Financing for Municipal Investments in Russia.

2002

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http://hdl.handle.net/11374/554

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Financing for Municipal Investments in Russia

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SENIOR ARCTIC OFFICIALS’ MEETING and
3rd ARCTIC COUNCIL MINISTERIAL MEETING
Inari, Finland, 8-10.10.2002
EBRD’s Role in the Municipal Sector

- Decentralisation of the provision and financing of municipal infrastructure and services
- Commercialisation and corporatisation of services
- Promotion and optimisation of private sector involvement
- Development of regulatory structures
- Environmental improvement

EBRD provides value added support
MEI regional and sectoral diversification

**MEI Sectors**
- Urban Transport: 7%
- Water and Waste Water: 51%
- Multi-sectoral: 9%
- Solid Waste: 15%
- District Transport: 18%

**MEI Regions**
- Central Europe: 46%
- Russian Fed: 13%
- Regional: 1%
- Other: 5%
- CIS: 35%
- Other: 5%
**Northern Dimension Environmental Partnership**

- Fund base EUR 110m in grant contributions
- Contributors: DEN, EU, FIN, NL, NOR, RUS, SWE
- IFIs: EIB, EBRD, NIB, NEFCO, WB
- Fund Manager at EBRD
- Steering Group: IFIs, EC and Russia
- Assembly of Contributors
NDEP Main Features

- Focus on NW Russia

- Sectors: 1) Environmental Challenge; 12 Selected Projects in the Baltic and Barents Sea Regions

- 2) Nuclear Waste Challenge; 16 Potential Projects in the Barents Region

- Lead Institutions for each environmental project; Nuclear window by EBRD
NDEP Schedule

- Environmental window proceeding; Priority projects in Barents Region; Water and Sanitation: Arkhangelsk, Komi (Syktyvkar and Vorkuta); District Heating: Murmansk

- Steering Committee Sept 02; Assembly 15, Nov 02

- Manager assigned Jan 03

- First projects launched early 03 (St Peterburg South-western WWTP by end 02)
EBRD/MEI projects in Russia (1)

- St Petersburg Water and Environmental Services Improvement Program; 35m DEM
- Kaliningrad Water and Environment; 20.3m EUR
- Krasnyj Bor Toxic Waste Emergency; 6m EUR
- Nordic donor grants included in each project
Projects In NW-Russia (2); Preparation in progress

- St Petersburg; (1) South-western WWTP; PPP/Nordvod including as shareholders Nordic companies, Vodokanal and NEFCO; grants from Fin, Swe, (DK) and EU; IFIs; NIB, EBRD, EIB with Finnfund and Swedfund; Total investment ca EUR150m; (2) Northern WWTP Sludge Incinerator; Investment ca EUR50m; public tender; (3) further needs subject to borrowing capacity

- Arkhangelsk Vodokanal; water and sewerage (WS) improvement; Feasibility Study starting; loan EUR10m

- Komi Republic/Syktyvkar and Vorkuta; WS-sector loan EUR15m; FS starting
EBRD investment selection criteria

- Financial, economic and technical viability
- Credit quality borrower
  - strong economic resource base (municipality)
  - financial strength/creditworthiness
  - institutional capability and potential
- Willingness to accept EBRD conditionality
  - cost recovery/tariff increases
  - financial and operational performance improvement
  - creditworthiness enhancement
- Proven commitment
Concerns on Economy in Russia

- Competitiveness
- Slowdown in the World Economy
- Unbalanced Structure of Growth
- Macroeconomic instability
- Inadequate security for investments
Concluding remarks; elements for project enhancement

- Strong local commitment required - both political and financial
- Targets clarified for long- and short-term actions
- Sound financial management practices
- Preparedness for international cooperation; transparency of decisions, clarity of procurement
- Clear responsibilities
EBRD web site

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