

Project name: Sakhalin Municipal Services
Development Programme

Country: Russia

Project number: 28861

Business sector: Municipal and environmental
infrastructure

State/Private: State sector

Environmental category: B

Board date:

Status: Inactive

Date PSD disclosed: 9 March 2004

Date PSD updated:

**Project description
and objectives:**

The proposed project would involve a loan to the Sakhalin Oblast. The project would focus on priority investments that reduce operating costs and finance general rehabilitation and upgrading of the municipal water and district heating systems in key municipalities in Sakhalin Oblast. The project would also finance the institutional strengthening of the municipal services operating company and the Oblast Administration.

Transition impact:

The project is likely to have significant demonstration effects, as it will be the first long-term municipal infrastructure loan on a regional scale in the Russian Far East. The transition potential of the operation relates to commercialisation of water and district heating services through tariff reform, including cost-recovery and reduction of cross-subsides between different categories of users, and through an introduction of a regional operating company providing services to municipalities on the basis of service contracts. The project will also contribute towards strengthening of corporate governance standards through introduction of IAS for financial reporting in the newly established regional operator.

The client:

The borrower will be the Sakhalin Oblast Administration. The proposed project will be implemented through a municipal operating company which will assume responsibility for the operation and maintenance of municipal infrastructure assets.

EBRD finance:

Loan of up to €30 million equivalent denominated in RUR to the Sakhalin Oblast Administration

Total project cost:

Equivalent to €43 million

Environmental impact:

The project has been screened B/O requiring environmental analyses of the two components of the proposed multi-sector municipal services development programme.

The environmental analysis indicates that the project would have a positive overall benefit on public health and the environment. The operation will enable the Oblast to (i) reduce pollution of the drinking water by upgrading its water distribution network; (ii) reduce pollution of the local rivers by upgrading wastewater treatment facilities' technological processes (biological treatment and sludge treatment and utilisation); (iii) rehabilitate wastewater collection network; (iv) reduce greenhouse gas emissions from the heating plants by increasing energy efficiency of the district heating system. The project will meet Russian environmental, health and safety standards and will contribute towards achieving compliance with relevant EU environmental standards.

Temporary environmental impacts may be generated during construction and land-take, such as increased level of noise, dust and traffic. Such temporary impacts ,however, will be minimised through the incorporation of good management practice including forewarning and signing of works, restriction of working hours, development of traffic management schemes offering alternative routes to traffic and pedestrians, etc.

Technical cooperation:

Loan financed TC:

- Design, Procurement and other implementation support (EUR 2.0 million).

Grant financing will be sought for:

- Project Implementation Unit training and project implementation support (EUR 350,000)
- Assistance in revision of the legal framework for provision of municipal services in the region, development of service contract. Establishment of a regional operating company to provide water,

wastewater and district heating services in the project municipalities. Corporate development assistance for the newly created company aimed to enhancing its commercial viability and institutional capacity (EUR 800,000).

- Creditworthiness enhancement programme (CEP) for the Oblast Administration aimed at improving its financial and budget function (EUR 350,000).

For consultant opportunities for projects financed by technical cooperation funds, visit [procurement of consultants](#).

Procurement or tendering opportunities:

Visit [EBRD Procurement](#)

Enquiries: Tel: +44 20 7338 6534; Fax: +44 20 7338 7472,

Email:

General enquiries:

EBRD project enquiries not related to procurement:

Tel: +44 20 7338 7168; Fax: +44 20 7338 7380