

CAREC – Transport Conference

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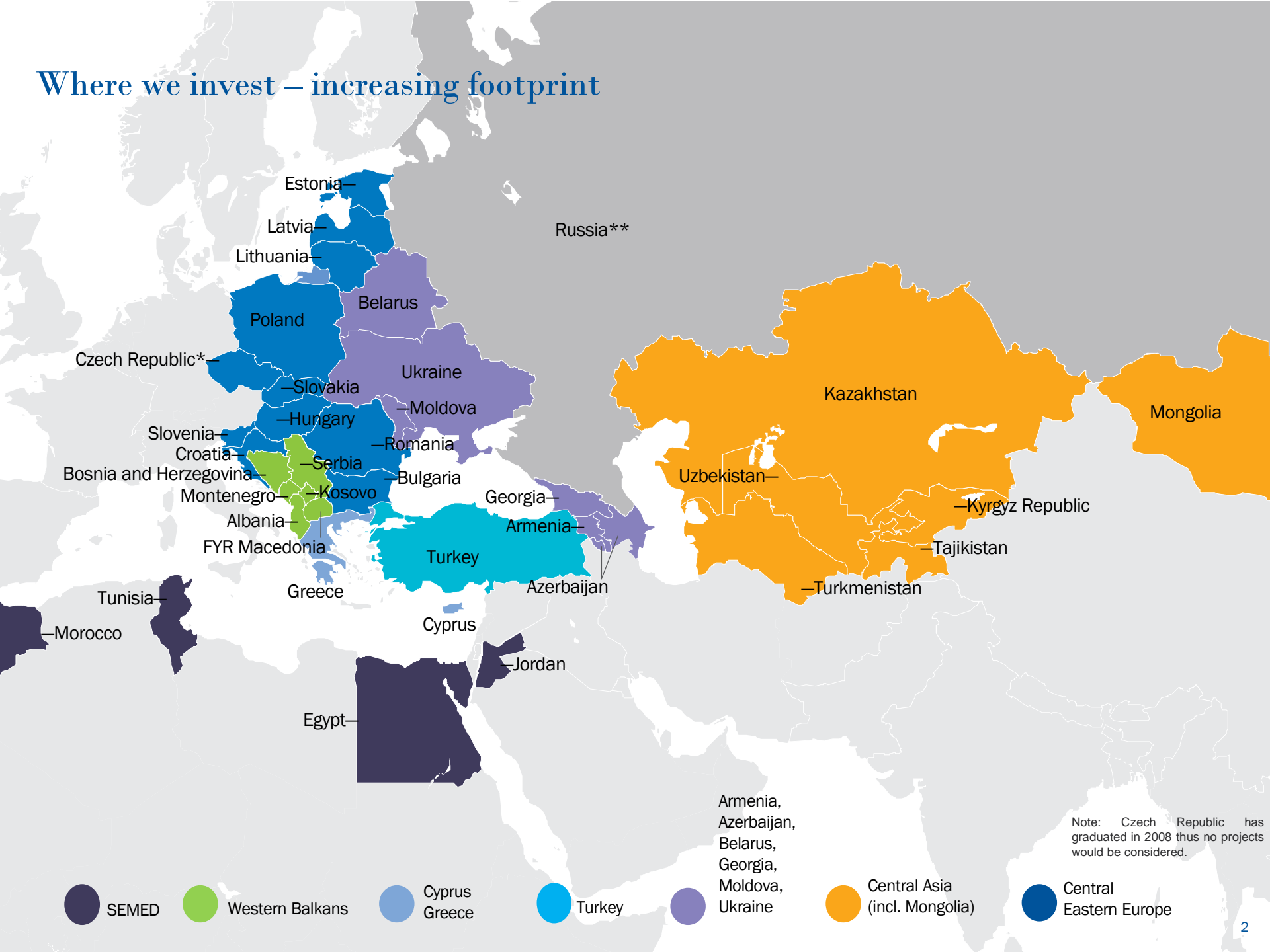
Russia, Central Asia and Mongolia

April 2018



European Bank
for Reconstruction and Development

Where we invest – increasing footprint

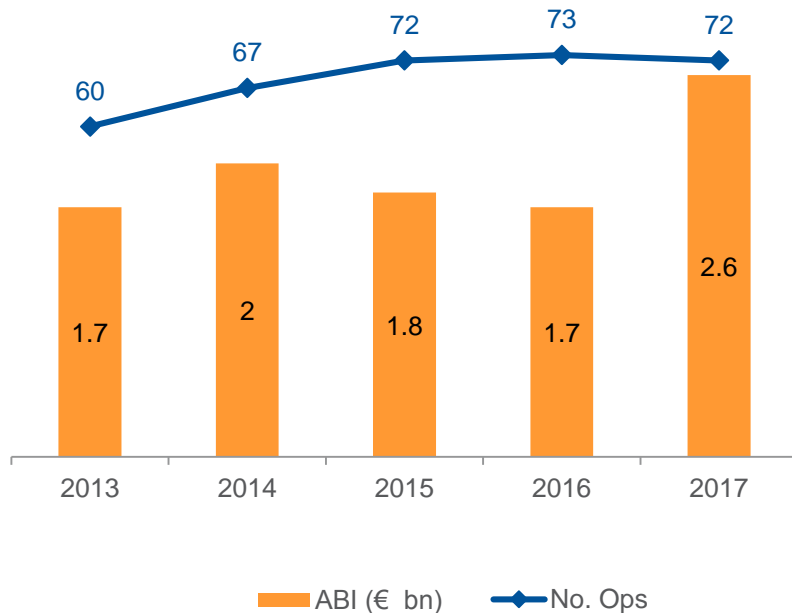


EBRD Infrastructure Business Group

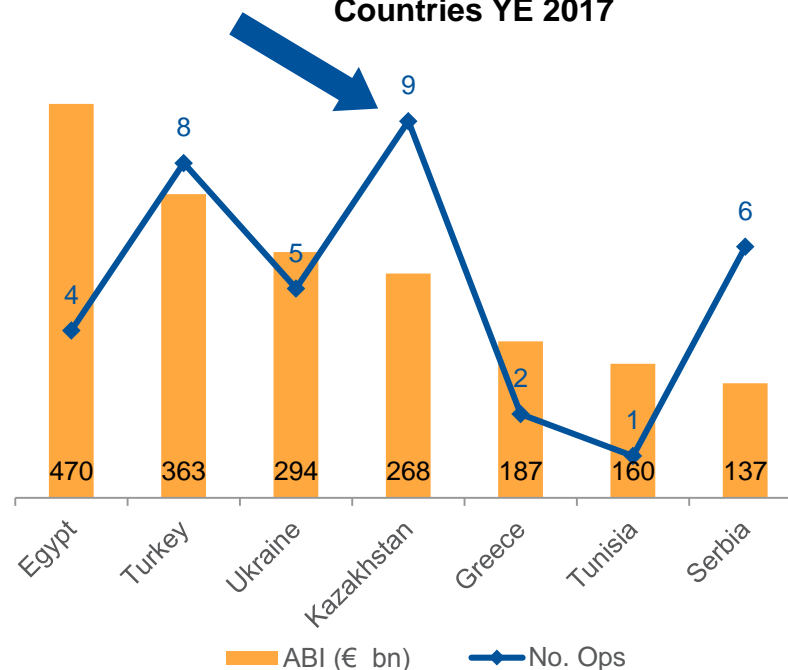
EBRD INFRASTRUCTURE

Number of projects to date	747
Net cumulative Bank investment	EUR 22.6 bn
Non-sovereign share	48 per cent

EBRD Investments Infrastructure



EBRD Investments Infrastructure Top 7 Countries YE 2017



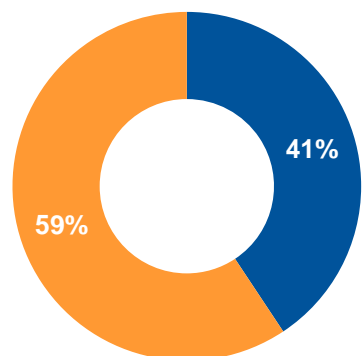
EBRD in Infrastructure in Central Asia and Mongolia

Activity in Infrastructure sector in Central Asia and Mongolia

Active portfolio operations	98
Portfolio	€ 1,245 m
Operating assets	€ 642 m

Portfolio by sector

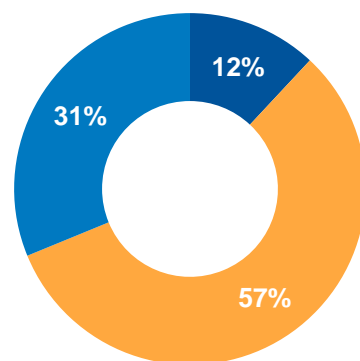
Share of current portfolio



■ Municipal Infrastructure
■ Transport

Portfolio by type

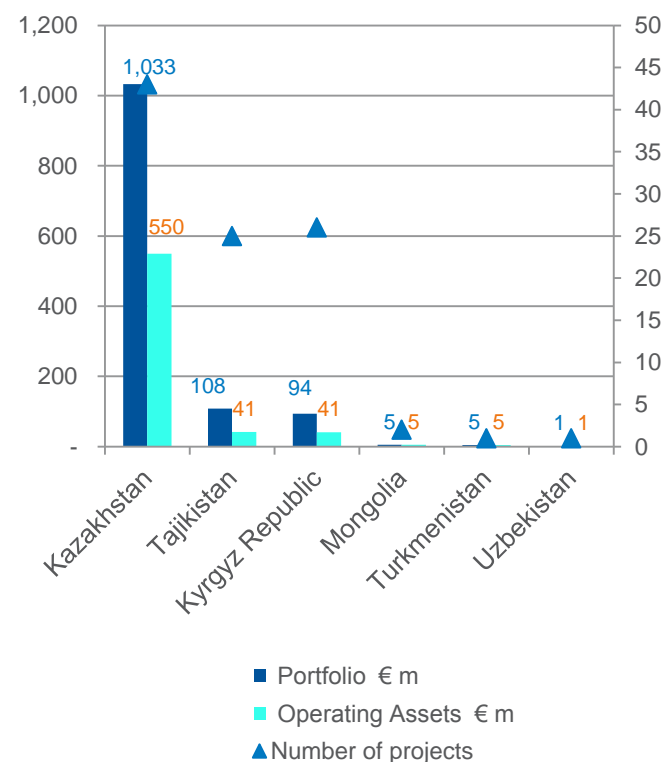
Share of current portfolio



■ Private ■ Sovereign ■ Sub-Sovereign

Portfolio by country

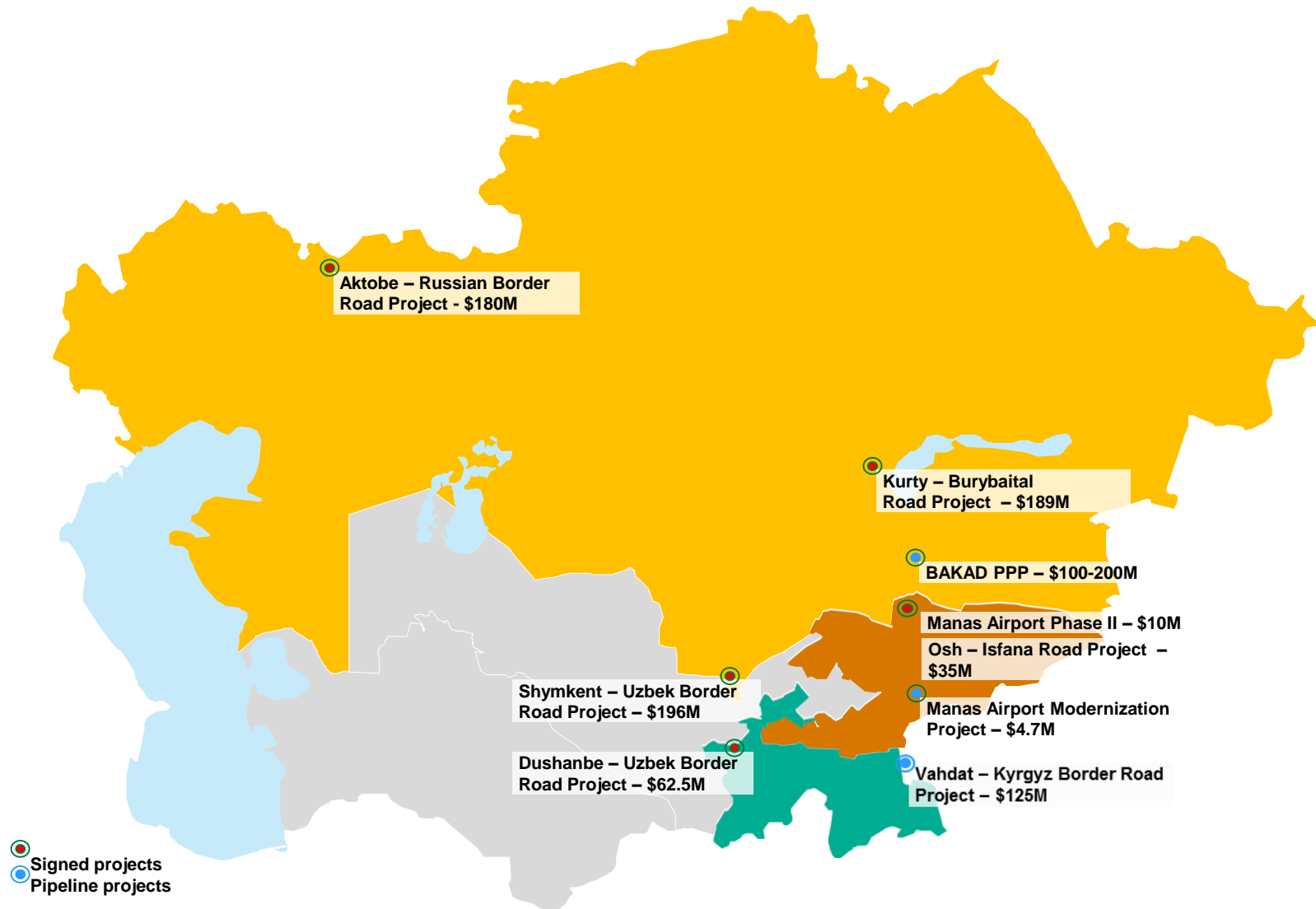
Current portfolio



Signed and Potential CAREC Projects in Central Asia



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Kazakhstan: Europe – China Transport Corridor



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Signed in
**2009 &
2012**



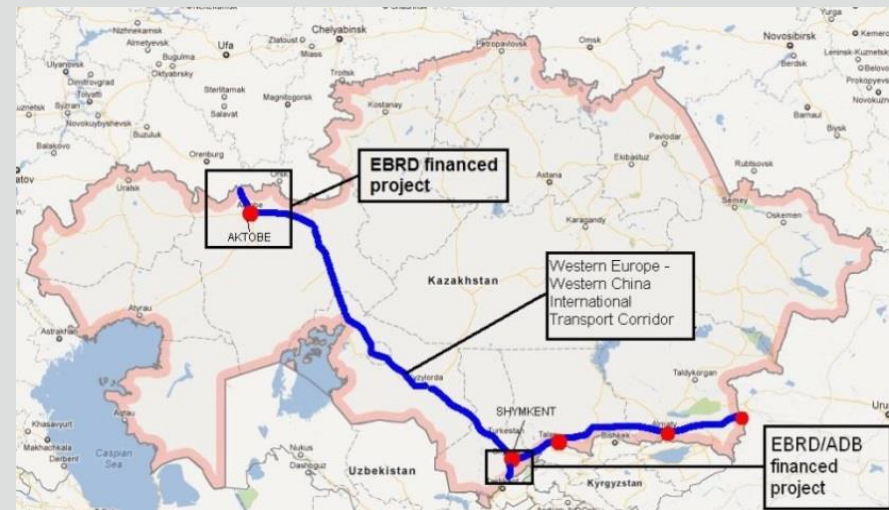
- **CAREC relevance:** The corridor includes passes through the routes of CAREC corridors connecting Central Asian countries with Russia and Europe.
- Active cooperation between IFIs, including EBRD, and the Government
- EBRD participated in two **sovereign** projects to date:

1. **City of Aktobe to Russian border** - 100km section – part of CAREC corridor 1 and 6.

- EBRD provided USD 180 million sovereign loan
- This project was successfully completed in 2014

2. **City of Shymkent to Uzbek border** - 60km - part of CAREC corridor 3 and 6.

- EBRD provided a USD 196 million sovereign loan
- Construction works are still ongoing



Kyrgyz Republic: Osh-Isfana Road Upgrade Project

Signed in
2009



- **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.
- **The transition objectives:**
 1. Introduction of tendering procedures for periodic road maintenance.
 2. Road user charges introduction and Road Fund reform.
 3. Development of the privatisation plan for maintenance units.
 4. Introduction of service level agreements for routing maintenance.

Kazakhstan: Kurty-Buribaytal Road Project



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Signed in
2016



- **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.

- **The transition objectives:**
 1. Introduction of new ways of road sector funding;
 2. Developing of an action plan for introduction of heavy vehicles charges;
 3. Tolling system expansion;
 4. Demonstration of successful restructuring of JSC KazAvtoZhol.

Tajikistan: Dushanbe - Uzbekistan Border Road Improvement Project



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Signed in
2016



- **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).

- **Common standards:**
 - EBRD procurement rules
 - EBRD environmental and public consultation standards
 - EBRD disbursement and implementation rules

Kyrgyz Republic: Manas Airport Rehabilitation



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Signed in
2017



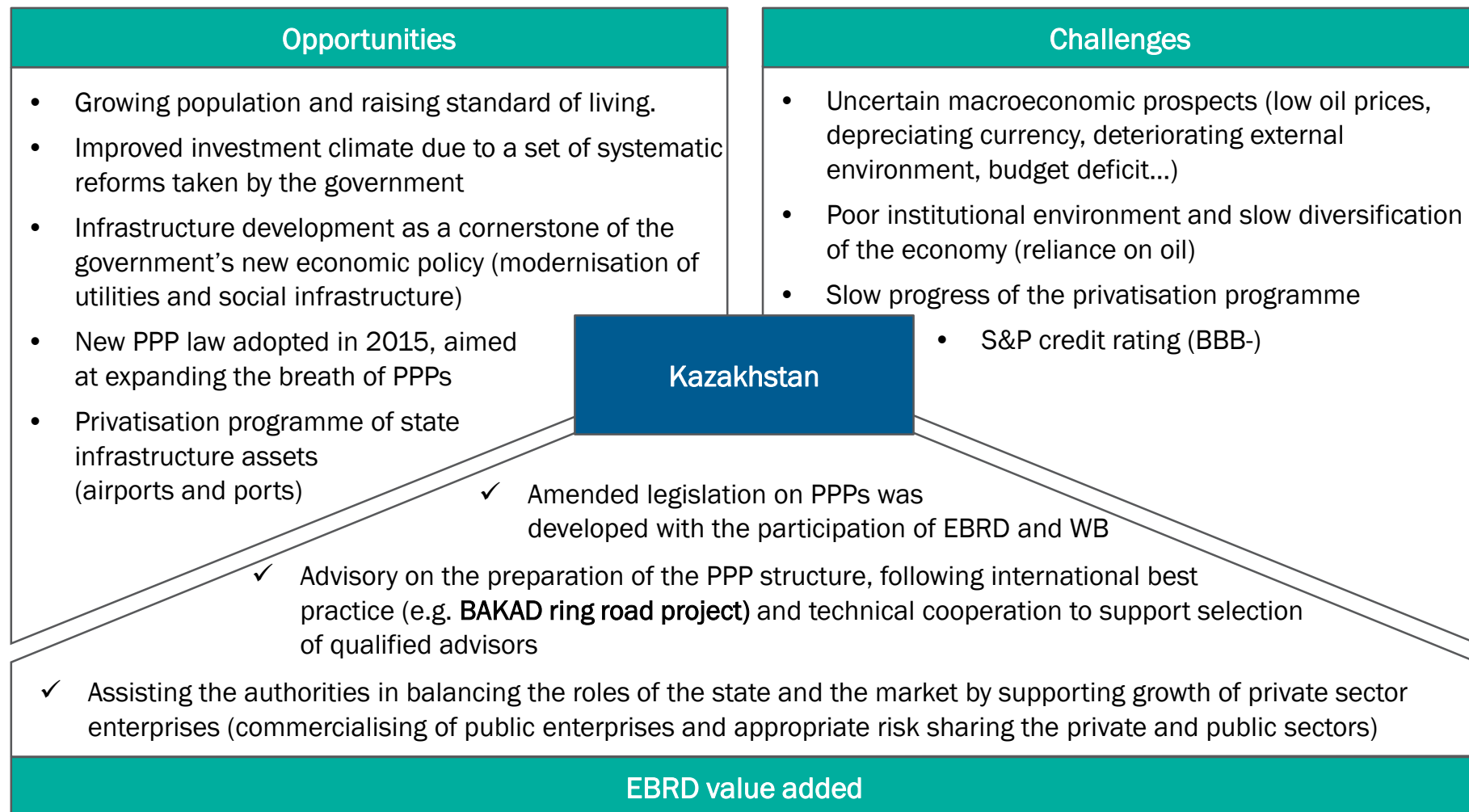
- **Client:** JSC “International Airport “Manas” (MIA), the main airport entity in the Kyrgyz Republic and majority owned by the state.
- **EBRD financing:** USD 4.7 million (**non-sovereign**)
- **Objective:** Modernisation of the airport infrastructure in Bishkek, specifically installation of a new heating ventilation and air conditioning system (“HVAC”) to bring the system in line with international operational practices and energy efficiency standards. The first EBRD non-sovereign project in the Kyrgyz Republic.
The project is co-financed by a USD 0.5 million capital expenditure grant from the EBRD Shareholder Special Fund (“SSF”).
- **The transition objectives:**
 1. Introduction of activity based costing in MIA’s airport in Bishkek;
 2. Introduction of accounting separation in MIA’s airport in Bishkek;
 3. Similar accounting methodologies to be replicated in at least one other airport in the country (Osh, Issyk Kul, etc.);
 4. Adoption of PIP;
 5. Annual carbon reduction;
 6. 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

Kazakhstan: Growing market with a strong state support for public-private partnerships



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Transport Sector Pipeline:

Almaty Ring Road PPP, Kazakhstan



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Project description:

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.



Total Project cost:

EUR 600 million



Type of finance:

Senior Loan / Project Bond



Financial close:

2018



Status:

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 4Q 2018.

Project highlights:

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. Other IFIs (including ADB and IsDB) - have confirmed their interest to finance the project.

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



Reform Challenges: Railway Sector

Dominance of SOEs, limiting commercialization of the sector and intermodal solutions

Outdated infrastructure and equipment, requiring substantial investments in modernisation and maintenance

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

Weak sector regulation, constraining quality service provision and hampering private sector participation

Inadequate institutional capacity, limiting region's true potential for transit, modal shift, and connectivity

Reform Challenges: Road Sector

Infrastructure investment gaps, limiting regional integration within and between countries

Limited private sector participation, contributing to the infrastructure investment gaps

Underdeveloped O&M planning, resulting in deterioration of even newly built assets

Lack of user-charges, increasing the pressure on state and regional budgets

Inadequate long-term planning, limiting development of the road sector and prioritization of investments

Weak institutional capacity, hampering the switch from government-based approach to a market-driven approach

Institutional Reforms: Realizing the Region's Transit Potential



Contacts



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2018 Annual Meeting and Business Forum

Dead Sea, Jordan

8–10 MAY 2018

Register at:

www.ebrd.com/am

Programme to include:

- Discussion panels
- Investment Outlook Sessions
- Networking Events
- Associated Events



JORDAN 2018



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