

# CAREC – Transport Conference

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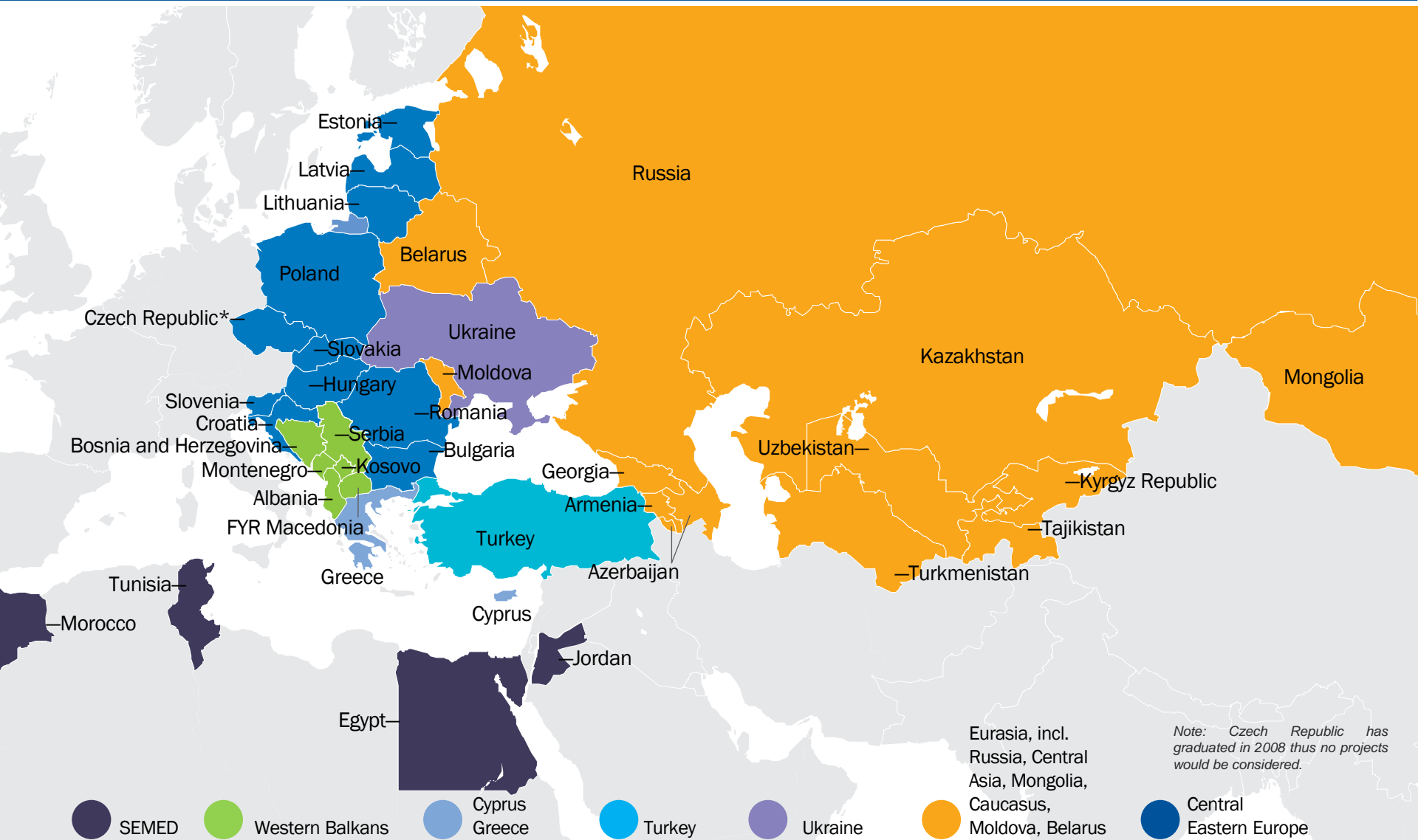


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# Where we invest – increasing footprint



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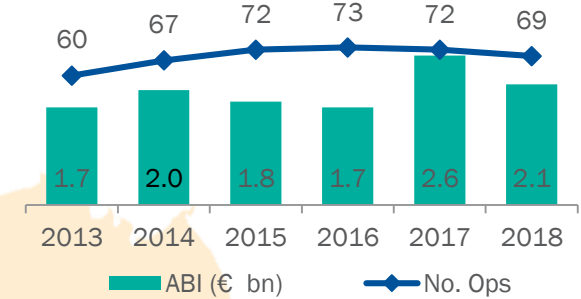
# EBRD Infrastructure Business Group



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EBRD INFRASTRUCTURE	Total	Eurasia
Active portfolio operations	476	131
Portfolio	EUR 12,300 m	EUR 2,083 m
Non-sovereign share	38 per cent	20 per cent

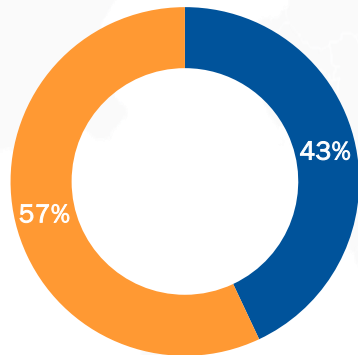
## EBRD Infrastructure Investment



## Infrastructure in Caucasus, Central Asia and Mongolia

### Portfolio by sector

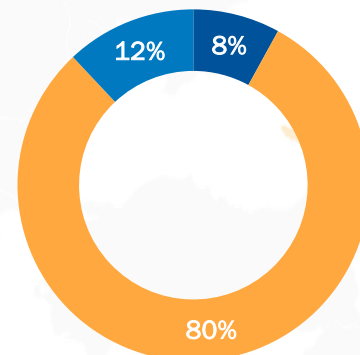
Share of current portfolio



■ Municipal Infrastructure  
■ Transport

### Portfolio by type

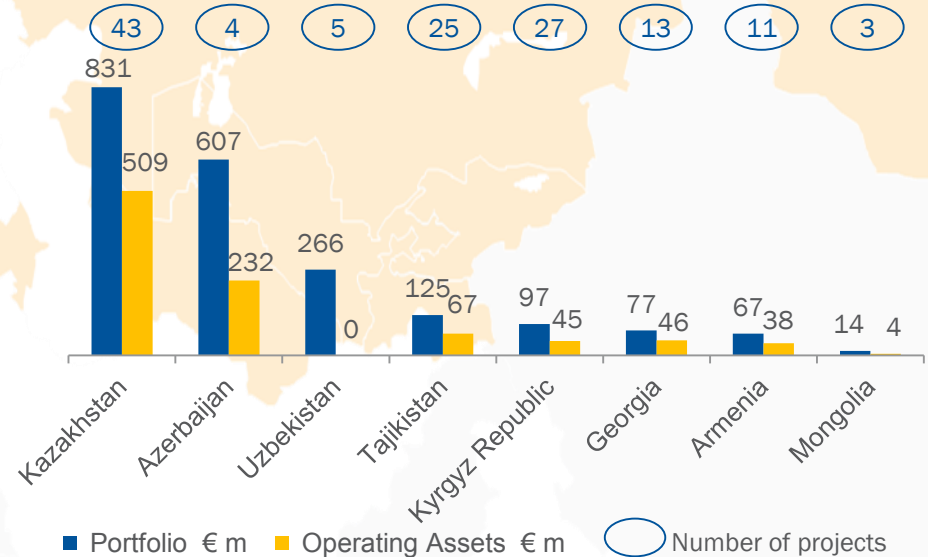
Share of current portfolio



■ Private  
■ Sovereign  
■ Sub-Sovereign

### Portfolio by country

Current portfolio

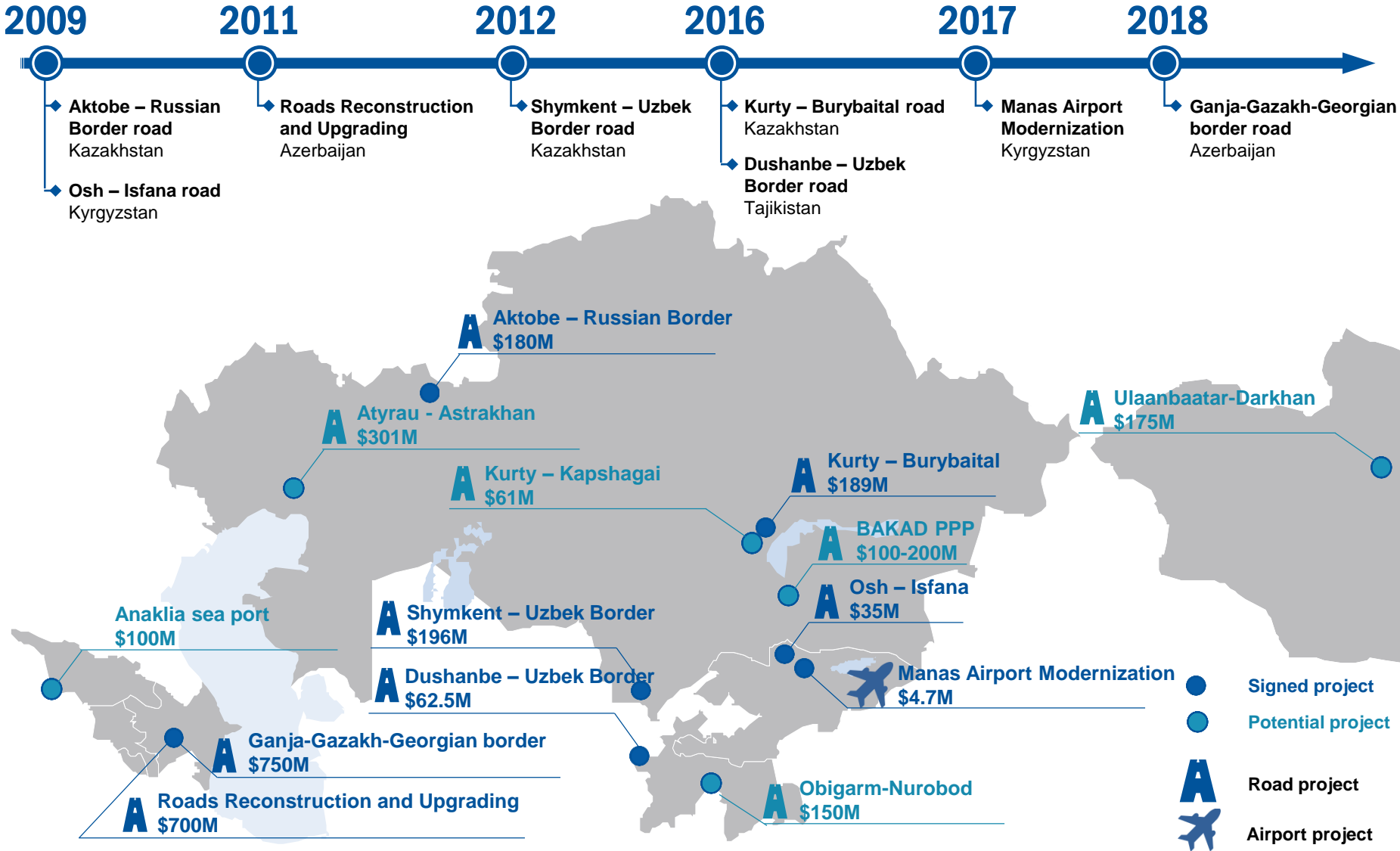


■ Portfolio € m ■ Operating Assets € m ○ Number of projects

# Signed and Potential CAREC Projects in Central Asia, Mongolia and Caucasus



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# Signed CAREC Projects in Central Asia

	Europe – China	Kurty-Buribaytal	Osh-Isfana	Dushanbe - Uzbek Border	Manas Airport Rehabilitation
Type	Road	Road	Road	Road	Airport
Country	Kazakhstan	Kazakhstan	Kyrgyzstan	Tajikistan	Kyrgyzstan
Client	Government	JSC KazAvtoZhol	The Ministry of Finance	Government	JSC “International Airport “Manas”
Signed in	2009 & 2012	2016	2009	2016	2017
EBRD loan	\$180M & \$196M	\$189M	\$35M	\$27.5M	\$4.7M
Sovereign	Yes	Yes	Yes	Yes	No
Project cost		\$455M	\$72.8M		\$5.2M
Length	100 km & 60 km	228 km	60 km	5 km	NA



## Common transition objectives:



Introduction/improvement of tolling system as new way of funding



Enhancing procedures (tendering, planning of maintenance)



Improved reporting (costing, accounting)



Environmental and health safety

# Signed CAREC Projects in Caucasus

	Roads Reconstruction and Upgrading	Ganja-Gazakh-Georgian border Road
Type	Road	Road
Country	Azerbaijan	Azerbaijan
Client	Government	Government
Signed in	2011	2018
EBRD loan	\$700M	Part of \$700M financing
Sovereign	Yes	Yes
Project cost	\$825M	NA
Length	346 km	130 km

## Common transition objectives:



**Capacity building and institutional reform**



**Investment and maintenance planning**



**Promoting private sector participation**



**Promoting efficiency and safety**

# Azerbaijan: Roads Reconstruction and Upgrading Project



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Signed in  
2011



Azerbaijan

## Project location



- **Client** AAY (the State Road Agency) as the Implementing Entity, and the Republic of Azerbaijan as the Borrower
- **EBRD finance:** USD 700 million in three tranches (original USD 750 million with USD 700 million committed) - sovereign
- **Total Project cost:** Up to USD 825 million
- **Project description:** Finance reconstruction of selected sections of the regional and corridor road network based on the priority investment programme prepared by Azeravtoyol: i) 156km Mingachevir – Bahramtapa road section; ii) the dualisation and rehabilitation of a 130km Ganja-Gazakh-Georgian border road section; iii) the rehabilitation of a 60 km section from Bahramtapa to Bilasuvar.
- **Transition Impact:**
  - ✓ Facilitating the operational strengthening of Azeravtoyol through introduction of a systematic long-term approach to the road sector investment and maintenance with adequate forward planning
  - ✓ Supporting road sector reform aimed at promoting efficiency and safety of regional and corridor roads through institutional reform and a gradual shift towards greater private sector participation

*The Project contributes to the diversification of the Azerbaijan economy by facilitating trade and regional cooperation with its neighbours and economic development across the country as a whole.*

# Azerbaijan: Ganja-Gazakh-Georgian border Road (GGG)



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Signed in  
2018



Azerbaijan

## Project location



## CAREC relevance

The Bank funded the dualisation and rehabilitation of the remaining 130km of the M2 highway between Ganja, the second largest city in Azerbaijan, and the Georgian border.

## EBRD finance:

USD 750 million (Sovereign)

## Objective:

The corridor is part of the CAREC and the Silk Road route, which connects Baku with Georgia, Turkey and EU, as well as the Russian Federation. This highway is part of the Government's priority programme to upgrade the national road network to support the economic growth of the regions outside Baku and to facilitate international trade, connectivity and integration into the global economy.

## Transition Impact

- ✓ Road Sector Master planning and capacity building
- ✓ Review of budgetary allocations for maintenance
- ✓ Private sector participation and development of PBMC



# Kazakhstan: Europe – China Transport Corridor

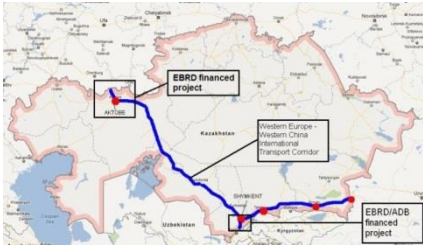


Signed in  
2009  
&  
2012



Kazakhstan

Project location



### CAREC relevance

The corridor includes passes through the routes of CAREC corridors connecting Central Asian countries with Russia and Europe.

### Projects:

EBRD participated in two sovereign projects to date:

- ✓ **City of Aktobe to Russian border** - 100km section – part of CAREC corridor 1 and 6.
- ✓ **City of Shymkent to Uzbek border** - 60km - part of CAREC corridor 3 and 6.

Active cooperation between IFIs, including EBRD, and the Government.

### EBRD financing:

USD 180 million sovereign loan (Aktobe – Russian Border)  
USD 196 million sovereign loan (Shymkent – Uzbek border)

### Status:

- ✓ **Aktobe – Russian Border:** project was successfully completed in 2014.
- ✓ **Shymkent – Uzbek border:** construction works are still ongoing.

# Kazakhstan: Kurty-Buribaytal Road Project



Signed in  
2016



Kazakhstan

### Project location



- **CAREC relevance** The road is part of CAREC Corridor 1
- **Client:** JSC KazAvtoZhol, a construction company owned by the Government of Kazakhstan engaged in design, construction, repair and maintenance of republican roads in Kazakhstan
- **EBRD financing:** USD 189 million, 2 loans (sovereign)
- **Objective:** Rehabilitation of a 228 kilometres long road section between the villages Kurty and Buribaytal  
  
Total project cost USD 455 million, co-financed with World Bank and state budget.  
  
The Government of Kazakhstan provided a sovereign guarantee.
- **Transition Impact:**
  - ✓ Introduction of new ways of road sector funding;
  - ✓ Developing of an action plan for introduction of heavy vehicles charges;
  - ✓ Tolling system expansion;
  - ✓ Demonstration of successful restructuring of JSC KazAvtoZhol.

# Tajikistan: Dushanbe - Uzbekistan Border Road Improvement Project



Signed in  
2016



Tajikistan

## Project location



- **CAREC relevance** The road is part of CAREC Corridor 3
- **Client:** Government of Tajikistan
- **EBRD financing:** USD 27.5 million as an extension of the original sovereign loan of USD 35.0 million
- **Objective:** Rehabilitation and upgrade of the 5 km section of the 62 kilometre road linking the city of Dushanbe to the Uzbek border.  
  
The road is connecting Tajikistan to the Russian Federation to the north (via Uzbekistan) with onward links to Turkey and Western Europe (e.g., via Caspian Sea routes).
- **Transition Impact:**
  - ✓ Introduction of tendering procedures for periodic road maintenance.
  - ✓ Road user charges introduction and Road Fund reform.
  - ✓ Development of the privatisation plan for maintenance units.
  - ✓ Introduction of service level agreements for routing maintenance.

# Kyrgyz Republic: Osh-Isfana Road Upgrade Project



Signed in  
2009



Kyrgyzstan

### Project location



- **CAREC relevance** Partial, separate sections relevant for CAREC Corridor 3.
- **Client:** The Ministry of Finance on behalf of the Kyrgyz Republic for the benefit of the Ministry of Transport and Communication (“Implementing Agency”), which is responsible for road sector policy.
- **EBRD financing:** USD 35 million (sovereign)
- **Objective:** Reconstruction and upgrade of the road sections from km 155 to km 195 and from km 200 to km 220 of the Osh-Isfana highway and re-routing some sections of the road since it crossed international border with Uzbekistan.  

Total project cost USD 72.8 million, co-financed by loan and grant of USD 20 million from World Bank and a capital grant of USD 17.8 million from the European Union.
- **Transition Impact:**
  - ✓ EBRD procurement rules
  - ✓ EBRD environmental and public consultation standards
  - ✓ EBRD disbursement and implementation rules

# Kyrgyz Republic: Manas Airport Rehabilitation



Signed in  
2017



Kyrgyzstan



1<sup>st</sup> EBRD non-  
sovereign project  
in Kyrgyzstan

## Project location



Client:

JSC “International Airport “Manas” (MIA), the main airport entity in the Kyrgyz Republic and majority owned by the state



EBRD financing:

USD 4.7 million (non-sovereign)



Objective:

Modernisation of the airport infrastructure in Bishkek, specifically installation of a new heating ventilation and air conditioning system (“HVAC”) to bring the system in line with international operational practices and energy efficiency standards.

The project is co-financed by a USD 0.5 million CAPEX grant from the EBRD Shareholder Special Fund (“SSF”).



Transition Impact:

- ✓ Introduction of activity based costing in MIA’s airport in Bishkek;
- ✓ Introduction of accounting separation in MIA’s airport in Bishkek;
- ✓ Similar accounting methodologies to be replicated in at least one other airport in the country (Osh, Issyk Kul, etc.);
- ✓ Adoption of PIP;
- ✓ Annual carbon reduction;
- ✓ Development of environmental management and Health Safety System.

Potential follow up investment (ca. USD 10 million) focusing on Phase II of the airport’s rehabilitation

# Transport Sector Pipeline: Almaty Ring Road PPP, Kazakhstan



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Expected signing  
2019



Kazakhstan

### Project location



- **Project description:**
- **Total Project cost:**
- **Type of finance:**
- **Financial close:**
- **Status:**
- **Project highlights:**

The Big Almaty Ring Road will be implemented as a 20-years BTO (Build-Transfer-Operate) PPP where the concessionaire will be responsible for building, financing, operating, collecting tolls, and maintaining the six-lane 66 km road.

USD 750 million

Senior Loan

2019

In January 2015 the Ministry of Investments and Development of Kazakhstan announced the tender for Almaty Ring Road PPP.

The tender has drawn a lot of interest from participants recording nine PQ applications; in April, six consortia were prequalified. In November 2015 three financial bids were submitted and the preferred bidder (Alarko-Makyol-SK E&C-KEC) was announced in February 2016.

The Concession Agreement was signed in February 2018 and the financial close is scheduled for 2Q 2019.

Since 2012, EBRD and IFC have been actively involved in the project by providing assistance to the grantor in their preparation for the tender and concession.

No traffic risk, availability payments with currency risk mitigation mechanism, 'bankable' termination and step-in arrangements.

# Transport Sector Pipeline: Obigarm-Nurobod road project, Tajikistan



Expected signing  
2019



Tajikistan

## Project location



Dushanbe,  
Tajikistan



ASIAN DEVELOPMENT BANK



- **CAREC relevance** The road is part of CAREC corridors 2, 3, and 5
- **Client:** Government of Tajikistan
- **EBRD financing:** USD 150 million sovereign loan
- **Objective:** Rehabilitation of the 72 km road section to restore and improve connectivity between Dushanbe, the northeast region of Tajikistan and the Kyrgyz Republic.
- **Transition Impact:** Implementation of the Road Sector Institutional Reforms:
  - ✓ The Project will focus on the establishment of an executive type Road Agency. The Agency will need to implement a systems and network knowledge data base for efficient management, but also establish regional representations to oversee contractors and co-ordinate planning and monitoring.
  - ✓ The Agency will also support the development of a road asset management system, with the clear responsibility sharing.

# Transport Sector Pipeline: Ulaanbaatar-Darkhan Road Project, Mongolia



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Expected signing  
2019



Mongolia

## Project location



- CAREC relevance** separate sections relevant for CAREC Corridor 4
- Client:** Mongolia, represented by the Ministry of Finance for the benefit of the Ministry of Road and Transport Development
- EBRD financing:** up to USD 175 million (sovereign loan)
- Objective:** to expand the existing road connecting Ulaanbaatar to Darkhan, the third-largest city in the country, into a 4-lane by constructing an adjacent 2-lane road with an approximate total length of 204 km. The UB – Darkhan road is an arterial part of the Mongolian road network and is part of the China – Mongolia – Russia economic corridor. Total project cost is USD 192 million, including the Government financing VAT of USD 17.5 million. The project also benefits from an additional TC Fund of USD 2.3 million.
- Transition Impact:**
  - ✓ Provision of new infrastructure between or within regions that are currently inadequately integrated
  - ✓ The percentage of EBRD use of proceeds allocated to the project that qualifies as GET is 15% or higher. A project level climate risk assessment will be performed to assure climate resilience of the project across design, construction and possibly maintenance phases to minimise damage to infrastructure and disruption to business and productivity in the region.



# Transport Sector Pipeline: Anaklia Deep Sea Port, Georgia



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Due diligence  
stage



Georgia

## Project location




- CAREC relevance Port is on the CAREC corridor
- Client: Anaklia Development Consortium
- EBRD financing: USD 100 million
- Total Project financing: estimated USD 600 million (mandated lenders : EBRD, ADB, AIIB, OPIC)
- Objective Construction of a greenfield deep-sea port located on the Black sea, Georgia, at a focal point of the historic Silk Road between China and Europe.
- Transition Impact:
  - ✓ Anaklia port is a strategic project for Georgia to enhance the country's attractive transit and logistics potential.
  - ✓ The Anaklia Port is a major greenfield infrastructure project which could significantly enhance the capacity, efficiency and integration of shipping and freight transport in Georgia and the wider region.
  - ✓ The project introduces private financing for greenfield infrastructure assets in Georgia through PPP financing.


# Key Challenges in Land Transport



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**Difficult geography**  
*limiting economies of scale and requiring resilient infrastructure investments to mitigate environmental and climate risks*



**1520 market**  
*resulting in additional expenses for loading/unloading at border crossings with neighbouring regions*



**Inefficient governance**  
*limiting efficient operations and budgeting, constraining quality service provision*

**Railway sector**



**Inadequate O&M planning**  
*resulting in rapid deterioration of assets*




**Inadequate long-term planning**  
*limiting prioritization of investments*




**Sub-optimal funding strategies**  
*increasing the pressure on state and regional budgets*


**Road sector**



**Dominance of SOEs and limited private sector participation**  
*limiting commercialization and implementation of best practices*



**Infrastructure investment gaps**  
*hampering integration and leading to a backlog of maintenance needs*



**Inadequate institutional capacity**  
*limiting efficient planning, asset management and procurement*

**Common Challenges**

# Unlocking the Regional Transit Potential



**Improved regulations and governance** to enhance service provision, implement commercial and sustainable solutions, support private sector participation, and achieve higher transparency and accountability



**Enhanced cross-country coordination** to develop a regional approach to planning and prioritization



**Political willingness and long-term planning** for implementing sector-wide and regional reforms

# Contacts



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