

EBRD - CAREC Development Partner

April 2020

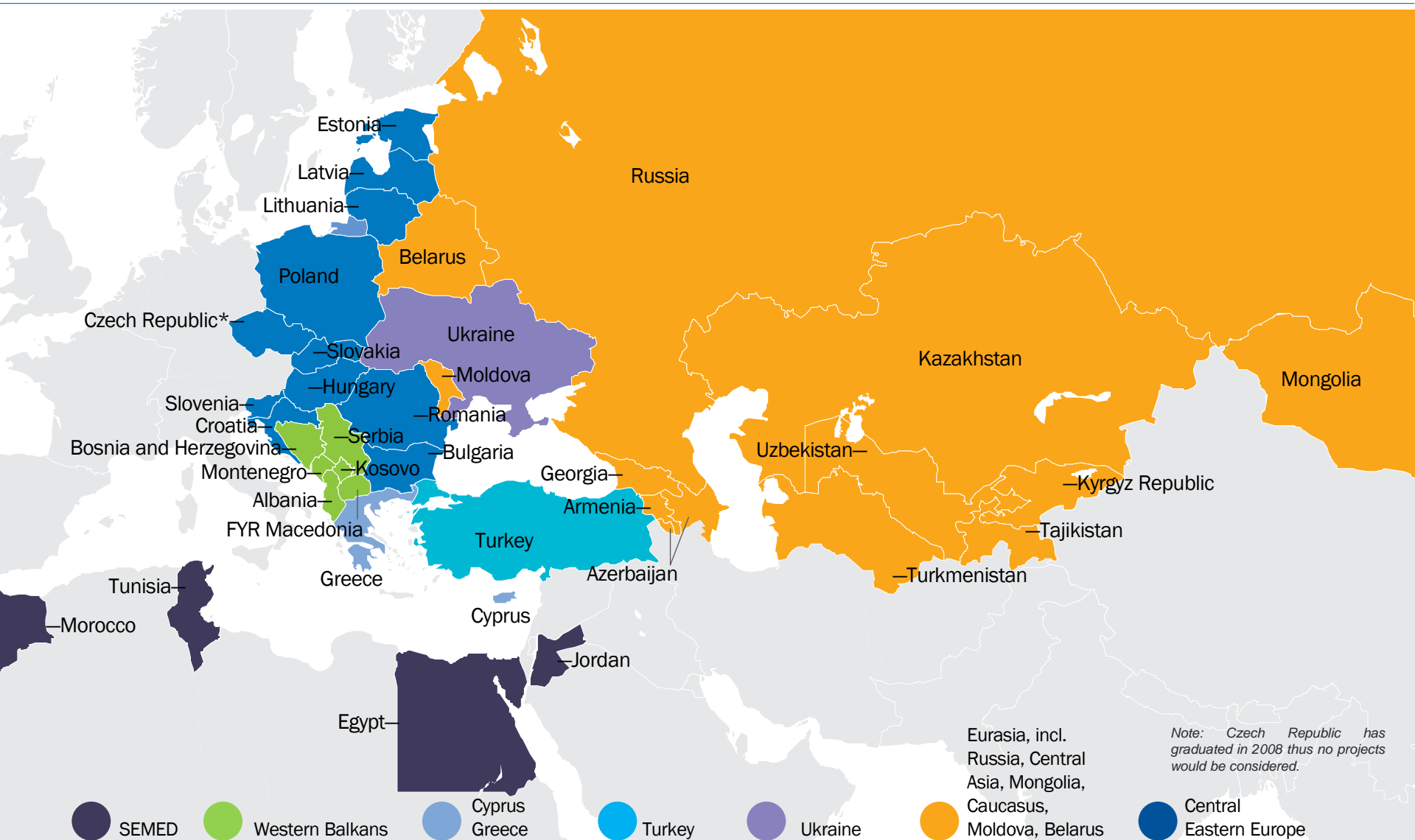


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Where we invest – increasing footprint



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EBRD Infrastructure Business Group



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EBRD INFRASTRUCTURE

Total

Eurasia

Active portfolio operations

506

177

Portfolio

EUR 14,076 m

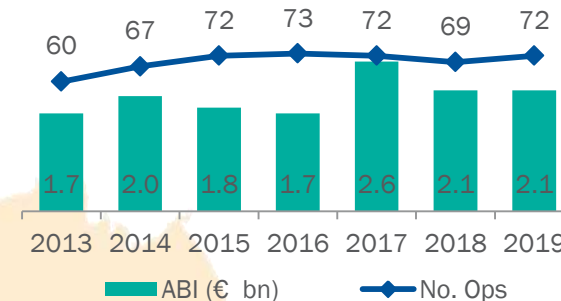
EUR 3,820 m

Non-sovereign share

38 per cent

18 per cent

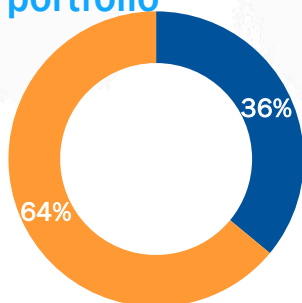
EBRD Infrastructure Investment



Infrastructure in Caucasus, Central Asia and Mongolia

Portfolio by sector

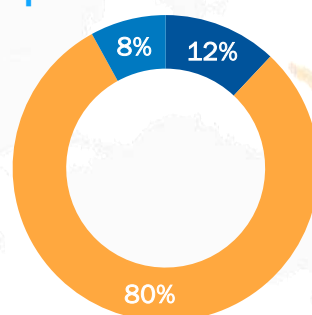
Share of current portfolio



■ Municipal Infrastructure
■ Transport

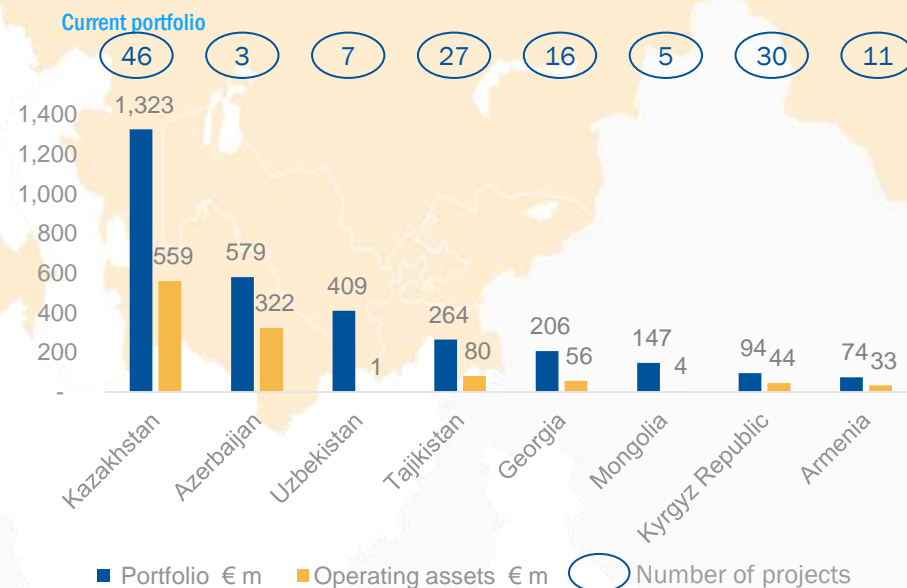
Portfolio by type

Share of current portfolio



■ Private
■ Sovereign
■ Sub-Sovereign

Portfolio by country



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

CAREC Projects Portfolio in Central Asia, Mongolia and Caucasus



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2016

2017

2018

2019

2020

EBRD
financing of
c.\$ 3,000 M
over 10
years

◆ Kurty – Burybaital road
Kazakhstan
◆ Dushanbe – Uzbek
Border road
Tajikistan

◆ Manas Airport
Modernization
Kyrgyz Republic

◆ Ganja-Gazakh-
Georgian
border road
Azerbaijan

◆ Atyrau –
Astrakhan road
Kazakhstan

Kurty –
Kapshagai road
Kazakhstan

North-South
Corridor Road
Georgia

◆ Ulaanbaatar-Darkhan
road
Mongolia

Obigarm-Nurobod
road
Tajikistan-Kyrgyz
Republic

BAKAD road PPP
Kazakhstan



Pipeline of CAREC Projects in Central Asia, Mongolia and Caucasus

KazAirNavigation



Location: Kazakhstan



EBRD loan: up to **USD 30 million**
(senior unsecured corporate loan)



Expected signing: 2Q 2020



Transition impact: integrated,
well-governed

Tyup-Karakol Road Rehabilitation



Location: Kyrgyz Republic



EBRD loan: **USD 50 million**
(sovereign loan)



Expected signing: 2H 2021



Transition impact: resilient,
inclusion

Kyzylorda-Zhezkazgan Road



Location: Kazakhstan



EBRD loan: up to **USD 200 million** in
local currency (sovereign loan or
sovereign guaranteed)



Expected signing: 2021



Transition impact: connectivity

Transport Sector: Almaty Ring Road PPP (BAKAD), Kazakhstan



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Signed in
February 2020



Kazakhstan

Project location



Project description:

The Big Almaty Ring Road (BAKAD) 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 66 km road.

Total Project cost: USD 750 million

EBRD financing A-loan USD 225 million, B-loan USD 150 million

Type of finance: Senior Loan

Financial close: 2020

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 2Q 2020.

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

Transport Sector: Obigarm-Nurobod road project, Tajikistan



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Signed in
January 2020



Tajikistan

Project location



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:

The loan will finance construction of a 44 km section out of a 75 km long detour ("M41 Detour Road") of an existing M41 highway connecting the northeast region of Tajikistan and the Kyrgyz Republic. The project will be co-financed by the ADB, AIIB, and the Government of Tajikistan.

Transition Impact:

- ✓ The Project will substantially increase women's access to economic opportunities and promote gender equality in transport and labour policies through concerted policy dialogue.
- ✓ The Project will improve road maintenance operations through increased road maintenance funding, building necessary institutional capacity and strengthening associated procedures in Tajikistan.

Transport Sector: Ulaanbaatar-Darkhan Road Project, Mongolia



Signed in
January 2020



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 137 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 152.4 million, including the Government financing VAT of USD 13.7 million. The project also benefits from an additional TC Fund of USD 1.7 million.
- **Transition Impact:**
 - ✓ Integrated. Provision of new infrastructure between or within regions that are currently inadequately integrated
 - ✓ Resilient. The Project will help the Client develop its road asset management capacity through the post-signing technical co-operation funds.

Transport Sector: North–South Corridor (Kvesheti–Kobi), Georgia



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Signed in
October 2019



Georgia

Project location



CAREC relevance

The East–West Highway is part of Corridor 2 of the CAREC Programme. The Bank finance the construction of the Tskere-Kobi tunnel, co-financing with ADB and Georgia.

Client:

Georgia, implemented by the Roads Department under the Ministry of Infrastructure and Regional Development

EBRD financing:

EUR 53.4 million sovereign loan

Objective:

Improve the connectivity, access and safety on the North-South Corridor and contribute to economic development. Transform Georgia into a transport, logistics and a trade hub connecting Europe and Asia, as well as providing better transit links in the Caucasus region, with emphasis on the country's backbone for transit trade comprised of the East-West and North-South transport corridors.

Transition Impact:

- ✓ Support economic development, regional integration and enhance the connectivity along the key transport corridors within Georgia and its neighbouring countries
- ✓ Support the introduction of new technology (drones) for the project and the Georgian road sector generally which will be incorporated in construction and supervision activities, especially for hard to reach infrastructure objects such as tunnels, portals and bridge structures.

Transport Sector: Roads Reconstruction and Upgrading Project (incl Ganja-Gazakh-Georgian border road section), Azerbaijan



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Signed in
February 2018



Azerbaijan

Project location



CAREC relevance

The Bank funded the reconstruction and rehabilitation of the 130km road section on the M2 highway between Ganja, the second largest city in Azerbaijan, and the Georgian border.

Client:

Azerbaijan, implemented by the State Agency of Azerbaijan Automobile Roads

EBRD financing:

USD 700 million sovereign loan

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
- ✓ Budgetary allocations for maintenance
- ✓ Development of PBMC to increase the role of the private sector participation.

Transport sector challenges and opportunities are common...

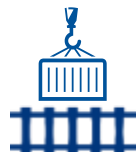


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Difficult geography

Sparse population, harsh climate and rugged terrain limit traffic



1520 market

The legacy Soviet network increase on-loading/off-loading costs, limiting connectivity



Underdeveloped markets

Limited human capital development, combined with frequent change of policy makers make reforms difficult



Underdeveloped O&M planning

Maintenance of existing and new assets is difficult



Lack of user charges

Budget funding is insufficient and subject to political influences, inducing fragility



Dominance of SOEs and limited private sector participation

Commercialization is limited, leading to under-investment



Transit potential

Location between China and Europe enhances the potential for cooperation

- EBRD is developing a regional connectivity approach to provide cross-sectoral, cross-country support



Sector regulation reforms

Support for market development leads to higher quality and more cost effective infrastructure sectors

- Tailored reforms are pursued along investments

Starting point

Challenges

Opportunities

...but our approach to sector reforms is tailored...

We focus on strong fundamentals:

Institutions

- ✓ Introduction of best-practice procurement rules
- ✓ Introduction of environmental and public standards
- ✓ EBRD disbursement and implementation rules

Funding

- ✓ Enhanced maintenance funding distribution methodology
- ✓ Development of performance monitoring to ensure accountability and reporting
- ✓ Provision of legal support for the amendments required to the secondary legislations
- ✓ Human capital development

Institutions, funding

- ✓ Enhanced Road Safety standards
- ✓ Preparation of a Road Sector Institutional Reform study
- ✓ Increased funding available for road maintenance
- ✓ Piloting the first periodic road maintenance contract with private sector
- ✓ Introduction of gender transport policies

...to the current reality in the sectors.

As an example, in Kazakhstan, we work with our partners on advanced reforms

Agency related

- ✓ Facilitating the establishment and then restructuring of the road agency, with a focus on capacity building
- ✓ Introduce a network contract between stakeholders to improve long-term planning, and accountability
- ✓ Adoption of a corporate governance action plan by the national road operator

Funding and maintenance

- ✓ Implementation of action plans for new road funding strategies (tolling system expansion, introduction of heavy vehicle charges)
- ✓ Increasing the road maintenance budget
- ✓ Transfer of all periodic maintenance contracts to the private sector
- ✓ Introduction of innovative technologies in repair and construction contracts



PSP

- ✓ Supporting private sector participation through performance based maintenance contracts on 700km of roads
- ✓ Introduction of the first international-standard road PPP project in the country
- ✓ Providing recommendations to the government to design an improved PPP framework



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