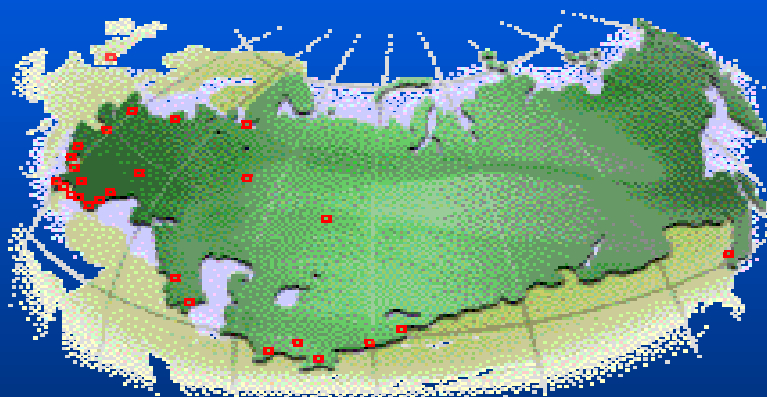




Financing for Municipal Investments in Russia



**Jaakko Henttonen, Principal Banker
Municipal and Environmental Infrastructure
EBRD, St Petersburg**

**SENIOR ARCTIC OFFICIALS' MEETING and
3rd ARCTIC COUNCIL MINISTERIAL MEETING
Inari, Finland, 8-10.10.2002**



EBRD's Role in the Municipal Sector

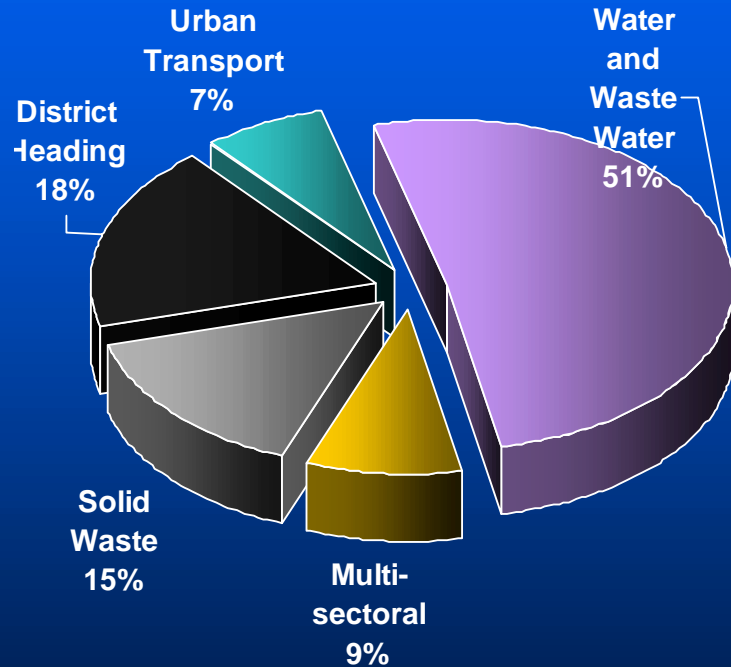
- Decentralisation of the provision and financing of municipal infrastructure and services
- Commercialisation and corporatisation of services
- Promotion and optimisation of private sector involvement
- Development of regulatory structures
- Environmental improvement

EBRD provides value added support

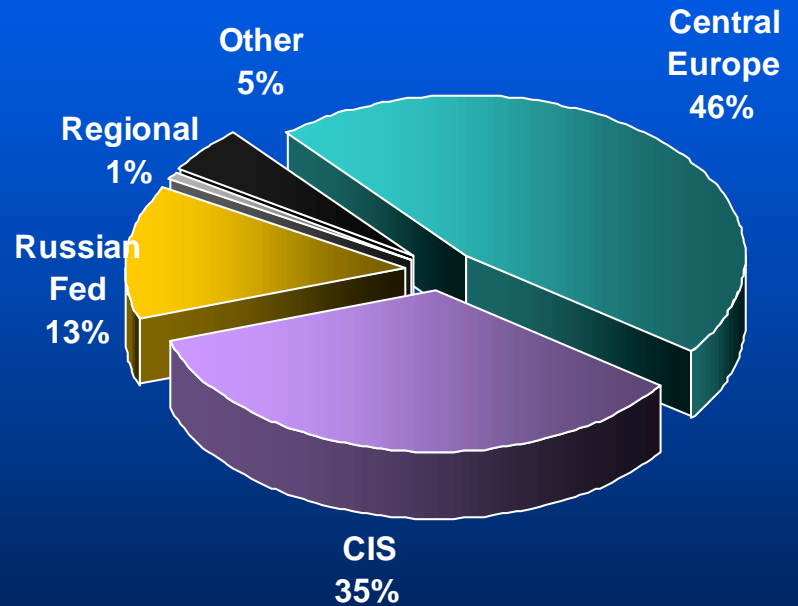


MEI regional and sectoral diversification

MEI Sectors



MEI Regions



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 Finfund 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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The screenshot shows the EBRD website homepage. On the left is a vertical navigation menu with the following items: Welcome, Operations, Business information, Procurement, Transition, The environment, Finance, Publications, Annual meeting, Recruitment, and What's new. The main content area features the heading "Welcome to the EBRD" in blue. Below this is a paragraph of text: "The European Bank for Reconstruction and Development (EBRD) was established in 1991. It exists to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the countries of central and eastern Europe and the Commonwealth of Independent States (CIS) committed to and applying the principles of multiparty democracy, pluralism and...". To the right of this text is a stylized globe with red dots indicating operational countries. A large red watermark "www.ebrd.com" is overlaid across the center of the page. Below the main text is another paragraph: "The EBRD seeks to help its 26 countries of operations to implement structural and sectoral economic reforms, promoting competition, privatisation and entrepreneurship, taking into account the particular needs of countries at different stages of transition. Through its investments it promotes private sector activity, the strengthening of financial institutions and legal systems, and the development of the infrastructure needed to support the private sector. The Bank applies sound banking and investment principles in all of its operations." At the bottom left of the page, there is a small photograph of two people in green uniforms, one holding a tool. In the bottom right corner, there is a decorative white graphic element consisting of stylized, overlapping loops.