

Eurasian Development Bank: A New Development Institution for the Newest Economic Bloc

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The Eurasian Economic Union is quite a new player in the field of global economic competition, established only in 2015. Paradoxically, at the same time, it is probably one of the world's oldest existing economic blocs – if we remember that its member states (Russia, Kazakhstan, Belarus, Armenia and Kyrgyzstan) were once all republics within the USSR.



After the collapse of the Soviet Union many economic ties between its republics collapsed. Some of them were actually irrelevant in the free market environment, and some fell victim to the countries' newly established craving for not only political, but also economic independence.

However, as time passed, the realisation came that the global market values competitiveness far above independence. To increase competitiveness, the natural choice for the ex-Soviet republics was to exploit their historical advantage of cultural, political and economic ties inherited from the past.

This time integration is based on principles quite different to the Soviet ones. These are efficiency above ideology, mutual agreement instead of central planning, and competitiveness in global markets instead of seclusion. On this basis, the Eurasian Economic Union – the biggest economic union in the world by territory and the richest in natural resources – can actually become the most successful one as well.

One of the instruments of this integration is Eurasian Development Bank (“EDB”), an international financial institution established to promote economic growth, integration and trade between its member states, which are the five members of the Eurasian Economic Union, as well as Tajikistan.

The Bank finances projects in natural resources extraction and processing, infrastructure and transport, industry and agriculture, provided they have an integration effect in the form of cross-border investments, trade flows, or value chains across the member states. To make sure these ties are sustainable, the Bank pays special attention to the quality of projects. When a suitable project is found, the Bank can finance it for up to fifteen years and provide up to US \$300 million per project. The Bank's current portfolio exceeds US \$5.3 billion, and is set to increase rapidly.

In Russia EDB has to date concentrated on infrastructure and transport projects, such as the Western High-Speed Diameter road in St. Petersburg, the Flagman waste processing plant in Belgorod Region, the Tikhvin Freight Car Building Plant in Leningrad Region, the Sukhoi Superjet plant in Komsomolsk, sea port modernisation in Magadan, Russian Towers telecom infrastructure across the country, and others.

The Bank's new strategy places additional focus, apart from the industries above, on projects in chemicals, machinery, oil and gas transport and processing, and energy efficiency. However, this list is not exhaustive and the Bank is ready to consider projects in other industries – as long as they promote economic integration and modernisation in the Eurasian Economic Union.

Unlike many international financial institutions, EDB has a flat structure, a flexible approach to financing instruments, and a quick decision-making process. Particularly, the Bank is ready to take limited recourse project finance risks in all of its member countries. Other products include trade finance, equity investments, as well as conventional balance-sheet lending, also in the form of syndicated loans. The Bank's client coverage team is spread between Moscow and Astana and employs a number of financing professionals – mostly ex-investment and commercial bankers with global experience.

The Bank possesses a unique research department covering its member countries at macroeconomic and industry levels. It also works closely with the Eurasian Economic Commission – the supreme coordinating body of the Eurasian Economic Union. The Bank's Board consists of the finance ministers of its member countries and the Chairman of the Board is the Prime Minister of Kazakhstan.

The Bank's international status, exempt from sanctions of any kind and with international credit ratings by S&P and Moody's on a par or above its founding members – Russia and Kazakhstan – makes it a comfortable partner for any financial institution wishing to work in the Eurasian market. The Bank provides a comfortable entry point to the region, deep knowledge of the risks and markets, as well as access to decision makers at business and government levels. The Bank's current partners include the Asian Development Bank, the Asian Infrastructure Investment Bank, the New Development Bank BRICS, and a number of export credit agencies and commercial banks.