



EUROPEAN INVESTMENT BANK

Potential for Modernisation: Long Term Development of the Russian Economy

Modernisation in Russia: the Role of Development Institutions

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Strengths & Successes in Russian Development

- Stability of the country
- Robust economic growth
- Gold and foreign currency reserves
- Sound management of foreign debt
- Poverty reduction

Challenges in Russian Economic Development

- Human Development Challenges
- Economic Development Challenges



Human Development Challenges

- UNDP Human Development Index: ranks 71 out of 182 countries (high), but
- Unfavourable demographic trends
- Education and health sectors under funded (human capital)
- Non negligible poverty level



Economic Development Challenges 1

Infrastructure in a critical state

Low level of investment compared to vast needs to upgrade infrastructure and improve competitiveness (investment climate)



Economic Development Challenges 2

Economic diversification

Energy Inefficiency

Russia's integration into the world economy



EIBs Role & Mandate to assist in Russian Development

EIB as the EU's Financing Institution created by the Treaty of Rome

Mandate 2007-2013

- EIB lending operations outside the EU: EUR 27.8 bn
- Russia and Eastern Neighbours: EUR 3.7 bn

Project Eligibility

Projects of Significant Interest to the EU in:

- Telecommunications
- Transport
- Energy
- Environmental Infrastructure



EIB Funding

- ❖ Substantial source of funding for Russia, in co-financing with the EBRD and possibly other IFIs and banks.
- ❖ Signalling effects/sector expertise.
- ❖ Competitive rates with long maturities in a range of currencies.
- ❖ Disbursement can be phased to meet project needs.
- ❖ Close cooperation with the Commission and EBRD.
- ❖ Range of financing structures which can be adapted to project needs/required risk allocation.



EIB assistance in Human Development Challenges

Improvements in health associated with:

- ❖ Sanitary developments from Water and waste water projects (eg Vodokanal I & II and the St Petersburg Neva Project)
- ❖ living conditions improvements from district heating projects
- ❖ Improved air quality as a result of reduced emissions from environmental projects



EIB assistance in Economic Development Challenges

Meeting the Infrastructure Need

Improved efficiency, connectivity & competitiveness from infrastructure projects as follows:

- ❖ Transport infrastructure projects – eg Moscow St Petersburg Road PPP
- ❖ Telecommunications projects – eg MTS project



EIB assistance in Economic Development Challenges

Addressing inefficient use of energy

- ❖ Power plant refurbishments - improving thermal efficiency
- ❖ Gas capture projects – reducing gas flaring
- ❖ Urban or Industrial Projects which enhance the efficient use of energy
- ❖ Rehabilitation of energy & electricity networks

Integrating Russia into the world economy

All projects under the EIB's mandate are of significant EU interest.

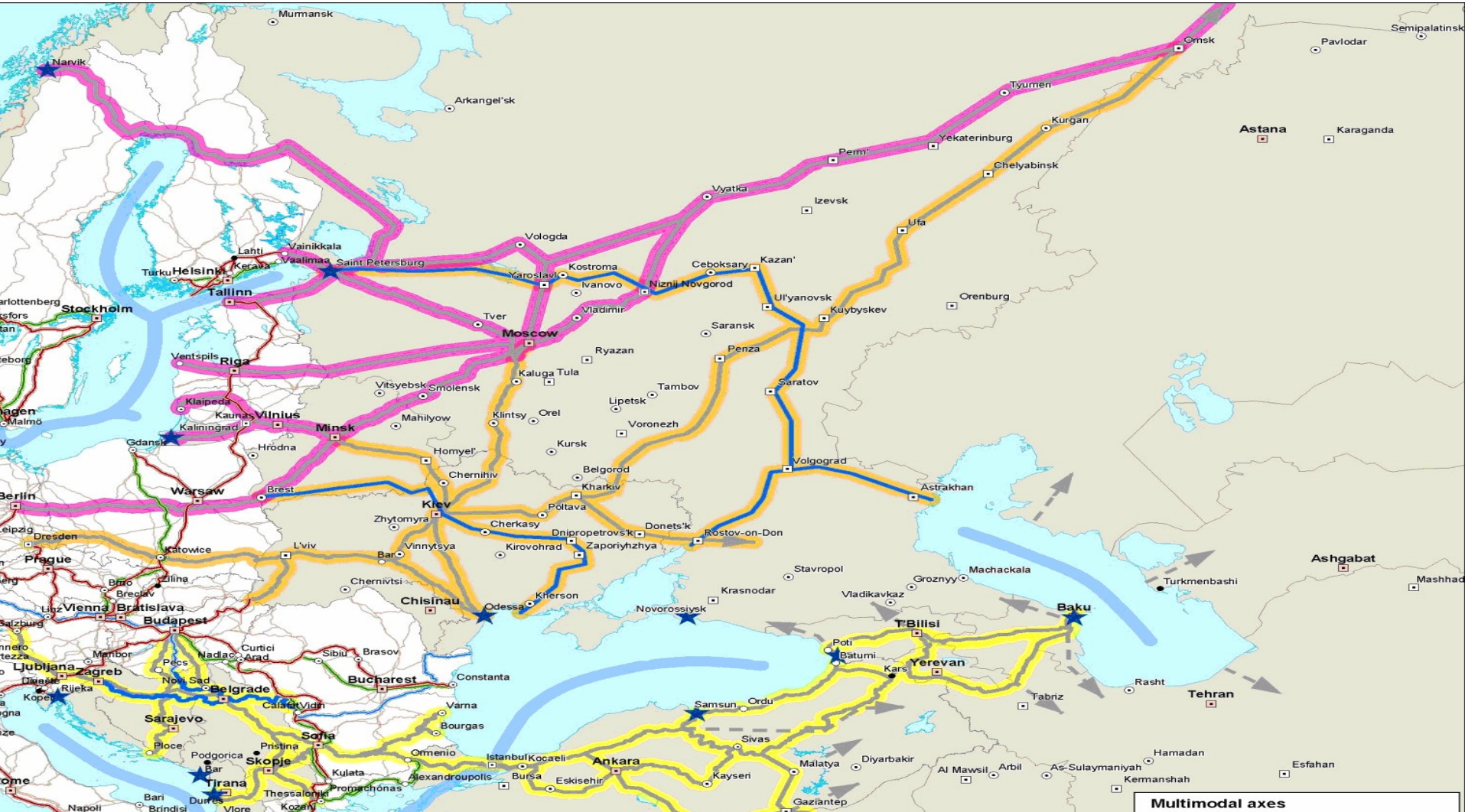
Transport project on key Transnational Axes



The European Investment Bank (EIB)



Key Trans-National Axes





Summary

- ❖ Russia has exhibited strong economic progress
- ❖ Russian development is currently constrained by certain economic and human factors
- ❖ The key factors limiting Russia's development (particularly infrastructure development, health improvements, energy efficiency and integration in the world economy) are target investments for the IFI community and EIB in particular.
- ❖ EIB has a substantial source of funding available for Russia and a product range which can be adapted to a project's needs.



For more information...



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