International and Regional Development Banks in Northern and Central Eurasia: Overview of Activities in 2009

This overview focuses on the activities of the main international financial institutions in eight states – the five Central Asian countries of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, together with Russia, Armenia, and Belarus. The countries selected include the members of the Eurasian Development Bank (EDB), i.e., Russia, Kazakhstan, Armenia, Belarus and Tajikistan. The wider analysis of other Central Asian states illustrates the EDB’s ongoing interest in the development of this region. The overview covers the Asian Development Bank (ADB), the World Bank (WB), the European Bank for Reconstruction and Development (EBRD), the Eurasian Development Bank (EDB) and the Islamic Development Bank (IDB). These international and regional development banks play a significant role in the economic development of the region. In fact, their importance is increasing during these economically difficult times. They are also the key institutions promoting global and regional integration through large-scale investment in infrastructure, specialised technical assistance and research.

This report is based on information from public sources, including the websites and annual reports of these development banks. Direct comparison is not always possible. For example, the banks classify some of their activities differently, and their reporting format and periods vary. It is nevertheless possible to identify common trends and gain an insight into the focus and scope of operations of the international financial institutions (IFI) in the region.

1. The Main Activities of IFI in 2009

Asian Development Bank

The ADB’s Board of Directors has approved a new energy policy to help Asia Pacific countries secure adequate energy supplies while cutting levels of greenhouse gas emissions. The 2009 Energy Policy will help developing member countries provide reliable, adequate and affordable energy supplies to all citizens, as an integral part of ADB’s Strategy 2020 aimed at promoting inclusive and environmentally sustainable growth. It also
underpins ADB’s programmes addressing the rising threat of climate change. ADB’s investments in the sector will focus on energy efficiency and renewable energy projects, along with expanding access to energy, particularly in remote rural areas where coverage remains limited. It will also support sector reform, improved governance and the creation of new capacity. From 2013 onwards, ADB will increase its clean energy investment target to $2 billion a year from a previous target of $1 billion in a bid to accelerate the adoption of low-carbon technologies and reduce greenhouse gas emissions in the region. The new policy also promotes ADB’s ongoing financial and technical support for the developers and sponsors of projects eligible for carbon credits under the Kyoto Protocol’s Clean Development Mechanism. These have two sources of finance – the Asia Pacific Carbon Fund and the Future Carbon Fund.

In 2009 the ADB Board of Directors approved a Safeguard Policy Statement that will strengthen protection systems that are already in place to avert or minimize the adverse impact of ADB-supported projects on the environment and affected populations. An innovative feature of the policy is the selective application of country safeguard systems when borrowers have the capacities and requirements equivalent to ADB’s.

The World Bank Group

In FY09 (July 1, 2008 – June 30, 2009) the World Bank Group (WBG) supported 767 projects to promote economic growth, fight poverty and assist private businesses. This support included $20.7 billion for financing infrastructure, a sector that provides the critical foundations for job creation and rapid recovery from economic crisis. The financing was extended in the form of loans, grants, equity investments and guarantees to help countries and private-sector firms deal with the devastating effects of the global financial meltdown.

In FY09 the WBG devoted significant energy and resources responding to the needs of countries hit by the global financial crisis. It concentrated on initiatives aimed at protecting the most vulnerable in the poorest countries, i.e., long-term infrastructure investment programmes, strategies to support private sector economic growth and job creation. Support for contingency funds and social protection programmes totaled $4.5 billion.

During FY09 the World Bank Group committed $12.5 billion to the support of its members and private businesses in the Europe and Central Asia (ECA) Region. WBG commitments in ECA grew by 58% in FY09 compared with FY08, as financing was approved rapidly to help cushion the impact of the global economic crisis on the poor and to position countries for post-crisis recovery.

The IBRD/IDA recipients are using these funds for 53 projects across all sectors, to overcome the crisis and be better positioned for the post-crisis
period by focusing on productivity and innovation in the enterprise sector; establishing a healthy business and investment climate; creating a qualified and skilled workforce by targeting health and education projects; improving public administration; creating legal and judicial systems; and implementing economic infrastructure programmes, particularly transboundary programmes. In FY2009, IDA commitments in ECA totaled $383 million and IBRD commitments totaled $8.9 billion, more than double the $4.2 billion of FY08. The top borrowers in ECA in FY09 by volume were Poland ($2.55 billion), Kazakhstan ($2.125 billion) and Turkey ($2.075 billion).

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<tr>
<th>WBG</th>
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<td>TOTAL</td>
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Table 4.1. WBG Commitments in ECA region, FY09 and FY08 ($ billion)

Note: *own account only. In FY09 excludes $841 million mobilised through syndication and structured finance.

In a rapidly changing economic landscape, the World Bank continues to be a vital development partner and has responded to urgent demand for economic support from the poorest countries. The Bank has also played a crucial role in stabilising the financial sector by providing budget support for reform in almost half of the region's countries, and by acting as analyst/consultant to the banking sector and restructuring and recapitalising banks in client countries. In a joint initiative, the European Bank for Reconstruction and Development, the European Investment Bank (EIB) and the WBG pledged to provide up to $31 billion to support the region's banking sector and to assist businesses hit by the global economic crisis. Support included equity and debt financing, credit lines and political risk insurance. In some countries, particularly Russia, the Bank forged partnerships at the subnational level to strengthen capacity in areas such as public administration, social services, education and public-private infrastructure financing partnerships.

An important element of the Bank's activities in ECA is knowledge generation and dissemination through extensive analytical work and capacity building. Flagship reports published in FY09 include *Adapting to Climate Change in Europe and Central Asia*. The ECA region launched Knowledge Briefs to share knowledge and good practice with its clients. Other analytical reports, such as the EU-10 and Russia Economic Reports, provided regular comprehensive analyses of recent economic developments and the impact of the ongoing crisis. The Bank is actively monitoring the human impact of the crisis in the region by monitoring labour markets and social benefits, and through rapid-
response surveys. There is also ongoing analysis of the effects of the crisis on social protection, welfare and pensions, and the extent to which the contingency provision that has been mobilised is a sufficient response to the crisis. The role of the Bank is also under constant review. The institution has facilitated policy dialogue on several pressing issues such as the food crisis, the financial crisis and its impact on migration and remittances.

The International Finance Corporation (IFC) continued its strategic investments in FY09, emphasising support for existing clients and financial markets. In FY09, IFC committed $2.1 billion of its own resources and mobilised an additional $841 million in financing for its clients. IFC supported 87 projects, of which 53% are in IDA countries and in the border regions of middle-income countries.

During FY09, MIGA supported ten projects, providing $1.2 billion in political risk insurance or as guarantor funds in the region.

Eurasian Development Bank

In 2009, the EDB’s portfolio of investments totaled more than $1.3 billion. The Bank currently finances 22 projects which offer substantial support for development in Kazakhstan, Russia and Tajikistan. The technical assistance provided by EDB in 2009 totaled $1.8 million, 98.8% of which went to projects focused on enhancing integration.

In April and July 2009, the EDB issued debut bonds worth 20 billion tenge (about $133 million) in two tranches in Kazakhstan. In September, EDB issued $500 million of international Eurobonds, ten times oversubscribed, as part of its Euro Medium Term Note (EMTN) Programme. On November 3, the EDB placed 5 billion roubles in debut rouble-denominated bonds on the Stock Exchange of the Moscow Interbank Currency Exchange (MICEX).

In October 2009 the EDB and the Government of Tajikistan signed an Agreement on the Terms of Bank’s Presence in Tajikistan and the EDB opened an office in Dushanbe. The Bank’s priority in Tajikistan is to finance investment projects that promote sustainable economic development and strongly enhance integration through increased trade, mutual investment and industrial cooperation with other member states. The EDB is expected to achieve structural change in Tajikistan’s economy by assisting its diversification and boosting the output of competitive, high-value-added products. The Bank will implement a programme of technical assistance to Tajik companies and organisations as part of its efforts to promote international cooperation and regional integration in Eurasia.

In October 2009, the EDB hosted the 4th International Conference on Eurasian integration. The event was attended by representatives of
government agencies, researchers and specialists from EurAsEC and CIS member states, other countries and international development institutions. The participants discussed the problems and trends of, and prospects for future cooperation in Eurasian countries affected by global crisis and to recommend priority areas for such cooperation, particularly innovation and investment. Participants agreed that at the regional level, anti-crisis measures should include the implementation of priority investment projects and monitoring to ensure that government funds were used efficiently. The newly founded EurAsEC Anti-crisis Fund, whose assets will be managed by the EDB, is to play an important role in fostering integration and mitigating the effects of the crisis.

The EDB has completed its System of Indicators of Eurasian Integration, an instrument designed to measure Eurasian integration dynamics. The EDB has also published new industry reports entitled The Impact of Climate Change on Water Resources in Central Asia, The Eurasian Development Bank’s Investment Policy and the Environment, and EurAsEC Transport Corridors.

**European Bank for Reconstruction and Development**

In 2009, the EBRD increased its investments to €8 billion. The Bank’s Board of Directors agreed to increase annual investment by a further €1 billion, making its 2009 target 52% more than the Bank had invested in 2008. The additional funds will allow the Bank to respond robustly to the needs of its clients by supporting their banking sectors and ensuring that the flow of financing, particularly to small and medium sized enterprises continues. The increase in EBRD spending in 2009 was financed from the Bank’s own reserves. Since its creation in 1991, the EBRD has invested a total of over €47 billion on its own account and nearly €150 billion with other public and private co-financiers. Last year sustainable energy investments increased by 34% to €1.3 billion. At the same time, the EBRD maintained funding of over €500 million to less advanced economies in the Caucasus and Central Asia.

In its 2009 Transition Report, the EBRD concluded that the benefits of integrating Eastern Europe’s financial systems into the world economy outweigh the costs that the global economic crisis has highlighted. The report also says that the global crisis has disrupted economic reform in Eastern Europe, but that there have been no significant reversals. Governments remain committed to the process of economic reform. The 2009 report, entitled Transition in Crisis?, concludes that while the economies of the transition region have been dealt a severe blow, the transition process itself will survive the onslaught of the worst global economic downturn in generations. The report raises questions specifically about the growth model for countries in central and southeastern Europe, where rapid expansion was fuelled by financial integration, and for commodity rich countries further east whose growth has depended on income from natural
resources. The report stresses that the crisis has highlighted the urgent need for action to reduce dependency on foreign exchange lending and to manage the demand for credit more effectively. The EBRD report notes that resource-rich countries in the EBRD region are also vulnerable because of the challenges they are facing: policy management in countries such as Azerbaijan, Kazakhstan, Russia and Turkmenistan is made more complicated by the fluctuations in foreign currency income caused by the cyclical nature of commodity prices. Some countries have successfully built up reserves that help to mitigate the impact of economic setbacks but the long-term goal of economic diversification remains elusive. This is partly because dependence on wealth from such resources and the lack of diversification itself impedes the development of an institutional framework that would support the creation of a more diverse industrial base. Looking ahead to the impact of the crisis on future market reform in the transition region, the report says any new leap forward is unlikely, despite the fact that the financial sector will probably see both institutional change and policy adjustments, including initiatives to increase both the quality and the extent of government regulation.

**Islamic Development Bank**

The IDB Board of Executive Directors endorsed a Medium Term Programme for 2010–2012. Under this three-year programme the Bank will extend $11.5 billion from its ordinary capital resources to finance development projects. The approval of this programme is a part of the nine-year Vision 2020 transformation roadmap, which was developed by a high commission composed of a number of senior figures in the Islamic world. The programme will focus on human capital development programmes, agriculture, education and infrastructure through a new strategy based on partnerships with member countries.

The Islamic Development Bank has launched an initiative to create an Islamic investment bank to promote the growth of the Islamic financial industry, global reach and liquidity management. The IDB envisages initial capital for this initiative at $1 billion and current contributions stand at $250 million. The new bank also aims to facilitate the establishment of an inter-Islamic banking market based on Shari’a principles. This new investment bank is seen as playing a role in enhancing the Islamic financial industry’s support of economic and social development. It will also facilitate the growth of the Islamic financial services industry by creating the structures necessary for the development of Islamic banks and Islamic financial solutions to liquidity management problems.

The Bank successfully issued Sukuk, for which demand exceeded $2 billion against a target of just $500 million. It should be noted that global Islamic banking assets were estimated to total $785 billion towards the end of 2008.
2. The Role of International Financial Institutions in Responding to the Global Economic Crisis

The ADB’s Board of Directors has approved the allocation of $3.4 billion in additional funds to help developing member countries (DMCs) respond to the global economic crisis. The ADB has established a $3 billion Countercyclical Support Facility (CSF) that will provide short-term, rapidly deployed loans. It will support the ramping up of spending in DMCs aiming to mitigate the impact of the crisis but which lack the financial means to do so because of tight global credit markets and a sharp increase in funding costs. DMCs who qualify for loans from ADB’s Ordinary Capital Resources (OCR) will be able to access the CSF, and allocation will be capped at $500 million per country. The ADB will also make available a further $400 million through its Asian Development Fund (ADF). This will benefit countries with no access to OCR. ADF resources are provided in the form of concessional loans and grants to low-income DMCs with limited debt repayment capacity. The additional ADF resources will be used to finance key development investments in low-income countries experiencing the greatest fiscal constraints in their response to the crisis. To be eligible for the CSF countries must be experiencing a significant slowdown in growth, exports and remittances; fiscal constraints; and be having difficulty sourcing finance from international capital markets on favourable terms. DMCs will also need to put in place a specific countercyclical development programme, to be supported by CSF, which includes investment in public infrastructure, or a social security scheme targeting the poor and vulnerable. Loans under the new facility will be for five years, with a three-year grace period, and will cost around 200 basis points over ADB’s financing cost. This is lower than its special loans facility set up in the wake of the 1997–1998 Asian financial crisis.

ADB plans to increase its lending by more than $10 billion in 2009–2010, bringing total ADB assistance for these two years to about $32 billion. Of the proposed $10 billion increase, $1 billion is committed to supporting trade finance, $3 billion to the CSF and $6 billion in loans such as those for infrastructure investment. ADB will also expand its crisis-related support through grants for policy analysis and capacity building.

In April 2009, the EDB Council approved an anti-crisis programme of operations. The Bank’s Council and Executive Board declared their intention to focus upon investment projects that have substantial multiplicative effect (indirectly increasing GDP and employment in other sectors of the economy) and promote industrial cooperation between member states. Thus, the projects considered by the Bank in 2009 had to be oriented towards overcoming the fallout of the world crisis in the economies of its founders – Russia and Kazakhstan – and new members, Armenia, Belarus and Tajikistan. Another important step for the EDB was the appointment of
the Eurasian Development Bank as the Implementing Agency for the EurAsEC Anti-Crisis Fund.

The EBRD responded robustly to the global economic crisis in 2009, investing a record €7.9 billion and preparing to support Eastern European recovery with further funding increases likely in the coming years. EBRD investments in 2009 were 55% higher than the previous year, with the largest share of funding dedicated to the financial sector as the Bank sought to bolster banks across the region and help them maintain their lending flows, especially to small businesses. The EBRD provided an injection of capital directly into the corporate sector and invested heavily in energy and infrastructure projects.

As anticipated, the EBRD reported a net loss of €746 million in 2009, compared with a loss of €602 million a year earlier. The loss primarily reflects an increase in provisions for future potential losses on the Bank’s loan portfolio and revaluation losses in the Bank’s equity holdings. Although there was a recovery in the value of the Bank’s listed equity investments, these were offset by revaluation losses in the Bank’s unlisted equity portfolio.

The Bank remains very well capitalised but in order to facilitate investments at this higher level over the coming years it has sought shareholder approval for an increase in capital. The increase in capital that is under consideration would allow the EBRD to continue to invest at similar enhanced levels over the next five years. The Bank expects investments in 2010 to be slightly higher than last year’s record level. As well as maintaining support for the financial sector in coming years, the Bank is also increasing its corporate financing. The Bank has brought all its corporate activities under one umbrella with a view to boosting funding to enterprises and thus reaching out to the real economies of the region. A key aim of the new initiative is to drive further economic diversification and to add value to the production chain. Investments in sustainable energy projects will remain a core element of Bank activities.

The EBRD will also help countries learn the lessons of the global crisis, specifically by supporting the development of domestic and local currency capital markets and reducing their dependency on foreign exchange borrowing that made them so vulnerable during the crisis. The EBRD also demonstrated that it was willing to assume a greater burden of risk in order to support the economies of the region, increasing its equity investments and providing a significantly higher level of equity type funding, such as subordinated debt. While it was supporting both locally owned banks and subsidiaries of western financial institutions, the EBRD reached out to other sectors of the region’s economies.

In 2009, to help developing countries weather the impacts of the crisis, the World Bank proposed the creation of a Vulnerability Fund, calling upon
developed countries to pledge the equivalent of 0.7% of their economic stimulus package as additional aid, be it through their own bilateral aid agencies, UN agencies such as the World Food Program, FAO, or UNICEF, the WBG and other multilateral development banks or non-governmental organisations (NGOs). Donors responded to the World Bank crisis initiative by pledging a total $6.8 billion over and above previous commitments to the institution.

The WBG also has called for more resources and help for the millions of people around the globe who go hungry each day. For its part, the Bank has pledged to increase its annual lending to agriculture and food from $4 billion to $6 billion in 2010.

As the largest provider of multilateral financing to the private sector in the developing world, the Bank Group’s International Finance Corporation (IFC) played an important role as the crisis deepened. IFC launched an array of crisis initiatives, including:

• A $3 billion IFC Capitalisation Fund to strengthen systemically important banks, with a leveraged capacity of up to $75 billion;

• A $5 billion Global Trade Liquidity Programme to support as much as $50 billion in trade and help reverse the decline in trade flows;

• A $2.4 billion Infrastructure Crisis Facility to ensure completion of projects vital for development;

• A $500 million Microfinance Enhancement Facility to provide credit to micro enterprises and expand advisory services to help clients manage risk and address non-performing loans.

In addition, IFC has taken the historic step of maximising its ability to mobilise capital to address the effects of the global financial crisis and serve longer-term development needs. For the first time it has set up a subsidiary fund manager of third-party capital. The new asset-management platform, which is wholly owned by IFC, will manage the $3 billion IFC Capitalisation Fund, which is designed to protect important emerging-markets banks from the effects of the global financial crisis. It will also manage a new $1 billion private equity fund that will allow national pension funds, sovereign funds and other sovereign investors in IFC shareholder countries to co-invest in IFC transactions in Africa, Latin America, and the Caribbean.

The Multilateral Investment Guarantee Agency (MIGA) announced a broadened initiative to support financial flows from banks to their subsidiaries in countries hit by the global financial crisis. The initiative will provide extended support to financial institutions requiring political risk insurance on cross-border investments recapitalising or extending liquidity for their subsidiaries in such markets. Under the initiative, MIGA will be able to offer such guarantees...
globally, making up to $3 billion available for investment in the worst affected
economies of Europe and Central Asia. This builds on the commitment made
by MIGA joining WBG member agencies and other multilateral investors and
official lenders in the coordinated support they offer to Eastern European
countries.

World Bank executives together with representatives of 45 donor and 12
beneficiary countries have conducted a review of the performance of the
International Development Association (IDA), the World Bank fund for
the 79 poorest countries that has delivered record support during the global
economic crisis. The World Bank’s Board of Executive Directors approved a
$1.3 billion crisis response facility for the IDA. The bulk of this resource will
help to scale up operations already in place or in preparation.

The largest multilateral investors and lenders in Central and Eastern Europe – the EBRD, the EIB Group, and the World Bank Group – have pledged to
provide up to €24.5 billion to support the banking sector in the region and
to fund loans to businesses hit by the global economic crisis. This initiative
complements national crisis responses and will deploy rapid, large-scale and
coordinated financial assistance from the IFI to support lending to the real
economy, in particular to SMEs, through private sector banks. The financial
support will include equity and debt finance, credit lines and political risk
insurance. The response takes into account the different macroeconomic
circumstances and financial pressures on countries in Eastern Europe, and
the diverse challenges posed by the global financial retrenchment.

Under the two-year plan:

- The EBRD will provide up to €6 billion for the financial sector in 2009–2010
  in the form of equity and debt finance, to banks and directly to SMEs, and
  trade finance.

- The EIB will provide some €11 billion in SME lending facilities in Central,
  Eastern, and Southern Europe, of which €5.7 billion is already available for
  rapid disbursement, with a further €2.8 billion set for approval by the end
  of April and further tranches expected to follow. The EIF, the EIB Group’s
  venture capital and SME guarantee arm, is also aiming to increase its
  activity in the region over the next two years.

- The World Bank Group will provide support of about €7.5 billion:
  - IFC is expected to contribute up to €2 billion through its crisis response
    initiatives in sectors including banking, infrastructure and trade as well
    as through its traditional investment and advisory services;
  - IBRD intends to increase lending in Europe and Central Asia to €16 billion
    in 2009–2010 of which up to €3.5 billion will address banking sector
    problems in emerging Europe;
MIGA will provide political risk insurance of up to €2 billion for bank lending, subject to Board approval.

The IFI response to Europe’s integrated financial markets must be rapid and coordinated. It must come from parent banks which own a large proportion of the region’s financial industry, from key local banks, from the home- and host-country heads of cross-border banking groups and from European institutions and the IFI. In jointly addressing urgent financial need, the three institutions involved in this initiative are drawing on their own mandates and specific capabilities to provide financial support.

The IDB decided to double its planned operational growth from 15% to 30% for the period 2009 to 2011, resulting in provision of additional $2.5 billion in financing over and above the projected amount of $8.5 billion over the same period. The additional financing will help to mitigate the impact of the financial crisis on member countries and will be allocated mainly for infrastructure projects.

The IDB has launched several programmes to help its member countries minimise the adverse impact of food, fuel and financial crises on their economies. These programmes include the Jeddah Declaration, allocating $1.5 billion for a five-year period to support member countries worst hit by the food crisis; the $4 billion, five-year Special Programme for the Development of Africa to alleviate poverty; and the $10 billion Islamic Solidarity Fund for Development aimed at alleviating poverty, eliminating illiteracy and eradicating diseases and epidemics in member countries. The International Islamic Trade Finance Corporation (ITFC), the trade arm of the IDB Group, is scaling up its annual approval of trade financing operations over the next five years from $2.5 billion to $5 billion, and increasing trade finance leveraging with institutions such as the IFC, AfDB and the Arab Monetary Fund.

At the IDB Annual meeting, the Board of Governors of the Islamic Corporation for the Development of the Private Sector (ICD) approved an increase in the Corporation’s authorised capital from $1 billion to $2 billion. It also sanctioned the increase in the Corporation’s capital that is open for subscription from $500 million to $1 billion, in order to meet the Corporation’s need to expand and strengthen its role developing the private sector in its member countries.

During the same Annual meeting, the IDB held its 20th Annual Symposium: “Shaping the Post-Crisis World: Regional Implications and a Coordinated Response”. The Symposium saw the presentation of major reform agendas that would shape the post-crisis world and IDB member countries in regions including Central Asia and Sub-Saharan Africa. In addition, the Colloquium on Islamic Financial Architecture took place in London to discuss the role of Islamic finance in the context of the unfolding global economic crisis,
and ways of using Islamic financial tools to combat the global economic crisis. However, the Colloquium noted that the maturity of some funds and certain asset risks in Islamic financial institutions are different to the mainstream risk and therefore these institutions need to be more resilient.

3. The Priority Issues for IFI in the Eurasian Region in 2009

The next section of this overview discusses IFI initiatives and projects which are not presented elsewhere because they are regional rather than national in emphasis.

Energy

For the first time in decades, Kabul is receiving a steady supply of electricity thanks to a major new transmission line linking the Afghan capital with neighbouring Uzbekistan. The ADB is one of the largest partners in a 420 km transmission corridor carrying electricity across some of the most challenging mountainous terrain on earth. The government of Uzbekistan contributed to the project, constructing a new transmission link on its side of the border to complete the line that now supplies power to its southern neighbour. The new transmission corridor is part of the massive North East Power System (NEPS) project that has been undertaken by a range of partners including the United States, Germany, Japan, India, the World Bank, and the Islamic Development Bank.

The presidents of Afghanistan and Pakistan issued a joint statement pledging their support for a proposed $680 million regional electricity transmission project that would supply surplus power in summer from Tajikistan and the Kyrgyz Republic to Kabul and northwest Pakistan. The Central Asia South Asia Electricity Transmission and Trade Project (CASA 1000) is to develop the physical infrastructure and create the institutional and legal framework for transmitting surplus power from existing generation facilities in Tajikistan and the Kyrgyz Republic to Afghanistan and Pakistan. Several IFI including the IDB and the WBG are supporting this effort.

Transport and Infrastructure

The WBG has launched two multibillion dollar infrastructure investment initiatives to help developing countries withstand the global financial and economic crisis. The World Bank’s Infrastructure Recovery and Assets (INFRA) programme and the Infrastructure Crisis Facility (ICF) – the private-sector investment facility set-up by IFC – will together mobilise more than $55 billion over the next three years for infrastructure projects in developing countries. Of this total, $45 billion is available as World Bank loans and $10 billion is available via IFC. The two initiatives will help to create jobs and lay the foundations for future economic growth and the elimination of poverty.
The EBRD is investing up to $100 million setting up the Macquarie Renaissance infrastructure fund to target projects mainly in Russia, Kazakhstan and Ukraine – three countries where the EBRD’s cumulative investments in this particular sector of the economy already amount to nearly $4.5 billion. The EBRD announcement at the annual St. Petersburg Economic Forum follows a decision by the supervisory board of Russia’s state-owned Vneshekonombank (VEB) to invest $200 million in the Macquarie Renaissance Infrastructure Fund. The other key stakeholders in this new fund are the IFC and Kazyna Capital Management JSC, a subsidiary of Kazakhstan’s sustainable development fund. The EDB is considering possible involvement in this initiative. The fund’s founding partners and future managers, Macquarie, a global leader in infrastructure finance, and Renaissance Group, a Russia-based financial services provider, are each contributing $50 million. VEB is the other cornerstone investor. In the current crisis the fund will be crucial to the modernisation of vital infrastructure in the three largest economies of the former Soviet Union, as well as other countries of the CIS, by replacing dwindling credit from traditional sources of finance. Under the fund rules, at least 50% of total commitments will be in Russia. The fund’s target is around $1 billion. Its equity investments will be mainly in roads, airports, ports, electricity and gas distribution networks, heating networks, communications infrastructure, rail networks, water and sewerage utilities, as well as social infrastructure. Transport projects are expected to account for the bulk of the fund’s investments.

Seven Multilateral Development Banks (MDBs) issued a joint statement outlining a broad package of measures that each would implement in order to reduce an anticipated and alarming rise in the number of road fatalities and casualties in developing countries. The participating MDBs are the AfDB, ADB, EBRD, EIB, IADB, IDB, and the WB. The measures to be carried out fall into four categories:

- strengthening road safety management capacity;
- implementing safety considerations in the planning, design, construction, operation and maintenance of road infrastructure projects;
- improving safety performance measures;
- mobilizing new and greater resources for road safety.

The Global Road Safety Facility (GRSF) estimates that reducing road fatalities and injuries in low and middle-income countries over the next decade would save five million lives and avoid 50 million serious injuries, bringing huge social benefits. Unsafe roads in ECA countries have a hugely adverse impact on their economic and social wellbeing, says a World Bank report. The report, *Confronting “Death on Wheels”: Making Roads Safe in Europe and Central Asia*, released after the first Global Ministerial Conference on
Road Safety, reviews the size, characteristics and causes of the road safety problem in ECA countries. The report will help to enact agreements reached during the Time for Action conference held in Moscow in November, 2009. The report finds that road safety problems in countries of the CIS, Eastern and Central Europe, the Baltics and the Balkans are much worse than in Western Europe, even though their car fleet is smaller and the number of kilometers travelled by car is lower. In ECA, the highest estimated annual costs governments are facing are in the large economies that also have sizeable populations: Russia ($34 billion per year), Turkey ($14 billion), Poland ($10 billion) and Ukraine ($5 billion).

In the face of this mounting crisis there has been a concerted global call for action to promote a systematic, multisectoral response.

**Trade**

The ADB has expanded its Trade Finance Facilitation Programme (TFFP) to $1 billion, a move that could generate up to $15 billion in much-needed trade support by the end of 2013. The ADB has also increased the maximum maturity permitted under the programme from 2 to 3 years to support developing member countries’ (DMC) efforts to boost their trade competitiveness. The greatest shortfall in private sector financing lies in the longer maturity loans.

The WBG launched a $40 million multidonor trust fund to help countries improve their competitiveness and reduce trading costs by improving infrastructure, transport logistics and customs procedures.

In response to the financial crisis, the WBG is expanding its trade support by:

- increasing Trade facilitation services, including the TTF for low income countries;
- doubling IFC’s existing Global Trade Finance Programme to $3 billion over a three-year period.

The creation of IFC’s Global Trade Liquidity Programme, which has targeted initial commitments of $5 billion from public sector sources and will support up to $50 billion of trade. The programme has funds of $1 billion committed by IFC; a pledge of up to £300 million ($440 million) from the UK; $200 million from the Canadian government; and $50 million from the Dutch government.

**Agriculture**

In recognition of the fact that the financial crisis is hitting the poorest the hardest, the WBG announced a new venture to support the expansion of rural finance in the developing world. Through a $20 million contribution from the Bill & Melinda Gates Foundation, the World Bank has established
the Agriculture Finance Support Facility. While credit remains tight, the facility will support grants to bank and non-bank institutions to increase access to financial services such as savings, credit, payments and insurance to make these services profitable in rural areas in developing countries.

Leading grain market players at an EBRD meeting called on former Soviet Union governments to stimulate the private investment needed to unlock the region’s huge agricultural potential through stable long-term policies and the use of land to raise finance. Consensus emerged among private sector operators attending the World Grain Forum in St. Petersburg that the key to increasing global food supplies lay in creating the conditions that would allow Russia, Ukraine, Kazakhstan and other CIS countries to realise their full potential. The EBRD and the UN FAO believe that at least 13 million ha of former farmland could be returned to production at no major cost to the environment in Russia, Ukraine and Kazakhstan. Of these, 6 million ha are in Russia alone. The grain sector’s major local and international participants discussed ways of realising this potential and agreed this could only be done through increased investments by a private sector fully involved in the process. This would require action by the states involved. The EBRD for its part is ready to provide funding along the whole length of the food chain as well as for the vital infrastructure projects which are key to boosting the region’s farm output.

The Climate Change Issue Becomes More Acute

At the Copenhagen conference, heads of the world’s leading IFI called for a comprehensive agreement to combat climate change and agreed to coordinate their efforts to help achieve the meeting’s ambitious goals. In a joint statement, the leaders pledged to use their own organisations’ mandates, expertise and resources to help authorities combine with the private sector to confront the challenges of climate change and to make the best possible use of available financing. The heads of the AfDB, ADB, EBRD, EIB, IADB, WBG, and IMF also stated their organisations would deploy technical assistance and funds to support their environmental goals. They recognised the pre-eminence of the United Nations Framework Convention on Climate Change (UNFCCC) in setting the targets for dealing with global environmental challenges.

In Copenhagen, the WB launched a unique programme to support renewable energy in low-income countries. The new programme, Scaling up Renewable Energy in Low Income Countries (SREP), came into being with the announcement of financial support of $50 million from the USA. Prior to Copenhagen, contributions to the SREP totalled $210.7 million: $82.4 million (equivalent) from the UK; $81.8 million from the Netherlands; $26.5 million from Norway and $20 million from Switzerland. A minimum target of $250 million was needed before the fund could be initiated. SREP is
designed to support low-income countries in their efforts to improve access to energy and stimulate economic growth through increased deployment of renewable energy technology. It provides impetus for the transformation of the renewables market in each target country by involving governments in market creation, private sector implementation and productive energy use.

The WB also launched a new Carbon Partnership Facility (CPF) at the UN Climate Change Conference in Copenhagen. This facility, the latest in panoply of carbon funds and facilities, is expected to reach an initial capitalisation of over €200 million in early 2010. The CPF will use carbon finance in an innovative way to support developing countries’ policy and investment programmes and, in particular, to leverage capital for public and private sector investment in clean technologies. The CPF is a partnership between buyers and sellers of carbon credits, with both groups involved in key decisions.

The publication entitled *Ten Years of Experience in Carbon Finance – insights from working with carbon markets for development & global greenhouse gas mitigation* looks at the WB’s experience of working with the Kyoto Protocol’s Clean Development Mechanism and Joint Implementation. The WB’s carbon finance operations have expanded from the pioneering Prototype Carbon Fund, which helped catalyse the nascent carbon market in 2000, to ten funds and facilities with a current capitalisation of more than $2.5 billion. The funds and facilities are financed by public and private entities from industrialized countries to support CDM and JI projects and emission reductions. The initial insights gained from this work were presented at the UN climate change meetings in Copenhagen as a springboard for further discussion and analysis.

The WB warned that the impact of climate change in the ECA Region\(^1\) would be more significant than expected due to the lingering post-Soviet legacy of environmental mismanagement and the poor state of much of the Region’s infrastructure which weaken countries’ ability to adapt. The history of poor environmental management across the region means that even countries and sectors that could be expected to benefit from climate change are now poorly positioned to do so. Over the next ten to twenty years, however, ECA’s resistance to climate change could be strengthened if infrastructure and environmental management systems are improved. This would also have a positive effect on sustainable development. Regardless of climate change, ECA will gain from improved water resource management, pollution control, upgrades to neglected infrastructure and housing and robust disaster management. Adapting to the changing climate will also require climate-

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\(^1\) Europe and Central Asia Region economies: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyzstan, Latvia, Lithuania FYR Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan.
specific activity: investment in weather and water monitoring; improved capacity to interpret and disseminate climate information; institutional support for adaptation efforts whether these are being undertaken by large firms or small farmers; and incentives for informed, proactive responses to the challenges of climate change. ECA countries will need to develop strategies to reduce vulnerability to future change.

The ADB is channelling around $700 million from two new investment funds to its developing member countries as part of a broad global initiative to help developing countries meet the cost of adapting to climate change. Donor countries, including Australia, France, Germany, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, UK and USA, have pledged over $6.1 billion in 2008 to the Clean Technology Fund and Strategic Climate Fund. These climate investment funds (CIF) are being made available to multilateral development banks, including the ADB, for climate change-related investment. The Clean Technology Fund will support the deployment of low-carbon energy technologies, such as wind, solar, hydro and geothermal power, and energy efficiency measures for industry, commercial buildings and municipalities. The activities supported can be co-financed from ADB’s regular operations, which are expected to mobilize additional financing from both the state and private sectors. The Strategic Climate Fund will support pilot programmes on climate resilience, investment in forestry and the scaling up of renewable energy use for low-income countries, with the goal of demonstrating effective climate mitigation and adaptation interventions that can be built on and replicated in future. The two funds are designed to be interim financing tools and will be discontinued once the UNFCCC completes deliberations on a new global programme to address climate change and the financial mechanisms needed to support it. The Strategic Climate Fund will allocate funds in the form of grants. The Clean Technology Fund will issue concessional loans with interest rates as low at 0.25% for up to 40 years. Risk mitigation instruments such as guarantees and equity will also be available. The money can be used for both public and private sector initiatives.

4. IFI Funding in the Eurasian Region in 2009: Summary

It has not always been possible to compare directly the operations of IFI in the countries under review. They may use different classifications for their operations, or disburse funds in different currencies. However, using the average annual exchange rate for various currencies for the review period January 1 – December 31, 2009, it has been possible to present funding trends in the region. Using this method, it has been calculated that total funding from the ADB was $1.714 billion; EBRD’ approved lending totalled $5.137 billion, the EDB approved funding of $812.1 million, IDB – $866.5 million and the World Bank – $3.066 billion.
Many countries in ECA were in a vulnerable position when the economic crisis struck. Their relatively high current account deficits, external debts, rapid credit growth and a consumption boom financed by foreign currency borrowing left Central and Eastern Europe, the Baltic and some CIS countries particularly exposed to the crisis. Sharp falls in commodity prices brought to an abrupt halt the growth of economic powerhouses in Russia and Kazakhstan and hit the less affluent parts of the CIS very hard.

ECA countries have therefore been hit earlier and more severely than other developing regions. The effects of the crisis are spreading in three key areas—financial, goods and labour markets. In the financial sector, foreign exchange volatility and the high risk faced by countries running high balance of payments deficits have created a highly uncertain environment. Industrial output is down with some countries experiencing double-digit declines in early 2009 compared to a year earlier. Unemployment is on the rise with unprecedented job losses in some countries and others poised for double-digit unemployment in the near future. This is particularly bad news for countries that are dependent on remittances (e.g., Tajikistan).

Republic of Armenia

The Armenian economy has been severely affected by the global crisis. The rapid return of migrant workers who lost jobs in Russia and Kazakhstan led

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Note: * – Belarus and Russia are not ADB member states
** – Armenia, Belarus and Russia are not IDB member states

Table 4.2. Approved IFI Funding in 2009

Source: IFI press releases and web sites

<table>
<thead>
<tr>
<th>Country</th>
<th>ADB*</th>
<th>WB</th>
<th>EDB</th>
<th>EBRD</th>
<th>IDB**</th>
</tr>
</thead>
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<tr>
<td>Armenia</td>
<td>581.1</td>
<td>333.58</td>
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<td>170.76</td>
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<tr>
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<td>Kyrgyzstan</td>
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<td>100.4</td>
<td>14.16</td>
</tr>
<tr>
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<td>148.5</td>
<td>–</td>
<td>16.0</td>
<td>22.65</td>
</tr>
</tbody>
</table>

Note: * – Belarus and Russia are not ADB member states
** – Armenia, Belarus and Russia are not IDB member states

2 The information presented in this table is from public sources. Certain projects for which financial information is not disclosed are mentioned in the overview but not included in totals.

to a reduction in private cash transfers, consumption and state revenues. At the end of 2009, the ADB provided a total of $381 million in financial assistance to Armenia. These resources have allowed the government of Armenia to invest in job preservation and creation as a means to offset the crisis. In 2009, the ADB approved the $500 million North-South Transport Corridor investment programme and funding for four other projects totalling $581.1 million.

The WB Board of Directors approved a new Country Partnership Strategy (CPS) with Armenia to structure World Bank assistance to Armenia in 2009–2012. The strategy aims to help Armenia return to growth and mitigate the impact of the global economic crisis on its poorer citizens. It is also designed to help Armenia lay the foundation for a more competitive economy – a key requirement for diversified and sustainable growth. Armenia is able to borrow from IBRD, which the strategy acknowledges, because the country has been successful in reducing poverty by 50% over the last 10 years. As well as lending money to Armenia, the WB will provide consultancy and advisory services to support the country’s development programme. The new CPS is based on Armenia’s Sustainable Development Programme, which in turn addresses the dual challenges of reducing vulnerability in the short term and boosting competitiveness to support post-crisis growth in the long-term. Under the CPS, the WBG will extend $670-700 million in financing to Armenia, of which $150 million will be in the form of low-interest IDA credits, $395 million will be IBRD lending and some $120-160 million will be injected into the private sector via the IFC.

In February 2009, the WB approved a grant for Armenia for the Geofund-2 geothermal, a project worth $1.5 million, financed by the Global Environment Facility.

Armenia became one of the first countries to benefit from a special fast-track facility set up by the WBG to help the world’s poorest countries cope with the impact of the financial crisis. The WB Board of Executive Directors approved three operations totalling $35 million under the fast-track system, in response to clear signs that Armenia’s poorest people are suffering from the crisis. In 2009 the WB provided funding for 12 new projects and initiatives in Armenia amounting to $333.5 million.

The Republic of Armenia completed the process of joining the Eurasian Development Bank. It is now a full member of the EDB, having paid up its share capital into the Bank.

According to the latest EBRD strategy for Armenia, this institution is prepared to invest over €180 million in various sectors of the Armenian economy over the next two years. The EBRD’s roadmap strategy for 2009–2010 focuses on alleviating the impact of the economic downturn. Although
Armenia is not directly exposed to global capital markets, their turmoil has affected the country through diminishing remittances and declining exports. Armenia’s fledging prosperity will come under severe pressure in the difficult years ahead, and the country’s best hope for weathering the crisis lies in developing its SMEs. The EBRD is therefore committed to supporting private, micro enterprises and SMEs by providing financing for this sector through local partner banks. Simultaneously, EBRD will support Armenian banks by extending credit for on-lending, and by introducing new products such as energy efficiency loans. EBRD will selectively invest in equity in Armenia’s leading banks and will promote consolidation in the banking sector. In the public sector, the EBRD will also support projects which promote transition and sector reform. The bank has identified a number of important issues that need to be addressed in Armenia, including diversification of the economy, improving the competitiveness of export-oriented production, promoting competition and restricting monopoly, tackling corruption, strengthening the financial sector and encouraging the commercialisation of public infrastructure. Over the past four years, the EBRD’s investment in Armenia has more than quadrupled and totals €125 million in 43 projects. The EBRD’s plans for the next two years cover more than 30 projects in Armenia, and account for investment in excess of €180 million. In 2009, the EBRD approved $171 million of new funding for five projects in Armenia.

Republic of Belarus

In 2009 the WB approved two new loans totalling $325 million to support an energy efficiency project and the Development Policy Loan. The Development Policy Loan was set up to assist the reform of social protection systems and support the government’s liberalisation programme.

The Republic of Belarus completed the paperwork to join the Eurasian Development Bank and sent its ratification to the Russian Ministry of Foreign Affairs – depositary for the EDB Establishing Agreement.

The EBRD’s new three-year strategy for Belarus will increase the Bank’s engagement in this country, subject to the authorities implementing sector-specific reforms towards the creation of a market economy. As with previous strategies, the Bank’s main priority for Belarus lies in supporting the private sector as a means of progressing towards the ultimate goals of political democracy and market economy. The EBRD has welcomed the country’s willingness to work with the international community and recognises that there have been encouraging signs of progress on political and economic fronts. Further positive developments in these areas would contribute to the creation of a more favourable business environment. The Bank would then step up its activity in Belarus, working with state-owned entities on a limited and highly selective basis, provided they operate on commercial principles and meet the Bank’s stringent lending criteria. Previous EBRD
Board policies restricted the Bank to financing only private-sector projects in Belarus. The new strategy would support the principles agreed between Belarus and the IMF and the IBRD, which place great significance on privatisation. The Bank will also consider expanding its dynamic small-business lending and trade-financing programmes to include, on a selective basis, state-owned banks for the first time, as long as they are commercially oriented and have credible privatisation prospects.

The EBRD has approved a ten-fold increase in the amount of foreign trade that the leading Belarusian bank Belgazprombank may finance. Under the EBRD’s Trade Facilitation Programme (TFP), the maximum exposure to foreign trade deals it may have at any one time has been raised to $10 million. The previous limit was $1 million. Moreover, the EBRD bought more than 25% of the shares of the West Ost Union company, which owns 12 ‘Buslik’ trademark children’s stores.

In 2009, the EBRD approved financing for four projects. Financing for two of these for which information is available totals $40 million.

**Republic of Kazakhstan**

In 2009, the ADB approved financing totalling $687.6 million for three projects in Kazakhstan and a $225,000 technical grant to boost project implementation in the country.

In 2009, the WB approved one of its largest projects, allocating $2.125 billion to construct the Kazakhstan section of road as part of the West Europe-West China transport corridor. The WB also approved $48 million of financing for the hydro energy sector in Kazakhstan.

In 2009, the EDB approved financing for four projects in Kazakhstan totaling $523.2 million in areas of agriculture, energy and mining.

The EBRD and the Kazakh national rail company, Kazakhstan Temir Zholy (KTZh), have agreed to work together to support the country’s efforts to reform its railway transport sector. A memorandum of understanding signed by EBRD and KTZh will facilitate the further development, financing and implementation of a Rail Reform Strategy over the next five years. The strategy is currently being developed by KTZh. The Bank will also seek to mobilise grant assistance for technical cooperation.

In 2009 the EBRD approved new financing for 12 projects in Kazakhstan totalling $546 million.

In 2009, the IDB Group approved $390.5 million for Kazakhstan in the form of technical assistance and investments in nine projects in transportation, education, agriculture, water and rural development. The group also opened credit lines to local banks.
Kyrgyz Republic

In 2009, the ADB approved investments totalling $81.3 million for five projects in Kyrgyzstan. The World Bank approved financing for six new initiatives totalling $50.26 million. The EBRD approved $100.3 million for 10 projects. The IDB approved funding totalling $14.2 million.

Russian Federation

The Russian Government secured a $50 million grant from the WB to help finance its Rapid Social Response (RSR) Multi-Donor Trust-Fund Facility. The RSR helps low-income countries protect their poor and vulnerable citizens from the worst effects of economic crisis by providing social welfare and job creation programmes, and by maintaining key social services in education, health and nutrition. The RSR programme is part of the World Bank’s Vulnerability Financing Facility (VFF) crisis response framework in addition to the Global Food Crisis Response Programme. In 2009 the WB did not approve projects for the Russian Federation.

In 2009 the EDB approved financing for four new projects in the Russian Federation for a total $266.3 million in energy, mining and communications.

The EDB became the first bank authorised by the Russian government to implement priority projects in the Chechen Republic. The EDB signed a loan agreement on the project of Rehabilitation and Reconstruction of Thermal Power Plant-4 in Argun city of the Chechen Republic. This plant becomes the first restored power generation source in the Chechen Republic where four power plants existed before 1991. Also the EDB approved a loan to the Siberian Coal Energy Company (SCEC) for modernisation of the company’s coal operations in Siberia. Another major project is aimed at construction of 15 gas-refuelling stations in various regions of Russian Federation and their further leasing to “Gasprom” JCS subsidiaries.

The EBRD has adopted a new strategy for the Russian Federation under which it will give priority over the next three years to economic diversification, supporting the real economy, promoting energy efficiency, strengthening domestic capital markets and funding infrastructure renewal. These priorities reflect the Bank’s views on how it can best help Russia confront and mitigate the effects of the current crisis in the short term and support post-crisis recovery in the medium term. They reflect the EBRD’s presence in all seven of Russia’s Federal districts, the country’s main administrative divisions.

The EBRD is helping Russia to speed up its privatisation programme, and to bring back into private ownership companies and banks in which the state has increased its ownership as a result of the economic crisis. The Bank will therefore consider pre-privatisation investment to restructure state companies in order to increase their attractiveness to investors and direct
participation in privatisation alongside strategic investors or to support Initial Private Offerings by such companies. As the crisis has made it more difficult for Russian companies to attract much-needed equity investment, the Bank will actively seek opportunities to provide risk capital to Russian companies and banks. The strategy commits the EBRD to reducing energy consumption in all sectors which the Bank finances, thus putting energy efficiency and climate change at the heart of its mandate. Of all the countries in which the EBRD operates, Russia is the most energy intensive. It therefore offers greater potential for energy efficiency improvements.

As part of efforts to strengthen the financial sector, the new strategy stresses the need to develop a robust capital market infrastructure able to provide the long-term rouble funding Russia needs for critical infrastructure projects and economic modernisation. Its overall aim, reflecting the government’s priorities, is to make Russian industry more competitive and promote the shift to a knowledge-based economy, thus helping to diversify the economy and reduce dependence on natural resources. Micro, small and medium-sized enterprises (MSME’s) hold the key to expanding Russia’s productivity, creating new jobs and promoting economic diversification. Over three years, the EBRD strategy will seek new ways to support and finance the sector, including the development of a dedicated MSME facility with the Russian government and a joint programme with VEB to fund MSME’s.

The EBRD has also launched the Russian Sustainable Energy and Carbon Finance Facility, providing a total of $300 million for on-lending, particularly to the larger corporate clients of banks participating in the scheme. The facility will target projects that promote efficient energy use in Russia. Sub-borrowers will be able to take out loans of up to $6.5 million (or rouble equivalent).

The EBRD and two other IFI signed an important agreement with the City of St. Petersburg and its water utility, Vodokanal, laying the foundations for the funding of key municipal environmental projects without financial guarantees. The other two institutions which signed the agreement were the Nordic Investment Bank (NIB) and the European Investment Bank (EIB). The agreement provides support for the Neva Discharge project to which the EBRD, NIB and EIB agreed to lend €60 million of a total €187.1 million project cost. The work aims to reduce the untreated sewage discharged into the Baltic Sea to just 6% of total effluent by 2012. The loans are made without financial guarantees being provided by the St. Petersburg. The project received a €24 million grant from the Northern Dimension Environmental Partnership (NDEP). The EBRD gave a grant of €6 million to the project from its Shareholders’ Special Fund and the governments of Finland and Sweden also provided financial support in the form of grants.
The EBRD is joining forces with the international community to modernise the communal heating system in parts of Russia’s westernmost city, Kaliningrad, through a €21.5 million financing programme, over half of which will come from the EBRD. The EBRD funding will take the form of a 15-year, €12 million loan to the Russian Federation, which will be loaned on to the Kaliningrad district heating company, Kaliningradteploset. In addition, the project is supported by grants from the NDEP Support Fund (€7.3 million), the Swedish International Development Cooperation Agency (€1.7 million) and the city of Kaliningrad (€500,000).

In the first such transaction in Russia, carbon credits generated by utilising by-product gas which would normally be flared in eastern Siberia are to be purchased through the Multilateral Carbon Credit Fund (MCCF) set up by the EBRD and the EIB. The MCCF, whose other participants are the governments of Finland, Belgium (Flanders), Ireland, Luxembourg, Spain and Sweden and six private-sector participants, is one of a small number of funds dedicated to countries in Central Europe and Central Asia. Russia is the single biggest gas flaring country in the world. To combat this, the government has set a 2012 deadline by which oil companies will have to utilise 95% of associated petroleum gas or face crippling fines.

The EBRD and the Russian government announced plans to cooperate in promoting energy efficiency, a major priority for a country that is an exceptionally intensive consumer of its vast energy resources. The parties signed an Energy Efficiency Action Plan defining the areas in which the Bank and the government could work together to cut waste. Bulgaria, Kazakhstan and Ukraine have already signed Energy Efficiency Action Plans with the EBRD. The EBRD said it would investigate the possibility of launching a carbon market facilitation programme in Russia to cover transactions involving the private sector and those between the Russian Federation and sovereign partners. The Bank said it would explore the possibility of implementing so-called Green Investment Schemes.

The EBRD would consider donor-funded grants for energy-efficiency audits related to potential projects. In 2009, the EBRD approved financing of more than $4271 million for 43 new projects in the Russian Federation.

**Republic of Tajikistan**

The Government of Tajikistan and its development partners signed the Tajikistan Joint Country Partnership Strategy (JCPS) for 2010–2012. The JCPS represents the concerted efforts of the government of Tajikistan and a group of 12 development partners (the Aga Khan Foundation; ADB; EBRD; European Commission; Germany; OSCE; Swedish International Development Cooperation Agency; Swiss Cooperation Agency; UK Department for International Development; UN; USAID; and the WB) to develop a strategy...
to enhance aid efficacy in Tajikistan in line with the Paris Declaration for Aid Effectiveness. The JCPS affirms its partners’ shared goal of supporting Tajikistan’s overall development, its National Development Strategy 2006–2015 and related Poverty Reduction Strategies. It paves the way for more effective coordination and management of JCPS resources coming into Tajikistan and defines desired development outcomes including aid effectiveness, monitoring and evaluation.

The ADB grant-based investment programme in Tajikistan is planned at $102 million to 2010. The Tajik Government and the ADB have signed an agreement on $3.5 million from the GEF to co-finance an ongoing rural development project. In 2009 the ADB approved four projects and technical assistance in Tajikistan totalling almost $61 million.

The WB has committed funds to the Government of Tajikistan to carry out feasibility and impact studies on the government’s proposed Rogun hydropower plant with particular emphasis on its potential regional impact. The studies include a Techno-Economic Assessment and an Environmental and Social Impact Assessment to be carried out by internationally recognised consultancy firms hired under World Bank procurement guidelines. The terms of reference of these studies include issues identified by riparian populations. In addition, as required by its safeguard policies, the Bank will select an International Panel of Experts to provide independent advice on the outcome of the studies. Parallel to the studies, to guarantee transparency and ensure that all stakeholders’ concerns are addressed, the World Bank has initiated consultations in all riparian countries (Afghanistan, Kyrgyz Republic, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan). These consultations will continue in 2009–2010 as the results of the studies and the views of the independent experts are published and reviewed by the affected populations. In 2009, the WB approved grants to four projects in Tajikistan totalling more that $36 million.

In 2009, the Republic of Tajikistan paid up its share capital to become a full member of the Eurasian Development Bank. The EDB approved a $22.6 million pilot project in Tajikistan to construct a yarn-spinning mill.

The EBRD Board of Directors has adopted a new strategy which identifies priorities in the country over the next three years. Despite strong average annual growth of 7.2% since 2005, the macroeconomic environment remains fragile. The economy is still heavily reliant on agriculture, aluminium and remittances and vulnerable to unexpected fluctuations. Over the next three years, the EBRD will focus its activities on:

- **Promoting the private sector**: the Bank will continue to concentrate on the private sector, in particular the development of MSMEs. In the
agribusiness sector, the Bank will step up its support for reform and provide credit lines to local commercial banks.

- **Reinforcing the financial sector**: the EBRD will increase the sector’s capitalisation and enhance its capacity for financial intermediation. The Bank will also broaden its product range and consider the introduction of local currency funding. The Trade Facilitation Programme remains a core activity.

- **Supporting infrastructure development**: the Bank will continue working in sectors such as water and transport where it has already acquired substantial expertise. The EBRD will concentrate on basic need and affordability and combine these considerations with gradual commercialisation of the sector.

In 2009 the EBRD approved funding for six new projects in Tajikistan totalling $24 million.

By August 2009, total **IDB Group** funding for the Republic of Tajikistan amounted to around $190 million, including contributions to 34 development projects and foreign trade financing to help alleviate the impact of the financial crisis on the agricultural sector. Tajikistan is expected to join the 36 existing members of the Islamic Solidarity Fund for Development (ISFD) which was set up in 2007 to alleviate poverty. In 2009 the IDB approved more than $37 million in funding for three projects in Tajikistan.

**Republic of Turkmenistan**

In 2009, the **WB** and the **ADB** approved no new projects in Turkmenistan. Since it began operating in Turkmenistan, the **EBRD** has invested €106 million in the country’s corporative, infrastructure and energy and financial sectors, attracting additional investment of almost €390 million. In 2009, the EBRD allocated $11.4 million to four projects in Turkmenistan. The **IDB** approved $402 million for two new projects including construction of a length of the Kazakhstan-Iran railway.

**Republic of Uzbekistan**

In Uzbekistan, the **ADB** approved financing for four projects including the first tranche for the Water Supply and Sanitation Services Investment Programme. Total funding for Uzbekistan, including technical assistance, approved by the ADB in 2009 was $303.4 million. The **WB** allocated a total of $148.5 million to three projects in Uzbekistan. The **EBRD** approved $16 million for four projects. The **IDB** allocated a total $22.7 million, including technical assistance, to two projects in Uzbekistan.