Eurasian Fund for Stabilization and Development
Eurasian Fund for Stabilization and Development (EFSD)

Regional financial arrangement (RFA) to support member states’ programmes and projects focusing on macroeconomic and financial stabilization, long-term sustainable development and regional integration. RFAs are part of global financial safety net, which also includes national protective mechanisms (reserves), bilaterals and international financial institutions.

**Capital:** US dollars 8.5 bln

**Established:** 9 June 2009.

**Founders/Members:** Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan.
Contributions to the EFSD add up to 8,513 bln US dollars, including:

Armenia – 1 mln US dollars;
Belarus – 10 mln US dollars;
Kazakhstan –1 bln US dollars;
Kyrgyzstan – 1 mln US dollars;
Russia – 7.5 bln US dollars;
Tajikistan – 1 mln US dollars.

Terms of Payment:

10% paid in cash (US dollars and/or euros);
90% paid in the form of simple, non-convertible, non-interest-bearing bill of exchange.
Country Access Limits

Are set by the Fund Council in proportion to GNI per capita;

Russia has indicated the intent to borrow from the Fund only in case it participates in interstate investment projects;

If needed, particularly for the implementation of major projects, a member state may take a decision to reallocate a part of its limit to another Fund member state.

<table>
<thead>
<tr>
<th>Member state</th>
<th>Access limit (% to total amount of the funds)</th>
<th>Access limit (mln US dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>13</td>
<td>1 211</td>
</tr>
<tr>
<td>Belarus</td>
<td>21</td>
<td>1 956,4</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>24</td>
<td>2 236</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>3</td>
<td>279,5</td>
</tr>
<tr>
<td>Russia</td>
<td>37</td>
<td>3 447</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>2</td>
<td>186,3</td>
</tr>
</tbody>
</table>
Types of financing

Financial Credits (FCs) is the main Fund`s instrument for the member states` governments to support budget and/or balance-of-payments. Funding is due to the implementation of borrower`s reform programme.

Investment Loans (ILs) are extended primarily to support large-scale investment projects in such sectors as energy, agriculture, transport. ILs are granted either to governments or to companies implementing such projects.

All credits and loans:

- Are repayable, have finite maturities, and carry interest;
- Are extended in US dollars or Euros.

Grants are also extended to low-income member states to support projects in social sector, including healthcare, education, good governance and social security and protection (i.a. food security).
Governing bodies

**EFSD Council**
- Principal decision-making body;

**Expert Council**
- Preliminary expertise of the issues, documents and materials submitted for the consideration of the EFSD Council,
- Expert advise including recommendations and draft decisions of the EFSD Council.

**Resources Manager and Secretariat (Eurasian Development Bank)**
- Administration of funds and resources;
- Pipeline projects appraisal, supervision and evaluation of active projects;
- Planning and organization of the EFSD Council and Expert Council meetings.
# Project Portfolio

<table>
<thead>
<tr>
<th>Status</th>
<th>Country</th>
<th>Project</th>
<th>Sector</th>
<th>Date of Fund Council approval</th>
<th>Amount, mln US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>Belarus</td>
<td>Financial Credit №1</td>
<td>Balance-of-payments support</td>
<td>07.02.2014</td>
<td>2 560</td>
</tr>
<tr>
<td></td>
<td>Tajikistan</td>
<td>Financial Credit №1</td>
<td>Budget support</td>
<td>06.18.2010</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>Belarus</td>
<td>Financial Credit №2</td>
<td>Budget and balance-of-payments support</td>
<td>03.25.2016</td>
<td>1 800</td>
</tr>
<tr>
<td></td>
<td>Tajikistan</td>
<td>Financial Credit №2</td>
<td>Budget Support</td>
<td>07.03.2015</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Armenia</td>
<td>Financial Credit №1</td>
<td>Budget support</td>
<td>10.29.2015</td>
<td>300</td>
</tr>
<tr>
<td>Active</td>
<td>Armenia</td>
<td>North-South Road Construction. Phase 4</td>
<td>Transport</td>
<td>07.02.2014</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Irrigation Systems Modernization</td>
<td>Agriculture</td>
<td>07.03.2015</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improving Prevention and Control of Noncommunicable Diseases in Primary Health Care</td>
<td>Health</td>
<td>02.02.2018</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Kyrgyzstan</td>
<td>Bishkek-Osh Road Reconstruction. Phase 4</td>
<td>Transport</td>
<td>12.27.2013</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agricultural Machinery Supplies</td>
<td>Agriculture</td>
<td>12.27.2013</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Toktogul HPP Rehabilitation. Phase 2</td>
<td>Energy</td>
<td>07.03.2015</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commissioning the 2nd hydro generation unit of Kambaratinskaya HPP-2</td>
<td>Energy</td>
<td>09.23.2016</td>
<td>110</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Caravan of Health</td>
<td>Health</td>
<td>12.29.2018</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Tajikistan</td>
<td>Nurek HPP Rehabilitation. Phase I</td>
<td>Energy</td>
<td>06.26.2017</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Caravan of Health</td>
<td>Health</td>
<td>12.29.2018</td>
<td>2</td>
</tr>
<tr>
<td>Under</td>
<td>Armenia</td>
<td>Mastara Reservoir Construction</td>
<td>Agriculture</td>
<td>12.09.2015</td>
<td>25,2</td>
</tr>
<tr>
<td>Preparation</td>
<td>Kyrgyzstan</td>
<td>Uch-Kurgan Hydropower Plant Modernization</td>
<td>Energy</td>
<td>10.22.2019</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kambaratinskaya HPP-2 safety plan implementation</td>
<td>Energy</td>
<td>50,7</td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5 395,9</td>
</tr>
</tbody>
</table>
Financial Credits (FCs)

FCs are extended to support a stabilization programme, a limited number of specific policy actions, defined by the Governments themselves.

A programme supported by an FC should be realistic and internally consistent; should help achieve macroeconomic stability, ensure long-term development and preserve fiscal and debt sustainability of the country;

Policy implementation is measured by specific indicators and is evaluated by the Fund Council on the basis of reports of the Fund Manager.

**Fund`s Regulation on FCs** defines other conditions, such as:

The borrower should have no debt arrears to the Fund, to its member states and to other IFIs;

Minimum amount of the credit –10 mln US dollars;

If an FC is extended in several tranches, the Fund Council decides on the disbursement of a given tranche upon the evaluation of a borrower’s success in implementing policy measures agreed under previous tranches.
# Fund FCs Indicative terms

<table>
<thead>
<tr>
<th></th>
<th>Stabilization credit for low-income Fund member states</th>
<th>Sovereign loans for middle-income Fund member states</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate (% annually)</td>
<td>1-3%</td>
<td>LIBOR</td>
</tr>
<tr>
<td>Spread (over interest rate)</td>
<td>None</td>
<td>Variable*</td>
</tr>
<tr>
<td>Front-end fee</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Commitment fee</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Maturity</td>
<td>Up to 20 years</td>
<td>Up to 10 years</td>
</tr>
<tr>
<td>Grace period</td>
<td>Up to 5 years</td>
<td></td>
</tr>
<tr>
<td>Duration of the program</td>
<td>Up to 3 years</td>
<td></td>
</tr>
<tr>
<td>Requirement of co-financing by the recipient</td>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>

* calculated for each 6-month accrual period as a difference between the cost of funding for Russia and Kazakhstan on the international markets and LIBOR.
**FCs project cycle**

1. **Application**
   - Recipient state

2. **Manager’s appraisal**
   - EDB

3. **Lending decision**
   - EFSD Council, Expert Council

4. **Credit agreement signing**
   - Recipient state, EDB

5. **Programme implementation and monitoring***
   - Recipient state, EDB

6. **Supervision**
   - EFSD Council, Expert Council

7. **Approval of report on the use of funds**

*in case there are several tranches expected, each disbursement is approved by the Fund Council according to the results of programme implementation.*
# Investment Loans (ILs)

**Investment Loans** are available to:

- Member states;
- Companies implementing interstate investment projects.

EFSD only supports projects which cannot be financed from the market and/or by other IFIs on financial terms that are suitable for a given project and at acceptable risk levels.

Fund’s Regulation on ILs defines other **conditions**, such as no debt arrears to the Fund, its member states and to other IFIs.

**Minimum** sizes of investment loans are:

- US$ 30 million for countries with GNI per capita over US$ 5,000;
- US$ 10 million for countries with GNI per capita under US$ 5,000.

ILs are extended in any form used in international practice, except for equity participation.
### Fund ILs Indicative terms

<table>
<thead>
<tr>
<th></th>
<th>Member state*</th>
<th>Project company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Interest Rate</td>
<td>Variable, the cost of funding of Russia and Kazakhstan</td>
<td></td>
</tr>
<tr>
<td>Risk Premium</td>
<td>Determined by the Fund Council based on Project risks</td>
<td></td>
</tr>
<tr>
<td>Front-end Fee</td>
<td>Up to 1 %</td>
<td></td>
</tr>
<tr>
<td>Commitment Fee</td>
<td>0,5%</td>
<td></td>
</tr>
<tr>
<td>Maturity</td>
<td>Up to 15 years</td>
<td>Up to 10 years</td>
</tr>
<tr>
<td>Grace Period</td>
<td>Up to 5 years</td>
<td></td>
</tr>
<tr>
<td>Recipient's Co-financing Amount</td>
<td>None</td>
<td>Not less than 20% of the Project</td>
</tr>
<tr>
<td>Final recipient's Co-financing Amount</td>
<td>Not less than 20% of the Project</td>
<td>None</td>
</tr>
</tbody>
</table>

The financial terms for providing Investment Loans to the Fund member states are approved by the Fund Council, according to the requirements of the IMFs lending conditions.
ILs project cycle

Preliminary application

Preliminary Manager’s appraisal

Decision on project concept approval

Manager’s appraisal

Lending decision

Credit agreement signing

Programme implementation and monitoring*

Supervision

Approval of report on the use of funds

Recipient

EDB

EFSD Council, Expert Council

Recipient, EDB

Recipient, EDB

EFSD Council, Expert Council
Grants

Grants are available to Armenia, Kyrgyzstan and Tajikistan to support social projects in the following areas:

education;

healthcare;

good governance;

social protection, including food security.

The overall volume of the EFSD resources available for grants is set annually in amount of up to 10% of the Fund`s net profit per year.

Grants are extended in the amounts:

not less than 500,000 US dollars and a maximum of 2 mln US dollars for projects with a term of implementation of up to 1.5 years;

at least 2 mln US dollars and not more than 5 mln US dollars for projects with a term of implementation over 1.5 years.

Applications are selected periodically on the competitive basis.
Grants project cycle

1. Competitive selection announcement
2. Application + cover letter
3. Preliminary review of application
4. Decision on detailed application appraisal
5. Detailed application appraisal
6. Decision on financing
7. Agreement preparation
8. Agreement approval
9. Agreement signing
10. Project implementation, monitoring and audit
11. Approval of report on the use of funds
12. Supervision

EDB
Recipient state
EDB
Expert Council
EDB
EFSD Council, Expert Council
Recipient state, EDB
EFSD Council, Expert Council
Recipient state, EDB
EFSD Council, Expert Council
Partners

EFSD coordinates its activities with other international financial organizations on the following issues:

Co-financing of programs and projects;

Coordination of policy advice to member states;

Joint preparation of analytical inputs on the issues of economic development, integration and fiduciary, social, environmental safeguard standards;

Analysis and adoption of best corporate management practices of IFIs.
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