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- World Bank Issues its First Equity Index-Linked Green Bond

The World Bank

- IFC, Kyrgyz Republic Make Inspections More Effective, Helping Small Businesses

European Investment Bank

- EBRD participates in Kazakh Railways Eurobond
- Russia’s AVTODOR and the World Bank sign a Reimbursable Advisory Services Agreement

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Energy Efficiency
ADB Maintains Developing Asia Growth Forecast

18 July 2014

Developing Asia remains on track toward steady growth in 2014 despite slower-than-expected growth in the United States (US) in the first quarter, says a new Asian Development Bank (ADB) report.

The Asian Development Outlook (ADO) Supplement, released today, maintains ADB’s April forecast of 6.2% growth in 2014 and 6.4% in 2015 for the region’s 45 developing economies.

The major industrial economies are anticipated to expand by 1.5% this year, a downward revision from the 1.9% forecast in April’s ADO 2014. Softer US growth has been somewhat offset by Japan’s robust first quarter performance while the euro area has generally met expectations.

Growth in Central Asia is gradually moderating, with many economies affected by the deteriorating outlook of the Russian Federation. Revised projections reflect weaker-than-expected performances in Kazakhstan, Kyrgyz Republic, and Uzbekistan so far in 2014. Aggregate growth projections for the region are revised down to 6.3% in 2014 and further to 6.1% in 2015, from 6.5% forecast for both years in ADO 2014.


Improvement of IFIs efficiency

ADB’s Private Sector Investments Top $4.7 Bln at End 2013

29 July 2014

The Asian Development Bank’s (ADB) private sector operations performed strongly in 2013, with better project success rates and more than $4.75 bln of cumulative investments in sectors including clean energy, agriculture, and health, a performance report shows.

In 2013, ADB approved a record number of private sector transactions, expanding its investment activities in core industry sectors such as renewable energy, clean water, and financial services, while continuing to grow its operations in newer markets such as the health and agribusiness sectors. PSOD’s investment portfolio is now above $6.2 bln—more than double the level prior to the financial crisis of 2007-2008.

The 2013 Development Effectiveness Report for PSOD shows the success rate for completed private sector transactions over the 3-year period from 2011 to 2013 rose to
67% from 53% in the previous period (2010-2012). In addition, the report indicates that private sector operations generally met or exceeded output targets and delivered a variety of significant developmental results.


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**Uzbekistan**

**Energy Efficiency**

**ADB $300 Mln Loan to Give Uzbekistan Power Plant New Lease of Life**

15 July 2014

The Asian Development Bank (ADB) has approved a $300 mln loan to upgrade Uzbekistan’s Takhiatash thermal power plant to meet rising electricity demand in the west of the fast-growing Central Asian country.

Uzbekistan is a fast growing economy, with more than 8% growth on average from 2007 to 2013. But aging power infrastructure, much of it dating back to the era of the Soviet Union, is undermining its ability to meet power demand and weighing on business and household activity.

The project will build two new energy-efficient combined-cycle gas turbines of up to 280 megawatts each, while decommissioning three existing steam turbine units, with two others to be kept as backup.

Another component will be staff training and other support for Uzbekenergo, the state-owned power utility, to improve tariff setting and to make the utility more commercially bankable. Uzbekenergo, with previous support from ADB, has made substantial improvements in financial transparency and introduced advanced electricity metering infrastructure, but it still needs to modernize its management and information and technology systems.


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**Black Sea Trade & Development Bank**

**Corporate Sector**

**New BSTDB President Assumes Duties**

16 Jul 2014

Following a proposal by the Government of the Republic of Turkey, the BSTDB Board of Governors appointed Mr. Ihsan Ugur Delikanli as President of the Black Sea Trade and Development Bank for a period of four years starting on July 16, 2014. Mr. Delikanli is replacing Mr. Andrey Kondakov, who has run the Bank since July 2010.

Mr. Delikanli started his professional career in the financial sector as a Sworn Banks Auditor at the Undersecretariat of Treasury of the Republic of Turkey in 1992. In 2005 he became Head of the Regulations Department in the Banking Regulation and Supervision Agency of Turkey, and in 2009 he was appointed Vice President. In 2012 Mr. Delikanli moved to the private sector as Executive Vice President of one of the Turkish investment banks.

Mr. Delikanli has an MBA in Financial Management from the University of Exeter, United Kingdom, and a PhD degree in accounting and finance.

During his career, Mr. Delikanli has been a member of the Turkish Accounting Standards
Board and of the Tax Council. He also served as representative of the Republic of Turkey at Basel Banking Supervision Committee between 2009 - 2012.

Mr. Delikanli is an author of a number of publications in the field of banking and finance. 

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**Russia**

**Finance sector development**

**BSTDB Supports Mortgage Financing in Russia**

11 Jul 2014

The Black Sea Trade and Development Bank (BSTDB) is providing a $40 mln loan to the Russian Promsvyazbank for financing residential mortgage loans to private individuals. The maturity of the loan is seven years.

The operation will provide much-needed additional resources for the development of the mortgage market in Russia and respond to the Russian government priority to improve housing conditions.

Promsvyazbank (PSB), Moscow (founded in 1995) is one of the leading Russian private banks with total assets of RUB 777 bn and Basel I equity (capital) of RUB 95 bn under IFRS as at April 1, 2014. Promsvyaz Capital BV and the European Bank for Reconstruction and Development own, respectively, 88.25% and 11.75% in the bank. PSB has the following international credit ratings: "BB−"/stable from Standard and Poor's, "Ba3"/on review for downgrade Moody's Investors Service, "BB−"/stable from Fitch Ratings, as well as an individual credit rating of "AA+" from National Rating Agency. As at April 1, 2014, PSB network in Russia accounts over 300 offices, as well as a branch in Cyprus and representative offices in Ukraine, China, India and Kazakhstan.


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**Eurasian Development Bank**

**Infrastructure**

**The ACF Council decides to provide an investment loan to Armenia and approves concepts of two projects in Kyrgyzstan**

03 July 2014

The Council of the EurAsEC Anti-Crisis Fund (ACF) decided to provide a $150 mln investment loan to Armenia to finance the construction of the North-South Road Transport Corridor (Phase 4). The resolution was based on the approval by Eurasian Development Bank (EDB), as the ACF Resources Manager, of Armenia’s application for project finance from the Fund.

The ACF Council also approved EDB’s proposal to use the World Bank Procurement Policies in this project and to involve WB specialists in project monitoring.

In addition, the ACF Council approved concepts of two investment projects submitted by Kyrgyzstan and requested EDB to select and hire consultants to evaluate them.

The projects include the reconstruction of the Toktogul HPP, including the replacement of Units 2 and 4 with the replacement or repair of auxiliary systems and station equipment, and the commissioning of Unit 2 at Kambarata HPP 2.

The ACF Council also reviewed how its recommendations with respect to the development and implementation of measures necessary to meet the terms of the sixth tranche of the financial credit to Belarus had been implemented. The Council stated that there had been no progress in reaching a consensus between the Recipient and the Manager in preparing
an agreed Letter of Intent in accordance with the Council’s resolution passed on 27 December 2013. The Council recommended that the Borrower, in cooperation with the ACF Resources Manager, finalise the preparation of the new Letter of Intent and have it approved before 1 August 2014. The Letter of Intent should specify the renewed terms of the sixth tranche and describe structural reforms to ensure sustainable economic growth. In addition, the Council decided to extend the Stabilisation Programme, which is supported with the credit from the ACF, until 1 October 2014 and extend the credit availability period until 1 February 2015.

The Council will consider whether to provide the sixth tranche at its meeting in the fourth quarter of 2014, proceeding from how the agreed terms of the sixth tranche will be implemented as at 1 October 2014.

The Council approved the Annual Report of the ACF Resources Manager for 2013 and discussed the Fund’s Programme of Operations for the current year and other issues of its institutional development and current work.


Equity

**EDB Council resolves to increase the Bank’s charter capital to US $7 bln**

03 July 2014

The Council of Eurasian Development Bank (EDB) met in Moscow today. Its participants were Gagik Khachatryan, Minister of Finance, from the Republic of Armenia; Bakhyt Sultanov, Deputy Prime Minister and Minister of Finance, from the Republic of Kazakhstan; Olga Lavrova, Minister of Finance, from the Kyrgyz Republic; Anton Siluanov (Chairman of the Council), Minister of Finance, and Dmitry Pankin, Deputy Minister of Finance, from the Russian Federation; and Abdusalom Kurbonov, Minister of Finance, from the Republic of Tajikistan.

The Council decided to increase the Bank’s charter capital to $7 bln, by means of issuing additional stock payable on demand. The subscribers are EDB member states.

The ministers approved the new version of the EDB Strategy for 2013-2017, including the updated section on the macroeconomic situation in EDB member states. The main indicator of EDB performance will be the current investment portfolio, which is expected to reach at least $4.7 bln by the end of 2017, as a result of the launching of new projects in 2013-2017 to the tune of at least $3.7 bln.

With respect to project activities, the Council approved the possibility to involve a third lender to finance the construction of Unit 3 at Ekibastuz GRES 2. The Council also discussed changes in the financing terms of the investment project to construct the railcar building plant in Tikhvin, Leningrad Region.

In addition, the Council approved the Management Board’s Annual Report for 2013, the Statement of Comprehensive Income, and the Statement of Financial Position of the Bank, with KPMG Audit’s report, as well as the Auditing Commission’s statement on the Management Board’s Annual Report and EDB’s financial statements for 2013.


Commonwealth of Independent States (CIS)

**EDB researchers note the GDP growth deceleration in the CIS countries in Q1**

23 July 2014

In Q1 2014, the GDP growth in the CIS countries slowed down to 1.2% compared to the
same period of 2013. Its deceleration is primarily explained by the decline in investment activity in Russia and its slower growth in Kazakhstan. This conclusion is suggested in the new issue of the CIS Macromonitor published by Eurasian Development Bank’s (EDB) Research Department.

EDB researchers note that, unlike in 2013, these developments have affected all the major groups of countries in the region: oil and gas exporters, human resource exporters, and countries with a diversified structure of exports.

“The situation around Ukraine continues to be the key source of risks for the economy of the region,” says the study. “In spite of the limited scope of direct impact of developments in this country on its neighbouring economies,—in 2013, the share of Ukraine’s economy in the economy of the region was 6.3%—the crisis in relations between Russia and Western countries resulting from those developments has led to less favourable terms of access for Russian companies to international capital markets and overall worsening of the economic uncertainty.” These factors largely explain the decline in investment activity in the Russian economy in 2014 and their effect can last for a long time.

The CIS Macromonitor also analyses the results and prospects of economic development of the countries in the region.


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**Regional integration and cooperation**

**EDB conducts a high-level roundtable on international trade in Eurasia**

16 July 2014

A high-level roundtable took place in Vienna in the framework of the international project "Challenges and Opportunities of Economic Integration within a wider European and Eurasian Space." The meeting brought together representatives of various European Union and Customs Union institutions.

The co-organisers of the project were the International Institute for Applied Systems Analysis (IIASA), Eurasian Development Bank (EDB), and the Eurasian Economic Commission (EEC). The project is intended to provide an independent discussion platform, which is needed in the current situation, and to prepare a series of studies into applied issues of economic cooperation on the continent, "from Lisbon to Vladivostok" or even "from Lisbon to Shanghai."

The experts discussed the current condition of trade between EU countries and the emerging Eurasian Economic Community, and their partners in the East (China, Japan, South Korea). They also analysed possible scenarios for the advancement of trade between regions and countries in the long term, in the economy as a whole and in separate sectors. Special focus was made on the issue of the countries' simultaneous membership of different integration unions.

The next roundtable will take place in November. Its theme will be non-tariff barriers and technical regulations. The EDB Centre for Integration Studies will provide expert assistance to the event.


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**Kyrgyzstan**

**Energy**

**EDB experts inspect Toktogul HPP and Kambarata HPP 2 in Kyrgyzstan**
16 July 2014
Eurasian Development Bank’s (EDB) specialists completed their four-day mission to the place where two investment projects are proposed to be implemented in Kyrgyzstan with finance from the EurAsEC Anti-Crisis Fund (ACF). The projects are the reconstruction of Toktogul HPP, including the replacement of Units 2 and 4 with the replacement/repair of auxiliary systems and plant equipment, and the commissioning of Unit 2 at Kambarata HPP 2.

EDP specialists have inspected the plants and provided a preliminary assessment of their condition.

The mission was intended to collect information necessary to prepare project documents for the ACF Council to pass respective decisions. The experts met with the management of the plants and Elektricheskiye Stantsii to discuss current problems and needs.

In July 2014 the ACF Council approved blueprints for these two investment projects.

In addition, EDB specialists met in Bishkek with representatives of the Asian Development Bank (ADB). The project to reconstruct Toktogul HPP is expected to be co-financed by EDB and the ADB. The sides discussed the details of their cooperation, agreed on mutual approaches to project assessment, and prepared a detailed plan of their joint work. The representatives of EDB and the ADB signed a memorandum on this project and proposed it to the Kyrgyz side for signature.


European Bank for Reconstruction and Development
All countries

**Improvement of IFIs efficiency**

**EBRD leads the way on project e-procurement**

01 July 2014
The EBRD is set to become the first Multilateral Development Bank to offer its clients an e-procurement system to cover the entire project cycle from planning to tendering and award of goods, works and loan-funded consultancy contracts.

The Bank’s new cloud-based online platform, provided by BiP Solutions UK, will replace its current paper-based procedures for invitations to tender, tender documents, clarifications and evaluation reports.

The new system allows suppliers anywhere in the world to register and obtain tender documentation for contracts procured under the Bank’s Procurement Policies and Rules with a few clicks instead of waiting for several days.

Importantly, the system lets suppliers submit an encrypted electronic tender, thereby guaranteeing security and confidentiality, with simultaneous online opening of tenders at the specified closing time with notification of key tender data to all participants.

This removes the current need for courier or hand delivery to the tender box and for a physical presence at a public tender opening. This will greatly speed up transaction time and reduce processing costs for the clients and suppliers, as well as increasing opportunities for competition and improving transparency.

The EBRD’s Procurement Department has been working on this project as part of its “21st Century” modernisation agenda and using its experience of e-procurement reform projects it has conducted with the Legal Transition Team in countries such as Armenia and Bulgaria.

E-procurement systems have been already launched by many of the EBRD’s member countries. Their scope is expected to increase now that the EU Procurement Directive, in force since this February, obliges all contracting authorities to offer electronic submission of offers by September 2018.

The development of an EBRD system is likely only to encourage the further uptake of e-procurement in its region.
**EBRD flies the flag for sustainable energy innovation**

14 July 2014

The EBRD’s experience in delivering low-carbon and climate-resilient innovation is bearing fruit with countries in other regions and our sister Multilateral Development Banks taking note of the results of our partnerships with the Climate Investment Funds (CIF).

That experience was one of the major talking points at the recent Partnership Forum in Montego Bay, Jamaica, co-hosted by the CIF and the Inter-American Development Bank (IDB) and bringing together over 400 participants from around the globe to network and exchange ideas.

Immediately afterwards, the CIF Trust Fund Committees and Sub-Committees took several decisions that bode well for sustainable energy development in the EBRD region.

An Armenia Scaling Up Renewable Energy (SREP) investment plan was endorsed for $40 mln and will focus on helping catalyse investments in geothermal and utility-scale solar and in supporting national efforts to reach 21 percent renewable energy generation by 2020.

Through the Sustainable Energy Initiative (SEI), EBRD has been an active partner in the CIF ever since its establishment in 2008. The CIF supports middle income and developing countries’ efforts to mitigate and manage the challenges of climate change by providing grants, concessional loans and risk mitigation instruments and leverages further financing from the private sector, the Multilateral Development Banks (MDBs), and other sources.

The partnership between EBRD and the CIF has enabled the Bank to scale-up its core energy efficiency and renewable energy activities and kick-start sustainable energy projects in emerging economies where more targeted efforts are required.

It has helped the EBRD develop innovative new products in the area of climate change mitigation and adaptation, and provide blended loan packages and technical support that address affordability and regulatory reform challenges.

Over $480 mln in funds has been approved by CIF for the EBRD, resulting in $224 mln in signed projects, largely for concessional finance that is blended with EBRD financing to stimulate market development and address affordability challenges for clean technologies.

The EBRD model has been particularly successful at combining these funds with technical assistance from the CIF and other donors, such as the Global Environment Facility (GEF) or the EU, to undertake policy dialogue, regulatory reform, technology transfer, and project preparation and development support.


**EBRD and HSBC to support energy efficiency in Armenia**

14 July 2014

HSBC clients in Armenia can now benefit from funding for green energy projects. On 4 July 2014 an agreement was signed between the European Bank for Reconstruction and Development (EBRD) and HSBC Bank Armenia CJSC for a $10mln loan to be directed to the industrial and residential renewable energy sectors. The funds will allow HSBC Armenia to support its borrowing clients in their energy efficiency and renewable energy investments.

These funds will be lent to companies willing to make capital investments in their equipment, machinery and other fixed assets aimed at achieving overall energy efficiency and reductions of over 20 per cent in their energy consumption. The maximum tenor of the loans is five years. This facility falls under the EBRD’s Caucasus Energy Efficiency Programme (CEEP), which has been developed to encourage firms to make better use of their country’s energy resources.
This initiative aims to help Armenia reduce the energy intensity of its economy and promote energy efficiency investments in various sectors, such as power and energy, industry, agriculture, municipal and environmental infrastructure, property and the residential sector.

CEEP is complemented by grants including €4.6 mln for technical assistance provided by the Austrian Ministry of Finance, €4.7 mln from the European Union Neighborhood Investment Facility and €1.2 mln from the EBRD Shareholder Special Fund (SSF). Eligible projects under CEEP may receive investment incentives of up to 15 per cent of the eligible loan amount.

The deal highlights the growing partnership between the EBRD and HSBC in identifying business opportunities and deepening relationships with established, high-performing clients.

HSBC Bank Armenia CJSC has a commercial lending portfolio of $317 mln (first quarter of 2014) and has registered strong results for in recent years. HSBC Commercial Banking operates in nearly 60 countries and territories and is a core part of HSBC’s business.


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**Azerbaijan**

**Small & Medium Enterprises**

**EBRD and Demirbank support the development of small businesses in Azerbaijan**

25 July 2014

The European Bank for Reconstruction and Development (EBRD) is extending a $42 mln syndicated loan to Demirbank, one of the leading private banks in Azerbaijan, to support private sector development.

The EBRD has syndicated $29 mln to commercial banks on a best-efforts basis, with the remainder coming from the EBRD. The facility is aimed at attracting new international investors to Azerbaijan. Most of the 11 commercial banks participating in the syndicate are new relationships for Demirbank, with several extending maturity of their investment to five years which is very rare in the syndicated loan market and a longer maturity than traditionally offered to financial institutions.

The EBRD has been active in Azerbaijan since the country’s independence. To date it has invested in 146 projects with over $2.5 bln across various sectors of the Azerbaijani economy. One of the EBRD’s priorities in the country is to support the growth of the non-oil private sector by investing in dynamic SMEs.


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**Kazakhstan**

**Energy**

**EBRD expresses interest in Kyzylorda electricity distribution project**

15 July 2014

The European Bank for Reconstruction and Development (EBRD) has expressed interest in financing a 4.6 bln tenge ($25 mln equivalent) programme to modernise electricity distribution networks in the Kyzylorda region of Kazakhstan.

The mandate letter – a document confirming mutual intent to consider the deal – has been signed in Kyzylorda by the EBRD Director for Infrastructure, Russia and Central Asia, Ekaterina Miroshnik, and the Akim of Kyzylorda oblast, Krymbek Kusherbayev, in the presence of the Prime Minister of Kazakhstan, Karim Massimov.

During the potential project, the Kyzylorda Regional Electricity Company would upgrade
low and medium-voltage distribution networks in the oblast, install electricity meters, increase the capacity of transformers and make other improvements that would reduce losses and increase energy efficiency.

In May 2014, the EBRD and the Republic of Kazakhstan signed a far-reaching Partnership for Re-Energising Reform in Kazakhstan, which envisages boosting reform and investment in areas such as municipal infrastructure.


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**Transport**

**EBRD participates in Kazakh Railways Eurobond**

04 July 2014

The European Bank for Reconstruction and Development (EBRD) has participated in a bond issuance by Kazakhstan’s national railway company, Kazakhstan Temir Zholy (KTZ). The Bank participated in the longer-term tranche of the Eurobond.

The proceeds of KTZ’s Eurobond issuance will be used to finance much-needed logistics infrastructure across the country, including on the border with China. The private sector will be actively involved. By further developing its logistics business, Kazakhstan Railways will facilitate increased cargo transit, especially on the critical China-EU trade route.

As part of this operation, the Bank will support KTZ with structuring the first logistics hub public-private partnership (PPP) project in one of the regions of Kazakhstan and will also provide assistance with improving the corporate governance practices of JSC KTZ Express, KTZ’s logistics operator.

On 20 June 2014, Kazakh Railways successfully completed the placement of a Swiss-franc-denominated Eurobond on the SIX Swiss Exchange. The total amount of the issue is CHF 285 mln. It comprises two tranches of five and eight years for CHF 100 mln and CHF 185 mln respectively.


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**Food Industry**

**EBRD’s Small Business Support encourages Sesam Eco to market and export abroad**

03 July 2014

The EBRD has helped Kazakhstan’s Sesam Eco, a company which uses traditional methods to produce vegetable oils, to draw up effective plans for sales and marketing to expand at home and abroad. The EBRD connected Sesam Eco with a local marketing and strategy consultant, Cortex Company TOO, in a project funded by the Kazakh government. The consultant analysed Sesam Eco’s current sales and marketing system, and conducted market research on the oil markets in Kazakhstan and Russia, as well as Sesam Eco’s own client base, sales and most significant opportunities. The company produces vegetable oils via the traditional cold press method – the method he swears is the most effective for preserving the nutrients, and therefore the goodness, in the oils.

Now, the challenge is for Sesam Eco to develop, with the consultant’s help, a marketing and sales plan for 2014, and to put in place the internal resources and procedures to deliver it.

The EBRD Small Business Support team has been helping small and medium-sized businesses in Kazakhstan access advice since 1998, and in that time has helped over 1,000 enterprises to grow their businesses.

In 2013, the Government of Kazakhstan for the first time became a donor to Small Business Support, funding a three-year programme that will help over 400 enterprises access business advice through local consultants.

Sesam Eco is one of the first enterprises to benefit from this new funding.

**Energy Efficiency**

**EBRD lends KICB $ 5mln for energy efficiency projects in Kyrgyz Republic**

02 July 2014

The European Bank for Reconstruction and Development (EBRD) is continuing to support energy efficiency improvements in the Kyrgyz Republic with a new loan under the Kyrgyz Sustainable Energy Financing Facility (KyrSEFF).

Kyrgyz Investment and Credit Bank (KICB) will receive a loan of $ 5 mln, which will then be used for on-lending to companies and households for energy efficiency improvements, such as modernisation of equipment or insulation.

KICB is one of the leading banks in the Kyrgyz Republic. The EBRD has been cooperating with the bank, in which it also holds an equity stake, since 2001. One of the latest EBRD projects with KICB was the participation in a pilot corporate bond issue in som in September last year.

The Kyrgyz Sustainable Energy Financing Facility is one of the EBRD’s range of instruments to finance energy efficiency and small-scale renewable energy projects in the region. KyrSEFF offers credit lines and technical assistance to local banks to enable them financing small-scale sustainable energy projects. KyrSEFF is supported by the European Union’s Investment Facility for Central Asia (IFCA).

Since the beginning of its operations in the Kyrgyz Republic in 1992, the EBRD has invested about $ 637 mln in the country’s economy through 112 projects supporting various sectors and industries in the country.

Overall the EBRD has invested well over €13 bln into sustainable energy projects throughout its region since 2006


**EBRD lends Demir Kyrgyz International Bank $ 4mln for energy efficiency projects**

02 July 2014

The European Bank for Reconstruction and Development (EBRD) is continuing to support energy efficiency improvements in the Kyrgyz Republic with a new loan under the Kyrgyz Sustainable Energy Financing Facility (KyrSEFF).

Demir Kyrgyz International Bank (DKIB) will receive an EBRD loan of $4 mln, which will then be used for on-lending to companies and households for energy efficiency improvements, such as modernisation of equipment or insulation.

DKIB is the third largest bank in Kyrgyz Republic. The EBRD has been cooperating with the bank, in which it also holds an equity stake, since 1997.

The framework under which the loan is being made, Kyrgyz Sustainable Energy Financing Facility, is one of the EBRD’s range of instruments to finance energy efficiency and small-scale renewable energy projects in the region. KyrSEFF offers credit lines and technical assistance to local banks, to enable them to finance small-scale sustainable energy projects. KyrSEFF is supported by the European Union’s Investment Facility for Central Asia (IFCA).

EBRD helps improve water supply in northern Moldova

30 July 2014

The European Bank for Reconstruction and Development (EBRD) is providing a €10 mln loan to Moldova to develop a regional water supply system in the country’s north, including its second largest city of Bălți.

The loan, to be split in two tranches of €6 mln and €4 mln, is part of a financing package of €30 mln, which also includes a €10 mln loan from the European Investment Bank (EIB) and an expected €10 mln capital grant from the European Union’s Neighbourhood Investment Facility (NIF).

The financing will enable the municipality of Balti and six districts – Florești, Soroca, Sângerei, Telenesti, Rășcani and Drochia – as well as the Ministry of Environment to consolidate their water and wastewater infrastructure into a joint operating company. The newly created regional operator will then develop the Soroca-Bălți water pipeline into a more integrated water supply system, which will improve the quality and efficiency of water and wastewater services across Moldova’s northern region.

The investment will help rehabilitate the Soroca-Bălți pipeline and other water networks in the region, increase the number of new connections to the pipeline and within the districts, reduce water losses and increase energy efficiency.

The project also aims to attract a private operator to manage the water and wastewater services on behalf of the joint operating company, which will result in more efficient services.


EBRD and FAO promote viable forests in Russia’s Far East

08 July 2014

Russia’s Far East occupies one-third of the country’s territory and accounts for more than nine percent of the world’s forests. Forestry there thus plays a crucial role, locally and further afield, supplying livelihoods for millions of people and a valuable habitat for flora and fauna, including the endangered Amur tiger.

Poor rural and forestry infrastructure, large scale illegal log exports and an unstable business environment make it difficult for companies to operate and remain competitive in the region. And without a qualified workforce, it is difficult to implement new and sustainable technologies in the sector.

The European Bank for Reconstruction and Development (EBRD) and the Food and Agriculture Organization of the United Nations (FAO) have been working together to promote viable forestry investment in Russia’s Far East based on the sustainable use of forest resources.

The forest sector study of the Russian Far East is an EBRD initiative and follows a forest policy process in the Western part of the Russian Federation. EBRD has long experience in valuation and financing of projects in forest-product sector, and FAO has extensive expertise in sustainable management of forests and in enhancing forest policy.

The joint detailed plan for attracting value added investments in a sustainable forest sector has been laid out in an Investment Roadmap, developed with the help of local and international experts, NGOs, academia, the private sector and government.

Through investment in education for a qualified workforce; development of infrastructure; use of modern harvesting and wood-processing technologies; and improvement of legal frameworks, this important natural resource can be sustainably managed.

The Roadmap’s purpose is to propose strategic plan on improvement of policies for attracting investment in sustainable forest industries in the Russian Far East, and discuss it within the framework of policy dialogue with the Russian government. Together, FAO and EBRD are committed to promoting sustainable economic development in the sector while
keeping a balance between the needs of the commercial forestry, local communities and the conservation of rich biodiversity.


**Political and social aspects of cooperation**

**EBRD statement on operational approach in Russia**

23 July 2014

A majority of the Board of Directors of the European Bank for Reconstruction and Development (EBRD), including all EU member states and several non-EU shareholders, have given clear guidance to the EBRD management that, for the time being, they will be unable to approve new investment projects in the Russian Federation.

Their guidance follows a declaration by last week's European Council which called on the EU member states to coordinate their positions within the Bank's Board. The EBRD management will be guided by this in its operational approach in Russia. The Board of Directors represents the Bank's shareholders (64 member states, as well as the European Union and the European Investment Bank).

The Bank will continue to manage its portfolio of existing projects and client relationships in Russia. The Bank will also continue to maintain its physical presence there. In the first six months of 2014, 19 per cent of the Bank's investments were in Russia, with 81 per cent made in the EBRD's other 34 countries of operations. During the first half of 2014, the Bank invested a record amount of €3.6 bln in its countries of operations, with a high transition impact and continued strong profitability.


**Tajikistan**

**Energy Efficiency**

**EBRD signs its largest project in Tajikistan to date**

25 July 2014

In its largest project in Tajikistan to date, and one of the largest in the country’s energy sector, the European Bank for Reconstruction and Development (EBRD) is providing a $50 mln loan to fund the first phase of the modernisation of the Qairokkum hydropower plant. Built in 1957, the plant is the only electricity generating facility in northern Tajikistan and supplies energy to over 500,000 homes in the Sugd region.

The total cost of the project is approximately $ 75.7 mln. The EBRD loan will be complemented by $ 21 mln in donor funds – a $ 10 mln loan and a $ 11 mln grant – from the Pilot Program for Climate Resilience (PPCR) under the Climate Investment Funds (CIF). The remaining $ 4.7 mln includes additional donor financing provided by the governments of Austria and the United Kingdom, and the EBRD’s Shareholder Special Fund for consultancy services.

The first phase of the upgrade programme will increase the plant’s current capacity from 126MW to 142MW with the installation of two new and larger turbines. This will prevent wasteful water spills and generate more electricity with the same flow of water, increasing the plant’s efficiency. The investment will also finance the installation of upgraded equipment that will raise safety levels and strengthen the plant’s resilience against the impacts of climate change.

In addition, financing will be used for the ongoing restructuring of Barki Tojik, a state-owned power company responsible for generation, transmission and distribution of electricity. The funds will help to improve the operational and financial performance of the company.

The project will not only address institutional barriers to electricity tariff reform by adopting and implementing new tariff methodologies in line with international standards,
but will also assist with introducing relevant legislation, a key priority for the development of the Tajik energy sector. Tariff reform is essential to improve this sector’s commercial appeal.


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**Ukraine**

**Energy**

**EBRD finances major biogas project in Ukraine**

02 July 2014

The European Bank for Reconstruction and Development (EBRD) is organising a financing programme of up to €7.1 mln to construct and bring into operation a 2.25 MW biogas plant, adjacent to Rokytne sugar mill in the Kiev region. The plant, which will be the largest facility of this type in the country, will generate electricity to be sold to the national grid at the agreed “green” tariff.

Through this project the Bank will continue to promote renewable energy generation in Ukraine, which is increasingly important for the country’s energy security. The financing package arranged by the Bank includes a 10-year EBRD loan of up to €5.07 million and a 15-year loan of up to €2.03 million from the Clean Technology Fund (CTF).

The financing for the Rokytne biogas project is part of the Ukraine Sustainable Energy Lending Facility (USELF) – an investment facility of €140 mln (€100 mln from the EBRD and €40 mln from the CTF) designed to provide finance to private local enterprises wishing to invest in small renewable energy projects in Ukraine. The strategic environmental assessment for the Rokytne project is funded by the Global Environment Facility (GEF).


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**Agriculture**

**EBRD finances modern terminal in Odessa sea port**

29 July 2014

The European Bank for Reconstruction and Development (EBRD) is providing a loan of up to $60 mln to Brooklyn-Kiev LLC, a leading private stevedoring company in Ukraine. Brooklyn-Kiev is developing a grain trans-shipment terminal in the Port of Odessa with an anticipated annual throughput capacity of up to 4.5 mln tonnes of grain.

The project will be implemented jointly with Louis Dreyfus Commodities, a global leader in agribusiness, according to an agreement signed by the two companies, which intends to establish a joint venture for the development and management of the terminal and related activities.

In addition to addressing the shortage of modern, deep-water port grain trans-shipment capacity in Ukraine, the terminal will benefit the region by creating jobs and increasing economic activity in the Port of Odessa area.

Due to record grain harvests in Ukraine in recent years (around 60 mln tonnes in 2013) the country is becoming an important global grain supplier. In this regard the EBRD is paying special attention to the development of port grain terminals, which handle over 95 per cent of grain exports from Ukraine.

The project forms part of the EBRD’s intensified efforts in Ukraine aimed at supporting the real sector of the domestic economy. This year, the Bank expects to be able to invest around €1 bln in the country, with the annual level of investment since February 2014 now standing at €500 mln.

D20 and Multilateral Development Banks join forces to support economic growth, create jobs and improve productivity

04 July 2014

The National Financial Institutions of the G20 countries ("D20") and the Multilateral Development Banks (MDBs) will work closely together to support economic growth, create jobs and improve productivity. This is the outcome of the second informal meeting of the Heads of the D20 and MDBs in Rome, which was hosted by Cassa Depositi e Prestiti (CDP) and the European Investment Bank (EIB). The joint action is following the priority of the Australian G20 Presidency to foster investments, particularly in infrastructure and small and medium-sized enterprises, in order to boost global growth.

The need to crowd-in private investors was acknowledged as top priority, due to the high financing needs. The relevance of the D20, as a tool to foster growth and jobs, supports the view that the D20 institutions shall be represented in the G20 work as the implementation bodies of agreed policies.

While the G20 Presidency acknowledges that there is no shortage of global funds, there are challenges in channelling them to productive investments. As governments cannot finance large global infrastructure needs on their own, G20 nations will have to deliver measures that aim to boost investment by the private sector.

The G20 are identifying reforms to remove constraints to private investment by establishing sound and predictable policy and regulatory frameworks and emphasising the role of market incentives and disciplines. These, along with other actions to promote long-term private sector investment, will maximise the impact of public sector capital expenditure.


EIB supports development of the water sector in Armenia

01 July 2014

The European Investment Bank (EIB) is providing two loans totalling € 30.7 mln to finance improvement of the quality and reliability of water supply services and the upgrading of wastewater treatment in Armenia. The EIB funds will help to improve the living standards of Armenia's citizens and contribute to accelerating the social and economic development of the country. The EIB loans will consist of:

- € 25.5 mln for the rehabilitation and construction of water and sewage infrastructure in Armenia's secondary cities and small communities
- € 5.2 mln for the upgrading of water supply infrastructure in selected areas of Armenia's capital Yerevan and several surrounding villages

The EIB loan of € 25.5 mln will help to implement over the period 2014-2018 the programme of water infrastructure rehabilitation carried out by four regional water supply companies in rural Armenia, improving water services for some 400,000 people. This programme will be co-financed with €30 mln from the German development bank KfW and an EU Neighbourhood Investment Facility (NIF) donation of €15 mln, consisting of a € 12 mln investment grant and a € 3 mln technical assistance grant. An additional grant of € 2.5 mln will be provided by the German cooperation ministry (BMZ).

The EIB loan of € 5.2 mln will support a project to be implemented during 2013-2015.
focusing on improving the water supply services in Yerevan. The project will improve the reliability of the service and reduce technical and commercial losses as well as energy consumption and maintenance costs. This project will be co-financed with some € 5.3 mln from the European Bank for Reconstruction and Development (EBRD) and a NIF grant of € 5.5 mln.


**Improvement of IFIs efficiency**

**EC and EIB sign MoU for co-operation in agriculture and rural development**

14 July 2014

Commissioner for Agriculture and Rural Development Dacian Cioloș and Vice President of the European Investment Bank (EIB) Wilhelm Molterer signed today a Memorandum of Understanding (MoU) between the European Commission and the EIB for co-operation in agriculture and rural development in 2014-2020. The first of its kind in the field of agriculture, this MoU paves the way for common initiatives by both institutions, so as to stimulate rural development and boost the utilisation of financial instruments supported by rural development funds.

The EIB will bring its experience in the development of financial instruments, which play an increasingly important role to support competitiveness and innovation in agriculture, forestry, and rural businesses. Under the MoU, the EIB will be able to advise Member States and regions in defining investment strategies and projects. The EIB will also put emphasis on agriculture and rural businesses in its operational programme and its interventions. In more concrete terms, the sort of instruments and interventions that might be covered are investments, pilot and demonstration projects, and innovative projects transferring research results and knowledge-sharing (in line with the European Innovation Partnership for "Agricultural Productivity and Sustainability"). A further example for potential joint cooperation would be the development of financial instruments supporting green infrastructure in rural areas and forestry, as well as the possibility of using EU-level financial instruments such as COSME and Horizon 2020.

The Memorandum of Understanding stresses the EIB's potential role in financing public and private projects, as well as financing national and regional public contributions to Rural Development Programmes. Thus, the EIB Group (i.e. the EIB and European Investment Fund) will also increase its presence in agriculture, agri-food and forestry, by facilitating feasibility assessments, market-gap analyses, and ex-ante assessments in the context of Rural Development Programming.


**International Financial Corporation**

**Climate Change**

**IFC Catalyst Fund Completes Fundraising at $418 Mln for Climate-Related Investments**

2 July 2014
IFC Asset Management Company, a wholly owned subsidiary of the International Finance Corporation (IFC), has raised approximately $418 mln for the IFC Catalyst Fund, which will invest in private equity funds and companies focused on climate-related investments in emerging markets.

The fund's mandate is to provide attractive returns to its investors by making equity investments, along with IFC, in a diversified portfolio of funds and companies. It has commitments from eight investors, including two private pension funds from Australia and Germany; the sovereign wealth fund of Azerbaijan; the governments of the United Kingdom, Canada, and Norway; the Japan Bank for International Cooperation; and IFC. The fund gives investors access to IFC’s investment pipeline in selected specialist investment funds focused on building companies and projects in low-carbon power generation, energy and water efficiency, and resource efficiency sectors more broadly. At the same time, the fund enhances IFC’s investment activities in the climate sector, a critical issue for its member countries. The fund is managed by an AMC team based in Washington, D.C.

The rapid growth of developing countries is increasing consumption of energy, water, and other key resources— with significant implications for the environment. Private equity and venture-capital funds are uniquely suited to financing climate-related investments because they possess the expertise to back innovative projects, support early-stage companies, and help such companies improve their technical and operating capacity. The fund and its investors will benefit from the growth of private equity in emerging markets focused on these sectors.


**Bond issues**

**IFC Begins $18 Bln Fund-Raising Effort for FY15 by Issuing $3 Bln Bond for Private Sector Development**

2 July 2014

IFC, a member of the World Bank Group, today issued a $3 bln five-year bond as part of a program that aims to raise up to $18 bln over the next year to support private sector development in some of the world’s most challenging markets.

The five-year global bond—denominated in U.S. dollars—generated an order book of over $3.6 bln and set the pricing benchmark for IFC’s borrowing program for the fiscal year ending June 30, 2015. The borrowing program supports nearly all of the financing IFC provides to private enterprises in developing countries.

By June 30, 2015, IFC plans to raise $18 bln across a range of markets and currencies. IFC issues bonds in a variety of markets—including the Australian-dollar Kangaroo market, the U.S. domestic market, and the Japanese market. IFC also issues discount notes in U.S. dollars and in the offshore renminbi market. In addition, it issues thematic bonds that support specific areas such as climate change and local-currency bonds to develop local capital markets.

Consistent with IFC’s practice, the proceeds of the latest bond issuance issue will be swapped into floating-rate U.S. dollar funds that will be available for IFC investments in emerging markets. IFC has issued dollar-denominated global bonds each year since 2000. All IFC bond issuances are rated triple-A by Standard & Poor’s and Moody’s.

The transaction was lead managed by Bank of America, Merrill Lynch, BNP Paribas, JP Morgan, and Nomura.

http://ifcextapps.ifc.org/ifcext/pressroom/IFCPressRoom.nsf/0/D206CEC8AD4504FD85257D0900614FBC

Armenia
International Forums

Armenia Stress Improved Food Safety to Increase Sales, Exports

4 July 2014

IFC, a member of the World Bank Group, and the State Service for Food Safety of Armenia today hosted a conference to highlight how improved food safety practices can help food producers increase sales and enter new markets.

The conference, which brought together government officials and a variety of food producers, aimed to help local agri-processing companies meet export market requirements and boost competitiveness. Regional experts shared experiences from other countries, detailing how modern food safety management helps minimize risk, build consumer trust, and attract investors.

The State Service for Food Safety presented guidelines for seven food industry sectors based on Hazard Analysis and Critical Control Points (HACCP), the leading international food safety standards.

The conference was organized by the IFC Armenia Food Safety Improvement Project and the State Service for Food Safety of Armenia, with support from World Bank’s Second Community Agricultural Resource Management and Competitiveness Project for Armenia and the Armenia Investment Climate Reform Project implemented by IFC. IFC’s donor partners in this project are the Federal Ministry of Finance of Austria and the Ministry of Foreign Affairs of the Netherlands.


Kyrgyzstan

Public Administration

IFC, Kyrgyz Republic Make Inspections More Effective, Helping Small Businesses

26 July 2014

IFC, a member of the World Bank Group, is advising the Kyrgyz government to help improve business inspections in an effort to reduce compliance costs and stimulate the growth of small and medium enterprises.

IFC today signed an agreement with the Kyrgyz State Inspectorate for Economic and Technical Safety to help implement previously adopted business inspections reforms. Joint efforts should close a gap between the government’s ability to craft new legislation and its ability to fully and consistently implement key reforms.

IFC’s recent study of the quality of regulatory interactions included specific recommendations on improving the implementation of new regulations. It showed that many businesses report consistent problems even after laws are adopted, continuing to endure unpredictable interpretation by government officials and a lack of transparency about policy, legal and regulatory changes.


Tajikistan

Information & Communication

IFC Invests in Tcell to Expand Access to Mobile Services in
**Tajikistan**

23 July 2014

IFC, a member of the World Bank Group, is providing a $30 mln loan to support Tcell’s plans to expand its network and improve connectivity for its subscribers across Tajikistan.

With more than 3.3 mln subscribers, Tcell is the largest mobile phone operator in the country. IFC’s investment will help Tcell upgrade its network, increase coverage, and make mobile services more accessible and affordable, especially in remote, less-densely populated areas of the country.

Most Tajiks live in rural areas with limited access to transportation services, and mobile phones are vital in helping micro and small enterprises operate by lowering costs and increasing productivity.

Tajikistan became a member of IFC in 1994. Since 1997, IFC has invested $110 mln to support 36 private sector projects in the financial, telecommunications, hydropower, retail, tourism, and manufacturing sectors.

http://ifcext.ifc.org/ifcext/pressroom/IFCPressRoom.nsf/0/628A9FCCFE01BBED85257D1E004DA8E4

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**International Monetary Fund (IMF)**

**Belarus**

**Bilateral Cooperation**

**IMF Executive Board Concludes Article IV Consultation with the Republic of Belarus**

16 July 2014

The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation1 with the Republic of Belarus.

Following average annual GDP growth of 8 percent during 1997–2008, in the aftermath of the 2008 and 2011 crises growth has slowed—reaching only 0.9 percent in 2013—reflecting structural limitations of the economy and a weak external environment. Meanwhile, Belarus’ external position has deteriorated sharply with the current account deficit reaching 10 percent of GDP in 2013. Inflation continues to be in double digits and the real exchange rate has appreciated rapidly.

Following a highly expansionary policy stance earlier, wage and credit policies have become more cautious from the second half of 2013. This helped stem immediate pressures in the fall. Since then, policies have been mostly on hold, with the notable exception of monetary policy, which is gradually being loosened. The first quarter of 2014 saw improvements in GDP growth and the trade balance, but this partly reflected seasonal and one-off factors.

The outlook is for continued slow growth and persistent external imbalances, but risks are high and tilted to the downside. With weak Russian growth weighing on external demand and with domestic demand slowing, only 0.9 percent GDP growth is expected this year, while inflation is forecast to remain around 16 percent. The current account deficit is projected at 8¾ percent of GDP in 2014 on weak external demand, low competitiveness, and a policy mix that continues to be too loose.


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**Kazakhstan**

**Bilateral Cooperation**
IMF Executive Board Concludes 2014 Article IV Consultation with the Republic of Kazakhstan

21 July 2014
The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation1 with Kazakhstan.

Growth slowed from 6 percent in 2013 to 3.8 percent year-on-year in the first quarter of 2014. The slowdown reflects weaker external demand, especially from China and Russia, the confidence effects of regional tensions and the February devaluation of the tenge on domestic demand, and slower production in the mining sector. Inflation, on the other hand, has risen, fueled by the devaluation and amid heightened external uncertainties, reaching 7 percent year-on-year in June compared with 4.8 percent at end-2013. Fiscal balances improved significantly last year and the national oil fund assets reached 31 percent of GDP. The banking sector recovery continues.

Real GDP growth in 2014 is projected at 4.8 percent, one percentage point below earlier projections, despite the expected positive contributions from the fiscal stimulus. At the same time, headline inflation is expected to further increase to around 9 percent in 2014, although the authorities are determined to maintain it within the 6–8 percent target range. Medium-term growth prospects hinge on the projected rise in oil output. Risks to the outlook are predominantly on the downside, reflecting possible additional unfavorable developments in Russia and Ukraine, and a prolonged slowdown in emerging markets.

The authorities have taken more aggressive steps to reduce the large stock of Non Performing Loans (NPLs), and have committed to enhancing the monetary and fiscal policy frameworks. They have also strengthened their commitment to speeding up structural reforms and in this context deepened their cooperation with the multilateral development institutions. The newly launched Eurasian Economic Union, with Belarus, Kazakhstan, and Russia as members, will formally come into effect in January 2015, while accession to the World Trade Organization (WTO) is expected later this year.


Kyrgyzstan

Bilateral Cooperation

Statement at the Conclusion of an IMF Staff Mission to the Kyrgyz Republic

15 July 2014
An International Monetary Fund (IMF) team led by Mr. Edward Gemayel visited Bishkek July 9–15, 2014. Discussions focused on recent economic developments and the economic outlook, as well as issues surrounding the accession to the Eurasian Customs Union (ECU).

At the conclusion of the visit, Mr. Gemayel issued the following statement:

"As a result of the deterioration in regional economic activity, the macroeconomic outlook for 2014 has moderated compared to the previous extended credit facility (ECF) review. Growth is expected to be around 4.1 percent, and inflation is expected to increase to about 9.8 percent. The current account deficit is projected to slightly improve due to lower imports, while international reserves should remain at a comfortable level. The fiscal deficit could deteriorate due to a revenues shortfall driven by weaker economic activity. The outlook remains sensitive to regional developments, namely a further slowdown in Russia. Clarifying the key parameters for the accession to the ECU should reduce uncertainty and improve the business environment.

"The authorities reiterated their commitment to maintaining macroeconomic stability and implementing a robust structural reform agenda. Reaching these objectives hinges on continued fiscal consolidation and implementation of the new monetary framework, speeding up public financial management reforms, and finalizing the remaining legislation in the financial sector. Improving the business environment will play a critical role in achieving the goals of the National Sustainable Development Strategy."
“The IMF stands ready to support the Kyrgyz Republic in its reform efforts and to continue fruitful cooperation. “The IMF mission thanks the authorities for their hospitality and the constructive dialogue.”


Bilateral Cooperation

**IMF Executive Board Concludes 2014 Article IV Consultation and First Post-Program Monitoring with the Republic of Moldova**

8 July 2014

The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation and First Post-Program Monitoring (PPM) with the Republic of Moldova. Moldova largely achieved the main objectives of the economic program supported by a combined Extended Credit Facility/Extended Fund Facility (ECF/EFF that expired on April 30, 2013. The country’s economic performance was among the strongest in the region during 2010–13. This was made possible by adequate macroeconomic stabilization measures and ambitious structural reforms implemented in the wake of the crisis under the Fund-supported program.

The Moldovan economy recovered strongly from the drought-related contraction of 2012, but activity will significantly slow in 2014 due to a moderation in agriculture production and related industries and weaker economic activity in main trading partners. Inflation is projected to remain within the National Bank of Moldova’s (NBM) inflation target range of 5 percent ± 1.5 percentage points. The external accounts temporarily improved in 2013 but will deteriorate in 2014. The current account deficit is projected to widen to about 7.5 percent of GDP resulting from a slowdown in export growth and a decline in remittances.

Moldova achieved an impressive degree of fiscal consolidation under the program, but the gains have since eroded. The overall budget balance was reduced in 2013 to 1.8 percent of GDP compared 6.3 percent in 2009, but on current policies is projected to widen to 2.6 percent in 2014 and 4.6 percent in 2015. As a result, public and publicly-guaranteed debt that reached 30 percent of GDP in 2014 is projected to be on an upward trend over the medium term.

Risks to systemic financial stability have built up due to severe governance problems in the banking system. The ability of regulators to take action is constrained by Constitutional Court rulings that reduced the powers of the NBM and limited the independence and effective operation of the National Commission for Financial Markets (NCFM).


Russia

Bilateral Cooperation

**IMF Executive Board Concludes 2014 Article IV Consultation with the Russian Federation**

1 July 2014

The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the Russian Federation.

The growth slowdown that began in 2011, reflecting structural constraints, continued in 2013 despite accommodative policies. Real GDP growth slowed to 1.3 percent due to a contraction in investment while consumption remained robust owing to strong real wage growth and an unsecured consumer credit boom. The general government balance moved from a modest surplus in 2012 to a deficit of slightly more than 1 percent of GDP in 2013.
The Central Bank of the Russian Federation (CBR) kept its policy rates constant until March 2014 despite above-target inflation.

More recently, geopolitical tensions have brought the Russian economy to a standstill. Staff projects real GDP growth at 0.2 percent in 2014 with considerable downside risks. Concerns about sanctions so far, as well as the threat of additional sanctions in the future, following Russia's actions in Crimea, have increased the uncertainty of doing business in Russia and are having a chilling effect on investment. Capital outflows could reach US$100 billion in 2014. Consumption will remain the main growth driver in 2014 while net exports are also expected to support growth as imports weaken. A slight recovery in growth to 1 percent is projected in 2015, on the back of stronger exports and stabilization of investment. Despite the economic slowdown, inflation is expected to remain well above the CBR’s target due to the recent exchange rate depreciation.

Fiscal policy is being tightened. However, the non-oil deficit will remain high, highlighting Russia’s reliance on revenues from exhaustible resources. The Reserve Fund balance has increased but remains well short of the government’s 7 percent of GDP target.


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**IMF Announces Staff Level Agreement with Ukraine on First Review under the Stand-By Arrangement**

18 July 2014

An International Monetary Fund (IMF) mission visited Kyiv during June 24-July 17, to hold discussions on the first review under the Stand-By Arrangement (SBA) in support of the authorities’ economic reform program. At the conclusion of the visit, Mr. Nikolay Gueorguiev, mission chief for Ukraine, made the following statement today in Kyiv:

“The mission has reached understandings with the Ukrainian authorities on the policies necessary for the completion of the first review under the SBA (see Press Release No. 14/189). In this regard, the authorities have committed to take a number of policy actions prior to the completion of the review. As is usual practice, the understandings reached with the authorities are subject to approval by IMF management while the completion of the review is subject to approval by the Executive Board. The completion of the review would enable the disbursement of SDR 914.67 mln (about $1.4 bln).

“The mission found that policies have generally been implemented as planned and that all but one of the performance criteria for end-May have been met. All structural benchmarks for the first review have been met as well, although some of them with a delay. This is a notable achievement as the intensification of the conflict in the East means that the program has been implemented in an environment that is considerably more difficult than anticipated when it was launched.

“The conflict is putting increasing strain on the program and a number of key elements of the macroeconomic framework have had to be revised: (i) economic prospects have deteriorated notably, and GDP is now expected to contract by 6.5 percent this year, compared to 5 percent when the program was adopted; (ii) a shortfall in revenue collections in the East, higher security spending, and lower-than-expected debt collection by Naftogaz will cause fiscal and quasi-fiscal deficits and financing needs to rise above the programmed path; and (iii) higher-than-expected capital outflows and monetization of fiscal deficits are causing pressures on net international reserves.

“Notwithstanding the authorities’ continued commitment to the program and good record of implementation so far, the authorities have decided to take a number of compensatory measures to limit the negative impact of the conflict in the short run, and ensure that key program objectives are achieved over the period of the two-year program.

03 July 2014

The 25th Annual Symposium on “Strengthening Regional Economic Cooperation and Integration for Development in IDB Member Countries” held in conjunction with the 39th Annual Meeting of the Board of Governors asserted the need for strengthening cooperation and integration among member countries, trade openness to boost competitiveness, accelerating youth education, science and technology and research to sustain better relationship and economic interdependence among member countries, intensifying cross-border infrastructure investment in transportation, energy, etc., and fostering Islamic finance for regional integration.

The symposium was chaired by HE Dr. Ibrahim bin Abdel-Aziz Al-Assaf, Chairman of IDB Board of Governors. The main panelists at the symposium were HE Ali Babacan, Deputy Prime Minister for Economic and Financial Affairs, Turkey; HE Dr. El Hadj Abdallah Toikeusse Mabri, Senior Minister for Planning and Development, Côte d'Ivoire; HE Mr. Sahil Babayev, Deputy Minister, Ministry of Economy and Industry, Azerbaijan; HE Dr. Abdullah Ibrahim Al Kuwaiz, Former Deputy Finance Minister of the Kingdom of Saudi Arabia, and HE Ambassador Shamil Aleskerov, Secretary General of Economic Cooperation Organization (ECO). Mr. Abdallah Al Dardari, Chief Economist at the United Nations Economic and Social Commission for Western Asia (UN ESCWA) moderated the symposium. Dr. Ahmad Mohamed Ali, Chairman, IDB Group, delivered the welcome address.

The symposium came up with a number of recommendations at the national, regional and IDB Group level.

http://www.isdb.org/irj/portal/anonymous?NavigationTarget=navurl://71cd39288bf9ac31b2b312401ca8eea7

27 June 2014

Board of Directors of “Samruk-Kazyna” JSC under the Chairmanship of Prime-Minister of Kazakhstan Karim Massimov considered Annual and Financial statements of the Fund and approved dividend payment as the result of 2013.

According to the audited consolidated financial statements of the Fund in accordance with International Financial Reporting Standards Foundation, net income per share of the Fund’s sole shareholder - the Government of the Republic of Kazakhstan reached 407.2 bln tenge as of 2013. During the meeting it was decided to allocate 398.1 bln tenge under the Fund’s control and 9.1 bln tenge for dividends payment on ordinary shares following the results of 2013.

Overall, the distribution of «Samruk-Kazyna» JSC in favor of the Government of Kazakhstan amounted to 156.6 bln in 2013, including dividends of 9.1 bln for 2012.

The distribution to the Government amounted in general 73 bln tenge, including 9,1 bln tenge as dividends following the results of 2011.
Besides, Fund’s Group of companies paid taxes and other payments in the amount of 875 bln tenge, which is 8.5% higher than in 2012. The Board of Directors also approved the report on provided sponsorship and charity of «Samruk-Kazyna» Group for 2013.


«Samruk-Kazyna» JSC approves withdrawal of 15 companies

23 July 2014

«Samruk-Kazyna» JSC organized the first meeting of the Fund's Commission on assets divestiture and facilities as a part of the Comprehensive privatization plan for 2014 -2016. The commission members discussed the organizational aspects of trading assets planned for sale under the privatization program, reviewed the methodology for selecting an independent appraiser of these assets. In addition, the participants considered the list of documents for the Due Diligence procedure.

Following the meeting the Commission has approved the schedule of events on the assets divestiture and facilities in August 2014 and approved 15 companies for withdrawal from the structure of «Samruk-Kazyna» JSC.

Among them are the enterprise for repair and maintenance of rolling stock «Birzhan-Atyrau» LLP, «Bass Balkhash 2004» LLP, «Ak Beren» LLP, «Yertys service» LLP, «Kazykurt-South» LLP etc.

At the moment the assessment of the remaining assets is under completion, the decision on pre-emption right is expected from the second participants (founders).

It should be noted that two assets were sold under the privatization program: «MZ-Security» LLP (subsidiary of JSC«NC» Kazakhstan Engineering «and Ecomaster Servicii Ecologice SRL (subsidiary of JSC» NC «KazMunaiGas»).) Tender on divestiture of 51% of the common shares of «832 repair plant of Kazakhstan Engineering» JSC took place in June of this year. Due to the lack of applications for participation trades were invalidated.

In addition, the Government of the Republic of Kazakhstan jointly with «Samruk-Kazyna» JSC developed comprehensive privatization plan for 2014-2016 within the implementation of the relevant orders of the President. From 2014 to 2020 it is planned to privatize 106 assets and Fund's objects, 64 of which will be withdrawn to the private sector till the end of 2014. Implementation of this program is designed to reduce state involvement in the economy and strengthen its foundations by increasing share of the private sector.


Finance

«Samruk-Kazyna» JSC completed carve-out of shares of «BTA Bank» JSC

04 July 2014

«Samruk-Kazyna» JSC finalized carve-out of 93% of the ordinary shares of «BTA Bank» in favor of «Kazkommertsbank» and Mr. K. Rakishev.

According to the results of the transaction the new shareholders hold by 46.5% of the ordinary shares of «BTA Bank» JSC.

«Samruk-Kazyna» JSC placed 4.26% of «BTA Bank» shares into trust of «Kazkommertsbank».

This event is one of the final stages of implementation of the Kazakh President's instructions on state's withdrawal from the shareholders of second-tier banks.

As previously reported, May 15, 2014 «Samruk-Kazyna» JSC completely sold its shares in «Temirbank» JSC (79.88%), as well as part of shares (16%) of «Alliance Bank» JSC to Mr. Utemuratov B.

Improvement of IFIs efficiency

World Bank to Begin Discussions on Proposal to Strengthen Social and Environmental Safeguards

30 July 2014

The World Bank Board’s Committee on Development Effectiveness today provided clearance for the Bank to consult publicly on a first draft of a proposal to modernize the policies that safeguard people and the environment in the investment projects the World Bank finances.

The proposed Environmental and Social Framework builds on the decades-old safeguard policies and aims to consolidate them into a more modern, unified framework that is more efficient and effective to apply and implement.

The proposal aims to maintain and build on existing protections, including the enhanced protection of disadvantaged and vulnerable people, Indigenous Peoples, communities and the environment, including provisions for pest management, dam and road safety, natural habitats, and cultural heritage. It also highlights the importance of non-discrimination.

The current draft includes a vision statement on environmental and social sustainability, a policy outlining the World Bank responsibilities and ten environmental and social standards that are required for the partner country.

The proposed draft standards include: assessment and management of environmental and social risks and impacts; labor and working conditions; resource efficiency and pollution management (including the consideration of climate change and other related issues); community health and safety; economic or physical displacement of people (involuntary resettlement), biodiversity conservation and sustainable management of living natural resources (forests, habitats, sustainable management of living natural resources, production of living activities such as food safety, responsible harvesting, international standards); indigenous peoples, cultural heritage, financial intermediaries and stakeholder engagement.


Bond issues

World Bank Issues its First Equity Index-Linked Green Bond

23 July 2014

Today, the World Bank (International Bank for Reconstruction and Development, IBRD, rated Aaa/AAA), announced that BNP Paribas Cardif has purchased a € 50 mln 10-year structured World Bank Green Bond. This bond is linked to the performance of the Ethical Europe Equity Index, an index that selects eligible sustainable companies for inclusion based on analysis by Vigeo and Forum Ethibel. The index is managed by Solactive. This is the first sustainable equity index-linked green bond that has been designed and promoted by BNP Paribas Global Equities and Commodity Derivatives.

World Bank green bonds raise funds for projects seeking to mitigate climate change or help affected people adapt to it. Examples of the types of projects supported by World Bank Green Bonds include renewable energy installations, energy efficiency projects, and new technologies in waste management and agriculture that reduce greenhouse gas emissions and help finance the transition to a low carbon economy. They also include financing for forest and watershed management and infrastructure to prevent climate-related flood damage and build climate resilience.

With today’s issue, the World Bank has once again expanded the investor base for the green bond market, this time responding to demand from institutional investors seeking structured green bond products. The World Bank has now raised $ 6.4 bln equivalent through 67 green bonds in 17 currencies, since its inaugural green bond in 2008.
World Bank Raises $1.75 Bln in a Long 2-Year USD Benchmark

31 July 2014

The World Bank (IBRD, Aaa/AAA) priced today a new long 2-year benchmark raising a total of $1.75 bln. The size of the transaction was increased from $1 bln which was the initial target on the back of the strong order book primarily driven by central banks. The joint-lead managers for this benchmark are Bank of America Merrill Lynch and RBC Capital Markets.

The 2-year USD transaction carries a semi-annual coupon of 0.750% and matures on December 15, 2016. It offers investors a yield of 0.810%, which is equivalent to a spread of 27.45 basis points over the 0.500% U.S. Treasury note due July 2016.

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

World Bank Supports Improvement of Armenia’s Investment and Export Promotion Services

2 July 2014

The World Bank Board of Executive Directors today approved a $50 mln loan for the Trade Promotion and Quality Infrastructure Project for Armenia. This project is designed to strengthen the government’s capacity to promote exports, attract foreign and domestic investments, and enhance quality services to business expansion.

Armenia has a relatively low export base, dominated by a few products with low value added content, reflecting the declining sophistication of its export sectors. The country also needs to step-up private investments, notably foreign direct investment (FDI). Left unchanged, the current structure of export basket will do little to mitigate the country’s vulnerability to global competition and will lead to a lower growth trajectory. In addition, Armenia’s national quality infrastructure suffers from substantial weaknesses that hinder technology upgrading and undermine the competitiveness of its exports.

The project will specifically help: (i) improve the effectiveness of the trade promotion and quality system in Armenia; (ii) promote investment and exports by providing services to improve the capacity of local exporters to compete in foreign markets, facilitate cluster development, and attract efficiency seeking FDI; and (iii) modernize the national quality infrastructure by updating the metrological, accreditation and standards services to provide relevant quality management services to industry.

The project will transform the investment, export promotion, and quality infrastructure agencies into modern service providers operating in accordance with international best practices. The proposed activities will support reforms to improve the relevant agencies and provide complementary investments for establishment of foreign representatives in key export and investment markets and the renovation of a metrology building and laboratories. As a result, it is expected to increase the capacity of firms to compete in export markets, facilitate public-private partnerships, and support the National Institute of Metrology and National Accreditation Board to obtain multilateral agreements with international bodies.

The project’s direct beneficiaries include both existing and potential exporters, who will
benefit from improved service delivery under a more efficient trade promotion and quality system. Foreign-owned firms that are going to invest in Armenia will also benefit, as well as local enterprises which will receive positive spillover effects from foreign direct investments. Furthermore, by promoting industry-academia collaboration, the proposed activities will largely assist universities, research institutions and enterprises.

Total financing of the project is $59.54 mln, of which $9.54 mln will be the Government’s contribution. The World Bank will provide a $50 mln IBRD loan of variable spread with a 10 year grace period and the total repayment term of 25 years.


**Energy Efficiency**

**World Bank Further Strengthens Power Supply Reliability in Armenia**

02 July 2014

The World Bank Board of Executive Directors today approved a $40 mln loan for the Additional Financing of the Electricity Supply Reliability Project for Armenia. This additional financing would scale up activities to enhance the impact of the ongoing project and cover the cost of rehabilitation of three substations essential for Armenia’s power transmission network – the Haghtanak, Charentsavan-3, and Vanadzor-1 substations.

The average age of Armenia’s power transmission assets is around 45 years and most of them have not undergone any major rehabilitation or upgrade over the past decades. The ongoing Electricity Supply Reliability Project has been designed to enhance the reliability of the power supply in the country by improving the capacity of the power transmission network back-bone infrastructure. Around 230 km of outdated transmission lines from the Hrazdan Thermal Power Plant to the Shinuhayr substation is under replacement. The investments will increase the capacity and reliability of the targeted section of the transmission network by lowering frequency of line failures and related power supply outages.

The new financing is targeting the assets that have a high priority in the list of investment needs. The Haghtanak substation requires rehabilitation and extension and is critical for ensuring reliable power supply to distribution substations and consumers in the western parts of Yerevan. Charentsavan-3 and Vanadzor-1 serve residential and large industrial consumers in the north-eastern and northern Armenia. Charentsavan-3 also functions as switching stations linking to other six substations.

Rehabilitation and extension of the three substations need to start as soon as possible. Several key sections of plant and equipment are well beyond their economic life and their increased incidence of failure could have significant negative implications. In particular, some of the substations have equipment that was commissioned back in 1930s and have never undergone any rehabilitation since then.

The project builds on the World Bank experience and draws extensively upon the lessons of previous engagement in the power sector of Armenia, as well as on transmission projects implemented in other countries.

Total financing of the project is $50 mln, of which $10m will be the Government’s contribution. The World Bank will provide a $40 mln IBRD loan of variable spread with a 10 year grace period and the total repayment term of 25 years.


**Azerbaijan**

**Public Administration**

**World Bank Continues Supporting Public Service Delivery in**
Azerbaijan

9 July 2014

The World Bank’s Board of Executive Directors today approved two IBRD loans to the Republic of Azerbaijan. The first loan, in the amount of $100 mln, will support the Judicial Services and Smart Infrastructure Project (JSSIP). This project builds on the current Judicial Modernization Project, and aims at improved access, transparency, and efficiency of selected judicial services. The second loan, in the amount of $50 mln, is an Additional Financing for the ongoing Azerbaijan Rural Investment Project (AzRIP), which helps rural communities in Azerbaijan improve their well-being by supporting small-scale infrastructure and income-generating activities.

Judicial Services and Smart Infrastructure Project (JSSIP)

JSSIP constitutes a second phase of World Bank support for Azerbaijan’s efforts to improve the performance of its justice sector and strengthen access to justice, especially for the vulnerable. The project is designed to sustain Azerbaijan’s justice sector modernization by expanding access, strengthening due process, and ensuring transparency in the delivery of key justice and legal services.

The Project has four components that will upgrade e-justice services, such as case filing and case management systems; improving business registry and inspections, and enforcement of judicial decisions; improving information technology capabilities of the justice sector; and expansion and modernization of judicial infrastructure.

Azerbaijan Rural Investment Project (AzRIP)

Almost half of Azerbaijan’s population lives in rural areas where infrastructure needs – such as community roads, irrigation and drainage, potable water, and health and education facilities – are still significant. The Azerbaijan Rural Investment Project brings local communities together, and directly involves them in identification, implementation, and monitoring of project interventions.

Implementation of the original project has, so far, benefited over 1.5 mln people in more than 600 communities. Micro-projects, supported by AzRIP, helped improve over 2,000 km of intra-community roads, which significantly reduced travel times to schools and markets. Improvements in the local irrigation and drainage systems have positively affected over 700,000 farmers whose average productivity has risen by 30 percent.

The additional financing will support 670 more infrastructure micro-projects. It also will provide technical assistance for the identification and preparation of income-generating activities that will then be supported through AzRIP’s grant facilities.

The current World Bank investment portfolio in Azerbaijan includes 17 projects. Since joining the World Bank in 1992, commitments to the country have totaled over $3 bln for 54 projects.


Water, Sanitation, Flood Protection

World Bank Continues Supporting Water Supply and Sanitation Services in Azerbaijan

15 July 2014

The World Bank’s Board of Executive Directors today approved an IBRD loan in the amount of $150 mln for Additional Financing for the Second National Water Supply and Sanitation Project (NWSSP 2) in Azerbaijan. The objective of the loan is to improve the quality and reliability of the water supply and to expand water supply and sanitation services in selected regional centers in Azerbaijan.

Azerbaijan has a relatively extensive water supply and sanitation network. However, due to a lack of investment and maintenance, the quality of services has significantly deteriorated in rural regions of the country. Recently, the Government of Azerbaijan launched a program to address infrastructure deficits and to ensure financial sustainability of the sector.

The Second National Water Supply and Sanitation Project has been under implementation
since 2008, and has already helped improve the water supply and sanitation networks in three regional centers, with reliable piped water supply and sanitation services provided to more than 120,000 beneficiaries. The project has also introduced EU water supply and sanitation standards in Azerbaijan.

The scope of additional activities includes more household connections, additional metering, larger capacity water and wastewater treatment plants, additional institutional modernization components, support to construction supervision and management, and other activities to scale up the successful results achieved under the Second National Water Supply and Sanitation Project.

The current World Bank investment portfolio in Azerbaijan includes 17 projects. Since joining the World Bank in 1992, commitments to the country have totaled over $3 bln for 54 projects.


Belarus

Research

The World Bank Proposes a Roadmap For Heating Tariff Reforms In Belarus

25 July 2014

The current heating tariff system in Belarus is inefficient, unsustainable in the long run, and undermines industry competitiveness and risks macroeconomic instability, says a World Bank’s study Belarus: Heat Tariff Reform and Social Impact Mitigation.

The report analyses the social, sectoral and fiscal impacts of the heat tariff reform considered by the Government and provides recommendations for developing a sustainable district heating sector and working out measures to mitigate adverse impacts of the heat tariff increases on the households.

According to the report, underpriced residential heat tariffs for district heating, that are currently at 10-21 percent of cost-recovery level, place an increasing fiscal burden on the budget and industrial producers. Because of the cross-subsidies from industrial to residential consumers, Belarusian manufacturers do not benefit from the low import price of natural gas. As a result, the tariff set for the industries is higher than the European average.

The report warns that the current system of subsidies to the population is poorly targeted. Instead of identifying the poorest households and providing subsidies to them, the subsidies are provided to all households regardless of their income. The existing social protection mechanisms need to be adjusted to support the poor and vulnerable groups in the event of a tariff reform.

In order to build momentum for the heating tariff reform the report recommends (i) enhancing customer communications and engagement to address the existing knowledge gap among residential consumers on tariff setting and the proposed reform; (ii) improving social protection mechanisms, and (iii) encouraging investments in energy efficiency both at production and consumption stages.


Eurasian Economic Union (EEU)

Regional integration and cooperation

Labor Migrants’ Pension Mobility as a Symbol of Efficient Functioning of the Emerging Eurasian Economic Union
The introduction of pension mobility within the emerging Eurasian Economic Union is an essential step towards regional economic integration, according to the “Pension Mobility within the Eurasian Economic Union and the CIS” report, launched today in Russia.

Initiated by the Centre for Integration Studies of the Eurasian Development Bank (EDB Centre) and the World Bank (MIRPAL regional migration program), the report introduces the concept of labor pension mobility between labor recipient countries (Russia, Kazakhstan, and Belarus) and labor donor countries (Kyrgyzstan, Tajikistan, and Armenia).

Pension mobility is a process of inter-state reciprocal recognition of labor migrants’ pension rights. According to the report, introduction of pension mobility in the context of labor migration processes within the emerging Eurasian Economic Union can build on the EU countries’ best practice experience.

International best practice proves that if donor and recipient countries use different social security systems, the issue of pensionary payments could be resolved through coordination of pension assignment rules. This coordination provides that pensionary assignments and payments are to be made by the pension fund of the country where the labor worker resides and applies for pensionary support. The pension fund of that country will then receive transfers (compensation) from the pension fund of the other country, where a labor migrant has worked. Compensation payments / transfers can be pro-rated based on the number of years that have been worked abroad.

Today, overall coordination between countries and their pension funds has not yet been developed in the CIS countries, nor within the framework of the Common Economic Space. However, there is a necessity to improve living standards and provide a decent life for labor migrants as they get older. From the macroeconomics point of view, an efficient pension mobility system could help improve the mobility, flexibility, and efficiency of the labor force as a production factor, as well as help raise the global competitiveness of the Eurasian Economic Union.

Introduction of labor migrants’ pension mobility is an important item on the agendas of the Common Economic Space and the Eurasian Economic Union. The proposed pension mobility mechanisms could help resolve problems related to labor migrants’ pension payments that are of vital importance to tens of millions of people.


10 July 2014

During the visit to Kyzylorda region, World Bank Regional Director for Central Asia Saroj Kumar Jha and Vice-Minister of Environment and Water Resources of the Republic of Kazakhstan Yerlan Nyssanbayev discussed opportunities for continued cooperation for realization of the second phase of the Syr Darya Control and Northern Aral Sea Project.

The first phase of the Syr Darya Control and Northern Aral Sea Project (SYNAS-1) brought impressive positive results. The project focused on the most urgent investments needed to reduce water losses in the Kazakh part of the Aral Sea basin and allow more fresh water to flow into the Northern Aral Sea. Construction of the 13-km Kok-Aral Dam in 2005 brought benefits which exceeded the project expectations: the volume of the Northern Aral Sea raised by 68 percent as early as by 2008; the project has also brought other impressive results such as reduction of salinity by half, increased fish production by more than 3 times, improved flora and fauna, and, most importantly, the return of the local population who started to engage again in income generating activities, mainly fishing.

In his turn, World Bank Country Director for Central Asia Saroj Kumar Jha expressed the Bank’s commitment to support Kazakhstan in the implementation of the second phase of
The planned five-year project SYNAS-2 will help improve public health, and enhance human safety through the reduced frequency and magnitude of floods and droughts thus contributing to the environmental sustainability of the region. The improved water supply will increase fisheries production, as well as facilitate crop and livestock production to the benefit of the population living around the Northern Aral Sea.


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**2014 World Bank Income Classifications: Kyrgyz Republic Becomes Lower Middle Income Country**

24 July 2014

The Kyrgyz Republic has been re-classified from a low income country to a lower-middle income country, according to the 2014 Income Classifications released in July 2014 by the Bank’s Office of Development Economics and Chief Economist. The World Bank updated the analytical country classification, which groups economies of the world into four categories based on 2013 gross national income (GNI) per capita estimates: low income, lower-middle income, upper-middle income, and high income.

As of 1 July 2014, low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of $1,045 or less in 2013; middle-income economies are those with a GNI per capita of more than $1,045 but less than $12,746; high-income economies are those with a GNI per capita of $12,746 or more. Lower-middle-income and upper-middle-income economies are separated at a GNI per capita of $4,125.

The Kyrgyz Republic’s GNI per capita for 2013 is estimated at $1,200, increasing from $1,040 in 2012.


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**World Bank Supports Improvement of Accountability and Reliability of Electricity Supply in the Kyrgyz Republic**

15 July 2014

The World Bank’s Board of Executive Directors today approved financing of $25 mn equivalent for the Electricity Supply Accountability and Reliability Improvement Project in the Kyrgyz Republic. $13.75 mn of this financing is a concessional credit, while $11.25 mn is a grant.

The objective of the proposed Electricity Supply Accountability and Reliability Improvement project (ESARIP) is to improve the reliability of the electricity supply in the capital city Bishkek, as well as the Chui and Talas regions – an area served by the state-owned power distribution company Severelectro JSC – and to strengthen the governance of Severelectro’s operations. By focusing on the service area of Severelectro, the ESARIP project will ensure that benefits accrue to the largest share of customers, since Severelectro is the largest distribution company, serving more than 40 percent of all residential customers in the country and delivering more than 50 percent of total electricity consumption.

Specifically, the ESARIP project will aim to:

- improve power supply reliability in the service area of Severelectro by strengthening the distribution infrastructure of Severelectro (including investments in new substations to
eliminate overloads and in advanced meters);
• enhance quality of services to customers by providing Severelectro with better
information management tools for a faster and more effective response to service
interruptions and customer complaints;
• improve financial viability of Severelectro through reduction of technical and non-
technical losses in its service area; and
• strengthen governance and internal controls in Severelectro through provision of access
to real time and reliable corporate and commercial information, as well as institutional
strengthening.

The project will be implemented over five years by Severelectro JSC and will be overseen
by the Project Steering Committee, established by the Ministry of Energy and Industry of
the Kyrgyz Republic.


Agriculture

World Bank to Support Improved Management of Pastures and Livestock in the Kyrgyz Republic

15 July 2014

The World Bank’s Board of Executive Directors today approved $15 mln equivalent in
financing for the Pasture and Livestock Management Improvement Project in the Kyrgyz
Republic. $8.25 mln of this financing is a concessional credit, while $6.75 mln is a grant.

The project aims to improve community-based pasture and livestock management in the
Kyrgyz Republic, and will have two key components: 1) community-based pasture
management, and 2) community-based animal health and husbandry services.

The first component will support building public awareness of pasture-related legislation;
demarcating internal pasture boundaries, resulting in more accurate land tax charges and
resolution of land-use disputes; building more inclusive pasture users union governance
and increasing women’s participation in decision-making; funding community-based
investments in pasture, feeding, and livestock improvement; and introducing community-
based pasture management into forestry enterprise pastures.

The second component will focus on building the capacity of animal health and husbandry
groups created under pasture users unions; equipping and training private vets, and
facilitating contracts between vets and pasture users unions; building awareness of pasture
users of the benefits of veterinary services and improved animal health; development of
training materials for vets in cooperation with the Veterinary Chamber and Kyrgyz National
Agrarian University; and building the capacity of the Veterinary Chamber to support the
assessment and professional development of private vets, resulting in higher private
veterinary standards.

Overall, it is expected that about 190,000 rural households in the Chui and Talas regions
will benefit from improved pasture users unions and private vet services. 140 pasture users
unions (out of 454 nationally), currently responsible for community-based management of
about 1.2 mln hectares of pastures and 2,100 pasture committee members, as well as 420
private vets, will benefit from capacity-building under the project. In addition, about 48
veterinary higher education graduates will receive equipment and training.

The project will be implemented in 2015-2019 by the Ministry of Agriculture and
Melioration through its Agricultural Projects Implementation Unit and through the
Community Development and Investment Agency (ARIS).

World Bank supports more competitive exports and smarter regulations for Moldovan companies

11 June 2014

The World Bank’s Board of Executive Directors today approved a $45 mln financing to the Republic of Moldova for the Second Competitiveness Enhancement Project, which will contribute to increasing the export competitiveness of Moldovan enterprises and decreasing the regulatory burden they face.

The new operation supports the Government of Moldova’s National Development Strategy “Moldova 2020” goals of improving the business enabling environment and promoting better access to finance for enterprises. To achieve these priorities, the project will support the Government’s regulatory reform strategies, development of small- and medium-enterprises (SME), and initiatives to improve access to medium- and long-term finance for export-oriented companies.

Over the past decade, exporting sectors have seen little dynamism, and in the several years prior to the global financial crisis, they grew at a pace slower than GDP. Exports have mostly remained concentrated in a few traditional, low value-added industries, and there has been little expansion of direct exports from Moldova to non-CIS countries.

The Government’s priorities in addressing these challenges are centered around supporting export-oriented economic growth based on better regulations, increased investment and the development of goods and services-exporting industries. To fully reap the benefits of deeper economic integration with its neighbors, Moldova needs to increase its overall competitiveness.

In this context, the Second Competitiveness Enhancement Project will support three major areas:

• First, the Project will assist the Government to successfully implement its regulatory reform strategies. It will focus on increasing accountability and oversight of reforms that improve transparency and predictability, and reduce the cost of doing business. The Project will also assist the Government in implementing reforms that benefit export competitiveness, such as facilitating the issuance of licenses, permits, and authorizations, and improving competition.

• Second, the project will support SME development by strengthening SMEs’ linkages to markets and providing matching grants to implement business improvement practices focused on export competitiveness.

• Third, the Project will provide medium- and long-term financing for working capital and investment purposes to export-oriented enterprises, and will promote improvements in other financing tools.


World Bank Announces New Country Manager for Moldova

11 July 2014

World Bank Country Director for Belarus, Moldova and Ukraine, Mr. Qimiao Fan, presented today to Moldovan authorities the new World Bank Country Manager for Moldova, Mr. Alex Kremer.

Mr. Kremer will take up his post in Chisinau on August 1, 2014. He has previously worked as the World Bank’s Country Manager in the Kyrgyz Republic (2010-2014) and Senior Sector Economist in the Middle East and North Africa region of the World Bank. During that time he published several works of research on agriculture, the impact of the 2006 war in Lebanon, energy efficiency and lagging regions. He was the lead author of the publication "Poor places, thriving people: how the Middle East and North Africa can overcome spatial disparities" (2010). Before joining the Bank, Mr. Kremer worked for the UK Department for International Development in India as National Program Manager. He has also served as an EU official, most recently as Economic and Political Counsellor in Harare, Zimbabwe.
Since Moldova joined the World Bank in 1992, over $1 bln has been allocated to 49 projects in the country. Currently, the World Bank portfolio includes 8 active projects with a total commitment of $189.9 mln. Areas of support include regulatory reform and business development, education, social assistance, e-governance, healthcare, agriculture, environment and other. The International Finance Corporation has invested $233 mln in 24 projects in various sectors, and the Multilateral Investment Guarantee Agency has provided guarantees totaling $95 mln. Both institutions are members of the World Bank Group.


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Russia

Transport

Russia's AVTODOR and the World Bank sign a Reimbursable Advisory Services Agreement

4 July 2014

The International Bank for Reconstruction and Development (The World Bank) and The State Company Russian Highways (AVTODOR) have signed a Reimbursable Advisory Services Agreement to develop a methodology to assess AVTODOR’s investment project effectiveness.

The Agreement was signed by Head of AVTODOR Sergey Kelbakh and World Bank Country Director and Resident Representative in the Russian Federation Michal Rutkowski on June 30, 2014.

As per the Agreement, building on its best practice international experience gained over the years, the World Bank will design and recommend a methodology to assess investment projects, which should not contradict regulatory and legal framework of the Russian Federation.

A World Bank team of experts will prepare detailed guidelines for AVTODOR on conducting and organizing an evaluation process and draft a package of recommendations with a view to identifying the viability of implementing projects in Russia through either different public-private partnership (PPP) schemes or traditional procurement methods.

In order to pilot-test the methodology, the World Bank’s team—in cooperation with AVTODOR—will identify two construction projects of regional and/or federal significance. Also, the agreement envisages a training course for AVTODOR staff to enhance the company’s capacity in this area.

The agreement is expected to be implemented before end-October, 2015.


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Tajikistan

Agriculture

World Bank Group Supports Agriculture Commercialization in Tajikistan

30 July 2014

The Minister of Finance of the Republic of Tajikistan Abdusalom Kurbonov and the World Bank Country Manager for Tajikistan Marsha Olive today signed a grant agreement to finance the Tajikistan Agriculture Commercialization Project. The new project is jointly supported by the World Bank and the International Finance Corporation (IFC) and is funded by a grant from the International Development Association (IDA) in the amount of $22 mln.

The project builds on past reforms that strengthened property rights in land, restructured farm ownership, and gave farmers the freedom to choose which crops to produce. It will
further expand opportunities for farmers and enterprises to increase productivity and access to domestic and export markets.

Agriculture accounts for 23 percent of GDP and 48 percent of employment in Tajikistan, so it plays a major role in economic growth and poverty reduction. Through a set of complementary measures, including access to loans, grants and capacity building for small farmers, the project will increase the commercialization of farm and agribusiness products. Also, more medium-scale agribusinesses and producer associations will be able to market their products locally and internationally. It will also build the government’s capacity for policy and regulatory reforms and support market research and analysis, and modernize the curricula of educational institutions for commercial agribusiness.

A parallel direct investment by IFC of $1.9 mln brings the project value to $23.9 mln. The joint efforts of IDA and IFC are expected to leverage private investment estimated at $72 mln.


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Social Sector

World Bank Bolsters Social Protection Reform in Ukraine with New Loan

The World Bank’s Board of Executive Directors today approved a $300 mln loan for the Social Safety Net Modernization Project in Ukraine to expand a targeted social safety net program that will help the most vulnerable and socially excluded people.

This new investment will help to expand a cash-transfer program, or the Guaranteed Minimum Income (GMI) program, to cover those most in need. It aims to support high-priority measures for more efficient administration of social benefits and services through strengthening performance management to be supported by the national management information system. This will be done across all local offices under Ministry of Social Policy’s subordination. The number of individuals receiving GMI is expected to almost double from 586,000 in 2013 to 1.1 mln in 2019.

In addition, the project will directly address the needs of orphans and disabled orphans in four selected regions (oblasts). They will benefit from a full range of social welfare services that the project will help design and implement. About 35,000 disabled children under the age of 18 and 13,000 orphans and children deprived of parental care are expected to benefit from the project.

This new six-year project is part of the World Bank Group’s overall assistance to Ukraine announced in March this year, which aims to provide up to US$3.5 bln by the end of 2014.

The World Bank is a major development partner of Ukraine. With this new investment, World Bank’s active lending portfolio will amount to $3.69 bln for 12 operations in the country. Since Ukraine joined the World Bank in 1992, the Bank’s commitments to the country have totaled over $8.5 bln for 44 projects and programs.