



European Bank
for Reconstruction and Development

Financing of public-private partnerships (PPPs) in Kazakhstan

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EBRD Financing Approach to PPPs

1 Prerequisites

- Open international tender/compliance with the [EBRD Concession Policy](#)
- Acceptability of the preferred bidder (financial, operational and business integrity)
- Balanced and bankable concession agreements
- Execution of a lenders' direct agreement
- Compliance with the [EBRD E&S Policy](#)

2 Security

- Up-front or LC-backed equity funding
- Market-standard early termination provisions
- Distribution lock-ups and share retention undertakings until after financial completion
- EPC/O&M direct agreements, assignment of key sub-contracts and extensive 'reserved discretions'
- Pledge of shares, accounts, assets (if applicable), assignments of rights under key project documents
- Waiver of sovereign immunity

3 Instruments

▪ Debt:

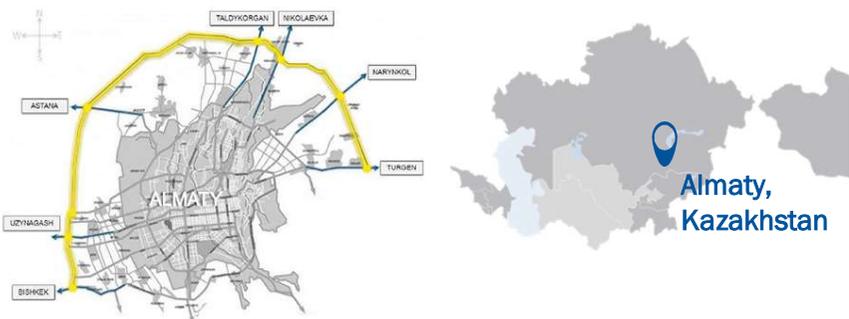
- Form: senior loans
- Tenor: up to 16 years (but require a 2-3-year concession tail)
- Currency: KZT or hard currency
- Interest rate: floating for KZT, fixed or floating for hard currency
- Amount: up to 35% of the project costs (excluding commercial mobilization)
- Mobilization of commercial banks (same terms / loan documents as the EBRD loan + preferred creditor status) or parallel loans

▪ Equity:

- EBRD can provide mezzanine and/or equity financing alongside debt subject to the 35% limit

BAKAD PPP – Flagship PPP in Kazakhstan

Location and preliminary alignment



Project profile

- Construction of 66 km of greenfield bypass toll road (4/6 lanes) under a BTO scheme 5+20-years;
- Involves construction of 21 bridges and 8 interchanges;
- **No traffic risk** of the concessionaire, availability payments with **currency risk mitigation**, 'bankable' termination and step-in arrangements;
- Total project cost: ~ **USD 750 million**;
- Grantor: Republic of Kazakhstan;
- Concessionaire: a consortium of Alarko, Makyol, SK E&C, KEC;
- EBRD was mandated to raise debt financing for the project. Total financing (**USD 585 million**):
 - EBRD A Loan - USD 225 million
 - EBRD B Loan – USD 125 million (Bank of China, PGGM)
 - IsDB – USD 100 million
 - EDB – USD 135 million

Current status

- Concession agreement signed in February 2018;
- Financial close – August 2020;
- Implementation in underway in line with the agreed work schedule.

BAKAD PPP – Lessons Learned

- 1 The EBRD has been working with the government of Kazakhstan since 2013 and invested over EUR 1 million in streamlining the **legislative framework for PPP projects**.
- 2 Some areas for improvement still remain (e.g. lack of a clear VfM methodology), but the BAKAD precedent confirms that it's possible to structure a bankable PPP project governed by the **Republican Law on Concessions**.
- 3 PPP projects are highly visible and the government of Kazakhstan remains sensitive to **FX risks** relating to their PPP commitments and headline lifecycle costs.
- 4 There are certain local law bankability issues that require unorthodox solutions (use of an offshore share pledge to enable step-in rights).
- 5 From the government's standpoint PPPs are viewed as an effective knowledge/ technology transfer tool and having the benefit of off-balance sheet financing but the timeline for commercial / financial close is difficult to predict.

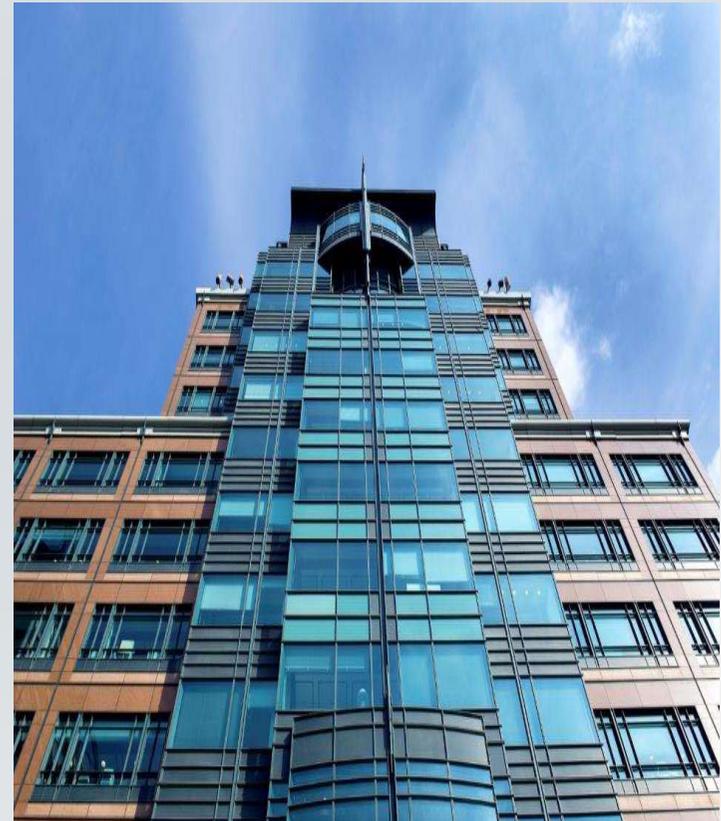
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