

## Infrastructure cooperation

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Cooperation with donors and official co-financing agencies has been central to the EBRD's strategy in the infrastructure sectors since the commencement of operations in 1991. Cooperation arrangements have developed in part because of the large financing requirements and affordability needs of projects in the power and energy, transport, water, drainage, and district heating sectors. In addition, there has been a need to assist the agencies responsible for infrastructure projects to develop and carry out sector reforms and strengthen institutional capabilities. These agencies range from ministries with national level responsibilities to utilities at the local municipality level.

**Technical cooperation**

Since 1991 the Bank's infrastructure operations have been supported by 636 technical cooperation assignments valued at €157.2 million, accounting for 18.5 per cent of Technical Cooperation (TC) programme commitments.

Support for infrastructure TC assignments has been provided by a wide range of donor agencies, led by Canada, the EU, France, Germany, Italy, Japan, the Netherlands, Switzerland, the United Kingdom and the

United States (see table on page 47). The EU has been the major donor to TC in the transport, municipal and energy efficiency sectors, accounting for at least 50 per cent of the funds provided. In the power and energy sector, Japan has been the major provider of TC support. A new development in this sector is a strategy for renewable energy (see Chapter 7).

While donor agencies also provide assistance to EBRD projects through their own bilateral programmes, these contributions are not recorded as part of the TC funds programme. The support that donor agencies provide directly to clients represents an additional channel through which cooperation arrangements operate. EBRD environmental infrastructure operations are supported through the Project Preparation Committee (see Chapter 8).

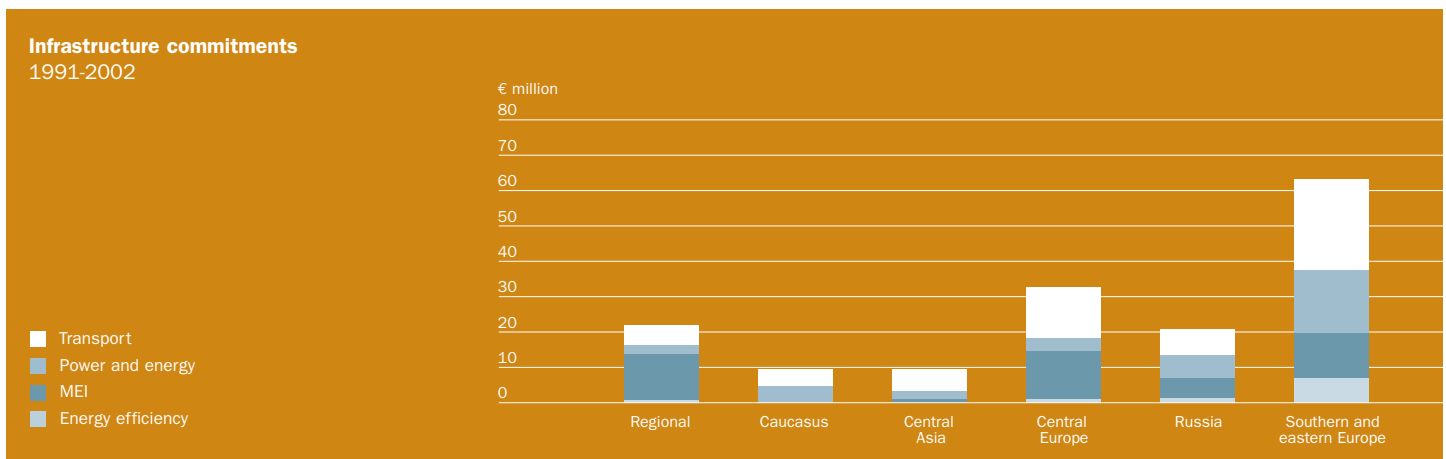
The transport sector has been the largest recipient of donor support historically, accounting for 40 per cent of infrastructure TC commitments. During 2002 transport sector commitments amounted to €9.3 million, with very large assignments being funded by the EU (Kazakhstan Road Programme, Poland Private Road Management, Russia Road Sector Reform), Japan (Uzbek Railways,

see case study on page 48) and the Mongolia TC Fund (civil aviation restructuring).

More recently, municipal environmental infrastructure (MEI) has seen an increase in allocations as the Bank extended its advisory role to new cities. During 2002 commitments in the municipal sector grew to €8.6 million, with substantial support from the EU (Poland and Ukraine municipalities), Canada (municipal development in Komi, Russia and Lithuania), Finland (Archangelsk, Russia) and Japan (municipal finance in Kazakhstan).

Power and energy TC in 2002 amounted to €2.6 million, with the main contributions coming from the EU (Bulgaria privatisation), Finland (sector development in North West Russia and the Baltics), Switzerland (Ukraine, Serbia and Montenegro and FYR Macedonia) and the US (renewable energy, Slovak Republic and Azerbaijan, see case study on page 48).

Energy efficiency TC increased to €2.2 million in 2002. Japan provided support to help develop Andijan district heating in Uzbekistan. Support was also provided by Canada (regional ESCO development), Sweden (St Petersburg and Tashkent) and the US (Russia).



**Infrastructure TC**

1991-2002

Sector team	TC assignments	TC value (€ million)
Transport	218	63.4
Power and Energy	183	37.9
Municipal Environmental Infrastructure	179	45.8
Energy Efficiency	56	10.0

**Donor support to infrastructure TC**

1991-2002

Donor	Transport (€ million)	Power and energy (€ million)	Municipal infrastructure (€ million)	Energy efficiency (€ million)	Total (€ million)
Canada	5.5	0.8	1.2	0.1	7.6
European Union	38.3	8.8	24.8	5.0	76.9
France	1.6	0.8	0.1	0.1	2.6
Germany	0.2	1.6	0.9	0.4	3.1
Italy (incl CEI)	1.8	3.1	0.0	0.0	4.9
Japan	5.6	9.2	3.3	2.0	20.1
Netherlands	2.7	4.5	5.8	0.0	13.0
Switzerland	0.1	2.4	0.9	0.0	3.4
United Kingdom	1.1	2.5	1.6	0.2	5.4
United States	1.1	0.8	0.4	0.5	2.8
Other	5.4	3.4	6.8	1.7	17.4
<b>Total</b>	<b>63.4</b>	<b>37.9</b>	<b>45.8</b>	<b>10.0</b>	<b>157.2</b>

## Uzbekistan Railways restructuring

With a €1 million allocation from the Japan-Europe Cooperation Fund, assistance is being provided to the management of Uzbekistan Railways to implement a railway restructuring programme and strengthen management capabilities. Japan's assistance follows an earlier grant from the EU and enables Uzbekistan Railways to continue its ambitious programme of reform and modernisation. TC supports EBRD loans that are financing the purchase of rail stock and equipment.

## Azerbaijan power generation and transmission

The United States Trade and Development Agency (USTDA) approved US\$ 355,000 (€322,000) in 2002 to assist Azerbaijan implement an energy sector reform programme. This included the preparation of a development plan for power transmission and generation. As Azerbaijan continues to face power shortages, part of the assignment is to assess the scope for renewable and thermal power development and improved system reliability.

## Andijan district heating, Uzbekistan

During 2002 Japan approved US\$ 1.5 million (€1.4 million) from the Japan-Europe Cooperation Fund to support the Andijan emergency district heating improvement and reform programme. The funds will be used to co-finance the services of a professional management services contractor to manage the operations of a newly established district heating company. Andijan will benefit through the introduction of commercial practices into the district heating sector. The assignment will also review options for future private participation in district heating investment.



“The EBRD is a leading institution in taking municipal risk. We are working with municipalities so that they can become creditworthy and they can finance infrastructure projects.”

Noreen Doyle, First Vice President, EBRD

Infrastructure TC has been carried out in all regions of operations, with the main areas of concentration over the past decade being central Europe and southern and eastern Europe. Four countries (Bulgaria, Poland, Romania and Ukraine) account for the majority of the infrastructure assignments. In the years ahead, challenges for project development in Central Asia and the Caucasus will probably see additional needs for donor assistance in these regions (see Chapter 10).

#### Assistance to municipal authorities

Technical assistance to municipal authorities is growing in response to outreach efforts by the EBRD and an increasing awareness among donors of the transition impact of institutional strengthening at the local level. For example, local authorities are assisted with the design and implementation of private sector

participation (PSP) options in water and waste-water projects. Services provided by consultants to help local governments include the following:

#### ■ Options for private sector participation

These assignments help municipal governments decide on options for private provision of municipal services. The consultant determines whether any major obstacles exist that could jeopardise the project. A project concept and PSP option is defined to a level of detail sufficient to obtain an informed and meaningful commitment on the part of the city administration and council to proceed. The scope and cost of work to be undertaken during the subsequent phase (when comprehensive financial, legal and technical advisory services are provided) are also identified.

#### ■ Municipal project preparation and advisory services

Under these assignments, the consultant is responsible for advising and assisting the city in taking a project from its current stage of preparation through the signing of a concession agreement and financial close. The consultant will collect and analyse information to reduce the uncertainties faced by bidders and to place them on a level playing field. The consultant will also prepare for the city an organisational plan related to procurement and preparation and completion of the transaction. The latter includes draft concession contracts, invitation to tender and bid evaluation and negotiation procedures. The consultant will also support the city in communicating the project concept and process to stakeholders including residents, officials, employees and the media.



Photo: Municipal transport, Budapest

## Municipal creditworthiness enhancement

Many municipalities are seeking to improve their creditworthiness to enable them to borrow for infrastructure projects without recourse to sovereign guarantees. The EBRD is engaging consultants to work with local governments to identify programmes to improve their financial management and capital budgeting capacity and to assist the municipality to discharge its obligations under loan agreements.

Under the Creditworthiness Enhancement Programme, the consultant works closely with the city to develop and implement a plan that covers:

- financial planning
- treasury and debt management
- budget management and financial reporting
- capital investment planning
- asset management
- municipal service delivery
- management information systems.



“Russia attaches great importance to the success of the NDEP Fund with Russian involvement as a donor.”

Igor Kovtun, Director for Russian Federation, EBRD

#### EU infrastructure co-financing

EU investment co-financing, provided through the PHARE, TACIS and ISPA programmes, has played an important role in the financing and implementation of EBRD infrastructure projects. Commencing in 1995, a total of 28 EBRD projects in 11 countries have benefited from EU grant co-financing amounting to €769.6 million (see table on page 52). EU co-financing has been most prominent in projects in Poland and Romania. For these projects, where grant funds have been critical to progress, the EU contribution has been in excess of that provided by the EBRD.

The Bank and the EU are in discussions to build on the experience of co-financing with pre-accession instruments to develop co-financing in the post-accession period. Further details on official co-financing in EBRD investment projects are provided in Chapter 3.

#### Northern Dimension Environmental Partnership

Infrastructure cooperation was extended during 2002 through the successful launch of the Northern Dimension Environmental Partnership (NDEP). The Partnership was developed in response to calls from Russia and the international community for a concerted effort to address environmental problems in North West Russia. Of particular concern was the legacy of environmental damage in the region concerning water, waste-water treatment, energy efficiency and nuclear waste.

In November 2002 the first NDEP Assembly of Contributors meeting was held at which the inaugural donors - Denmark, the European Union, Finland, the Netherlands, Norway, Russia and Sweden - pledged contributions to the NDEP Fund. The NDEP Fund represents Russia's entry into the EBRD donor and official co-financing community. Additional contributors are anticipated during 2003.

Under the EBRD's management, the NDEP Fund will be used to make co-financing grants and TC commitments to environmental infrastructure projects in Russia, upon the recommendation of the NDEP Steering Group (comprising the EBRD, the European Investment Bank, the European Union, the Nordic Investment Bank and Russia). A separate Nuclear Window has been established within the NDEP Fund to deal with nuclear waste projects.

The Assembly of Contributors approved the first tranche of six projects from the fund. They were: the St Petersburg Flood Protection Barrier, the South West Wastewater Treatment Plant, the St Petersburg Northern Incinerator, Leningrad Oblast Phase I, Komi Municipal Programme and Kaliningrad District Heating Project.

## St Petersburg toxic waste clean-up

With funding support from the EU-EBRD Investment Preparation Facility, consultants worked with City of St Petersburg officials on a programme to rehabilitate a hazardous waste disposal site and to improve the institutional framework for hazardous waste collection and disposal. The EBRD has provided €6.15 million in loan funds to the project to finance the construction of a waste-water treatment plant, a drainage system and waste storage facilities.

### EU-EBRD grant co-financing: Infrastructure (1995 to 2002)

Country	EBRD amount (€ million)	EU amount (€ million)	Number of projects
Azerbaijan	20.5	8.1	1
Bulgaria	45.2	18.4	1
Czech Republic	27.5	14.2	1
Estonia	27.6	16.6	2
Georgia	20.3	7.3	1
Hungary	50.0	40.0	2
Latvia	54.8	24.6	2
Lithuania	108.2	70.2	4
Poland	159.3	276.9	6
Romania	218.2	286.7	7
Slovenia	14.8	6.6	1
<b>Total</b>	<b>746.4</b>	<b>769.6</b>	<b>28</b>