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Asian Development Bank

Improvement of IFIs efficiency

From Billions to Trillions – Transforming Development Finance

17 April 2015
Statement by the Heads of the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the World Bank Group and the International Monetary Fund

2015 marks a critical year for development, as the international community works towards agreeing on a set of Sustainable Development Goals (SDGs) to meet the dual challenges of overcoming
poverty and protecting the planet. With their welcome emphasis on issues such as the environment, employment, infrastructure, and inequality, the SDGs send a clear message to policy-makers and development practitioners. As leading sources of policy advice and financing for developing countries, international financial institutions (IFIs) fully support this comprehensive approach. However, the resources needed to implement such an ambitious agenda far surpass current development financial flows.

2. Achieving the SDGs will require moving from billions to trillions in resource flows. Such a paradigm shift calls for a wide-ranging financing framework capable of channeling resources and investments of all kinds—public and private, national and global. There is no substitute for concessional resources, especially for the poorest, most fragile or conflict-torn countries. But marshalling other types of financing at the levels needed will demand greater efforts to unlock, leverage, and catalyze more public and private flows. Financing from private sources, including capital markets, institutional investors and businesses, will become particularly important. Countries also need to improve their institutional and policy environments to attract more private investment and financing, at the same time as they pursue truly sustainable and inclusive growth, so prosperity translates into poverty reduction and social progress.


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**ADB Briefs Tajikistan Stakeholders on Its Grievance Redress Mechanism**

21 April 2015

The Asian Development Bank (ADB) briefed over 50 Tajikistan project staff, government officials and civil society representatives last week on social safeguard compliance in ADB-financed projects, focusing on the grievance redress mechanism.

The grievance redress mechanism is used to identify, mitigate and respond to unintended project impacts on individuals, ensure respect of the affected parties’ rights, and increase the likelihood that project implementation proceeds without undue delay or complications.

During the seminar last week, participants, who are members of grievance redress committees in different regions, learned how to handle project complaints at project level, and to promote community involvement during project implementation.


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**BSTDB mobilizes financing for investment in the Black Sea region**

28 April 2015

The Black Sea Trade and Development Bank has signed a new loan agreement with KfW (Germany) for the financing of projects of common interest in the Black Sea region. The $100 mln facility has a maturity of eight years. BSTDB will use the facility to finance economic and social infrastructure projects and to help develop the SME sector.

Since 2006, the KfW’s Observer Status with BSTDB offers a solid platform for developing business and institutional interaction in areas, which include project co-financing, equity participations, and strategic policy discussions aiming at increased effectiveness of operations.

EDB and Armenian Government agree on financing the construction of the North-South road corridor

14 April 2015

Today, the Republic of Armenia and Eurasian Development Bank (EDB) signed an agreement in Yerevan on the provision of an investment credit from the Eurasian Economic Community’ Anti-Crisis Fund (ACF) to finance the construction of the North-South road corridor (Phase 4). The credit totals $150 mln and will be provided for twenty years.

The agreement was signed during EDB’s visit to Armenia. The delegation was headed by Dmitry Pankin, Chairman of the Management Board. The project will help to increase transport capacity and reduce accidents at the 20.5 km section of the North-South road from Agarak towards Kajaran. In addition, it will help to provide favourable transport conditions for adjacent settlements and boost cargo transit through Armenia, to other EDB member states in particular.

The North-South corridor links Central Asia and India with Iran, Georgia, Russia and Europe. It crosses Armenia from south to north (Megri—Kapan—Goris—Yerevan—Ashtarak—Gyumri—Bavra) and connects to a Georgian road in the south, running to the ports of Poti and Batumi (the Black Sea) and then to Russia, the CIS and the EU countries. The North-South road is also part of the international AH82 highway, which connects Central Asian countries: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

The ACF Council decided to provide this investment credit on 3 July 2014 after EDB, as the ACF Resources Manager, approved Armenia’ application for financing this project by the fund.


EBRD and KICB support food producer in southern Kyrgyz city of Osh

2 April 2015

The European Bank for Reconstruction and Development (EBRD) is continuing its support for small and medium-sized enterprises (SMEs) in the Kyrgyz Republic through its partnerships with local banks. Food producer Shirin-Sulaiman is the latest firm to benefit from the EBRD’s Medium-Sized Co-Financing Facility supporting medium-sized businesses. The Facility allows local partner banks to lend more to such companies by sharing risk with the EBRD, an arrangement that makes loans more attractive for borrowers.

The Kyrgyz Investment and Credit Bank (KICB) and the EBRD are providing the total financing package of $1 mln to Shirin-Sulaiman, a biscuit and cake producer in the southern city of Osh. The EBRD aims to boost support for agribusiness SMEs in the southern areas of the Kyrgyz Republic, and Shirin-Sulaiman, founded in 2004, is the EBRD’s second such client. Shirin-Sulaiman is a leading local player in the biscuit sector, with a 30 per cent market share in the Osh and Jalalabad regions. The majority of employed staff is women from the area.

The proceeds will be used to modernize its production facilities resulting in improvements of health and safety standards.

Since autumn 2014, Shirin-Sulaiman has been working with the EBRD’s Small Business Support (SBS) team. The donor-supported SBS programme, which promotes good management through advice and consultations for local businesses, is helping Shirin-Sulaiman to streamline its accounting systems for the regional branches of its pastry and confectionery business.

World Bank and EIB chiefs call for greater financial engagement and technical cooperation

16 April 2015

World Bank Group President Jim Yong Kim and European Investment Bank President Werner Hoyer today confirmed the commitment of their respective institutions to support climate related investment. They further highlighted the crucial need to scale up engagement through enabling greater private sector involvement in climate finance.

The Presidents opened the first dialogue with leading government and business leaders involved in climate finance to be jointly hosted by the World Bank and European Investment Bank on the eve of the Spring Meetings of the World Bank and IMF in Washington DC.

Focusing on essential action needed to scale up climate finance the climate symposium addressed specific challenges hindering increased investment in forestry, energy efficiency, adaptation and renewable energy. Leading and experienced public and private sector practitioners from around the world shared understanding of how projects or national climate strategies have unlocked domestic and international climate finance and attracted greater support from the private sector.

The two multilateral financial institutions play a leading role providing financial and technical support for climate finance around the world. The Presidents of the World Bank and European Investment Bank emphasised the importance of sharing experience from existing policies and financial instruments to identify successful approaches to climate that could be replicated.

The European Investment Bank supports investment in low-carbon and climate resilient projects across Europe and around the world and is committed to ensuring that 25% of lending supports climate action. In 2014, the European Investment Bank provided €19.1 bln for climate action projects, and €90 bln for the last five years.


EIB’s largest USD Global of 2015

16 April 2015

On 15 April, the European Investment Bank (‘EIB’) priced a new 5-year USD Global benchmark issue. This is EIB’s fourth US Dollar Global of the year and its second in the 5-year tenor. The transaction was priced at mid-swaps flat, in line with initial guidance. The issue pays a semi-annual coupon of 1.375% and has an issue price of 99.428% to give a spread of 17.8 basis points over the 1.375% UST due 31 March 2020.

The transaction was announced early in the London afternoon on Tuesday 14th April. Lead Managers for the transaction were Barclays, BofA Merrill Lynch and TD Securities.

Summary Terms and Conditions for the new bond issue:
- Issue Amount: $5 bln
- Pricing Date: 15 April 2015
- Payment Date: 22 April 2015
- Maturity Date: 15 June 2020
- Issue/Re-offer Price: 99.428%
- Re-offer Yield: 1.491%
- Semi-Annual Coupon: 1.375%
- Re-offer Spread: 17.8bps over the 1.375% UST due 31 March 2020
- Format: Global
- Listing: Luxembourg

With Support of IFC, Kazakh Government Shortlists Bidders for Almaty Ring Road

27 April 2015

IFC, a member of the World Bank Group, is advising the Kazakh government on a landmark public-private partnership transaction to build and operate a tolled bypass to the north of Almaty, a project that is expected to drive economic development in the fast-expanding city.

The initiative reached an important milestone last week as officials released a shortlist of five consortia that will vie for the project. The winning bidder, to be selected after September 15, 2015, will design, build, finance, operate, and maintain the 66-km toll road.

This is the first project of its kind in Kazakhstan’s road sector. IFC is advising the Ministry of Investments and Development on an international tender – launched on January 14 - to select the private investor-operator.

The road, which will cost an estimated $680 mln, is expected to reduce travel times around Almaty and greatly improve access to markets for local businesses, stoking economic development.

Nine consortia submitted bids during the first stage of an international tender process. The shortlist includes:

1) Consortium Alsim Alarko Sanayi Tesisleri Ve Ticaret (Turkey), Makyol Insaat Sanayi Turizm Ve Ticaret (Turkey), SK Engineering and Construction (South Korea), Korea Expressway Corporation (South Korea);
2) Consortium IC Ictas Insaat Sanayi Ve Ticaret (Turkey), IC Ictas Altyapi Yatirimlari Ve Isletme (Turkey), Astaldi (Italy), Astaldi Concessioni (Italy), Intertoll Infrastructure Development (Netherlands);
3) Consortium Vinci - BI Group, including Concessoc 21 and Concessoc 9 (Vinci, France) and BI3P Projects (BI Group, Kazakhstan);
4) Consortium Corsan-Corviam Construction S.A (Spain), Gulsan Insaat Sanayi Turizm Nakliyat Ve Ticaret (Turkey), Egis Investment Partners (France);
5) Consortium CITIC Construction (China) and KazStroyService (Kazakhstan).


Kyrgyzstan

IFC Helps Countries in Europe and Central Asia Improve Business Regulations, Competitiveness

22 April 2015

IFC, a member of the World Bank Group, and the Ministry of Economy of the Kyrgyz Republic today launched a two-day peer-to-peer learning conference to encourage regional leaders to share best practices in business regulations and regulatory governance in an effort to spur investment, create jobs, and boost growth.

IFC is working to help countries in Europe and Central Asia strengthen business operations by improving implementation and adopting new reforms. As part of those efforts, the Bishkek conference welcomed executives, officials, and experts from the region and beyond to analyze the key challenges in regulatory governance and consider solutions.

A range of problems, including poor regulatory design, inadequate implementation efforts and institutions, and limited knowledge and capacity, often slows the reform process, undermining economic development. These are issues that can be addressed.

The initiative is part of the World Bank Group’s Trade and Competitiveness Global Practice’s
IFC, Imkon Consulting Urge Tajik Companies to Improve Corporate Governance

9 April 2015

A new report by Imkon Consulting, a partner of IFC, a member of the World Bank Group, urges Tajik companies to improve their corporate information disclosure practices in order to enhance corporate governance, attract investment, and better contribute to Tajikistan’s long-term economic growth.

The report, titled Surveying Corporate Governance in the Republic of Tajikistan: Corporate Websites through the Eyes of an Investor, is an independently produced survey of corporate information disclosure practices in Tajikistan. It finds that most companies disclose corporate information, including details about financing, performance, ownership, and governance, on an ad hoc basis, often with incomplete information.

The report urges businesses to improve information disclosure, which is essential for shareholders, potential investors, regulatory authorities, and other stakeholders. It also supports the view that high standards of transparency and disclosure can have a positive impact on the cost of capital.

The report reviewed the websites of 32 companies from the financial, telecommunications, real, medicine, services, and transport sectors. This initiative is part of IFC’s Central Asia Corporate Governance Project, implemented in partnership with the government of Switzerland and the United Kingdom’s Department for International Development (DFID).

IMF Executive Board Approves $92.4 Mln Extended Credit Facility to Support the Kyrgyz Republic

8 April 2015

The Executive Board of the International Monetary Fund (IMF) today approved a three-year arrangement under the Extended Credit Facility (ECF) for the Kyrgyz Republic in a sum equivalent to SDR 66.6 mln (about $92.4 mln). The Board’s approval enables the immediate disbursement of SDR 9.514 mln (about $13.2 mln), while the remaining amount will be phased over the duration of the program, subject to semi-annual program reviews.

The new Fund-supported program will provide a macroeconomic framework that will support the authorities’ efforts to reduce macroeconomic vulnerabilities stemming from a weak regional environment and dependency on gold and remittances.
1 April 2015

On March 16, 2015, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Turkmenistan.

Over the last year, Turkmenistan’s economy remained resilient to regional market turbulence, supported by strong hydrocarbon exports and public investment. Real GDP growth reached 10.3 percent, and CPI inflation was contained to an average 6 percent in 2014 in spite of tariff hikes for utilities and transportation. The current account deficit narrowed to 5.9 percent of GDP in 2014, mostly reflecting lower-than-expected imports of capital goods. Large international reserves equivalent to 22 months of imports provided assurances on the country’s capacity to mitigate shocks.

Since then, the authorities have taken pro-active measures to increase resilience in a difficult external environment. After having maintained a parity of 2.85 Manat to the dollar since May 2008, the authorities devalued by 22 percent in January with a view to lessen the pressures from depreciating currencies in the region on domestic firms. Initiatives to help contain inflation, including privatization of small-scale agriculture, and support for export and import-substituting firms, have complemented the devaluation. On the fiscal front, the approved 2015 budget implies a moderate tightening of the fiscal stance. The tightening reflects a slowdown in the growth of public investment as major projects reach completion, and will help maintain inflation in check and address absorptive capacity issues. The government also took actions to streamline energy subsidies as a first step towards cost recovery.

In 2015, real GDP growth is projected to decelerate to 9 percent on the back of declining natural gas export revenues and lower public investment as a share of GDP. In spite of the recent devaluation, inflation is expected at 6 to 6.5 percent on an end-of-year basis (7 to 8 percent on average) owing to a projected further fall in global food prices as well as U.S. dollar—and hence Manat—appreciation. With lower hydrocarbon revenue and the restraint in the growth of investment spending, the overall fiscal surplus would shrink to about 1 percent of GDP and the external current account would worsen to a deficit of 11 percent of GDP. Both fiscal and external positions would however gradually recover with the projected increase in natural gas export volumes. Reserves would remain at comfortable levels providing ample cover of imports and short-term debt.


13 April 2015

A Joint Declaration was signed today at the IDB headquarters in Jeddah between the Islamic Development Bank (IDB) and the United Nations Industrial Development Organisation (UNIDO).

The President of the Islamic Development Bank (IDB), Dr Ahmad Mohamed Ali, and the Director General of the United Nations Industrial Development Organization (UNIDO), Mr Li Yong signed the declaration on behalf of their institutions.

As part of the Declaration, the two institutions will work towards poverty alleviation, promoting agriculture, trade, investments, women and youth empowerment in common member countries.

The Declaration also stated that both IDB and UNIDO will focus on “economic empowerment and entrepreneurship, sustainable energy development, agriculture, agro-industry and food security, water, environment and climate change”.

The two institutions agreed to strengthen their cooperation in promoting economic and social development in their common member countries, and at same time to work together to achieve sustained industrial development.

This declaration followed an agreement signed between IDB and UNIDO in July 1981. It also completes the agreement signed by the private sector arm of the IDB Group, the Islamic Corporation
NIB SEK 1bn environmental bond priced

Given the strategic nature of this transaction and rarity of Swedish Krona sustainable bond issuances, NIB announced the mandate on 14 April with the intention to gather investor feedback on the preferred transaction tenor. On 15 April, IPTs were released for a 5-year benchmark transaction at mid-swaps-13bps area. The order book opened the following morning and quickly reached SEK 850 mln. The Environmental Bond was priced at a fixed annual coupon of 0.155% equivalent to 36.5 bps over the Swedish Government Bond SGB 4.25%.

The transaction was driven by those investors integrating environmental, social and governance (ESG) considerations within their investment process. The participation rate of ESG investors was particularly high at 95%. In terms of geographical breakdown, the Nordic investors dominated with 67% of the orders, followed by Germany with 19%, North America with 12% and France and Australia with 1% each.

The bond proceeds are to be used for financing selected loans to projects considered to enhance the environment in NIB’s member countries. NIB has established a framework that allows for funds raised through issuances of NIB Environmental Bonds to be directed to its environmental lending projects, which qualify as eligible under the framework if they satisfy strict internal environmental sustainability criteria and are aimed at (but not limited to) reducing emissions to air by promoting energy efficiency, renewable energy, public transport solutions and recycling; as well as reducing discharges to water by improving wastewater treatment.

World Bank Launches Inaugural 15-Year €600 mln Global Bond

The World Bank (IBRD, Aaa/AAA) priced its inaugural 15-year benchmark bond denominated in euro (EUR) today, raising €600 mln. This is the first public EUR-denominated benchmark issued by the World Bank this calendar year and the longest maturity ever offered by the World Bank in the public EUR market.

The transaction was extremely well-received, with a final orderbook in excess of €750 mln, driven by investors seeking long-dated, high-grade investment opportunities. Investors were keen to diversify their portfolio and take advantage of the rare opportunity to buy a World Bank security in the EUR market.

The joint-lead managers for this global bond are Bank of America Merrill Lynch and Goldman Sachs International.

This 15-year EUR benchmark carries an annual coupon of 0.5% and matures on April 16, 2030. It offers investors a yield of 0.526%, which is equivalent to a spread of 18.5 basis points over the 6.250% German Bunds due January 4, 2030.

World Bank to Issue Green Bonds Linked to Ethical Europe Equity Index in the U.S.

16 April 2015

The World Bank (International Bank for Reconstruction and Development or IBRD, rated Aaa/AAA) is pleased to announce that it will offer unsecured and unsubordinated debt securities based on the performance of the Ethical Europe Equity Index (the “Notes”) in the United States. This is the first time that such green bonds have been launched by the World Bank for retail investors in the United States.

BNP Paribas Securities Corp. is working with the World Bank to develop the Notes, and will also underwrite the issue. The Notes will be offered to investors in the United States beginning April 20th 2015, with UBS Wealth Management Americas acting as a distributor.

Green Bonds: Since its first green bond launched in 2008, the World Bank has raised over $8.2 bln through about 95 green bonds in 18 different currencies all over the world. All World Bank green bonds offer investors an opportunity to support environmental solutions through a bond product that benefits from the triple-A credit strength of the World Bank. World Bank green bonds support the financing of projects in member countries that meet specific criteria for low carbon and climate resilient growth, seeking to mitigate climate change or help affected people adapt to it. The types of eligible projects include renewable energy installations, energy efficiency projects, and new technologies in waste management and agriculture that reduce greenhouse gas emissions and help finance the transition to a low carbon economy. They also include financing for forest and watershed management and infrastructure to prevent climate-related flood damage and build climate resilience.


World Bank Prices NZD 600 mln Tap of 10 February 2020 Kauri bond

17 April 2015

The World Bank (International Bank for Reconstruction and Development, IBRD rated Aaa/AAA) has priced a NZD600 mln tap to the existing 3.75% February 2020 fixed-rate global bond to take the total outstanding to NZD1.4 bln. The total volume represents the largest ever Kauri bond in the market. The transaction adds to the record breaking NZD800 mln initial offer due February 2020 which still represents the largest ever primary offering in the Kauri market and reinforces the World Bank’s market leading presence in the that market.

The bonds were distributed to a broad range of institutional investors in New Zealand 64%, Asia 22%, Japan 6%, Middle East 5%, Europe 2%, and Americas 1%, with around 20 orders from central banks and other official institutions, commercial banks, and fund managers.

The joint-lead managers for the transaction were ANZ and Westpac Banking Corporation (acting through its New Zealand Branch).

The present transaction is consistent with the World Bank’s longstanding practice of deploying its franchise as an issuer in the international capital markets to offer investors high-quality, liquid instruments in a variety of currencies. This approach has direct benefits for World Bank member countries as well, since as a cooperative institution it is able to fund its activities as a provider of financial services to its members on highly attractive terms.


World Bank issues rare $5 bln 3-Year Global Bond

22 April 2015

The World Bank (IBRD, Aaa/AAA) today priced a record breaking 3-year USD global benchmark transaction, raising $5 bln in a single tranche.

It is the second largest 3-year bond ever priced by the World Bank and is now the Bank’s largest outstanding global bond. The transaction was significantly oversubscribed with over 100 orders, a final order book in excess of $6.8 bln and strong central bank and US investor participation, many of the latter new investors to the World Bank. The deal completes the World Bank’s curve with a new liquid point in the 3-year part of the curve and represents the World Bank’s fifth and most likely final USD benchmark offering of its 2014-2015 fiscal year – following the highly successful long 2-, 5-, 10- and
World Bank Projects Recession for Moldova in 2015, Says Reforms are Necessary to Improve Growth Prospects

8 April 2015

Moldova’s real GDP grew 4.6 percent in 2014, but has been slowing down since the third quarter of the year. The economy is projected to go into a recession in 2015, reflecting the negative shocks from external demand, remittances and financing. The forecast for 2016 is also less optimistic, as main trading partners from the CIS are expected to recover only gradually, and trade growth with the EU is below the potential. In the longer term, strong reforms in all sectors of the economy are needed to improve the living standards of Moldova’s citizens.

Despite the fact that Moldova’s economy has performed well in 2014, unfavorable regional and domestic environment started to affect Moldova’s growth. Consumer inflation increased to the upper bound of the target range of the National Bank of Moldova. The current account deficit widened to 5.7 percent of GDP in 2014, due to a sharp drop in remittances and foreign investments. Moldovan currency depreciated by over 20 percent against US dollar, while foreign reserves declined by 25 percent, though they are still covering 3 months of imports. The government managed to maintain fiscal discipline in 2014, yet already in 2015 it faces fiscal pressure challenges for the higher expenditures introduced in mid-2014.

Moldova remains vulnerable to the geopolitical tensions, the soundness and transparency of the banking sector, and the fiscal management pressures. The authorities need to recognize the losses incurred by the state in the banking sector, to overhaul prudential supervision and improve governance of the sector to minimize further risks. Moldova should continue to implement prudent macroeconomic policies with low fiscal deficits and a flexible exchange rate subordinated to inflation to shelter from external vulnerabilities.

Special Topic to this issue provide recommendations on how to restore social sustainability of the pension system and argues that the current pension formula requires urgent measures to prevent continuous pension benefits’ decline. One of the reforms should focus on pay-as-you-go system before considering a mandatory fully-funded pillar.

Investment Climate in Moldova: Uneven Achievements Hinder Development

9 April 2015

Moldova has made significant progress in simplifying its business regulations and improving the investment climate and business environment, but the progress has been uneven and more can be done. These are the findings of the Doing Business Report 2015, Cost of Doing Business 2014 and Business Environment and Enterprise Performance 2013 surveys, presented and discussed today among the participants of the “Investment Climate in Moldova” workshop.

The Doing Business Report 2015: Going Beyond Efficiency ranks Moldova 63rd out of 189 economies, an improvement of 19 places compared to the previous year. Moldova made starting a business easier by abolishing the minimum capital requirement. In addition, it made paying taxes easier for companies by introducing an electronic system for filing and paying social security contributions. On the other hand, it increased the minimum salary used for calculating the environmental tax liability. Furthermore, Moldova increased the employers’ health insurance contribution rate and introduced new filing...
requirements for value added tax. Thus Moldova has become closer to global best practices measured by the Doing Business indicators, moving from 55.9 in 2006 to 66.0 in 2015, on 0 to 100 scale.

The Business Environment and Enterprise Performance Survey 2013 (BEEPS) results show an improved business sentiment for all 16 areas of business climate measured by the Survey, except for the two lowest-rated areas, namely corruption and political instability. This reflects a need to make the business environment more transparent and predictable. This survey findings of improvements are consistent with the findings of the World Bank Group’s Doing Business Report.

The Cost of Doing Business Survey 2014 shows that despite a series of improvements for Moldova, management of Moldovan companies is spending a greater time dealing with public agencies than in recent years – 11.3% of their time in 2014, compared to 10% from 2010 through 2012 and 10.7% in 2013. The report also shows a worsening of the situation in the areas of construction permits and other authorisation documents necessary for starting and operating a business; procedures for imports and exports; inspections and tax administration.


Russia

Russia Economic Report 33: The Dawn of a New Economic Era?

1 April 2015

The World Bank projects a negative growth outlook for Russia in 2015-2016, with the economy expected to contract by 3.8 percent in 2015 and modestly decline by 0.3 percent in 2016. Investment is projected to contract for a second year in a row as the Russian government is delaying some large infrastructure projects and private investors are cutting back on investment programs, while capital remains expensive and demand uncertain, according to the World Bank’s latest Russia Economic Report, launched today in Moscow.

The report notes that the weak investment demand resulting from deep structural problems in the Russian economy was an important cause of the slowing Russian growth in 2014, and this was compounded by the terms of trade shock, geopolitical uncertainties, and the economic sanctions later in the year.

And yet, despite the confluence of adverse factors that hit the economy in 2014, Russia has so far avoided recession.

According to the report, consumption growth is expected to turn negative for the first time since 2009, eroded by declining real incomes and wages. The only bright spot is that the depreciated ruble could create incentives for expansion in some tradable industries. However, structural rigidities and the surging cost of imported investment goods and credit may dampen these benefits.

The report notes that the economic impact of sanctions is likely to linger for a long time. The main medium-term risk for Russia’s growth lies in the continued dearth of investment and lack of affordable credit, according to the report. In particular, less foreign direct investment could limit the transfer of innovation and technology that is critical to increasing Russia’s growth potential. The report says that systematically lower investment rates will ultimately lessen Russia’s prospects for growth in the coming years and limit already modest growth potential. Finally, the report emphasizes that as long as access to external finance continues to be a constraint, a policy of careful management of financial sector risks and buffers will be important.


Uzbekistan

World Bank Supports Job Creation and Diversification of the Agriculture Sector in Uzbekistan

8 April 2015

Today the World Bank and the Government of Uzbekistan signed Loan Agreement for a $150 mln
loan provided by the IBRD to finance the Horticulture Development Project.

The Project has been designed in support of the government’s five-year Industrial Modernization and Infrastructure Development Program (2011-15) cross-cutting development priorities as enhancing the competitiveness of industries, such as agro-processing and diversifying the economy and thereby reducing its reliance on a few commodity exports.

The Project will contribute to the World Bank twin goals to end extreme poverty and boost shared prosperity. The project will contribute to poverty reduction in the country by assisting horticulture farmers, many of whom are small and comprise the poorest, to increase their farm productivity and incomes, and fostering greater and better rural jobs through: (i) improving access to technologies, knowledge and markets; (ii) strengthening technical and managerial capacity in the farming and agri-business sectors; and (iii) introducing new financial products in the financial sector. These will bring sustained benefits to the project beneficiaries over the long-term. At the same time, the project will promote shared prosperity by supporting the growth and development of small and medium enterprises in the rural areas, creating more and better paying jobs in the agro-processing, trading and export sectors, and increasing the value added of the agricultural sector.

The project has three components: (i) Agricultural Support Services, (ii) Access to Credit, and (iii) Project Management, and will be implemented in eight regions of Uzbekistan, namely Andijon, Jizzak, Ferghana, Kashkadarya, Karakalpakstan, Namangan, Samarkand, and Tashkent.

This is the first project in the World Bank Group portfolio in Uzbekistan where the World Bank and the International Finance Corporation (IFC) will join efforts in implementing the project. IFC will support local food producers and processors in implementing internationally recognized food safety solutions; help companies along the agribusiness value chain to improve their competitiveness and long-term value chain sustainability; and improve capacity building of commercial banks’ staff by promoting of all types of agricultural lending. It ensures access to markets for farmers-producers of supply chains.

Project will bring benefits to farmers, farmer groups, private enterprises, agro-firms, and agro-processing enterprises, involved in the country’s horticultural sub-sector. Participating financial institutions (PFIs) will also benefit through improved skills and acquisition of a more diverse menu of suitably adapted financial products; and the national network of private growers through training and technical assistance. The Project will also provide support in institutional strengthening of the State Research Institutes and the plant protection services.