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China is expanding plans to establish a global financial institution to rival the World Bank and the Asian Development Bank, which Beijing fears are too influenced by the US and its allies.

In meetings with other countries, Beijing has proposed doubling the size of registered capital for the proposed bank to $100bln, according to two people familiar with the matter. So far, 22 countries across the region, including several wealthy states in the Middle East, which China refers to as "West Asia", have shown interest in the multilateral lender, which would be known as the Asian Infrastructure Investment Bank (AIIB). It would initially focus on building a new version of the "silk road", the ancient trade route that once connected Europe to China.

Most of the funding for the lender would come from China and be spent on infrastructure projects across the region, including a direct rail link from Beijing to Baghdad.

China's push for a regional institution that it would control reflects Beijing's frustration at western dominance of the multilateral bodies. Chinese leaders have demanded a greater say in institutions such as the World Bank, International Monetary Fund and Asian Development Bank for years but changes to reflect China's increasing economic importance and power have been painfully slow.

The initiative to develop a World Bank rival comes as a UN report predicts that outward investments from China will overtake inward ones as soon as this year, as more Chinese companies move overseas and end more than two decades of net flows into the country.

The AIIB would provide a direct challenge to the Manila-based ADB, which China feels is too influenced by its rival Japan. If it was established with $100 bln, as proposed by Beijing, the AIIB would already be about two-thirds the size of the $165 bln ADB.

Japan and the US are the largest shareholders in the ADB with 15.7 per cent and 15.6 per cent respectively and the president of the bank has been Japanese since its founding in
Bank for Development and Foreign Economic Affairs

Industry & Trade

A cement plant built with VEB’s financial assistance opens in the Penza region

A ceremony to open an advanced high-technology plant built with Vnesheconombank’s (VEB) financial assistance with a capacity of 1.8 mln tons of cement per year was held in the Nikolsk district of the Penza region. In the attendance of the ceremony were Governor of the Penza region Vasily Bochkarev, VEB Deputy Chairman – Member of the Board Alexandr Ivanov, VEB Deputy Chairman Anatoly Ballo, representatives of the Russian Construction and Housing and Utilities Ministry and the Export-Import Bank of China.

The total value of the project is $370 mln, with the Bank for Development’s funds being $259.6 mln and with the own funds of the project’s initiator – LLC Asia Cement being $110.4 mln. In order to fund the credit transaction Vnesheconombank raised funds worth $133.9 mln from the Eximbank of China to finance the work of the general contractor and equipment supplier – The Consortium of the China National Machinery Import & Export Corporation. The Consortium has an experience of building more than 40 international facilities including cement plants, railways and power engineering facilities in Europe, Asia, Africa and South America.

At the cement plant built, they apply a “dry” method of manufacturing cement which allows as opposed to a traditional “wet” method to significantly reduce consumption of electric power, natural fuel, water as well as to boost efficiency of technological equipment which is fully in line with objectives of upgrading Russia’s cement industry and increasing its energy efficiency.

The project’s implementation contributes to socio-economic development of the Penza region: nowadays, the number of workers at the plant is in excess of 450 people, the project provides for creating about 1 thousand new jobs (including related sectors), tax revenues in budgets of various levels after the plant achieves rated capacity will amount to at least 600 mln rubles per year.


VEB to fund the construction of a methylchlorosilanes plant in Kazan

A ceremony to open a memorial sign to honor the beginning of a methylchlorosilanes plant construction was held in Kazan. In the attendance of the ceremony were Russia’s Minister of Industry and Trade Denis Manturov, President of the Republic of Tatarstan Ruslan Minnikhanov, Vnesheconombank Chairman Vladimir Dmitriev, First Vnesheconombank Deputy Chairman – Member of the Board Andrei Sapelin.

A project to construct a methylchlorosilanes plant is to be implemented by OJSC KZSK-Silicon with the financial assistance of the Bank for Development under the federal target program (Minpromtorg of Russia is a state customer). The project’s total value is 9.8 bln rubles.

A decision on VEB’s participation in funding the construction of the plant was made by the Bank’s Supervisory Board in March of 2014. Vnesheconombank is expected to provide OJSC KZSK Silicon with 7.8 bln rubles for a period of 12 years. A bulk of investments is

http://www.ft.com/intl/cms/s/0/b1012282-fba4-11e3-aa19-00144feab7de.html#axzz35iyNUSQX
scheduled to be used for creating new production facilities applying Russian technologies and on the basis of Russian equipment.

This project is of national significance. Its implementation would make it possible not only to create our own raw materials base to develop Russia's main industrial sectors but also to overcome dependence on import supplies of strategic methylchlorosilanes raw materials. The plant is to produce a wide range of raw materials to manufacture special glues and rubbers. At present, these materials are for the most part supplied to Russia by China, the US and Germany. As a result of the project’s implementation revenues in the budgets of all levels will amount to 13.5 bln rubles and more than 750 jobs will be created.


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<th>Black Sea Trade &amp; Development Bank</th>
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<td><strong>BSTDB Loan to Small- and Medium-sized Enterprises (SMEs) in Azerbaijan</strong></td>
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<td>The Black Sea Trade and Development Bank (BSTDB) is providing a new $15 mln SME Support Loan to Azerbaijan’s AccessBank. The loan proceeds will finance projects for modernization, capacity expansion, diversification of products and services of industrial, agricultural and manufacturing small- and medium-sized enterprises, and working capital requirements.</td>
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<th>Eurasian Development Bank</th>
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<td><strong>Transport</strong></td>
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<td><strong>The Armenian Ministry of Finance applies to EDB for new investment finance from the ACF</strong></td>
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<td>The Ministry of Finance of Armenia submitted to Eurasian Development Bank (EDB), being the Resources Manager of the EurAsEC Anti-Crisis Fund (ACF), the project plan to construct the North-South road corridor (Phase 4) and an application for investment finance for a total of $150 mln.</td>
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<td>The documents were delivered during the visit to Yerevan of EDB experts headed by Alexey Cherekayev, Head of Project Team at the ACF Department. The delegation met with representatives of the Armenian Ministries of Finance and Transport. According to Alexey Cherekayev, the preliminary amount of finance approved in June 2013 was $100 mln, however after the feasibility study was finally revised, the amount requested by Armenia increased to $150 mln.</td>
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The issue of financing the project will be considered at the nearest meeting of the ACF Council. If it is approved, the ACF will begin to provide finance as early as late 2014 or early 2015, the ACF experts believe.

The investment programme to construct the North-South corridor, which was approved by the Armenian government in 2010, envisions co-financing from the Asian Development Bank to the tune of $500 mln, to be provided in the form of a loan. The Armenian side has also raised €60 mln from the European Investment Bank.

The total cost of the North-South corridor construction is estimated at $1.5 bln and the project period is expected to be 5-6 years. The 556 km road will be a section of the North-South international transport corridor, which is planned to establish road connection between Europe and India through Iran and Trans-Caucasus countries.

The main advantages of the route (in particular compared to the sea route across the Suez Canal) are that the distance will be more than halved and that the cost and timing of cargo transportation will be reduced.

The North-South road is also part of the international AH82 highway, which connects Central Asian countries. Therefore, this route will make it possible for the region's countries, primarily Kazakhstan, to redirect their exports through Russia to the Black Sea and Persian Gulf countries.

The road will cross Armenia from south to north — from its border with Iran to its border with Georgia. Domestically, it will secure a quality transport link and Armenia's access to foreign markets through Georgia. After the project is completed, Armenia will become a transit country.


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**Belarus**

**Finance sector development**

**EDB takes part in a syndicated loan for Belinvestbank**

Eurasian Development Bank (EDB) signed an agreement to take part, as a mandated lead arranger, in a $85 mln syndicated loan for the Belinvestbank Belarusian Bank for Development and Reconstruction.

Novikombank (as initial mandated lead arranger), Alfa-Bank, Globex Bank, MDM Bank, Credit Bank of Moscow, Zenith Bank, and Baltikums Bank AS took part in the arrangement of syndicated finance in addition to EDB.

The funds provided by EDB will be used to finance export and import transactions between Belarus and Russia.

Belinvestbank is the sixth Belarusian bank to receive targeted finance from EDB. In terms of finance amount, the Belarusian financial sector ranks first among all the Bank's member states in its bank lending portfolio.

The Bank has been working with Belarusian banks since 2010 and has, since then, financed export and import transactions and SME projects of their clients for a total of more than $180 mln.


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**Kazakhstan**

**Strategy**

**The Prime Minister of Kazakhstan meets the Chairman of the EDB Management Board**

Karim Massimov, Prime Minister of Kazakhstan, had a meeting with Igor Finogenov, Chairman of the Management Board at Eurasian Development Bank (EDB).
Karim Massimov and Igor Finogenov discussed the performance of the Bank’s Strategy until 2017 and the enhancement of the Bank’s investment activities in Kazakhstan.

The same day Igor Finogenov met with Bakhyt Sultanov, Deputy Prime Minister and Minister of Finance of the Republic of Kazakhstan, who is Kazakhstan’s authorised representative in the Bank’s Council.

Eurasian Development Bank is an international financial institution founded by Russia and Kazakhstan in January 2006 with the mission to facilitate the development of market economies, sustainable economic growth and the expansion of mutual trade and other economic ties in its member states. EDB’s charter capital exceeds $1.5 bln. The member states of the Bank are the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation, and the Republic of Tajikistan.


**EDB signs an agreement to provide bank guarantees for the Western High-Speed Diameter project**

Eurasian Development Bank (EDB) and Northern Capital Highway (NCH) signed a framework bank guarantee agreement to protect the prepayment under the Western High-Speed Diameter toll road construction and operation PPP project. In accordance with the agreement, the Bank will provide NCH with bank guarantees for a total of up to RUB 2 bln for up to three years.

Under the PPP agreement entered into in December 2012, the Western High-Speed Diameter company (WHSD), the only stockholder in which is the municipality of St. Petersburg, undertook to make prepayments to NCH, project operator, for the purchase of construction materials. As a main condition for the receipt of prepayments from WHSD, NCH needs to provide bank guarantees to protect the total prepayment amount. These guarantees are fully backed with the contractor’s counter guarantees. This scheme made it possible for EDB to provide an additional lending limit for NCH and issue guarantees for a total of RUB 2 bln, in addition to the existing loan facilities used by NCH to finance its project costs, without affecting primary finance.

In addition to EDB, NCH involved VTB Bank and Gazprombank as sources of the required guarantees and is currently working with these banks proactively.

EDB is a member of the creditor syndicate, which includes VTB Capital, Gazprombank, Vnesheconombank and the European Bank for Reconstruction and Development (EBRD) and finances the construction of the central section of the road. The total amount of finance approximates RUB 60 bln, including RUB 10 bln provided by EDB.

The Western High-Speed Diameter is the world’s largest PPP project in the area of toll road construction. The project is included in the Federal Targeted Programme for the Development of the Russian Transport System (2010-2015).

The Western High-Speed Diameter is a strategic investment project to develop transport infrastructure in St. Petersburg and form a strong transport network in and around it, which will make it a world-class transport hub. This Russia’s first urban toll road will have a length of 46 km and connect the northern and southern areas of St. Petersburg. It is expected to become one of the main solutions to the city’s traffic problems since it will help relieve traffic congestion in the central districts and provide a direct connection from the downtown area to Pulkovo Airport and federal highways.

**European Bank for Reconstruction and Development**

**Azerbaijan**

**Food Industry**

**EBRD finances Azeri confectionery manufacturer**

The European Bank for Reconstruction and Development (EBRD) is providing $9 mln of financing to Veysaloglu Group, one of the leading chocolate manufacturers and food distributors in Azerbaijan, to support the company’s expansion and development strategy. The group’s chocolate brand, “Ulduz”, is among the best known in Azerbaijan.

The EBRD financing will enable Veysaloglu Group to increase production capacity and expand its current product range with three new confectionery manufacturing lines. This will make it possible for the company to meet the significant increase in product demand from domestic and foreign consumers.

Veysaloulu Group consists of two companies: a distribution company that handles a wide range of food and soft drink products with one of the most advanced distribution systems in the country, and a confectionery production company focused on quality manufacturing.

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


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**Kazakhstan**

**Regional integration and cooperation**

**EBRD President visits Kazakhstan**

EBRD President Sir Suma Chakrabarti discussed a new initiative to raise investment in Kazakhstan and drive forward reform in the investment climate during his visit the country from 9-13 June 2014.

During his stay, Sir Suma co-chaired a meeting of the Kazakhstan Foreign Investors’ Council with President Nursultan Nazarbayev. The Foreign Investors’ Council met in Borovoe, a resort north of Astana, on 12 June.

In addition, the EBRD President visited Almaty on 9 and 10 June for signing a deal to finance energy efficient street lighting with the Akim of Almaty – and Kyzylorda on 11 June where he met the Minister of Regional Development and the Akim of the region. He also met with EBRD clients and partners during the visit.

In May, the Kazakh authorities and the EBRD signed an agreement that will funnel $2.7 bln of government funds into the economy via international financial institutions.

The new Partnership is high on the agenda of Sir Suma’s discussions with President Nazarbayev and other senior officials including Prime Minister Karim Massimov and members of his cabinet, as well as the Governor of the National Bank of Kazakhstan.

Under the new "Partnership for Re-Energising the Reform Process in Kazakhstan", the EBRD will increase its own investments in Kazakhstan significantly and play a greater role in dialogue with the government to help develop and roll out reforms that will further improve the business climate.

The EBRD’s participation in the Partnership gives it a key role in the implementation of Kazakhstan’s national industrialisation strategy. The strategy aims to reduce the country’s dependence on natural resources and boost the role of other sectors such as manufacturing. The Partnership will allow the EBRD to increase its own investment in Kazakhstan, which in 2013 totaled around $450 mln.

Sir Suma underscored the role of the EBRD in this economic diversification in his speech to the Foreign Investors’ Council, during which he emphasised the Bank’s support for the development of the private corporate sector, including small and medium-sized enterprises.

He also outlined plans to increase the EBRD’s local currency lending following an
agreement with the Kazakh central bank that will free up $ 1 bln in tenge for lending to financial institutions, municipalities and corporate borrowers.

Since the beginning of its operations in Kazakhstan, the EBRD has invested close to $ 6.5 bln in the country's economy, with more than half of the Bank's projects supporting the private sector.


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**Energy Efficiency**

**EBRD finances modern city lights in Almaty**

The European Bank for Reconstruction and Development (EBRD) is continuing to support the programme of modernisation in the city of Almaty aimed at improving energy efficiency and upgrading public utilities and transport.

A loan of $34 mln, provided by the EBRD for the benefit of the municipal communal enterprise Almaty Kala Zharyk, comprises two elements: $17 mln from the EBRD’s resources and $17 mln provided by the Green Energy Special Fund, an EBRD-administered fund supported by international donors. Technical cooperation grants will be also provided for a total amount of €780,000, of which €400,000 will come from the Taiwan Business-EBRD Cooperation Fund and €380,000 from the EBRD Shareholder Special Fund.

The project documents were signed in Almaty by EBRD President, Sir Suma Chakrabarti; the Akim of Almaty, Akhmetzhan Esimov; and Baurzhan Ibraev, Director of Almaty Kala Zharyk, during the President’s visit to Kazakhstan.

Street lighting is responsible for fully 25 per cent of the Akimat’s current electricity consumption. The new energy-efficient technologies will allow the city to minimise electricity consumption (which will reduce CO2 emissions) and reduce operating and maintenance costs.

After Almaty, EBRD President Suma Chakrabarti will also visit Kyzylorda and co-chair the Foreign Investors’ Council in Borovoe, where he will give a keynote speech.

Since the beginning of its operations in Kazakhstan, the EBRD has invested close to $ 6.5 bln in the country’s economy.


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**Equity**

**EBRD exits equity stake in leading Kazakh lender, Kazkommertsbank**

The EBRD has sold its stake in Kazkommertsbank (KKB), the largest bank in Kazakhstan, to Nurzhan Subkhanberdin, the Chairman of the Board of Directors of KKB and its main shareholder. The sale is consistent with EBRD’s policy of exiting from investments where the EBRD has completed its role.

The EBRD had held a stake of 9.77% of placed common shares (76 095 329 common shares).

The EBRD has built a strong relationship with KKB since 1998, co-operating on all lending programmes launched by the EBRD in Kazakhstan, as well as investing in KKB’s insurance subsidiary and funding KKB’s subsidiary in the Kyrgyz Republic.

In 2003, the EBRD became a shareholder in KKB with an initial stake of 15 per cent, in order to support its development programme and help to improve corporate governance.

The EBRD has been instrumental in the success of KKB’s IPO on the London Stock Exchange in 2006 by selling part of its stake in order to achieve a sufficient size of the offering for investors. The EBRD supported the bank after the 2008 crisis by providing additional capital to strengthen the bank's equity.

Kazkommertsbank remains a partner bank of the EBRD in Kazakhstan under the Trade Facilitation Programme and is expected to participate in a planned $ 200 mln equivalent in KZT programme to support lending to SMEs in Kazakhstan.

**Kyrgyzstan**

**Tourism**

**Opening of City Hotel in Bishkek, Kyrgyz Republic**

The EBRD is responding to increasing demand for local support of small companies and entrepreneurs as well as the development of local tourism infrastructure in the Kyrgyz Republic by co-financing the reconstruction of a new City Hotel in the capital of the country.

The investment was signed on 30 November 2012 and was used by Holiday LLC to acquire and reconstruct the City Hotel, which is to be officially opened on 20 May 2014. The loan was co-financed by the EBRD and KICB under the EBRD Medium-Sized Co-Financing Facility.

Holiday LLC is a long-standing client of the EBRD and has a particularly strong record in reaching out to customers with its appealing energy-efficient and green technology business operations. The new hotel can accommodate guests in 48 comfortable rooms and has full infrastructure for conferences and roundtables, which are equipped with modern and energy-efficient air conditioning, heating and ventilation systems to ensure comfortable and hassle-free work and communication. The electricity consumption system in the building has been implemented following a smart house system approach which resulted in significant energy savings.

The Hotel LLC previously benefited from the EBRD Small Business Support (SBS) programme. SBS experts provided support to the complete re-design of heating, hot water, ventilation systems in order to make the existing hotel more energy and cost efficient. This approach and related investment qualified under the EBRD Kyrgyz Sustainable Energy Financing Facility (KyrSEFF) which supports investments into energy-efficient and renewable solutions in the Kyrgyz Republic and allowed the company to benefit from a EU-funded grant of $40,000.


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**Municipal and Environmental Infrastructure**

**EBRD and donors support modernisation of water and wastewater in Kyrgyz capital**

The European Bank for Reconstruction and Development (EBRD) is continuing to support municipalities in the Kyrgyz Republic in their drive to improve the quality of life for people.

The EBRD is providing a loan of €8 mln for the benefit of the Bishkek Water Company, the municipal water and wastewater operator in the capital. The loan will be provided under a sovereign guarantee. This is the second EBRD project with the Bishkek Water Company and the fourth with the city of Bishkek.

In parallel with the EBRD loan, other institutions are providing matching grant financing to the company. The Swiss State Secretariat for Economic Affairs (SECO) is providing a €6.85 mln grant. The Special Climate Change Fund (SCCF) will provide a €1.15 mln grant.

The proceeds of the EBRD loan and the SCCF and SECO grants will fund water supply and wastewater rehabilitation in the city. The project will involve the development of well fields and replacement of transmission pipes; the construction of wastewater collector pipes; and the procurement of laboratory equipment.

The city of Bishkek, with funding from the EBRD and SECO, is already working on the modernisation of the city’s water supply infrastructure. The previous loan, signed in 2009, financed the modernisation of equipment and vehicles, the installation of water meters, and the rehabilitation of boreholes and water intakes, to improve water supply services for the people of Bishkek.

This year, the EBRD has also financed water and wastewater modernisation in the city of Talas following similar projects earlier in the cities of Bishkek, Osh, Jalalabad and Karabalta.
Since the beginning of its operations in the Kyrgyz Republic, the EBRD has invested about €460 mln ($625 mln) in the country’s economy, with about a fifth of the Bank’s financing supporting infrastructure.

Moldova

Municipal and Environmental Infrastructure

New trolleybuses take to the road in Moldova’s “capital of the north”

Bălți, Moldova’s second biggest city, today celebrated the arrival of a fleet of new trolleybuses financed by a loan from the European Bank for Reconstruction and Development (EBRD) and a grant from the European Union.

Environmentally friendly and energy efficient, the trolleybuses also have low floors, which improve accessibility for the public, particularly the elderly or those using push chairs or wheelchairs.

The purchase of the new vehicles is part of an EBRD and EU project to modernise public transportation in Bălți for which the EBRD has provided a €3 mln loan and the EU contributed a €1.6 mln capital expenditure grant from its Neighbourhood Investment Facility (NIF).

The financing will also allow the Bălți Trolleybus Authority to upgrade the existing power supply infrastructure and to modernise its administrative offices and maintenance equipment. The project will ensure the long-term sustainability of the company’s operations by improving the speed, reliability and overall efficiency of the trolleybus service. This will include optimising operational costs and energy savings, and the adoption of modern management practices.

Bălți is the second-largest city in Moldova in terms of area and economic importance after the capital city, Chișinău. Dubbed the “capital of the north”, Bălți is a major industrial, cultural and commercial centre and transportation hub.

A special launch event took place on the occasion of Bălți City Day at the trolleybus company depot to welcome the first nine of the 23 new vehicles.

Russia

Regional integration and cooperation

EBRD: Slowdown in Russia can be a drag on growth in Central Asia

The crisis in Russia and Ukraine is having a severe impact on the economies of the two countries and threatening to slow down the recovery in the wider EBRD region – or even bring it to a complete halt.

The EBRD’s latest economic report predicts growth in the transition region of just 1.4 percent in 2014, a sharp reduction from the rate of 2.7 per cent forecast in January. A modest upturn of 1.9 per cent in 2015 is possible, but only achievable if the crisis does not escalate.

A Russian downturn is likely to constrain growth in Central Asia though the region on
average will see good growth driven by major natural resource projects.

Under the EBRD’s most likely scenario, Ukraine would return to recession in 2014, with a contraction of 7 per cent and show no growth in 2015. The Russian economy would stagnate in 2014 and show only minimal growth next year.

However, there is an unusually high level of uncertainty surrounding the forecasts with major risks on the downside.

Under a less benign scenario including the imposition of financial sanctions in particular, Russia would slip into recession, the output contraction in Ukraine would deepen and average growth in the region would grind to a halt in 2014-15.


**Agriculture**

**Additional resources to support Ukrainian primary agriculture**

The European Bank for Reconstruction and Development (EBRD) is providing a $13 mln working capital facility to Ukrainian Agrarian Investments (UAI), which operates over 70 farms located across northern and western Ukraine. The loan is the first project under the Bank’s new €150 mln Ukrainian Corporate Support Facility designed to support existing EBRD clients in the country.

By assisting this project, the EBRD commits more funds to one of the most important and promising sectors of the Ukrainian economy in order to help agribusiness companies address their liquidity and working capital needs. The loan will also help restore the market’s confidence and appetite for future projects in the country.

UAI has been working successfully with the EBRD since 2010. The loan proceeds will enable the company to fully secure its seasonal working capital needs to harvest 175,000 hectares at a time when the availability of funding in Ukraine is significantly reduced.

The project is part of the EBRD’s operational response in Ukraine aimed at support for the real sector of the domestic economy. The Bank expects to be able to invest around €1 bln a year, with the level of investment since February 2014 having reached over €400 mln.

The EBRD is the largest financial investor in Ukraine. As of 1 May 2014 the Bank had committed €8.4 bln ($11.5 bln) through 327 projects in the country.


**EBRD supports pig farming in Ukraine**

The European Bank for Reconstruction and Development (EBRD) is committing more resources to support agriculture – an important sector for the revival of the Ukrainian economy. For its latest project in this sector the Bank will provide a loan of up to $30 mln to Nyva Pereyaslavschyny (Nyva), one of the largest pork producers in Ukraine.

Nyva will use the loan proceeds to finance its current pig breeding operations by establishing two new farms. EBRD’s financing will also support the expansion of Nyva’s meat processing facilities and grain storages, increase of its land holdings and purchase of modern agricultural machinery.

The project is consistent with the EBRD strategy of supporting Ukrainian agribusiness projects with high added value and promoting the best international farming techniques. The project will enable Nyva to become one of the national benchmarks for environmental standards and for the highest standards of animal welfare and biological safety.

The deal is part of the EBRD’s operational response in Ukraine aimed at supporting the real sector of the domestic economy. The Bank expects to be able to invest around €1 bln a year in the country, with the annual level of investment since February 2014 now standing at over €500 mln.

The EBRD is the largest financial investor in Ukraine. By 1 May 2014 the Bank had
International Financial Corporation

Energy Efficiency

IFC, Partners Promote Investment in Energy Efficiency in Azerbaijan

IFC, a member of the World Bank Group, and Azerbaijan’s State Agency of Alternative and Renewable Energy Sources (AREA) held a forum today to promote energy efficiency investment to help small and medium enterprises improve efficiency and reduce costs.

IFC and AREA organized a roundtable forum in Baku with representatives of domestic businesses, government agencies, international financial institutions, and vendors of energy efficient equipment. Discussions touched on the latest energy-saving technologies, why spending on energy efficiency is good business, and the best ways to boost energy efficiency and competitiveness.

A variety of Azerbaijani businesses attended the event, including energy firms, developers, food producers, agricultural companies, and green housing equipment installers. Azerbaijan’s Bank Respublika highlighted an energy efficiency financing program it is developing with IFC. The initiative is part of IFC’s Sustainable Energy Finance Program in Europe and Central Asia, which is being implemented in partnership with Austria’s Federal Ministry of Finance.

Azerbaijan became a member of IFC in 1995. Since then, IFC has invested more than $412 mln in the country and mobilized nearly $73 mln from other lenders. The investments cover 73 projects in the financial services, infrastructure, and manufacturing sectors. IFC has also implemented advisory projects focused on private sector development. In addition, the State Oil Fund of the Republic of Azerbaijan has committed $350 mln to three funds managed by the IFC Asset Management Company, which invests alongside IFC in private sector projects in emerging markets.

Samruk-Kazyna

Public Administration

«Samruk-Kazyna» JSC changes investment activity approaches within Business transformation program

Management of «Samruk-Kazyna» JSC at a meeting with the heads of subsidiaries of the holding considered the most pressing issues of investment activity.

In turn, Chief Business Development Director - Member of the Fund’s Board Berik Beisengaliyev told about the measures taken to improve the efficiency of investment activity. In particular, according to him, the Fund is working to create uniform standards for investment activities in order to ensure the profitability of investments, increase profitability of the investment portfolio of the Fund and search for new directions, providing
The first heads of subsidiaries of the Fund informed about the investment performance, the current status of the projects and future plans. Following the meeting the Head of the Fund gave number of instructions on the further investment activity development of the Fund’s group of companies. Currently, the investment portfolio of «Samruk-Kazyna» JSC includes 163 projects worth $146 bln.

In 2011-2013, «Samruk-Kazyna» group of companies commissioned 29 projects worth $4.3 bln and created about 10 thousand permanent jobs. Among those projects were construction of Moinak HPP, rail lines Zhetygen-Korgas and Uzen - state border with Turkmenistan, locomotives assembly plant, electric locomotives plant, establishment of production of photovoltaic modules, and construction of a refinery.

In 2014, it is planned to complete 16 projects worth $3 bln with the creation of about nine thousand jobs, in 2015-2016 - 40 projects worth $23 bln with the creation of about 9.5 thousand jobs.


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**The World Bank**

**Armenia**

**Agriculture**

**The World Bank Helps Boosting the Competitiveness of Armenian Agriculture**

On 20 June the World Bank Board of Executive Directors approved a $32.67 mln financing for the Second Community Agricultural Resource Management and Competitiveness (CARMAC) Project for Armenia. This Project is designed to improve productivity and sustainability of pasture and livestock systems in up to 100 communities in eight regions of Armenia with significant pasture areas and increase the marketed production from selected livestock and high value agri-food value chains.

Total financing of the project is $42.67 mln, of which $10 mln will be the Government’s and beneficiaries’ contribution. The World Bank will provide a $9.67 mln equivalent credit, of which $3.8 mln on standard blend IDA terms at a fixed interest rate of 1.25% per annum with a maturity of 25 years and a 5 year grace period; $5.87 mln on hard IDA terms at a fixed interest rate of 1.40% per annum with a maturity of 25 years and a 5 year grace period; and $23 mln IBRD loan of variable spread with a 10 year grace period and the total repayment term of 25 years.

Since joining the World Bank in 1992 and IDA in 1993, the commitments to Armenia total approximately $1,871.73 mln.


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**Kazakhstan**

**Public Administration**

**Strengthening Institutions for Regulatory Reform in Kazakhstan**

On 30 May the Ministry of Regional Development of the Republic of Kazakhstan jointly with the World Bank carried out a workshop to discuss institutional framework of state policy regulation of entrepreneurial activity.

Since 2011, under the Joint Economic Research Program, the Ministry of Regional Development of Kazakhstan and the World Bank worked together on various aspects of
regulatory reform. As a result, with the support of the Bank, best international practices have been studied and applied to Kazakhstan’s legislation according to the needs and local reality. Thus, the new permits system based on applicable international practice laid grounds for development of the Concept of State Regulation of Entrepreneurial Activity 2020. In 2013, with the technical support from the World Bank the Law On Permissions and Notification was developed and further adopted by the Parliament and signed by the Head of the State this year. This law for the first time introduced enforcement of the regulatory permits impact analysis, thus creating a barrier to new unreasonable business permits.

The workshop presented to the major stakeholders - line ministries, members of Parliament, and business associations an analysis of the current regulatory policy in Kazakhstan and shared the lessons learned from the international experience on improving the regulatory policy. In particular, an insight into the specific experiences of the United Kingdom was presented with an emphasis on institutionalization of regulatory reform – establishment of institutions responsible for preparation, consultation, implementation and monitoring of good private sector regulation.


**Energy Efficiency**

**World Bank to Promote Energy Efficiency in Kazakhstan**

The Government of the Republic of Kazakhstan and the World Bank signed a $ 21.7 mln Grant Agreement for the Kazakhstan Energy Efficiency Project.

The Agreement provides for the implementation of the four-year project to assist the Republic of Kazakhstan in creating a favorable policy environment to help build the country’s capacity to reach its energy efficiency potential.

On behalf of the Republic of Kazakhstan the agreement was signed by Deputy Prime Minister - Minister of Industry and New Technologies, Asset Issekeshev, on behalf of the World Bank – by Sebnem Akkaya, Country Manager for Kazakhstan.

During the signing, Asset Issekeshev, Deputy Prime Minister - Minister of Industry and New Technologies stated that the project will help modernize socially significant public facilities in all the regions of the country – some 75 public facilities, including schools, kindergartens, hospitals, and street lighting facilities in 16 oblasts and cities of Astana and Almaty.

The Project will also focus on improving the institutional framework supporting the creation of sustainable energy financing mechanisms, as well as public campaign to promote energy efficiency.

The Ministry of Industry and New Technologies will be responsible for the overall coordination of the project implementation.


**Kyrgyzstan**

**Public Administration**

**World Bank Supports Improvement of Public Sector Governance and Business Environment in the Kyrgyzstan**

World Bank’s Board of Executive Directors approved a US$25 million Second Development Policy Operation (DPO-2) for the Kyrgyz Republic. This is the second in a series of two budget support projects accompanying the Government’s 2012-14 reform program. The operation is a mix of a highly concessional credit of $13.89 mln and a grant of $11.11 mln to be paid directly to the Kyrgyz budget, and is aimed at supporting the efforts of the Kyrgyz authorities to improve public sector governance and enhance the business environment.
The first thematic area of the DPO-2 – improving public sector governance – supports increased accountability and transparency in the use of public resources. The four key actions by the Kyrgyz Government supported under this thematic area are: implementing and monitoring the anticorruption plan; improving the functioning of the internal audit system; bringing public procurement in line with international good practice, and increasing the transparency of the public companies in the energy sector.

The second thematic area of the DPO-2 – enhancing the business environment – supports improved business inspection systems, a more effective judiciary, improved banking supervision, and a stronger deposit protection framework.

The DPO-2 will complement the World Bank’s assistance through several ongoing and completed projects. The Governance Technical Assistance Project aims to strengthen the capacity of the government in budget formulation and budget execution, with critical policy dialogue support provided by the DPO series. Internal audit reforms, supported by the DPO-2, are linked to the ongoing Capacity Building for Public Financial Management project as well as the future Capacity Building for Public Sector Internal Audit Project. Also, the introduction of risk-based approach to inspections has been the focus of assistance from the International Finance Corporation (IFC).


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**World Bank Group Launches New Partnership Strategy for Tajikistan**

The World Bank’s Board of Executive Directors discussed a new Country Partnership Strategy (CPS) for Tajikistan that will guide the support of the World Bank and IFC (International Finance Corporation) to the country in 2015-2018. The strategy sets out priority goals for cooperation between the World Bank Group and the Government of Tajikistan, and describes the Group’s planned program in the country aimed at improving the well-being of the people in Tajikistan.

The CPS supports the World Bank Group’s overall goal of reducing extreme poverty and promoting shared prosperity by prioritizing three main areas:

1) Promote private sector led growth by improving the investment climate and strengthening competitiveness in key sectors to attract investment and create jobs;
2) Promote social inclusion by increasing access to improved social services, including education, health, social assistance, water supply and sanitation;
3) Enhance regional connectivity to increase the country’s access to regional markets and to global information and knowledge.

The new strategy was prepared in close collaboration with the Government and involved extensive consultations with representatives of civil society, youth, the private sector and donor community. It is aligned with the national Living Standards Improvement Strategy for 2013-2015, which sharpens the focus on poverty reduction and expansion of the middle class, and the growth and poverty targets for 2020 set by the Government.

Improving governance across sectors will remain an important area for the new strategy. More efforts will focus on reducing corruption to improve the business environment, including by increasing use of electronic services to comply with business regulations, particularly tax reporting. The World Bank Group is also committed to increasing the engagement of civil society organizations in projects to enhance feedback mechanisms and accountability for service delivery.

Narrowing the gender gap in human capital endowments and economic opportunities is critical for achieving inclusive growth. Thus, the new CPS stresses measures to improve women’s access to land rights and finance, building their capacity and skills, and ensuring equal access to high quality social services.

World Bank Group Supports Agriculture Commercialization in Tajikistan to Increase Farmer Incomes and Reduce Poverty

The World Bank Board of Executive Directors approved a $22 mln grant for the Tajikistan Agriculture Commercialization Project, which builds on the past reforms in agriculture and land, and further expands 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.

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. 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.

The goal of the project is to increase the commercialization of farm and agribusiness products by improving the performance of selected value chains and strengthening productive partnerships through increased access to finance and training. 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.


Key stakeholders in Ukraine's financial sector meet in Kiev to support reforms

The Ukrainian authorities, commercial banks, International Financial Institutions and other key stakeholders met in Kiev on 5 June to discuss ways to drive forward much-needed reforms in the financial sector.

The Forum, hosted by the National Bank of Ukraine, provided a platform for constructive dialogue between the private and public sectors, along the lines of the “Vienna Initiative” that successfully helped safeguard the financial stability of emerging Europe during the global economic crisis.

The Kiev meeting brought together senior officials from the National Bank of Ukraine and the government, representatives from the banking sector, including commercial banks with local and foreign shareholders, representatives of the International Monetary Fund, the European Bank for Reconstruction and Development, the World Bank Group, the European Investment Bank and the European Commission, as well as a number of home country authorities. The ECB participated as an observer.

Participants at the conference discussed progress with reforms in the context of the country’s IMF-supported programme, focusing on bank restructuring, recapitalization and resolution, and how best to address the pressing problem of non-performing loans, as well as reforms in banking supervision. Timely implementation of these reforms is needed in order to help revive credit to the real economy in the future.

The opportunity to engage in constructive dialogue was welcomed by all participants, who noted the importance of regular consultations between policy makers, regulators, banks and IFIs participants to ensure effective design and implementation of reform measures.

IFIs mapped out how they could support banking sector reforms, according to their remit and expertise, in a coordinated way.
The Ukraine Financial Forum was the first of what is planned to be a series of regular coordination meetings and dialogue among the key stakeholders to find concrete solutions to specific problems, for instance through a working group on non-performing loans. The next Ukraine Financial Forum meeting will take place in the fall.


Uzbekistan

Agriculture

World Bank Supports Job Creation and Climate Resilience in the Agriculture Sector in Uzbekistan

The World Bank’s Board of Executive Directors approved financing totaling $410.3 mln for two projects in the agriculture sector of Uzbekistan: the Horticulture Development Project and the South Karakalpakstan Water Resources Management Improvement Project.

The two new projects will contribute to achieving the World Bank Group’s twin goals to end extreme poverty and boost shared prosperity. They are part of the Bank Group’s Country Partnership Strategy for Uzbekistan for 2012-2015 which aims to help the country to: (i) diversify agriculture to high value crops; (ii) intensify agricultural yields and productivity; (iii) increase the efficiency of infrastructure; and (iv) enhance the economy’s competitiveness.

The Horticulture Development Project (IBRD loan of $150 mln) will contribute to poverty reduction in Uzbekistan by assisting horticulture farmers, many of whom are small and poor, to increase their farms’ productivity and incomes. At the same time, the project will promote shared prosperity by supporting the growth and development of small and medium enterprises in the rural areas, creating more and better paying jobs in the agro-processing, trading and export sectors, and increasing the value added of the agricultural sector.

This is the first project in the World Bank Group portfolio in Uzbekistan where the World Bank and the International Finance Corporation (IFC) will join efforts in implementing the project.

The South Karakalpakstan Water Resources Management Improvement Project (IDA credit of $242.50 mln and IBRD loan of $18.22 mln) aims to restore irrigation and improve water management in a sustainable and financially efficient manner in one of the poorest areas in Uzbekistan. The project will remove the current dependence of the farmers in the project area on energy-inefficient pumping by developing a gravity off-take from Tuyamuyun reservoir and dismantling all lower Amu Darya pumping stations currently serving the project area. It will strengthen institutions and capacities, and improve performance of public irrigation and drainage service delivery.