Best Practices in Corridor Development and Management: EBRD Experience

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Head of Mongolia
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EBRD investments span a large geography...

- €30 billion capital base
- €43.8 billion portfolio
- €9.6 billion of financing signed in 2018

3 key operational principles
- Sound banking
- Transition impact
- Environmental sustainability

- Multilateral financing institution established in 1991 to support transition to market economies
- Owned by 69 countries, the EU and the EIB
...with the objective of fostering transition to market economies

- To **promote transition** to market economies by investing mainly in the private sector
- To **mobilize foreign direct investment**
- To **support private sector participation**, restructuring and better municipal services to improve service quality and people’s lives
- To encourage **environmentally sound and sustainable development**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Russian Federation</td>
<td><strong>1,816</strong></td>
</tr>
<tr>
<td>2</td>
<td>Turkey</td>
<td><strong>920</strong></td>
</tr>
<tr>
<td>3</td>
<td>Ukraine</td>
<td><strong>798</strong></td>
</tr>
<tr>
<td>4</td>
<td>Poland</td>
<td><strong>756</strong></td>
</tr>
<tr>
<td>5</td>
<td>Romania</td>
<td><strong>508</strong></td>
</tr>
<tr>
<td>6</td>
<td>Serbia</td>
<td><strong>424</strong></td>
</tr>
<tr>
<td>7</td>
<td>Kazakhstan</td>
<td><strong>328</strong></td>
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<tr>
<td>8</td>
<td>Croatia</td>
<td><strong>288</strong></td>
</tr>
<tr>
<td>9</td>
<td>Belarus</td>
<td><strong>255</strong></td>
</tr>
<tr>
<td>10</td>
<td>Slovak Republic</td>
<td><strong>237</strong></td>
</tr>
</tbody>
</table>
EBRD provides flexible financing solutions...

TC project preparation support, including PPPs

Direct sovereign debt

Sovereign backed debt to SOEs

Commercial debt to SOEs

For financially viable operations saves sovereign headroom

Commercial debt to private companies

EBRD up to 35% + Syndication / Parallel lending

Debt Capital Market

EBRD up to 20%

Credit Enhancement

Blended finance

First Loss

Construction support

Revenue Support

Equity EBRD up to 35%

IPO/ Private placement

Infra Funds

Mezzanine

TC Reform-related and implementation support, including ‘soft measures’
We invest across all subsectors except coal transportation. Our current portfolio stands at EUR 1.8 billion with 51 project.

We invest across Eurasia in:

- **Roads:** fleet, motorways, national, regional, local and rural
- **Railways:** track, signalling, stations, rolling stock
- **Maritime:** ports, inland waterways, shipyards, fleet
- **Aviation:** airports, air navigation, airlines
- **Intermodal and logistics:** logistics and intermodal platforms including fleets

### Portfolio by sub-sector

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Portfolio, € million</th>
<th>Number of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highway, Street &amp; Bridge Construction</td>
<td>1,270.0</td>
<td>16</td>
</tr>
<tr>
<td>Rail Transportation</td>
<td>374.6</td>
<td>14</td>
</tr>
<tr>
<td>Transport - Intermodal</td>
<td>72.0</td>
<td>10</td>
</tr>
<tr>
<td>Support Activities for Transportation</td>
<td>52.5</td>
<td>2</td>
</tr>
<tr>
<td>Ports and Harbours Operations</td>
<td>51.0</td>
<td>2</td>
</tr>
<tr>
<td>Water Transportation</td>
<td>22.5</td>
<td>3</td>
</tr>
<tr>
<td>Air Transportation</td>
<td>18.4</td>
<td>2</td>
</tr>
<tr>
<td>Railroad Rolling Stock Equipment</td>
<td>15.5</td>
<td>1</td>
</tr>
<tr>
<td>Support Activities for Air Transportation</td>
<td>1.8</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,878.3</strong></td>
<td><strong>51</strong></td>
</tr>
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</table>

Data at end December 2018
Signed and potential corridor projects in Central Asia, Mongolia and Caucasus

- Aktobe – Russian Border road, Kazakhstan
- Osh – Isfana road, Kyrgyzstan
- Shymkent – Uzbek Border road, Kazakhstan
- Kurty – Burybaital road, Kazakhstan
- Dushanbe – Uzbek Border road, Tajikistan
- Manas Airport Modernization, Kyrgyzstan
- Ganja-Gazakh-Georgian border road, Azerbaijan

Aktobe – Russian Border road
Kurty – Burybaital road
Shymkent – Uzbek Border road
Kurty – Kapshagai road
Dushanbe – Uzbek Border road
Manas Airport Modernization
Ganja-Gazakh-Georgian border road

2009
- Aktobe – Russian Border road, Kazakhstan
- Osh – Isfana road, Kyrgyzstan

2011
- Roads Reconstruction and Upgrading, Kazakhstan

2012
- Kurty – Burybaital road, Kazakhstan

2016
- Dushanbe – Uzbek Border road, Tajikistan

2017
- Manas Airport Modernization, Kyrgyzstan

2018
- Ganja-Gazakh-Georgian border road, Azerbaijan

Road projects:
- Aktobe – Russian Border road: $180M
- Shymkent – Uzbek Border road: $100-200M
- Kurty – Burybaital road: $189M
- Dushanbe – Uzbek Border road: $62.5M
- Osh – Isfana road: $35M
- Manas Airport Modernization: $4.7M
- Anaklia sea port: $100M
- Obigarm-Nurobod: $150M
- Kurty – Kapshagai road: $61M
- Atyrau - Astrakhan: $301M
- Shymkent – Uzbek Border road: $196M
- BAKAD PPP: $100-200M
- Ulaanbaatar-Darkhan: $175M
- Roads Reconstruction and Upgrading: $700M
- Roads Reconstruction and Upgrading: $750M
- Road project
- Airport project

30 October, 2019
Signed corridor projects in Central Asia

<table>
<thead>
<tr>
<th></th>
<th>Europe – China</th>
<th>Kurty-Buribaytal</th>
<th>Osh-Isfana</th>
<th>Dushanbe - Uzbek Border</th>
<th>Manas Airport Rehabilitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td>Road</td>
<td>Road</td>
<td>Road</td>
<td>Road</td>
<td>Airport</td>
</tr>
<tr>
<td>Country</td>
<td>Kazakhstan</td>
<td>Kazakhstan</td>
<td>Kyrgyzstan</td>
<td>Tajikistan</td>
<td>Kyrgyzstan</td>
</tr>
<tr>
<td>EBRD loan</td>
<td>$180M &amp; $196M</td>
<td>$189M</td>
<td>$35M</td>
<td>$27.5M</td>
<td>$4.7M</td>
</tr>
<tr>
<td>Sovereign</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Project cost</td>
<td>$455M</td>
<td>$72.8M</td>
<td>$5.2M</td>
<td></td>
<td>$5.2M</td>
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<tr>
<td>Length</td>
<td>100 km &amp; 60 km</td>
<td>228 km</td>
<td>60 km</td>
<td>5 km</td>
<td>NA</td>
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</tbody>
</table>

**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 corridor projects in Caucasus

<table>
<thead>
<tr>
<th></th>
<th>Roads Reconstruction and Upgrading</th>
<th>Ganja-Gazakh-Georgian border Road</th>
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</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
<td>Road</td>
<td>Road</td>
</tr>
<tr>
<td><strong>Country</strong></td>
<td>Azerbaijan</td>
<td>Azerbaijan</td>
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<tr>
<td><strong>Client</strong></td>
<td>Government</td>
<td>Government</td>
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<tr>
<td><strong>Signed in</strong></td>
<td>2011</td>
<td>2018</td>
</tr>
<tr>
<td><strong>EBRD loan</strong></td>
<td>$700M</td>
<td>Part of $700M financing</td>
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<tr>
<td><strong>Sovereign</strong></td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td><strong>Project cost</strong></td>
<td>$825M</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Length</strong></td>
<td>346 km</td>
<td>130 km</td>
</tr>
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</table>

### Common transition objectives:

- **Capacity building and institutional reform**
- **Investment and maintenance planning**
- **Promoting private sector participation**
- **Promoting efficiency and safety**
CASE STUDIES
Azerbaijan: Roads Reconstruction and Upgrading Project

- **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)

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

Project location: Kurty, Kazakhstan

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

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.

Signed in 2016

Project location: Dushanbe, Tajikistan
Kyrgyz Republic: Osh-Isfana Road Upgrade Project

Signed in 2009

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

EBRD financing:
USD 35 million (sovereign)

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.

CAREC relevance
Partial, separate sections relevant for CAREC Corridor 3.

Project location
Osh, Kyrgyzstan

Kyrgyzstan
Kyrgyz Republic: Manas Airport Rehabilitation

**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

Project location: Almaty, Kazakhstan

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: USD 750 million

Type of finance: Senior Loan

Financial close: 2019

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 2019.

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.

No traffic risk, availability payments with currency risk mitigation mechanism, ‘bankable’ termination and step-in arrangements.
Transport Sector Pipeline:  
Obigarm-Nurobod road project, Tajikistan

- **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:**

- 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

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.
Contacts

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