in the steel industry
- o Enhance self-sufficiency in primary foundry production



## 2.2 Developing tourism and increasing the share of services, including digital ones, in foreign trade

The Bank plans to explore cooperation initiatives within projects aimed at developing Armenia's telecommunications market.

## Objective 3



### Food security

↓ What we do

Objective



#### 3.1 Improving agricultural productivity



The Bank plans to work on augmenting the opportunities for its participation in the Experimental Programme to Support Investment in Armenia's Livestock Sector

Objective



#### 3.2 Supporting the development of an agricultural goods distribution network

The Bank aims to intensify its efforts to identify promising initiatives aimed at developing Armenia's agricultural goods distribution infrastructure

## Objective 4



### Developing accessible financial services

↓ What we do

Objective



#### 4.1 Developing financial infrastructure

Following the installation of systems under within the project to modernise software of the Armenia Securities Exchange, with financing from the EDB TAF, elements of the modernised infrastructure are expected to be put into operation.



Upon completion of the trading system's integration into the exchange infrastructure, it is planned to:

- o Connect the exchange system to:

 The Central Depository of Armenia  
 The Central Bank of Armenia



- o The integration is expected to make it possible for participants to:

 Deposit and withdraw funds  
 Secure netting and clearing transactions

Objective



#### 4.2 Increasing the capacity of the financial services market, including with targeted SME financing programmes

The Bank will work to increase financing in national currencies for Armenia's targeted programmes.

Taking into account its experience in cooperation on financial sector projects in Armenia, the Bank considers:

- o The possibility of increasing limits under the current agreements with its partner commercial banks in Armenia
- o Renewing cooperation and supporting new promising programmes offered by financial institutions

Maximising potential contribution to the Bank's goals and objectives in Armenia in line with its Country Strategy

## Objective 5



# Digital transformation of the economy and public governance

↓ What we do

Objective



### 5.1 Promoting the development of safe and sustainable digital solutions and infrastructure

The EDB plans to further develop the activities of its Fund for Digital Initiatives:

- In early 2023, the EDB Fund for Digital Initiatives plans to launch Armenia's national segment in its "Work in the EAEU" app
- To realise digital competencies, the EDB Fund for Digital Initiatives conducts a Digital Project Competition. The competition is aimed at promoting cooperation between Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan through digital projects.

The EDB will continue to work on key digital transformation initiatives and implement ongoing projects of its Fund for Digital Initiatives.

Objective



### 5.2 Improving the efficiency of data circulation

In addition to projects of the Fund for Digital Initiatives, the EDB will work to expand cooperation using its available financing mechanisms, including the TAF, in projects to develop data exchange technologies and to modernise and establish relevant platforms, including with the use of TAF resources for priority projects defined by Armenia's executive authorities.



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