Eurasian Development Bank

Annual Report of the Management Board of the Eurasian Development Bank for 2023

Eurasian
Development Bank

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Chairman's Foreword

Dear shareholders and partners of the Eurasian Development Bank,

In 2024, the Eurasian Development Bank celebrates its 18th anniversary, and we can confidently state that, over this time, the Bank has proven itself as both an effective financial instrument and a reliable partner in developing key projects for its member economies and the entire region, aiming to improve living standards, promote business growth and combat climate change.

Over the years of its operation, the EDB has allocated almost US $15 billion to enhance transport connectivity and logistics, modernise the industry and energy sectors, establish and expand agro-industrial complexes, build renewable energy and water infrastructure and support social, digital and other projects.

Summarising the results of 2023, it is impossible not to mention the impact of geopolitical factors — growing uncertainty, volatility and limited access to capital markets. However, despite these challenges, Eurasian countries grew steadily, as did the EDB's activities.

In 2023, the Bank:

- earned a net profit of US $125 million thanks to measures to maintain the stability of its portfolio and effective liquidity management, increasing its capital to US $2.0 billion;

- maintained an investment-grade rating from S&P on the international scale and obtained the highest rating of "AAA" on the local scale from CCXI, China's largest rating agency; and

- increased the share of integration projects to almost 64%.

The reporting year was the second year of implementing the Bank's 2022–2026 Strategy. The Bank not only achieved all its approved targets, but its cumulative annual investment over the two years has exceeded the targets, reaching US $4.2 billion. I am confident that the results we have achieved will allow us to maintain high investment rates in the future.

Pursuant to a resolution of the Bank's Council adopted in December 2022, during 2023, 21.2% of the EDB's voting shares were evenly redistributed among its five member states, with the share of the Russian Federation decreasing to 44.8%.

The year 2023 was marked by improvements in our processes, the expansion of our activities promoting sustainable development and the deeper integration of ESG principles into project activities, internal processes and corporate culture. We are moving towards making sustainable development an integral value and component of the EDB's philosophy, and each of our employees strives to enhance their contribution to achieving a balanced, equitable and prosperous future for the Eurasian region.

To this end, we have established a Sustainability Committee at the Bank's Management Board and adopted several fundamental documents, including the EDB's *Sustainability Principles*, which reflect the way we create and will build on positive effects for the environment and society.

We support our member states in implementing the United Nations' Sustainable Development Goals and the Paris Agreement by promoting climate investment in the region, modernising and enhancing the resource efficiency of economies, and systematically unlocking the renewable energy potential. In 2023, the Bank's current green portfolio exceeded US $600 million, adding large-scale projects with long-term positive environmental effects that contribute to reducing greenhouse gas emissions and increase the countries' resilience to the impacts of climate change. These projects include the construction of wind farms in the Kostanai Region of Kazakhstan and the launch of Central Asia's first sustainability-linked bond programme for the modernisation of Almaty's Combined Heat and Power Plant (CHPP) 3.

During the reporting year, we strengthened our collaboration with international partners, including multilateral development banks and United Nations institutions. We have initiated new sustainability partnerships in Latin America, and the EDB became an observer to the United Nations Framework Convention on Climate Change. We expect that actively collaborating with other development banks and international organisations will help us pool our unique expertise and competencies and jointly develop shared approaches to strategic objectives.

In 2023, the Bank actively mobilised financing for investment projects. Its borrowings totalled US $927 million, including through several significant bond offerings:

- a debut three-year bond issue in Armenia totalling US $20 million, listed on the Armenia Securities Exchange (AMX);
- a KZT 50 billion bond issue on the Kazakhstan Stock Exchange, the largest non-government placement in 2023; and
- a debut USD-denominated bond issue on the Kazakhstan Stock Exchange worth US $90 million.

In 2023, we began implementing new financing instruments and Islamic funding, preparing relevant regulatory documents and procedures, a pilot project and infrastructure for potential entry into Sukuk markets.

I would like to highlight our work on key investment mega-projects. In 2023, we concentrated on the development of the Central Asian Water and Energy Complex, as all the region's countries are facing challenges in this area and integrated projects are becoming increasingly important each year. Bank experts continued their series of studies on the challenges and solutions in water and energy development with a new paper titled *Efficient Irrigation and Water Conservation in Central Asia*. This report was presented at the expanded meeting of the Eurasian Intergovernmental Council in October and at our conference on *Promoting Sustainable Development in Central Asia*, which brought together representatives from international organisations and development banks. We also discussed water and energy challenges at the World Hydropower Congress and the UN Water Conference, urging other international investment entities to prioritise these issues. The initiatives under this mega-project include the construction of the 100 MW Kulanak Hydropower Plant (HPP) in the Kyrgyz Republic and a transboundary impact assessment for the project to reconstruct and expand the Astrakhan–Mangyshlak water pipeline, which has facilitated the project's approval by the relevant countries.

As part of the Eurasian Transport Network, in collaboration with other multilateral development banks (the EBRD, the IFC and DEG), we are working on a project to modernise Almaty International Airport, with a new terminal set to launch in mid-2024. In 2023, the BAKAD ring road around Almaty was commissioned, funded by the EDB in collaboration with the EBRD and the IDB. Additionally, the Bank financed the procurement of diesel locomotives in Kazakhstan and the feasibility study for the Ayagoz–Bakhty border crossing and railway line.

To summarise the EDB's performance in 2023, I would like to emphasise that the Bank plans to achieve all of the objectives set by its 2022–2026 Strategy.

Nikolai Podguzov
Chairman of the EDB Management Board

About the Eurasian Development Bank

Lake Iskanderkul. Tajikistan
Source: unsplash.com

The Eurasian Development Bank (EDB, the Bank) was established by a bilateral agreement between Russia and Kazakhstan on 12 January 2006. Tajikistan, Armenia, Belarus and the Kyrgyz Republic joined the Bank in subsequent years. The Bank's membership is open to interested nations and international organisations that share its objectives.

Over its 18 years of operation as an international financial institution, the EDB has invested in Eurasia to help build stronger and broader economic ties and to promote far-reaching development in its member states.

The Bank's management structure comprises the Bank's Council, the Management Board and the Chairman of the Management Board.

The supreme management body of the EDB is its Council. As of 31 December 2023, the Chairman of the EDB Council has been Alikhan Smailov, Prime Minister of Kazakhstan, and the Chairman of the EDB Management Board has been Nikolai Podguzov.

The Bank is headquartered in Almaty and has a branch in St. Petersburg and representative offices in Astana, Bishkek, Dushanbe, Yerevan, Minsk and Moscow.

The Bank's charter capital totals US $7.0 billion, including US $1.5 billion of paid-in capital and US $5.5 billion of capital on call.

The cumulative investment portfolio totals US $14.7 billion. Since its inception, the EDB has completed 285 projects. Its portfolio mainly consists of projects with an integration effect in transport infrastructure, digital systems, green energy, agriculture, manufacturing, and machinery and engineering.

Lake Baikal. Russia
Source: shutterstock.com

Key Operational Results

Kapyl District. Belarus
Source: unsplash.com

Overview of EDB Operations in 2023

In 2023, the EDB strengthened its role and market position in Eurasia, significantly increasing its investment in sustainable development projects. The Bank achieved all targets identified in its strategy and operational objectives for 2023.

The EDB's current investment portfolio totalled US $4.8 billion, including US $3.0 billion in the balance-sheet portfolio (financed projects). By the end of 2023, the Bank's cumulative investment portfolio since its establishment had reached US $14.7 billion.

The annual value of investments in 2023 was US $1.7 billion. The number of successful projects aimed at improving the living standards of 196 million citizens in EAEU countries reached 285.

In 2023, the Bank's equity totalled US $2.0 billion, and its net profit for the year amounted to US $125.2 million.

External experts commended the EDB's performance in 2023. In December, the Bank obtained the highest rating of "AAA" on the national scale from CCXI, China's largest rating agency. In 2023, S&P affirmed the EDB's investment-grade rating at "BBB-." China's Dagong Global affirmed a rating of "iBBB+" on the international scale and "AA+" on China's national scale, with a stable outlook. ACRA affirmed a rating of "A-" on the international scale and "AAA (RU)" on the national scale, also with a stable outlook.

In 2023, the EDB's Council approved the provision of US $1 million in humanitarian assistance to Türkiye through the Bank's Technical Assistance Fund (TAF) to help overcome the consequences of the February 2023 earthquake.

The EDB received several prestigious international awards in the reporting year:

- the EDB's Eurasian Transport Network mega-project received an ADFIAP Sustainable Award in Trade Development; and
- the Bank won an award for the best website in a special nomination by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

Performance of the EDB 2022–2026 Strategy

By 31 December 2023, the Bank had achieved all the benchmarks identified in its current strategy:

Indicator	Actual	2022–2026 Strategy
Annual investment value (US $ billions)	1.7	1.7
Return on average equity (ROAE) (%)	6.5%	2.0%
Implementing key investment mega-projects (KIMP)	Approved KIMP 1 Approved concept for KIMP 2	Approved KIMP 1 Approved concept for KIMP 2
Projects in Armenia, Kyrgyzstan and Tajikistan as a proportion of the current investment portfolio (%)	6.1%	2.9%
Projects with an integration effect as a proportion of the current investment portfolio (%)	63.8%	Not less than 55%
Projects contributing to the Sustainable Development Goals (SDG) as a proportion of the current investment portfolio (%)	22.8%	Not less than 10%

In 2023, the EDB signed 18 new projects totalling US $1,546 million and increased its credit facilities for six previously signed projects by US $164 million.

The return on average equity (ROAE) of 6.5% per annum exceeded the Bank's strategic target by 4.5 percentage points.

The Bank's Management Board approved the concept for KIMP 2, which involves the EDB's participation in the key investment mega-project, the Eurasian Transport Network (including the Europe–Western China transport corridor). In addition, the Management Board approved the list of KIMP 1 projects in Central Asia's water and energy complex, with potential Bank funding exceeding US $400 million.

In 2023, the value of projects in Armenia, the Kyrgyz Republic and Tajikistan totalled US $292 million, with these countries' share in the current investment portfolio reaching 6.1%, exceeding the minimum requirement of 2.9% established in the Bank's strategy.

Projects with an integration effect accounted for 63.8% of the portfolio, surpassing the target by 8.8 percentage points.

Projects contributing to the SDGs comprised 22.8% of the portfolio, 12.8 percentage points higher than the strategic benchmark.

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Investing in development and integration

Lake Kaindy. Kazakhstan
Source: shutterstock.com

Economic Developments in the EDB Operating Region in 2023

In 2023, all countries in the EDB's operating region demonstrated steady growth. The aggregate GDP of the member states, as estimated by the EDB, increased by almost 4%, marking the highest growth rate over the past decade, excluding the post-pandemic period. This growth was driven by internal factors such as consumer and investment demand, as well as effective adjustments in production to accommodate changing operating conditions.

Inflation in the Bank's operating region slowed to 7.4% in 2023, down from 12.5% in 2022. However, in the second half of the year, several countries faced price pressures due to overheated labour markets and large-scale economic incentives. Higher-than-targeted price growth was recorded in Belarus, Russia, Kazakhstan and the Kyrgyz Republic. In contrast, Tajikistan's inflation rate was slightly below the target range, while Armenia experienced deflation by year-end.

The regulators' interest rates in the Bank's operating region varied throughout 2023, reflecting the inflationary processes in each country. For example, in Russia, inflation accelerated from mid-2023, prompting the Bank of Russia to raise its key rate by a total of 850 basis points over the second half of the year, reaching 16% per annum. The National Bank of the Kyrgyz Republic maintained its discount rate unchanged at 13% per annum due to the persistent risks of accelerating price growth and high inflation expectations. In the rest of the region, lower inflation and reduced pro-inflationary risks allowed central/national banks to move to a rate-cut cycle.

By the end of 2023, the national currencies of most EDB member states weakened against the US dollar. The Russian rouble depreciated by about 35% against the US dollar by year-end due to a significant contraction in the foreign trade surplus. Kazakhstan's national currency strengthened by 0.9% against the U.S. dollar in 2023.

Republic of Armenia

Armenia's economy grew by 8.7% in 2023, primarily driven by the services sector, which benefited from expanding demand, increased cross-border remittances and net exports. Capital investment rose (+14.4%), supported by steady growth in construction (+15.7%). By the end of 2023, the country recorded deflation (–0.6% year-on-year in December 2023), compared to 8.3% year-on-year price growth the previous year. Inflation began to slow in March 2023 and turned negative in June 2023. Key factors behind this trend included high price growth in the same period of the previous year, the strengthening of the Armenian dram, a decline in international prices for goods and raw materials, and the effects of tight monetary policy. The Central Bank of Armenia started cutting its refinancing rate in June 2023, reducing it to 9.25% by the end of the year, a total decrease of 1.5 percentage points. In 2023, the Armenian dram strengthened against a basket of currencies, appreciating by 9.9% against the U.S. dollar, 7.8% against the euro, and 28.2% against the Russian rouble.

Republic of Belarus

Belarus's economy grew by 3.9% in 2023. Growth was primarily driven by stronger domestic demand and the possibility of increasing supplies to the Russian market. The establishment of new logistic chains facilitated import recovery, ensuring production growth. The most important driver of GDP growth was industry, with a 7.7% increase in output. Wholesale and retail trade grew by 12.7%, supported by a recovery in domestic demand. As the economy adapted to the new conditions, investment activity picked up, with capital investment growing by 14.8% and construction by 11.1%. However, sanctions continued to exert a negative impact, with value added in the transportation sector declining by 1.8% in 2023.

Inflation slowed to 5.8% by the end of 2023, down from 12.8% the previous year. The new price regulation system implemented in Q4 2022 played a significant role in limiting inflation. To stimulate economic activity, the National Bank of Belarus implemented a de facto soft monetary policy, lowering interest rates on new credits below its refinancing rate due to excess liquidity in the banking sector. This policy led to a 32.2% increase in lending to the economy in the national currency over the course of 2023.

Republic of Kazakhstan

Kazakhstan's economy grew by 5.1% in 2023, primarily driven by increased investment activity and strong consumer demand. Capital investment increased by 13.7%. Kazakhstan led the CIS in foreign direct investment, with a share of over 27%, according to *EDB Monitoring of Mutual Investments 2023*. Key sectors contributing to expanded activity included construction, trade, information and communications, and transportation. Inflation more than halved to 9.8% year-on-year in December 2023, due to easing external price pressures and a moderately tight monetary policy. Amid decelerating inflation, the National Bank of Kazakhstan began a cycle of base rate cuts, lowering the rate to 15.75% by the end of 2023 from 16.75% at the beginning of the year. Kazakhstan's tenge appreciated by an average of 0.9% against the U.S. dollar.

Kyrgyz Republic

In 2023, the Kyrgyz Republic experienced GDP growth of 6.2%, predominantly supported by stronger consumer demand and increased investment activity. The main growth drivers were wholesale and retail trade, construction, hotels and restaurants, and manufacturing industries. Inflation declined to 7.3% year-on-year in December 2023, down from 14.7% the previous year, due to easing pressures from global commodity markets and the development of logistics supply chains. Amid high inflation expectations and strong consumer demand, the National Bank of the Kyrgyz Republic maintained its policy rate at 13.0% throughout 2023. The Kyrgyz som depreciated by an average of 4.6% over the year.

Russian Federation

Russia's economy adapted to the changed operating environment in 2023, achieving GDP growth of 3.6%. Key growth drivers included manufacturing, increased construction and a recovery in trade. The economy also benefited from a rise in household consumption, driven by growth in real disposable income and lending. Investment activity surged due to budgetary stimulus and increased credit activity. Growing domestic demand and lower export prices significantly narrowed the current account surplus, leading to a depreciation of the Russian rouble by approximately 35% against the US dollar in 2023.

Inflation in Russia slowed from 11.9% in 2022 to 7.4% by the end of 2023. However, due to the depreciation of the exchange rate and expanding domestic demand, inflation began to accelerate in the second half of 2023. To curb inflationary pressures, the Bank of Russia significantly tightened its monetary policy, raising the key rate from 7.5% to 16% per annum.

Republic of Tajikistan

Tajikistan's GDP grew by 8.3% in 2023. Trade expanded by 13.4% in constant prices at the end of 2023, driven by growth in average real wages. The increase in wages resulted from a post-pandemic outflow of workers from the labour market and a recovery in international labour migration. Industrial and agricultural outputs increased by 12% and 9%, respectively, while the transportation sector saw a 17.5% increase in freight turnover. Capital investment grew by 22.5%, primarily due to expanded capacity in the production sector. Inflation slowed to 3.8% year-on-year in 2023, compared to 4.2% at the previous year-end. Consumer price growth decelerated due to declining food and energy prices in global markets. Amid slowing inflation, the National Bank of Tajikistan reduced its refinancing rate to 10% per annum.

Key Strategic Initiatives

The current EDB 2022–2026 Strategy aims to significantly enhance the Bank's role as a pivotal partner in fostering the development of its member economies. The Strategy targets total investments — a key indicator of the EDB's performance as a development bank — of US $10.9 billion over the five-year period, a figure comparable to its cumulative investments over its fifteen-year history. According to the Bank's strategic model, its annual investment is expected to reach US $3 billion by 2026, setting a new high for the EDB. This goal envisions a transformation in both the Bank's operating model and its key focus areas.

The EDB's performance in 2023 and the initial two years of its strategy implementation demonstrates the stability of its processes and its progressive organisational development model. Despite ongoing external changes, the Bank successfully executed key development initiatives, meeting strategic targets across all priority objectives.

Guided by the priority of maintaining its stability as a development partner institution in its member economies, the Bank has upheld its systemically important role. The first two years of implementing its 2022–2026 Strategy have solidified the Bank's position as a leader in supporting private-sector investment initiatives in its member states. With US $3.8 billion in non-sovereign financing, the Bank has provided twice the aggregate funding of other multilateral development banks (MDBs) to private-sector investment projects[1]. In addition to achieving its strategic investment objectives and reaching record-high indicators, the Bank has exceeded its targets related to promoting integration and contributing to the SDGs, in line with the priorities of its member economies.

To achieve these results, the EDB successfully diversified its funding sources and significantly intensified its efforts to enhance its visibility and positioning. This included promoting best global practices pursued by

[1] According to preliminary open source data as of February 2024, including MDB operations in Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia and Tajikistan, subject to possible updates.

development banks, developing the international communications agenda and building a platform for international dialogue (see *Communications Agenda*).

Another significant outcome of the EDB's efforts in 2023 was the corporate measures taken to implement decisions of its member states regarding the redistribution of shareholding (see *Organisational Development*). These measures helped alleviate pressure on external credit assessments as a factor influencing the availability of funding and operational stability in capital markets, as well as investment performance.

To strengthen its analytical expertise, the EDB in 2023 focused more on scaling the impact of its value proposition as a think-tank in Eurasia. The practical and applied findings from the Bank's development studies were commended by the expert community, including the collegial executive bodies of its member states and relevant government agencies.

Guided by the objectives set by its shareholders, the Bank is progressively increasing the contribution of its special-purpose funds as a key mechanism for implementing its strategy, taking into account its objectives as a systemically important partner institution for its member states with smaller economies. In 2023, the EDB continued to develop its Technical Assistance Fund (TAF), securing a record amount of new funding, and significantly strengthened its focus on supporting digital transformation initiatives through its Fund for Digital Initiatives.

Integration

Supporting projects with meaningful and measurable effects in strengthening economic ties among its member states is a key objective of the Bank's development activities. The EDB's 2022–2026 Strategy outlines an increased contribution to integration processes over the five-year strategic period. Specifically, the proportion of projects with an integration effect in the Bank's current investment portfolio is targeted to reach at least 70% by 2026, compared to 50% at the start of the Strategy.

In 2023, despite a changing external environment, the Bank achieved its objectives to support integration projects as outlined in its strategy. These projects enhance production outputs (for both finished and semi-finished products) and labour productivity through economies of scale in co-developed sectors and help boost mutual and foreign trade, as well as capital and labour flows between economies.

Cross-country and cross-border infrastructure projects have substantial multiplier effects. Examples include end-to-end initiatives in transport infrastructure and logistics, the water and energy complex and digital infrastructure.

Throughout 2023, the Bank continued to fund projects under the Eurasian Transport Network KIMP (including the international Europe–Western China transport corridor). This initiative aims to unlock Eurasia's integration potential, enhance regional transport connectivity and improve the sustainability and safety of the transport system. To support this international transport route, the Bank financed new projects by

KTZ–Freight Transportation (Kazakhstan) and Eastcomtrans (Kazakhstan), aimed at upgrading transport infrastructure and railway traffic across its member states.

New integration initiatives in 2023 promoting mutual trade and capital flows included a project by KazWind Energy (Kazakhstan) to construct a 48 MW wind farm in the Kostanai Region. This project involves investments and equipment supplies from the member states to boost renewable energy generation in Kazakhstan.

In 2024, the Bank continues to expand its portfolio of integration projects in the real sector. By the end of 2023, several projects were in the development phase:

- reconstruction of Almaty CHPP 3, including the construction of a combined cycle plant and expansion of capacity to 500 MW;
- acquisition of rolling stock for subsequent leasing to UTLC ERA;
- financing of Intergas Central Asia's investment programme;
- financing of Servolux Group of Companies' investment programme; and
- financing construction of a 150 MW wind farm in the Karaganda Region, Kazakhstan.

Sustainable Development

The EDB's 2022–2026 Strategy aligns with the period leading up to the final phase of efforts aimed at achieving the United Nations' SDGs by 2030. During this time, in prioritising its project operations, the Bank is guided by the objective of strengthening the assessment of their impact on these global goals.

A key strategic focus of the Bank is to enhance its contribution to development in the priority areas outlined in its 2022–2026 Country Strategies. These strategies, introduced for the first time during the current five-year strategic period, serve as instruments to define and manage the Bank's priorities and target outcomes in each member state. In its strategic model, the Bank aims to contribute more to the economic growth of its member countries and their progress towards the SDGs.

This priority was reflected for the first time in the EDB 2022–2026 Strategy, particularly in its performance targets for the five-year strategic period. According to the Strategy, by 2026, at least 25% of the projects in the Bank's current investment portfolio should contribute to the SDGs.

Within its strategic model, the Bank is progressively increasing its contribution to development in Eurasia, aligning with the region's development priorities and SDG-related objectives.

In developing project activities in its member states, the Bank focuses on initiatives that enhance infrastructure and inter-regional connectivity among the member states and promote energy and food security.

This includes supporting sustainable growth and boosting high value-added production in the agro-industrial sector, as well as improving efficiency and productivity in agriculture. The Bank also actively finances projects to develop competitive, export-oriented and innovative industrial production. It also works to improve the stability of the financial sector by increasing the availability of financial resources for small and medium-sized businesses amid the high fragmentation of businesses in certain sectors.

The EDB places special emphasis on advancing the digital economy, including implementing scalable solutions across its member states to foster cross-border multiplier development effects and drive long-term qualitative transformation of economic models. The Bank's Fund for Digital Initiatives plays a key role in promoting digital transformation (see *Fund for Digital Initiatives: Digital Transformation*).

The Bank prioritises support for projects that contribute to resource and energy efficiency objectives and national green transition goals. Guided by MDB best practices and its own strategic objectives, the EDB is continuously working to implement ESG principles and develop green finance as part of its operations and to promote regional and global agendas of social and environmental responsibility to achieve long-term sustainable growth (see *Sustainability Principles and Green Finance*).

The Bank's efforts to strengthen its role as a key multilateral partner bank in addressing development priorities include facilitating the realisation of targeted effects in priority sectors, including energy, industry, agriculture and the agro-industrial sector.

The development impact of EDB-funded infrastructure projects has been recognised by the international independent expert community. In particular, the Bank received an ADFIAP Sustainable Award 2023 in Trade Development for its efforts in advancing cross-border transport infrastructure as part of the Eurasian Transport Network mega-project.

The EDB-funded project to construct street lighting networks in Atyrau was honoured with Environmental Finance's IMPACT Award as the IMPACT Project/Investment Project of the Year (2021) in Energy. The installation of street lighting networks in Atyrau has had a significant environmental and social impact on the city. In addition to reducing carbon dioxide emissions, the new networks are estimated to have helped to nearly halve road accidents during evening and night hours and contributed to a 0.5% decrease in crime. Energy consumption by the street lighting networks has been reduced by 80%, and maintenance costs have decreased by 36%. New streetlights were also installed on streets that previously lacked lighting.

In 2023, a significant new infrastructure initiative by the EDB focused on urban transport development. This project involved building a tram network connecting the Kupchino Metro Station, the Shushary Settlement and Slavyanka in St. Petersburg to enhance transport accessibility in one of the city's most densely populated areas. This pioneering large-scale green urban transport initiative is expected to alleviate 10% of traffic congestion and save passengers an average of 22.5 minutes in daily travel, corresponding to a cumulative time savings of approximately 11 days per year.

During the reporting period, the Bank continued to increase its investments in renewable energy, particularly in its Central Asian member states. This aligns with priorities aimed at enhancing the reliability, safety and efficiency of national energy systems. As of 31 December 2023, the EDB's portfolio included facilities with a combined installed capacity of 755 MW. The Bank's accumulated project expertise in investment in the construction and modernisation of solar and wind power generation facilities, hydropower and conventional energy infrastructure, with a focus on improving resource and energy efficiency through the adoption of greener fuels, serves as a catalyst for generating multiplier effects in member economies. This includes mobilising resources from partner institutions to implement significant investments in energy development.

Charyn Canyon, Kazakhstan
Source: shutterstock.com

Sustainability Principles and Green Finance

The EDB actively promotes the sustainable development agenda regionally and internationally, establishing mechanisms and tools to share best practices and disseminate its own experience with green projects. The Bank has established sustainability-related contacts with MDBs and financial institutions. Notably, it has obtained observer status with the United Nations Environment Programme Finance Initiative (UNEP FI) and the Green Investment Principles (GIP) initiative and participant status with the Water Finance Coalition. EDB representatives also participate in the Multilateral Financial Institutions' Working Group on Environmental and Social Standards (MFI-WGESS).

A significant milestone in 2023 was the Bank obtaining observer status at the United Nations Framework Convention on Climate Change (UNFCCC) during COP28. The institution of observers within the UNFCCC framework plays an important role in shaping coherent interstate climate policies and strengthening climate dialogue among various stakeholders. Obtaining the high status of "observer" at the UNFCCC opens new avenues for the EDB to contribute to the climate resilience of its member countries through active participation in the Conference of the Parties.

The EDB endeavours to embed ESG considerations across all its operations, ensuring cross-cutting sustainability management. In 2023, the Bank established a Sustainability Committee tasked with reviewing the annual ESG action plan, reviewing green and social finance projects, assessing EDB member states' contribution to the SDGs, enhancing the Bank's ESG ratings, and pursuing other relevant objectives. Furthermore, the Bank conducted training for all employees in 2023 to raise awareness about sustainability principles, key standards, ESG transformation approaches and the Bank's priorities and objectives in this domain.

To continuously enhance transparency in its sustainability initiatives, the EDB conducted its first ESG materiality assessment and calculated greenhouse gas emissions from its operations and investment activities, including project financing. The results of these efforts are now publicly accessible on the Bank's website. The Bank anticipates that the implementation of best practices and conscientious ESG transformation will positively influence its ESG ratings by rating agencies (current ratings include B from MSCI ESG and 14 from Sustainalytics for ESG risk[2]).

The EDB strives to support its member countries on their journey towards green transformation, exploring their potential and building expertise in this area. In the past year, the EDB released a report titled *Global Green Agenda in the Eurasian Region. Eurasian Region on the Global Green Agenda*, providing a comprehensive analysis of the challenges and prospects for a low-carbon transition in Eurasia[3].

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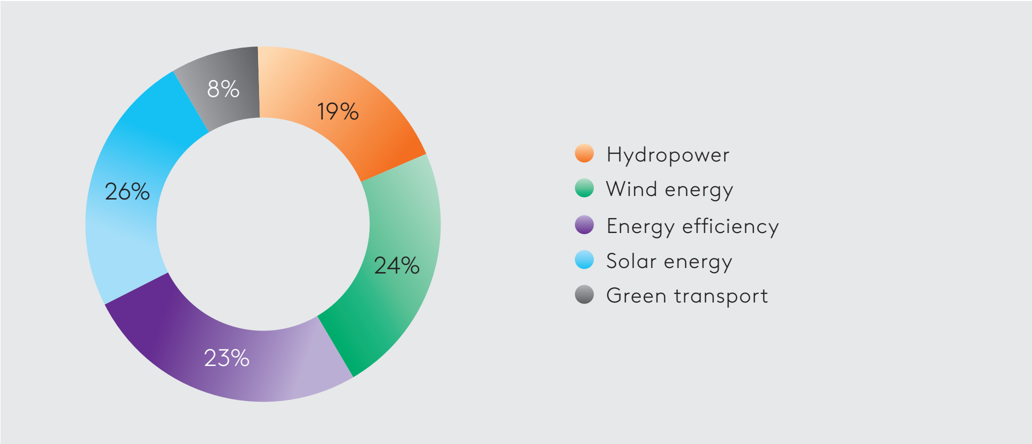
2 "B" indicates a lower position (on the AAA-CCS scale), while "14" signifies a low level of ESG risks (on a scale from 0 to 100, where lower scores indicate better performance).

3 https://eabr.org/en/analytics/special-reports/global-green-agenda-in-the-eurasian-region-eurasian-region-on-the-global-green-agenda/

One of the EDB's sustainability principles is to finance significant sustainable development impacts in line with the priorities of its member countries. The Bank assesses each investment project against national and international taxonomies. In 2023, the value of the Bank's green projects, including renewable energy and energy efficiency initiatives, exceeded US $600 million, with its cumulative green project portfolio reaching approximately US $1.2 billion.

The Bank's current investment portfolio comprises 18 green projects worth over US $600 million:



The key projects aimed at unlocking the renewable energy potential in EDB member countries and contributing to climate goals include:

- construction of a 100 MW hydropower plant in the Kyrgyz Republic as part of the Central Asian Water and Energy Complex mega-project;
- construction of a 48 MW wind farm in Kazakhstan, expected to have a favourable environmental impact by replacing electricity generation from a thermal power plant; and
- modernisation of hydropower facilities in Armenia to improve water use efficiency and increase renewable energy generation.

Aligned with the priorities and energy mixes of its member countries, the EDB places a special focus on energy efficiency and low-carbon transition initiatives. A landmark project in this area in 2023 was the reconstruction of Almaty CHPP 3, aiming to convert it from coal- to gas-fired generation. To secure funding, sustainability-linked bonds (SLB) will be issued by ALES on the Astana International Financial Centre's Exchange. The EDB participated in preparing the first bond issue of this type in Central Asia, financing, through its TAF, an independent assessment of the issuer's policy compliance with ICMA principles. An agreement with ALES was also signed for joint project implementation.

Key Investment Mega-projects

In alignment with the Bank's 2022–2026 Strategy, its priorities include key investment mega-projects (KIMPs) in the following areas, with the Bank's investment to total at least US $1.2 billion:

- the Central Asian Water and Energy Complex (KIMP 1);
- the Eurasian Transport Network (KIMP 2); and
- the Eurasian Agricultural Goods Distribution System (KIMP 3).

Central Asian Water and Energy Complex

Addressing water and energy challenges in Central Asia is crucial for ensuring sustainable socio-economic development in the region. There is a significant projected increase in demand for electricity (46% growth by 2035 compared to 2020) and a rising water deficit (expected to range from 5 to 12 km^3 from 2028–2029), necessitating substantial investments in energy infrastructure and water use efficiency.

The concept for the Bank's involvement in KIMP 1, the Central Asian Water and Energy Complex, was approved in 2022, outlining potential projects for investment totalling US $51.4 billion. In 2023, the Bank reviewed water and energy projects in Central Asia with a combined potential investment exceeding US $4.3 billion. Following the reviews, including those funded by the Bank's TAF, the following projects were approved in 2023 with the Bank's potential funding totalling up to US $544 million:

- construction of the 100 MW Kulanak HPP in the Kyrgyz Republic (Bank's funding: US $44 million);
- reconstruction of Almaty CHPP 3, with the construction of a combined cycle plant and capacity expansion to 500 MW, in Kazakhstan (Bank's funding: US $400 million); and
- reconstruction and expansion of the Astrakhan–Mangyshlak water pipeline in Kazakhstan (Bank's funding under negotiation).

Eurasian Transport Network

Developing the Eurasian Transport Network is one of the most important strategic objectives to enhance economic connectivity and integration potential among EDB countries. Unlocking transit potential and facilitating future increases in trade across Eurasia require infrastructure expansion and modernisation, particularly in transport and logistics. The Bank estimates that developing the international North–South transport corridor alone and realising its potential will necessitate infrastructure investments exceeding US $38.2 billion.

The concept for the EDB's involvement in the Eurasian Transport Network (KIMP 2, including the Europe–Western China transport corridor) was approved in 2023, outlining potential investment areas until 2026, while considering priorities for transport infrastructure development in the Bank's member states.

In 2023, the EDB participated in financing projects as part of the Eurasian Transport Network totalling over US $400 million, which included modernisation of Almaty International Airport and the acquisition of freight diesel locomotives in Kazakhstan. The Bank reviewed projects, including with funding from its TAF, worth over US $5.7 billion, with major initiatives including:

- construction of the third crossing on the Kazakhstan–China border, including the Ayagoz–Bakhty railway; and
- construction of an alternative Bishkek–Belogorka–Suusamyr bypass road in the Kyrgyz Republic.

Eurasian Agricultural Goods Distribution System

Developing the Eurasian Agricultural Goods Distribution System aims to unlock the region's potential to meet its food demand with local products and increase food exports. The lack of storage and processing facilities poses a significant barrier to development and necessitates substantial investment.

In 2023, the Bank participated in financing projects aimed at developing the Eurasian Agricultural Goods Distribution System, with a total value exceeding US $195 million. It also reviewed projects worth more than US $600 million.

International Activity in 2023

Aligned with the Bank's 2022–2026 Strategy, its international activities aimed to develop a network of partnerships, deepen cooperation with MDBs, financial institutions and international organisations, and enhance its reputation as a leading development institution in its operational region.

These objectives were advanced by the Bank's attainment of observer status at several international organisations, initiatives and associations of financial institutions.

In 2023, the EDB became the first MDB in its region to join the United Nations Environment Programme Finance Initiative (UNEP FI) as a supporting institution. This initiative, a collaboration between UNEP and the global financial sector, focuses on integrating sustainability principles into value chains and contributing to the SDGs.

The Bank secured observer status at the United Nations Framework Convention on Climate Change (UNFCCC), allowing its participation in UNFCCC activities and engagement with other MDBs in the process.

The EDB also became an observer at the international Green Investment Principles initiative for financial institutions, under the Belt and Road initiative, to promote green investments and sustainable development. This initiative unites 45 leading financial institutions from 18 countries and aims to support projects addressing climate change, environmental protection and economic development in the region.

Furthermore, the Bank joined the Water Finance Coalition (WFC), an association of national and international development institutions, which coordinates financing for the water and sanitation sector to achieve the SDGs. The WFC comprises over 70 institutions from Asia, Africa, North and South America and Europe.

The Multilateral Cooperation Centre for Development Finance (MCDF) approved the Bank's application to access its project database, enabling the search for investment opportunities, partners and analysis from leading MDBs.

The EDB bolstered its reputation and stature as a leading development institution in the region by hosting several international events and participating in events organised by other MDBs and international organisations.

On 15–17 May 2023, the EDB organised the 46th Annual Meeting of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) in Almaty. The event brought together representatives from MDBs and other financial institutions operating in the Middle East, Latin America and Africa. It was attended by delegates from financial institutions spanning 40 countries.

On 8–9 June 2023, the EDB hosted the Eurasian Congress '23. Discussions centred on the development of the water and energy complex, transport and logistics infrastructure, cross-country investment projects in industry, public-private partnerships as a mechanism for project implementation, and digital transformation in Eurasia. The plenary session, *Eurasia of the Future: From Challenges to Solutions*, convened heads of government from CIS countries such as Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan, as well as Cuba. The Congress drew more than 1,500 participants.

On 10 October 2023, the EDB hosted an event for multilateral institutions in Marrakech (Morocco), on the sidelines of the annual meetings of the International Monetary Fund and the World Bank, focusing on challenges in emerging markets and developing countries. Participants included representatives from MDBs, financial institutions and international business media. The Chairman of the EDB Management Board highlighted in his speech that the event aimed to create a platform for dialogue, contributing to the formulation of strategies and solutions for sustainable development in Central Asia and the global economy. The event also featured the presentation of the EDB's report on *Cross-border Public-Private Partnerships*.

On 16 November 2023, the Bank organised a roundtable discussion in Almaty with representatives from MDBs and international organisations on *Promoting Sustainable Development in Central Asia*. Participants deliberated on challenges related to irrigation, water use and sustainable development in the region. They also shared experiences of collaboration between MDBs and international organisations in implementing joint projects and initiatives aimed at achieving the SDGs.

Engaging with UN, CIS and EAEU international organisations remained an important priority on the Bank's international agenda.

On 22–24 March 2023, the Bank's delegation participated in the UN Water Conference in New York and a high-level meeting titled *Central Asia: Commitments for Water Action Agenda*, chaired by the President of Tajikistan. This event gathered heads of the European Commission, the U.S. Agency for International Development (USAID), the OECD, the UNECE, the ADB and relevant ministries from Kazakhstan, Tajikistan, Turkmenistan and Uzbekistan, among others. The Chairman of the EDB Management Board outlined the Bank's proposals on regulating Central Asia's water and energy complex and enhancing collaboration between the EDB and MDBs in this domain.

During the meeting of heads of EAEU and CIS governments on 26 October 2023 in Bishkek, the Chairman of the Bank's Management Board presented a report titled *Efficient Irrigation and Water Conservation in Central Asia*, proposing practical actions for the region's countries and outlining the Bank's involvement in addressing these challenges.

On 2 November 2023, Nikolai Podguzov, Chairman of the Management Board, delivered a presentation at the World Hydropower Congress in Indonesia on the modernisation of Central Asia's hydropower sector, the development of irrigation systems and the role of MDBs in leveraging relevant investments.

As part of the EDB's participation in the UNIDO General Conference on 27–30 November in Vienna, Austria, the EDB and UNIDO signed a Joint Declaration specifying potential joint projects.

The Bank's delegations, led by Nikolai Podguzov, participated in the annual meetings of leading MDBs such as the World Bank, the Asian Infrastructure Investment Bank, the Asian Development Bank, the Islamic Development Bank and the New Development Bank. Meetings with the management of these financial institutions resulted in agreements to deepen cooperation and implement joint initiatives.

The Bank financed significant projects in collaboration with international financial institutions, including the construction and operation of the Big Almaty Ring Road (EBRD, IFC, DEG) and the expansion and modernisation of Almaty International Airport (EBRD and IDB). It also signed a financing agreement for the construction of the Kulanak HPP in Kyrgyzstan (Russian-Kyrgyz Development Fund).

In 2023, the Bank and UNDP co-financed two feasibility studies: one for the construction and operation of the 15–25 MW Akulenskaya HPP in the Kyrgyz Republic and another for the preparation of a business plan and financial model for a project by the Grain Company and Mevahoi Sugd in Tajikistan, with the possibility of further funding from the EDB.

Research

Analysis and research are key elements of the Bank's updated operating model and operations. The Bank analyses and forecasts economic developments in its member states, their investment opportunities, economic sectors and various aspects of economic cooperation in Eurasia. In 2023, the Bank strengthened its analytical competencies by enhancing its integrated system of medium-term forecasting models, including new models for Uzbekistan.

The EDB offers a range of analytical publications, including weekly reviews of key economic developments in the member states' macroeconomics, trade, investment and infrastructure. It also provides regular macroeconomic and medium-term economic forecasts for its member countries and publishes reports on various integration and industry-specific regional developments.

The Bank's analytical publications are available on its website[4]. The number of views of these publications increased by 34% in 2023 compared to 2022 and by a factor of 1.5 over the last two years.

In 2023, the Bank continued to present its reports online[5], expanding its audience and recognition.

The EDB expanded its communication channels and formats. In 2023, its Telegram posts covered macroeconomic trends, mutual trade, investment and infrastructure in Eurasia, along with digests on ESG news from the member states. The exclusive content received significant attention in the media. The Bank's expert opinions and analytical materials were quoted over 2,600 times.

The Bank's information and research activities during the reporting period have confirmed its position as a leading think-tank on macroeconomic, trade, investment and sector-specific expertise in Eurasia, promoting the interests of its member states. The EDB's sector-specific expertise now shapes the strategic development agenda in the EAEU and Central Asia, fostering expert dialogue with government agencies, international partners and key industry players.

The Bank released the following macroeconomic publications in 2023:

- Six macroeconomic reviews of the EDB member states. These publications analyse the macroeconomic situation and indicators and provide short-term forecasts.

- Two extended publications detailing domestic and external macroeconomic developments and the outlook for the Bank's member states:

  - *EDB Macroeconomic Outlook 2024–2026* (December 2023);

  - *EDB Macroeconomic Outlook 2023–2025* (June 2023).

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4 https://eabr.org/analytics/
5 The live video presentations are available on the EDB's online platform: https://www.youtube.com/@infoEABR/streams

In addition, the EDB published reports in 2023 on topics of importance for the entire Eurasian region. Industry research informs the Bank's cross-country integration mega-projects and helps identify investment opportunities and cultivate projects:

- *Food Security and Agro-Industrial Potential of the Eurasian Region*. Based on a balance approach, this report analyses the production, resource and export potential of the Eurasian agro-industrial complex. By 2035, the region could provide food for 600 million people.

- *Global Green Agenda in the Eurasian Region. Eurasian Region on the Global Green Agenda*. This report provides a comprehensive analysis of the challenges and prospects for low-carbon transition in Eurasia, covering EAEU countries, Tajikistan and Uzbekistan.

- *Cross-Border Public-Private Partnerships*. This report outlines the criteria and scope of cross-border PPP projects, reviews global experience in transport, water and energy PPP initiatives, evaluates the potential for cross-border infrastructure development in Eurasia, and suggests guidelines for the successful implementation of cross-border PPPs in the EAEU, Central Asia and the South Caucasus.

- *Efficient Irrigation and Water Conservation in Central Asia*. This paper outlines ten practical steps for preserving irrigated land potential and promoting water conservation in Central Asia. These measures are designed to save enough water each year to support sustainable development.

- *EDB Monitoring of Mutual Investments 2023*. This annual study examines mutual foreign direct investment in Eurasia. The investment database, created using the Bank's unique methodology, helps assess the level of economic integration at the corporate level. The 2023 issue focuses on investment ties between the Eurasian region and Türkiye.

- *Economic Cooperation in Eurasia: Practical Solutions*. This report provides a "menu" of solutions that can be implemented in Eurasia to build end-to-end infrastructure, including physical (energy, transport and logistics) and trade and finance (mutual settlements, regional financial institutions) infrastructure and to develop continental cooperation on the green agenda and humanitarian ties;

- *Academic Mobility Promotion Programme*. This working paper offers a comprehensive analysis of the challenges and specific practical solutions to ensure the sustainable growth of inter-university relations and educational exchanges across the Eurasian region and the Greater Eurasian partnership;

- Draft reports: *Petrochemical Industry in Eurasia: Opportunities for Deeper Processing* and *Infrastructure in Eurasia: Short-Term and Medium-Term Trends*.

Research Partnerships

As a recognised leader in applied economic analysis, the EDB actively participates in surveys conducted by international and national agencies to gather expert community insights on macroeconomic forecasting. The Bank regularly provided its estimates for consensus forecasts developed at the request of the National Bank of Kazakhstan, Reuters, PwC Kazakhstan and the ifo/IWP Economic Experts Survey. The Bank's projections are widely used by public authorities in EDB member countries as an authoritative and unbiased source of information about the region's economies and their development prospects.

The EDB's analytical reports stimulate discussions with member governments and the expert community. In 2023, the EDB hosted a high-level Expert Club meeting to discuss its report on *Food Security and Agro-Industrial Potential of the Eurasian Region*. The report on *Cross-Border Public-Private Partnerships* was presented at a meeting of the Expert Club on Transport in November 2023.

Bank analysts presented the findings of the report on the *Regulation of the Water and Energy Complex in Central Asia* at meetings of the Coordination Councils of the National Policy Dialogue on Integrated Water Resources Management in the Kyrgyz Republic and Tajikistan.

The Bank participated in meetings of interstate working groups, including the expert meeting of the High-Level Working Group to bridge the positions of EAEU member states on the climate agenda and a workshop on developing coordinated approaches to the climate agenda in Eurasia, which took place on the sidelines of a meeting of the Eurasian Economic Commission's Council.

The EDB actively developed analytical cooperation with MDBs and international organisations, including the Islamic Development Bank, the New Development Bank, the Export-Import Bank of India, the FONPLATA Development Bank, the Africa Finance Corporation, the CAREC Institute, UNIDO, UN FAO, and UNEP, among others. Arrangements were made with the Islamic Development Bank, the Export-Import Bank of India and FONPLATA to conduct joint research in 2024.

The EDB participated in the Seventh CAREC Think-Tank Development Forum and negotiated partnerships in research and capacity-building initiatives to deepen regional cooperation and integration.

Bank experts delivered presentations at several significant international events dedicated to the integration and industry agenda, including: the international conference *Central Asia: Towards Sustainable Future through Strong Regional Institution* dedicated to the 30th anniversary of the International Fund for Saving the Aral Sea (Dushanbe); the UNESCAP Expert Group Meeting on the implementation of the Vienna Programme of Action in North and Central Asia (Almaty); the High-Level Political Forum on Sustainable Development at the United Nations Headquarters in New York (online); the VI International Efimov Memorial Conference (Moscow); the *Circular Economy Forum: From the Baltic to the Pacific*, an international session at the XXI All-Russia Strategic Planning Forum of the Regions

Lake Issyk-Kul. Kyrgyzstan
Source: shutterstock.com

and Cities of Russia; the National Development Forum 2023 on Poverty and Inequality (Bishkek); the plenary session titled *Advantages of the International North–South Transport Corridor in the New Foreign Policy and Economic Reality* of the IV International Foreign Economic Research-into-Practice Forum "Challenges and Solutions for Businesses: the Synergy of Competences"; the Sixth Plenary Session of the CICA Business Council and Eighth CICA Business Forum (Astana); and Water Infrastructure in Central Asia: Promoting Sustainable Financing and Private Capital Participation.

The Bank hosted the Eurasian Congress '23, prepared the 46th Annual Meeting of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and provided analytical support for this event, and participated in a meeting with the Agency for Strategic Planning and Reforms on updating Kazakhstan's 2050 Strategy and formulating its National Development Plan until 2029, the Sixth Meeting of the High-Level Working Group to bridge the positions of EAEU member states on the climate agenda, and the Astana International Forum 2023.

Fund for Digital Initiatives: Digital Transformation

The EDB's Fund for Digital Initiatives is a crucial catalyst for digital transformation in the EAEU+. In 2023, the Fund built partnerships with national think-tanks dedicated to digital transformation, including signing a Memorandum of Understanding and Cooperation with the Ministry of Digital Development of the Kyrgyz Republic.

In 2023, the Bank provided US $2.6 million to support and develop the Fund's projects.

The Fund's initiatives in progress and under review include:

- The "Work in the EAEU" mobile app. In 2023, the national segments for Armenia and the Kyrgyz Republic were implemented, making government and commercial services in these countries available to users from EAEU and CIS countries.

- The International Platform of Skills and Professions. This integrated platform to supports international projects and programmes aimed at developing skills and professions. By the end of 2023, key components of the platform were finalised, including the event management system, electronic evaluation system, electronic training system and the certificate and diploma generator. The platform was used to organise and conduct 77 events in 2023, including two the DigitalSkills 2023 Championship and the Hi-Tech 2023 Championship (13–17 November 2023), as well as 99 offline and online education and training events.

- The BEE-ONLINE digital platform. This platform supports the development and scaling up of light industry businesses. By the end of the year, over 1,500 factories in Russia, 210 in Kyrgyzstan, 45 in Belarus, 24 in Armenia and 14 in Kazakhstan were connected to the platform.

- E-government implementation and development in Tajikistan. An agreement was reached between Kazakhstan, Tajikistan and the EDB to facilitate the transfer of Kazakhstan's expertise in implementing and developing an e-government system.

- The National Digital Investment Platform in Kazakhstan. This project contributes to the government's objective of attracting investments in the nation's economy. The applicant and product owner is the Investment Committee at the Ministry of Foreign Affairs of Kazakhstan.

- The single Information and Research Centre for Water Resources of Kazakhstan. The project initiator is the Ministry of Water Resources and Irrigation of Kazakhstan.

- A joint project of the EDB, UNIDO and Armenia's Ministry of Economy to support the digital transformation of SMEs in Armenia. The project is intended to develop and implement tools to support the digital transformation of SMEs in Armenia by implementing international and regional best practices to reduce SME costs and enhance their competitiveness.

- The ATTILAN international digital tele-rehabilitation platform. The platform aims to strengthen cross-country cooperation in rehabilitating people with disabilities. It will develop tools to create a relevant digital ecosystem and improve living standards for individuals with musculoskeletal disorders and various diseases.

- Electronic document management in cross-border trade. This project pilots electronic document management in cross-border trade, aiming to gradually implement the exchange of electronic shipping documents and their recognition within the EAEU and CIS.

- Electronic vehicle passport system (Armenia and Kyrgyz Republic). The system will digitise vehicle passport issuance procedures, ensuring compliance with unified EAEU standards.

- Electronic map of Dushanbe. The city of Dushanbe has applied for EDB financing for this project.

- Lori AgroGenesis. This initiative aims to establish an integrated, technologically advanced agricultural ecosystem at the COAF Smart Centre in Lori, Armenia. It will support the digital transformation of small and medium-sized farms with state-of-the-art technologies such as GIS, IoT, AI and machine learning.

- Jewellery marketplace for the EAEU+. Activities were conducted in 2023 to lay the groundwork for launching this project.

The Fund for Digital Initiatives also participated in the Bank's KIMPs:

- Eurasian Agricultural Goods Distribution System: in 2023, the Fund actively reviewed and assessed proposals and preliminary models for digital platform solutions for this system. It held meetings and discussions with market experts and conducted a top-level analysis of the regulatory and legal aspects associated with the establishment and development of the system, which determine the quality and scale of digital platform solutions to be launched.

- Eurasian Transport Network: the Fund worked on a pilot project to develop and implement electronic consignment notes (e-CMRs) for freight transport, based on business requisition specifications for their interoperability with international e-CMR models.

Furthermore, the Fund prepared proposals for developing digital services for transport corridors.

In October 2023, the Fund for Digital Initiatives announced the Digital Project Competition, which is set to conclude in Q2 2024.

The Fund continuously analyses digital initiatives with an integration effect in the Bank's member states and promising digital development projects to assess their eligibility for the Bank's support and potential for scaling up and acceleration. Based on the analysis, the projects that align with the Fund's mandate are included in the registers of projects in progress or potential projects.

Technical Assistance Fund

Aligned with MDB best practices, the EDB provides assistance to enhance the quality of new investment projects and support its investment activities. The Bank's Technical Assistance Fund (TAF) is an instrumental resource in providing such support.

In 2023, the TAF achieved record-high figures in launching new technical assistance projects and the amount of funding approved. It focused on assisting the Bank's smaller economies in developing the institutional environments and improving the quality of new development projects.

During the reporting year, the EDB approved 21 new TAF projects worth US $8.7 million. The TAF worked on a total of 46 projects, with seven successfully completed in 2023, one closed ahead of schedule and five cancelled. By the end of 2023, the TAF's cumulative funding since its inception reached US $14.4 million, covering 100 projects. The 2023 TAF portfolio consisted of 18 projects, with expenditures totalling US $3.0 million.

Technical Assistance in Preparing Investment Projects

In the reporting period, the Bank's Management Board allocated US $1 million in technical assistance funding to eight new projects, focusing on investment initiatives in several member states, including Armenia, Kazakhstan and the Kyrgyz Republic. Some of these projects are to be implemented as part of the Bank's KIMPs, particularly in renewable energy and infrastructure development.

The technical assistance projects implemented in 2023 aimed at preparing future investments for Bank financing, contributing to the following SDGs:

- zero hunger

- clean water and sanitation

- affordable and clean energy
- decent work and economic growth
- industries, innovation and infrastructure
- responsible consumption and production
- climate action
- partnerships for sustainable development

Subsidising Interest Rates on Investment Projects

In 2023, the EDB's Subsidy Programme approved four projects, totalling US $5.8 million: two in Tajikistan, one in the Kyrgyz Republic, and one in Armenia. These subsidies are designed to provide support to the Bank's borrowers in the socially important sectors of agribusiness and energy.

Technical Assistance to Expand the Bank's Investment Activity

As part of the Technical Assistance Programme to Expand Investment Activity, the EDB allocated US $1.8 million for nine new TAF projects, encompassing projects initiated by member government agencies and ministries and those to develop new instruments for the Bank.

In 2023, the Bank identified significant effects of the following projects under this programme:

- Preparing and Launching PPP Projects in the Priority Sectors of Tajikistan: Lessons Learned and International Best Practices. This project enhanced the expertise of 37 representatives from relevant agencies.

- Implementing an Electronic Document Management System and Laying the Groundwork for Interdepartmental Electronic Exchange at Tajikistan's Ministry of Economic Development and Trade. Phase 1 — Preparing for Implementation. This initiative supported the development of the institutional environment and digital transformation within Tajikistan's public administration sector.

- Developing a Procurement Subsystem for Selecting Private Partners in the Electronic Commercial Procurement System of the Electronic Finance Centre. The subsystem was launched and in 2023, it issued its first tender announcements for private partners in PPP projects.

Cooperation in Technical Assistance

In 2023, the EDB continued its collaboration with international organisations and government agencies from its member countries through joint projects. The Bank sustained its partnership with the UNDP on two initiatives in the Kyrgyz Republic and Tajikistan. The year also saw the launch of a unified information system to coordinate technical assistance, funded by the TAF, for the Eurasian Group on Combating Money Laundering and Financing of Terrorism.

The EDB also worked closely with the United Nations Economic Commission for Europe (UNECE) on a project aimed at developing PPP institutions in Tajikistan. This collaboration involved expanding a training programme with a presentation by the UN agency on *PPPs and the Infrastructure Evaluation and Rating System: An Evaluation Methodology for the SDGs*.

In 2023, the EDB initiated technical assistance projects in cooperation with member government agencies under its investment expansion programme. These projects targeted the following beneficiaries:

- Ministry of Economic Development and Trade of the Republic of Tajikistan;

- Centre for the Implementation of PPP Projects at the State Committee on Investment and Public Property Management of the Republic of Tajikistan;

- Investment Committee at the Ministry of Foreign Affairs of the Republic of Kazakhstan;

- Financial and Credit Fund at the Ministry of Finance of the Kyrgyz Republic; and

- municipal and national authorities in the Kyrgyz Republic.

Alaverdi, Armenia
Source: unsplash.com

Member States' Development and Integration

The EDB, as a systemically important institution, plays a key role in promoting the strengthening and long-term growth of the economies in its operating region. This is guided by the Bank's strategic model for the five-year period from 2022 to 2026. The EDB contributes significantly to the sustainable mobilisation of resources, ensuring the implementation of investment projects that are important to its member economies, particularly those with long implementation periods. By the end of 2023, the Bank continued to exceed its strategic benchmarks, focusing on priority activities in each of its member states, considering their needs and demand for Bank funding, as well as the changing external environment.

In 2023, the EDB's strategy aimed to increase the proportion of integration projects in its current investment portfolio from 50% to 55%. The Bank focused on projects with an integration effect. As a result of its efforts, the share of these projects in the current investment portfolio reached 63.8%, surpassing the target by 8.8 percentage points.

As of 31 December 2023, the EDB's investment portfolio was estimated to generate mutual trade flows worth approximately US $5.3 billion per year. Mutual investments secured by the Bank-funded projects exceeded US $2 billion by the end of 2023.

Integration effects, US $ millions	2020	2021	2022	2023
Mutual trade per year	4,333	4,562	4,811	5,258
Mutual investment	1,947	1,992	2,009	2,028

The number and scope of the Bank's new integration projects in the real sector increased significantly. In 2023, the Bank added 15 projects with an integration effect, worth US $1.1 billion, to its portfolio, all within the real sector (compared to 14 projects in the real sector, totalling US $675 million, in 2022).

Year	Integration projects		Year-end value, US $ millions	
	Total	Real sector	Total	Real sector
2021	8	5	530	310
2022	20	14	1,364	675
2023	15	15	1,101	1,101

By the end of 2023, the Bank exceeded its benchmarks for contribution to development as outlined in its Strategy. Projects contributing to the SDGs comprised 22.8% of the Bank's current investment portfolio as of 31 December 2023, which is 12.8 percentage points above target.

These projects aim to facilitate the achievement of SDG target effects in line with the Bank's country strategies.

In developing its operations in all member states, the Bank prioritises, among other things, the base effects of its contribution to economic growth in line with SDG 8, "Decent Work and Economic Growth." The Bank estimates that, as of 31 December 2023, its investment projects ensured an annual aggregate increase in the gross output of its member economies totalling US $11.9 billion, created approximately 37,000 jobs and secured almost US $1.4 billion in annual tax revenues (see the table below):

Project effects (US $ millions)	2020	2021	2022	2023
Gross output per year	7,651	8,126	9,445	11,926
Taxes and other compulsory payments per year	1,192	1,215	1,293	1,353
New jobs (thousands)	29.6	31.9	32.1	37.0

A key outcome of the EDB's project activities in 2023 was the above-target growth in its investments in Kazakhstan. By year-end, the newly signed projects in Kazakhstan accounted for the majority (58.7% or US $1 billion) of the Bank's total operations. In 2023, the EDB primarily focused on industrial development initiatives in Kazakhstan, participating in the financing of landmark projects by major companies such as Kazakhmys Corporation, KTZ–Freight Transportation and Kazakhstan Petrochemical Industries Inc.

Another key area of the EDB's efforts, aligned with its strategic goals and objectives, is strengthening its contribution to development in the smaller economies: Armenia, the Kyrgyz Republic and Tajikistan. In this domain, the Bank also exceeded its strategic benchmarks. In 2023, newly signed projects in Armenia, the Kyrgyz Republic and Tajikistan totalled US $192 million and comprised 6.1% of the Bank's current investment portfolio as of 31 December 2023, well above the 2% target outlined in the Strategy. In particular, the EDB approved US $92 million in investments for the Kyrgyz Republic, a record-high indicator since the beginning of its operations in the country. In 2023, the EDB actively utilised technical assistance in project preparation and investment development in Armenia, Kyrgyzstan and Tajikistan as a key mechanism for achieving its strategic objectives in the smaller economies.

In Belarus and Russia, the EDB continues to focus on private-sector operations aligned with the SDGs. In 2023, the Bank worked to rebalance its loan portfolio and maintain its high quality in response to ongoing changes in the global regulatory environment, adhering to the best compliance practices of international financial institutions.

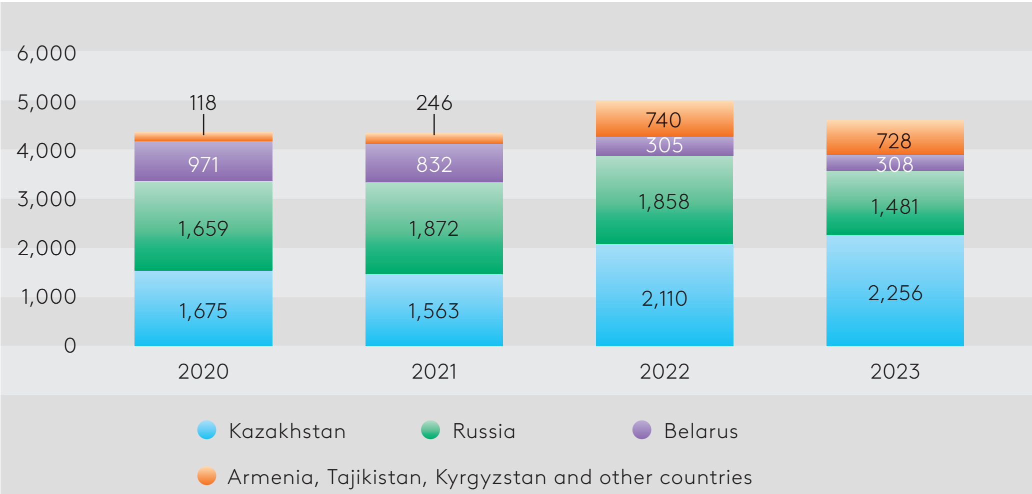
In 2023, the annual value of investments totalled US $1,710 million, with projects in Kazakhstan accounting for 58.7% and those in the smaller economies 11.2% of the total. Since the launch of the Bank's 2022–2026 Strategy, the annual value of its investments has reached US$4,213 million. A total of 37.0% of new projects signed in 2023 were denominated in the national currencies of EDB member states.

By 31 December 2023, the Bank was considering 23 project applications that had undergone preliminary review and had their concepts approved. The EDB's share in these projects amounted to US $1.9 billion.

As of the end of 2023, the Bank's current investment portfolio[6] totalled US $4,773 million.

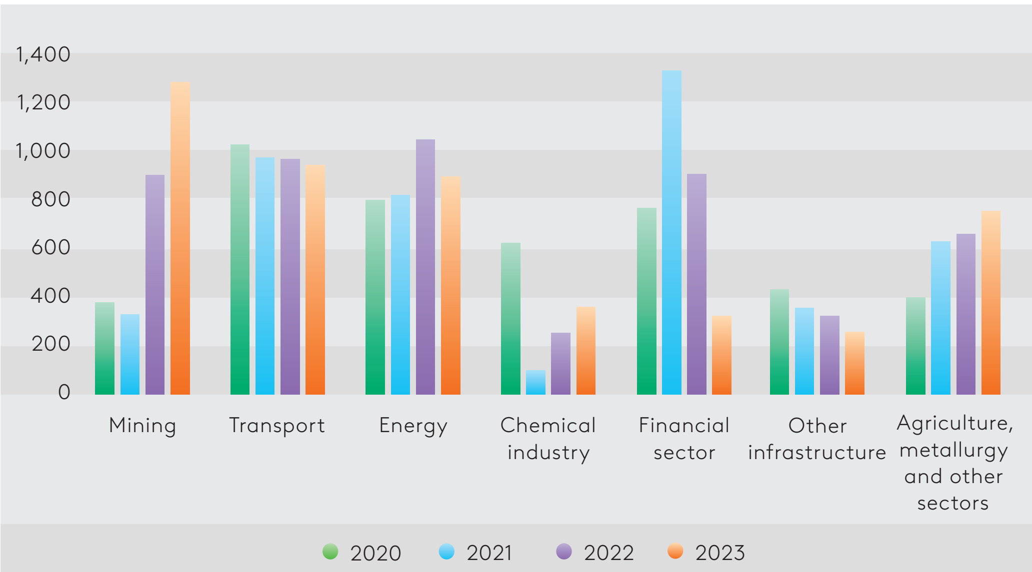
The cumulative investment portfolio[7] reached US $14,743 million by year-end.

Indicator, US $ millions	2020	2021	2022	2023
Current investment portfolio	4,423	4,513	5,013	4,773
Cumulative investment portfolio	9,906	11,346	13,414	14,743



← Current investment portfolio by country (US $ millions)

In terms of geographical distribution, projects in Kazakhstan accounted for the largest share of the Bank's current investment portfolio at the end of 2023.



← Current investment portfolio by sector (US $ millions)

[6] The "current investment portfolio" refers to the amount of the balance-sheet portfolio and off-balance-sheet liabilities (loan facilities and guarantees issued) relating to ongoing projects that are included in the Bank's investment portfolio.

[7] The "(cumulative) investment portfolio" refers collectively to all financial instruments under the Bank's approved projects since the Bank started operating, with respect to which financial agreements have been signed and not repealed before the start of financing.

In the composition of the current investment portfolio by sector, mining projects surged from 17.9% to 26.8%, and those in the chemical industry increased from 5.1% to 7.5%, while energy projects declined from 20.7% to 18.6%. Investment in the real sector expanded, leading to a reduction in the proportion of projects in the financial sector from 18.0% to 6.6%. Changes in other sectors were insignificant.

At the end of 2023, projects financed in the national currencies of EDB member states accounted for 38.9% of the current investment portfolio, compared to 55.7% at the end of the previous year.

Republic of Armenia

In Armenia, the EDB focused its investment and project activities on sustainable energy infrastructure development. The Bank provided technical assistance to promote relevant expertise and the institutional environment. The EDB's first initiative in providing comprehensive support to Armenia's institutions was a project to foster the development of higher education.

The Bank's cumulative investments in Armenia for 2022 and 2023 totalled US $183 million, or 64% its five-year investment target under the 2022–2026 Country Strategy.

By 31 December 2023, the Bank's current investment portfolio in Armenia amounted to US $174 million, comprising seven projects in four sectors. Almost the entire current portfolio (98% or US $171 million) was formed by projects signed during the first two years of the EDB's new strategy — in 2022 and 2023. Projects in Armenia accounted for 3.7% of the Bank's current investment portfolio.

In 2023, the Bank added a new project to its current investment portfolio in Armenia, with record-high financing for sustainable infrastructure development. The project funds an investment programme to modernise the Sevan-Hrazdan HPP Cascade, including US $76 million in debt refinancing. The EDB also allocated US $0.9 million from its TAF to support project implementation.

As part of its efforts to diversify industry and exports, the EDB focused on projects to modernise and establish new high-performance enterprises. It evaluated the possibility of participation in financing the Amulsar gold mine development project, one of the largest investment initiatives in Armenia. The Bank provided US $50,000 in technical assistance from the TAF to conduct a socio-economic assessment of the project during the preparation phase.

In promoting food security, the EDB achieved significant results in its objective to boost agricultural productivity. It successfully cooperated with the Yeremyan Group of Companies, raising its financing limit for investment projects in Armenia's agriculture and food industry.

In 2023, significant progress was made in the digital transformation of the economy and public administration. In promoting a secure and sustainable system of digital solutions and infrastructure, the EDB Fund for Digital

Initiatives launched, in collaboration with Armenia's Ministry of Labour and Social Affairs, the Armenian national segment within the "Work in the EAEU" app. To enhance the efficiency of data circulation, the Fund for Digital Initiatives also reviewed a project aimed at implementing electronic document management for cross-border trade among Armenian entities and their counterparties from other member countries and gradually introducing the exchange of electronic shipping documents.

In 2023, the EDB continued to provide technical assistance in project preparation and investment development in Armenia. The Bank approved financing from its TAF for four projects totalling US $0.4 million. In addition, the EDB allocated US $120,000 to finance its first project promoting the development of higher education in Armenia. The Bank also extended grants to support the enhancement of the PPP institution through a PPP training programme, teacher certification, classroom upgrades and the establishment of a scholarship fund for prospective students.

The EDB's cumulative investment portfolio in Armenia contributes to an annual increase in the country's output and tax revenues totalling over US $80 million and nearly US $1.5 million, respectively.

Republic of Belarus

During 2023, the EDB's priority in Belarus was to maintain the good quality of the current investment portfolio, focusing on private sector operations aligned with the SDGs.

As of 31 December 2023, the Bank's current investment portfolio in Belarus totalled US $308 million, comprising nine projects in six sectors. Since the beginning of the Bank's operations in Belarus, from 2010 to 2023, its cumulative investments there have exceeded US $2.3 billion. Belarus's share of the total current investment portfolio was 6.5%.

In 2023, significant progress was made in developing basic infrastructure. The Bank focused on projects to reconstruct motorways, develop logistics and warehousing and upgrade social infrastructure as well as housing and utilities. The EDB launched a new portfolio worth an equivalent of US $57 million to expand the Prilesie transport and logistics hub in Minsk, including the construction of warehouses. The Bank's special role in this project, aligned with its objective to support stable access and mobilise investments, was in replacing investments from partners who had restricted their work on new projects in Belarus. The Bank also provided US $135,000 in technical assistance from its TAF for the technical audit and financial and technical supervision of this project.

To promote the sustainable development of the energy system, the EDB continued to implement existing projects and took preliminary steps to support projects aimed at modernising small boiler houses and power plants.

In 2023, significant progress was made in industry modernisation and development, with a focus on socially important initiatives. The Bank continued to support BioImmunity's project by to launch full-cycle production of Sputnik vaccines in Belarus and reviewed promising private sector initiatives. As part of its efforts to develop new production facilities, the Bank added a US $23 million project to its portfolio for launching medical packaging production at the Gomel-Raton free economic zone. The project aims to build a workshop for the production of sterile medical items and a power unit to service the production facilities.

To promote export potential and support entrepreneurship during 2023, the EDB evaluated the possibility of financing an investment programme of Belarus's largest private agribusiness company, aimed at modernising and expanding its operations and increasing supplies to other Bank member countries. In support of small and medium-sized enterprises during 2023, the EDB continued to finance targeted lending programmes with partner commercial banks in Belarus.

Efforts under the cross-cutting objective of digital transformation included the development of projects of the Fund for Digital Initiatives in Belarus. The Fund continued to prepare a project for the mutual recognition of electronic digital signatures between Russia and Belarus to ensure the validity of electronic documents in cross-border information exchanges, among other projects.

The EDB's cumulative investment projects increase Belarus's output by US $2.0 billion per year and create more than 3.4 thousand jobs.

Republic of Kazakhstan

In 2023, the EDB solidified its position as a leading MDB in terms of both the value of its operations and the number of projects in Kazakhstan.

Over the past two years, the Bank's investments in Kazakhstan have surpassed those of other MDBs[8]. During the first two years of the Bank's current strategic period, Kazakhstan has led in new investments and the share of the current investment portfolio. In 2023, the EDB continued to increase its investments in Kazakhstan for the second consecutive year, with cumulative investments in 2022 and 2023 reaching US $2.2 billion, or 58.1% of the target for the entire Country Strategy period.

As of 31 December 2023, the EDB's current investment portfolio in Kazakhstan amounted to US $2,256 million, comprising 38 projects in eight sectors. Projects in Kazakhstan accounted for 47.3% of the Bank's current portfolio.

In 2023, the EDB continued to expand its portfolio of renewable energy projects in Kazakhstan. A new wind farm project by KazWind Energy in the Kostanai Region commenced, adding 48 MW to the total green energy generation capacity. The EDB's financing for this project amounted to US $41 million, facilitating an increase in mutual investments between participating countries. An important aspect of these efforts was the Bank's focus on advancing best ESG practices and the green transition, aligned with Kazakhstan's national development priorities, including

[8] According to preliminary open-source data as of February 2024, including MDB operations in Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia and Tajikistan, subject to possible updates.

by mobilising resources from partner institutions and enhancing the cooperation agenda. As part of this project, the Bank participated in issuing the borrower's green bonds for a total of KZT 3 billion, verified by the Green Finance Centre (GFC) and supported by a subsidy from the Damu Entrepreneurship Development Fund.

In line with the Country Strategy, the Bank promotes the development of all types of physical infrastructure, competitive and innovative industries, food security and agriculture, the financial market, green transition and ESG practices.

To develop physical infrastructure, the EDB signed agreements on new transport projects — the acquisition of freight diesel locomotives by KTZ–Freight Transportation for US $229 million and 500 gondola cars by Eastcomtrans for US $22 million.

In 2023, the EDB stepped up its work with priority projects to support industrial development.

The Bank provided a US $150 million loan facility to Kazakhstan Petrochemical Industries Inc. to support operations at a new integrated gas chemical complex until it reaches its design capacity of 500,000 tonnes of polypropylene granules per year. This project is expected to establish large-scale production of gas chemical products with high added value.

In addition, the EDB continued its collaboration with Kazakhmys Corporation. In 2023, the Bank added a new project to its portfolio in Kazakhstan — the financing of an investment programme for the development of new mines and the construction and modernisation of concentrating plants, as well as investments in the maintenance of fixed assets (overhauls and acquisition of new equipment) and other financing, totalling US $300 million.

The EDB's third major new project in support of Kazakhstan's industrial development was the financing of a US $150 million investment programme by Shubarkol Komir to maintain the company's production capacity and develop new facilities, including ensuring supplies of special coke (a reducing agent) to the ERG Group's facilities. The project involves the use of state-of-the-art technology and equipment.

The Bank was also actively working on digital projects in Kazakhstan. These include the National Digital Investment Platform, which is expected to contribute to the government's objective of leveraging investment in the economy. The applicant and product owner is the Investment Committee of the Ministry of Foreign Affairs of Kazakhstan. In addition, an agreement has been reached between Kazakhstan, Tajikistan and the EDB, with support from the Fund for Digital Initiatives, to facilitate the transfer of Kazakhstan's solutions and competencies in implementing and advancing the e-government system. The project is planned to be implemented with financial support from the Fund for Digital Initiatives.

The EDB's cumulative investment portfolio generates a total increase in Kazakhstan's output of more than US $4.0 billion per year, an annual increase of US $440 million in tax revenues and over 12,000 jobs.

The Bank's investments foster economic ties among its member states, with its cumulative project portfolio in Kazakhstan contributing to an estimated annual increase of US $3 billion in mutual trade among Bank member states and an estimated increase of US $800 million in total mutual investments.

Kyrgyz Republic

In 2023, the Bank made record-high investments in the Kyrgyz Republic. The financing for new projects in the country in 2023 totalled US $92 million, the highest amount since the start of its operations in Kyrgyzstan. As part of the Bank's efforts to develop its operations in the smaller economies, the Kyrgyz Republic became a leader in investment growth in 2023.

During the first two years of its 2022–2026 Strategy and Country Strategy for the Kyrgyz Republic, the Bank consistently exceeded its key targets, with the cumulative investments in 2022 and 2023 accounting for 61.6% of the planned five-year total.

By 31 December 2023, the Bank's current investment portfolio in the Kyrgyz Republic totalled US $101.5 million, comprising three projects in the financial sector, energy and construction. The Kyrgyz Republic accounted for 2.1% of the current investment portfolio.

In line with its 2022–2026 Country Strategy for the Kyrgyz Republic, the Bank focused on diversifying its investment portfolio in 2023 to enhance its contribution to the country's real sector, with new project funding totalling US $92 million.

To develop basic infrastructure and promote regional integration and sustainable development, the Bank expanded its portfolio in the Kyrgyz Republic with a US $44 million project to finance the construction and operation of the 100 MW Kulanak HPP. This project significantly contributes to the country's economic growth by increasing output and tax revenues and creating jobs.

To support project implementation, the EDB provided an additional US $4 million grant from its TAF. The grant facilitates the Bank's efforts to strengthen collaboration and implement joint projects with partner institutions.

In developing its investment activities in the Kyrgyz Republic, the Bank places a special emphasis on mitigating adverse environmental impacts as part of its continuous commitment to global ESG practices. In 2023, the EDB launched a new project to modernise a cement plant in the Kyrgyz Republic, contributing to industrial development, ensuring the accessibility and sufficiency of basic materials for the sector and advancing the region's economic development. This project involves constructing a state-of-the-art dry-process clinker burning line with a daily capacity of 2,500 tonnes. This initiative aims to enhance the environmental performance of cement production in the Kyrgyz Republic and reduce emissions, with EDB funding amounting to US $48 million.

Aligned with its objective to actively leverage TAF resources in achieving strategic goals, the Bank significantly increased its grant-based technical assistance for investment initiatives in the Kyrgyz Republic. In 2023, the TAF launched three technical assistance projects worth approximately USD 4.2 million, marking record-high levels of technical assistance funding.

The Bank also continued to promote cooperation with global organisations to mobilise resources from partner institutions for development initiatives. In 2023, the TAF, in collaboration with the UNDP, continued to finance a feasibility study for the construction and operation of the 15–25 MW Akulenskaya HPP in the Kyrgyz Republic.

Moreover, the Fund for Digital Initiatives launched the Kyrgyz Republic's national segment in its "Work in the EAEU" app, enabling citizens from EAEU member countries to access 11 national services, including the registration of foreigners and stateless persons, job and housing searches, applications for Digital Nomad status, the electronic issuance of voluntary and mandatory patents as well as patents for employees who must have them to be able to work in a specific domain, and recommended employment steps on the "Help" tab.

The EDB's cumulative investment portfolio generates a total increase in the Kyrgyz Republic's output of more than US $146 billion per year, an annual increase of US $17.5 million in tax revenues, more than 2,000 jobs, and an increase in mutual trade with Bank member states exceeding US $50 million per year.

Russian Federation

In 2023, with support from shareholders, measures were implemented to execute the unanimous decision of EDB member states to reduce Russia's share in its paid-in charter capital from 66.0% to 44.8%, with the difference evenly redistributed among other EDB members to diversify the share capital structure in line with the best corporate governance practices of multilateral development banks. The decision to redistribute Russia's share was implemented with the active support of Kazakhstan and Russia.

Throughout 2023, the EDB prioritised maintaining the good quality of its current investment portfolio in Russia, focusing on private sector operations aligned with the SDGs.

With shareholder support, the Bank worked to rebalance its loan portfolio, including by reducing projects in response to ongoing changes in the global regulatory environment and in alignment with best compliance practices of international financial institutions.

In 2022 and 2023, subject to international norms and EDB's commitments to investors and counterparties, the share of Russian projects in the Bank's balance-sheet portfolio decreased from 41% at the end of 2021 to 30% at the end of 2022 and 22% at the end of 2023.

The proportion of Russian projects in the portfolio as of the end of 2023 was at a level necessary for the Bank to achieve its objectives, both in developing its operations and in maintaining its financial and operational stability in the medium term.

As of 31 December 2023, the Bank's current investment portfolio in Russia totalled US $1,481 million, comprising 22 projects in seven sectors.

In 2023, the EDB expanded its portfolio in Russia with a new US $50 million project to support the sustainable development of green urban environment and transport infrastructure — the construction of a tram network connecting the Kupchino metro station, the Shushary Settlement and Slavyanka in St. Petersburg.

The EDB's cumulative investment projects in Russia create more than 19,300 jobs.

Republic of Tajikistan

In Tajikistan, the EDB focused in 2023 on developing a pipeline of projects to support real sector investment, expanding technical assistance for project preparation, improving the "bankability" of projects and enhancing its investment activities.

The Bank's cumulative investments in Tajikistan for 2022 and 2023 totalled US $18.6 million, or 41% of its five-year investment target under the 2022–2026 Country Strategy.

As of 31 December 2023, the EDB's current investment portfolio in Tajikistan totalled US $15.7 million, including a new project in line with the Bank's objective of promoting food security and agricultural development to finance the investment initiatives and ongoing operations of the Grain Company and Mevahoi Sugd in Tajikistan.

The Bank provided approximately US $0.9 million from its TAF to support this project, a record amount of funding for initiatives in Tajikistan.

The EDB has significantly increased its focus on developing the technical assistance mechanism in Tajikistan, guided by the goals and objectives outlined in its Strategy. In the first two years of Strategy implementation, the Bank's TAF provided a record amount of grants, totalling US $1.2 million, for eight new technical assistance projects to support the EDB's initiatives and investment activities.

It has also significantly enhanced its focus on improving the institutional environment. In 2023, the EDB continued to work with Tajikistan's Ministry of Economic Development and Trade to digitise the ministry's electronic document management system. For the first time since it began operations in Tajikistan, the Bank organised a training session for over 30 government officials on how to prepare and launch PPP projects in priority sectors.

To promote energy security, the EDB focused on hydropower and energy conservation projects. The Bank began to explore its possible participation with other MDBs in financing the construction of the 3,600 MW Rogun HPP — the largest hydropower plant in Central Asia.

In 2023, the most significant results were achieved in promoting food security and agricultural development. The EDB approved US $15.7 million for an investment project to develop existing orchards in the Sughd Region, including expanding their area to 150 hectares and purchasing equipment and vehicles. It also approved the extension of US $835,000 from the TAF to subsidise the interest rate on the loan for the local borrower.

To diversify industry and develop the private sector and entrepreneurship, the EDB focused on several initiatives undertaken by businesses in Tajikistan, including the production of polyethylene terephthalate (PET) products and the upgrading of food enterprises. To support SMEs, the Bank continued its cooperation with IMON International in financing the ongoing targeted lending programme and in preparing a new microcredit programme for Tajik enterprises.

In 2023, the EDB actively worked on digital transformation objectives. To support the development of digital solutions to strengthen integration and promote interoperability between countries, the Fund for Digital Initiatives and Kazakhstan's Agency for International Development discussed the possibility of extending Kazakhstan's experience in e-government development to Tajikistan. At the request of Tajikistan's Ministry of Finance, the Fund for Digital Initiatives reviewed a project to develop an electronic map of Dushanbe, aimed at implementing urban asset/land management systems and promoting cooperation between public institutions in Dushanbe under the Smart City urban development concept. In collaboration with the Ministry of Agriculture and the Food and Agriculture Organisation of the United Nations, the Fund worked on a mechanism for implementing digital projects in agriculture in Tajikistan, based on the experience of deploying digital solutions in other EDB member countries. An agreement was also reached between Kazakhstan, Tajikistan and the EDB to facilitate the transfer of Kazakhstan's developments and competencies in the implementation and development of the e-government system. This project is planned to be implemented with financial support from the Fund for Digital Initiatives.

The EDB's cumulative investment projects generate a total increase in Tajikistan's output of US $53 million per year, an annual increase in tax revenues of US $0.3 million and more than 200 jobs.

Non-member Countries

As of December 2023, the EDB's current investment portfolio in non-member Uzbekistan and India totalled US $435 million and included the following projects:

- US $400 million investment financing for Navoi Mining and Metallurgical Company in Uzbekistan; and
- US $35 million bank guarantee for the repayment of a contractual advance payment for VA Tech Wabag, Ltd., in India.

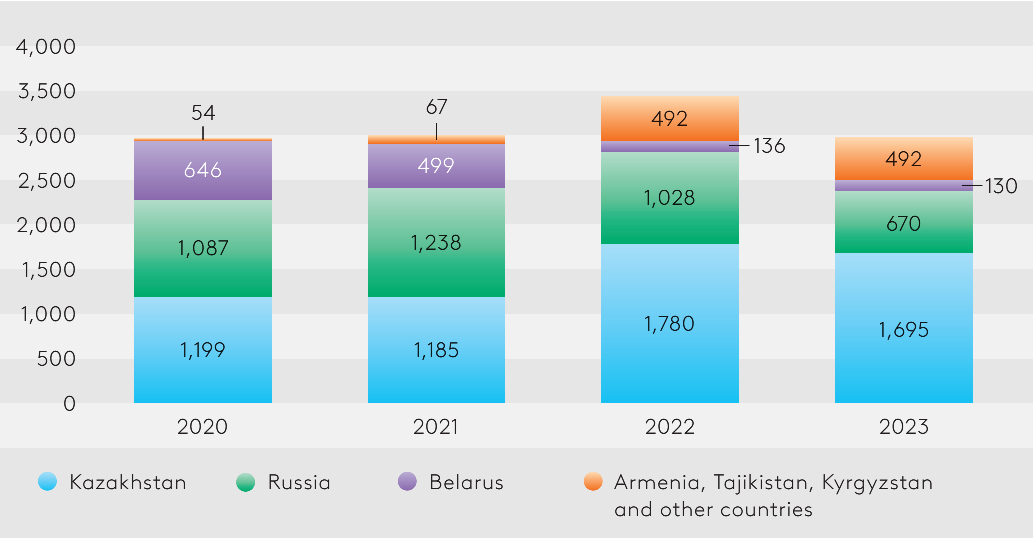
2

Balance-Sheet Management

Kyrgyzstan
Source: shutterstock.com

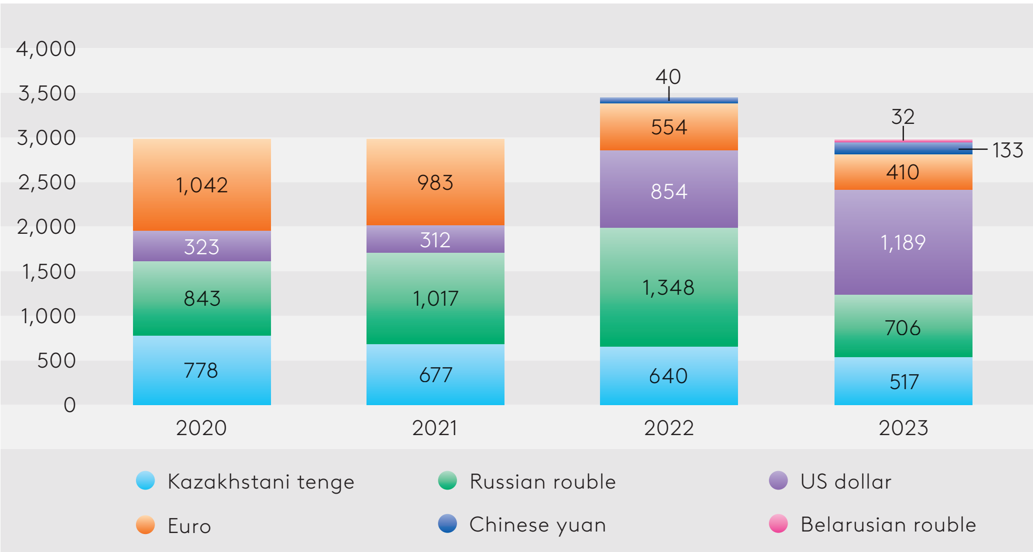
Project Portfolio

The balance-sheet portfolio[9] at the end of 2023 amounted to US $2,987 million.



← Balance-sheet portfolio by country, US $ millions

In terms of geographical distribution, projects in Kazakhstan accounted for the largest share of the Bank's balance-sheet portfolio by the end of 2023.



← Balance-sheet portfolio by currency, US $ millions

By the end of 2023, projects financed in the national currencies of EDB member states comprised 42.0% of the Bank's balance-sheet portfolio, compared to 57.9% at the end of the previous year.

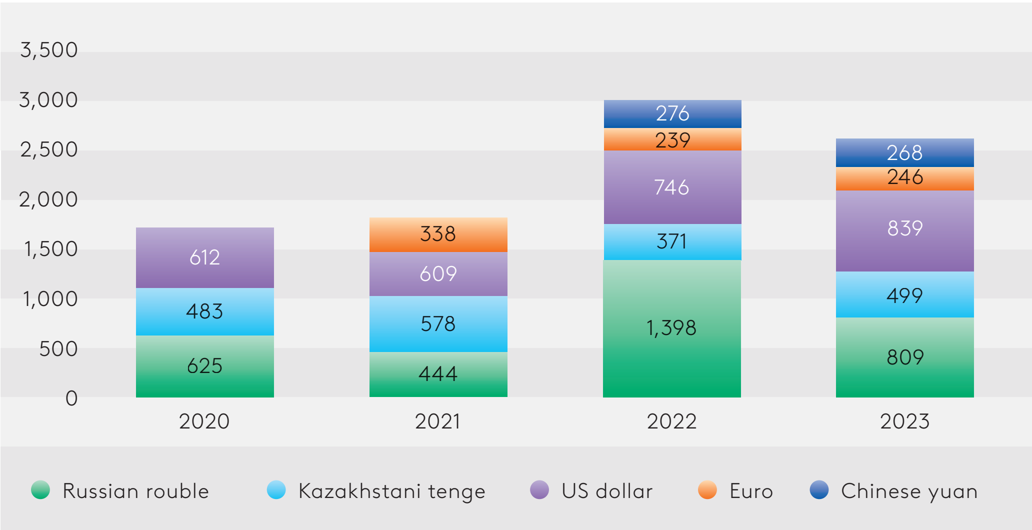
9 The "balance sheet portfolio" refers to the amount of outstanding funds extended to the Bank's customers and other banks, as well as investments in debt and equity instruments, and participation in direct investment funds relating to projects that form the Bank's investment portfolio.

Funding

In 2023, the EDB continued to actively mobilise long-term funding and short-term borrowings in the capital markets of its member states to manage liquidity risk.

By the end of 2023, the Bank's total borrowings stood at US $3,217 million, comprising US $2,661 million from debt securities and US $556 million from loans obtained from financial institutions.

Debt Securities Issued



← Debt securities issued by currency, US $ millions

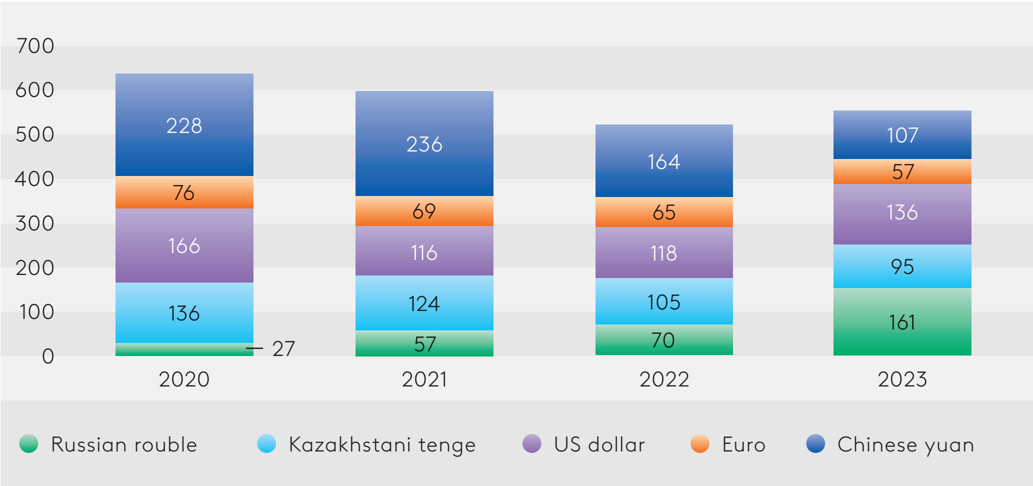
During 2023, the Bank issued US $794 billion in debt securities, including:

- three issues for a total of US $160 million;
- two issues for a total of KZT 75 billion; and
- four issues for a total of RUB 39 billion.

At end-2023, S&P long- and short-term ratings on the Bank's foreign currency-denominated debt securities were "BBB-" and "A-3", respectively, with a negative outlook.

Loans from Financial Institutions

To finance its project activities, the Bank leverages tied financing from international and national financial institutions. At year-end, the aggregate debt under such loan agreements amounted to US $556 million.



← Loans from financial institutions by currency, US $ millions

In 2023, the Bank mobilised US $133 billion from financial institutions. The funds were used to finance projects in industry, transport, infrastructure and energy.

Under the relevant agreements, the Bank complied in 2023 with covenants including maintaining financial stability, meeting payment obligations and avoiding cross-defaults.

The Bank seeks to expand cooperation and establish new loan facilities with financial institutions in its member countries, as well as with foreign banks and international financial institutions, including export credit agencies and export-import banks.

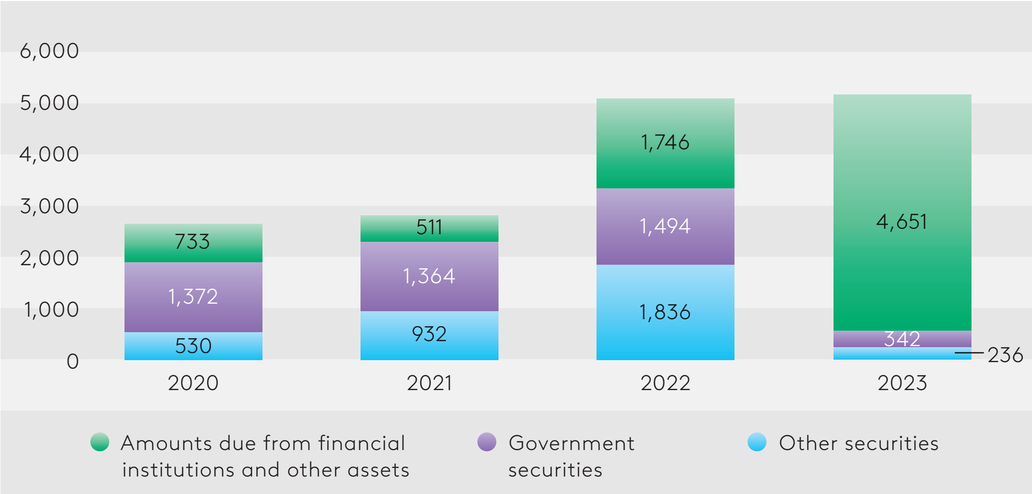
Treasury

As of 31 December ЕАБР, the Bank's Treasury-managed funds (treasury portfolio) amounted to US $5.2 billion.

The key objectives of the Bank's treasury portfolio management include:

- preserving the value of the Bank's equity;
- maintaining the Bank's liquidity at acceptable levels;
- ensuring high credit quality of the treasury portfolio; and
- achieving a well-diversified treasury portfolio.

In 2023, the treasury portfolio increased by US $153 million (3%) compared to 2022.



← Treasury portfolio by instrument, US $ millions

Risk Management

The primary objectives of the EDB's risk management framework are to provide reasonable assurance that the Bank will achieve its strategic objectives without compromising its long-term stability and to minimise the Bank's potential financial losses from exposure to risk, including the preservation of its capital.

Risk management is the responsibility of the Bank's Council and Management Board, and of collegial bodies and divisions in charge of certain risk management functions. Together they develop and implement risk management policies, including those relating to credit, market, operational and liquidity risk. The Bank's divisions regularly produce management reports required for the collegial bodies to manage each type of risk.

Investment Portfolio Risks

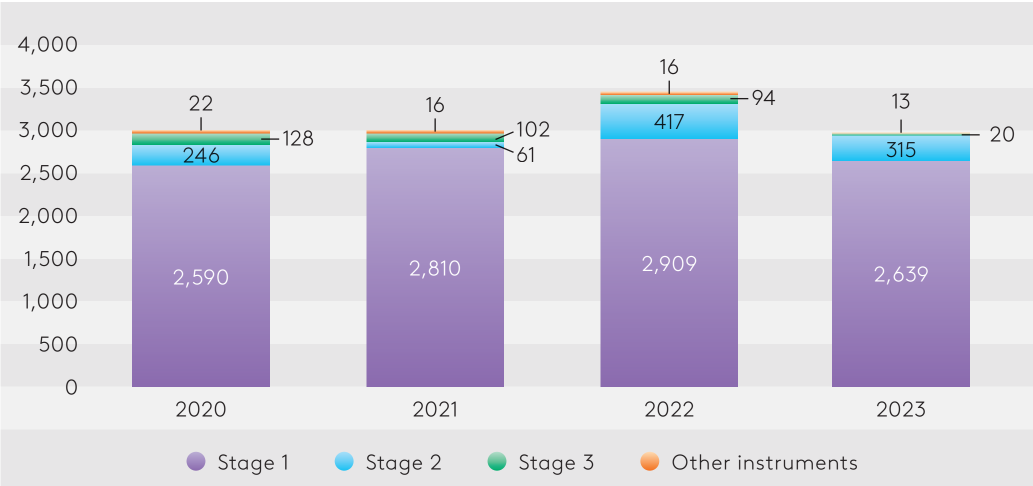
The Bank uses its own and S&P Global Market Intelligence's methodology/models ("Internal Models") to assess the risks identified and establish reserves/provisions for expected credit losses (ECL) on financial instruments. This enables the Bank to establish an equivalent credit rating based on S&P Global Ratings' international rating scale. Using the Internal Models, the Bank analyses various quantitative and qualitative indicators, such as counterparty performance and macroeconomic factors.

The following table illustrates the composition of the balance-sheet portfolio by credit rating identified with the Internal Models, including stages of credit risk according to IFRS 9 *Financial Instruments*, as of 31 December 2022 (US $ millions):

S&P Global Ratings' international rating scale	Stage 1	Stage 2	Stage 3	Other	Total	Share
BBB-, BBB, BBB+	199				199	6.7%
BB-, BB, BB+	854				854	28.6%
B-, B, B+	1,416	253			1,669	55.8%
CCC-, CCC, CCC+	170	62			232	7.8%
CC, C, D			20		20	0.7%
Not rated				13	13	0.4%
Total	**2,639**	**315**	**20**	**13**	**2,987**	**100%**

As of 31 December 2023, the balance-sheet portfolio's weighted average credit rating for financial instruments was "B+."

The stages of credit risk are determined according to IFRS 9 *Financial Instruments*. The changes in the composition of the Bank's balance-sheet portfolio categorised by credit risk stage from 2020 to 2023 are presented below:



← Balance-sheet portfolio by risk stage, US $ millions

In 2023, Stage 1 financial instruments accounted for 88.3% of the balance-sheet portfolio, compared to 84.6% in 2022.

The value of Stage 2 financial instruments decreased by US $102 million (24%) to US $315 million by the end of 2023, compared to the previous year. The share of Stage 2 financial instruments in the balance-sheet portfolio was 10.5% in 2023, down from 12.2% in 2022.

The value of Stage 3 financial instruments in 2023 amounted to US $20 million, a decrease of US $74 million (79%) compared to 2022. These instruments constituted 0.7% of the balance-sheet portfolio in 2023, down from 2.7% in 2022.

The table below presents the breakdown of the Bank's balance-sheet provisions and their dynamics in 2023 (US $ millions):

	Balance-sheet portfolio		Provisions		Share of provisions	
	2023	2022	2023	2022	2023	2022
Stage 1	2,639	2,909	55	63	2.1%	2.2%
Stage 2	315	417	59	52	18.7%	12.5%
Stage 3	20	94	10	61	50.0%	64.9%
Other instruments	13	16	-	-	-	-
Total	**2,987**	**3,436**	**124**	**176**	**4.2%**	**5.1%**

The following table provides information on guarantees and letters of credit issued by the Bank, with changes for 2023 (US $ millions):

	Guarantees and letters of credit issued		Provisions		Share of provisions	
	2023	2022	2023	2022	2023	2022
Stage 1	336	375	11	14	3.3%	3.7%
Stage 2	90	-	6	-	6.7%	-
Total	**426**	**375**	**17**	**14**	**4.0%**	**3.7%**

As of 31 December 2022, the weighted average credit rating of the guarantees and letters of credit issued by the Bank and included in its current investment portfolio was "B+."

Liquidity Risk Management

The Bank conducts ongoing liquidity risk analysis. The Asset and Liability Committee manages this risk by assessing the term structure of assets and liabilities. The Bank's relevant divisions monitor liquidity indicators and perform gap analysis, taking into account possible changes in the composition of the Bank's assets and liabilities. These analyses are carried out at least twice a month and reviewed monthly by the Asset and Liability Committee. Based on the findings, the Asset and Liability Committee makes appropriate decisions regarding liquidity risk management, including borrowing.

The Bank maintains an appropriate level of liquidity for its assets to ensure that cash is available to quickly meet all its commitments, even in adverse conditions.

Net liquidity is managed through debt security issuance and other borrowings. In addition, assets from the securities portfolio may be sold if necessary for liquidity purposes. Most contingent liabilities require that certain conditions be met before they are issued. In some cases, the Bank may withdraw or postpone the issue of a loan.

Interest Risk Management

The EDB regularly reviews interest rate risk to maintain this risk at an appropriate level and continuously control its potential impact on the Bank's performance. To analyse interest rate risk, the Bank conducts gap analysis and uses the Economic Value of Equity (EVE) methodology, which analyses the sensitivity of its assets and liabilities to interest rate changes. To manage interest rate risk, the Bank sets limits on possible adverse events resulting from changes in market interest rates. The analysis is conducted by the responsible divisions, while the Asset and Liability Committee oversees overall management and sets limits.

The Asset and Liability Committee manages interest rate risk by managing the Bank's asset and liability positions. It controls the risk of changes in market interest rates by setting limits on the interest rate risk taken by the Bank. The Bank's responsible divisions monitor interest rate risk and assess the Bank's vulnerability to interest rate changes and the impact of those changes on its net profit.

Currency Risk Management

Currency risk analysis involves examining the composition of the Bank's assets and liabilities by currency and considering possible balance-sheet changes. The Bank sets limits on the open currency position for individual currency pairs and overall positions. Currency risk is managed by monitoring the open currency position and mitigating potential losses from significant fluctuations in currency exchange rates. The EDB monitors compliance with the limits set by the Bank's Management Board or Asset and Liability Committee daily.

Managing the Risk of Breaching Sanctions

As geopolitical tensions persisted in the region in which the Bank operates, and the United States, the European Union, the United Kingdom and other countries expanded their financial, trade and other economic restrictions imposed on Russian and Belarusian entities, banks and government agencies, the Bank paid special attention to compliance with applicable laws about sanctions in 2023.

As part of its obligations to investors and counterparties, the Bank did not engage in operations or transactions that violated, or were intended to circumvent, sanctions imposed by the United States, the European Union, the United Kingdom and other countries.

Guided by its internal regulatory documents, the Bank implemented compliance procedures in relation to all its clients and counterparties. This included using the Bank's automated system to check the ownership structure and founders of clients and counterparties, as well as their beneficial owners and management, against regularly updated sanctions lists.

Managing Information Security Risks

In 2023, an external auditor representing TUV Austria audited the Bank's compliance with ISO/IEC 27001, an international standard for information security controls. The audit confirmed that the Bank operates in accordance with the standard. The Bank's certificate of compliance was validated without restriction until 2026.

The Bank approved updated Business Continuity Plans for 2024.

Compliance with Financial Ratios

In 2023, the Bank complied with the financial ratios established by its Council and the capital adequacy ratio.

Financial ratio	2020	2021	2022	2023
Minimum amount of liquid assets (financial ratio 1) (US $ millions):				
minimum required	729	980	1,511	972
actual	1,293	1,465	2,101	1,647
Financial leverage ratio (financial ratio 2):				
maximum allowed	300.0%	300.0%	300.0%	300.0%
actual	123.3%	136.6%	192.7%	161.1%
Capital adequacy				
minimum required	16.0%	16.0%	16.0%	16.0%
actual	42.3%	44.2%	29.9%	28.9%

3

Corporate Governance

Lake Karakul. Tajikistan
Source: shutterstock.com

Organisational Developments

In 2023, the Bank continued to improve its corporate governance by:

- streamlining and updating the procedure for initiating and summarising the results of the meetings of the Bank's Council;
- updating the procedure for the functioning of the Bank's Management Board and the scope of its powers; and
- extending the powers of the Committees at the Bank's Council with a preliminary examination of most matters submitted for consideration to the Bank's Council, and updating the procedure for setting up the Committees and initiating their meetings.

In 2023, the Bank's Council received for review and approval the Compliance Control Framework of the Eurasian Development Bank. The document outlines the goals, objectives and principles of compliance control, the participants in the compliance control system and their roles in maintaining and developing this system, and categorises the main compliance risks and compliance controls.

Main Corporate Events

On 19 June 2023, the process of redistributing Russia's share among the Bank's member states, as decided by the Bank's Council on 30 December 2022, was completed, and the corresponding changes were made in the Bank's register of members. The member states' shares in the paid-in capital of the Bank were determined as follows:

- the Republic of Armenia — 4.23%;
- the Republic of Belarus — 5.21%;
- the Republic of Kazakhstan — 37.29%;
- the Kyrgyz Republic — 4.23;
- the Russian Federation — 44.79%; and
- the Republic of Tajikistan — 4.25%.

On 30 June 2023, the Bank's Council held an in-person meeting in Astana to review:

- the Management Board's annual report for 2022;
- the Bank's financial statements for 2022;
- the Bank's Internal Audit Service report for 2022;

- the Audit Commission report for 2022; and
- distribution of the Bank's net profit.

In the in-person meeting, the Council approved indicative values of Uzbekistan's participation in the Bank and instructed the Management Board to refer the issue of Uzbekistan's accession to the Bank as a member for consideration by the Bank's Council, once the relevant application has been received.

The Council also recommended that its member states consider additional capitalisation for the Bank to meet the targets set out in the 2022–2026 Strategy.

In 2023, the Bank's Council considered a total of 48 issues, including decisions to approve seven investment projects, reviewed the EDB 2022–2026 Country Strategy for Kazakhstan and made changes to the composition of the Bank's Management Board.

Communications Agenda

During 2023, the EDB organised some 20 of its own events, including at major international forums. Media coverage generated over 13,500 messages mentioning the Bank and its projects, reaching an audience of more than 241 million.

In total, the Bank participated in over 80 international forums and conferences, including those organised by multilateral development banks (ADB, IsDB, NDB, World Bank Group, AIIB), United Nations specialised agencies (UNDP, UNEP, FAO, ESCAP, UNECE and SPECA), the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and the Central Asia Regional Economic Cooperation Programme (CAREC). Topics covered included sustainable development, industrialisation, digitalisation, regional integration and collaboration between multilateral development banks and international organisations.

In 2023, the Bank actively positioned itself as a reliable international partner for multilateral development institutions operating in Central Asia and Eurasia. To this end, it hosted several presentations and events, involving foreign media to expand its outreach in new geographical areas, including the Persian Gulf region, Türkiye and China. In particular, the EDB hosted the 46th Annual Meeting of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), the Eurasian Congress '23, an event in Marrakesh (Morocco) for multilateral institutions on the challenges facing emerging markets and developing countries, and a roundtable on *Promoting Sustainable Development in Central Asia* for MDBs and international organisations, all of which were attended by international media.

The Bank continued to strengthen its position as a centre of PPP expertise in Eurasia and to develop its cross-country dialogue platform, the Expert Club of the Eurasian Development Bank, dedicated to the implementation of key investment mega-projects. In March 2023, the Club met to discuss the Single Agricultural Goods Distribution System. In November, it examined the development of the routes of the Eurasian Transport Network in Central Asia.

The EDB also organised its annual international media competition, which recognises and awards the best journalists for their contribution to promoting cooperation and integration in Eurasia. In 2023, the competition included a new award — Eurasia in the World — for a piece by a journalist from a non-EDB member state.

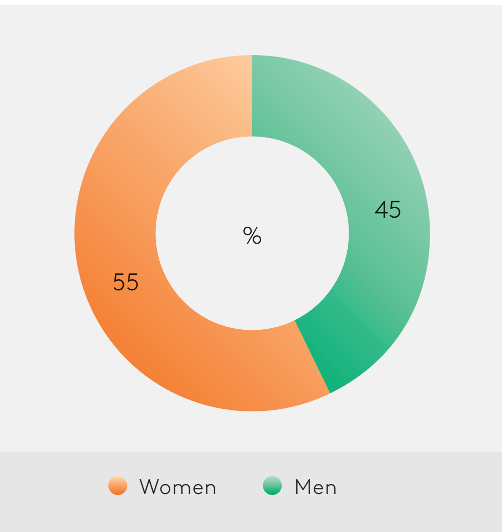
Personnel Management

In 2023, the Bank's Management Board approved the EDB 2023–2026 Personnel Management Strategy to facilitate achievement of the key human resources management targets outlined in the Bank's overarching Strategy for the same period: building a highly qualified team and enhancing human resource capacity.

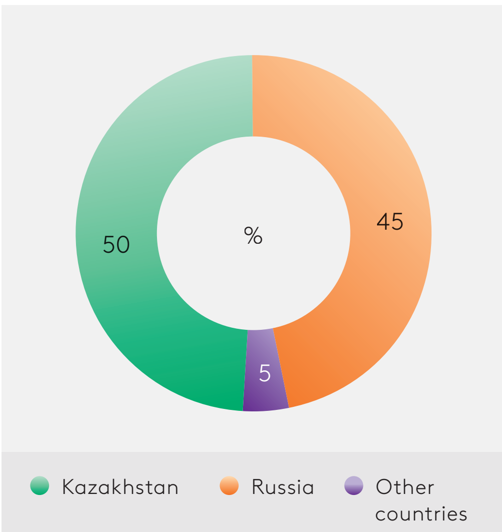
In line with the 2023–2026 Personnel Management Strategy, the Bank continued to improve its human resources and personnel management by incorporating best practices from local labour markets and peer international financial development institutions.

Key Aspects of Personnel Structure

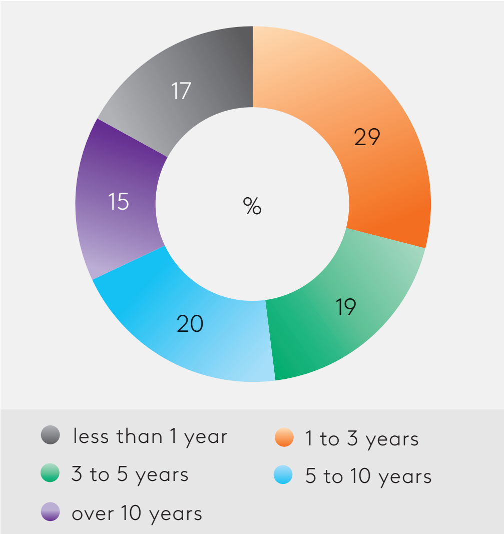
As of 31 December 2023, the Bank had 343 staff members. During 2023, the Bank hired 68 people and dismissed 56 employees. The unwanted staff turnover rate for the year was 3.76%.

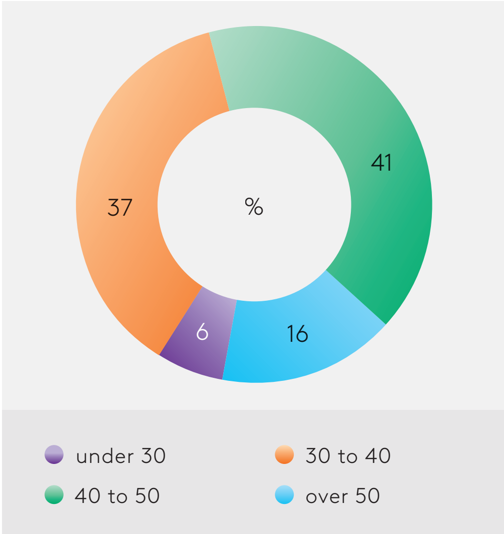


↰ Personnel by gender



← Personnel by country of residence





Personnel by length of service.

The average length of employment with the Bank is 4.7 years

Personnel by age.

The average age of the Bank's employees is 41

Recruitment

The main factors that attract candidates to the Bank are its status as an international financial institution, its stability and sustainability, opportunities for professional development, and competitive salaries and benefits.

Recruitment is mainly through the internet (the EDB's website; HeadHunter, a recruitment portal; and social media), referrals and recruitment agencies. The EDB also launched a new employee referral programme in 2023.

In 2023, the Bank piloted its first internship programme. The competition attracted over 70 senior-year students from leading universities, and nine finalists were offered internships at the Bank. The Bank also developed its practical training for young specialists.

Professional Training and Development

The EDB promotes the efficiency of work processes by developing the skills and competencies of its staff through various training programmes.

In 2023, the Bank conducted 88 training sessions, including training on project financing and financial modelling, a comprehensive professional development programme for corporate lawyers, training in risk management, management of PPP investment projects, assessments of the implementation of the corporate ethical business conduct programme, and effective feedback. To improve the effectiveness of training, the Bank launched a dedicated webpage on its portal, offering a catalogue of courses and online registration. A total of 170 Bank employees (50% of the total) received professional and corporate training.

Ten employees were awarded various international professional certificates: Certificate in Investment Performance Measurement (CIPM), Financial Risk Manager (FRM), Certified Financial Planner (CFP), Certificate in Climate and Investing (CCI) and Global Reporting Initiative (GRI Standards). A further 30 employees received training to improve their language skills.

To promote and enhance the compliance culture among all employees, the EDB organised a workshop on compliance and the practical use of compliance controls. All staff joining the Bank in 2023 received individual orientation training on the Bank's corporate values and anti-corruption procedures.

Employee Performance Evaluation, Engagement and Motivation

In 2023, the Bank optimised its employee performance management cycle and updated its corporate competency model.

In March 2023, an annual performance evaluation of the Bank's employees was conducted. A mandatory part of the evaluation is face-to-face feedback sessions between the Bank's managers and employees. Several EDB employees received high corporate awards for their significant contribution to the Bank's goals and development.

The Bank conducts surveys to evaluate the work of its supporting divisions in order to improve internal services. This helps the divisions to improve their business processes and to increase customer focus for internal clients.

The Bank continuously implements measures to attract, retain, motivate and develop human resources, including maintaining and improving the remuneration system and offering competitive salaries. The Bank has a well-balanced remuneration and benefits system that provides social benefits to all employees. Benefits include voluntary health insurance for employees and their family members, accident and sickness insurance for employees, compensation for fitness and recreation services, a pension plan and interest subsidies on external housing loans for employees.

Extensive efforts to improve employee satisfaction and engagement resulted in significant improvements in all factors of the organisational environment in 2023. The engagement rate reached 79%, an all-time high since 2012. High employee engagement helps the Bank to achieve high business performance.

Collegial Bodies in Charge of Personnel Management

The Bank has three standing collegial bodies responsible for human resources and labour relations, each dealing with specific issues and decision-making levels:

- The Human Resources Committee of the Bank's Council deals with certain personnel management matters and makes recommendations and proposals to the Bank's Council;

- The Committee for Human Resources Matters deals with performance management and employee recognition through corporate awards; and

- The EDB Ethics Committee. In 2023, the Committee did not receive any requests to deal with ethical conflicts or violations of business ethics.

Improving Personnel Management

Bank personnel management policies and procedures are governed by 32 internal regulatory documents, four of which were approved by the Bank's Council. These include Human Resources Policy, Business Ethics Rules, Regulations on the Human Resources Committee at the Eurasian Development Bank's Council, and Regulations on Bonus Payments to the Chairman of the Management Board.

The EDB continuously monitors and analyses best practices of peer international financial organisations and works to improve its current approaches to human resources management and to implement new business processes in line with international best practices.

Mount Ararat. Armenia
Source: shutterstock.com

Information and Technology Management and Security

In 2023, the EDB launched its 2023–2025 Information Technology and Information Security Strategic Development Programme ("IT Strategy"). During the year, the Bank implemented the following programme activities:

- the first phase of a new CRM system to automate project cycle management processes;
- the first phase of a new electronic document management system;
- the first stage of an automated system of staff records; and
- a box solution for personal accounts.

The following activities were carried out to develop information and technology solutions:

- improvements were made to the automated banking system as part of the implementation of the ISO 20022 standard, and a communication channel was established with the Kazakhstan Interbank Settlement Centre at the National Bank of Kazakhstan;
- a corporate project management service was implemented;
- the SWIFTAlliance Access/SWIFTWeb Platform was deployed to a backup site; and
- the transition to a cloud service was completed.

In 2023, an external auditor conducted a recertification audit of the EDB's information security management system for compliance with ISO/IEC 27001, an international information security standard. As a result of the audit, the Bank received a certificate of compliance with ISO/IEC 27001, valid until 2026.

In accordance with the SWIFT Customer Security Controls Framework (CSCF), the Bank successfully had its security policy certified in 2023, with the certification results signed and published on the official SWIFT website.

4

Financial Statements

Narochansky National Park. Belarus
Source: shutterstock.com

The Bank's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The EDB shareholding structure as of 31 December 2023 was as follows (US $ thousands):

Member state	Charter capital	Capital on call	Paid-in capital	Share, %
Russian Federation	4,296,749	(3,617,900)	678,849	44.79
Republic of Kazakhstan	2,374,451	(1,809,300)	565,151	37.29
Republic of Belarus	133,300	(54,300)	79,000	5.21
Republic of Tajikistan	66,100	(1,600)	64,500	4.25
Republic of Armenia	64,700	(600)	64,100	4.23
Kyrgyz Republic	64,700	(600)	64,100	4.23
Total	**7,000,000**	**5,484,300**	**1,515,700**	**100.00**

This annual report presents the following statements prepared in accordance with IFRS as of 31 December 2023, 2022 and 2021 and for the years ending on those dates;

- statements of profit or loss and other comprehensive income;
- statements of financial position;
- statements of changes in equity; and
- statements of cash flows.

The full version of the Bank's financial statements for 2023 with an independent external auditor's report is available on the Bank's website at www.eabr.org.

↓ Statement of profit or loss and other comprehensive income for the year ended 31 december 2023 (in thousands of US Dollars)

	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021
Interest income, calculated using the effective interest method:			
on Investment portfolio	*280,402*	*239,297*	*203,799*
on Treasury portfolio	*168,105*	*95,306*	*52,817*
Other interest income on Treasury portfolio	12,507	24,408	10,755
Interest expense	(271,454)	(259,443)	(197,331)
Net interest income	**189,560**	**99,568**	**70,040**
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	85,266	(190,653)	46,491
Net (loss)/gain on transactions in foreign currencies	(45,109)	261,317	(43,843)
Net realised (loss)/gain on financial assets at fair value through other comprehensive income	(28,559)	(2,664)	9,862
Net (loss)/gain from modification, recognition and derecognition of financial instruments	(11,592)	40,252	5,078
Net gain/(loss) on trading with debt securities issued	297	54,440	(39)
Fee and commission income	21,240	25,359	15,009
Fee and commission expense	(4,919)	(2,578)	(977)
Losses on investments in associates	-	(395)	(1,968)
Net loss on disposal of assets held for sale	-	(4,272)	-
Dividend income	-	-	3,332
Net other income/(expense)	24	7	(18)
Net non-interest income	**16,648**	**180,813**	**32,927**
Operating income before provision for expected credit losses	**206,208**	**280,381**	**102,967**
Provision for expected credit losses on interest bearing assets	(16,999)	(184,945)	(7,825)
Provision for expected credit losses on guarantees and letters of credit issued	(5,466)	(8,125)	(5,235)
Net operating income	**183,743**	**87,311**	**89,907**
Operating expenses	(58,551)	(56,655)	(52,787)
NET PROFIT	**125,192**	**30,656**	**37,120**
Earnings per share	0.0826	0.0202	0.0245

↓ Statement of profit or loss and other comprehensive income for the year ended 31 december 2023 (continued)
(in thousands of US Dollars)

	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021
OTHER COMPREHENSIVE INCOME/ (LOSS):			
Treasury portfolio:			
Items that are or may be reclassified subsequently to profit or loss:			
Net unrealised gain/(loss) on revaluation of financial assets at fair value through other comprehensive income	8,555	(48,639)	(18,904)
Net realised loss/(gain) on financial assets at fair value through other comprehensive income transferred to profit or loss	28,559	2,665	(9,860)
Items that are or may be reclassified subsequently to profit or loss	**37,114**	**(45,974)**	**(28,764)**
Items that may not be reclassified subsequently to profit or loss:			
Net realised loss on financial assets at fair value through other comprehensive income	6,241	-	-
Items that may not be reclassified subsequently to profit or loss	**6,241**	**-**	**-**
Other comprehensive gain/(loss) on Treasury portfolio	***43,355***	***(45,974)***	***(28,764)***
Investment portfolio:			
Items that are or may be reclassified subsequently to profit or loss:			
Net unrealised loss on revaluation of financial assets at fair value through other comprehensive income	(5,749)	(9,383)	(12,005)
Net realised gain on financial assets at fair value through other comprehensive income transferred to profit or loss	-	(1)	(2)
Other comprehensive loss on Investment portfolio	***(5,749)***	***(9,384)***	***(12,007)***
Total items that are or may be reclassified subsequently to profit or loss	***31,365***	***(55,358)***	***(40,771)***
Total items that may not be reclassified subsequently to profit or loss	***6,241***	***-***	***-***
OTHER COMPREHENSIVE INCOME/ (LOSS)	37,606	(55,358)	(40,771)
TOTAL COMPREHENSIVE INCOME/(LOSS)	162,798	(24,702)	(3,651)

↓ Statement of financial position as at 31 december 2023 (in thousands of US Dollars)

	31 December 2023	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	3,994,289	1,279,281	430,280
Financial assets at fair value through profit or loss:	285,546	156,471	79,548
in Treasury portfolio	*272,391*	*140,132*	*78,846*
in Investment portfolio	*13,155*	*16,339*	*702*
Loans and amounts due from financial institutions:	534,659	862,270	594,008
in Treasury portfolio	*492,314*	*427,145*	-
in Investment portfolio	*42,345*	*435,125*	*594,008*
Loans to customers	2,360,456	2,160,885	1,636,108
Financial assets at fair value through other comprehensive income:	672,042	3,539,896	2,585,877
in Treasury portfolio	*201,714*	*2,844,390*	*1,889,906*
in Investment portfolio	*470,328*	*695,506*	*695,971*
Debt securities at amortised cost	268,736	384,919	408,680
Investments in associates	24	24	15,221
Property and equipment	12,610	10,583	10,667
Intangible assets	4,275	2,222	1,109
Other assets	34,705	32,040	46,697
TOTAL ASSETS	**8,167,342**	**8,428,591**	**5,808,195**
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and deposits from financial institutions	3,090,997	3,165,338	1,616,708
Financial liabilities at fair value through profit or loss	199,091	2,956	6,904
Deposits from customers	140,195	307,507	284,578
Debt securities issued	2,661,484	3,030,076	1,969,518
Other liabilities	87,569	86,363	69,256
Total liabilities	**6,179,336**	**6,592,240**	**3,946,964**
EQUITY:			
Share capital:			
Authorised share capital	7,000,000	7,000,000	7,000,000
Less: callable share capital	(5,484,300)	(5,484,300)	(5,484,300)
Paid-in share capital	1,515,700	1,515,700	1,515,700
Reserve fund	146,220	146,220	146,220
Technical assistance fund reserve	23,731	21,137	15,569
Digital initiative fund reserve	872	5,568	4,887
Revaluation deficit for financial assets at fair value through other comprehensive income in Treasury portfolio	(18,604)	(61,959)	(15,985)
Revaluation (deficit)/ reserve for financial assets at fair value through other comprehensive income in Investment portfolio	(9,269)	(3,520)	5,864
Retained earnings	329,356	213,205	188,976
Total equity	**1,988,006**	**1,836,351**	**1,861,231**
TOTAL LIABILITIES AND EQUITY	**8,167,342**	**8,428,591**	**5,808,195**

↓ Statement of changes in equity for the year ended 31 december 2023 (in thousands of US dollars)

	Share capital			Reserve fund	Technical assistance fund reserve
	Authorised	Callable	Paid-in		
31 December 2020	**7,000,000**	**(5,484,300)**	**1,515,700**	**146,220**	**23,685**
Net profit	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-
Total comprehensive (loss)/ income	**-**	**-**	**-**	**-**	**-**
Recognition of Digital initiative fund assets	-	-	-	-	-
Transfer to Digital initiative fund reserve	-	-	-	-	-
Allocation of Digital initiative fund reserve	-	-	-	-	-
Allocation of Technical assistance fund reserve	-	-	-	-	(8,116)
31 December 2021	**7,000,000**	**(5,484,300)**	**1,515,700**	**146,220**	**15,569**
Net profit	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-
Total comprehensive (loss)/ income	**-**	**-**	**-**	**-**	**-**
Recognition of Digital initiative fund assets	-	-	-	-	-
Transfer to Digital initiative fund reserve	-	-	-	-	-
Allocation of Digital initiative fund reserve	-	-	-	-	-
Transfer to Technical assistance fund	-	-	-	-	5,568
31 December 2022	**7,000,000**	**(5,484,300)**	**1,515,700**	**146,220**	**21,137**
Net profit	-	-	-	-	-
Other comprehensive income/ (loss)	-	-	-	-	-
Total comprehensive income/ (loss)	**-**	**-**	**-**	**-**	**-**
Recognition of Digital initiative fund assets	-	-	-	-	-
Allocation of Digital initiative fund reserve	-	-	-	-	-
Transfer to Technical assistance fund	-	-	-	-	4,598
Allocation to Technical assistance fund	-	-	-	-	(2,004)
31 December 2023	**7,000,000**	**(5,484,300)**	**1,515,700**	**146,220**	**23,731**

Digital initiative fund reserve	Revaluation deficit for financial assets at fair value through other comprehensive income in Treasury portfolio	Revaluation deficit for financial assets at fair value through other comprehensive income in Investment portfolio	Retained earnings	Total
10,000	**12,779**	**17,871**	**155,883**	**1,882,138**
-	-	-	37,120	37,120
-	(28,764)	(12,007)	-	(40,771)
-	**(28,764)**	**(12,007)**	**37,120**	**(3,651)**
-	-	-	860	860
4,887	-	-	(4,887)	-
(10,000)	-	-	-	(10,000)
-	-	-	-	(8,116)
4,887	**(15,985)**	**5,864**	**188,976**	**1,861,231**
-	-	-	30,656	30,656
-	(45,974)	(9,384)	-	(55,358)
-	**(45,974)**	**(9,384)**	**30,656**	**(24,702)**
-	-	-	4,709	4,709
5,568	-	-	(5,568)	-
(4,887)	-	-	-	(4,887)
-	-	-	(5,568)	-
5,568	**(61,959)**	**(3,520)**	**213,205**	**1,836,351**
-	-	-	125,192	125,192
-	43,355	(5,749)	(6,241)	31,365
-	**43,355**	**(5,749)**	**118,951**	**156,557**
-	-	-	1,798	1,798
(4,696)	-	-	-	(4,696)
-	-	-	(4,598)	-
-	-	-	-	(2,004)
872	**(18,604)**	**(9,269)**	**329,356**	**1,988,006**

↓ Statement of cash flows for the year ended 31 december 2023 (in thousands of US Dollars)

	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans to customers	210,614	134,532	116,146
Interest received on loans and amounts due from financial institutions and cash and cash equivalents	122,373	53,502	18,614
Interest and income received from financial assets at fair value through profit or loss	9,944	20,848	43,306
Interest income received on financial assets at fair value through other comprehensive income	83,464	60,007	93,449
Interest income received on debt securities at amortised cost	15,142	18,668	18,857
Interest paid on loans and deposits from financial institutions	(82,070)	(79,802)	(45,589)
Interest paid on financial liabilities at fair value through profit or loss	(2,506)	(25,569)	(13,492)
Interest paid on deposits from customers	(12,507)	(12,729)	(21,379)
Interest paid on debt securities issued	(164,874)	(111,928)	(105,961)
Fees and commissions received	14,712	20,408	8,155
Fees and commissions paid	(4,941)	(2,343)	(976)
Other income received/(expenses paid)	24	7	(18)
Operating expenses paid	(53,583)	(49,992)	(47,513)
Cash flows from operating activities before changes in operating assets and liabilities	**135,792**	**25,609**	**63,599**
Changes in operating assets			
(Increase)/decrease in loans to customers	(314,100)	(599,842)	386,375
Decrease/(increase) in loans and amounts due from financial institutions	370,790	32,007	(418,012)
Decrease/(increase) in financial assets at fair value through profit or loss	158,992	(257,730)	(12,435)
(Increase)/decrease in other assets	(11,226)	23,196	(19,967)
Changes in operating liabilities			
Increase in deposits from financial institutions	267,068	2,509,391	144,119
(Decrease)/increase in deposits from customers	(151,792)	34,971	(98,549)
(Decrease)/increase in other liabilities	(4,313)	5,771	5,382
Cash flows from operating activities	**451,211**	**1,773,373**	**50,512**

	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through other comprehensive income, Treasury portfolio	(6,923,631)	(18,827,954)	(3,852,142)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income, Treasury portfolio	9,609,607	17,536,487	3,560,960
Purchase of financial assets at fair value through other comprehensive income, Investment portfolio	(6,290)	(118,009)	(113,104)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income, Investment portfolio	72,257	21,693	8,270
Purchase of debt securities at amortised cost	-	(159,301)	(141,812)
Proceeds from redemption of debt securities at amortised cost	87,031	91,416	10,500
Purchase of property, equipment and intangible assets	(5,516)	(4,836)	(1,819)
Purchase of investment classified as assets held-for-sale	-	(61,556)	-
Disposal of assets held-for-sale	-	53,479	-
Dividends from investment in associates	-	-	70
Cash flows from/(used in) investing activities	**2,833,458**	**(1,468,581)**	**(529,077)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt securities	836,890	2,272,015	701,658
Repayments of debt securities	(1,062,781)	(1,082,233)	(397,755)
Proceeds from loans from financial institutions and loans under repurchase agreements	132,544	123,106	92,579
Repayments of loans from financial institutions and loans under repurchase agreements	(80,051)	(830,845)	(123,110)
Repayment of lease liabilities	(2,519)	(3,261)	(2,500)
Cash flows (used in)/from financing activities	**(175,917)**	**478,782**	**270,872**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**3,108,752**	**783,574**	**(207,693)**
Cash and cash equivalents at the beginning of the year	1,279,281	430,280	663,840
Effect of changes in foreign exchange rate on cash and cash equivalents	(393,744)	65,427	(25,867)
Cash and cash equivalents at the end of the year	**3,994,289**	**1,279,281**	**430,280**

Abbreviations and acronyms

ACRA	Analytical Credit Rating Agency
ADB	Asian Development Bank
ADFIAP	Association of Development Financing Institutions in Asia and the Pacific
AI	artificial intelligence
AIIB	Asian Infrastructure Investment Bank
ALC	Asset and Liability Committee
AMX	Armenia Securities Exchange
BAKAD	Big Almaty Ring Road
CAREC	Central Asia Regional Economic Cooperation Programme
CCI	Certificate in Climate and Investing
CCXI	China Chengxin International Credit Rating
CHPP	combined heat and power plant
CICA	Conference on Interaction and Confidence-building Measures in Asia
CIS	Commonwealth of Independent States
COAF	Children of Armenia Fund
COP 28	28th Conference of the Parties to the UN Framework Convention on Climate Change
CRM	customer relationship management
CSCF	Customer Security Controls Framework
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH
EAEU	Eurasian Economic Union
EBRD	European Bank for Reconstruction and Development
EDB, the Bank	Eurasian Development Bank
EEC	Eurasian Economic Commission
ERG	Eurasian Resources Group
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
ESG	Environmental, Social and Governance
EVE	Economic Value of Equity
FAO	United Nations Food and Agriculture Organisation
FONPLATA	Fondo Financiero para el Desarrollo de la Cuenca del Plata
FR	financial ratio
GDP	gross domestic product
GFC	Green Finance Centre
HPP	hydropower plant
IBRD	International Bank for Reconstruction and Development
ICMA	International Capital Market Association
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IsDB	Islamic Development Bank
IT	information technology
KIMP	key investment mega-project
MCDF	Multilateral Cooperation Centre for Development Finance
MDB	multilateral development bank
MSCI	Morgan Stanley Capital International
NDB	New Development Bank
OECD	Organisation for Economic Cooperation and Development
PET	polyethylene terephthalate

PPP	public-private partnership
ROAE	return on average equity
S&P	Standard & Poor's
SDG	Sustainable Development Goals
SLB	sustainability-linked bond
SME	small and medium-sized enterprise
SPECA	United Nations Special Programme for the Economies of Central Asia
TAF	Technical Assistance Fund
U.S.	United States of America
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNEP FI	United Nations Environment Programme Finance Initiative
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development

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