
Slovakia Launches Programs On Construction Of 3 Hydropower Plants In Armenia With Credits Of 10 Million Euros

Noyan Tapan - 6/8/2008

Slovakian banks started providing export credits of a total of 30 million euros for construction of hydropower plants in Armenia. Construction of 3 hydropower plants with credits of a total of 10 million euros has already been launched. Other programs are being discussed. The head of the Armenian community of Slovakia, chairman of the Forum of Armenian Unions in Europe, businessman Ashot Grigorian announced this at the meeting of 3 representatives of Slovakian companies and 12 representatives of Armenian companies engaged in construction of hydropower plants. The meeting was organized by Yerevan Chamber of Commerce and Industry and "Noyan Tapan" Media Union's Business Information and Advice Unit.

A. Grigorian said that VUJE company (Slovakia) has constructed 2 nuclear power plants, has a long experience of cooperation with the Armenian Nuclear Power Plant, and has been cooperating with hydropower constructing and operating companies for 5-6 years. 2 hydropower plants built with VUJE's technical assistance and equipment already operate in Armenia.

He explained that the Slovakian banks provide credits for a period of up to 8 years (with a one-year grace period usually needed for construction and launching of hydropower plants) and at 8.5-10% annual interest rate, which is much lower than credits in Armenian banking system. Crediting is done after achieving a quadripartite agreement "Slovakian company - Armenian company - Slovakian bank - Armenian bank". The Armenian bank must manage the repayment of the credit received by the Armenian company from a Slovakian bank, that is, the Armenian company makes the credit repayment to the Armenian bank that transfers these sums to the Slovakian bank. On the other hand, a Slovakian company's risk in deals of Armenian and Slovakian companies is insured by Eximbank. At that, 50% of goods to be exported from Slovakia to Armenia must be made in the Slovak Republic, while the other 50% - in other countries.

According to A. Grigorian, the Armenian companies engaged in construction of hydropower plants are not inclined to purchase expensive European equipment.

He added that in case of supply of European equipment, it will be subject to VUJE's guarantees, while in case of equipment made in other countries, there will be no such guarantees. He explained that the Slovakian banks are also ready to credit the payment of an advance making 15% of the total amount of the credit, as well as of 6.5% insurance - but in the form of a commercial credit.

VUJE director Milan Ferenc said that although the company's equipment is expensive, no high costs of servicing are required as compared with Chinese equipment that is cheaper than European one. A. Grigorian added that 19 out of 21 hydropower plants, which were constructed with Chinese equipment in Albania under a state program, did not operate, whereas another two plants worked only for a year.

He said that the crediting period for construction of hydropower plants in Armenia may be extended by up to 10 years, including crediting of equipment, as well as construction and design work.

During the meeting, it became clear that 4 Armenian companies have designs for hydropower plant construction. It was mentioned that after receiving a design, VUJE develops an offer for equipment supply - by the best quality-price ratio. After the offer is agreed on with the Armenian company, a credit line will be opened within a month based on a quadripartite agreement.

M. Ferenc attached importance to the correct choice of a hydropower plant-constructing company as there has been a case in Armenia when the contractor company did not start its work after the equipment had been supplied.

In the words of A. Grigorian, VTB-Armenia Bank and Unibank gave guarantees to Armenian companies in the programs on construction of hydropower plants with Slovakian credits. Armbusinessbank, Ardshininvestbank, Converse Bank and Anelik Bank have also been chosen for participation in these programs.

He said that an Armenian hydropower constructing company together with some other guarantee-giving partner bank may enter the Slovakian crediting programs.

A. Grigorian added that after the completion of 30 million-euro crediting program, the Slovakian banks will discuss the issue of starting the second stage.
