

Ex-Ante Evaluation

April 03, 2026

Japan International Cooperation Agency

1. Name of the Project

- (1). Country: Republic of Armenia (Armenia)
- (2). Project: Support Project for Agricultural sector and Micro, Small and Medium Enterprises
- (3). Borrower: ACBA Bank OJSC (ACBA Bank)
- (4). L/A Signing Date: December 24, 2024

2. Background and Necessity of the Project

(1) Current State and Issues of the Agricultural and MSME Sector in Armenia

Approximately 30% of Armenia's working population is engaged in agriculture, and agriculture-related industries account for about 20% of GDP, which makes the agriculture sector one of the key industries in the nation. However, limited access to irrigation water, lack of agricultural machinery, and shortage of working capital have been still widely observed (Ministry of Foreign Affairs, Country Assistance Plan, 2020). Furthermore, self-sufficiency rates for food items such as wheat, chicken, pork, and legumes remain low. Expanding production of these items is also discussed as a key challenge from a food security perspective (Armenian Ministry of Economy, 2020).

In September 2023, over 100,000 internally displaced persons (IDPs) emerged from the Nagorno-Karabakh region. Approximately 63% of these IDPs belong to the working-age population (15-64 years old). In order that IDPs can return to normal lives, not only do they need for long-term support for housing, education, healthcare, and social services, but also expanded employment opportunities, improved access to finance, and skills development and training are critical (IMF, December 2023). Supporting development and strengthening of agriculture-related livelihoods is considered effective for integrating these displaced persons into local communities and is expected to contribute to long-term food security and income generation (Netherlands Development Finance Company, hereinafter referred to as "FMO," 2023).

Furthermore, 99.9% of Armenian enterprises are Micro, Small and Medium Enterprises (MSMEs), which totally account for over 30% of Armenia's GDP. Additionally, 67% of the working population is employed by MSMEs, making their growths essential for the country's sustainable economic development (Armenian Statistical Service). However, the significant funding gap—the difference between MSMEs' funding needs and actual funding supply—is approximated at USD 1 billion (equivalent to about 10% of GDP), posing a major challenge to MSME growth (SME Finance Forum, February 2024).

This project, implemented through ACBA Bank, aims to improve financial access for

MSMEs, primarily in the agricultural sector. It contributes to sustainable economic growth by expanding agricultural production, increasing farmers' incomes, and promoting MSMEs, aligning with the challenges of this sector and the Armenian government's policies.

(2) Japan's and JICA's Policy Cooperation Policy and Operations in Armenia

Japan's Country Assistance Policy for Armenia (March 2024) sets "balanced and sustainable economic growth" as one of the basic strategies. This project improves financial access for MSMEs, predominantly in the agriculture sector which is concentrated in rural areas. The project is expected to enhance agricultural productivity and also support socially vulnerable groups in rural areas. By supporting MSMEs, which form the economic foundation of the country, the Project is considered to contribute to enhancing the competitiveness of the private sector. This aligns with the priority areas (medium-term objectives) outlined in the Country Assistance Policy: "Promoting Human Security for Economically and Socially Vulnerable Groups to Address Inequalities" and "Strengthening Governance and the Private Sector."

On May 20, 2023, Prime Minister Kishida stated, at a side event on the G7 Global Infrastructure Investment Partnership, that Japan would contribute to the sustainable development of partner countries through public-private infrastructure investment. He also announced plans to establish a new JICA financing framework totaling \$4 billion to support food security, small and medium-sized enterprises, women, and other areas. Based on this, JICA established the "Facility for Supporting Agricultural supply chain and Food security Enhancement (SAFE)" and the "Facility for Accelerating Financial Inclusion (FAFI)" on May 22, 2023. This project aims to improve financial access for the agricultural sector and MSMEs in Armenia, aligning with the objectives of both the Food Security Facility and the Financial Inclusion Promotion Facility.

Furthermore, this project aligns with JICA's Global Agenda under "Private Sector Development (improving the environment for private enterprise growth, enhancing financial access, and improving market access)" and "Agriculture and Rural Development (reducing rural poverty by increasing farmer income and revitalizing rural economies and by creating food security through the stable food production and supply)."

Furthermore, JICA has made effort to develop human resources, including in MSMEs, tourism, and the IT industry, by introducing local industry development methods such as One Village One Product Movement through issue-based training programs to promote MSMEs, which substantially underpin the country's economy. Furthermore, the ICT Industry Collaboration Project (Technical Cooperation) has been implemented since February 2024. Its purpose is to promote the entry and collaboration of Armenian companies into Japan and to advance high-tech industry collaboration that contributes to the development of both Japan and Armenia. Improving financial access for MSMEs in the ICT sector, which are sub-borrowers of ACBA Bank, is expected to contribute to promoting MSMEs, including those in advanced technology fields, and to human resource development for reducing regional disparities. This is considered to support the aforementioned development challenge:

"Institutional and Infrastructure Development and Human Resource Development for Economic and Regional Development."Furthermore, this project's efforts to enhance agricultural productivity, promote poverty reduction and economic growth in rural areas, and foster MSMEs while improving their financial access align with the themes of JICA's Global Agenda , "Agriculture and Rural Development" and "Private Sector Development."

3. Project Description

(1) Project Overview

① Project Objective

The objective of the Project is to improve access to finance for the agricultural sector and MSMEs and to contribute to expanding agricultural production, increasing farmers' income, and promoting MSMEs in the country by providing a loan to a financial institution in Armenia.

② Project Details

Through long-term financing to ACBA Bank, this project promotes lending by ACBA Bank to MSMEs, primarily in the agricultural sector.

③ Project Beneficiaries (Target group)

MSMEs primarily in the agricultural sector in Armenia.

(2) Estimated Project Cost: US\$100 million (including US\$50 million JICA loan).

(3) Schedule (Cooperation Period): December 2024 to December 2031

(4) Project Implementation Structure:

Borrower: ACBA Bank OJSC

Executing Agency: ACBA Bank OJSC

(5) Environmental and Social Considerations, Cross-sectional Items, and Gender

1) Classification Environmental and Social Considerations

① Category Classification: C

② Basis for categorization: Based on the "Japan International Cooperation Agency (JICA) Guidelines for Environmental and Social Considerations" (announced in January 2022), this project's undesirable impact on the environment and society is judged to be minimal.

2) Cross-cutting Issues: Nothing in particular.

3) Gender Classification: [:Not Applicable] ■ GI (Gender Mainstreaming Needs Assessment and Analysis Project)

<Reason for Classification> Although gender mainstreaming needs were identified during the review, specific initiatives contributing to gender equality and women's empowerment could not be established with measurable indicators.

(6) Other Special Notes: This is a bank loan with no particular safety concerns.

4. Target Outcomes

(1) Quantitative Effects

① Operational Effectiveness Metrics (All figures are for the entire bank)

Indicator	Unit	Base (2023)	Target (2030)
Loan amount to MSME sector	AMD million	214,636	513,047
(Out of MSME financing)	AMD	97,345	146,851
Loan amount to Agricultural Sector	million		
The number of MSME borrower	Companies	66,478	100,515
(Out of MSME financing)	Companies	60,469	73,470
The number of Agricultural Borrower			
Loan amount to MSME sector (Only for JICA loan)	AMD million	-	5,200
(Out of MSME financing)	AMD	-	2,600
Loan amount to Agricultural Sector (Only for JICA loan)	million		
The number of MSME borrower (Only for JICA loan)	Companies	-	1,486
(Out of MSME financing)	Companies	-	1,300
The number of Agricultural Borrower (Only for JICA loan)			

Internal Rate of Return: Not calculated.

(2) Qualitative Effects

Improved agricultural productivity and farmers' income, enhanced MSME productivity, MSME promotion, and increase of employment.

(3) As this is a bank loan project, the EIRR (Economic Internal Rate of Return) and FIRR (Financial Internal Rate of Return) are not calculated.

5. External Factors and Risk Control

Nothing in particular.

6. Lessons Learned from Past Projects

It was reported that the situation in Ukraine affected the real economy and caused the borrower to change its funding plan in another financing project in the same region. This led to a significant delay before the first disbursement and required an extension of availability period. The war in Ukraine is still ongoing and could also affect the funding plan of this

project. However, the DD confirmed that there are no external factors that would impact the current funding plan and that the borrower's funding needs remain appropriate.

7. Evaluation Results

As described above, this project aligns with Armenia's development needs, development policies, as well as Japan and JICA's cooperative analysis. It contributes to the country's sustainable economic growth by improving financial access for MSMEs, primarily in the agricultural sector. Therefore, it contributes to SDG Goal 8 (DECENT WORK AND ECONOMIC GROWTH), SDG Goal 9 (INDUSTRY, INNOVATION AND INFRASTRUCTURE), and SDG Goal 17 (PARTNERSHIPS FOR THE GOALS). So, it is highly meaningful support through overseas investment and lending.

8. Plan for Future Evaluation

- (1). Indicators to be Used: As indicated in Section 4.
- (2). Future Evaluation Schedule: 6 years after the signing the L/A.

End