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Activities of development banks in Eurasian countries. Information digest.

The World Bank

Islamic Development Bank

European Investment Bank

Black SeaTrade & Development Bank

Eurasian Development Bank

European Bank for Reconstruction and Development

International Financial Corporation

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#### Rating
**Moody’s upgrades BSTDB credit ratings**

BSTDB credit ratings were upgraded by the Moody’s rating agency by one notch – from A3 to A2 long term and from P2 to P1 short term; with stable outlook. The upgrades were driven by changes in the assessment of BSTDB’s credit profile as a result of Moody’s adoption of a revised rating methodology for multilateral development banks and supranationals. More information is available from the Moody’s press release [http://www.bstdb.org/news-and-events/news/news_3671.htm](http://www.bstdb.org/news-and-events/news/news_3671.htm)

### Eurasian Development Bank

#### Kazakhstan

**EDB and Kazlogistics agree on strategic cooperation in Kazakhstan’s transport sector**

Eurasian Development Bank (EDB) and the KAZLOGISTICS Transport Union of Kazakhstan executed today a memorandum of understanding and cooperation. The document was signed by Kanat Dosmukametov, Deputy Chairman of the Management Board at EDB, and Yerkhat Iskaliyev, General Director of KAZLOGISTICS.

EDB and KAZLOGISTICS will promote joint medium- and long-term investment projects to advance Kazakhstan’s transport infrastructure, enhance the share of services with a high added value and create jobs in the transport, logistics and other sectors. The parties also intend to establish mutually beneficial strategic cooperation in order to enhance transport potential and promote export transactions and investment projects.

Special focus will be placed on the New Silk Road project, which is included in the Government’s Programme for the Development and Integration of the Transport Infrastructure in Kazakhstan until 2020. In the framework of this project Kazakhstan and its foreign and regional partners will develop a safe overland transit corridor to support trade between the East and the West. As a result, the freight traffic transited through Kazakhstan is expected to reach 50 million tonnes a year.

Progress Report (2012-2013) of the MDB Working Group on Sustainable Transport

In June 2012, eight Multilateral Development Banks (MDBs) launched a Commitment to Sustainable Transport noting that they expected to provide more than $175 billion of loans and grants for sustainable transport in developing countries over the following decade. This first Progress Report (2012–2013) of the MDB Working Group on Sustainable Transport shows that they are on track to meeting their pledge. This is the first time that the eight MDBs are reporting collectively on their work in the transport sector. Among other things, key messages in report include the following:

• In terms of volume, the eight MDBs approved collectively more than $20 billion in financing in 2012 for transport;
• Beyond financing, the MDBs are working to leverage change in the transport sector through capacity building, knowledge sharing and policy dialogue; and
• The MDBs have completed the development of a common monitoring and reporting framework for transport projects, and this has been pilot-tested by several of the MDBs. Based on the adopted framework, each of the MDBs has initiated work to assess the sustainability of their transport operations.

The June 2012 joint statement “Commitment to Sustainable Transport” was issued at the Rio+20 United Nations Conference on Sustainable Development by the following institutions:

Asian Development Bank; CAF-Development Bank of Latin America; European Bank for Reconstruction and Development; European Investment Bank; Inter-American Development Bank; Islamic Development Bank; and World Bank. The eight MDBs are committed to reporting annually on their progress toward this commitment.


EBRD invests in regional property developer

The EBRD has invested USD 50 million to acquire a minority equity stake in Amtel Properties Development Ltd (“Amtel”), a regional property group focused on building and operating commercial and residential real estate assets across Russia, Ukraine, Belarus and Georgia. The EBRD’s investment will initially support the construction of a 16,000 sq. m. cold storage logistics centre near Tbilisi airport in Georgia and a 120-room three-star business hotel to be operated by Hilton under the Hampton brand in Minsk, Belarus as well as property developments in Russia and Ukraine.

The Tbilisi and Minsk developments will fill gaps in the logistics and hotel sectors which are under-developed in these markets.

The Bank’s investment is in line with its broader objective of making new equity capital available for real estate development companies which are focused on regional property markets.

The EBRD’s Special Shareholder Fund is financing an audit of the Amtel’s properties in order to identify improvements needed to raise performance levels by implementing energy savings and water efficiency initiatives.

One example of the impact of the energy efficiency measures relates to the Minsk hotel, whereby the project’s energy performance is expected to be over 20 percent better than the current local practice due to the installation of best available techniques.


Impact of market volatility on EBRD emerging markets

• Global emerging markets (EMs) have come under renewed pressure since late January, but many countries in the EBRD region have been comparatively unaffected by market concerns over tapering. Stock markets and exchange rates have seen a trend strengthening since May 2013, and notwithstanding some declines in equities in the past weeks – in line with global trends – most transition countries have remained relatively resilient.

• The main reasons are improved fundamentals; relatively little reliance on volatile portfolio flows and, more recently, positive developments in the eurozone to which many of the EBRD
EMs are closely linked. 
- Notable exceptions include Turkey and Ukraine, where vulnerability to external financial conditions have been joined by domestic turmoil in recent months. Russia has also experienced a depreciation of 5% since the start of the year.
- Markets are likely to remain volatile as the Fed gradually reduces the scale of its asset purchases and as the "commodity super-cycle" is ending with the slowdown of emerging market demand. Cross-border bank deleveraging will likely continue, putting additional, though generally not major, pressure on EM funding in the EBRD region.
- In this environment the strength of domestic fundamentals is likely to prove a critical determinant of EMs' resilience and the extent to which they suffer capital outflows.

Capital outflows from emerging markets are continuing amid a gradual tightening of monetary conditions in advanced economies. Pressure on EM currencies has continued following the Fed’s decision on January 29 to taper its quantitative easing program by an additional US$ 10 billion. The global reallocation of capital has led to increased differentiation among emerging markets, based on economic fundamentals and policies.

Most countries in the EBRD region have remained resilient amid volatility in global emerging markets. The comparative stability of currencies does not reflect a depletion of reserves. Significant exceptions are Belarus, Ukraine, Kazakhstan and Mongolia, all of which lost reserves and suffered depreciations despite currency interventions.

EBRD countries that are dependent on market access to finance their current account deficits and meet external debt obligations will be more vulnerable to QE tapering and the associated volatility.

The effect of current market volatility on EBRD countries also depends on the composition of earlier capital inflows.

Notwithstanding the comparative resilience to market volatility, the EBRD region has experienced capital outflows.

In the EBRD region, Turkey and Ukraine are among the countries most vulnerable to global volatility. They, along with Russia, suffered depreciations in recent weeks.

Banks continued to scale back their exposures to Central, Eastern and South Eastern Europe (CESEE) in Q3 2013, at broadly the same pace as in Q2 2013, alleviating concerns that foreign banks’ pullback from the region may have intensified following the Fed taper talk in May 2013.

That said, the overall external funding conditions have become more challenging for the CESEE countries, with borrowing costs rising and portfolio outflows adding to the negative momentum from continued banking outflows.

Private sector credit growth remained subdued in many CESEE countries outside the CIS and Turkey, with credit growth to non financial firms still in the negative territory in some countries.

Prospects in 2014 are for further tightening in external funding conditions for emerging markets, as Fed tapering and the upcoming European bank asset quality review/stress tests proceed. The recent episode of volatility underscores challenges that will likely persist along the transition path to higher global interest rates.

You can read more in the latest CESEE Deleveraging and Credit Monitor for Q3 2013 prepared by the staff of international financial institutions taking part in the Vienna Initiative’s Steering Committee.

Food Security

The EBRD harvests results on food security

The EBRD’s Private Sector for Food Security Initiative has just released its 2013 Annual Report, setting the standards for public-private policy dialogue in the agribusiness sector. Since the 2007-08 food crisis, governments, IFIs and the private sector have continued to work together to achieve greater food security. “Our role, through the Private Sector for Food Security Initiative, has been to give a greater voice to private sector needs and to enable agribusiness companies to fully participate in setting priorities for global food security,” said the EBRD’s Agribusiness Director Gilles Mettetal. “Beyond strong investments, through public-private policy dialogue we harvested good results in 2013.”
As detailed in the Annual Report, great progress has been made over the past year on the Initiative’s main priorities:
- Responding to price volatility through improved access to finance
- Improving policy transparency through public-private platforms
- Linking exporters and importers to enhance global supply and demand chains
- Linking water and food production for resource efficiency and sustainability
- Improving IFI coordination
- Capacity building for agribusinesses
- Growing a better future.


**Armenia**

**Development assistance**

**Developing capital markets in Armenia**

The development of Armenian capital markets was the focus of a conference that took place in the Marriott Hotel in Tsakhkadzor, Armenia on 7 February 2014. The conference was jointly organised by the European Bank for Reconstruction and Development (EBRD) and NASDAQ OMX Armenia, with support from the Central Bank of Armenia. The event brought together over 100 participants from private companies, as well as government officials and other stakeholders, to discuss the challenges and opportunities associated with building robust capital markets in Armenia.

Top managers attended from local banks, potential issuers of corporate bonds, Armenian and regional central banks, stock exchanges, clearing and settlement institutions, rating agencies, domestic and international investors, as well as officials from the Ministry of Finance. Participants examined the global and domestic context, taking into account market views and how the EBRD and other donors can help to address the development needs of Armenian capital markets.

The forum was opened by Arthur Javadyan, Chairman of the Central Bank of Armenia, David Sargsyan, Minister of Finance and Andre Kuusvek, EBRD Director for Local Currency and Capital Market Development.

Armenia has a well-structured mandatory pension system, which will contribute to, and benefit from, a robust capital market. One anticipated result of the conference will be the creation of a public-private policy dialogue platform between private sector players, regulators and government to pave the way for a modernised and sustainable infrastructure that will benefit all parties.

The conference is funded through the EBRD Shareholder Special Fund which allows the EBRD to support local currency and capital markets development through institutional capacity building.


**Bond issues**

**EBRD launches inaugural bond issue in Armenian Dram**

The European Bank for Reconstruction and Development (EBRD) has issued its first-ever bond in Armenian Dram (AMD), helping to drive forward the development of the local capital market and providing funds for the EBRD’s own lending to the Armenian economy in local currency.

The one-year bonds for a total of AMD 2 billion (approximately USD $5 million) were placed via an auction on the NASDAQ OMX Armenia exchange in Yerevan on 31 January. This was the first publicly-auctioned issue by either a foreign borrower or an international financial institution on NASDAQ OMX and it was also the first floating rate note to be issued on the local market.

The crisis had highlighted the problems facing borrowers who were unable to pay back their foreign currency loans in the face of a sharp depreciation of their own currencies. The EBRD’s response has aimed to encourage borrowing in the local currency and also to develop or strengthen local capital markets and so increase the supply of locally-sourced finance.

The EBRD’s issuance in Dram supports the Armenian authorities’ program of reforms aimed at reducing dollarization in the economy and stimulating locally-generated savings. The semi-annual coupon rate on the EBRD’s inaugural Dram bond issue was linked to the 6-month AMD T-Bill rate, which is used by the interbank market for reference pricing, and which is also used by the Central Bank of Armenia for repo transactions.

Ameriabank CJSC and HSBC Bank Armenia CJSC acted as advisers and agents to the issuer.


Moldova

Historic EBRD and EIB trip to Moldova

The Presidents of the EBRD and the EIB made their first ever joint visit to a country of operations this week, holding meetings in Moldova where important reforms are underway to support economic integration with the European Union.

Sir Suma Chakrabarti of the EBRD and Werner Hoyer of the EIB were due to hold discussions with all the major political leaders of the country.

The EBRD visit kicked off with a signing at Mobiasbanca, part of the Société Générale group.

The EBRD sealed an innovative financing agreement that will help bring credits to Moldova’s all-important SME sector.

EBRD relations have been tense with Moldova’s local banks, where lack of transparency in shareholding structures and generally weak corporate governance, compounded by problems in regulation, have restricted its investments.

It was therefore particularly important that on the evening the before Sir Suma’s arrival, the National Bank of Moldova took the key step of stripping the voting rights of shareholders considered to be working illegally in concert at Victoria Bank, in which the EBRD has a stake.

The EBRD has a strong history of investment in Moldova, with a significant pipeline so that future projects are assured.

After the very difficult weather conditions in 2012, Moldova's economy rebounded strongly last year and we see further growth (3.5%) this year.

Moldova had taken an important step when it initialled agreements with the EU in Vilnius in November last year and which it planned to formally sign in 2014.

The authorities have shown that they are determined to take the -- not always easy -- path towards reform and economic integration.


Infrastructure

EBRD, EIB and EU finance improvements to water services in Moldova

€59 million in loans to modernise water and waste water management in Chisinau

The European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), and the European Union, through the Neighbourhood Investment Facility, are joining forces to support the modernisation of water and waste water infrastructure in Moldova's capital, Chisinau.

The EBRD and the EIB will each provide loans of EUR 24 million to the city’s water and wastewater utility S.A. Apa Canal Chisinau, while the EU will contribute a EUR 11 million grant.

The funds will be used to finance the extension, rehabilitation and modernisation of the water and wastewater infrastructure. The upgrade programme will improve the efficiency of the city’s water network, save energy and contribute towards future compliance with relevant EU directives.

The existing water network in Chisinau, a city of 800,000 inhabitants, is no longer adequate to meet the city’s demands. Due to a lack of investment key parts of the network are in urgent need of refurbishment. Investment planned under the new upgrade programme will reduce water loss, improve water quality and reduce health risks.

Since 2007, the EIB and the EBRD have jointly financed 9 projects worth a total of €674 million on an equal basis. These have supported investment in diverse sectors including from road rehabilitation, public transport, power transmission network rehabilitation modernisation, as well as in water services.

The EBRD is the largest institutional investor in Moldova and to date has signed over 100 investments in the country, covering the energy, transport, agribusiness, general industry and banking sectors, and totalling almost EUR 900 million.

Moldova is an important partner for the EIB in the Eastern Neighbourhood region, with the highest EIB lending volume per capita. Since the start of EIB lending in Moldova in 2007 more
than EUR 450 million has been provided in long-term loans including support for improved roads and public transport, water, energy and agriculture.


Water, Sanitation, Flood Protection

**EBRD, EIB and EU finance improvements to water services in Moldova**

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The existing water network in Chișinău, a city of 800,000 inhabitants, dates from Soviet times and is no longer adequate to meet the city’s demands. Due to a lack of investment key parts of the network are in urgent need of refurbishment. Investment planned under the new upgrade programme will reduce water loss, improve water quality and reduce health risks.


Finance

**EBRD joins Mobiasbancă in lending boost to Moldovan enterprises**

The EBRD is helping to increase the flow of credit to larger corporate borrowers in Moldova with an innovative €10 million risk participation facility to support lending by Mobiasbancă - Groupe Société Générale.

The new facility mechanism is similar to a guarantee whereby the EBRD will share up to 50 per cent of the risks associated with projects financed by the Moldovan bank. As a result, Mobiasbancă will reduce its own risk exposure and increase the availability of larger, long-term loans to corporate clients.

Mobiasbancă has been active in reaching out to good-quality corporate borrowers. This latest project with the EBRD will enable it to make an even more significant impact on the Moldovan economy. The EBRD and Mobiasbancă have been partners for many years. They have worked with various financing instruments aimed at small and medium-sized enterprises (SMEs) and also covered sectors as energy efficiency and trade finance. The risk-sharing facility will help promote best business practices on the part of Mobiasbancă clients, as the loans will comply with EBRD requirements for creditworthiness, integrity and environmental standards.

The EBRD is providing the €10 million ‘unfunded risk participation’ for Mobiasbancă lending under the EBRD’s Medium-Sized Co-financing Facility (MCFF) which is designed to meet the financing needs of successful medium-sized private companies.


Oil & Gas

**EBRD funds Russian pipeline valves producer**

The EBRD has raised EUR 123 million in long-term funding, including a sizable syndicated loan, for Russia’s leading manufacturer of pipeline valves to complete and modernize two plants belonging to Oil and Gas Systems in the country’s Tula region. The EBRD, which is the lender of record for the full amount, will provide EUR 73 million as an A loan with an eight-year maturity. The remaining EUR 50 million is being made available by Nordea Bank as a syndicated B loan with a maturity of seven-and-a-half years.

The loans signed today in Moscow will fund the completion of a greenfield hot press stamping plant near the town of Sukhodol and modernization of the foundry shop in the nearby Alexin plant.

The new hot press plant will secure a stable supply of half-body casings for the production of pipeline valves and meet the growing demand for large stamped parts used in various industries in Russia, including energy and chemicals. Christopher Mackenzie, the Chairman of the Supervisory Board of Oil and Gas Systems group, said: “We appreciate the EBRD’s
continued support for a project that allows our company to modernize its manufacturing facilities in Tula and we look forward to further successful cooperation with EBRD in the future.”

**Research**

**Economic impact of the 2014 Sochi Winter Olympics**

Sochi, a fashionable seaside city in Russia’s Krasnodar region, will be hosting the Winter Olympic Games from 7 to 23 February 2014. It is a major event in the world calendar: 60 foreign leaders are expected to be among the 40,000 spectators attending the opening ceremony.

But will it boost the economy – at the time when Russia’s growth slowed down to only 1.3 per cent last year?

Hosting Olympic Games and other major sports events has until recently been a prerogative of advanced economies. They hosted all but four Olympics of the 20th century, the exceptions being the 1968 Olympics in Mexico, the 1980 Olympics in Moscow, the 1984 Winter Olympics in Sarajevo and the 1988 Olympics in Seoul.

Breaking with this trend, the Olympics of the 21st century are increasingly held in emerging markets: by 2016, they will have been hosted in China, Russia and Brazil, while South Africa hosted the FIFA World Cup in 2010 and Ukraine co-hosted the Euro Cup two years later.

Emerging markets typically face higher costs of staging such events – both because their existing stock of general and sports infrastructure is lower and because emerging market firms contributing to the preparation of the event may lack the technologies and management expertise available to their counterparts in advanced economies.

Yet the benefits may also be higher: from improved investor and consumer confidence to higher economic returns on the much-needed infrastructure.

Sochi will be no exception. In fact, the accounting loss will probably be one of the highest on record, as average official ticket prices are generally lower than at comparable recent events while costs may be the highest in the history of the games.

A greater challenge is to leverage the local legacy of Olympics, such as sports centres, the Olympic village, hotels and convention centres to boost a region’s longer-term development prospects. In many cases, these objects remain idle or underutilised but a number of cities have been successful in putting them to good use. For instance, many cities converted Olympic villages into affordable housing. Atlanta, already a business hub and home to the US’s busiest airport, managed to attract additional 280 international companies over 10 years following the 1994 Olympics, thanks possibly to improved business infrastructure.

Sochi might be in a position to further leverage its position as Russia’s leading sea resort – and perhaps have a shot at becoming a regional business hub in the South of Russia.


**Ukraine**

**Energy**

**USELF boosts Ukraine’s renewable energy sector**

The first phase of the EBRD’s Ukraine Sustainable Energy Lending Facility (USELF) will deliver 200 GWh of renewable energy through an innovative combination of EBRD commercial financing, dedicated technical assistance support and concessional grant co-financing.

After a slow start due to the under-developed renewable energy sector in Ukraine, the Facility has now signed seven renewable energy projects. These use biogas, biomass, small hydro, wind, and solar energy to generate heat and power. With a strong project pipeline now established, a Phase II for USELF is in the works for launch early this year.

The Facility, totalling €100 million, consisted of €50 million in EBRD commercial financing, €20 million in climate finance from the Clean Technology Fund and €30 million of sponsor equity.

This was further supported by technical assistance of $8.45 million (€6.62 million equivalent) from the Global Environment Facility. These support activities were essential to the success of USELF and would not have been possible without generous contributions from the CTF and GEF.

Through these activities USELF has strengthened the business environment for private sector renewable energy, and fostered the development of related projects. In addition to increasing power generation from renewable energy, Porogi Solar is improving the quality and reliability of power supply in the region and has laid the groundwork for
Limited recourse financing for future projects in the Ukraine.

Small & Medium Enterprises

EBRD commits more resources to small and medium-sized business support in Ukraine

The European Bank for Reconstruction and Development (EBRD) is pledging more funds to support small and medium-sized enterprises (SMEs) in Ukraine, at a time when there are very few SME lending programmes available from other financial institutions. A new SME lending facility of US$ 55 million will be available through PJSC Raiffeisen Bank Aval - a long-term financial partner of the EBRD in Ukraine. Raiffeisen Bank Aval has established itself as a committed SME lender and has one of the largest regional networks of branches in the country. It is perfectly positioned to address the financial needs of small and medium-sized Ukrainian businesses, especially those seeking longer maturities. Such support is vital in Ukraine. Although SMEs are responsible for only 15 per cent of GDP (compared to 47 per cent in Poland and 40 per cent in Turkey) long-term financing for such businesses remains scarce.

Energy Efficiency

EBRD launches US$ 100 million sustainable energy lending framework in Ukraine

The European Bank for Reconstruction and Development (EBRD) is continuing its efforts to develop sustainable energy sources and to promote energy efficiency in Ukraine, with a new US$ 100 million financing programme. The EBRD’s Sustainable Energy Financing Framework was approved by the Bank’s Board of Directors at the end of 2013, and aims to inject new skills into the energy sector in Ukraine, backed by project financing via the domestic banking network. By promoting investment in energy efficient technologies the project will help Ukraine gradually reduce its overall energy requirements and improve the environment. The Framework is complemented by technical cooperation funded by Austria to assist participating financial institutions and sub-borrowers with the implementation of projects. Raiffeisen Bank Aval – a long-term financial partner of the EBRD in Ukraine – is the first bank to sign up to the new framework, with financing from the EBRD of US$ 20 million. Raiffeisen Bank Aval, and other banks expected to join the programme later, will provide individual loans to eligible local companies that are developing energy efficiency and renewable energy projects in Ukraine.

Agriculture

EBRD in €35 million loan to pig farmer Danosha

The European Bank for Reconstruction and Development (EBRD) is stepping up its investments into the Ukrainian agribusiness sector, which received over €160 million from the Bank in 2013 alone. The Bank is extending a €35 million loan to a major Ukrainian pig farming company Danosha, well established in Ukraine since 2004. The proceeds will be used to expand Danosha’s operations, improve its waste disposal and restructure its balance sheet. With the help of the EBRD support, the company will improve its biological security and animal welfare standards in line with EU regulations. The loan will also support the construction of two biogas plants at the existing farms in Ivano-Frankivsk region (western Ukraine), which, once completed, will jointly generate over 15,000MWh electricity and heat per year. It is also expected that the biogas plants will help significantly reduce GHG emissions at the sites. In the context of the project and its activity in the sector, the EBRD jointly with the Food and Agriculture Organization of the United Nations (FAO) has commissioned two specialised studies, which will look at the state of the pig sector as well as the animal welfare in the region.
**EIB publishes its Operational Plan 2014-2016**

**Response to crisis**

To further support growth and jobs in Europe, we intend to continue our counter-cyclical approach with a special focus on four priority areas: innovation and skills; access to finance for smaller businesses; climate action and strategic infrastructure. The EIB, together with the European Investment Fund – the specialist arm providing SME risk finance, strives to expand its support for SMEs in Europe even further and has broadened the range of distribution channels and products. The EIB Group is committed to working closely with the Commission, Member States, national development banks and other stakeholders to continue to provide innovative, pragmatic and efficient solutions to further catalyse investment in the EU and increase the leverage effect of EU budgetary resources and Member State contributions.

**Delivering an exceptional response: our 2014-2016 strategy**

Each year we update our rolling three-year operational strategy and we have set ambitious lending targets in response to the crisis. The EUR 10bn capital increase agreed by our shareholders, the EU Member States in 2012, allows for EUR 60bn additional lending in the EU during the 2013-2015 period. This has enabled us to deliver an exceptional increase in lending in 2013 and provide support to economic recovery in Europe, playing our role to catalysing investment, attracting other investors and rebuilding confidence in the market. As the EU bank, we will continue on this growth-enhancing course as part of the Union’s strategy to address the longer-term consequences of the crisis and maintain our ambitious targets for the 2014-2016 period. The three-year plan foresees lending targets set at around EUR 67bn for 2014 and 2015 with a return long-term sustainable lending levels in 2016. The Bank remains focused on viable projects targeting growth and employment, particularly in vulnerable countries.

We will devote significant efforts to support new initiatives, enabling innovative solutions to resolve structural issues in the economy, as well as using more targeted products to address the varying needs of EU Member States.

Outside the EU, the Bank will stay firmly engaged to support EU policy.

It can be seen on the EIB website at:


**EIB launches operations in Kazakhstan**

The European Investment Bank (EIB) has launched its lending operations in Kazakhstan by extending two loans to banks operating in the country for projects promoted by Kazakhstan’s small and medium-sized enterprises and midcap companies, predominantly in the areas of climate change and environmental protection:

- EUR 120 million to Development Bank of Kazakhstan (DBK) and
- EUR 100 million to Sberbank Kazakhstan

The funds provided by the EIB will contribute to increasing the share of GDP generated by the SME sector, which currently stands at 18%. SMEs employ some 2.5 million people or 28% of the Kazakh workforce. In most OECD countries, SMEs represent around 95% of all companies and provide 70% of employment.

The loans correspond to the objectives of the EIB External Lending Mandate, which focuses on the development of the local private sector and social and economic infrastructure as well as climate change mitigation and adaptation. In keeping with these objectives, half of the loans will be dedicated to the financing of climate change mitigation and adaptation projects eligible under the EIB Climate Change Mandate.

The EIB is regularly awarded the best possible rating (“AAA”) by the leading rating agencies. As a result, the Bank can raise funds on the world’s financial markets on very favourable terms. The EIB is a non-profit-oriented institution and passes on these favourable terms to its customers.

EIB to increase support for agricultural investment in Moldova

The European Investment Bank, the EU’s long-term lending institution, has agreed to increase engagement in Moldova to support agriculture and horticulture. This follows the success of an earlier lending programme launched in 2010, Filière du Vin, that has supported investment across the Moldovan wine industry.

A declaration of intent outlining key areas of future cooperation in the agriculture sector has been signed earlier today between Wilhelm Molterer, EIB Vice President responsible for the Bank’s activities in the Eastern Neighborhood, and Vasile Bumacov, Minister of Agriculture for the Republic of Moldova.

Under the initiative the EIB will consider loans for eligible investment in public and private sector projects. The financing programme will support the entire agricultural and horticulture sector, including planting, farming, post-harvest, processing and logistics.

Up to 50% of the financing for investment in agricultural projects could be provided by the EIB, with the remainder being provided by local sources or other international finance institutions.

The agriculture sector is crucial for Moldova, both as important part of the economy and source of employment. Improving competitiveness in the sector, enhancing safety and quality, as well as ensuring that sales of Moldovan products can be strengthened both in the country and internationally is a shared priority by the EIB and Government of Moldova. The scheme will also cover related research and training, as well as investment improve energy efficiency in the agriculture sector.

The Filière du Vin Upgrading Project agreed in 2010 has been helping not only to revitalise the Moldovan wine industry and to improve its competitiveness in key markets, but also to increase and diversify its exports.

Over the coming months the EIB will work closely with the Ministry of Agriculture and other bodies to develop an action plan to implement the new initiative.


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International Financial Corporation

Banking

IFC Invests in Raiffeisen Bank International to Help Boost Recovery in Emerging Europe

IFC, a member of the World Bank Group, will invest up to €150 million in Raiffeisen Bank International (RBI) with financing channeled to the bank’s subsidiaries in Central and Eastern Europe to promote economic recovery and growth in the region.

RBI subsidiaries in Bosnia and Herzegovina, Kosovo, Poland, and Russia will benefit from IFC’s investment in RBI’s capital increase. IFC’s final investment amount will be confirmed when the transaction closes, and is expected to contribute to improved access to finance and stronger private enterprise in the region.

Countries in emerging markets were hit hard by the global financial and Eurozone crises, and were affected by some Western European banks shedding assets. IFC’s financial markets strategy in Eastern Europe is driven by the importance of stable banks in the region and is focused on delivering targeted investment and advisory services to support economic growth and job creation.

Since 2008, IFC has invested about $26 billion in Europe and Central Asia, including over $7 billion mobilized from partner banks. About $13 billion supported banks and financial markets, of which about $3 billion was mobilized.

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Islamic Development Bank

International Forums

Saudi Finance Minister to Open IDB Group High Level Regional Forum in Jeddah

Islamic Development Bank (IDB) Group’s Arab member countries are to meet in a High Level Regional Forum on 11-12 February, 2014, in Jeddah, Kingdom of Saudi Arabia, in preparation for the Bank’s 40th year celebration which will take place concurrently with the 39th Annual
Meeting of the Bank’s Board of Governors in June 2014.
The main event (on 12 February) is to be inaugurated by the Finance Minister of the Kingdom of Saudi Arabia, HE Dr. Ibrahim al-Assaf, at IDB headquarters and is expected to review IDB Group’s achievements in the past 40 years while discussing the future challenges and contributing to drawing up the Group’s new strategy for the next ten years. The event comes in the wake of three earlier similar regional fora organized by the IDB Group in Kuala Lumpur, Malaysia; Almaty, Kazakhstan; and Dakar, Senegal, and will be attended by finance ministers and IDB Governors of the Arab member countries, Members of the Boards of IDB Group entities from Arab member countries as well as development experts and stakeholders in addition to Media representatives. Since its inception in 1975 to date, the IDB Group financing has exceeded US$ 100 billion including US$ 38.6 billion to Arab countries for 2865 operations (until November 2013) inclusive of all socio-economic development projects.

Islamic Development Bank Group co-organizes an international investment conference in Morocco, within the framework of the G8 Deauville Partnership

Within the framework of the G8 Deauville Partnership, the Islamic Development Bank (IDB) Group is organizing an international investment conference in Morocco on March 5, 2014, in cooperation with the Ministry in charge of Public Affairs and Governance, the Moroccan Agency for the Development of Investments (AMDI) and other government entities concerned. The Conference, which will be held in Skhirate, will be attended by several Moroccan ministers, representatives of the G8 Presidency, international financial institutions, members of the G8 Deauville Partnership, business leaders, and heads of federations and chambers of commerce, as well as G8 and Gulf countries’ investment firms. The IDB Group, as a founding member of the international financial institutions’ Deauville Partnership Coordination Platform, is exerting considerable efforts in order to assist Arab transition countries, which includes Morocco, in building an enabling investment environment that would be conducive for attracting more foreign direct investment inflows. The ultimate objective of building such enabling investment environment in Morocco is to provide more confidence to local and foreign investors and provide better market access to the country. The renewed investment and availing of available investment opportunities will support the economic and social development and will create more job opportunities, particularly for the youth. In addition to the eight industrial countries (G8), there are additional regional partners from the IDB Group member countries, namely Kuwait, Qatar, Saudi Arabia, U.A.E. and Turkey, and eleven other international financial institutions, in addition to OECD.

The World Bank

Eurasia Should Make the Most of Its Natural Resources, Says World Bank

Having natural resources does not have to be a curse, it can be a blessing if the countries ensure proper management of revenues from natural resources, invest earnings in building up physical and human capital, and improve institutions, says the World Bank’s newly-released report ”Diversified Development: Making the Most of Natural Resources in Eurasia”. The report has been produced in partnership with the Eurasian Development Bank. The report studies economic development in the twelve countries of Eurasia, where six countries are rich in natural resources: Azerbaijan, Kazakhstan, Russia, Turkmenistan, Ukraine, and Uzbekistan, and the other six countries are not: Armenia, Belarus, Georgia, Kyrgyz Republic, Moldova, and Tajikistan. In the last two decades, natural resources have played a central role in the development of the whole region, as countries which are rich in natural resources grew their wealth and shared their prosperity with the rest of the region through trade, migration, investment or aid. The report suggests that better economic institutions in all Eurasian countries could enhance the stability and reduce the volatility of public finances, improve education and infrastructure
to make workers more productive, and strengthen the competition regimes to encourage private enterprise and entrepreneurship. Stabilization, education, and competition are identified as three priorities for the Eurasian countries for the next decade. According to the report, success in overall development in resource-rich countries is directly linked to how successful countries are in converting their resource revenues into built capital, such as infrastructure and healthy and skilled population. The report recommends that both resource-rich and resource-poor countries in Eurasia may wish to make a big push to improve their infrastructure, such as roads and railways, pipelines, electricity grids, and communication networks. Generally, resource-poor countries in the region lag behind their richer neighbors in infrastructure, but they have been steadily increasing public investment and managed to boost their per capita physical capital by almost a third in 2010 relative to 2005. The countries where investment in physical capital could help the most are Russia and Ukraine.

Another important finding of the report is that integration into global markets is a key factor of success; as it helps create prosperity regardless of diversification. The report compares three sub-regions – East Asia, Central Europe, and Eurasia – and draws the conclusion that all of them succeeded by integrating into global markets using their comparative advantage: labor in East Asia, capital in Central Europe, and natural resources in Eurasia. Eurasia can do even better by expanding its trade with East Asia in addition to strengthening established links with Western Europe.

For more information on the World Bank’s work in Emerging Europe and Central Asia, please visit: http://www.worldbank.org/eca

**The World Bank publishes a report on the use of natural resources in Eurasia prepared in cooperation with EDB**

The World Bank (WB), in cooperation with Eurasian Development Bank (EDB), published the report titled Diversified Development: Making the Most of Natural Resources in Eurasia. “Natural resources have played a key role in Eurasia during the last two decades. The countries with abundant resources improved their wealth and — through trade, migration, investment, or aid — they have shared their prosperity with their poorer neighbors,” says the report which analyses the economic situation in twelve countries of the former Soviet Union (except the Baltic States).

Natural resources have helped the countries of the region to improve the living standards of a significant portion of their population: poverty has been cut significantly, incomes have increased fivefold, and education and health have improved noticeably. Natural resources have definitely served Eurasia well. However, the region needs to take measures so that this “blessing” do not become a “curse” as it happened in some African and Latin American countries, the authors note.

The correct distribution of income derived from natural resources will help Eurasian countries to significantly advance their economies. In particular, the report emphasizes the importance of investing income derived from natural resources in tangibles and human resources. The experts emphasize that the countries with abundant resources need to ensure the proper management of income from their use and invest them in physical and human capital, economic institutions, infrastructure and the educational system.

The report states three priorities for the Eurasian countries for the nearest decade: economic stabilization, better education and improved competition. Integration into world markets is deemed one of the key success factors.


**Social Sector**

**World Bank: Pension Reforms Needed in Emerging Europe and Central Asia to Protect Future Generations**

BRUSSELS, February 21, 2014 — The profound effects of aging populations and a shrinking labor force on overstretched state pension schemes in emerging Europe and Central Asian countries demand significant reforms, says the World Bank’s new report The Inverting Pyramid: Pension Systems Facing Demographic Challenges in Europe and Central Asia. If bold pension reforms are not made, it will be today’s young and the elderly poor who will suffer the most from the inability of state pension systems to ensure basic income protection in old-
age. Failing to act today raises equity concerns for the next generation as it would likely result in future pension benefits cuts and these would hurt the poor more than the rich, according to the report.

The report examines two potential solutions to face the demographic challenges to pension systems: generating additional fiscal revenue to cover pension deficits, and increasing the number of contributors to the system. However, countries in the region tend to already have high tax burdens, especially on labor, leaving them little scope for generating additional revenue to address pension deficits. Moving away from labor taxation as the financing source for old-age security and toward consumption and property taxes might help generate some additional revenue, but even there the scope is limited in most countries. Finally, fiscal pressures are leading countries to increasingly limit their already-overstretched pension spending by fostering private pension provision and individual long-term savings plans. Savings allow workers to have additional retirement resources available. Measures such as automatic enrollment in savings schemes can induce workers to fill any gap in retirement income with their own savings.

There are no one-size-fits-all solutions. Regardless of the path chosen, countries need to begin a social dialogue on what approach is best suited in each country context to preserve the ability of pension systems to provide basic income protection in old-age for today’s young and the less well-off elderly in the face of their demographic challenges.


Risk management

**World Bank and Japan partner to improve disaster risk management in developing countries**

With loss and damages from disasters increasing globally, Japan and the World Bank launched a new program today that will help improve disaster risk management in developing countries. Activities under this program will have a strong focus on strengthening resilience, including risk identification, risk reduction, preparedness and financial protection – connecting Japan’s knowledge with global expertise to support development planning and investment. The launch of the new “Japan-World Bank Program for Mainstreaming Disaster Risk Management in Developing Countries” will be marked with a high-level symposium bringing together experts from across the public and private sectors of Japan, senior officials from disaster-prone countries with disaster risk management experience, and World Bank specialists.

This initiative will leverage Japanese expertise to mainstream disaster risk management in development planning and investment programs. It will support technical assistance, pilot disaster risk management projects, knowledge and capacity building activities, and other initiatives focused on reducing vulnerability to natural hazards.

As part of the program, a Hub in Tokyo will maintain a network of Japanese and regional centers of excellence in disaster risk management, and work with Japan’s public and private sectors to help developing countries with the design and implementation of disaster risk management projects.

The Global Facility for Disaster Reduction and Recovery (GFDRR), a growing partnership of 8 international organizations and 41 countries including Japan, housed in the World Bank, has played an instrumental role in these efforts. GFDRR will be managing the new program and Hub in Tokyo. The frequency and severity of disasters resulting from natural hazards are increasing, compounded by the effects of climate change. Over the last 30 years, loss and damages from disasters have been rising, from an annual average of around $50 billion in the 1980s to just under $200 billion each year in the last decade. Disasters strike developed and developing countries alike, but developing countries are more vulnerable, with risks exacerbated by population growth, rapid urbanization, environmental degradation, and climate change. Damages can add up to more than 100% of GDP in small, fragile countries, straining public finances and wiping out years of development progress. The human toll is also severe, disproportionately hurting the poor who are often without the benefit of safety nets.

The good news is that not all natural hazards need to turn into disasters. Mainstreaming disaster risk management into policies, strategies, legislation and building codes can save lives and assets. Prevention is often less costly than disaster relief and response, and disaster risk can be reduced by strengthening resilience. This is one of the lessons that Japan brings, which is reflected in the concept of the new program.

For more information about the Tokyo DRM Hub and Japan-World Bank Program for Mainstreaming Disaster Risk Management, visit [https://www.gfdrr.org/node/27950](https://www.gfdrr.org/node/27950)
**Regional integration and cooperation**

**World Bank Vice President for Europe and Central Asia Visits Kazakhstan**

The World Bank Vice President for Europe and Central Asia, Ms. Laura Tuck, visited Kazakhstan on February 12 as part of her trip to Central Asia. This was Ms. Tuck's first visit to Kazakhstan since becoming regional Vice President in September last year. During the visit, Ms. Tuck met with high-level government officials in the Prime Minister's office and Presidential Administration and discussed the World Bank program in Kazakhstan as well as opportunities for regional cooperation.

During the meeting with Mr. Bakhyt Sultanov - Deputy Prime Minister, Minister of Finance and Kazakhstan’s Governor for the World Bank Group, Laura Tuck highlighted that the ongoing fruitful partnership in knowledge sharing, in particular the Joint Economic Research Program, now serves as a model for other middle-income countries. She noted the government’s bold, forward-looking approach to regional development, green growth, and investment in human capital and connectivity. Laura Tuck reiterated the Bank’s readiness to support these efforts through knowledge programs and investments.

Kazakhstan joined the World Bank Group in 1992. Since then, the World Bank has become a major development partner with total commitments of US$6.8 billion for 40 projects.

**Regional integration and cooperation**

**World Bank Vice President Laura Tuck Visits Kyrgyz Republic**

Laura Tuck, World Bank Vice President for Europe and Central Asia, today completed her visit to the Kyrgyz Republic. The aim of her visit was to discuss with the country’s leadership – Parliamentary Speaker Asylbek Jeenbekov, First Deputy Prime Minister Djoomart Otorbayev, and other senior government officials – the ongoing partnership between the World Bank and the Kyrgyz Republic.

In the meeting with Parliamentary Speaker Asylbek Jeenbekov, Ms. Tuck expressed the World Bank’s commitment to the strong partnership with the Kyrgyz Republic and noted the Bank’s full support for the 2013-2017 National Sustainable Development Strategy. Ms. Tuck also underscored that the Bank values the ongoing dialogue with Kyrgyz parliamentarians and supported the Speaker’s initiative of establishing a platform for collaboration between the Parliament and international development partners.

During the meeting with First Deputy Prime Minister Djoomart Otorbaev, Ms. Tuck noted that the World Bank’s partnership with the Kyrgyz Republic will focus on support for governance reforms and congratulated Mr. Otorbaev on the development of the Public Sector Reform Roadmap, which addresses key governance constraints.

Laura Tuck’s visit to the Kyrgyz Republic concludes her week-long trip to Central Asia, during which she also visited Uzbekistan, Tajikistan, and Kazakhstan. She assumed the post of the World Bank Vice President for Europe and Central Asia in September 2013. The World Bank’s overall mission in the Kyrgyz Republic is to reduce poverty and to promote economic growth and shared prosperity. Forty-five percent of the World Bank’s assistance to the Kyrgyz Republic is in the form of grants. The other 55 percent is in highly concessional credits, which are free of interest and carry only a service charge of 0.75 percent. Credits are repayable in 40 years, including a 10-year grace period when no payments are due, while grants require no repayment. The World Bank’s total financing to the Kyrgyz Republic since 1992 amounts to over US$1 billion.

**Regional integration and cooperation**

**World Bank Vice President for Europe and Central Asia Visits Tajikistan**

The World Bank Vice President for Europe and Central Asia, Ms. Laura Tuck, visited Tajikistan on February 9-11 as part of her trip to the countries of Central Asia. The goal of the visit was
to discuss with key counterparts the World Bank’s current program in the country, which focuses on supporting higher living standards for the Tajik people. During the visit, Ms. Tuck met with the President of Tajikistan, Emomali Rahmon, and counterparts in the Government and city administration; visited a World Bank-financed water supply project in Dushanbe; and discussed the role of education in poverty reduction with students and faculty of the Tajik National University. During the meeting with the President, Ms. Tuck discussed the World Bank Group’s ongoing development program in Tajikistan, which includes 13 projects totaling US$223 million on a grant basis, as well as the Bank’s new Country Partnership Strategy for fiscal years 2015-2018. The current program aims to increase private investment for sustainable growth, while addressing human development needs such as food security, access to drinking water, and better health and education services. As part of her trip, Ms. Tuck visited the “Samotechnaya” Water Treatment Plant site, associated with the Second Dushanbe Water Supply Project (DWSP2). This project, financed through a US$16 million International Development Association (IDA) grant, aims to improve the quality and reliability of water supply services to the residents of Dushanbe, as well as improve the performance of the city’s water utility. The ongoing Municipal Infrastructure Development Project supports the Government of Tajikistan's efforts to increase access to improved water and sanitation services in several municipalities. During a lecture at the Tajik National University in Dushanbe, Ms. Tuck stated that better education will be key to further reducing poverty, strengthening the middle class, and achieving more equitable outcomes for the men and women of Tajikistan. These outcomes are in line with the World Bank Group’s twin goals of supporting countries in reducing poverty and ensuring that the poorest members of society can share the growing prosperity of the nation. As Ms. Tuck noted, Tajikistan’s young population is one of its greatest assets in the quest for higher growth and living standards. To harness this potential, however, the education system will need to equip young people with the right skills to compete effectively in the labor market. The World Bank, as one of Tajikistan’s long-standing partners in the education sector, recently joined other development partners in supporting the Fourth Global Partnership for Education Fund Grant for a total of US$16.20 million. The grant aims to support improvements in pre-school and general education and strengthens institutional capacity to undertake reforms in the education sector. 


Uzbekistan

Regional integration and cooperation

**World Bank Vice President for Europe and Central Asia Visits Uzbekistan**

Laura Tuck, World Bank Vice President for Europe and Central Asia, visited Uzbekistan on February 7-8. This was Ms. Tuck's first visit to Uzbekistan since becoming regional Vice President in September last year. The visit focused on the World Bank's ongoing partnership with Uzbekistan as well as priorities going forward. During the visit, Ms. Tuck held discussions with high-level government officials and visited a health project supported by the World Bank. During the meetings with high-level government officials, Ms. Tuck reviewed the World Bank Group’s current Country Partnership Strategy with Uzbekistan for 2012-2015, and noted that its implementation is largely on track, including provision of analytical and advisory services and delivery of projects. She also discussed the World Bank’s cooperation with the government on the long-term national development vision “Uzbekistan Vision 2030”, aimed at helping the country move to upper-middle income country status. Issues of water and energy in Central Asia were also discussed. As part of the trip, Laura Tuck also visited one of the primary healthcare clinics in Tashkent that participated in the World Bank-financed Health II Project. This project, which aimed to improve the quality and overall cost effectiveness of healthcare services in Uzbekistan, helped to deliver new medical equipment to more than 2,000 rural health clinics and provide training for almost 4,000 general health practitioners. One of the most important achievements of the project is its contribution to the introduction of per capita financing for primary healthcare. Uzbekistan joined the World Bank in 1992. The World Bank's mission in the country is to improve people's livelihood by supporting economic reforms, contributing to the modernization of the country's social sectors and infrastructure, and sharing its knowledge
and experience with the government and the people of Uzbekistan. The World Bank’s current commitments to Uzbekistan amount to over US$1 billion.


**Climate Change**

**Increased Economic Opportunities and Improved Environmental Conditions for Rural Residents in Eight Regions of Uzbekistan**

Today the World Bank and the Government of Uzbekistan signed a US$12.699 million grant agreement provided by the Global Environment Facility (GEF) to finance the Sustainable Agriculture and Climate Change Mitigation Project.

According to Uzbekistan’s Second National Communication on Climate Change (2010), intensive warming has been observed over the entire country. With further acute water scarcity predicted for extremely warm and dry years, flows in the Syr Darya and Amu Darya River Basins might decrease. The activities envisaged under the new GEF grant would contribute to mitigating and adapting to water scarcity, land degradation, and increased greenhouse gas emission risks.

The project components include: Promoting Renewable Energy Technologies (GEF US$9.0 million), Promoting Technologies and Practices to Mitigate Irrigated Land Degradation (GEF US$1.09 million), and Providing Advisory Services and Project Management (GEF US$2.60 million).

Uzbekistan joined the World Bank in 1992. The World Bank’s mission in the country is to improve people’s livelihood by supporting economic reforms, contributing to the modernization of the country’s social sectors and infrastructure, and sharing its knowledge and experience with the government and the people of Uzbekistan. The World Bank’s current commitments to Uzbekistan amount to over US$1 billion.


**Agriculture**

**World Bank Continues Supporting Agricultural Diversification in Uzbekistan**

The World Bank and the Government of Uzbekistan today signed a loan agreement for a US$40 million IDA Credit as an Additional Financing to the Uzbekistan Second Rural Enterprise Support Project (RESP 2). The Project will assist farmers in increasing the productivity, financial and environmental sustainability, and the profitability of agricultural business.

The Additional Credit will provide funds through participating financial institutions to finance farmers’ investment and working capital needs.

The original Rural Finance Component under RESP 2 has been successful and has provided US$35.8 million to 415 agribusinesses to finance agricultural machinery, processing equipment, packaging equipment and materials, investments in tree-crops, poultry, fishery and livestock production. In addition to project resources, farmers have co-invested US$4.2 million equivalent of their own funds.

By the time the Project is completed the farmers in seven regions of Uzbekistan will have increased overall productivity and income; farmers and agribusiness access to financial services will also improve.

Uzbekistan joined the World Bank in 1992. The World Bank’s mission in the country is to improve people’s livelihoods through being a partner in economic reforms, supporting the modernization of the country’s social sectors and infrastructure, and sharing its knowledge and experience with the government and the people of Uzbekistan.

Current World Bank commitments to Uzbekistan amount to over US$1 billion.