

EBRD to Consider Funding Roads

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The European Bank for Reconstruction and Development on Thursday agreed to consider funding road construction by the state-run company Avtodor, which needs \$12.6 billion in nonstate money through 2019.

Under their memorandum of understanding, the bank, which was created by international governments and financial institutions to transform former Communist economies, could contribute "significant funding" to Avtodor by issuing loans and buying its bonds, said Richard Wallis, the EBRD spokesman in Moscow.

The EBRD's involvement is also bound to broaden the scope of potential investors because it has agreed to assist the company in making its motorway projects meet international best practices in such areas as environmental and social impact.

"We will help Avtodor prepare projects in a way that will allow them to attract money from any investors, including foreign commercial banks that signed up to the Equator Principles and international financial institutions," Wallis said.

The Equator Principles, which have been adopted by more than 70 major global banks including HSBC and BNP Paribas, require that borrowers must comply with a set of environmental and social standards if they apply for financing.

The government has earmarked 1 trillion rubles (\$34 billion) in federal funding for Avtodor projects through 2019 and ordered it to raise another 367 billion rubles on the market.

Avtodor oversees construction of the controversial stretch of the Moscow-to-St. Petersburg toll highway, which brought destruction to large swathes of the Khimki forest — the only green spot in a sprawling industrial and residential neighborhood — and drew strong popular protests that delayed construction.

It appeared from the memorandum that the EBRD, which is not involved in the contentious construction project, would advise against this type of discord for any further Avtodor plans.

An approach that includes a "major outreach to key stakeholders whose interests could be affected by future motorway projects is the only way forward," the bank's managing director for infrastructure, Thomas Maier, said in a statement that announced the agreement with Avtodor.

Avtodor's other current projects include the reconstruction of two motorways leading to southern Russia and Belarus, respectively known as M4 and M1. The company could take over the maintenance of the M3 highway to Ukraine by the end of this year.

Avtodor acting chief executive Sergei Kelbakh told reporters Thursday that the company was seeking funding from the EBRD to build the other stretches of the Moscow-St. Petersburg highway — which is scheduled to be completed by 2018 and estimated to cost at least 500 billion rubles.

As of July 1, the EBRD has committed almost 18 billion euros (\$26 billion) to various sectors of the Russian economy.

The bank has also supported road maintenance in Ukraine, especially as the country is preparing to co-host the Euro 2012 football championship. In the most recent deal, it agreed in November to provide a 450 million euro loan to Ukravtodor, the country's state road agency.

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