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.
Member states contributions

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>1,106.7</td>
</tr>
<tr>
<td>Belarus</td>
<td>21</td>
<td>1,787.7</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>24</td>
<td>2,043.1</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>3</td>
<td>255.4</td>
</tr>
<tr>
<td>Russia</td>
<td>37</td>
<td>3,149.8</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>2</td>
<td>170.3</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).
EFSD Key Operating Principles

Long-term cooperation strategy focused on sustainable growth and development from the borrower’s perspective of national priorities;

Thorough economic, financial, social and ecological analysis of projects;

Transparency at all stages of project cycle;

Full accountability for the use of funds (including independent audit of the Fund’s financial statements);

EFSD Key Operating Principles (continued)

Lending decisions are based on the assessment of:

Urgency of a country’s financing needs;

Creditworthiness and necessity of providing long-term debt sustainability of a country;

Ability of national economy to efficiently absorb EFSD funds in 2-5 years, as measured by:

- A borrower’s institutional capacity to achieve targets set by Fund’s programmes and projects;

- Quality of governance and effectiveness of a country’s anti-corruption framework (based on World Bank, the IMF and other IFIs data).
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>Active</td>
<td>Armenia</td>
<td>Financial Credit №1</td>
<td>Budget support</td>
<td>10.29.2015</td>
<td>300</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>2 000</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>North-South Road Construction . Phase 4</td>
<td>Transport</td>
<td>07.02.2014</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>Armenia</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>Under Preparation</td>
<td>Armenia</td>
<td>Mastara Reservoir Construction</td>
<td>Agriculture</td>
<td>12.09.2015</td>
<td>25.2</td>
</tr>
<tr>
<td></td>
<td>Kyrgyzstan</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><strong>Total:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>5 500.2</strong></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><strong>Interest rate (% annually)</strong></td>
<td>1-3%</td>
<td>LIBOR</td>
</tr>
<tr>
<td><strong>Spread (over interest rate)</strong></td>
<td>None</td>
<td>Variable*</td>
</tr>
<tr>
<td><strong>Front-end fee</strong></td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>Commitment fee</strong></td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>Up to 20 years</td>
<td>Up to 10 years</td>
</tr>
<tr>
<td><strong>Grace period</strong></td>
<td>Up to 5 years</td>
<td></td>
</tr>
<tr>
<td><strong>Duration of the program</strong></td>
<td>Up to 3 years</td>
<td></td>
</tr>
<tr>
<td><strong>Requirement of co-financing by the recipient</strong></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

Application  
Recipient state

Manager’s appraisal  
EDB

Lending decision  
EFSD Council, Expert Council

Credit agreement signing  
Recipient state, EDB

Programme implementation and monitoring*  
Recipient state, EDB

Supervision  
EFSD Council, Expert Council

Approval of report on the use of funds  
EFSD Council, Expert Council

*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><strong>Base Interest Rate</strong></td>
<td>Variable, the cost of funding of Russia and Kazakhstan</td>
<td></td>
</tr>
<tr>
<td><strong>Risk Premium</strong></td>
<td>Determined by the Fund Council based on Project risks</td>
<td></td>
</tr>
<tr>
<td><strong>Front-end Fee</strong></td>
<td>Up to 1 %</td>
<td></td>
</tr>
<tr>
<td><strong>Commitment Fee</strong></td>
<td>0,5%</td>
<td></td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>Up to 15 years</td>
<td>Up to 10 years</td>
</tr>
<tr>
<td><strong>Grace Period</strong></td>
<td>Up to 5 years</td>
<td></td>
</tr>
<tr>
<td><strong>Recipient's Co-financing Amount</strong></td>
<td>None</td>
<td>Not less than 20% of the Project</td>
</tr>
<tr>
<td><strong>Final recipient’s Co-financing Amount</strong></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 IMF’s lending conditions.
ILs project cycle

- Preliminary application: Recipient
- Preliminary Manager’s appraisal: EDB
- Decision on project concept approval: EFSD Council, Expert Council
- Manager’s appraisal: EDB
- Lending decision: EFSD Council, Expert Council
- Credit agreement signing: Recipient, EDB
- Programme implementation and monitoring*: Recipient, EDB
- Supervision: EFSD Council, Expert Council
- Approval of report on the use of funds: 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

Competitive selection announcement
Application + cover letter
Preliminary review of application
Decision on detailed application appraisal
Detailed application appraisal
Decision on financing
Agreement preparation
Agreement approval
Agreement signing
Project implementation, monitoring and audit
Supervision
Approval of report on the use of funds

EDB
Recipient state
EDB
Expert Council
EDB
EFSD Council, Expert Council
Recipient state, EDB
EFSD Council, Expert Council
Recipient state, EDB
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.
## Contacts

<table>
<thead>
<tr>
<th>Location</th>
<th>Address</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Representative Office of the EDB in Moscow</strong></td>
<td>3 1st Zachatievsky lane (building 1), Moscow, 119034, Russian Federation</td>
<td>+7 (495) 645 04 45 <a href="mailto:info@eabr.org">info@eabr.org</a></td>
</tr>
<tr>
<td><strong>Representative Office of the EDB in Astana</strong></td>
<td>33 Konaeva Str., Business Centre &quot;Astanalyk&quot;, 11th floor, Astana, 010000, Republic of Kazakhstan</td>
<td>+7 (7172) 55 84 84 <a href="mailto:tm_rep_astana@eabr.org">tm_rep_astana@eabr.org</a></td>
</tr>
<tr>
<td><strong>Representative Office of the EDB in Dushanbe</strong></td>
<td>Aini Street 48, Business Centre «Sozidanie», 7th floor, Dushanbe, 734024, Republic of Tajikistan</td>
<td>+(992) 41 800 0444 <a href="mailto:tm_dushanbe@eabr.org">tm_dushanbe@eabr.org</a></td>
</tr>
<tr>
<td><strong>Representative Office of the EDB in Minsk</strong></td>
<td>70 Myasnikov St., office 310, Minsk, 220030, Republic of Belarus</td>
<td>+ 375 (17) 306 54 64 <a href="mailto:tm_Minsk@eabr.org">tm_Minsk@eabr.org</a></td>
</tr>
<tr>
<td><strong>Representative Office of the EDB in Yerevan</strong></td>
<td>Erebuni Plaza Business Centre, office 811, 26/1 Sargsyan St., Yerevan, 0010, Republic of Armenia</td>
<td>+374 (10) 54 13 52 <a href="mailto:rep_yerevan@eabr.org">rep_yerevan@eabr.org</a></td>
</tr>
<tr>
<td><strong>Representative Office of the EDB in Bishkek</strong></td>
<td>21 Erkindik Blvd., Bishkek, 720040, Kyrgyz Republic</td>
<td>+996 (312) 66 04 04 <a href="mailto:tm_rep_bishkek@eabr.org">tm_rep_bishkek@eabr.org</a></td>
</tr>
</tbody>
</table>