Multilateral and Regional Development Banks in Northern and Central Eurasia: Overview of Activities in 2011

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This paper aims to analyse the activities of the international and regional development banks in the Central Asian states of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, as well as Armenia, Belarus, Russia and Ukraine. The international financial organisations engaged in the region include the Asian Development Bank (ADB), the World Bank (WB), the Eurasian Development Bank (EDB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the Islamic Development Bank (IsDB). The legal ground for any multilateral development bank (MDB) activities in the country is, primarily, the country’s membership in the bank, which is also provided with immunity and the special legal status of international organisation.

While analysing the MDBs’ activities, this paper proceeded from the information listed on the websites of the aforementioned MDBs. The first part of the overview dwells upon the thematic initiatives and analytical activities of the multilateral development banks, while the second section of the current paper focuses on cooperation and coordination for the purpose of boosting the efficiency of the provided assistance. The third part is devoted to the MDBs’ investment activities in the countries of the region.

It should be noted, however, that the annual reports for 2011 had not been published when this article was written, so it is based on the data published by the MDBs on their official websites. At the same time, this paper does not aim to compare the quantitative index of investments.
PRIORITY AREAS OF ACTIVITY IN 2011

The year 2011 may be characterised as a year of the post-crisis revival of the region’s economies, leading to an upsurge in the region’s demand in investments. On May 11, 2011, London hosted a meeting of the MDBs’ leadership to discuss issues of the post-crisis recovery of economies and their subsequent growth and development. The participants of the meeting noted the increase in disparity and a high level of unemployment, and underlined the need to develop, in coordination with the G-20, a joint action plan aimed at reducing the volatility of food prices and increasing food and water security.

Moreover, 2011 was notable for the development of bilateral cooperation between the MDBs. The Asian Development Bank and the OPEC Fund for International Development (OFID) signed a memorandum to expand cooperation between the two organisations. A framework agreement on cooperation has also been signed by the International Financial Corporation (IFC) and the Eurasian Development Bank.

In addition to providing direct financing, the MDBs focused their attention on joint initiatives to boost aid efficiency both in general and in certain fields. Some initiatives resulted in the establishment of a number of special funds to underline the targeted nature of the assistance. Moreover, issues of providing development assistance to some of the region’s countries were also on the agenda of the MDBs.

Thus, the EBRD’s Board of Directors has approved a new country strategy for the Kyrgyz Republic, which is designed to ensure continued EBRD support for the recovery of the country’s economy and sustainable growth after a period of social and political unrest in the recent past. The EBRD’s key priorities under the new country strategy will be supporting local private enterprises (with a particular focus on the agribusiness sector) stabilising and developing the country’s financial sector, and strengthening vital infrastructure.

The World Bank Board of Directors discussed a new Interim Strategy Note (ISN) for the Kyrgyz Republic. The strategy was adopted a year earlier and focuses on supporting the stabilisation and recovery of Kyrgyzstan. The ISN has been guided by the insights of the World Bank’s World Development Report 2011 “Conflict, Security and Development”.

The survey of Ukraine’s investment climate, conducted by the IFC with the support of the Canadian International Development Agency (CIDA), the Agency for International Business and Cooperation of the Dutch Ministry of Economic Affairs (EVD), the Swedish International Development Cooperation Agency (SIDA) and the Swiss Confederation through its State Secretariat for Economic Affairs (SECO) among managers and owners of over 2,000 enterprises and sole proprietors in Ukraine, assessed the efficiency of the reform process and provided short-to-medium term policy recommendations.
Energy efficiency and environmental issues, as well as the public private partnership, have traditionally been on the MDBs’ agenda and will be discussed hereafter in this section of the paper.

**Energy Efficiency**

Energy efficiency is of key importance to the sustainable development of the Eurasian region, given the relatively high energy intensity of its economies.

The EBRD and the Grantham Research Institute have published the joint report on switching to a low-carbon economic model. The Low Carbon Transition report puts forward structural reforms and measures to encourage private investments, and stands for the implementation of energy efficiency norms and standards. The report underlines, that the transition to low-carbon economy may be costly particularly for the energy importers in the region.

In order to implement the corresponding programmes and coordinate their efforts, the MDBs establish strategic partnerships. Thus, the Eastern Europe Energy Efficiency and Environment Partnership Fund (E5P), a €90 million multi-donor fund managed by the EBRD, has been put into effect, and reported about financing energy efficiency projects in Moldova, Kazakhstan, Russia and Ukraine, as well as Latvia and Estonia during the period under review.

Moreover, the EBRD implements a specialised energy efficiency initiative in Ukraine – the $160 million Ukraine Energy Efficiency programme (UKEEP), which is nearing completion. UKEEP has to date financed almost 40 individual energy efficiency and renewable energy projects worth nearly $110 million. Collectively, UKEEP funded projects achieved energy savings of up to 2.2 million MWh per year. Total CO₂ savings as a result of UKEEP implementation stand at 520,000 tonnes per year – the equivalent of the emissions from 220,000 passenger cars. The programme is supported by several important technical assistance components financed by the governments of Sweden and Austria.

In addition, the EBRD supports the development of Ukrainian machine building companies through financing the modernisation of their production complexes and improving the systems of energy management and consumption. The project is supported by technical cooperation funds provided by the UK government.

The World Bank is also active in financing energy efficiency projects. The World Bank’s Board of Directors has approved a $200 million loan to Ukraine to finance investments in energy-saving programmes in industrial companies, municipalities and municipal-owned companies, as well as energy service companies in 2011.

IFC, a member of the World Bank Group, held the Energy Efficiency Expo 2011 in Armenia that aims to develop the market of energy efficiency projects, raise public awareness of the energy efficiency innovation technologies, and develop cooperative ties between manufacturers.
Moreover, IFC announced it has teamed up with the Russian Energy Agency and signed an agreement with the Ukrainian State Agency for Energy Efficiency to launch an awareness campaign and create a knowledge-sharing platform for entrepreneurs to promote best practices in resource management and use of renewable energy in the agribusiness sector, where IFC supports the entire value chain from farm production to collection, processing and distribution.

The EDB announced the launch of a special energy efficiency and resource conservation programme, which will be implemented via financial institutions – the EDB clients. The EDB and the UN Development Programme (UNDP) have signed a memorandum of understanding in the spheres of energy efficiency, energy conservation, environmental protection, food safety, water resources management and rural development. The EDB and the UNDP will focus on renewable energy projects in rural areas of Central Asia with an emphasis on the small hydro. In addition, the organisations will conduct a joint study of the challenges of joint management of the hydropower potential of the Central Asian cross-border rivers, and support the interstate Russian-Kazakh cooperation addressing conservation and sustainable management of the Ural River Basin transboundary ecosystems.

Given that Uzbekistan has one of the highest electricity consumption per GDP in the world, aggravated by heavy transmission and distribution losses, the ADB is financing the Advanced Electricity Metering Project for the installation of modern electricity meters. The project will also fund skills training for the staff of Uzbekenergo state-owned power utility company.

Environmental Issues and Mitigation of Climate Change

Environmental issues top the agenda of the MDBs. The international donor community contributed an additional €550 million to the efforts to transform the Chernobyl Nuclear Power Plant into an environmentally safe site and create the conditions for a long-term solution for reactor 4, which was destroyed in the 1986 accident at Chernobyl. The additional financial means will replenish the Chernobyl Shelter Fund and the Nuclear Safety Account – the two EBRD-managed funds through which the Shelter Implementation Plan for reactor 4 and the Spent Fuel Storage Facility for reactors 1-3 are funded. The total cost for the Shelter Implementation Plan will be €1.54 billion. Moreover, the EBRD launched the new website www.chernobyltwentyfive.org which provides comprehensive information about the international efforts to transform Chernobyl into an environmentally safe site.

MDBs have established a new partnership to combat global warming and support cities in adapting to and mitigating climate change. The five MDBs (ADB, EBRD, Inter-American Development Bank, WB and African Development Bank)
said they would develop a common approach for cities to assess climate risk, standardise greenhouse gas emissions inventories, and encourage a consistent suite of climate finance options.

The world’s coastal marshes became a point of interest for the World Bank. In its new report, written jointly with the International Union for the Conservation of Nature (IUCN) and wetland specialists ESA PWA, the WB warned that drainage and degradation of coastal wetlands causes them to emit significant amounts of carbon dioxide directly to the atmosphere, and leads to reduced carbon sequestration.

The World Bank launched two new financial initiatives – the Carbon Initiative for Development (Ci-Dev) and the third tranche of the BioCarbon Fund (BioCF T3) – to help the least-developed countries access financing for low-carbon investments and purchase certified emission reductions (commonly called ‘carbon credits’) from a diverse range of projects. The Ci-Dev, aiming to raise $120 million, is a partnership of donor and recipient countries where public and private sector entities are pledging their support to capacity building and carbon market development in the poorest countries of the world. The BioCF T3 will focus on reforestation and agriculture projects that go hand in hand with co-benefits such as decreased soil erosion and increased land fertility.

EBRD joined the World Bank-led Global Gas Flaring Reduction partnership (GGFR) to help governments in Azerbaijan, Kazakhstan, Russia and Turkmenistan introduce energy efficiency measures to improve business competitiveness and environmental standards in oil and gas operations.

IFC has become the first multilateral development bank to sign the United Nations Principles for Responsible Investment (UNPRI), extending its efforts to mobilise capital for investments that are environmentally and socially responsible and adhere to high standards of corporate governance. As part of their collaboration, IFC and the UNPRI will initially focus on joint organisation of events in emerging markets to help raise awareness of the business case for responsible investment.

Moreover, IFC launched a new financial mechanism to promote homegrown “green” innovation in developing countries while encouraging the transfer of clean technologies from developed to developing countries. The $60 million Cleantech Innovation Facility will target small, highly innovative start-up companies that offer products or services that mitigate carbon emissions.

In 2011, IFC closed the IFC Post-2012 Carbon Facility after it was fully subscribed for €150 million. The fund will extend carbon markets to help increase access to finance for projects that promote environmentally friendly economic growth and reduce greenhouse-gas emissions.
In addition, IFC held its fifth annual Community of Learning, a knowledge-sharing forum aimed at strengthening the environmental and social risk-management of financial institutions and supporting sustainable ways of doing business for companies in emerging markets. Starting January 1, 2012, IFC will put into effect its updated Performance Standards that were revised in critical areas such as climate change, business and human rights, consultations with project-affected communities (including indigenous peoples), and supply-chain management.

ADB released a report on sustainable development, which describes the wide range of measures taken to improve environmental sustainability in the Asia-Pacific region. ADB supports programmes for low-carbon development and adaptation to climate change, as well as resilience of agricultural systems and natural resource management.

The EDB published a new analytical review, The Safety of Hydroworks in Central Asia: Problems and Approaches, which was prepared jointly with the group of experts of the Executive Committee of the International Fund for saving the Aral Sea (EC IFAS). Hydroworks are necessary for the comprehensive use of water resources, including drinking, industrial and agricultural water supply; irrigation, hydropower, fishery, navigation, recreation, and ecosystems maintenance. The paper provides a brief overview of the best practice of state regulation of hydroworks’ safety and status monitoring in Central Asia, Russia and other countries, and discusses the prospects of regional cooperation in this field.

The Black Sea Trade and Development Bank (BSTDB) signed a new agreement with the Nordic Investment Bank (NIB) opening a loan facility aimed at reducing greenhouse gas emissions in the BSTDB member countries. The new loan programme has a 10-year maturity and totals €30 million. At least 70% of the loan programme is to be allocated for the purpose of reducing emissions of greenhouse gases in countries around the Black Sea. Sub-projects are expected to be implemented in the sectors of renewable energy, energy efficiency and energy saving as well as public transportation.

**Public Private Partnership (PPP)**

The WB published a new report, Public Private Partnerships in Europe and Central Asia: Designing Crisis-Resilient Strategies and Bankable Projects, which finds that despite the challenges of the past three years, public private partnerships (PPP) globally, and in the Europe and Central Asia region in particular, can still bring value to the economy. The report also calls on governments in the Eastern Europe and Central Asia region to look not just at private investors, but to also seek a larger role for international partners, which may play a more crucial role in helping the design and financing of projects, strengthening institutional capacity and mitigating risks. MDBs’ lending and guarantee instruments can
help mitigate key government and project risks, making them more attractive to private investors and improving financial sustainability.

Moreover, the MDBs held a series of seminars and forums on issues of the public private partnership. BSTDB sponsored the Southeastern Europe and the Mediterranean PPP Forum organised jointly by the Greek Ministry of Regional Development and Competitiveness and the World Bank Institute. ADB held two thematic seminars, The Role of the Private Sector in Promoting Regional Integration: Trade and Cross-Border Infrastructure and Bridging the Gap: Catalyzing Private Capital for Investment in Infrastructure. The participants of both seminars noted that the PPP issue is relevant to all organisations. Public and private sectors should work together; with governments and development banks unable to finance the gamut of investments needed in the region, private sector participation is key. Development finance institutions around the world should encourage greater use of risk-sharing models like public-private partnerships to ensure critical infrastructure gets built in developing countries. The institutions should do that by helping create the right regulatory and market environment and offering risk mitigation instruments to spur private capital.

Integration Studies

ADB and ADBI recently published a new book, Institutions for Regional Integration: Toward an Asian Economic Community. The authors of the joint study believe that more effective and efficient institutions are needed to complement Asia’s market-driven regional integration and to manage the challenges of Asia’s expanding role in the global economy. The institutional architecture needs to be strengthened to consolidate Asia’s hard-won economic gains, extend the benefits of cooperation beyond East Asia, and ensure the compatibility of regional and global integration. The book also offers three specific recommendations: strengthening and rationalising existing institutions for regional integration such as the Association of Southeast Asian Nations (ASEAN), the South Asian Association for Regional Cooperation, and the Pacific Islands Forum; further developing existing institutions to exploit functional opportunities; and establishing new pan-Asian institutions and empowering existing ones.

The EDB Centre for Integration Studies, established in 2011, presented a new study, Scientific and Technological Cooperation between Russia and Ukraine: Forecasting Opportunities and Mechanisms for Their Implementation, conducted by the Institute of National Economy Forecasting of the Russian Academy of Sciences and the Institute of Economics and Forecasting of the National Academy of Sciences of Ukraine on the initiative of the EDB. The study stressed thatreviving cooperation in science and technology will give both economies a real chance of becoming prominent players on international markets of science-intensive products.
ADB published a new issue of its flagship annual economic publication that provides a comprehensive analysis of macroeconomic and development issues of the developing Asia, Asian Development Outlook 2011. The report focused on its new special theme of South-South economic linkages.

**Business Activity Support**

In addition to standard programmes for supporting microfinancing and small and medium enterprises (SME) through targeted funding of commercial banks and non-bank financial institutions, the MDBs are looking for new ways to support businesses in developing countries.

The EBRD launched a new venture capital investment programme for early and growth stage companies operating in technology sectors. The programme is a long-term commitment to technology financing in the EBRD region – including the future region of the southern and eastern Mediterranean – with the Bank setting up a €100 million capital pool, dedicated team, and an advisory committee including outside experts and approval process. The region, in which the Bank operates, despite being home to an educated population and many technological innovations, is under-served by venture capital investment.

IFC invested $100 million in a capital release fund, marking the first time IFC has joined private investors to help banks free up existing capital and use it to boost loans to small and medium enterprises in emerging markets. The fund, established and managed by New York- and London-based business Christofferson, Robb & Company, aims to help big international banks reduce the capital that new international rules (Basel III) will force them to set aside against loans to small companies in emerging markets by offering risk protection for specific SME loan portfolios. This can lower banks’ capital costs of lending to SME, and therefore free up capacity for them to do new SME credit business.

**Trade and Trade Financing**

While changing market conditions are threatening the availability of trade finance in the regions of the world where it is needed most, the MDBs have taken several steps to alleviate the lack of financial resources and spur economic growth in emerging markets and developing countries worldwide.

In 2011, the African Development Bank (AfDB), the International Trade Centre (ITC), the UN Conference on Trade and Development (UNCTAD) and the World Bank, in cooperation with the UN Statistics Division (UNSD), launched the Transparency in Trade Initiative (TNT), a global programme that will give more access to influential trade data. The TNT is a joint project that will help eliminate the transparency gap resulting from the lack of access to data on country-specific trade policies. Free access to data will make it easier for exporters and policy-makers to meet relevant standards and requirements and better monitor and analyse trade-related projects.
The leaders of 31 development finance institutions joined the Corporate Governance Development Framework, a common set of guidelines created to support sustainable economic development in emerging markets. Through the Framework, the signatories hope to answer the G-20’s call for development finance institutions to strengthen their coordination and ensure accomplishment of certain key institutional reforms, such as an increased commitment to transparency, accountability, and good corporate governance, as well as raise awareness, both at the private and public sector levels. Each institution that adopts this Framework undertake to provide training to ensure capacity building and share knowledge on corporate governance, collaborate with other signatories to share experiences and resources on training and implementation, and report annually on the implementation of the Framework. The MDBs are expected to implement the Framework at their own pace and at a level that suits their institutions.

Nearly 2,000 senior officials from over 100 countries attended the three-day Fourth High-Level Forum on Aid Effectiveness in Busan, South Korea. In preparation for the forum, the multilateral development banks, including the WB, EBRD, the Inter-American Development Bank, ADB and IsDB, prepared a Joint Note that highlighted their performance on aid effectiveness, transparency and accountability matters and what needs to be done in this regard in the future. Similarly, the members of the Coordination Group jointly prepared a Statement of Resolve to highlight the improvement of foreign aid effectiveness and underline the Group’s readiness to agree on a new monitoring framework that will routinely assess aid delivery and performance at the country level.

Moreover, MDBs deepened their bilateral interaction in several spheres of their activities.

The World Bank and the EDB signed the Implementation Plan for the Framework Cooperation Agreement between the WB and the EDB for 2011-2013 that foresees collaboration between the World Bank and EDB in the following key areas: strengthening of the analysis of economic situation in the EurAsEC member countries; joint preparation and implementation of projects in infrastructure, energy and government institutions development; promoting regional collaboration in trade, investment and labour migration to the benefit of the client countries and so on. Within the framework of the Implementation Plan, the WB and the EDB held their first joint conference on economic developments and prospects of EurAsEC countries in December 2011 in Almaty. The conference focused on the impact of current global developments on the EurAsEC countries, integration trends in the CIS and the EurAsEC, and issues of employment and migration in the region.
The EBRD and ADB signed a memorandum of understanding to strengthen and deepen cooperation in the organisations’ common countries of operation: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan and Uzbekistan.

The IsDB and ADB signed a framework co-financing agreement for a total of $6 billion to jointly support projects in such areas as agriculture, food security, rural development, human development, education and health, private sector development and credit insurance.

IFC and the EIB signed an agreement to strengthen their collaboration when financing private sector development projects in emerging markets. Greater cooperation will directly benefit public-private partnerships and project finance operations. Areas of cooperation and coordination include the execution of mandate agreements, the appraisal and due diligence process, monitoring visits, and the handling of client requests.

On November 25, 2011 Baku hosted a forum that brought together ministers and senior representatives of development agencies to discuss support for the new 10-year strategy for the Central Asia Regional Economic Cooperation (CAREC) Programme. Established in 2001, CAREC brings together Afghanistan, Azerbaijan, the People’s Republic of China, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. It promotes the implementation of regional projects in energy, transport and trade. Six multilateral institutions support the work of CAREC: ADB, EBRD, IMF, IsDB, United Nations Development Programme, and World Bank. Since 2001, CAREC-related investments have totalled $17 billion in over 100 projects in energy, trade and transportation.

Securities offerings

The debt securities markets offered favourable market conditions for the MDBs in 2011, allowing some banks to raise additional funding.

The ADB placed a $2.75 billion five-year global benchmark bond issue. The bonds, with a coupon rate of 2.50% per annum payable semi-annually and a maturity date of March 15, 2016, were priced at 99.603% to yield 24.65 basis points over the 2% US Treasury notes due January 2016. By investor types, 52% of the bonds went to central bank and government institutions, 28% to banks, 16% to fund managers and 4% to others.

EDB accessed the securities market several times throughout the year. In February 2011, the bank placed its fourth issue of 7-year bonds with a six-month coupon for a total of 5 billion roubles. In accordance with the terms of this issuance, the bonds may be redeemed in three years. The 1-6 coupon rate was set at 7.70% per annum. In May 2011, the Bank issued $25 million (maturity of 184 days).
and €32 million (364-days maturity) under the euro commercial paper (ECP) programme established earlier. On November 18, the EDB placed another issue of its ECP worth $40 million with a maturity of one year.

The EBRD launched its first ever syndicated transaction in the Sterling market in an amount of GBP 200 million. The issue carries an annual coupon of 1.875% and has a final maturity date of December 10, 2013. The bond was priced at a spread of 55 basis points over the UK Gilt, with an issue price of 99.826%.

IFC launched its first renminbi-denominated bond, using the proceeds to finance a clean technology project in China. It marked the first such issue by a supranational. The five-year bond has a 1.80% per annum interest rate and raised CNY 150 million (around $23 million) to support technology that helps to promote energy efficiency and to lower greenhouse gas emissions.

In April 2011, IFC announced the pricing of a five-year $2 billion benchmark issue, part of its regular programme of raising funds for private sector development lending. This was the first sub-Libor five-year issue by a supranational since the fall of 2008. The bonds, which mature on April 11, 2016 and carry a semi-annual coupon of 2.25%, were priced to yield 18.4 basis points over the benchmark five-year U.S. Treasury bond.

Moreover, IFC issued a series of Uridashi Green Bonds, denominated in a foreign currency. Funds raised from IFC Uridashi Green Bonds are set aside in a separate account for investing exclusively in renewable energy, energy efficiency, and other climate-friendly projects in developing countries. Projects that may be funded by the Green Bonds include rehabilitation of power plants and transmission facilities to reduce greenhouse-gas emissions, solar and wind installations, and funding for new technologies that result in significant reductions in emissions. In total, the four tranches raised $135 million. The first tranche of AUD 42.3 million with a fixed annual coupon rate of 4.860% was placed in February 2011. The second tranche of ZAR 175.7 million with a fixed annual coupon rate of 6.100% was placed in May 2011, as well as the third tranche of €15.8 million with a fixed annual coupon rate of 1.430% and the fourth tranche of AUD 41.3 million with a fixed annual coupon rate of 4.750%.

EIB placed several bond issues for a total of €70 billion during the period under review. First of all, the Bank placed several €3 billion benchmark Euro Area Reference Note (EARN) issues in the 10-year sector. Moreover, the EIB priced a new €3 billion benchmark Euro Area Reference Note (EARN) in the 7-year sector. The issue carries an annual coupon of 2.50% and has a final maturity of October 15, 2018. The bond was priced at a spread of mid-swaps plus 18 bps, which was in line with initial price guidance. The transaction represents EIB’s first EARN in the 7-year sector since 2009 and the fifth new EARN benchmark of 2011.
Asian Development Bank

The ADB is an effective, transparent, client-focused organisation, and should continue with current efforts to further improve its effectiveness, says a new donor assessment report. The report, commissioned by the Multilateral Organisation Performance Assessment Network (MOPAN) consisting of 16 donor countries, gives ADB satisfactory to high marks in most key performance indicators, including in areas such as making transparent decisions in allocating resources, focusing on achieving results, reporting results information clearly, and harmonising procedures with other development partners. Over 100 respondents, comprising mostly donors and governments, took part in the survey.

In 2011, the ADB set up a new multi-donor trust fund to support participation of developing countries at the next global forum on aid effectiveness. The Fourth High Level Forum on Aid Effectiveness Trust Fund, to be administered by ADB, will take contributions from bilateral, multilateral and individual sources, including corporations and foundations. The fund will contribute towards ADB efforts to support developing countries to take ownership of the aid effectiveness agenda. It reflects ADB’s continuing strong commitment to the Paris Declaration on Aid Effectiveness. Contributions to the fund will be on an untied grant basis, with money pooled together in one account. The fund will be held and invested at the discretion of ADB and will terminate once the bulk of money has been disbursed.

The development of the CAREC Transport Corridors was a top priority in the ADB investment activities in the region in 2011 as in previous years.

The World Bank Group

With the aim of raising its operating efficiency, the WB approved a new mechanism that will allow the world’s poorest countries to expedite access to funding following a crisis. The Immediate Response Mechanism complements longer-term emergency response tools available to members of the International Development Association (IDA), the Bank’s fund for the poorest, offering countries financial support within weeks rather than months of an emergency.

The WB launched global public consultations (March-May 2011) on a proposed new lending instrument – Programme-for-Results (P4R) – that would support government programmes and link disbursements to the achievement of results. The guiding principles and key elements of this proposed new instrument are discussed in the Concept Note – A New Instrument to Advance Development Effectiveness: Programme-for-Results Lending. The P4R instrument responds to demands from the Bank’s client governments, who are implementing their own development programmes and increasingly want partners for finance and expertise to improve the effectiveness and efficiency of those programmes in achieving results.
Moreover, the WB launched the Justice Peer-Assisted Learning (JUST-PAL) Network, a cooperative peer-based learning and knowledge-sharing resource on justice issues for all countries in Europe and Central Asia. An internet-based JUST-PAL Knowledge Portal was also launched on April 12, 2011 (www.justpal.org). The JUST-PAL Network comprises four main directions for exchange of experience: budgeting, physical infrastructure, information systems, and court management and administration.

**European Bank for Reconstruction and Development**

In 2011, the three leading international rating agencies - Standard & Poor’s, Moody’s and Fitch - reaffirmed their AAA ratings for the debt of the EBRD, underscoring the Bank’s stability at a time of turbulence in financial markets. The agencies also described the outlook for the Bank’s debt as stable. They referred specifically to the EBRD’s strong capital position, which has been bolstered by a capital increase to which all of the EBRD’s major shareholders have now subscribed.

During the period under review the EBRD launched the Private Sector for Food Security Initiative to help address the global challenge of food security via greater involvement of the private sector in efforts to match the rising demand for food with adequate supplies from the agricultural sector. The programme will aim specifically to:

1. Address bottlenecks along the whole food value chain by providing an effective menu of commercially viable responses;
2. Match more effectively the supply and demand from food exporters and food importers;
3. Provide greater opportunities for private-public sector dialogue to address the needs of the private sector;
4. Enhance coordination among the relevant international financial institutions and multilateral development banks to address both food as well as water security issues.

The private sector involvement is key to unlocking the agricultural potential in countries such as Russia, Ukraine and Kazakhstan – three producer nations that could supply half the world’s grain needs.

Moreover, the EBRD launched a new venture capital investment programme for early and growth stage companies operating in technology sectors. The programme is a long-term commitment to technology financing in the EBRD region. Even Russia and Turkey, home to promising technology industries, do not have access to sufficient venture capital financing. To implement the programme the Bank set up a €100 million capital pool, dedicated team, and an advisory committee including outside experts and approval process. The Bank
estimates that it will invest in 10-20 companies in the region over the next four years and will seek to invest alongside leading local and international venture capital investors. The programme will aim to back companies which already have early revenues and/or strategic partnerships and can demonstrate strong growth potential.

The Eastern Europe Energy Efficiency and Environment Partnership (E5P) Fund was put into operation in 2011. E5P is a €90 million multi-donor fund managed by the EBRD designed to promote energy efficiency investments in Ukraine and other eastern European countries. E5P is expected to provide grant funding to Ukraine as well as Armenia, Azerbaijan, Belarus, Georgia and Moldova, where high energy intensity is widespread and there remains wide scope for efficiency improvement across all economic sectors. In addition to promoting energy efficiency in district heating projects, funding will also support other investments aimed at making substantial energy savings. Environmental projects, such as waste water or renewable energy, will also be within the scope of the grant funding.

**Islamic Development Bank**

In 2011, the three leading international rating agencies reaffirmed the IsDB ratings. Accordingly, on August 24, 2011 Moody’s Investors Service reaffirmed the IsDB’s “Aaa” long-term foreign currency issuer rating with a stable outlook. Moody’s stated that IsDB’s rating reflects the presence of strong shareholder support, a high level of liquidity and a low level of debt.

At a ceremony in Washington the IsDB signed the Memorandum of Understanding between the International Organisation of Supreme Audit Institutions (INTOSAI) and the donor community. The IsDB is the sixteenth development partner organisation to join the Memorandum, which represents a global effort to encourage donor countries to engage in financial management of public funds. The INTOSAI-Donor Memorandum aims at scaling up and enhancing the support provided to supreme audit institutions in developing countries. Since it was signed in 2009, the Memorandum has played an important role in securing donor funding for several regional supreme audit institutions capacity development initiatives. The signatories to the INTOSAI-Donor Memorandum are INTOSAI, the African Development Bank, Austria, Belgium, Canada, the European Commission, the Inter-American Development Bank, the IMF, Ireland, the IsDB, Netherlands, Norway, Sweden, Switzerland, the United Kingdom, the USA, and the WB.

**Eurasian Development Bank**

The leading international rating agencies reaffirmed the EDB ratings in 2011. Moody’s Investors Service assigned the EDB a long-term foreign currency rating of A3 and a short-term rating of P-2. The outlook on the bank’s ratings is stable. Fitch Ratings changed the EDB’s outlook to Positive from Negative. It also
affirmed EDB’s long-term Issuer Default Rating (IDR) at “BBB” and upgraded its short-term IDR to “F2” from “F3”. In addition, Standard & Poor’s published its new ratings for the EDB, affirming the Bank’s current ratings at BBB (long-term) and A-3 (short-term) with stable outlook, which reflects that on the Russian Federation. According to S&P report, the current ratings confirm the Bank’s stable capital position and strong shareholder support.

In June 2011, the EDB launched the Centre for Integration Studies aimed at conducting the research work and drafting reports and recommendations to the governments of the EDB member states on the issues relating to regional economic integration. The Centre’s research priorities include trade, economic and corporate integration; foreign exchange and financial integration; theoretical comprehension of the Eurasian integration.

Moreover, EDB expanded its membership as the EDB Council unanimously approved accession of a new member to the Bank, Kyrgyzstan, on June 27, 2011.

On October 13, 2011 the EDB held its 6th International Conference, Customs Union and EurAsEC’s Single Economic Space: Prospects for Further Integration. The EDB’s annual conferences on issues of Eurasian integration traditionally gather heads of state administration bodies of the EDB member states, leading researchers, experts and specialists from the EurAsEC and the CIS member states and foreign countries, as well as representatives of mass media. The participants of the conference focused on the best practices of economic integration in the EurAsEC and CIS member states, a search for new ways of multilateral cooperation, evaluation of the prospects for the expansion of the Customs Union and formation of the Eurasian Single Economic Space, the EurAsEC Anti-Crisis Fund activities and coordination of joint anti-crisis strategies in the region.

In addition, the EDB took part in its first ever transaction arranging one-year syndicated Islamic finance for Russia’s AK BARS Bank. The syndicated facility totalled $60 million, including the EDB’s share of $20 million. The EDB acted as a mandated lead arranger for the project. The transaction was arranged with the participation of Citibank N.A., London, and the Islamic Corporation for the Development of the Private Sector as joint lead arrangers and bookrunners. The specifics of Islamic finance are that it must be consistent with Sharia laws, in accordance with which money cannot and should not be made out of money. In particular, this principle prohibits interest-bearing loans. For this reason, the transaction was structured in accordance with the Murabaha Agreement, a product of Islamic finance that provides for the purchase and sale of Sharia-consistent goods.

On December 21, 2011 the Bank’s Council revised the EDB Strategy for 2011-2013 to include new sections on country priorities and interaction with international organisations.
3. MDB’S PROJECTS IN 2011 IN THE REGION BY COUNTRY

Armenia

Asian Development Bank

The Asian Development Bank provided financial assistance to help Armenia upgrade its urban transport services to improve living conditions and bolster economic opportunities in the country’s major and secondary cities. In May 2011, the ADB Board of Directors approved a multitranche financing facility for a Sustainable Urban Transport Project in Yerevan. The first tranche of $48.64 million is earmarked for the construction of a 5.3 km ring road in Armenia’s capital, Yerevan, which will divert traffic from the center and support increased economic development in outer areas.

Moreover, within the framework of its Trade Finance Programme, ADB signed trade finance agreements with six banks in Armenia, a move that is expected to further bolster the country’s trade sector and help ensure sustainable economic growth in the Central Asian country. The agreements were signed with Ameriabank CJSC, Anelik Bank CJSC, Ardshininvestbank CJSC, Armeconombank OJSC, Converse Bank CJSC, and Unibank Armenia CJSC.

Under its Armenian SME Finance Programme ADB has approved loans of up to $65 million to four Armenian banks – ACBA Credit Agricole Bank ($20 million), Ardshininvestbank ($15 million), Ameriabank ($20 million), and Inecobank ($65 million).

In addition, ADB provided financing for the reconstruction and widening of the Ashtarak-Talin road section within the framework of the North-South Road Corridor Investment Programme in the total amount of $170 million.

The World Bank Group

IBRD and IDA, members of the World Bank Group, have invested a total of $110 million in six projects in Armenia during 2011.

The World Bank’s Board of Executive Directors approved an $18 million loan for the Additional Financing of the Irrigation Rehabilitation Emergency Project (IREP) for Armenia. The Project’s total financing amounts to $21.6 million. The IBRD loan carries a maturity of 25 years including a grace period of 10 years.

The WB approved a package designed to help Armenia protect the poor and support greater human capital development, and also strengthen competitiveness and private sector development. The Second Development Policy Operation (DPO) for Armenia includes an IDA credit equivalent of $21 million and an IBRD loan of $4 million. The IDA credit carries a maturity of 20 years including a grace period of 10 years and the IBRD loan has a maturity of 25 years including a 10-year grace period.
A $39 million loan for the Electricity Supply Reliability (ESR) Project was allocated for improving the capacity of the power transmission network backbone infrastructure by replacing a section of around 230 km of transmission line from the Hrazdan Thermal Power Plant (TPP) to Vorotan Cascade of hydropower plants. Total financing of the Project amounts to $52 million, of which the Government of Armenia will finance $13 million. The IBRD loan carries a maturity of 25 years including a grace period of 10 years.

In mid May 2011, IFC, a member of the World Bank Group, and the Ministry of Energy and Natural Resources of Armenia, signed a cooperation agreement to increase the efficiency of Armenia’s energy system by introducing new renewable energy sources within the framework of the IFC Armenia Sustainable Energy Finance Project, designed to establish a sustainable market for energy efficiency and renewable energy investments and contribute to the energy self-sufficiency of Armenia.

Moreover, WB provided $5 million for construction of small hydropower plants in Armenia. EBRD and Cascade Universal Credit Organisation co-financed the project in the amount of $7 million and $3 million respectively.

Within the framework of the Community Agricultural Resource Management and Competitiveness (CARMAC) Project the WB approved a $16 million IDA credit with a maturity of 20 years including a grace period of 10 years. This project will introduce innovative community-based pasture/fodder-based livestock production practices in selected mountainous communities where livestock production is the main source of cash income and livelihood. The project will also provide grants to farmers for enhancing farm sales of livestock products.

Within the SME financing programme, IFC provided loans of $5 million and $20 million to Armeconombank and ACBA-Credit Agricole Bank respectively.

**European Bank for Reconstruction and Development**

Apart from the aforementioned project for construction of small hydropower plants, financed in collaboration with the World Bank, the EBRD supported the expansion of financing services in Armenia with a 750 million Armenian Dram loan ($2 million equivalent) to Araratbank for on-lending to small and medium enterprises (SME). The Bank’s first local currency loan in Armenia launched the EBRD’s new Local Currency Lending Programme in Early Transition Countries.

EBRD extended a €6.5 million loan to the state-owned Armenian Water and Sewerage Company to improve water supply and wastewater services in 17 municipalities across Armenia and build two wastewater treatment plants.

Moreover, EBRD supported the development of the telecoms, information and media sector in Armenia with a $2.2 million quasi-equity investment
in Interactive TV LLC, a digital cable TV service provider, for expanding its broadband internet services.

The Bank has arranged a loan to Araratbank for on-lending to small businesses in Armenia and secured the participation of three international commercial banks. The EBRD will contribute $3 million to the total $12 million financing package, with the balance syndicated to Russia’s Promsvyazbank, VDK Spaarbank nv of Belgium and Lebanon’s Byblos Bank S.A.L.

Eurasian Development Bank

The EDB has not participated in the projects in Armenia in 2011.

European Investment Bank

The EIB approved financing for two projects in Armenia in 2011 for a total amount of $23 million equivalent. Resources of the Direct Investments Fund (€1.25 million) were allocated for renewable energy project, while another €15 million (equivalent to $21.45 million) was channeled to SMEs via the financial institutions.

Belarus

The World Bank Group

On February 14, 2011 the IBRD, a member of the World Bank Group, approved the allocation of a $5 million nonrefundable subsidy to the Belarusian Economy Ministry for restructuring and privatisation of state-owned enterprises. In the second half of 2011, the Belarusian authorities together with the WB and international advisors selected ten companies ready to go private, including the Baranovichi Reinforced Concrete Plant (99% owned by the state), Brest Electromechanical Plant (83.8%), Belsantehmontazh-2 (77.4%), Construction and Mounting Trust No.8 (85.3%), Avtomagistral (83.5%), Belgazstroi (50.6%), Medplast (99.9%), Barkhim (99.6%), Konfa (25%), and Minsk Margarine Factory (93.8%).

IFC, a member of the World Bank Group, continued to actively support the development of the country’s real sector by providing a corporate package of long-term loans for a combined amount of up to $21 million comprising a loan of up to $15 million for IFC’s own account and a syndicated loan for financing the Rublyovsky-II project in the field of wholesale and retail sales of food products.

Moreover, IFC agreed to finance the establishment of a new soft drinks plant located near Minsk, Belarus. The proposed IFC investment is in the amount of $10 million, consisting of an estimated $8.2 million loan for the plant’s construction and a $1.8 million IFC participation in the capital increase of DB Juice (Cyprus) Limited, which is the holding company.
In addition, in May 2011 IFC launched a new training programme for Belarusian food producers within the framework of its Belarus Food Safety Project in order to increase awareness of international food safety standards and their benefits for food processing companies.

**Eurasian Development Bank**

On June 4, 2011, the Council of the EurAsEC Anti-Crisis Fund (ACF, managed by the EDB) approved a financial credit to Belarus in the amount of $3 billion. The funds will be disbursed in tranches during 2011-2013 as Belarus implements its governmental programme aimed at stabilising the balance of payment and increasing the competitiveness of the Belarusian economy. The loan has a maturity of 10 years including a 3-year grace period. The financial terms of the loan conform to standard conditions that are approved by the ACF for the participating countries with average incomes.

EDB provided financing for six projects in Belarus in 2011 for a total of over $307 million, including the project for construction of Polotsk Hydropower Plant on the Western Dvina River ($99.8 million).

In April 2011, EDB signed a loan agreement with the Osipovichi Wagon Works, under which the plant received a $63.5 million facility for eight years to arrange cutting-edge hi-tech production of freight cars and tank containers in Osipovichi.

EDB extended $100 million to Belaruskali in a syndicated loan with Russia’s Sberbank. The loan was provided against guarantees from the Belarusian government for the company’s general corporate purposes. The $1 billion syndicated loan agreement was signed by the EDB and Sberbank with Belaruskali on November 18, 2011 in Minsk. The project is in line with the EDB strategic goals to foster sustainable growth, modernisation and economic competitiveness of the EDB member states.

Within the framework of its Trade Financing Programme, the EDB signed agreements with two Belarusian banks, Belgazprombank and Belinvestbank, for $20 million each. In addition, the bank approved $4 million financing to Belarusian Paritetbank as part of a syndicated loan together with a group of banks.

**European Bank for Reconstruction and Development**

EBRD long-term loans totalling €26 million will help Vakaru Medienos Grupe, a Lithuanian-owned wood-processing company, build a large plant in Belarus for what is planned as the first stage of a furniture-making cluster whose output is ear-marked for large retailers in the region. An eight-year EBRD senior loan of €19.5 million and an eight-year subordinated one of €6.5 million will support the construction of an integrated plant for production of particleboards, plywood and furniture in the Mogilev free economic zone.
Moreover, in order to encourage the development of private enterprise in a country where the public sector accounts for 70% GDP, EBRD issued a loan of $50 million to Belpromstroybank for lending to micro, small and medium enterprises.

In addition, EBRD extended a loan of €50 million to Kronospan FLLC, Belarus to finance construction of a melamine faced particleboard production plant at Smorgon in Grodno region.

**Kazakhstan**

**Asian Development Bank**

ADB extended a loan of $95 million for construction of a 65-km road section in Zhambyl Oblast between the cities of Taraz and Baipas within the framework of the CAREC Transport Corridor-1 Investment Programme. Moreover, ADB supported the Astana Light Rail Transit Project and provided technical assistance in the amount of $565,000.

**The World Bank Group**

The IBRD issued the adaptable programme loan of $22.81 million for Kazakhstan’s Statistics Agency to improve the efficiency and effectiveness of the national statistical system to provide relevant, timely and reliable data in line with internationally accepted methodology and best practices.

IFC provided a long-term local currency loan of $25 million to refinance the existing short-term obligations, improve the current debt structure and help closer match the structure of assets and liabilities of JSC Kazpost.

Moreover, in late August, IFC signed an agreement with the National Bank of Kazakhstan to expand IFC’s capacity to provide local currency loans to companies operating in Kazakhstan and support growth of the country’s private sector.

**Eurasian Development Bank**

During the period under review, the EDB invested in six new projects and increased its financial support for the previously approved project in Kazakhstan. The total EDB commitments in Kazakhstan stood at $355 million equivalent in 2011.

The EDB signed a $50 million loan agreement with Ivolga-Holding LLC to fund purchases of fertilizers, chemical defense equipment, fuels and lubricants and other goods and services necessary for sowing and harvesting campaigns.

Moreover, the EDB provided financing for KazExportAstyk Holding’s programme to optimise its balance sheet in the amount of $35.2 million.
The Bank increased the financing of the APK-Invest Corporation’s project for purchases and exports of grain harvested in 2010-2012 from $50 million to $75 million.

Moreover, the EDB agreed to extend a $44 million loan to Astanapromstroy-M for construction of a hotel and office complex in Astana.

The EDB allocated $98 million to fund JSC Altyanalmas’ investment project for developing gold production in Kazakhstan. This investment project is being implemented in accordance with the State Programme for Boosting Industrial and Innovation Development in Kazakhstan and Kazakhstan’s Mining and Metallurgy Development Programme for 2010-2014.

In December 2011 the EDB signed a loan agreement with Bogatyr-Komir LLC to provide investment financing in the amount of up to $50 million to Kazakhstan’s largest coal mining company.

The EDB opened a ten-year loan facility for the Kazatomprom Sulphuric Acid Plant in the amount of $52.486 million for sulphuric acid plant reconstruction and purchases of modern equipment to ensure uninterrupted supplies of sulphuric acid to Kazatomprom’s uranium mining companies.

**European Bank for Reconstruction and Development**

During the period under review, the EBRD financed six projects in Kazakhstan for a total amount of over $340 million.

EBRD supported the modernisation of oil drilling services in southern Kazakhstan with a $10 million loan, and modernisation of district heating networks in Pavlodar, Ekibastuz and Petropavlovsk with a facility totalling of up to €21.7 million co-financed by the Clean Technology Fund (CTF) for an amount of up to $10 million.

Moreover, EBRD provided a senior secured loan of 3.1 billion Kazakh tenge (equivalent to €15 million) for 10 years with a two-year grace period to finance the reconstruction of Sogrinsk TPP near Ust-Kamenogorsk to increase its electricity production, significantly reduce greenhouse gas emissions and enhance environmental security in the region.

EBRD helped to modernise the transmission of electricity in Kazakhstan with a $156 million loan that will improve energy efficiency in the system and increase electricity transmission capacities with the rehabilitation of a high-voltage power transmission line in Ossakarovka in Karaganda region.

In addition, the EBRD provided a €80 million loan to the Kazakh subsidiaries of METRO Group, the major German retailer, to finance the expansion of its wholesale facilities in the country.
EBRD extended a new $20 million trade finance guarantee facility to VTB Kazakhstan, a subsidiary of OJSC Bank VTB of Russia, to support Kazakhstan’s exporters and importers and facilitate the financing of foreign trade.

Together with the Kazakh power distribution company KEGOC the EBRD provided a €160,000 grant ($229,000 equivalent) to improve energy efficiency at the School No.25 in Astana. Working with the Ministry of Environmental Protection of Kazakhstan, the EBRD’s Energy Efficiency and Climate Change team developed an investment programme especially designed for the school.

Moreover, EBRD approved an equity investment of up to $50 million in Petrolinvest S.A. in Kazakhstan to complete second stage oil exploration works in two of its most relevant prospects (OTG and EMBA fields), and adopt best practice corporate governance standards in preparation for an IPO.

In November 2011, the EBRD and the Ministry of Industry and New Technologies of Kazakhstan signed a Memorandum of Understanding, in which the two sides agreed to support the Business Advisory Services (BAS) that the EBRD will provide in Kazakhstan. Over three years the EBRD will aim to provide consultancy services to about 450 small and medium businesses in Kazakhstan and to develop the local market for business advisory services.

**Islamic Development Bank**

In 2011, the IsDB agreed to provide a 10-year $10 million loan to a subsidiary of KazAgro National Holding, JSC Fund for Financial Support of Agriculture, to finance Kazakhstan’s agriculture micro-lending programme.

**Kyrgyz Republic**

**Asian Development Bank**

The Asian Development Bank (ADB) has approved a $55 million loan to finance the construction of the 60-km Beit-Torugart section of the highway connecting the Kyrgyz Republic with the People’s Republic of China (PRC). The project is part of the Central Asian Regional Economic Cooperation (CAREC) Programme.

Moreover, in September 2011, ADB allocated a grant of $20 million to Kyrgyzstan for Improving Business Environment Programme – Subproject-2. The funds will be spent on improving credit information exchange between financial institutions with regard to lowering credit risks, boosting leasing development as a means of financing expansion, and promoting the establishment of favourable conditions for public private partnership.

In addition, ADB provided a loan of $10 million to Kyrgyzstan’s two financial institutions, Kyrgyz Investment and Credit Bank, for boosting the development of small and medium-sized enterprises.
The World Bank Group

In June 2011, the WB approved Second Additional Financing to support the ongoing Health and Social Protection Project (HSPP) in the Kyrgyz Republic. The funding in the amount of $24 million consisted of a $13.2 million highly concessional IDA credit with a maturity of 40 years and a 10-year grace period, and a $10.8 million IDA grant.

In August 2011, the WB provided a $30 million additional financing (IDA credit of $16.5 million and IDA grant of $13.5 million) for the Economic Recovery Support Operation (ERSO) for Kyrgyzstan to support Government’s reforms for improving governance and strengthening accountability mechanisms, and for post-conflict recovery, transition to medium term growth and poverty reduction.

Moreover, WB approved an additional grant in the amount of $1 million to support the Disaster Hazard Mitigation Project in Kyrgyzstan to minimise the exposure of humans, livestock, and riverine flora and fauna to radionuclides associated with abandoned uranium mine tailings and waste rock dumps in the Mailuu-Suu area; improve the effectiveness of emergency management and response by national and sub-national authorities and local communities to disaster situations; and reduce the potential loss of life and property in key landslide areas of the country.

IFC approved a $2.5 million loan to Magic Box, the leading producer of small cardboard packages in the Kyrgyz Republic with exports to Kazakhstan and Tajikistan. The funds will help finance the Company’s expansion.

On April 21, 2011 IFC approved a $6 million senior loan (or local currency equivalent) to FINCA MicroCredit Company, a leading microfinance company in Kyrgyzstan. Proceeds of the loan will be used to finance the expansion of FINCA’s lending to micro and small entrepreneurs.

Eurasian Development Bank

Kyrgyz Republic completed the necessary procedures for joining the EDB and became its sixth full-fledged member in 2011. Thus, the EDB has not commenced the financing of investment projects in the country that year.

European Bank for Reconstruction and Development

During the period under review, the EBRD financed six projects in the Kyrgyz Republic for a total amount of around $56 million.

The EBRD provided a $10.1 million sovereign loan, accompanied by a $5.5 million grant from the EBRD’s Shareholder Special Fund for development of the public transportation system in Kyrgyzstan, including the acquisition of about 44 high-floor and 32 low-floor (accessible for disabled passengers and passengers with prams) trolleybuses, and partial upgrade of related infrastructure.
The Bank extended a new €8 million additional loan to Interglass, the largest industrial glass producer in Central Asia, to complete the upgrade of the plant’s facilities in Tokmok, northern Kyrgyzstan.

The largest furniture-maker in the country, Lina Ltd., raised the EBRD loan of $650,000 to finance the purchase of new mattress-making equipment and install better ventilation in the factory to improve health and safety. The EBRD also provides the company with technical cooperation worth over $50,000, associated with the loan, for energy efficiency and accounting improvement.

Moreover, the EBRD issued a series of loans to support banks and financial institutions in their drive to expand access to finance for micro and small business. So, the Bank boosted its support to the financial sector in the Kyrgyz Republic with two loans for a total of $7 million to a microfinance company, Kompanion Financial Group; a $6 million loan in local currency to Bai Tushum and Partners, one of the country’s leading non-bank microfinance institutions; a second tranche of $10 million to UniCredit Bank (formerly ATF Bank-Kyrgyzstan); a $2 million senior loan in local currency to the micro-lending company Frontiers LLC; the first ever syndicated local currency loan in the Kyrgyz Republic for a total of $9 million to Mol Bulak Finance non-bank microfinance institution, arranged together with FMO, the Netherlands Development Finance Company ($6 million).

Islamic Development Bank

The IsDB approved a $23 million loan to finance the project for improvement of electric power supply in Kyrgyz cities of Bishkek and Osh.

Russia

The World Bank Group

IFC, a member of the World Bank Group, approved financing of five projects in Russia in 2011.

So, IFC provided two loans to Energomera Concern, including a senior loan of $20 million for refinancing of its short-term loans and a senior loan of up to $15 million to support the growth of company’s operations in 2011.

IFC approved a local currency senior loan of up to 150 million roubles (approximately $5 million) to Mytischi Housing and Utilities municipal unitary enterprise to support the reconstruction of the district heating infrastructure of the city of Mytischi. The project is expected to finance installation of 178 automated individual heat substations. The total project cost is estimated at 365 million roubles (approximately $12 million). The City will fund the rest of the programme from its own sources.

Moreover, IFC provided €16.8 million in equity investment to Idavang A/S Danish holding company (previously named Danish Lithuanian Holding A/S)
for construction of a greenfield pig farm in Pskov region and development of another pig farm in northwest region, and expansion of the pig farm in Leningrad region. The total project cost is estimated at €86.5 million.

IFC approved financing of $60 million to Russia’s Transcapitalbank for energy efficiency loans to SME.

In addition, IFC and EBRD arranged a syndicated loan of $250 million to Russia’s Credit Europe Bank. IFC and EBRD each committed to a three-year A loan of $50 million for their own account while 17 commercial banks, led by Raiffeisen Bank International, Standard Bank and VTB Deutschland, provided a one-year B loan totalling $150 million. The pricing of the B loan is 2.5% over 3-month LIBOR. The B loan’s one-year maturity can be extended for a further year at the lenders’ discretion.

**Eurasian Development Bank**

During the period under review, the EDB invested in five new projects and increased its financial support for the previously approved project in Russia.

EDB extended a loan of 2.8 billion roubles ($100 million equivalent) to Yakutugol Holding Company for the construction of a 315-km route of the railway link from the Elga coal deposit to Baikal-Amur Mainline’s Ulak station.

Moreover, the EDB provided additional $115 million to CJSC Tikhvin Freight Car Building Plant for the construction of a high-technology production facility on the basis of the new railcar building plant.

In addition, the EDB took part in its first ever transaction arranging one-year syndicated Islamic finance for Russia’s AK BARS Bank. The syndicated facility totalled $60 million, including the EDB’s share of $20 million.

In March 2011, the EDB and the Bank BCC-Moscow signed a loan agreement for $16 million (in rouble equivalent) for on-lending to small and medium-sized enterprises in Russia.

In the second half of 2011, the EDB increased its targeted credit facility to OJSC Bank Saint-Petersburg from $10 million to $25 million and extended the loan agreement for 12 months until January 2013.

The EDB took part in syndication of a $110 million loan to Bank Zenit to finance the bank’s trade operations.

**European Bank for Reconstruction and Development**

The EBRD allocated over $2 billion for 31 projects in Russia in 2011.

Within its largest project in Russia in 2011 the EBRD committed to provide a 10-year loan of 8 billion roubles (the equivalent of €192 million) to fund
balance sheet optimisation of OJSC Energy Systems of the Far East (ESV), RusHydro’s subsidiary in Russia’s Far East region. RusHydro will use the loan to refinance ESV’s short-term debt as part of a major corporate restructuring which will include the unbundling of the company’s electricity networks from its generation capacity.

The EBRD signed a loan agreement to provide $155 million in long-term financing to promote environmental safety in Russian seaports as part of a drive to establish internationally competitive port infrastructure and professional port management systems in these key gateways for Russia trade. A 10-year EBRD loan to Rosmorport, the state body in charge of managing and developing Russian port infrastructure, will fund the acquisition of equipment and vessels needed to upgrade its environmental fleet, including those for collecting oil spillage and bilge water as well as those for maintenance dredging of the sea floor.

Moreover, the EBRD signed a loan agreement under which it will lend $110 million to the country’s fourth-largest non-life insurer, RESO Garantia, to support its acquisition of an equity stake in another Russian insurance company, VSK. The deal, the first such operation on the Russian insurance market, will advance the consolidation of Russia’s insurance sector.

The EBRD’s equity investment of up to 1.9 billion roubles in Russia’s RosEvroBank gave the EBRD an 11% stake in the bank, making it the largest international minority investor in RosEvroBank.

EBRD joined a multifacility loan agreement for an amount of €750 million to finance the construction of Russia’s biggest integrated polyvinyl chloride (PVC) plant in Kstovo, Nizhny Novgorod region. The financing will be provided by a group of Russian and foreign financial institutions for a period of up to 12.5 years. The project’s total cost is estimated at €1.25 billion. The EBRD’s contribution is an 11-year loan for the rouble equivalent of €150 million.

Moreover, the EBRD backed the establishment of a new leasing company in Russia by Deere & Company, the world’s leading manufacturer of agricultural equipment. A five-year EBRD loan of up to 4.7 billion roubles (equivalent to €114 million) will support the new venture, which will also target the forestry and construction industries where renewing farm equipment is likely to account for most of the business. The loan represents the first part of a planned EBRD financing package for this project.

On June 14, 2011 the EBRD Board of Directors voted in favour of a funding increase which will boost EBRD’s investments under its largest and oldest lending programme for micro and small businesses, Russia Small Business Fund (RSBF) to $450 million. A 4.5-year extension of the fund’s activities up to the end of 2015 will give the programme a chance to help bridge an enormous gap
between supply and demand in terms of micro and small business lending in Russia.

Another EBRD’s important project focused on modernising district heating and water treatment systems in two Russian cities, Lipetsk and Vologda, as part of a strategy which brings the Bank’s total investments in the renewal of the country’s municipal infrastructure to over €750 million. The EBRD signed two 10-years loan agreements to provide a total of 778 million roubles (equivalent to €19.2 million) for infrastructure investments. Vologda is getting a loan of 467 million roubles for urgent work on its district heating network. Lipetsk will get up to 311 million roubles to renew its main wastewater treatment plant.

The Bank’s investment portfolio in Russia was complemented with such diverse projects as a long-term loan of €10 million to support the post-crisis balance sheet restructuring of Mir Detstva, a leading Russian distributor and producer of branded children’s goods; a purchase of a 15% equity stake in Russia’s SDM-Bank for $11.4 million (in rouble equivalent); a loan of €24 million (in rouble equivalent) to Russia’s Monetka retail chain for the construction of the second phase of a modern distribution centre in Ekaterinburg, as well as the opening of a distribution centre in the northern part of the Urals; acquisition of a minority stake in Hlebprom, a leading Russian cake and biscuit producer for €10 million, and others.

**European Investment Bank**

In the second half of 2011, the EIB extended €100 million ($143 million equivalent) to finance the modernisation and expansion of an integrated pulp and paper mill in Syktyvkar in the Russian Federation. This is the first EIB loan provided by the Bank under the €1.5 billion Eastern Partners Facility (EPF) with a ceiling of €500 million for projects in Russia.

**Islamic Development Bank**

Though the Russian Federation is not a member of the IsDB, the Bank provided a grant of $370,000 from the IsDB Waqf Fund for the construction of Rashidah Islamic Institute in Kazan, Tatarstan.

**Tajikistan**

**Asian Development Bank**

The Asian Development Bank approved two grants for a total of $165 million and $1.5 million from its Technical Assistance Special Fund for improving flood risk management in Khatlon region.

ADB provided a $120 million grant to help Tajikistan upgrade a vital road linking the capital Dushanbe with the Uzbekistan border. The grant will be sourced from the Asian Development Fund.
The ADB Board of Directors has approved the $45 million grant assistance that will be used to support two new government pilot programmes aimed at improving the effectiveness and targeting of social benefit payments. It will also help the government push ahead with an ongoing development plan to modernise and improve tax policy and administration. The ADB grant will help the government preserve social safety net spending in the country’s budget for 2011-2012.

The World Bank Group

The World Bank Group allocated $30 million to finance three projects in Tajikistan in 2011.

IDA launched the Second Dushanbe Water Supply Project for a total amount of $16 million equivalent to improve water utility performance and water supply services in selected areas of Dushanbe through water treatment and distribution infrastructure upgrades, metering programs and improved billing and collection systems.

In June 2011, IDA approved the Fifth Programmatic Development Policy Grant Programme (PDPG5) in the amount of $10 million to support the government’s actions in five spheres, including education, transport, agriculture, financial sector and public administration.

In December 2011, IFC and Tajikistan’s State Committee on Investment and State Property Management launched the Single Electronic Registry of Tajikistan, a website for entrepreneurs that provides information on licensing procedures. The initiative was supported by Switzerland through the State Secretariat for Economic Affairs and the United Kingdom’s Department for International Development. The project aims to improve the business environment in Tajikistan by removing key regulatory barriers to business entry and operations.

In May 2011, IFC provided a senior loan of up to $4 million to CJSC AccessBank Tajikistan to finance the expansion of micro-lending in Tajikistan.

Eurasian Development Bank

During the period under review the EDB approved a second financing of $10 million to Olim-Textile for purchases of raw cotton from Tajik farming units, its processing at the spinning mill and subsequent exports of the cotton yarn.

Moreover, the EDB provided a credit facility of $3 million to CJSC Tajprombank to finance the micro-lending programme in Tajikistan.

European Bank for Reconstruction and Development

During the period under review the EBRD extended $39.45 million equivalent for eight projects in Tajikistan. The EBRD focused on developing agriculture, banking sector, municipal infrastructure and small businesses.
After the successful refurbishment of the water supply system in the north and south of the country, the bank announced its participation in the Central Tajik Water Project, lending up to $7 million for new clean water projects in four more cities at the request of the central government. The new EBRD loan with a sovereign guarantee to the State Unitary Enterprise “Khojagii Manziliyu Kommunali” will be used for on-lending to water companies in Gissar, Shachrinav, Somoniyon and Tursunzoda. The project cost will be supplemented by grants. The EBRD Shareholder Special Fund has approved a grant of $2.6 million for the project. The EU Investment Facility for Central Asia is considering a grant of €6 million ($8.1 million) for the same project.

The EBRD provided a €7 million loan to rehabilitate the low and medium voltage distribution network of Tajikistan by equipping it with new electricity meters, meter-reading and automated billing systems. The project is co-financed by the EIB, which will make available a parallel loan of up to €7 million, and the European Union, through its Investment Facility for Central Asia (IFCA), with a possible grant of €7 million.

The EBRD extended an additional $300,000 credit line to Makolli Bakery, a local bread and pasta manufacturer in Tajikistan, to finance its increased working capital requirements. The investment supplemented the EBRD’s direct financing facility extended to Makolli in 2009, bringing the total loan amount provided to the company to $2 million.

Moreover, the EBRD launched its new Local Currency Lending Programme in Early Transition Countries (ETC) in Tajikistan. Tajikistan became the first country to benefit from this new Programme in Central Asia. A 4-year senior loan of 13.6 million Tajik somoni ($3 million equivalent) to Micro-lending Organisation IMON International was disbursed within the framework of the new Programme and in line with a Memorandum of Understanding signed in April 2011 between the EBRD and Tajik government. In addition, the EBRD provided another three loans within the Local Currency Lending Programme in Tajikistan, including a loan of $6 million to Accessbank; a syndicated loan to Bank Eskhata ($2 million from EBRD’s own funds and $6 million syndicated to commercial banks); and a lending facility of up to $4 million (equivalent) to First MicroFinance Bank Tajikistan.

**Islamic Development Bank**

The IsDB provided two grants for a total of $4.3 million. One of the grants in the amount of $2.2 million was allocated to finance the construction and technical equipment of a modern general education school in the village Zarkamar, Jamoat Miskinobod, Faizobod district. The second grant of $2.1 million was provided for the water supply project in Dushanbe.
In addition, the IsDB signed an agreement with the National Bank of Tajikistan to provide technical assistance on the formulation of legal, regulatory and administrative base for developing Islamic banking in the country.

**Turkmenistan**

**Asian Development Bank**

During the period under review the Asian Development Bank provided a technical assistance grant of $1.3 million to Turkmenistan for the preparation of documents on Afghanistan and Turkmenistan: Regional Power Interconnection Project, which is expected to be approved by the Board in 2012. The estimated amount of financing may make up $100 million.

ADB provided $125 million in a loan to Turkmenistan for improving its railway network. The financing will be used to fund power, signaling, and telecommunication systems on a 311 km stretch of the 934-km long North-South Railway Corridor. The line will improve Turkmenistan’s access to neighbouring Kazakhstan, as well as Persian Gulf Countries, the Russian Federation and South Asia. The loan from ordinary capital resources will make up 75% of the total project cost of $166.7 million. The loan will have a 25-year term, with a five-year grace period.

**The World Bank Group**

The WB didn’t finance any projects in Turkmenistan in 2011.

**European Bank for Reconstruction and Development**

The EBRD financed two projects in Turkmenistan for a total of $3.6 million equivalent, including the loan to a printing services company, Intek Media, for a technological upgrade; and a loan to a private construction services company, Shazada, for the purchase of new heavy machinery and trucks.

**Islamic Development Bank**

The IsDB provided a special investment loan to Turkmen government in the amount of $121.17 million for improving the quality of water supply services within the Balkan Velayat Water Supply Project.

**Uzbekistan**

**Asian Development Bank**

The Asian Development Bank approved 13 projects for a total amount of $988.87 million in Uzbekistan in 2011, including a number of multitranche financing facilities for major projects in transport and social spheres.

In its first private sector operation undertaken in Uzbekistan, ADB invested $8 million in equity capital of two private banks, Ipak Yuli Bank and Hamkor Bank.
The loan of $100 million to LUKOIL Overseas Uzbekistan Ltd. is to finance development of the Kandym gas field.

The ADB Board of Directors has approved a $240 million loan to Uzbekistan within the CAREC Corridor 2 Road Investment Programme multitranche financing facility. Moreover, the multitranche financing facility for the Second CAREC Corridor 2 Road Investment Programme has also been approved. The first tranche of $130 million will be used to rehabilitate a 74-km section of A373 highway running through the Fergana Valley. In addition, ADB extended a $100 million loan for the Railway Electrification Project which will finance the electrification of a 140-km stretch of rail line between Marakand in Samarkand province and Karshi in Kashkadarya province. The railway is part of the Central Asia Regional Economic Cooperation Corridor 6.

In June 2011, the ADB Board of Directors approved the multitranche financing facility for the Housing for Integrated Rural Development Investment Programme, with a first tranche payment of $200 million. The Programme will help to strengthen the impact of the government’s Rural Housing Scheme (RHS) to improve rural livelihoods and living standards. In the medium term it will increase the capacity of local government staff to prepare and carry out effective rural development and investment promotion plans, and support policy reforms that will accelerate private sector development and the establishment of micro and small rural businesses.

ADB has also approved three projects in the field of energy, including a loan of $150 million for the installation of modern, accurate, theft-proof digital meters for one million residential and small commercial power users in the cities of Bukhara, Jizzakh and Samarkand. The meters will operate using an automated management system that makes it possible to cut distribution losses and boost Tajikistan’s energy efficiency. The technical assistance grant of $225,000 was allocated for the preparation of the Design and Strengthening of the Solar Energy Institute project. Another technical assistance grant in the amount of $1.5 million was provided for boosting the development of solar energy in Uzbekistan and attracting investments in the field.

A third tranche worth $58 million was allocated to implement a programme to modernise water supply in Karakalpakstan autonomous republic (the cities of Jizzakh and Khorezm), as well as to restore waste water systems of Andizhan.

**The World Bank Group**

The WB Group approved the allocation of $291 million to Uzbekistan in 2011, including the $93 million IDA credit for Uzbekistan’s Health System Improvement Project; the $110 million IBRD loan for Talimarjan Transmission Project; and the $88 million IDA credit for the Syrdarya Water Supply Project.
Islamic Development Bank

The IsDB didn’t finance any projects in Uzbekistan in 2011.

Ukraine

The World Bank Group

Within the framework of the Second Export Development Project (EDP2) the WB approved the additional financing of $150 million IBRD loan to the State Export-Import Bank of Ukraine (Ukreximbank) to support export-import operations of Ukrainian exporters. Moreover, Ukreximbank raised a $200 million loan for the Energy Efficiency Project.

Ukraine became the only country to win the WB grant at the second meeting of PMR Assembly on October 27-28, 2011 in Istanbul: Ukraine received a grant of $5.35 million within the framework of the Partnership for Market Readiness (PMR).

Together with several banks IFC arranged a financing package to support major Ukrainian petrol station operator Galnaftogaz. IFC and the EBRD provided two $65 million corporate loans each, with sub-participations by ING Bank and FMO, the Netherlands Development Finance Company, of $30 million each. The Black Sea Trade and Development Bank (BSTDB) will provide a parallel corporate loan of $30 million. In addition, the EBRD will invest $30 million of equity in Galnaftogaz equity. The financing package will help acquire or construct up to 75 filling stations, thus bringing Galnaftogaz network of filling stations to over 380 across the country.

European Bank for Reconstruction and Development

During the period under review, the EBRD extended $1.16 billion equivalent for 19 projects in Ukraine.

The EBRD provided a €200 million 15-year sovereign loan to Ukrgidroenergo (UHE), Ukraine’s state-owned operator of large hydro generating and pump storage facilities. This is the largest renewable energy project financed by the Bank in Ukraine to date, which will see the upgrades of hydro- and electro-mechanical equipment at UHE’s hydropower plants. The EBRD loan is part of a larger project which envisages similar-sized parallel financing from the European Investment Bank. Technical cooperation funds for the project were provided by the EU Neighbourhood Investment Facility and the UK government.

The Bank approved four projects in the agricultural sector for a total amount of $135 million equivalent.

Together with IFC the EBRD took part in arranging a financing package to Galnaftogaz, and joined forces with the EIB and Ukraine’s national oil and gas
company, NAK Naftogaz, to finance the modernisation of the country’s Soviet-era gas transportation system ($154 million).

The Bank took part in three projects in the production and services sector and provided a total of $95 million.

Moreover, the EBRD approved two projects for $58 million in the field of developing transport and transport infrastructure.

The EBRD launched a $100 million lending facility for micro, small and medium-sized enterprises in Ukraine to support the development of new loan products, including rural and agricultural lending through local commercial banks. Credit Europe Bank Ukraine (CEB) became the first bank to use the facility through a $10 million loan.

**European Investment Bank**

In 2011, the EIB approved financing of two projects in Ukraine for a total amount of $404.5 million, including a joint EIB-EBRD project for modernisation of Ukraine’s gas transportation system with the EIB participation of $154 million, and a loan of $250.5 million to Ukrenergo, Ukraine’s National Power Company, to optimise the use of existing electricity generation capacity.