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.

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.

Member state	Access limit (% to total amount of the funds)	Access limit (mln US dollars)
Armenia	13	1,106.7
Belarus	21	1,787.7
Kazakhstan	24	2,043.1
Kyrgyzstan	3	255.4
Russia	37	3,149.8
Tajikistan	2	170.3

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);

Disclosure of information: all key documents are published on the Fund's website – http://efsd.eabr.org/en.

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

Status	Country	Project	Sector	Date of Fund Council approval	Amount, mln US dollars
Closed	Belarus	Financial Credit №1	Balance-of-payments support	07.02.2014	2 560
	Tajikistan	Financial Credit №1	Budget support	06.18.2010	70
Active	Armenia	Financial Credit №1	Budget support	10.29.2015	300
	Belarus	Financial Credit №2	Budget and balance-of-payments support	03.25.2016	2 000
	Tajikistan	Financial Credit №2	Budget Support	07.03.2015	20
	Armenia	North-South Road Construction . Phase 4	Transport	07.02.2014	150
		Irrigation Systems Modernization	Agriculture	07.03.2015	40
		Improving Prevention and Control of Noncommunicable Diseases in Primary Health Care	Health	02.02.2018	1
	Kyrgyzstan	Bishkek-Osh Road Reconstruction . Phase 4	Transport	12.27.2013	60
		Agricultural Machinery Supplies	Agriculture	12.27.2013	20
		Toktogul HPP Rehabilitation . Phase 2	Energy	07.03.2015	100
		Commissioning the 2nd hydro generation unit of Kambaratinskaya HPP-2	Energy	09.23.2016	110
Under Preparation	Armenia	Mastara Reservoir Construction	Agriculture	12.09.2015	25.2
	Kyrgyzstan	The Caravan of Health	Health	12.29.2018	2
	Tajikistan	Nurek HPP Rehabilitation. Phase I	Energy	06.26.2017	40
		The Caravan of Health	Health	12.29.2018	2
Total:					**5 500.2**

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;

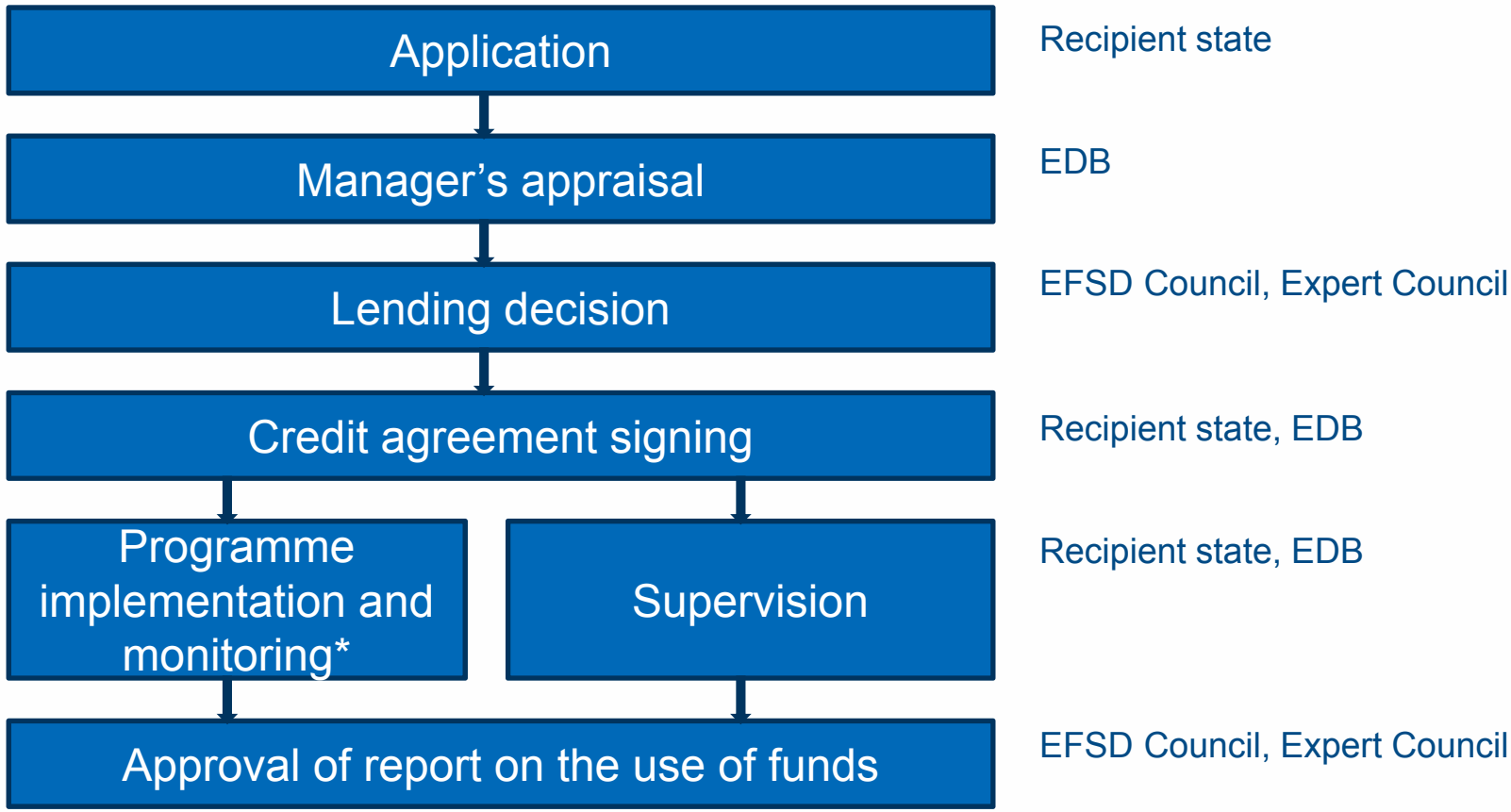
If an FC is extended in several tranches, the Fund Council decides on the disbursement of a given tranche upon the evaluation of a borrower's success in implementing policy measures agreed under previous tranches.

Fund FCs Indicative terms

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

* 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



*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.

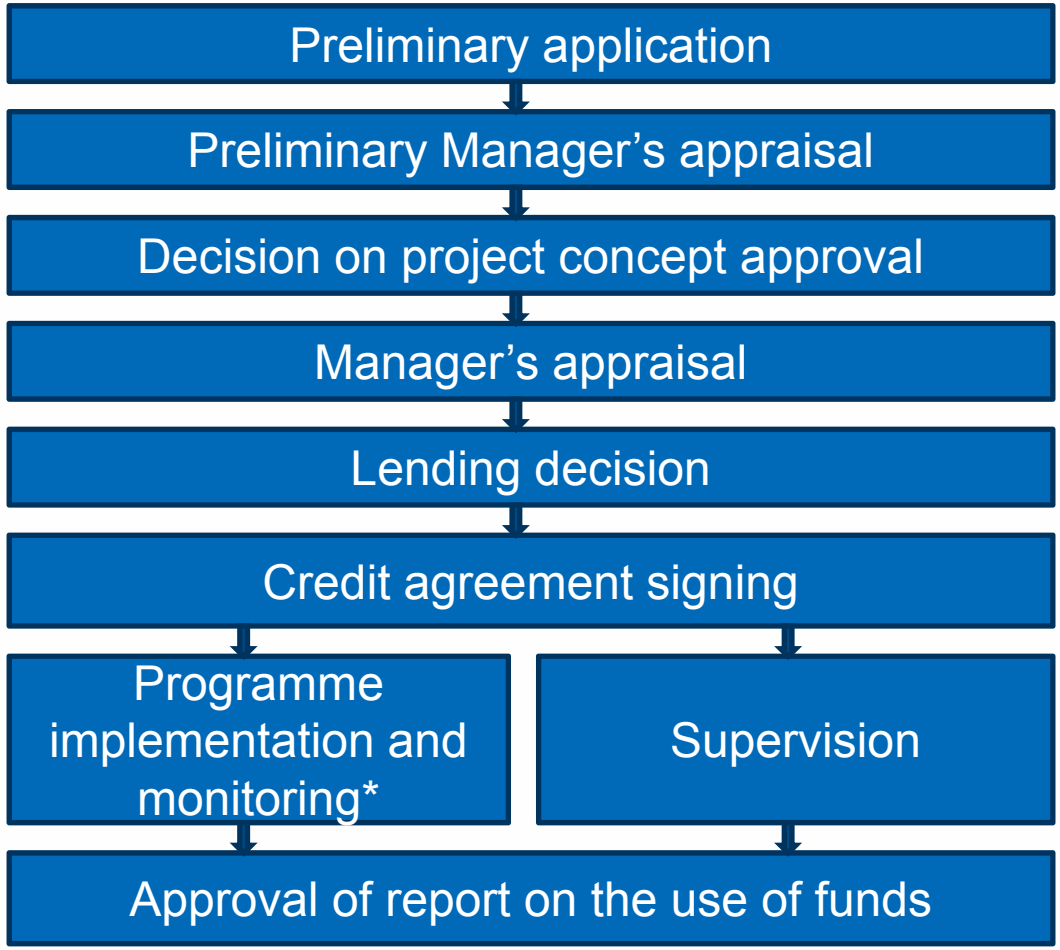
ILs are extended in any form used in international practice, except for equity participation.

Fund ILs Indicative terms

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

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



Recipient

EDB

EFSD Council, Expert Council

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.

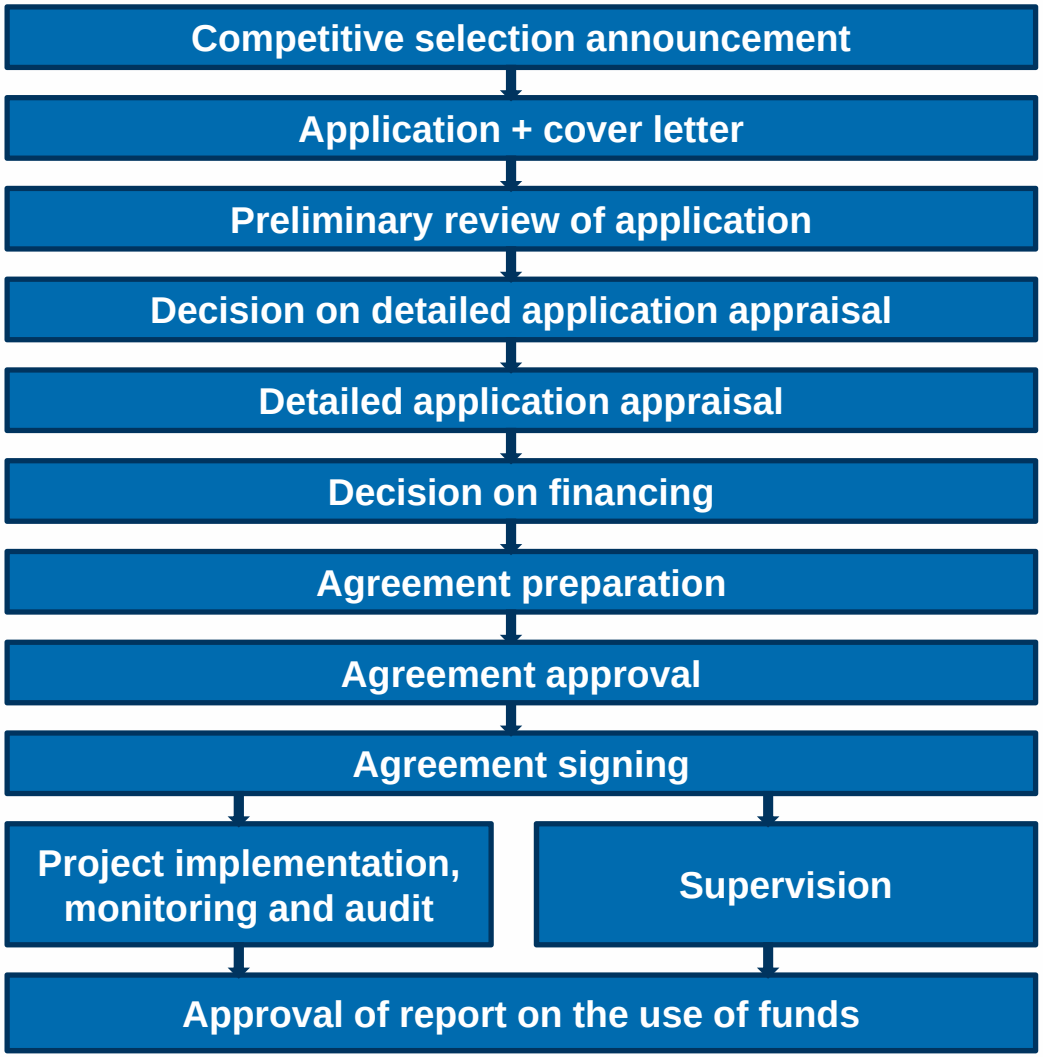
Grants are extended in the amounts:

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



EDB

Recipient state

EDB

Expert Council

EDB

EFSD Council, Expert Council

Recipient state, EDB

EFSD Council, Expert Council

Recipient state, EDB

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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.

WORLD BANK GROUP

ADB

INTERNATIONAL MONETARY FUND

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