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Report No. P-6506-RU

MEMORANDUM AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED LOAN
IN AN AMOUNT EQUIVALENT TO US\$40 MILLION
TO THE
RUSSIAN FEDERATION
FOR A
PORTFOLIO DEVELOPMENT PROJECT

JANUARY 26, 1995

MICROGRAPHICS

Report No: P- 6506 RU
Type: MOP

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CURRENCY EQUIVALENTS

Unit of currency: Ruble

1 Ruble = 100 kopecks

Rubles per US dollar

Moscow Inter-Bank Foreign Currency Exchange/
Moscow Foreign Exchange Auction Market (VEB) rates

AVERAGE EXCHANGE RATES

<u>Year</u>	<u>Period Average</u>	<u>End of Period</u>
1989	8.92	8.92
1990	19.34	22.80
1991	61.95	169.20
1992	227.90	414.50
1993	1,018.00	1,247.00
1994	2212.00	3,550.00

WEIGHTS AND MEASURES

Metric System

ABBREVIATIONS AND ACRONYMS

CBR	-	Central Bank of Russia
CPPR	-	Country Portfolio Performance Review
DIFI	-	Department of International Finance and Investment
EBRD	-	European Bank for Reconstruction and Development
EDI	-	Economic Development Institute
FPP	-	Fund for Project Preparation
FSU	-	Former Soviet Union
GOR	-	Government of Russia
IMF	-	International Monetary Fund
IBOS	-	International Business Opportunities Services
PIP	-	Project Implementation Plan
PPF	-	Project Preparation Facility
PPIU	-	Project Preparation and Implementation Units
RAICD	-	Russian Agency for International Cooperation and Development
SOE	-	Statement of Expenditures
TA	-	Technical Assistance
TCP	-	Technical Cooperation Program

FISCAL YEAR

January 1 - December 31

PORTFOLIO DEVELOPMENT PROJECT

Loan and Project Summary

Borrower: Russian Federation

Beneficiary: Russian Federal Center for Project Finance and Technical Assistance

Amount: US\$40 million equivalent

Terms: 17 years, including five years of grace, at the Bank's standard variable interest rate

Financing Plan:

**PROJECT FINANCING PLAN
(US\$ Millions)**

	Local	Foreign	Total Project Costs	
			US\$M	% Project
Government	39.5	---	39.5	50
World Bank	10.0	30.0	40.0	50
TOTAL	49.5	30.0	79.5	100

Economic Rate of Return: Not Applicable

Poverty Category: Not Applicable

Staff Appraisal Report: A Technical Annex has been prepared in lieu of a Staff Appraisal Report.

Map: IBRD No. 25968

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**MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT TO THE
EXECUTIVE DIRECTORS ON A PROPOSED LOAN TO THE RUSSIAN FEDERATION
FOR
A PORTFOLIO DEVELOPMENT PROJECT**

1. I submit for your approval the following memorandum and recommendation on a proposed loan to Russia of US\$40 million equivalent to help finance a project for Portfolio Development. It would strengthen external resource management and increase the Government's capacity to identify, prepare and implement projects expected to be financed by the Bank. The loan would be at the Bank's standard variable interest rate with a maturity of 17 years, including 5 years of grace.

Background

2. In November 1994, the Russian Government announced that its ambitious reform program would enter a second stage. The first phase had focussed on aggressive privatization of state-run enterprises and small businesses combined with a moderate stabilization program. The Government is now determined to support a radical plan to lower monthly inflation from an average of 9.3 percent in 1994 to about 1 percent by end-1995. The Government's aim is to increase private investment in domestic industry and improve the standard of living. The plan is predicated on deeper structural reforms, an austere 1995 budget, and greater reliance on internal and external borrowing to close the budget gap.

3. The success of this program will depend in part on the Government's continued ability to mobilize substantial external financing over the next several years. The bulk of this support is expected to come from debt rescheduling and official bilateral and multilateral sources until private flows increase significantly. The international community has shown its willingness to provide financing in line with Russia's progress in reforms, primarily through generous debt rescheduling but also export credits, grant technical assistance and official finance. Competition for grant technical assistance is expected to increase as the availability of these resources to Russia declines. Therefore, the Government will also need to increase borrowing for technical assistance, particularly to prepare public investment projects for external financing.

4. Both the Russian and bilateral governments view the Bank as a critical catalyst for investment resources in support of Russian structural reforms. At the request of the Prime Minister, the Bank has expressed its readiness to prepare an expanded annual lending program of US\$2.5-3.0 billion over the next several years. However, commitments of this magnitude require both a sustained reform effort and significant improvement in the pace of project preparation and implementation. The partnership between the Bank and the Government has strengthened and there is better understanding of the role of international investment in the transition process. Nevertheless, despite the efforts devoted by both sides to develop the Bank's portfolio, actual implementation has fallen short of initial expectations. This reflects, on one hand, start-up difficulties in lending to a new borrower, and on the other hand, systemic issues that constrain implementation and disbursements.

5. At the first annual Country Portfolio Performance Review (CPPR), held September 16-17, 1994, the Bank's Governor noted that the starting point for improved project implementation was close alignment of Government reform priorities and Bank projects. He stressed that Russian capacity to identify and prepare its borrowing program needed to be strengthened, and that greater integration of the Bank program into the Government's investment planning process was essential. At the same time, the

Government would like to increase the advisory role of the Bank in its relations with the Government. In order to make the partnership between the Government and the Bank even more effective, the Government plans to strengthen various agencies responsible for coordination with the Bank. An important role in this regard will be given to the newly-established Federal Center for Project Finance and Technical Assistance (the "Center"). In addition, the CPPR concluded that greater efforts were needed to ensure that sectoral ministries and implementing agencies play a substantive role in project design.

6. Until recently, responsibility for interacting with external sources of assistance has been dispersed among several committees and ministries and coordinated only partially by departments of international finance in the Government administration and Ministry of Finance. The Government has recognized that the fragmentation of authority has constrained its ability to mobilize new resources and manage existing commitments effectively. In addition, institutional capacity to identify suitable projects for external financing is limited. At the same time, sector ministries are moving away from direct involvement in project execution and assuming a greater policy formulation and monitoring role. While project management skills need to be developed in implementing agencies, the CPPR concluded that many specialized tasks such as project design and procurement should be contracted out where possible to Russian and international consulting firms. There is thus a particular need to support the development of the local consulting industry.

7. The Center, established in April 1994 by Prime Minister Chernomyrdin, is focussed on three primary functions: coordination, information dissemination, and advisory services. Specifically, it will: a) match Government investment priorities with official external financing sources and support the preparation of investment proposals by governmental organizations; b) advise and assist sectoral ministries and implementing agencies on the practices and procedures of external financing sources and monitor project implementation; and c) support the development of the local consulting industry and advise Russian businesses on procurement opportunities in externally-financed projects. The Government has confirmed that the Center would be responsible for day-to-day working-level coordination activities with the Bank.

Government's Objectives and Strategy

8. The Government's objective is to improve its ability to mobilize, coordinate and utilize external resources in support of the second stage of its economic reform program. It believes that preparation of a sound pipeline of projects for Bank financing, which could also serve as a catalyst for other financial flows, is central to this effort. For 1995 alone, Russian ministries and agencies have proposed more than 60 projects to the Government for financing by the Bank, requiring resources far in excess of the estimated borrowing program. The Government recognizes that an efficient process is needed to identify investment priorities and match them with external sources of funding. Greater collaboration is also required to develop consensus with external agencies on priorities for assistance and to address project-specific implementation constraints. All these objectives would be supported by the proposed operation.

9. In addition, the Government recognizes that the introduction of competitive procurement procedures in initial Bank projects has led to substantial cost savings. Participation by Russian suppliers also provided strong financial incentives for enterprises to restructure and improve product quality. The Government believes that efforts to introduce competitive bidding practices within the economy can be facilitated by stimulating greater participation by potential Russian suppliers and contractors in the bidding

process on internationally-financed projects. For this reason, the Government has established a Business Opportunities Bureau within the Project Center that would also be supported by the proposed project.

Bank Strategy and Rationale for Involvement

10. The proposed loan is central to fulfillment of the Bank's country assistance strategy (CAS) discussed on May 19, 1994 during consideration of the Financial Institutions Development Project. As mentioned in the CAS, a key Bank objective is to establish the Bank as a trusted partner of the Government in carrying out its reform objectives. The proposed loan will be a central instrument to achieve this objective, first, by increasing Russian ownership of its borrowing program and second, by ensuring rapid results through improved implementation capacity. More generally, the project will help ensure that all external resources are used as effectively as possible. These are essential prerequisites if external resources are to contribute to the success of economic reforms. The lack of a clearly identified counterpart agency at the central level has hampered the dialogue on priorities for external assistance and implementation issues. The proposed loan would thus also support improved arrangements for collaboration and project implementation while developing the local consulting industry, which would contribute to the sustainability of results.

11. The proposed loan will primarily provide a flexible source of financing for the development of high-priority investment projects that are integrated with the Government's reform program. The initial projects in the Bank's lending program have been prepared with resources from the Technical Cooperation Program (TCP), the Project Preparation Facility (PPF), and substantial grant funding. The TCP has been terminated, PPF resources are limited, and grant financing for technical assistance to Russia is expected to decline. Reliance on PPF funding and grant resources for all project preparation activities is, in any event, not a practical option for a country with a large and expanding lending program such as Russia (potentially 9-10 projects, totaling up to US\$1.5-2.0 billion per year). The three-year lending program is presently estimated to require up to US\$25 million in technical assistance to prepare beyond what is available from other sources. Grant resources would be used first where suitable and readily available. The funds would only support the preparation of Bank projects since the EBRD, which is the only other major multilateral source of investment financing, has access to EU grant funds, including for project preparation.

Project Objectives

12. The project has three objectives:

- (a) Develop a sound pipeline of projects suitable for Bank financing;
- (b) Strengthen institutional capacity in Russia for external resource management and project identification, preparation and implementation; and
- (c) Develop the local consulting industry and advise Russian businesses about procurement opportunities in externally-financed projects.

Project Description

13. The project's three components are designed to meet the above objectives:

(a) Fund for Project Preparation (US\$25 million), which would finance the preparation of projects in the next three years' lending program as agreed between the Government and the Bank, including through technical and sector studies, engineering designs, and analyses of economic, financial and environmental feasibility. A small amount of financing would support the operational start-up costs of PPIUs and the execution of pilot projects as part of project preparation activities.

(b) Technical assistance to strengthen external resource management and project preparation and implementation capacity (US\$7.0 million). This component would primarily strengthen the coordination, information dissemination and advisory capacity of the Center in its dealings with implementing and core agencies and the business community. It would also strengthen critical project skills (such as procurement, disbursement, accounting, project management) in implementing agencies and debt management capacity in the Ministry of Finance. Additional activities would be identified as external resource management functions evolve in Government. Financing would be available for consultant services, information and communications technology and related equipment, training and study tours.

(c) Establishment of a Business Opportunities Bureau in the Federal Center for Project Finance (US\$7.5 million). The Bureau's primary purpose is to advise enterprises, manufacturers and consultants on the opportunities and requirements for participating in competitive bidding on externally-financed projects. It would advertise tenders to Russian consulting firms, contractors and potential exporters, conduct business opportunities' seminars in Moscow and regional economic centers, and assist interested suppliers and contractors with bid preparation through training programs. Financing would be available for consultant services to: (i) develop and deliver training and business outreach programs; and (ii) design and develop a data system on potential bidders among Russian consulting firms and enterprises. The loan would also finance minor civil works to restructure and refurbish the Bureau's facilities.

14. An illustrative list of subprojects under the three components, which were discussed and agreed at negotiations, is attached as Appendix I to the Technical Annex. A summary of key project activities including the Government's objectives, actions, benchmarks (outputs) and timetables is presented in Appendix II.

Project Implementation and Financing Plan

15. *Federal Center for Project Finance and Technical Assistance.* The Center would be responsible for overall project implementation. It was established in April 1994 by Government ordinance as a governmental body but with independent legal status. The Prime Minister appoints the Center's Chairman, who reports to the First Deputy Prime Minister for Economic Management. The First Deputy Prime Minister is also the Chairman of the Interministerial Commission that approves the external borrowing program of the Government, including from the Bank. Key management positions in the Center have been filled with highly qualified personnel. Staff recruitment, presently underway, is expected to reach 226 positions over time, of which 146 would be professional. A total of 60 professional and support staff are presently in place. The Center is organized into six departments, including Technical Assistance, Project Finance, the Business Opportunities Bureau, Information Services, Finance and Administration. The Technical Assistance Department includes staff drawn from the

European Union technical assistance advisory unit, formerly part of the former Russian Agency for International Cooperation and Development (RAICD). The regulations, organizational chart and reporting lines, estimated staffing plan and draft 1995 budget of the Center are in Appendices VI-IX of the Technical Annex.

16. Over time, the Center will acquire the capacity to support the identification, preparation, implementation, and evaluation of externally-assisted projects. The proposed project will help accelerate this process by financing expert advisory services to the Center as well as information and communications technology and equipment. The Center will require expert assistance over the next two-three years to build capacity, particularly in project management, procurement and accounting and auditing. To a certain degree, this can be acquired through training courses offered by EDI and the Joint Vienna Institute Program, or financed by the UK Know-How Fund in procurement. In addition, Center staff would be invited to participate in Bank appraisals to acquire on-the-job experience. For more in-depth training and assistance during project implementation, the TA component will include financing for resident advisors for periods of up to two years. The advisors may, *inter alia*: a) provide advice on project analysis and evaluation; b) advise on development of appropriate procurement plans for externally-financed projects; c) help develop appropriate procedures to monitor disbursements or for selection of project auditors; and d) assist in providing advice to PPIUs on procurement, disbursement and project-level accounting. Technical assistance inputs to support project implementation, particularly to the Project Center, are summarized in Appendix XI of the Technical Annex.

17. *General Arrangements and Implementation Status.* Implementation arrangements for the project are outlined in Appendix III to the Technical Annex. They emphasize the Center's role as coordinator within Government of the Bank's program. All technical activities related to subprojects would be decentralized to implementing or core agencies, as appropriate. The Center would also assure that work on the Bank's program throughout the project cycle is in line with broader coordination and loan processing arrangements developed between the Government and the Bank. The Implementation Plan (Appendix XIII) includes a Project Launch Workshop, a workshop for implementing agencies, and emphasis on actions to build the Center's capacity in the first half of 1995. Progress with the coordination and loan processing arrangements will be reviewed at the next CPPR in September 1995. A Mid-Term Review is planned in February 1996.

18. The successful implementation of the proposed project depends primarily on the broader dialogue on coordination and implementation arrangements between the Bank and Government. These matters were the subject of the first CPPR in September 1994. The Agreed Action Plan to Improve Implementation, adopted by the CPPR, is attached as Appendix V to the Technical Annex. All of the short-term actions have been completed on time. The most important of these was the drafting of coordination and loan processing arrangements, which were discussed and accepted by both sides during negotiations on the proposed loan and attached to the minutes of negotiations. The first medium-term action will be for the Government's Interministerial Commission for International Economic Relations to review the Bank's Country Assistance Strategy (CAS) in April 1995. The Project Center's first responsibility is to play a key role in the preparation of the documentation for the Commission's discussions. With the assistance of the key core ministries, it will review and make recommendations on the Bank's three-year lending program in light of Government development objectives and investment priorities. The outcome of the CAS discussions will lay the basis for implementation of the proposed loan beginning around April 1995. The Project Center as presently staffed is capable of carrying out this responsibility as well as implementation of the FPP components. Subproject preparation (funded by the FPP) would be the responsibility of the technical ministries. Activities under the FPP are sufficiently

independent of those under the component to strengthen the Project Center that both can be implemented in parallel fashion. However, the Center intends to act quickly to strengthen its ability to advise and assist technical ministries during the project cycle and to initiate operations of the Business Opportunities Bureau. During negotiations, the Russian Delegation agreed that the highest priorities for near-term action were: a) procurement of expert services for the Center in the areas of procurement, disbursement, accounting/auditing and staff planning and development; b) refurbishment of the premises of the Business Opportunities Bureau; and c) acquisition of additional office equipment for the Center.

19. ***Fund for Project Preparation (US\$25 million).*** Under the first component, line ministries (in consultation with the Bank) would present requests for FPP financing to the Center, which would review them for consistency with the Government's investment priorities as agreed with the Bank in the Country Assistance Strategy. Subproject proposals mutually approved by the Government and the Bank would receive an allocation from the loan. The line ministry would handle all technical aspects of the subprojects and would contract consultants and procure equipment. The Center would monitor subproject processing and disbursements and provide advice when needed to Project Preparation and Implementation Units (PPIUs) on Bank procedures, particularly on procurement, disbursement and accounting.

20. ***External Resource Management (US\$7.0 million).*** The second component would be primarily focussed on increasing capacity in external resource management in the Center and in implementing agencies, particularly in procurement, project-level accounting, disbursement and project management. It would be managed by the Center. The only exceptions would be subprojects to strengthen external resource management in other core agencies, which would be managed by those agencies. The principal such subproject would be to build up debt management capacity in the Ministry of Finance. Others have been tentatively identified and are included in the Key Project Activities in Appendix II. These will be developed in view of evolving needs in external resource management. All of these activities will make maximum use of grant-financed TA (such as procurement training financed by the UK Know-How Fund and EDI or project management training provided by EDI).

21. ***Business Opportunities Bureau (US\$7.5 million).*** The third component, to establish a Business Opportunities Bureau, would be managed entirely by the Center. The Bureau is being established in response to a concern by the Government that Russian firms and enterprises with the capability of exporting or bidding on consultant contracts are currently either unaware of market access mechanisms or are hindered by an inability to comply with quality or other requirements. Approximately US\$4 million has been allocated to help the Bureau develop a data base on potential bidders and to undertake business outreach programs, including seminars, and training programs in the field of international trade and procurement to firms, enterprises and foreign trade organizations. An estimated US\$3.5 million would help finance the refurbishment of the Bureau's premises. Bureau activities are listed as subprojects in Appendix I and described in more detail in Appendix X of the Technical Annex.

22. ***Financing Plan.*** The total financing required is US\$79.5 million, of which the Bank would finance 100 percent of the foreign exchange and 50 percent of the total. Since development of the local consulting industry is a key project objective, the Bank expects to finance local expenditures for consultant services, primarily but not exclusively related to project preparation. The Government contribution includes US\$26.7 million in operating costs, US\$2.7 million in equipment purchases and US\$7.2 million for renovation of Center facilities. The draft budget for the Center for 1995 is at Appendix IX of the Technical Annex. The Government has requested and will receive an Advance from the Project Preparation Facility of US\$0.5 million to prepare the technical assistance needed to strengthen

the Center. A breakdown of costs and the financing plan are shown in Schedule B. A timetable of key project processing events and the status of Bank Group operations in the Russian Federation are given in Schedules C and D, respectively.

Lessons of Experience

23. This is the first such loan to Russia. It has been designed with the Bank's experience to date in Russia. As with all new borrowers, unfamiliarity with Bank procedures and official finance in general has slowed project start-up and thus disbursements. Consequently, the project stresses up-front actions to strengthen project preparation and implementation capacity. The Center will ensure the early establishment of project preparation and implementation units and training of ministry staff in project-level accounting and procurement. It will also facilitate the procurement process by providing in-depth information to potential Russian bidders on international tenders. More broadly, the project will support the Action Plan to Improve Implementation, agreed to at the CPPR in September 1994. The thrust of this plan is to build borrower ownership, which has been identified as a key factor in successful projects.

24. Bank experience in technical assistance projects more generally has also been considered in the design of this loan¹. The project has narrowly focussed and clear objectives, streamlined procedures for approval of subprojects, and on-the-job training for Center staff to ensure the rapid acquisition of project management skills.

Procurement and Disbursement

25. All procurement of goods and services will be carried out according to the Bank's guidelines and using the standard bidding documents of the Bank (for details, see paragraphs 31-32 of the Technical Annex). A single Special Account will be established in a commercial bank acceptable to the Bank under the control of the Center to handle disbursements of project funds (other than direct payments) for all subprojects.

Environmental Issues

26. This is a category "C" project since it only involves the financing of consultant services, study tours, training and office equipment. The Fund for Project Preparation would be available for preparing environmental projects or components, if considered a priority for the Government and the Bank. Feasibility studies would incorporate environmental assessments or impact studies in their terms of reference, whenever warranted.

Agreed Actions

27. At negotiations, the Bank and Government agreed on the illustrative list of subprojects (Appendix I of the Technical Annex). The criteria and description of proposed subprojects must meet the specifications laid out in the Loan Agreement. As part of the agreed Implementation Program, the Government will submit all subproject proposals to the Bank for approval. Each must contain detailed financial implementation and procurement arrangements, as specified in the Loan Agreement.

¹/In particular, "Managing Technical Assistance in the 1990s: Report of the Technical Assistance Review Task Force," November 1991; and O.D. 8.40, "Technical Assistance," July 1992.

Project Benefits and Risks

28. The principal benefit of the operation will be to ensure the timely preparation and implementation of critical investment operations in support of the reform program. Of equal importance, it will enhance Russian ownership of its borrowing program by building up the Government's institutional capacity to identify, prepare and implement projects financed by external resources. The project would also increase efficiency in Russia by developing the local consulting industry and by helping domestic firms participate in tenders on externally-financed projects. Exposure to international competitive bidding will help Russian firms become more familiar with the trading practices, quality standards and pricing of products and services for sale on world markets.

29. The major risks are slow or inefficient utilization of funds. These could result from unfamiliarity with procedures relating to procurement, disbursement and subproject approval; changes in the role of, or institutional weaknesses in, the Bank's new counterpart; or political developments affecting Government investment priorities. These factors would also affect the Bank's ability to deliver the FY96-98 lending program as planned. The loan design includes measures to strengthen procurement and disbursement skills and a broad implementation framework that is accepted by all key institutional actors in Government. One component of the project will primarily strengthen the Center. In addition, the Moscow Resident Mission will ensure close collaboration during project implementation. However, political risks that dramatically alter either investment priorities or institutional collaboration arrangements with the Bank cannot be mitigated entirely by the project.

Recommendation

30. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank and I recommend that the Executive Directors approve it.

Lewis T. Preston
President

Attachments: Schedule A-D, Technical Annex
January 26, 1995
Washington, D.C.

ESTIMATED PROJECT COSTS
(US\$ Millions)

	Local	Foreign	Total	% Foreign Exchange
<i>Fund for Project Preparation</i>	13.0	15.0	28.0	54
<i>Subtotal</i>	13.0	15.0	28.0	54
<i>External Resource Management</i>				
Project Center	27.6	4.5	32.1	13
Implementing Agencies	—	1.0	1.0	100
Core Agencies	—	2.0	2.0	100
<i>Subtotal</i>	27.6	7.5	35.1	20
<i>Business Opportunities Bureau</i>				
Refurbishment of Premises	7.2	3.5	10.7	33
Data Base and Monitoring System	1.7	1.0	2.7	37
Business Outreach Programs	—	1.5	1.5	100
Training Programs	—	1.5	1.5	100
<i>Subtotal</i>	8.9	7.5	16.4	45
TOTAL PROJECT COSTS	49.5	30.0	79.5	38

PROJECT FINANCING PLAN
(US\$ Millions)

	Local	Foreign	Total Project Costs	
			US\$M	% Project
Government	39.5	—	39.5	50
World Bank	10.0	30.0	40.0	50
TOTAL	49.5	30.0	79.5	100

PORTFOLIO DEVELOPMENT PROJECT**Summary of Proposed Procurement Arrangements[†]**

(US\$ millions)

Project Element	Procurement Method				Total
	ICB	LCB	Other	Not Bank Financed	
1. Works					
Rehabilitation and facilities upgrading	---	4.2 (4.2)	.8 ^a (.8)	7.2 ---	12.2 (5)
2. Goods					
Office Supplies, Equipment and Furniture	2.0 (2.0)		4.5 ^b (4.5)	2.7 ---	9.2 (6.5)
3. Technical Assistance					
Technical, Sector and Feasibility Studies, Engineering and Software Designs	---	---	21.5 ^c (21.5)	3.0 ---	24.5 (21.5)
Expert Advisory Services	---	---	2.5 ^c (2.5)	---	2.5 (2.5)
Training, Seminars, and Study Tours	---	---	2.5 ^c (2.5)	---	2.5 (2.5)
Business Outreach Programs (materials production and dissemination)	---	---	1.5 ^d (1.5)	---	1.5 (1.5)
4. Operating Costs of Project Center	---	---	---	26.6	26.6 (0)
5. Miscellaneous					
Refinancing PPF	---	---	0.5 ^e (0.5)	---	0.5 (0.5)
TOTALS	2.0 (2.0)	4.2 (4.2)	33.8 (33.8)	39.5 (0.0)	79.5 (49.0)

[†]/ Totals may not add due to rounding

^a/ Includes minor maintenance contract and purchases for small repairs (such as windows) under US\$50,000 that would be procured through local shopping in accordance with the World Bank Procurement Guidelines. This is primarily for the pilot subprojects financed under the Fund for Project Preparation (US\$0.5 million) but also for refurbishment of the Business Bureau (US\$0.3 million).

^b/ Includes DC (proprietary) computer system elements and software purchased according to World Bank *Guidelines* (US\$0.5 million). Also included are International Shopping for purchases under US\$300,000 for office equipment (US\$3.5 million) and Local Shopping for off-the-shelf purchases of items such as fax machines and to compliment Center-financed facilities upgrades including small furnishings (US\$0.5 million), purchased in accordance with World Bank *Guidelines*.

^c/ Consulting Services (US\$26.5 million) would be procured in accordance with World Bank *Guidelines: Use of Consultants* (1981 edition).

^d/ Primarily consulting services (US\$1.5 million) relating to the preparation of brochures and the design and implementation of marketing and dissemination strategies, procured in accordance with World Bank *Guidelines: Use of Consultants* (1981 edition).

^e/ A Project Preparation Facility (US\$0.5 million) is expected to finance initial office equipment and consulting services to strengthen the capacity of the Center. Procurement for equipment (US\$100,000) would be by Local Shopping and for consulting services (US\$400,000) would be in accordance with World Bank *Guidelines: Use of Consultants* (1981 edition).

ESTIMATED PROJECT DISBURSEMENT SCHEDULE
Disbursement over 45 months (US\$ millions)

	<u>FY95</u> (4/95 - 6/95)	<u>FY96</u> (7/95-6/96)		<u>FY97</u> (7/96-6/97)		<u>FY98</u> (7/97-6/98)		<u>FY99</u> (7/98-12/98)	Total	
Semester ⇒	1	2	3	4	5	6	7	8		
Project Component										
I. Fund for Project Preparation										
Annual	1.0	3.0	5.0	6.0	5.0	4.0	1.0	0		
Cumulative	1.0	4.0	9.0	15.0	20.0	24.0	25.0	25.0	25.0	
II. External Resource Management										
Annual	1.0	1.5	2.0	.75	.75	.75	.75	0		
Cumulative	1.0	2.5	4.5	5.25	6.0	6.75	7.5	7.5	7.5	
III. Business Opportunities Bureau										
Annual	1.5	2.5	1.0	1.0	.75	.50	.25	0		
Cumulative	1.5	4.0	5.0	6.0	6.75	7.25	7.50	7.50	7.5	
TOTAL										40.0

Disbursements would be made as follows:

<u>Category</u>	<u>Amounts Allocated</u>	<u>Percentage of Expenditures to be financed</u>
a. Civil Works	US\$5.0 million	100% of foreign expenditures and 70% of local expenditures
b. Goods, including office equipment and furniture	US\$6.5 million	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other goods procured locally
c. Technical Assistance, Training and Study Tours	US\$28 million	100%
d. Repayment of Project Preparation Facility	<u>US\$0.5 million</u> US\$40.0 million	

PORTFOLIO DEVELOPMENT PROJECT

Timetable of Key Project Processing Events

- | | |
|--|---|
| (a) Time taken to prepare the project: | 9 months (October 1992 - May 1993; November 1994 - December 1994) |
| (b) Prepared by: | Russian Government with IBRD Assistance |
| (c) First Bank mission: | October 1992 |
| (d) Appraisal mission departure: | April 1993 |
| (e) Negotiations: | December 22, 1994 |
| (f) Planned date of effectiveness: | April 15, 1995 |
| (g) Responsibility for Preparation: | |
| Task Manager: | Marsha McGraw-Olive |
| Division Chief: | Pradeep Mitra |
| Country Department Director: | Yukon Huang |
| Regional Vice President: | Wilfried Thalwitz |
| Peer Reviewers: | Albert Howlett and Mike Stevens |

**STATUS OF BANK GROUP OPERATIONS IN THE RUSSIAN FEDERATION
(AS OF JANUARY 10, 1995)**

<u>Loan No.</u>	<u>FY</u>	<u>Purpose</u>	<u>Amount in US\$ million</u>		<u>Closing Date</u>
			<u>Loan Amount</u>	<u>IDA Undisbursed</u>	
1 Loan Closed			600.00		
L35320-RUS	1993	Emplymnt Serv. & Soc. Prtctn	70.00	68.58	04/30/96
L35460-RUS	1993	Privatization	90.00	88.39	06/30/96
L36230-RUS	1993	Oil Rehabilitation	272.00	263.84	12/31/95
L36231-RUS	1993	Oil Rehabilitation	158.00	146.99	12/31/95
L36232-RUS	1993	Oil Rehabilitation	170.00	136.48	12/31/95
L36233-RUS	1993	Oil Rehabilitation	10.00	9.99	12/31/95
L37060-RUS	1994	Highway Rehab. & Maint.	300.00	296.42	06/30/98
L37340-RUS*	1994	Financial Institutions Dev.	200.00	200.00	12/31/98
L37560-RUS*	1994	Land Reform Impl.	80.00	80.00	06/30/00
L37570-RUS	1994	Agric. Reform Impl.	240.00	240.00	06/30/00
L37630-RUS*	1994	Enterprise Restructuring	200.00	200.00	06/30/00
L37680-RUS*	1994	Oil Rehabilitation II	500.00	500.00	06/30/97
L38060-RUS*	1995	Environmental Management	110.00	110.00	06/30/01
L38240-RUS*	1995	Mngmnt and Finan. Training	50.00	50.00	12/31/98
		Total number of Loans = 14	2,450.00	2,390.69	
		Total**	3,050.00		
		of which repaid	0.00		
		Total held by Bank & IDA	3,050.00		
		Amount sold	0.00		
		of which repaid	0.00		

* Not yet effective

** Total Approved, Repayments, and Outstanding balance represent both active and inactive Loans and Credits

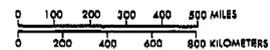
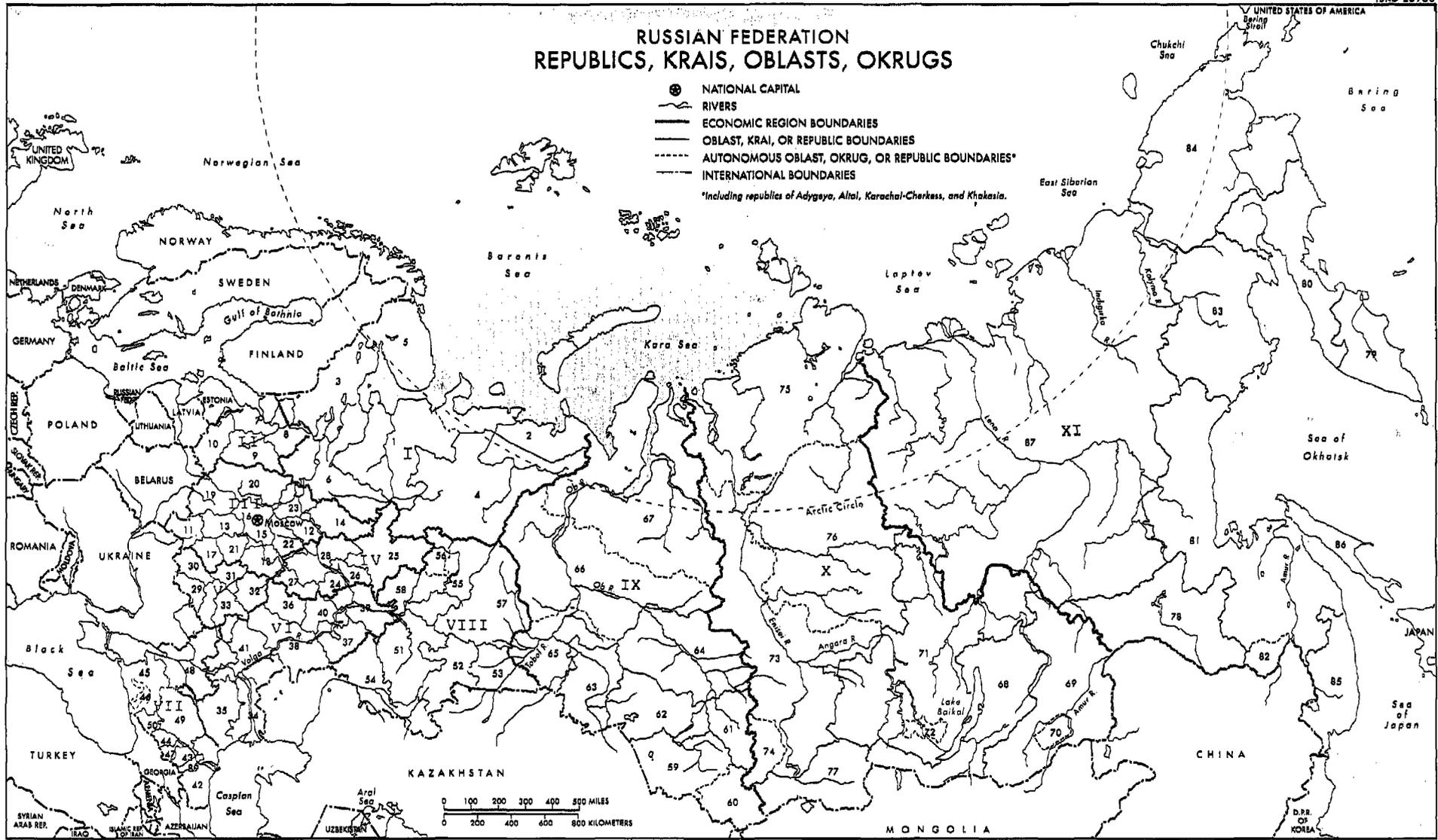
**STATUS OF IFC INVESTMENTS IN THE RUSSIAN FEDERATION
(AS OF NOVEMBER 30, 1994)**

<u>Invoice No.</u>	<u>FY of Commit.</u>	<u>Obligator</u>	<u>Amount in US\$ million</u>				<u>Undis- bursed</u>
			<u>Orig. Commit.</u>	<u>IFC Held Loans</u>	<u>Equity</u>	<u>Total</u>	
A. Approved and Signed Projects							
3621-RUS	FY94	Intl Moscow Bank	15.0	15.0	0.0	15.0	13.0
4061-RUS	FY94	Framlington Fund	8.0	0.0	8.0	8.0	4.0
4040-RUS	FY94	Polar Lights	60.0	60.0	0.0	60.0	0.0
3941-RUS	FY95	1st NIS Reg. Fund	15.0	0.0	15.0	15.0	9.0
4099-RUS	FY95	Tokobank	5.0	5.0	0.0	5.0	0.0
B. Approved Projects Pending Commit.							
3532-RUS		Vasyugan Services	11.5	10.0	1.5	11.5	11.5
4191-RUS		Sawinskaya	7.7	5.6	2.1	7.7	7.7
4333-RUS		Russian Telecom	7.5	0.0	7.5	7.5	7.5
4731-RUS		Russn. Trade	10.0	10.0	0.0	10.0	10.0
4740-RUS		Volga Fund	0.0	0.0	20.0	20.0	20.0
		Total	139.7	105.6	54.1	159.7	82.7

RUSSIAN FEDERATION REPUBLICS, KRAIS, OBLASTS, OKRUGS

- ⊙ NATIONAL CAPITAL
- RIVERS
- ECONOMIC REGION BOUNDARIES
- OBLAST, KRAI, OR REPUBLIC BOUNDARIES
- - - AUTONOMOUS OBLAST, OKRUG, OR REPUBLIC BOUNDARIES*
- - - INTERNATIONAL BOUNDARIES

*Including republics of Adygeya, Altai, Karachai-Cherkess, and Khakasia.



- | | | | | | | | |
|------------------------------|----------------------------|-----------------------------|--------------------------------|--------------------------------------|---|--|---------------------------------|
| 1. Arkhangel'skaia oblast | 14. Kostrom'skaia oblast | 27. Mordovian Republic | 40. Ulianov'skaia oblast | 52. Cheliabinsk'skaia oblast | 64. Tom'skaia oblast | 73. Krasnoarski krai | 85. Primorski krai |
| 2. Nenetski autonomous okrug | 15. Moskova'skaia oblast | 28. Nizhniy Novgorod oblast | 41. Volgograd'skaia oblast | 53. Kurgan'skaia oblast | 65. Tyumen'skaia oblast | 74. Republic of Khakasia | 86. Sakhalin'skaia oblast |
| 3. Republic of Karelia | 16. Moscow City | 29. Belgorod'skaia oblast | 42. Republic of Dagestan | 54. Orenburg'skaia oblast | 66. Khanty-Mansiyski autonomous okrug | 75. Taimyrskii (Dolgano-Nenetski) autonomous okrug | 87. Republic of Sakha (Yakutia) |
| 4. Republic of Kamchatka | 17. Orlov'skaia oblast | 30. Kursk'skaia oblast | 43. Chechen Republic | 55. Perm'skaia oblast | 67. Yamal-Nenets autonomous okrug | 76. Evenkiyski autonomous okrug | 88. Kaliningrad'skaia oblast |
| 5. Murmansk'skaia oblast | 18. Riazan'skaia oblast | 31. Lipetsk'skaia oblast | 44. Kabardino-Balkar Republic | 56. Komi-Permyatski autonomous okrug | 68. Republic of Buryatia | 77. Republic of Tuva | 89. Ingush Republic |
| 6. Volgograd'skaia oblast | 19. Smolensk'skaia oblast | 32. Tambov'skaia oblast | 45. Krasnodarski krai | 57. Sverdlovsk'skaia oblast | 69. Chitinsk'skaia oblast | 78. Amurskaia oblast | |
| 7. St. Petersburg | 20. Tversk'skaia oblast | 33. Voronezh'skaia oblast | 46. Republic of Adygeya | 58. Udmurt Republic | 70. Aginskii Buryatski autonomous okrug | 79. Kamchatskaia oblast | |
| 8. Leningrad'skaia oblast | 21. Tul'skaia oblast | 34. Astrakhan'skaia oblast | 47. North Ossetian Republic | 59. Altai'ski krai | 71. Irkutsk'skaia oblast | 80. Koriakii autonomous okrug | |
| 9. Novgorod'skaia oblast | 22. Vladimir'skaia oblast | 35. Republic of Kalmykia | 48. Rostov'skaia oblast | 60. Republic of Altai | 72. Ust'-Ordynskii Buryatski autonomous okrug | 81. Khabarovskii krai | |
| 10. Pskov'skaia oblast | 23. Yaroslavl'skaia oblast | 36. Penza'skaia oblast | 49. Stavropol'ski krai | 61. Kemerov'skaia oblast | | 82. Jewish autonomous oblast | |
| 11. Briansk'skaia oblast | 24. Republic of Chuvash | 37. Samarsk'skaia oblast | 50. Karachai-Cherkess Republic | 62. Novosibirsk'skaia oblast | | 83. Magadan'skaia oblast | |
| 12. Ivanov'skaia oblast | 25. Kirov'skaia oblast | 38. Saratov'skaia oblast | 51. Republic of Bashkortostan | 63. Omsk'skaia oblast | | 84. Chukotski autonomous okrug | |
| 13. Kaluzhsk'skaia oblast | 26. Republic of Mari-El | | | | | | |

The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.