

»» **Statement on the Report on „The Impact of International Financial Institutions on the Environment and Socio-Economics: The Cases from Armenia and the World” by the Open Societies Foundation, Armenia**

KfW support to renewable energy projects: Renewable energies, including hydro power, are a central component of German Development Cooperation which supports its partner countries in providing people with sustainable access to energy and in adopting climate-friendly approaches. KfW Development Bank promotes the expansion of renewable energy world-wide and supports its partners in setting up clean and sustainable energy provision systems.

During project appraisal for power supply projects, KfW conducts both microeconomic and macroeconomic analyses. On the basis of a large number of appraisal criteria the financial sustainability of each individual project is thereby ensured. Since projects are implemented in a social and natural environment, they generate costs and benefits for the society surrounding them. In order to assess the projects broader contribution to a country's welfare, KfW consistently conducts a macroeconomic analysis at appraisal stage, including externalities. The assessment criteria include e.g. improvement of energy supply, avoiding the costs of grid-connected fossil electricity generation, diversifying and improving the security of electricity generation and reducing import dependency, as well as limitation of harmful environmental impact such as greenhouse gas emissions (GHG).

Sustainability criteria for KfW Project funding: All projects supported by KfW Development Bank have to be prepared and implemented in line with the requirements of KfW's Sustainability Guideline. Relevant standards to be adhered to in this regard are e.g. the environmental and social safeguard standards of the World Bank Group (IFC PSs and WB ESSs), the World Bank Group's General EHS Guidelines and the Industry Sector specific EHS Guidelines as appropriate and the ILO Core Labour Standards.

KfW support to Small-hydro power plants, Armenia: KfW is aware of the general concern over the environmental issues related to the small hydropower sector, therefore KfW has arranged additional measures to minimise the risk of negative impacts on the environment. Particularly, a strategic cooperation with WWF to exclude controversial SHPPs in Armenia has been established. Certain projects in risky areas are excluded from the eligible list.

KfW support to Vorotan Cascade, Armenia: Vorotan Cascade, consisting of 3 hydro plants which supply 20% of Armenia's energy was built between 1970

and 1989. The plant saves around 540.000 tons of CO₂ per year. Since the construction of the Vorotan cascade, the operator lacked the capacity for rehabilitation measures. As a result, the three plants were in need of repair and could not produce optimal output for current or future energy needs.

KfW was asked to provide a loan to the Armenian government for rehabilitation and modernisation of the power plant. The loan agreements were signed between the Armenian government and KfW in 2010 and re-enforced after the privatization of the power plant. An Environmental and Social Impact Assessment (ESIA) with an Environmental and Social Management Plan (ESMP) were developed and an additional ecological specialist study is currently underway. The implementation of the ESMP is closely monitored and reported upon. The rehabilitation of the Vorotan Cascade is on-going since autumn 2017 and will be finalized in the first half of 2021.