The EBRD in Central Asia
It is a great pleasure to welcome you to the Central Asia Investment Forum. As EBRD President, I would like to thank the People’s Bank of China and ICBC for making our event in Beijing possible. I have made many visits to Central Asia in recent years and am increasingly impressed by the dynamism of the economies and the growing appetite for reforms. The region is opening up to investors and there is plenty to attract them.

At the Central Asia Investment Forum, we will be casting the spotlight on the many opportunities for companies. Central Asia is one of the Bank’s most important regions. The European Bank for Reconstruction and Development is the largest institutional investor in the region and in the past year has resumed new investments in Uzbekistan after a long pause.

We have close to US$ 12 billion committed to investments in the countries of Central Asia. We now combine a private sector focus on financing and the delivery of development goals with extensive work on policy reform in the areas of green energy, the diversification of economies, the investment climate and the role of the private sector. We are very glad to see that governments realise, more and more, that they need reforms to diversify their economies and to ensure future growth. The EBRD has many willing interlocutors in government and works closely too with other partners in the region.

We are always interested in working with committed investors wanting to finance private sector projects in Central Asia. In recent years, we have supported the first private hypermarkets there, as well as clothes manufacturers, renewable energy providers and a whole host of other enterprises. The region’s potential is being enhanced by infrastructure upgrades, but a lot of investment possibilities remain untapped – tourism is one such sector where there are a lot of opportunities to be explored.

The EBRD has many specialist sector bankers who would be delighted to talk to you about financing investments. Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan and Uzbekistan are open for business. Join us in unlocking the potential.
Natasha Khanjenkova, Managing Director, Portfolio and Russia

Central Asia - a region of rich cultural diversity, heritage and ancient traditions - is also one of the most dynamic economic regions in the world.

As the bridge between Asia and Europe, the region has long been a conduit for trade, innovation and the exchange of ideas, but today, bolstered by new initiatives such as One Belt, One Road, Central Asia is entering a new era in its history. Better connected to and integrated within the wider global economy.

The EBRD has been working in Central Asia since our inception in 1991 and we are proud to be playing a leading role in the continuing development and growth of this fascinating region. As a trusted and strategic business partner, the Bank is making an impact across sectors and borders - strengthening financial systems, pioneering renewables, promoting energy efficiency, modernising infrastructure and boosting small business. And it is in Central Asia that we are rolling out some of our innovative products, services and initiatives: providing credit lines to promote women’s entrepreneurship in Kazakhstan and Tajikistan, tackling climate change through the Climate Resilience Financing Facility (CLIMADAPT) programme in Tajikistan, and piloting a Cultural Heritage programme in Uzbekistan to promote sustainable tourism to this Silk Road destination.

Much of this tangible success is due to our strong and enduring donor partnerships, such as with the EU, Swiss SECO, and Japan. Thanks to the EU, for example, we can improve municipal and environmental infrastructure services, build the capacity and competitiveness of small businesses and reduce the high-energy intensity of Central Asian economies. The Small Business Initiative, and its Small Business Impact Fund, is driving entrepreneurship through financing, business advice and policy. And through the multi-donor Early Transition Countries Fund1 we can support innovation in a variety of ways, from establishing investment councils to advancing local currency lending and modernising infrastructure.

Central Asia is enhancing its efforts to attract investors. Most countries in the region have made real progress in improving their business environments. Kazakhstan was second only to Georgia in implementing the most reforms globally over the past 15 years (World Bank Doing Business Report 2017). Uzbekistan’s business reforms in the past year have earned the country a spot in the top 10 global improvers list (World Bank Doing Business Report 2018). And the Kyrgyz Republic’s digitalisation agenda saw its position in the Global Innovation Index rise to 94th in 2018 from 117th in 2013.

Meanwhile, the ongoing reforms in Uzbekistan and improved relations with neighbours bring better regional integration and stronger bilateral ties among countries in the region. We are seeing the removal of certain trade barriers and border controls and so greater trade in goods and services, greater cross-border investment and, importantly, the exchange of new ideas.

At the dawn of this new era in the history of Central Asia, the EBRD looks forward to working with you to explore all these exciting opportunities and to help the region realise its undoubted potential.

Most countries in the region have made real progress in improving their business environments.
The EBRD is the largest institutional investor in Central Asia, with close to €11.6 billion (US$ 12.3 billion) committed to over 750 projects in a variety of sectors, from infrastructure to agriculture, with a focus on private sector development.

**KAZAKHSTAN**

**AT A GLANCE**
- 246 projects in Kazakhstan to date
- €7,446 million cumulative EBRD investment
- 46% private sector share of portfolio
- €2,446 million current portfolio of projects

**KAZAKHSTAN AND THE EBRD**
In Kazakhstan we focus on diversification, balancing the role of state and market and sustainable energy. Recently we signed a comprehensive Partnership Agreement with Kazakhstan under which we will co-invest in the economy together with the government.

**PRIORITIES**
(From Country Strategy, 2015)
- Balancing the roles of the public and private sectors
- Broadening access to finance, strengthening the banking sector and developing local capital markets
- Inter-regional connectivity and international integration
- Green economy transition

**KYRGYZ REPUBLIC**

**AT A GLANCE**
- 170 projects in Kyrgyz Republic to date
- €707 million cumulative EBRD investment
- 44% private sector share of portfolio
- €179 million current portfolio of projects

**KYRGYZ REPUBLIC AND THE EBRD**
In the Kyrgyz Republic we focus on fostering sustainable growth; enabling SMEs to scale up; promoting the sustainability of public utilities; strengthening the financial sector; and supporting critical infrastructure.

**PRIORITIES**
(From Country Strategy, 2015)
- Fostering sustainable growth by strengthening regional cross-border linkages
- Enabling SMEs to scale-up and bolster competitiveness
- Promoting sustainability of public utilities through commercialisation and private sector participation

**MONGOLIA**

**AT A GLANCE**
- 99 projects in Mongolia to date
- €1,565 million cumulative EBRD investment
- 99% private sector share of portfolio
- €819 million current portfolio of projects

**MONGOLIA AND THE EBRD**
In Mongolia we focus on diversification, sustainable growth, responsible mining and institutions, and infrastructure and private sector development. Nearly all EBRD-financed projects support private sector companies and banks.

**PRIORITIES**
(From Country Strategy, 2017):
- Diversification
- Sustainable growth
- Responsible mining and institutions
- Infrastructure and private sector development

All data from October 2018
TAJIKISTAN

**AT A GLANCE**
- 122 projects in Tajikistan
- €645 million cumulative EBRD investment
- 22% private sector share of portfolio
- €385 million current portfolio of projects

**TAJIKISTAN AND THE EBRD**
In Tajikistan we focus on stabilising and rebuilding trust in the banking sector, developing private enterprises and agribusiness, improving the availability, reliability and quality of municipal services and improving the quality of energy supply, regulation and energy efficiency.

**PRIORITIES**
(FROM COUNTRY STRATEGY, 2015)
- Stabilising and rebuilding trust in the banking sector
- Developing private enterprises and agribusiness
- Improving the availability, reliability and quality of municipal services
- Improving the quality of energy supply, regulation and energy efficiency

TURKMENISTAN

**AT A GLANCE**
- 65 projects in Turkmenistan
- €260 million cumulative EBRD investment
- 100% private sector share of portfolio
- €47 million current portfolio of projects

**TURKMENISTAN AND THE EBRD**
In Turkmenistan we focus on expanding private sector operations in the corporate and financial institutions sectors, targeted policy dialogue and fostering coordination among IFIs and donor organisations.

**PRIORITIES**
(FROM COUNTRY STRATEGY, 2014)
- Supporting private sector development
- Promoting international integration
- Laying the foundations for future reforms

UZBEKISTAN

**AT A GLANCE**
- 61 projects in Uzbekistan
- €913 million cumulative EBRD investment
- 100% private sector share of portfolio
- €90 million current portfolio of projects

**UZBEKISTAN AND THE EBRD**
In Uzbekistan we focus on strengthening the role of the private sector in the economy, promoting green energy across sectors and supporting greater cooperation and integration at the regional and international level.

**PRIORITIES**
(AS SET OUT IN MOU OF 2017. COUNTRY STRATEGY UNDER PREPARATION)
- Enhancing competitiveness by strengthening the private sector.
- Promoting of green energy and efficient use of resources.
- Supporting increased regional and international cooperation and integration.
A dynamic region

The perceived risks of investing in Central Asia are relatively high. This has led to an increase in regional investment costs, as more expensive risk mitigation instruments often need to be built into investment revenue models. However, despite this perception of high risk, Central Asia is one of the most dynamic economic regions in the world. It offers immense investment opportunities for those willing to take on additional risks, especially under the Belt and Road Initiative, which aims to link China with Central Asia and enhance regional connectivity.

The EBRD is one of the largest investors in Central Asia. It is a trusted partner, not only for business but also for governments in the region. The Bank works in partnership with other institutions, rather than compete with them, to increase the availability of financing and improve the region’s investment climate.

The EBRD’s key strengths include its:
- strong presence in Central Asia and extensive knowledge of the local economies and business environments
- dedicated teams of experts with specific sectoral, legal and environmental skills
- unmatched policy experience in support of transition to open market economies
- close working relationship with local governments
- high standards of corporate governance and compliance
- strong appetite for risk
- drive for the economic inclusion of women, youth and regional populations
- donor grants for technical assistance and blended finance for investments
- assistance in structuring and executing green investments
- triple A credit rating
- preferred creditor status
- local currencies financing in selected countries

Composition of the EBRD’s investment portfolio in Central Asia by sector (end of 2017)

- Infrastructure 32%
- Industry, commerce and agribusiness 14%
- Financial institutions 8%
- Energy 46%

EU cooperation in Central Asia

The EBRD aligns its activities with the EU’s Strategy on Central Asia, which focuses, among other priorities, on environmental improvements and water projects, energy, transport, the rule of law and trade.

The EU launched the Investment Facility for Central Asia (IFCA) in 2010. It blends EU budget grant funding with loans by financial institutions to promote investments in infrastructure, energy, the environment, small and medium-sized enterprises and social infrastructure in five countries across Central Asia.

To date, the EU has made €207 million available for IFCA, including €108 million for bilateral and regional allocations, with an additional €14.5 million replenishment in 2018. IFCA has contributed over €119 million to EBRD projects, including over €18 million in 2018, supporting the first EU-compliant solid waste facility in Central Asia, municipal and environmental infrastructure and energy projects and SME financing and advice.
THE EBRD IN ACTION

Our concept of transition to a market economy underpins the design and evaluation of EBRD investments and technical assistance projects. In late 2016, we introduced a new way of measuring this transition. The updated concept argues that a well-functioning market economy should be competitive, well-governed, green, inclusive, resilient and integrated.

COMPETITIVE

The notion of a competitive economy lies at the heart of the transition process. We promote market structures that ensure competition among firms, build the capacity of companies to generate value and foster a business environment that incentivises commercially sound decision-making.

Diversifying lending

We are supporting small and medium-sized enterprises (SMEs) in Mongolia by providing a loan in Mongolian tugrik – equivalent to US$ 3 million – to XacLeasing Mongolia, a leading provider of diversified leasing services in the country. Leasing is a growing sector in Mongolia, where it represents an important alternative to bank lending for SMEs in need of finance. Although SMEs account for 90 per cent of all registered businesses in Mongolia, they have limited access to long-term financing due to lack of collateral and credit history.

Providing businesses with a competitive edge

The EBRD and EU have now extended SME activities in Turkmenistan with a three-year programme providing business advice. Over 100 SMEs will receive support through advisory projects that draw on the expertise of international advisers and local consultants on a cost-sharing basis. This know-how covers areas ranging from quality management to strategy, marketing and human resource management, and strengthens SMEs’ competitive effectiveness, capacity for innovation and ability to attract investment.

Boosting innovation

Mutabar Medical Standart in Uzbekistan will build a facility for the production of pharmaceuticals packed in plastic ampoules and invest in research and development with the help of a US$ 11 million (€9 million equivalent) loan. The venture will increase safety standards, reduce the cost of medicines and boost innovation in Uzbekistan’s pharmaceutical sector.
WELL-GOVERNED
Improving the quality of state and private sector institutions and ensuring that they work well together is an essential feature of the transition to a modern, sustainable market economy. The Bank addresses governance at the national, sub-national and corporate levels through investment and policy dialogue.

Building public-private collaboration
We prioritise establishing and strengthening platforms for public-private dialogue to tackle investment climate-related challenges. In several countries, the EBRD has supported the establishment of Investment Councils (ICs) with participation of high-level government officials, business associations and multilateral agencies. Since its inception in 2007, the Investment Council in the Kyrgyz Republic has contributed to the adoption and amendment of more than 100 critical laws and regulations.

Modernising company management
The EBRD is continuing to support the Mongolian economy with a €7 million loan to MSM Group, the leading distributor of chemical supplies, equipment and construction material for the mining sector. These funds will finance MSM capex investments to modernise the facility. They will also contribute to the improvement of the company’s management practices and the introduction of ISO 9001:2015 quality management standards. In addition, during the first phase the project will see health and safety standards improved through the establishment of a modern, specialised chemical facility including a laboratory to ensure quality control.

Transferring know-how
Small and medium-sized private enterprises (SMEs) in Central Asia can now benefit from a new Regional Small Business Programme (RSBP). Launched by the EBRD and EU in 2018, the Programme aims to equip financial institutions in Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan with new digital business tools for effective work with small businesses. The RSPB will establish an online knowledge-sharing platform accessible to partners in micro, small and medium-sized enterprise (MSME) finance in Central Asia. It will also help local financial intermediaries to get systematic digital access to the EBRD’s experience in this field. Partner banks from Central Asia will receive regular training on a variety of topics relevant to financial institutions providing their services to MSMEs.

RECOGNISING ENVIRONMENTAL AND SOCIAL BEST PRACTICE
The EBRD’s Environmental and Social Best Practice Award in 2017 went to Senj Sant in Mongolia, which became the country’s first greenfield cement plant to use the environmentally friendly dry process, resulting in five times less water consumption and 30 per cent less energy use than the wet-method technology. The company excels and sets an example for its social responsibility programmes. In addition, Senj Sant continuously improves working and living conditions for its employees and is a well-known promoter of gender equality and empowerment of women: its board is comprised of women only, which is extremely rare in the mining sector.
INCLUSIVE
The EBRD fosters the economic inclusion of women, young adults and people living in economically less-developed regions through direct investments and associated policy dialogue. In 2017 we adopted our first Economic Inclusion Strategy to help more sections of society benefit from economic growth.

Creating jobs for women and youth
The EBRD is arranging a US$ 350 million syndicated loan to JSC ShalkiyaZinc Ltd, a Kazakh mining company, for the expansion of a zinc and lead mine and the construction of a new processing plant at its site in the Kyzylorda region. The loan is in line with the Bank’s strategy of supporting inclusive economic development in Kazakhstan’s remote regions: the project will support the overall economic growth of Kyzylorda region and create more education and career opportunities for women and young people.

Promoting women’s entrepreneurship
Tajikistan has become the latest country to join EBRD’s Women in Business programme, which promotes women’s entrepreneurship through access to finance and advisory services with support from Switzerland and the EBRD Small Business Impact Fund. The programme covers 17 countries and since its launch has provided more than €430 million in financing to partner financial institutions for on-lending to women-led businesses.

Boosting economic inclusion
The EBRD is providing a financial package of up to US$ 45 million to Bank CenterCredit, a long-term financial partner in Kazakhstan with 19 branches and over 100 outlets across the country. Over 60 per cent of the loan will be used to support lending to micro, small and medium-sized enterprises (MSMEs), particularly those run by women, outside the major cities of Astana and Almaty. Consolidated efforts to support women’s entrepreneurship by the government of Kazakhstan, which has committed significant funds, and the EBRD translate into impressive numbers – over 41 per cent of SMEs in the country (equalling 640,000 enterprises) are led by women today.

PROVIDING LOCAL EMPLOYMENT
Mongolia’s grasslands are home to several million cashmere goats, sheep and yaks. Their world-renown wool means big business: it provides an income for around 400,000 herders. But for many years, the raw material was processed abroad. Now, the EBRD has teamed up with the EU and the UN Food and Agriculture Organization (FAO) to add value across the whole production cycle - from the local farmer to exporters in Ulaanbaatar. Local companies receive advisory services and finance – direct loans or through financial partner organisations – to grow their business. Gobi JSC, for example, has received several loans totalling US$ 19 million since 2009. These have served to modernise sewing equipment, purchase additional raw material and build a new flagship store. This has helped the company to expand significantly, create new local employment opportunities and grow into the largest cashmere producer in Mongolia.
GREEN

We promote environmentally sound and sustainable development. Through our Green Economy Transition approach, the Bank helps countries contribute to the collective effort against global warming, building resilience to climate change and making more efficient use of resources.

Building solar power

The EBRD is organising a loan together with the Clean Technology Fund (CTF) and the Asian Development Bank (ADB) to fund the construction of a 50 MW solar power plant in Baikonur in central Kazakhstan. The investment includes the development, construction and operation of a ground-mounted fixed-installed solar photovoltaic power plant with a total capacity of up to 50MWp (megawatt peak) and an associated new substation in the Kyzylorda region of south Kazakhstan. The new plant will lead to the reduction of annual CO₂ emissions by 75,000 tonnes.

Delivering a Green Financial System

The EBRD has assisted the recently launched Astana International Financial Centre (AIFC) to conceive and develop a green financial system as Kazakhstan aspires to become a regional hub for green finance. The Green Financial System will aim to mobilise sufficient volumes of domestic and international green finance and establish an array of financial services required to make necessary investments in low-carbon technologies, energy efficiency and renewable energy feasible.

Making businesses energy efficient

We are providing financing of US$ 10 million to Turkmenistan’s Coca-Cola Bottlers (TCCB) to support the company’s expansion and energy efficiency improvements. The EBRD funds will allow TCCB to invest in energy efficient coolers, new vehicles and bottling machines to improve the company’s production processes, boost its capacity and reduce energy waste. As part of the project the firm will train local small and medium-sized enterprises (SMEs) to help them meet Coca-Cola standards and potentially become suppliers.

Improving the reliability of power supply

We are providing a financing package of up to €6 million to JSC Vostokelectro, a power distribution company covering 47% of the Kyrgyz Republic’s territory. This support will allow Vostokelectro to install advanced metering systems, modernise and strengthen its low- and medium-voltage power infrastructure and establish a better integration with renewable sources of energy. The implementation of these investments is expected to reduce technical losses by 18,400 MWh per year and carbon emissions by 2,097 tonnes of CO₂ per year.

PROMOTING RATIONAL USE OF ENERGY, WATER AND LAND

Tajikistan’s First MicroFinance Bank (FMFB) has become the latest financial institution in the country to join the EBRD’s Climate Resilience Financing Facility (CLIMADAPT), a programme designed to promote the private sector’s resilience to the effects of climate change. The loan to the FMFB in Tajik somoni – worth US$ 1 million equivalent – will be used to finance investments in climate resilience technologies in the commercial and residential sectors, and so help customers manage limited resources more effectively and productively.
Enabling nationwide energy efficiency
The EBRD and the European Union (EU) are supporting energy efficiency in residential and commercial buildings across the Kyrgyz Republic through the Kyrgyz Sustainable Energy Financing Facility. Through the Facility, the Bank provides US$ 55 million in credit lines for local partner banks, which is complemented by €13.4 million in EU grants. One beneficiary is the Jala-Abad kindergarten who have now installed better windows, a new boiler for its heating system and insulating the building walls. This has kept the children warmer and led to significant cost and energy savings: in fact energy use has dropped by around 50 per cent.

Improving waste management
The first EBRD municipal project in Mongolia is set to improve the quality of life for 1.4 million people in Ulaanbaatar and make it a greener city. An EBRD loan of US$ 9.7 million and EU funding of €4.9 million (US$ 6.0 million equivalent) will improve municipal waste services. The financing will be invested in new landfill and better waste management and to introduce a new plant for the waste generated from construction and demolition.

Introducing solar power
We are financing the largest solar power plant in Mongolia. The EBRD, together with Triodos Investment Management and FMO, is providing a US$31.6 million syndicated loan to Desert Solar Power One (DSPO) for the construction and operation of the 350MW solar plant. It will become the first utility-scale solar PV in the country and will generate electricity during the day, when the demand is higher than supply. This is EBRD’s first solar project in Mongolia, and it continues the Bank’s leading role in the country’s renewable sector. We were the original seed investor in the first ever renewable energy project in Mongolia, the Salkhit wind farm, and we have financed a total of three wind farms, thus contributing to the creation of a renewable energy market in the country.

Improving electricity supply
We continue to support Tajikistan in improving its electricity supply. The EBRD and the Green Climate Fund (GCF) are providing a US$ 88 million financing package to complete the rehabilitation of the Qairokkum hydropower plant. The new financing will fund the second and final phase of the rehabilitation and modernisation of the 60-year old plant which provides electricity to 500,000 people. The full rehabilitation will increase the plant’s installed capacity from the current 126 MW to 174 MW. The upgrade will introduce innovative climate resilience measures, build the capacity of the Tajik hydropower operator to anticipate, assess and manage climate-related risks by introducing best international practices from leading countries such as Canada.

WORKING WITH CHINA’S RISEN ENERGY
The EBRD is teaming up with a new investor in Kazakhstan’s renewable energy sector, China’s Risen Energy, for the construction of a new 40MW solar plant in the Karaganda region of the country. The financing package, arranged by the EBRD, includes a local currency loan of up to US$ 22 million in KZT equivalent, a loan of up to US$ 5.8 million loan from the Clean Technology Fund (CTF) and up to US$ 4.2 million loan from the Green Climate Fund (GCF).

The 40MW solar PV plant will be constructed and operated by Risen Energy – a leading Chinese manufacturer of solar modules, which is now developing a portfolio of solar projects worldwide and in Kazakhstan. The project will mark the EBRD’s first cooperation in the sector and in the country with a Chinese company. The new solar plant will help reduce CO₂ emissions by 55,000 tonnes per year and contribute to Kazakhstan’s national emission reduction targets.
INTEGRATED

Integration enables trade at greater speed and lower cost and is a critical enabler of growth and job creation. The EBRD invests in major energy, information technology and transport networks, as well as fostering improvements to internal markets and harmonisation with international norms.

Supporting integration into the global economy

The EBRD is supporting the integration of Mongolia into the global economy with the provision of a US$ 7.6 million financial package to Terra Express, a leading local logistics company. The financing will bolster the company’s investment programme, allow Terra Express to target new and exciting market opportunities within the Mongolian logistics sector, and enhance its role in the value chain of key exports.

Upgrading airport infrastructure for better regional connectivity

The EBRD provided a US$ 4.7 million (€3.9 million equivalent) loan and grant financing to the operator of the main air gateway in the Kyrgyz Republic to support its modernisation plans. Improvements to the terminal building at Manas Airport will include installing a highly energy-efficient heating and ventilation system. Regional connectivity, including modernisation of regional airports is an important part of the Bank’s transport strategy as well as the overall transition agenda.

Financing to support local business and stimulate trade

An EBRD loan of US$ 100 million to the Uzbekistan’s largest financial institution, the National Bank for Foreign Economic Activity of Uzbekistan (NBU) is providing a major boost to local small and medium-sized businesses in the country, as well as to domestic importers and exporters. Through a package of credit lines and capacity-building, the EBRD is helping this institution become strong, resilient and active in supporting Uzbekistan’s economy.

DEVELOPING INFRASTRUCTURE FOR NATIONAL AND REGIONAL DEVELOPMENT

The population of the Tajik capital Dushanbe will benefit from short travel times and state-of-the-art transport solutions following the opening of a new modern road interchange.

With a population of over 800,000, Dushanbe is the largest municipality in Tajikistan. The new three-level road will reduce travel times through the city centre, providing much-needed congestion relief and improving the ecological situation.

The interchange, which is used by more than 18,000 vehicles per hour, is an integral part of the Dushanbe - Uzbekistan border road improvement project jointly financed by the EBRD (US$ 62.5 million) and the Asian Infrastructure Investment Bank (US$ 27.5 million).
RESILIENT
A resilient market economy supports growth while avoiding excessive volatility and lasting economic reversals. In order to foster resilience, EBRD projects promote financial and macroeconomic stability, energy and food security, and economic diversification.

Re-engaging with Uzbekistan’s financial sector
Small businesses and trading firms in Uzbekistan are benefitting from US$ 160 million (€133.5 million equivalent) in lending extended to three local financial institutions. The financing supports transactions under the Trade Facilitation Programme and credit lines, while donor funding helps to build the strength, capacity and resilience of partner financial institutions.

Supporting local money and capital markets
Improving access to finance through the development of money and capital markets is one of the priorities of the EBRD’s strategy for Mongolia. The Bank has supported the Mongolian Ministry of Finance (MoF) in developing a money and capital markets strategy and implementation road map. Developing such a strategy is essential for establishing a well-functioning financial system, strengthening investors’ confidence and supporting economic growth.

MITIGATING FOREIGN EXCHANGE RISK
Bear Beer is one of the two largest beer and soft drinks producers in the Kyrgyz Republic. In 2013, the EBRD granted the company a €7 million loan to expand, increase its customer base and look for new business opportunities in the region. In the years that followed, the company encountered currency headwinds, as the tenge, the currency of neighbouring Kazakhstan, was devalued significantly, making Kyrgyz exports to Kazakhstan uncompetitive. For this reason, in 2016, the EBRD converted Bear Beer’s loan, which had been denominated in euros, into the local currency som. It was the first such conversion of a corporate loan in Kyrgyz history and put Bear Beer in a position to repay the remaining €3.8 million of the loan in its local currency. The conversion will help Bear Beer to mitigate foreign-exchange risk in the future, as will the fact that the company’s revenues are now mostly in local currency.
The EBRD and the Belt and Road Initiative

China’s Belt and Road Initiative (BRI), launched in 2013, is an ambitious programme to connect Asia with Africa and Europe via land and maritime networks along six corridors, with the aim of improving regional integration, increasing trade and stimulating economic growth.

Multilateral development banks (MDBs) including the EBRD aim to mobilise private sector investment and contribute to sustainable development. This is aligned with some of the stated objectives of the BRI.

The EBRD is already deeply engaged in many of the economies along the Belt and Road corridors where the infrastructure needed to support more robust, sustainable growth remains underdeveloped. Many of these countries have strengthened their trade and investment links with China, in the context of the BRI.

With its unique business model that combines financial investment with strong support for policy reform, the EBRD can ensure that its engagement delivers high-quality projects with long-term economic benefits. It can also mitigate risks to its clients and to the economies where it invests. Such risks include unsustainable debt and poorly governed investments.

EBRD priorities include open markets and economic transition and the promotion of the highest environmental, social and compliance standards in projects. Preserving and improving the environment are central features of a modern, well-functioning market economy and key goals of the transition process that the EBRD was set up to promote. With the right policies and safeguards in place, the BRI has the potential to further these priorities and help countries along the route towards the Sustainable Development Goals (SDGs) that the international community has pledged to achieve by 2030.

The EBRD’s strong focus on the private sector also means that it can galvanise the finance and skills that are essential if the region’s infrastructure needs are to be met. This includes fostering the right political, economic and policy context for foreign investors and improving the quality of both state and private sector institutions.

Through policy reform, the EBRD aims to help facilitate trade and investment activities to ensure lower non-tariff barriers, transparency of technical measures and the freer flow of labour – all key to creating a healthy business environment in the region. Measures include: simplifying customs clearance systems and quarantine processes; improving market access and eliminating trade barriers; simplifying foreign investment procedures; and creating more free trade zones.

Finally, the EBRD can play a key role in encouraging closer collaboration with civil society and the private sector to improve the business environment and ensure economic development that is both sustainable and inclusive.

For further information on the EBRD and BRI, visit: www.ebrd.com/what-we-do/belt-and-road/overview.html
About the EBRD
The EBRD is investing in changing people’s lives from central Europe to Central Asia, the Western Balkans and the southern and eastern Mediterranean region. Since 1991, we have invested over €125 billion in more than 5,100 projects. With an emphasis on working with the private sector, we invest in projects, engage in policy dialogue and provide technical advice which fosters innovation and builds modern economies that are competitive, well-governed, green, inclusive, resilient and integrated. The Bank is owned by 69 countries as well as the EU and the EIB.

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