

*October 2016*

# Investing in development and integration

# Background

**Eurasian Development Bank (EDB)** is an international financial institution established in 2006 on the initiative of the Presidents of Russia and Kazakhstan. Other members of the Bank are Armenia, Belarus, the Kyrgyz Republic, and Tajikistan.

Other states and international organisations can become members by signing up to the Agreement Establishing the Bank.

EDB's charter capital **exceeds US \$7 billion**, including US \$1.5 billion of paid-in capital and US \$5.5 billion of callable capital.

The Bank's headquarters is located in Almaty. EDB has a branch in St. Petersburg and representative offices in Astana, Bishkek, Dushanbe, Yerevan, Minsk, and Moscow.



# Mission

**EDB's mission** is to promote the development of market economy in its member states, their sustainable economic growth and the expansion of trade and other economic ties through investment.

The Bank strives to create conditions for sustainable economic development and deepen integration between its member states – Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia, and Tajikistan.



# Strategy

On 24 May 2016, the Bank's Council approved EDB's revised **Strategy for 2013-2017** focused on projects with an integration effect, in particular in the industrial sector.

The Bank will concentrate its efforts on financing **two types of projects**: projects with a strong integration effect and national development projects.

The priority areas for the Bank's investments are:

- the power sector
- mechanical engineering
- the chemical sector
- mining
- oil and gas
- infrastructure

The Bank's current investment portfolio is expected to total **US \$3.3 billion** as at end-2017, with integration projects accounting for **over 50%** of it.



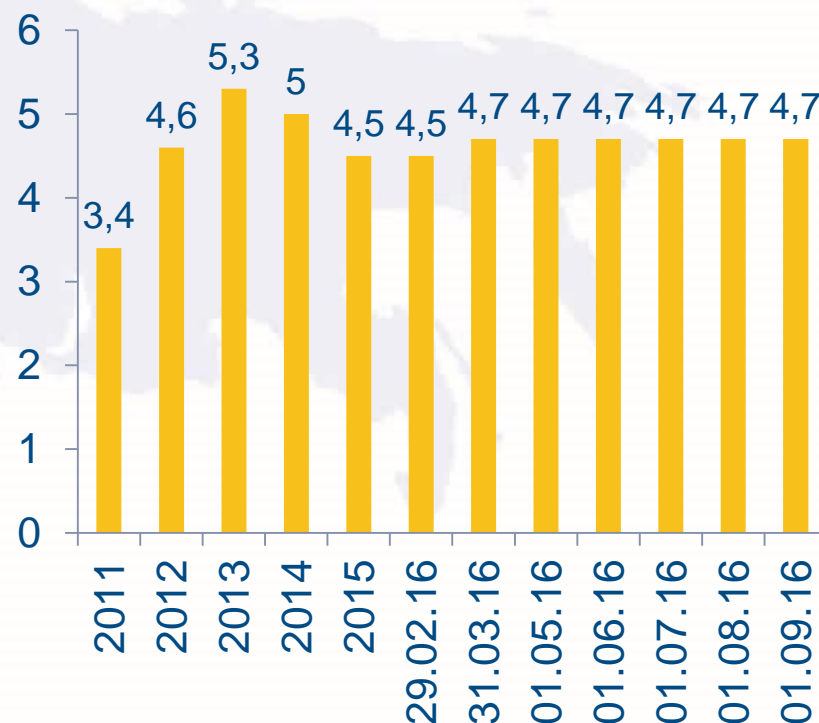
# Investment portfolio\*

The cumulative investment portfolio (including 126 completed projects) is **US \$4.776 billion**.

The current investment portfolio totals **US \$2.057 billion**.

The Bank has **59 investment projects** under implementation in its six member states.

Investment portfolio (US \$ billion)

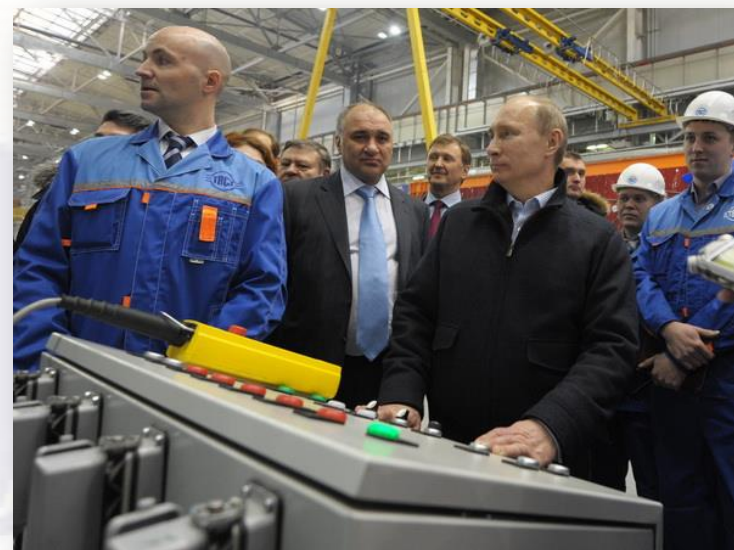


\* As at 01/09/2016



# Key Projects\*

- Overhaul of facilities and construction of Unit 3 at **Ekibastuz GRES 2** in Kazakhstan (US \$372.8 million)
- Construction of the **Tikhvin Freight Car Building Plant** in Russia (US \$128.6 million)
- Construction of the **Western High-Speed Diameter** road in Russia (PPP project; US \$153.1 million)
- Construction of a rolling mill at **Belarusian Steel Works** in Belarus (US \$138.9 million)



\* As at 01/09/2016

# Key Projects\*

- Construction of the **Polotsk Hydropower Plant** in Belarus (US \$80.9 million)
- Reconstruction of **Pulkovo Airport** in Russia (PPP project; US \$83.9 million)
- Development of a single automatic **rail traffic control system** in Kazakhstan (US \$63.9 million)



New projects for a total of approximately **US \$1.1 billion** are under review.

*\* As at 01/09/2016*

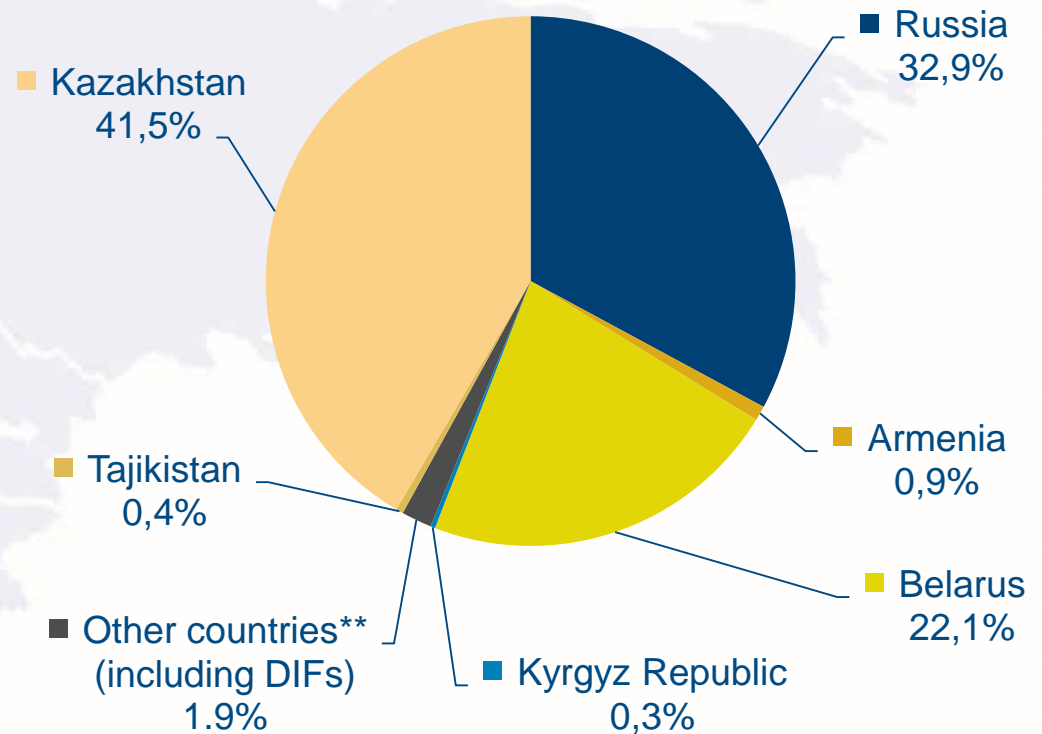
# Investment portfolio by countries\*

The Bank identifies the **priority sectors for each member country** according to their economic needs, the areas in which they need to become more competitive, and the Bank's resources.

This approach helps to **set goals, which are relevant and achievable for each country**, and provide tools for their achievement.

\*\* Macquarie Russia and CIS Infrastructure Fund LP's Infrastructure Fund Project envisioned the fulfilment of projects in several countries and, for this reason, it is included in "Other countries"

Current investment portfolio by countries



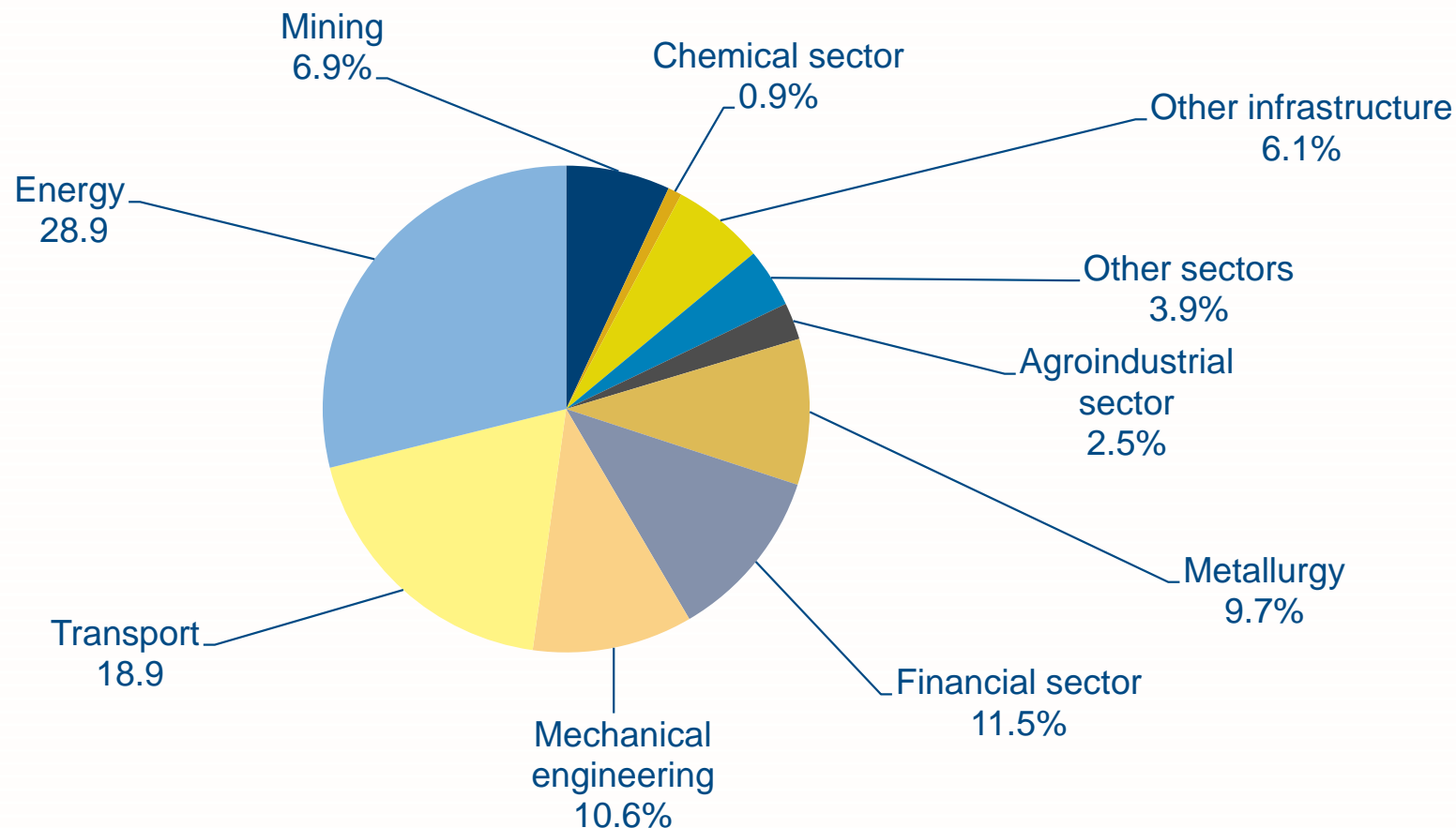
\* As at 01/09/2016



# Investment portfolio by sectors\*

The Bank focuses on financing energy, transport and municipal infrastructure development projects in the member states.

## Current investment portfolio by sectors



\* As at 01/09/2016

# Integration and Socioeconomic Effects

The Bank is an effective agent in promoting sustainable development in its member states and deepening integration in the region.

The projects financed by EDB **contribute to infrastructure development and the modernisation and diversification of its member economies** and have significant socioeconomic and integration effects.

The Bank's investment fosters **increases in trade flows and mutual investment** between the member states, additional production, and multiplicative effects in their economies.



# Research

One of the Bank's key objectives is to analyse and forecast the situation in the economy and financial markets of the member states, their investment opportunities, monetary and foreign exchange relations, including macroeconomic and financial risks.

The Bank regularly\*:

- publishes **research papers**, sector and theme reports, and macroeconomic reports analysing problems and providing forecast for economic development in the region
- fulfils major **research and applied projects**
- arranges **conferences and round-table discussions**

EDB is a leading centre for Eurasian integration research.



# Technical Assistance Fund\*

EDB offers financial support to pre-investment and innovative research into regional integration at the interstate, country and sector level. To this end it established the Technical Assistance Fund (TAF) in 2008.

The TAF cumulative portfolio includes **60 projects** totalling **US \$6.75 million**.



# Centre for Integration Studies

The EDB Centre for Integration Studies conducts research and **prepares reports and recommendations** on regional economic integration for the governments of EDB member states.

The Centre has become an authoritative researcher in the area of integration. Since 2011, it published **38 reports** and about **50 research papers** for internal use\*.

The Centre specialises in quantitative analysis. The ongoing and recurring projects of the Centre include a **model complex for macroeconomic forecasting for the EEU, monitoring and analysis of investments in the CIS and Eurasian countries**, the **EDB Integration Barometer**, and the **regional integration database**. The issues worked on include labour migration, foreign exchange, financial and monetary policies, and infrastructure.



\* As at 01/09/2016



# Financial Markets

EDB mobilises long-term funds in international capital markets. These funds are the most important source for financing the Bank's investment activities.

Funds are raised by issuing debt securities such as eurobonds, local bonds, and eurocommercial papers, bilateral bank loans, and targeted loans insured/guaranteed by export credit agencies.

The overall amount of loans raised by EDB in financial markets exceeds **US \$1.4 billion\***.

EDB has been recognised by the Organisation for Economic Co-operation and Development (OECD) as a multilateral financial institution with risk classification 4 and buyer risk classification SOV/CC0.

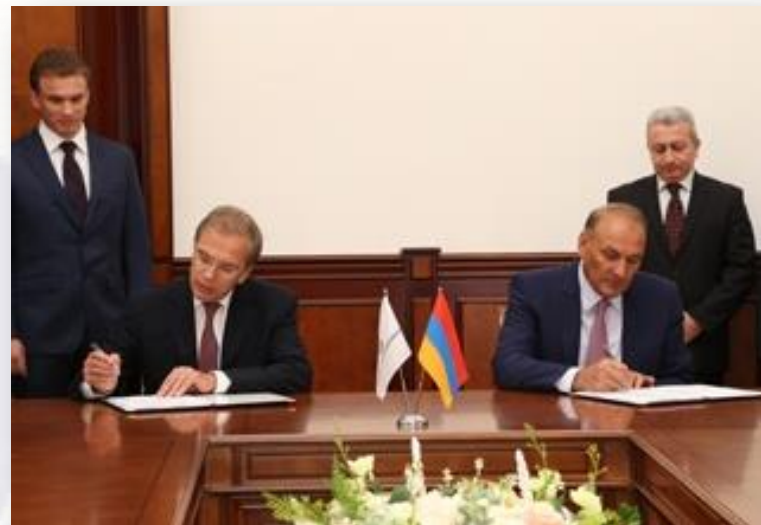


*\* As at 01/09/2016*

# Eurasian Fund for Stabilisation and Development

The Eurasian Fund for Stabilisation and Development (EFSD) totalling **US \$8.513 billion** was established by the governments of six countries: Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia, and Tajikistan.

The main objectives of the Fund are to help its member countries mitigate the negative effects of the global financial crisis, to ensure their long-term economic and financial stability, and to foster regional integration.



The EFSD has the following tools:

- **financial credits** to support budgets, balances of payments, and national currencies
- **investment credits** for large interstate and national projects
- **grants** from the EFSD's net profit to finance state-run social programmes

The EFSD participants appointed EDB as the **EFSD Resources Manager and Secretariat**. In this role EDB prepares and implements EFSD projects.

# Eurasian Fund for Stabilisation and Development

In 2010-2013 the EFSD provided two financial credits, to **Belarus** (US \$2.56 billion) and **Tajikistan** (US \$70 million).

In 2015-2016, the EFSD approved three financial credits, to Armenia (US \$300 million, the first tranche of US \$100 million extended) and Belarus (US \$2 billion, 2 tranche of US \$800 million extended) and to Tajikistan (US \$40 million, the first tranche of US \$20 million extended).

The EFSD project portfolio includes nine investment projects totalling **US \$540 million\***. Five project agreements were signed:

- **Construction of the North–South road corridor (Phase 4)** in Armenia (US \$150 million)
- **Rehabilitation of Toktogul HPP (Phase 2)** in the Kyrgyz Republic (US \$100 million)
- **Reconstruction of the Bishkek–Osh road (Phase 4)** in the Kyrgyz Republic (US \$60 million)
- **Financing agricultural equipment supplies to the Kyrgyz Republic** (US \$20 million)
- **Upgrade of irrigation facilities** in Armenia (US \$40 million)

Four projects are being prepared and were preliminarily approved by the EFSD Council:

- **Commissioning of Unit 2 at Kambarata HPP 2** in the Kyrgyz Republic (US \$80 million)
- **Construction of agricultural export infrastructure** in the Kyrgyz Republic (US \$25 million);
- **Construction of the Mastara reservoir** in Armenia (US \$25 million) (preliminarily approved);
- **Rehabilitation of Toktogul HPP (Phase 3)** in the Kyrgyz Republic (US \$40 million) (preliminarily approved).

*\* As at 01/09/2016*

# International Cooperation

EDB has held observer status at:\*

- **the United Nations General Assembly**
- the Eurasian group on combating money laundering and financing of terrorism (**EAG**)
- the UN Trade and Development Board (**UNCTAD**)
- **the International Investment Bank**



EDB is developing cooperation with:

- regional integration organisations (**EEU, CIS, SCO**)
- United Nations institutions (**UNDP, UNIDO, FAO, UNECE, ESCAP, UNEP**)
- international development institutions (**WB, IFC, ADB, EDRD, AIIB**) in the form of project co-financing, information exchange and the introduction of best international practices in corporate governance

# Contacts

## HEADQUARTERS

220 Dostyk Ave., Almaty, 050051  
Republic of Kazakhstan  
Tel.: +7 (727) 244 40 44  
Fax: +7 (727) 244 65 70  
E-mail: [info@eabr.org](mailto:info@eabr.org)

## ST. PETERSBURG BRANCH

7 Paradnaya St., Saint Petersburg  
191014, Russian Federation  
Tel.: +7 (812) 320 44 41, 320 44 45, 320 44 46  
Fax: +7 (812) 329 40 41  
E-mail: [branch\\_SPb@eabr.org](mailto:branch_SPb@eabr.org)

## MOSCOW REPRESENTATIVE OFFICE

World Trade Centre, Entrance 9  
12 Krasnopresnenskaya Nab., Moscow  
123610, Russian Federation  
Tel.: +7 (495) 258 27 60, 645 04 45  
Fax: +7 (495) 645 04 41  
E-mail: [tm\\_moscow\\_dep@eabr.org](mailto:tm_moscow_dep@eabr.org)

## ASTANA REPRESENTATIVE OFFICE

Astanalyk Business Centre  
33 Kunayev St., Astana  
010000, Republic of Kazakhstan  
Tel.: +7 (7172) 55 84 84  
Fax: +7 (7172) 55 84 85  
E-mail: [tm\\_rep\\_astana@eabr.org](mailto:tm_rep_astana@eabr.org)

## BISHKEK REPRESENTATIVE OFFICE

21 Erkindik Blvd., Bishkek  
720040, Kyrgyz Republic  
Tel.: +996 (312) 66 04 04  
Fax: +996 (312) 66 21 46  
E-mail: [tm\\_rep\\_bishkek@eabr.org](mailto:tm_rep_bishkek@eabr.org)

## DUSHANBE REPRESENTATIVE OFFICE

C.A.C. Business Centre, 4th floor  
24A Aini St., Dushanbe  
734012, Republic of Tajikistan  
Tel.: +992 (44) 640 04 45  
Fax: +992 (44) 6 40 04 46  
E-mail: [tm\\_dushanbe@eabr.org](mailto:tm_dushanbe@eabr.org)

## YEREVAN REPRESENTATIVE OFFICE

Erebuni Plaza Business Centre, office 811  
26/1 Sargsyan St., Yerevan  
0010, Republic of Armenia  
Tel.: +374 (10) 54 01 02  
Fax: +374 (10) 54 13 52  
E-mail: [tm\\_rep\\_yerevan@eabr.org](mailto:tm_rep_yerevan@eabr.org)

## MINSK REPRESENTATIVE OFFICE

70 Myasnikov St., office 310, Minsk  
220030, Republic of Belarus  
Tel.: + 375 (17) 306 54 64  
Fax: + 375 (17) 306 54 65  
E-mail: [tm\\_Minsk@eabr.org](mailto:tm_Minsk@eabr.org)





**Eurasian Development Bank**

**Thank you!**

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