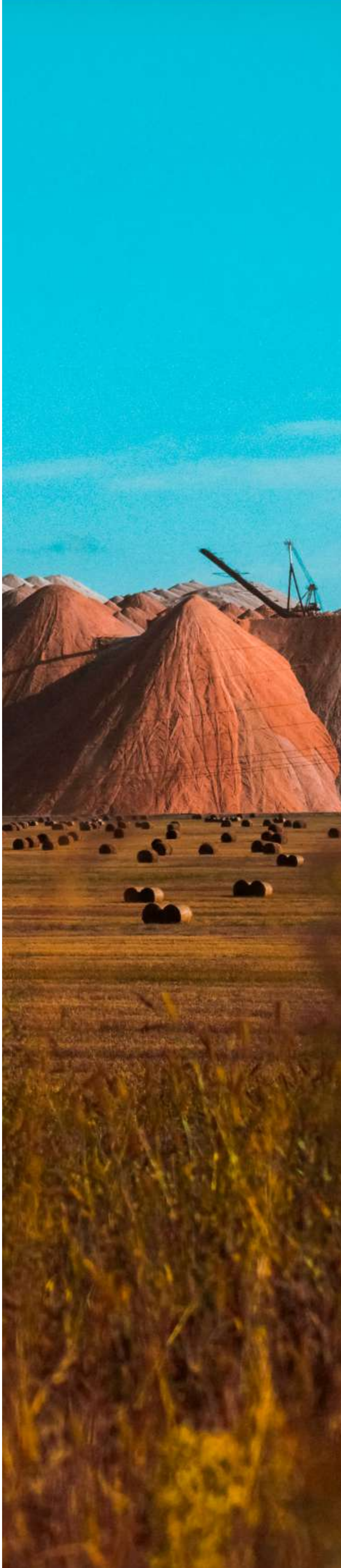
Eurasian
Development
Bank

Progress Report on the EDB Country Strategy for the Republic of Belarus: 2023



1 Overview of Country Strategy Progress in 2023

Executive Summary

In 2023, the EDB continued to gradually increase its contribution to Belarus's economic development, aligning with the goals and objectives of its 2022–2026 Country Strategy for the Republic of Belarus ("Country Strategy"). The Bank successfully implemented its strategic goals by maintaining a high-quality current investment portfolio, expanding its pipeline of private sector projects and enhancing its expertise in structuring and preparing investment initiatives in the real sector.

As of 31 December 2023, the following results were achieved:

→ **In Belarus, the EDB continued to focus on supporting sustainable development mechanisms for private-sector projects.**
In 2023, the EDB approved US $57 million in financing for a major logistics and warehousing infrastructure project aimed at expanding a transport and logistics hub in Minsk. As an international development institution, the Bank financed US $135,000 in technical assistance costs from its Technical Assistance Fund (TAF) for the project's technical audit and financial and technical supervision.

→ **The EDB is the leading multilateral development bank (MDB) investing in Belarus's economy.**
Since commencing operations in Belarus, the Bank's cumulative investments have surpassed US $2.3 billion. The EDB's 13-year contribution is comparable to the investments made by the International Bank for Reconstruction and Development and the European Bank for Reconstruction and Development over 28 years of operations in the country[1].

→ **The EDB's pipeline of potential projects in Belarus is valued at approximately US $550 million.**
The Bank is exploring private sector initiatives in transport, industry and agribusiness, including those with substantial integration effects.

[1] According to open-source data as of February 2024

→ **Through its Fund for Digital Initiatives, the EDB continued to advance its cross-cutting objective of promoting digital transformation in Belarus.**
In 2023, the Fund for Digital Initiatives focused on projects aligned with Belarus's digital agenda and aimed at scaling up existing digital solutions.

→ **The EDB enhanced its expertise in structuring and preparing investment projects in Belarus's real sector.**
To implement the project aimed at expanding a transport and logistics hub in Minsk, the EDB's TAF allocated US $135,000 in technical assistance for technical audit and financial and technical supervision.

The Reporting Year in Figures

As of 31 December 2023

$2,422m
The EDB's cumulative portfolio in Belarus

$308m
The EDB's current investment portfolio in Belarus

The portfolio included 9 projects in 6 sectors

↓ Total for 2023

$80m
The EDB's financing for new projects signed in Belarus in 2023

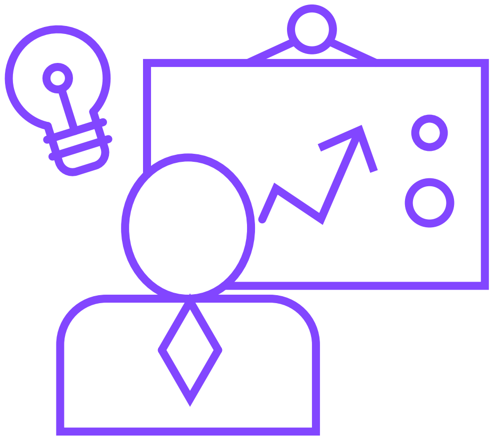
100% of the EDB's investments in Belarus were directed toward real-sector projects

$180m
The EDB's cumulative investment in Belarus's real sector in 2022 and 2023

The EDB's current portfolio investments contribute to:

- ✓ Increased outputs in Belarus's economy **$1,985m** per annum
- ✓ Additional tax revenues of **$417m** per annum
- ✓ Job creation **>3,400** jobs

2 Progress on Strategic Objectives in 2023



In 2023, Belarus's economy demonstrated significant growth. From January to August 2023, the nation's GDP increased by 3.1%, driven primarily by industrial enterprises, which are predominantly state-owned. By year-end, Belarus's GDP growth is expected to reach 3.9%.

Objective 1

Developing basic infrastructure

↓ What we do

The Bank made notable progress in developing basic infrastructure.

Focus: private-sector projects.

1.1 Reconstructing and developing transport routes and infrastructure

Exploring a major project to reconstruct a section of the M-10 highway

The project aims to:

- boost transport and operational performance
- improve quality indicators of a section of this international route, part of the Eurasian Transport Network

The project will reconstruct 85.7 kilometres of road, increasing the number of lanes from two to four, and upgrade the road to Category 1-B

It is expected to significantly increase road capacity by almost tripling the average daily traffic by 2040

The total project value is approximately US $243 million, with the EDB's contribution estimated at US $228 million

1.2 **Supporting the development of logistics and warehousing infrastructure**

Preparing an investment project to expand the Prilesie transport and logistics hub in Minsk

↓ Achievements

The EDB approved financing for the Prilesie transport and logistics hub expansion in Minsk

The project involves the construction of:

- additional warehouses covering 77,545 m^2
- outdoor grids
- transport infrastructure

$57m
Amount

Expanding this facility is expected to facilitate mutual trade among the Bank's member states

The Bank allocated US $135,000 from its TAF for the project's technical audit and financial and technical supervision

Objective 2

Facilitating the sustainable development of Belarus's energy system

↓ What we do

2.1 **Creating and modernising energy infrastructure**

Continued implementation of a project in the energy sector

Conducting preliminary activities in collaboration with stakeholders to explore sustainable energy initiatives

↓ Achievements

Initiated groundwork for projects focused on modernising small boiler houses and power plants in Belarus

Objective 3

Modernising and developing industry

↓ What we do

Significant progress was made in industry modernisation and development, with an emphasis on socially significant initiatives.

3.1 **Modernising industry**

Continuing work on a project to establish full-cycle Sputnik vaccine production

The project contributes to strengthening Belarus's healthcare system and improving the well-being and health of its population

3.2 **Promoting the establishment and development of new industries**

Exploring potential private-sector initiatives to develop industries

↓ Achievements

Signed a financing agreement for medical packaging production at the Gomel-Raton free economic zone

- The project is implemented by Alcopack, one of Belarus's largest bottle-sealing enterprises

$23 m
Amount

The project includes the construction of a sterile medical items workshop and a power unit for production facilities

Objective 4

Developing export potential and business support

↓ What we do

4.1 **Promoting cooperation and trade ties, with EAEU countries in the first place**

— Exploring a project to provide guarantees to Ozon Group companies, including Ozon Market Bel, a resident of Belarus

up to **$65m**
Total risk limit

Objective | Securing property lease agreements and payments under contracts with suppliers

— Reviewing financing options for the Servolux Group of Companies' investment programme

The project focuses on business modernisation and expansion, including increased supplies to the Bank's member states

~ $266m
Total financing

~ $150m
The EDB's potential stake

4.2 **Supporting small and medium-sized enterprises**

Continued collaboration with partner commercial banks in Belarus to implement targeted lending programmes

↓ Achievements

Prepared a pipeline of projects in key sectors – agriculture and retail

Laid the groundwork to expand local commercial banks' business support programmes

Objective 5

Digital Transformation

↓ What we do

Focus: advancing the activities of the EDB Fund for Digital Initiatives in Belarus.

5.1 **Continued review of the Digital Trade. Jewellery project**

- The project aims to boost joint exports

5.2 **Considering a project for mutual recognition of electronic digital signatures between Russia and Belarus**

- The project is designed to ensure the validity of e-documents in cross-border information exchanges

5.3 **Digital project competition**

Objective	Promoting collaboration between the Bank's member countries through digital projects

5.4 **Continuing to scale the BEE-ONLINE.ru international platform for light businesses and an international platform for skills and professions**

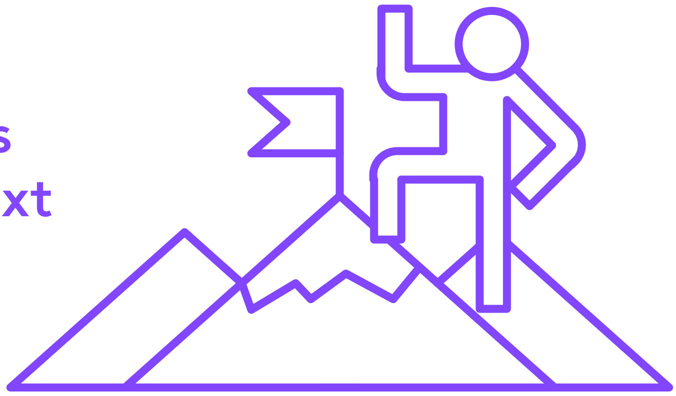
↓ Achievements

Piloted the first phase of the Digital Trade. Jewellery project

45 new factories from Belarus joined the BEE-ONLINE.ru platform

Over 140 new users from Belarus participated in the Worldskills digital platform

3 Strategic Objectives for the Next Period



Plans

In 2024, Belarus's GDP is projected to grow by 2%. Economic growth is expected to slow as the post-recovery period concludes, with persistent supply-side constraints such as reduced employment, more complex supply chains and limited access to technology.

In 2024, the Bank will pursue the following objectives:

Maintaining a focus on private-sector projects in Belarus.
The EDB will concentrate on identifying and exploring private-sector initiatives aligned with its strategic objectives and priorities. The Bank aims to expand its pipeline of potential projects by developing new instruments and mechanisms to facilitate investments during the Country Strategy period.

Focusing on financing new projects in Belarus's key sectors.
The Bank plans to support projects in industry, agribusiness, transport, infrastructure and other sectors.

Increasing the use of technical assistance to explore potential initiatives.
Building on its success in leveraging technical assistance for real-sector projects in Belarus, the Bank intends to continue using this instrument to expand its project pipeline and prepare investment initiatives for financing.

Activities to Achieve Strategic Objectives

Objective 1

Developing basic infrastructure

↓ What we do

Objective

Exploring initiatives in transport and logistics infrastructure

Objective

Considering a project to improve water supply and waste treatment

The project includes subprojects in various regions and cities of Belarus

Objective 2

Facilitating the sustainable development of Belarus's energy system

↓ What we do

Objective

Exploring investments in energy projects

Objective

Assessing a sustainable energy project to modernise small boiler houses and power substations

The project covers facilities in various regions and cities of Belarus

Objective 3

Modernising and developing industry

↓ What we do

Objective

Exploring and supporting private-sector projects in mechanical engineering, pharmaceuticals and the chemical sector

Focus | projects that promote mutual trade among EDB member countries and foster import substitution

Objective

Utilising TAF resources to explore new initiatives

Objective 4

Developing export potential and business support

↓ What we do

Objective

Exploring initiatives to enhance export potential

Objective

Evaluating financing for Servolux Group's investment programme, including a major agribusiness project

Objective

Financing commercial banks' programmes to support small and medium-sized enterprises and arrange pre-export or trade finance for supplies between counterparties in the Bank's member states

Objective 5

Digital transformation

↓ What we do

Objective

Continued focus on key digital transformation initiatives and implementing ongoing projects

Projects and initiatives:

- Digital Trade. Jewellery
- International Platform of Skills and Professions
- BEE-ONLINE.ru, an international digital platform to develop and scale up light industry businesses

Objective

Organising the Digital Project Competition

The initiative promotes cooperation between Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan through digital projects

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