



EU and EFSE commit EUR 7 million for local currency lending in Armenia

Entrepreneurs and households to benefit from responsible financing that protects them from exchange rate fluctuations

Luxembourg, 4 May 2021 – The European Union and the European Fund for Southeast Europe (EFSE) have underscored their dedication to business development and household prosperity in the EU Eastern Neighbourhood Region with a new agreement, under which EUR 7 million has been earmarked for micro and small enterprise (MSE) and household loans in Armenia. The capital will be channelled through local financial institutions that specialise in meeting the financing needs of these clients. What is more, the funding will be provided in the equivalent value of Armenian dram, thus protecting both the institutions and the clients they serve from the exchange rate risks associated with financing in foreign currency.

The money is part of a broader investment package from the EU into EFSE to fuel the partners' mission to invest in the prosperity of the six countries of the EU Eastern Neighbourhood Region through the provision of responsible financing to entrepreneurs and households. The EU and EFSE have joined forces in pursuit of this mission ever since the fund was established in 2005. In 2019, the EU played an integral role in enabling EFSE to [expand its ability to provide funding in local currency](#). Today, financing from EFSE has unleashed more than 218,000 individual loans to MSEs and primarily low-income households for these entrepreneurs and families to invest in their future. Around 62% of these loans have been supplied in local currency, providing an extra layer of protection for borrowers' finances – especially during times like the turbulent year 2020, when the exchange rate between the dram and euro fluctuated up to 16%.

EFSE Board Chairperson Klaus Müller said: “When people can take out a loan in the same currency in which they make their income, they are safeguarded from ups and downs in the exchange rate that can threaten their ability to do long-term financial planning. Local currency lending is therefore a key aspect of responsible finance. Thanks to generous contributions from the EU, EFSE has an internal mechanism that allows us to expand the practice of local currency lending to our partners across the regions in which we operate.”

Hoa-Binh Adjemian, Head of Sector Economic Development EaP, DGNEAR, European Commission, said: “EFSE has been a strategic partner for over 15 years in helping us channel resources to the hardworking micro and small entrepreneurs who drive the engine of Armenia's economy. Expanding access to responsible financing for them as well as for individuals to purchase or improve homes means an investment in Armenia's future.”



About EFSE

An impact investment fund established in 2005, the European Fund for Southeast Europe (EFSE) aims to foster economic development and prosperity in Southeast Europe and the Eastern Neighbourhood Region by investing in the success of micro and small enterprises as well as improved living conditions for private households. As access to financial services is key to developing this segment, EFSE focuses on helping local financial sectors strengthen their ability to provide responsible financing for this target group. Alongside its investment activities through local partners, EFSE multiplies its impact through the EFSE Development Facility, which provides technical assistance, training, and other nonfinancial support to entrepreneurs and institutions.

EFSE was initiated by KfW Development Bank with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission. As the first public-private partnership of its kind, EFSE draws its capital from donor agencies, international financial institutions, and private institutional investors.

Finance in Motion GmbH, Germany, serves as EFSE's advisor and Hauck & Aufhäuser Fund Services S.A., Luxembourg, acts as manager.

For more information on the European Fund for Southeast Europe, please visit: www.efse.lu

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Media contact EFSE

Nikki Eggers

Senior Officer, Marketing & Communications

Email: press@efse.lu

Phone: +49 (0)69 271 035-470