

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT:  
**JUNE 2006 PROJECT PIPELINE UPDATE**

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This report was last updated on **12 July 2006**. The information contained on this report will reflect the status of each project and new project entries.

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**I. INTRODUCTION AND GUIDE TO EBRD'S PROJECT PIPELINE:**

Project finance is the EBRD's core business. The EBRD has committed more than €22.7 billion (about \$29billion) to both private and state sector projects. All projects provide a number of procurement opportunities. U.S. companies can access information about EBRD's projects through the EBRD's website [www.ebrd.com/oppor/procure/opps/index.htm](http://www.ebrd.com/oppor/procure/opps/index.htm).

The interval between identification of a project and its approval varies in every case. Each entry in the Project Pipeline identifies the status of a particular project in the project cycle.

After loans are approved, entries are dropped from the Project Pipeline and appear on the Projects Approved page of the EBRD's website.

We would like to draw U.S. companies' attention to state sector projects. In that they are followed with international tendering processes, whereas procurement under private sector projects are completed by the EBRD's client. In which case it would be important to contact the EBRD's client directly.

Inclusion of a project in the Bank's Project Pipeline does not imply any commitment on the part of the Bank to finance the project.

New projects, which appear in the Project Pipeline for the first time, are indicated by the abbreviation (N) before the project name. For additional information on any of these projects, interested parties are requested to contact the executing agencies directly and NOT the European Bank.

## II. PROJECTS SCHEDULED FOR BOARD CONSIDERATION:

	<b>Project name</b>	<b>Country</b>	<b>Date disclosed</b>
A.	Nova Polonia Natexis II	Poland	27 Jun 2006
B.	SKB Bank Convertible Subordinated Loan	Russia	23 Jun 2006
C.	Cacanska Banka - Pre-Privatisation Equity	Serbia and Montenegro	23 Jun 2006
D.	Balkan Accession Fund, C.V.	Regional	23 Jun 2006
E.	Cersanit Invest	Ukraine	23 Jun 2006
F.	Sitronics	Russia	22 Jun 2006
G.	Bank of St. Petersburg SME Loan	Russia	22 Jun 2006
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J.	Transcapitalbank Equity Participation	Russia	20 Jun 2006
K.	Absolut Bank Syndicated Loan	Russia	20 Jun 2006
L.	Kronospan UA	Ukraine	20 Jun 2006
M.	Iasi Public Transport Infrastructure	Romania	9 Jun 2006
N.	Subordinated Loan Framework for Russian Mid-sized Banks	Russia	8 Jun 2006
O.	Euromax	Albania	6 Jun 2006
P.	Pilkington Russia 2	Russia	5 Jun 2006
Q.	Kazan Municipal Water and Wastewater Loan	Russia	1 Jun 2006
R.	Naryan-Mar District heating, Water and Waste water loan	Russia	1 Jun 2006

### A.

**Project name:** Nova Polonia Natexis II

**Country:** Poland

<b>Project number:</b>	37163
<b>Business sector:</b>	Equity funds
<b>Public/Private:</b>	Private
<b>Environmental category:</b>	FI
<b>Board date:</b>	25 July 2006
<b>Status:</b>	Passed concept review, Pending final review
<b>Date PSD disclosed:</b>	27 June 2006
<b>Date PSD updated:</b>	
<b>Project description and objectives:</b>	Nova Polonia Natexis II will be a private equity fund investing primarily in Poland. The Fund will be managed by the local Team of professionals, supported by Natexis Private Equity International, the private equity arm of Banque Popolaire. The target size of the Fund is EUR 75 million. The Fund will provide expansion capital and buy-out financing to small to medium size companies operating in various sectors such as manufacturing or retail and services.
<b>Transition impact:</b>	The investment in Nova Polonia Natexis II offers the Bank the opportunity to further advance the development of private equity industry in Poland contributing thereby to increasing financial intermediation. The financing would allow the Fund to increase the scope and range of investment in small and medium size Polish companies that typically limited access to financing. A significant source of the Transition Impact will be the active management advisory services, provided by the Team to the investee companies.
<b>The client:</b>	The client is a new private equity fund Nova Polonia Natexis II, raised by the team of Krokus Private Equity supported by Natexis Private Equity International.
<b>EBRD finance:</b>	An up to EUR 25 million investment.
<b>Total project cost:</b>	The target size of the Fund is EUR 75 million, the maximum size is capped at EUR 100 million.
<b>Environmental impact:</b>	Nova Polonia Natexis will follow the EBRD's Environmental Procedures for Private Equity Funds. In implementing these procedures, the Fund will assess potential environmental issues associated with its investments, all of which are required to comply at a minimum with local /national health safety and environmental standards, regulations and public consultation requirements.
<b>Technical cooperation:</b>	None. For consultant opportunities for projects financed by technical cooperation funds, visit <a href="#">procurement of consultants</a> .
<b>Company contact:</b>	Witold Radwański, President, Krokus Private Equity; Atrium Tower Al. Jana Pawła II 25, 00-054 Warszawa, Poland

00-854 Warsaw; Poland,  
Tel: +48 22 653 47 00;  
E-mail: [witold.radwanski@krokuspe.pl](mailto:witold.radwanski@krokuspe.pl)

**EBRD contact:** Wojciech Cizek, Operation Leader: [cizekw@ebrd.com](mailto:cizekw@ebrd.com)

**Business opportunities:** For business opportunities or procurement, contact the client company.

## B.

**Project name:** SKB Bank Convertible Subordinated Loan

**Country:** Russia

**Project number:** 37207

**Business sector:** Bank equity

**Public/Private:** Private

**Environmental category:** FI

**Board date:** 5 September 2006

**Status:** Pending concept review

**Date PSD disclosed:** 23 June 2006

**Date PSD updated:**

**Project description and objectives:** The proposed project envisages establishing a relationship with SKB Bank (SKB) with equity and term financing of up to USD 40 million.

The project aims to assist SKB with new capital and longer-term financing in developing its business in favour of private sector small and medium sized enterprises (SMEs) and retail customers operating in the Urals region.

**Transition impact:**

- The project will enhance the ability of a leading regional bank to compete, improving financial intermediation in Urals region, by using the branch network of SKB to reach SME and retail customers with longer tenor funding.
- EBRD plans to provide technical assistance under the Regional Institution Building Program to SKB to enhance the bank's lending practice and strengthen risk management procedures both with respect to corporate and retail lending.

**The client:** SKB is one of the leading regional financial institutions in the Urals region, offering a wide range of banking services to medium-size and small companies as well as individuals through a network of 35 outlets covering 15 cities in the Urals region (including Ekaterinburg) and a branch in Moscow.

**EBRD finance:** Up to USD 40 million (EUR 32 million).

**Total project cost:** Up to USD 40 million (EUR 32 million).

**Environmental impact:** SKB will be required to adopt the EBRD's Environmental

Procedures for Intermediated Financing through Local Banks and to apply these procedures to the whole range of its commercial lending operations. This includes adherence to the FI Environmental Exclusion and Referral List, compliance with the applicable national environmental, health and safety and labour legislation, appointment of a member of senior management with overall responsibility for the implementation of environmental procedures, and submission of annual environmental reports to EBRD.

**Technical cooperation:**

TC may be provided at a later stage (estimated at EUR 250,000) within the Regional Institution Building Framework. For consultant opportunities for projects financed by technical cooperation funds, visit [procurement of consultants](#).

**Company contact:**

Mr. Mikhail Khodorovsky, Chairman  
e-mail: [skb@skbbank.ru](mailto:skb@skbbank.ru)  
telephone: +7 343 355-75-01  
fax: +7 343 261-60-10

**EBRD contact:**

Sergey Nazarov, Operation Leader: [nazarovs@mos.ebrd.com](mailto:nazarovs@mos.ebrd.com)

**Business opportunities:**

For business opportunities or procurement, contact the client company.

## C.

**Project name:** Cacanska Banka - Pre-Privatisation Equity

**Country:** Serbia and Montenegro

**Project number:** 34976

**Business sector:** Financial Institutions

**Public/Private:** Private

**Environmental category:** FI

**Board date:** 25 July 2006

**Status:** Passed concept review, Pending final review

**Date PSD disclosed:** 23 June 2006

**Date PSD updated:**

**Project description and objectives:**

The proposed project is an equity investment in Cacanska Banka (CB) as the first step towards full privatisation through sale to a strategic investor in 3 to 4 years. EBRD's investment will help CB to grow into a strong and larger regional bank through expansion of the branch network and introduction of new products, with a clear focus on SME financing. In addition, EBRD's presence will be particularly important for the institutional strengthening of CB in preparation for full privatisation through the design and implementation of a comprehensive institution building plan, focusing on key areas as corporate governance, credit and risk management procedures, internal re-organisation and upgraded customer services.

The main objective of the EBRD investment is the development of CB into a modern and efficient institution, capitalising on its regional focus and leading position in SME financing in one of the most active SME regions in Serbia.

**Transition impact:**

The proposed project is expected to contribute to the transition process of the Serbian banking sector and the overall development of the targeted region. The transition impact potential of the project is built around the following elements:

- Strengthening of the bank in preparation for full privatisation by upgrading its key business and control functions and enhancing corporate governance through an institution building plan.
- Facilitation of the transfer of ownership to the private sector through EBRD involvement and conditionality
- Contribution to the enhancement of financial intermediation through improvement of access to finance for SMEs outside the capital Belgrade.

**The client:**

CB is a regional bank based in Čačak, central Serbia, with primary focus on SME financing. CB is majority owned by the State, which directly and indirectly holds 60.3% of the bank's capital.

CB recorded total assets of EUR 41.7 million and equity of EUR 18.3 million as at end December 2005.

**EBRD finance:**

Acquisition of up to 25% of CB's capital by subscribing to newly issued shares.

**Total project cost:**

tbc

**Environmental impact:**

Screened FI.

CB is required to implement EBRD's Environmental Procedures for EBRD Intermediated Financing through Local Banks across all its operations, which include: (i) adherence to EBRD's Environmental Exclusion & Referral Lists; (ii) compliance by sub-borrowers with the national environmental, health and safety legislation; (iii) reporting on any material damages and/or accidents associated with operation; and (iv) submission of Annual Environmental Reports to EBRD.

**Technical cooperation:**

As mentioned above, EBRD's equity investment will be complemented by an institution building plan. EBRD is procuring donor funds for this programme. CB is currently benefiting from a technical assistance programme of EUR 640 thousand, funded by the European Agency for Reconstruction (EAR), for the implementation of an SME credit line under EBRD's Western Balkans SME Finance Facility.

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

**Company contact:**

Čacanska Banka a.d.  
22000 Čačak, Bulevar Oslobođenja 14

32000 Čačak - Pivarska 1  
Tel: (+381) 32 302 203  
Fax: (+381) 32 225 048 or 32 348 898  
E-mail: [office@cacanskabanka.co.yu](mailto:office@cacanskabanka.co.yu)

**EBRD contact:** Ines Hobdari, Operation Leader: [hobdari@ebrd.com](mailto:hobdari@ebrd.com)

**Business opportunities:** For business opportunities or procurement, contact the client company.

## D.

**Project name:** Balkan Accession Fund, C.V.

**Country:** Regional

**Project number:** 36969

**Business sector:** Equity funds

**Public/Private:** Private

**Environmental category:** FI

**Board date:** 25 July 2006

**Status:** Passed final review, Pending board approval

**Date PSD disclosed:** 23 June 2006

**Date PSD updated:**

**Project description and objectives:**

The proposed project is a private equity fund, dedicated to investing in mid-size private companies that are strategically positioned to capitalise on the economic growth of the second-wave of EU accession countries, primarily in Romania and Bulgaria. The Fund reached its First Close in January 2005; the Second Close is expected to take place in September 2006 with a target total capital commitment of up to EUR 100 million (with a maximum size of EUR 125 million). The Fund Manager has over ten years of investment activity in the region while managing the Romanian-American Enterprise Fund and the Bulgarian-American Enterprise Fund.

**Transition impact:**

The proposed investment in BAF will: a) support the development of an independent and technically first time fund manager who has the potential to become a well performing niche financial intermediary in financing medium-sized companies; b) support the development of a number of companies in the second wave accession countries by providing scarce equity finance, financial and other expertise; and c) help attract funding from investors new to the Region.

**The client:**

The Balkan Accession Fund C.V. is a Netherlands Antilles limited partnership, dedicated to investing primarily in Romania and Bulgaria. The primary Sponsor is the Romanian-American Enterprise Fund and will commit up to EUR 40 million, which will make it the Fund's largest shareholder.

<b>EBRD finance:</b>	The Bank will make an equity commitment of a maximum EUR 25.4 million or 20% of total aggregate capital commitments of the Fund. The Romanian-American Enterprise Fund, the Bulgarian-American Enterprise Fund, the Netherlands Development Finance Company (FMO) and Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG) are co-investors in the Fund.
<b>Total project cost:</b>	EUR 125 million.
<b>Environmental impact:</b>	The Fund will follow the EBRD's Environmental Procedures for Private Equity Funds. In implementing these procedures, the Fund will assess potential environment, health, safety and labour issues associated with its investments which are required to comply, at a minimum, with local/national health, safety, labour, environmental and public consultation requirements.
<b>Technical cooperation:</b>	None. For consultant opportunities for projects financed by technical cooperation funds, visit <a href="#">procurement of consultants</a> .
<b>Company contact:</b>	Romania Horia Manda Managing Partner Balkan Accession Fund Tel: +40 21 2077100 E-mail: <a href="mailto:horia.manda@bafund.net">horia.manda@bafund.net</a>
<b>EBRD contact:</b>	Meltem Ankara, Operation Leader: <a href="mailto:ankaram@ebrd.com">ankaram@ebrd.com</a>
<b>Business opportunities:</b>	For business opportunities or procurement, contact the client company.

## E.

<b>Project name:</b>	Cersanit Invest
<b>Country:</b>	Ukraine
<b>Project number:</b>	37050
<b>Business sector:</b>	General manufacturing
<b>Public/Private:</b>	Private
<b>Environmental category:</b>	B
<b>Board date:</b>	25 July 2006
<b>Status:</b>	Passed final review, Pending board approval
<b>Date PSD disclosed:</b>	23 June 2006
<b>Date PSD updated:</b>	23 June 2006
<b>Project description and objectives:</b>	The proposed project is a greenfield investment of existing Polish producer of ceramic tiles and sanitary ware in Ukraine. The project will involve construction of production facility in Novgorod Volynskiy, Western Ukraine.
<b>Transition impact:</b>	The Project will have a significant Transition Impact derived



mainly from supporting the regional expansion of a Polish Sponsor to a neighbouring country, encouraging foreign direct investments into Ukraine, competition strengthening, skill transfer as well as demonstration effect of environmentally sound ceramics production facility in Ukraine.

The Project will be one of the first ceramic tiles and sanitary ware production facility in Ukraine, settled by a reputable owner and a key player on the international market of ceramic tiles and sanitary ware.

The skill transfer will take place thanks to training programmes, innovative business processes and capital investments in modern, high-tech production machinery.

**The client:**

Cersanit Invest is a wholly owned subsidiary of Cersanit S.A. the holding and distribution company for the Cersanit Group, the largest Polish manufacturer of complex bathroom fittings and ceramic tiles. The Sponsor is listed on the Warsaw Stock Exchange.

**EBRD finance:**

EUR 46,8 million provided under the A/B structure with participation of commercial banks

**Total project cost:**

Confidential

**Environmental impact:**

**Environmental classification and rationale**

The project was screened B/0, requiring an Environmental Audit and Environmental Analysis in line with the Bank's Environmental Policy and Public Information Policy. The construction of a new ceramic tiles and sanitary ware facility is associated with a number of environmental issues, which were readily identified, assessed and mitigated as part of an Environmental Analysis. As part of the environmental due diligence an Environmental Audit and Analysis was undertaken by the Bank and visits were made to similar plants operated by Cersanit in Poland.

**Key environmental issues and mitigation**

The construction and operation of a ceramic tile and sanitary ware facility is not associated with significant environmental impacts. The predominant environmental impact is nuisance related. For instance, noise from production operations and transport, as well as air emissions from the processing operations (use of gas fired dryers). The impacts are not judged to be significant and the use of state-of-the-art technology coupled with the location of the site mitigate any adverse impacts. The plant will be constructed in compliance with National and EU environmental standards namely EU IPPC requirements.

**Summary of environmental action plan**

The Company will be required to adhere to Ukrainian environmental, health and safety regulations and EU environmental standards, including IPPC requirements. All relevant permits will need to be obtained as part of the design and subsequent commissioning process. The Company will also develop and implement an Environmental Health and Safety system in line with best practice.

**Disclosure of information and consultation**

In the context of the EBRD's participation in the project, the Company will release locally a summary of relevant environmental issues associated with the project and summarise mitigation

measures, action plans and other initiatives agreed, as in accordance with the provisions of the EBRD's Environmental Policy. The summary in English has also been posted on the EBRD's website at [www.ebrd.com](http://www.ebrd.com)

#### **Monitoring and reporting**

The Company will monitor the environmental impact of its operations in accordance with national law and regulations. The Bank will evaluate the project's compliance with the applicable environmental and social requirements during the lifetime of the project by reviewing annual environmental reports prepared for the project covering:

- (i) ongoing performance of project-specific environmental, health and safety activities as reflected in the results of periodic and quantitative sampling and measuring programmes, and
- (ii) the status of implementation of environmental mitigation and improvement measures. The Bank's representatives will also conduct periodic site supervision visits when deemed appropriate.

#### **Technical cooperation:**

None.

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

#### **Company contact:**

Cersanit SA ,  
Poland 25-528 Kielce ul.  
Zagnanska 27  
Phone (+ 48 41) 363 17 65,  
Fax 363 17 67

#### **EBRD contact:**

Agnieszka Szymczyk, Operation Leader:  
[szymczya@waw.ebrd.com](mailto:szymczya@waw.ebrd.com)

#### **Business opportunities:**

For business opportunities or procurement, contact the client company.

#### **General enquiries:**

EBRD project enquiries not related to procurement:  
Tel: +44 20 7338 7168; Fax: +44 20 7338 7380  
Email: [projectenquiries@ebrd.com](mailto:projectenquiries@ebrd.com)

## **F.**

<b>Project name:</b>	Sitronics
<b>Country:</b>	Russia
<b>Project number:</b>	36352
<b>Business sector:</b>	General manufacturing
<b>Public/Private:</b>	Private
<b>Environmental category:</b>	C
<b>Board date:</b>	25 July 2006
<b>Status:</b>	Passed concept review, Pending final review
<b>Date PSD disclosed:</b>	22 June 2006
<b>Date PSD updated:</b>	

**Project description and objectives:**

Pre-IPO financing of JSC Sitronics to facilitate capital expenditures programme and M&A activity of the client.

**Transition impact:**

The Project will demonstrate the attractiveness of investing in Russian high-tech industries and will increase the flow of private investment into the development of new technologies, processes and products. It should be seen as part of a greater effort to help to diversify the Russian economy away from dependence on natural resources-based industries, an important goal in achieving long-term sustainable economic growth.

The Project will contribute to the revival and further development of a network of local suppliers for Russian technology industries. It will thus contribute to unlocking and developing Russia's significantly underutilised intellectual resources by stimulating sustainable and solvent demand for their services.

The project will involve significant corporate governance improvements in the Company including in the context of a planned IPO.

**The client:**

JSC Sitronics, Russia's largest diversified industrial and consumer electronics manufacturer, majority owned by Joint Stock Financial Company "Sistema", one of the largest privately owned Russian financial-industrial groups ("the Sponsor" or "JSFC Sistema").

**EBRD finance:**

The Bank will participate with USD 80 million in the equity issuance of JSC Sitronics.

**Total project cost:**

USD 287 million.

**Environmental impact:**

Screened C/1 requiring an environmental, health, safety and labour audit of the Company, and its operations and facilities. Environmental issues associated with this type of projects might include waste management and implementation of the EU regulations on recycling of packaging waste and electronic equipment as well as on the product related requirements in the future.

The environmental due diligence by independent international consultants is underway and will address environmental, health and safety issues at key production sites and include a gap analysis to assess current compliance with pertinent international requirements and EU regulations (including the IPPC, VOC and RoHS Directives among others). EBRD has also held preliminary meetings with the financial, environmental and human resources management of the Company and conducted site visits of selected facilities and has identified no social and labour related issues or incompliance with the Russian Federation environmental legislation to date.

An Environmental Action Plan will need to be developed as part of the environment due diligence to address corrective measures needed within the Sitronics Group. The EAP will need to be agreed between the Client and EBRD prior to the Board Review of the project.

The environmental section of the PSD will be updated once

	the environmental due diligence is complete.
<b>Technical cooperation:</b>	None. For consultant opportunities for projects financed by technical cooperation funds, visit <a href="#">procurement of consultants</a> .
<b>Company contact:</b>	Website: <a href="http://www.sitronics.com">http://www.sitronics.com</a>
<b>EBRD contact:</b>	Alexei Sheloukhin, Operation Leader: <a href="mailto:shelouka@stp.ebrd.com">shelouka@stp.ebrd.com</a>
<b>Business opportunities:</b>	For business opportunities or procurement, contact the client company.
<b>General enquiries:</b>	EBRD project enquiries not related to procurement: Tel: +44 20 7338 7168; Fax: +44 20 7338 7380 Email: <a href="mailto:projectenquiries@ebrd.com">projectenquiries@ebrd.com</a>

## G.

<b>Project name:</b>	Bank of St. Petersburg SME Loan
<b>Country:</b>	Russia
<b>Project number:</b>	36720
<b>Business sector:</b>	Financial Institutions
<b>Public/Private:</b>	Private
<b>Environmental category:</b>	FI
<b>Board date:</b>	25 July 2006
<b>Status:</b>	Passed final review, Pending board approval
<b>Date PSD disclosed:</b>	22 June 2006
<b>Date PSD updated:</b>	
<b>Project description and objectives:</b>	The proposed project envisages providing to Bank St. Petersburg a USD 30 million senior loan for on-lending to local small and medium enterprises (SME Loan) The project is designed to support Bank St. Petersburg's SME lending program with longer tenors than currently available in the market.
<b>Transition impact:</b>	By supporting the development of Bank St. Petersburg's SME lending activities the Project will raise the level of financial intermediation in St. Petersburg region and allow EBRD funds to reach sub-borrowers requiring longer-term funding and trade finance products.
<b>The client:</b>	Open Joint-Stock Company "Bank Saint Petersburg", a privately owned bank among the top 40 banks in Russia, with a broad branch network in the city of Saint Petersburg and a strategic focus on SME lending and retail banking.
<b>EBRD finance:</b>	A four-year senior loan of USD 30 million.

<b>Total project cost:</b>	USD 30 million.
<b>Environmental impact:</b>	Bank St. Petersburg will be required to comply with EBRD's Environmental Procedures for Intermediated Financing through Local Banks and the Environmental Procedures for Small and Micro Loans. These procedures require adherence to the EBRD Environmental Exclusion and Referral List, compliance with applicable national environmental, health and safety requirements and submission of an Annual Environmental Report to EBRD.
<b>Technical cooperation:</b>	None. For consultant opportunities for projects financed by technical cooperation funds, visit <a href="#">procurement of consultants</a> .
<b>Company contact:</b>	Konstantin Noskov Tel: +7 812 332 7727 Fax: +7 812 329 5885
<b>EBRD contact:</b>	Tonu Pekk, Operation Leader: <a href="mailto:pekkt@mos.ebrd.com">pekkt@mos.ebrd.com</a>
<b>Business opportunities:</b>	For business opportunities or procurement, contact the client company.
<b>General enquiries:</b>	EBRD project enquiries not related to procurement: Tel: +44 20 7338 7168; Fax: +44 20 7338 7380 Email: <a href="mailto:projectenquiries@ebrd.com">projectenquiries@ebrd.com</a>

## H.

<b>Project name:</b>	Barlinek
<b>Country:</b>	Poland
<b>Project number:</b>	36929
<b>Business sector:</b>	General manufacturing
<b>Public/Private:</b>	Private
<b>Environmental category:</b>	B
<b>Board date:</b>	25 July 2006
<b>Status:</b>	Passed final review, Pending board approval
<b>Date PSD disclosed:</b>	22 June 2006
<b>Date PSD updated:</b>	22 June 2006
<b>Project description and objectives:</b>	The proposed project involves the construction of floorboard production facility in Vinnytsia, Central Ukraine, by Barlinek Invest, a subsidiary of Barlinek SA, Warsaw Stock Exchange listed joint stock company.. The production facility will consist of softwood/hardwood saw mills, a floorboard production line and a pellet (bio-fuel) production plant
<b>Transition impact:</b>	The proposed project will have a significant transition Impact derived mainly from: supporting regional expansion of a Polish company to a neighbouring country, encouraging foreign direct

investments into Ukraine, skill transfer as well as demonstration effect of environmentally sound wood processing and bio-fuel industry (Pellet) in Ukraine, promotion of sustainable forest management standards and certification through market mechanisms in Ukraine.

The proposed project will be the first floorboard production plant located directly in Ukraine, settled by a reputable sponsor and a key player in the international floorboard market.

The proposed project will also contribute to the facilitation of more efficient use of wood resources. The skill transfer will take place thanks to training programmes, innovative business processes and capital investments in modern, high-tech production machinery.

The proposed project will facilitate a high quality supply of floorboard to local and Russian market at better terms than in case of imports.

**The client:**

Barlinek Invest is 99% subsidiary of Barlinek SA, Poland. Barlinek SA is a leading floorboard producer.

**EBRD finance:**

The Bank will arrange EUR 40 million financing facility that will be in part syndicated to commercial banks.

**Total project cost:**

Confidential.

**Environmental impact:**

**Environmental classification**

The construction and operation of a new, medium-size floorboard production facility with sawmill operations is typically associated with limited direct environmental, health and safety issues, which can be efficiently mitigated with modern technology, project design, construction planning and work practices. The proposed location of the new plant had been previously used as an aircraft repair facility. For the above reasons, EBRD has classified the project B/1.

**Environmental issues**

Environmental due diligence showed that there are no significant environmental issues associated with Barlinek's production facilities in Poland. Since 1999 Barlinek has been implementing various environmental, health and safety improvement measures, as a result of which the facilities are currently in full compliance with all relevant Polish and EU environmental standards. The company has confirmed that the Ukrainian Project will be conducted in line with the standards and technology being applied in Barlinek SA (Poland) and will fully meet Ukrainian and EU environmental, health and safety standards. As the site for the proposed project had been previously used as an aircraft repair facility, an audit has been requested to establish the baseline conditions, assess the risk associated with past environmental damage and agree on corrective measures to ensure that the site is fit for the construction and operation of the new production facilities.

**Wood procurement issues**

Similarly to its Polish operations, the Company will be required to adopt and implement sustainable wood procurement plan and procedures that are in line with internationally recognised sustainable forest management standards, ensuring that:

(i) the wood does not originate from statutory protected forests,

forest areas included in nature conservation programmes or sites which have been notified by the authorities to be excluded from felling;

(ii) the origin of the wood is monitored;

(iii) suppliers operate according to the principles of sustainable development, in compliance with the legislation currently in force and under the supervision of state authorities; and (iv) the biodiversity and the functions of the forest ecosystem are maintained in accordance with internationally and nationally approved principles.

#### **Environmental opportunities**

The plant will introduce state of the art technology with high standards of energy and resource efficiency and has potential for demonstrating benefits of environmentally sound wood processing in Ukraine. The project provides an opportunity to promote sustainable forest management standards and certification through market mechanisms in Ukraine. The project will also be promoting bio-fuel (pellet) manufacturing industry and markets in Ukraine.

#### **Disclosure of information and consultation**

The Company will inform general public in Vinnytsia of the project according to Ukrainian public disclosure provisions. In accordance with the provisions of the EBRD's Environmental Policy, the Company has disclosed locally this summary. The summary in English has also been posted on EBRD's website at [www.ebrd.com](http://www.ebrd.com).

#### **Environmental monitoring**

The Company is committed to monitor environmental and health & safety issues in accordance with Ukrainian requirements and with good international industry practice. A specific monitoring programme has been established to ensure air emissions of dust, waste water discharges and indoor air quality will remain within regulatory limits. The EBRD will evaluate the project's compliance with the applicable environmental and social requirements during the lifetime of the project by reviewing annual environmental reports (AERs) covering:

(i) ongoing environmental, health and safety performance;

(ii) the status of implementation of environmental mitigation and improvement measures; and

(iii) wood supply issues. The EBRD's representatives may also conduct periodic site supervision visits when deemed appropriate.

#### **Technical cooperation:**

None.

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

#### **Company contact:**

Barlinek SA  
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I.

**Project name:** Bank Republic Mortgage Loan  
**Country:** Georgia  
**Project number:** 36977  
**Business sector:** Bank lending  
**Public/Private:** Private  
**Environmental category:** FI  
**Board date:** 25 July 2006  
**Status:** Passed concept review, Pending final review  
**Date PSD disclosed:** 21 June 2006  
**Date PSD updated:** 21 June 2006

**Project description and objectives:** The proposed project consists of an unsecured mortgage loan to Bank Republic of up to USD 8 million for a maturity of up to 6 years.  
The EBRD funds will be used to provide long-term financing to individuals for purchasing, constructing, renovating and/or re-mortgaging their real estate in Georgia.  
The Mortgage Loan and the associated TC will support Bank Republic in the expansion of its mortgage lending and improving its mortgage operations, including training of staff.

**Transition impact:** The project will have a significant transition impact in the following areas:  
The Mortgage Loan provided by the EBRD to a Georgian commercial bank would support the development of the mortgage sector in Georgia, which is in the early stage of development.  
The Mortgage Loan will increase long-term funds available to a local bank, allowing increased competition in the market and an increasing number of people to access bank financing for purchasing, renovating and/or constructing residential property.  
The project will support Bank Republic in implementing best international practice in its mortgage operations and develop standardised mortgage products, ready for future securitisation.

**The client:** Bank Republic headquartered in Tbilisi is a privately owned universal commercial bank, the sixth largest in Georgia in terms of total assets (USD 118 million as of 31 December 2005)

**EBRD finance:** Up to USD 8 million unsecured mortgage credit line in two tranches of USD 4 million each, with individual tranche maturities of up to 6 years.



<b>Total project cost:</b>	USD 8 million.
<b>Environmental impact:</b>	Bank Republic will be required to comply with EBRD's Environmental Procedures for Residential Mortgage Lending, including ensuring compliance with the applicable national environmental, health, safety and labour standards and submission of annual environmental reports to the Bank.
<b>Technical cooperation:</b>	Bank Republic will be one of the beneficiaries of a TC funded by the ETC Multi-donor fund to improve Georgian Banks' mortgage operations, including staff training. For consultant opportunities for projects financed by technical cooperation funds, visit <a href="#">procurement of consultants</a> .
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## J.

<b>Project name:</b>	Transcapitalbank Equity Participation
<b>Country:</b>	Russia
<b>Project number:</b>	36945
<b>Business sector:</b>	Financial Institutions
<b>Public/Private:</b>	Private
<b>Environmental category:</b>	FI
<b>Board date:</b>	25 July 2006
<b>Status:</b>	Passed final review, Pending board approval
<b>Date PSD disclosed:</b>	20 June 2006
<b>Date PSD updated:</b>	20 June 2006
<b>Project description and objectives:</b>	The proposed project is an equity participation in the capital of Transcapitalbank (TCB). It is envisaged that EBRD will acquire 25%+1 of the capital of TCB. The Bank will subscribe to newly issued shares in the context of a capital increase.
<b>Transition impact:</b>	The main rationale for the Bank's involvement in this Project is to provide support to a strong medium-sized bank with good potential to develop further its regional outreach and provide high quality services to SMEs and retail customers.

The investment will underpin dynamic balance sheet growth and enable TCB to continue the expansion and diversification of its business, particularly in the regions. The Bank will seek to support TCB in strengthening its institutional capacity and enhancing corporate governance.

- The client:** TCB was established in 1992 as a universal bank and is currently owned by senior management and a number of medium-sized private companies and private individuals. TCB has been headquartered in Moscow from the beginning of its operations, but it has always had a strong regional presence, with around 50% of loan portfolio placed outside Moscow.
- EBRD finance:** Acquisition of 25% +1 share of TCB's capital by subscribing to newly issued shares.
- Total project cost:** TCB will be required to comply with EBRD's Environmental Procedures for Intermediated Finance through local banks across all of its lending operations, including ensuring compliance with the applicable national environmental, health and safety and labour legislation, adherence with EBRD's Environmental Exclusion and Referral List, appointment of a member of senior management with overall responsibility for the implementation of environmental procedures and submission of annual environmental reports to the Bank.
- Environmental impact:** TCB will be required to comply with EBRD's Environmental Procedures for Intermediated Finance through local banks across all of its lending operations, including ensuring compliance with the applicable national environmental, health and safety and labour legislation, adherence with EBRD's Environmental Exclusion and Referral List, appointment of a member of senior management with overall responsibility for the implementation of environmental procedures and submission of annual environmental reports to the Bank.
- Technical cooperation:** EBRD's investment is supported by an existing TC project in the amount of EUR 300,000 financed by EU Commission under the Russian Regional Banks Institution Building Programme.  
For consultant opportunities for projects financed by technical cooperation funds, visit [procurement of consultants](#).
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- EBRD contact:** Marina Cotruta, Operation Leader: [cotrutam@mos.ebrd.com](mailto:cotrutam@mos.ebrd.com)
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## K.

<b>Project name:</b>	Absolut Bank Syndicated Loan
<b>Country:</b>	Russia
<b>Project number:</b>	37172
<b>Business sector:</b>	Bank lending
<b>Public/Private:</b>	Private
<b>Environmental category:</b>	FI
<b>Board date:</b>	25 July 2006
<b>Status:</b>	Passed concept review, Pending final review
<b>Date PSD disclosed:</b>	20 June 2006
<b>Date PSD updated:</b>	20 June 2006
<b>Project description and objectives:</b>	The project is a syndicated loan in the aggregate amount of up to USD 120 million under an A/B loan structure, consisting of A Loan of USD 40 million for the EBRD's account and a B Loan of up to USD 80 million to be syndicated to participating financial institutions.
<b>Transition impact:</b>	The syndicated loan seeks to diversify the bank's funding base by broadening the range of financing partners for Absolut Bank (AB) and to lengthen the maturities of funding provided by commercial banks. It is expected that EBRD's participation in the transaction will help AB to raise medium-term funding that will reflect the current demand for longer maturities from end-borrowers. The project will underpin the ambitious growth of the bank and its strategy to diversify the structure of its assets and liabilities and target a wider client base, including SMEs and retail customers.
<b>The client:</b>	Absolut Bank was established in 1993 as a universal bank by a group of private entrepreneurs. Absolut Bank is one of the fastest growing Moscow-based banks and it provides a full range of retail and corporate banking services.
<b>EBRD finance:</b>	Senior term loan of USD 40 million from EBRD and additional USD 80 million to be syndicated to commercial banks.
<b>Total project cost:</b>	USD 120 million.
<b>Environmental impact:</b>	AB will be required to comply with EBRD's Environmental Procedures for Intermediated Finance through local banks, including ensuring compliance with the applicable national environmental, health and safety and labour legislation, adherence to EBRD's Environmental Exclusion and Referral List, appointment of a member of senior management with overall responsibility for the implementation of environmental procedures and submission of annual environmental reports to the Bank.
<b>Technical</b>	None.

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

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## L.

**Project name:** Kronospan UA

**Country:** Ukraine

**Project number:** 35896

**Business sector:** General manufacturing

**Public/Private:** Private

**Environmental category:** B

**Board date:** 25 July 2006

**Status:** Passed final review, Pending board approval

**Date PSD disclosed:** 20 June 2006  
**Date PSD updated:** 21 June 2006

**Project description and objectives:** The proposed project is to refurbish an existing factory building and to install two production lines for the production of wood-based particleboard in Novovolynsk., Western Ukraine.  
 The proceeds of the Bank's loan will be used to fund the capital expenditures associated with the proposed project.

**Transition impact:** The project will increase the competition in the wood-based panels sector. This will lead to higher quality products and better value for money for customers. The entry of a strong sponsor into the sector in Ukraine will also raise environmental standards which are expected to extend increasingly to the supply chain. This will have a positive impact on the forestry practices in Ukraine.

**The client:** Kronospan UA (the "Company"), a limited liability company wholly owned by Kronospan Holdings East Limited, Cyprus, which is part of the Kronospan group of enterprises, the leading global producer of wood based panels.

**EBRD finance:** EUR 60 million loan to the .Company. A portion of the loan will be syndicated to commercial banks.

will be syndicated to commercial banks.

**Total project cost:**

EUR 100 million.

**Environmental impact:**

**Screening categories and rationale for classification**

The construction and operation of a new particleboard production facility is typically associated with limited direct environmental, health and safety issues, which can be readily identified and assessed as well as efficiently mitigated with modern technology and project design. The project is located on a site formerly occupied by a textile factory within an industrial zone and surrounded by other industrial properties. The distance to the closest permanent residential area, the village of Panasivka with 264 inhabitants, is approximately 300 m. There are no schools, protected areas, sources of drinking water, historical sites or other sites requiring special consideration for environmental protection in the vicinity of the site. For the above reasons, the EBRD has classified the project B/1, requiring an Environmental Analysis and an environmental investigation of the site.

**Information reviewed during the environmental appraisal**

The Environmental Analysis has been prepared on the basis of the technical-economic assessment of the investment (TEO) and assessment of impacts on the environment (OVOS) prepared in accordance with the requirements of the Ukrainian law and additional information provided by Kronospan. An assessment of the planned facility's compliance with the Best Available Techniques (BAT) used in European Union was undertaken by Kronospan's internal experts.

**Key environmental issues and mitigation**

The information provided has shown that the Project has been structured to meet Ukrainian environmental, health and safety (EHS) requirements and EU environmental standards, including BAT, and that the direct environmental, health and safety impacts during the construction and the operation of the new particleboard plant will be limited and efficiently mitigated. The manufacturing process will consist primarily of new equipment incorporating some existing items having undergone refurbishment and modernisation. The key process components will be state-of-the-art technology representing high standards of resource and energy efficiency and incorporating environmental protection components. Environmental protection measures have been incorporated in the project design. Modern ventilation system will remove dust and glue vapours directly from the emission sources ensuring good indoor air quality and working conditions. Dust and formaldehyde emissions to the atmosphere will be below BAT emissions standards for particleboard manufacturing. All industrial and cooling water will be circulated in closed loops. No industrial wastewater will be discharged and fresh water is only used for making up the evaporation losses. Rain and storm water is collected to sedimentation tanks on the site. Bark and other wood wastes are used as a fuel for the plants heating and steam generation in addition to natural gas.

Noise abatement has been taken into consideration in the project design and the plant layout. Placement of office buildings closest to the village of Panasivka is expected to keep the noise impact within allowable limits. Transportation to and from the plant will be carried out by both rail and road. The project will consider the potential disturbances on Panasivka due to noise and the volume of cargo traffic. The particleboard products will be of classification E1, which can be safely used without causing elevated concentrations of formaldehyde in indoor air.

#### **Wood procurement**

The plant will use up to 1 million m<sup>3</sup> per year of round wood. A substantial part of that will consist of low grade round wood, which have little or no commercial value and which is currently mainly disposed of. In addition, a much saw dust and sawmill residues as available within a feasible transportation distance from the mill will be used to substitute the amount of round wood needed. Kronospan will establish a wood residue collection and recovery system based on container system and has estimated that within 4 years from the start-up of the mill up to 50% of wood raw material will consist of wood residues from other wood processing plants. To mitigate the adverse impact of the wood procurement and to ensure the wood is of legal and sustainable origin, Kronospan is committed, as required by the EBRD, to adopt and implement wood procurement procedures that are based on principles of sustainable forestry, ensuring that:

- the wood does not originate from statutory protected forests, forest areas included in nature conservation programmes or sites which have been notified by the authorities to be excluded from felling;
- the origin of the wood is monitored;
- suppliers operate according to the principles of sustainable development, in compliance with the legislation currently in force and under the supervision of state authorities; and
- the biodiversity and the functions of the forest ecosystem are maintained in accordance with internationally and nationally approved principles.

Most of Kronospan's plants in Central and Eastern Europe have FSC chain-of-custody certification and are promoting legal timber and practical implementation of sustainable forest management among its wood suppliers. Kronospan is committed to introducing these principles at the Ukrainian plant and to support FSC programme in Ukraine as well as to acquire FSC certification when certified wood on competitive market terms will be available. Given the underdeveloped state of forest certification in Ukraine, Kronospan has agreed to adopt and implement a step-wise "sustainable wood

procurement plan” to ensure the Company will meet the above sustainable wood supply requirements within an acceptable timeframe.

**Disclosure of information and consultation**

The project has been subject of formal public disclosure and public consultation prior to obtaining the construction permit in accordance with Ukrainian law in 2004-2005. In the context of EBRD’s potential participation in the project, the Company has released locally this summary describing the relevant environmental issues associated with the project and the mitigation measures.

**Monitoring**

The Company will systematically monitor and report its environmental and health and safety impacts to ensure compliance with Ukrainian and EU environmental standards, including BAT. The EBRD will evaluate the project’s compliance with the applicable environmental and social requirements during the lifetime of the project by reviewing annual environmental reports (AERs) prepared for the project. The Bank’s representatives will also conduct periodic site supervision visits when deemed appropriate.

**Technical cooperation:**

None.  
For consultant opportunities for projects financed by technical cooperation funds, visit [procurement of consultants](#).

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## M.

**Project name:** Iasi Public Transport Infrastructure  
**Country:** Romania  
**Project number:** 36930  
**Business sector:** Municipal and environmental infrastructure  
**Public/Private:** Private  
**Environmental category:** B

<b>Board date:</b>	19 September 2006
<b>Status:</b>	Passed concept review, Pending final review
<b>Date PSD disclosed:</b>	9 June 2006
<b>Date PSD updated:</b>	9 June 2006
<b>Project description and objectives:</b>	<p>The proposed project includes the rehabilitation of up to 15 kilometres dual track tram infrastructure in the City of Iasi. The Bank's funds will be used to finance track renewal as well as upgrading of power supply. The investments will contribute to reduce noise and vibrations in the City centre and increase the commercial speed of the trams on the renewed sections.</p>
<b>Transition impact:</b>	<p>Commercialisation and improved system management:</p> <ul style="list-style-type: none"> <li>• The proposed project will improve the performance of the urban transport sector through improved commercialisation of the public transport company ("RATP") and assistance to the Company to identify cost-effective out-sourcing options.</li> <li>• A Public Service Contract will be concluded between the municipal transport company RATP and the City providing for service and commercial performance standards to be achieved by RATP.</li> </ul> <p>Framework for markets:</p> <ul style="list-style-type: none"> <li>• Unified tariff system, rationalisation of fare policy and development of an on-going route-tendering regime for maxi-taxis will encourage competition and achieve EU safety and environmental standards.</li> <li>• This will be supported by a public transport regulation and restructuring programme to assist with the introduction of a Public Service Contract between the City and the public transport company and advice on rationalisation of public transport services.</li> </ul>
<b>The client:</b>	City of Iasi.
<b>EBRD finance:</b>	EUR 15 million loan to the city for the rehabilitation of the tram network in Iasi.
<b>Total project cost:</b>	EUR 17.5 million.
<b>Environmental impact:</b>	<p>B/1 screened project. Environmental impacts associated with improvement of urban transport facilities can be readily identified and addressed through adequate mitigation measures. An environmental audit will be carried out. The refurbishment of the tram infrastructure system will help improve public transport services as well as reduce traffic, air emissions, noise and will contribute to improvement of the air quality in the City of Iasi. An Environmental Action Plan will</p>



be developed as part of the Environmental Due Diligence. The Project will meet the Bank's public consultation requirements and provisions under the Bank's Environmental Policy for category B projects as applicable.

**Technical cooperation:**

The Project will benefit from a technical, economic and environmental due diligence funded from the Swiss State Secretariat for Economic Affairs (SECO). It is expected that further Technical Co-operation assistance will be provided to assist (i) the City with a Public Transport Regulation and Restructuring Programme and (ii) the Company with a Corporate Development Programme. For consultant opportunities for projects financed by technical cooperation funds, visit [procurement of consultants](#).

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**Procurement or tendering opportunities:**

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## N.

<b>Project name:</b>	Subordinated Loan Framework for Russian Mid-sized Banks
<b>Country:</b>	Russia
<b>Project number:</b>	36951
<b>Business sector:</b>	Financial Institutions
<b>Public/Private:</b>	Private
<b>Environmental category:</b>	FI
<b>Board date:</b>	11 July 2006
<b>Status:</b>	Passed final review, Pending board approval
<b>Date PSD disclosed:</b>	8 June 2006
<b>Date PSD updated:</b>	

**Project description and objectives:**

The proposed project is aimed at providing Tier II capital to medium-sized Russian banks that have limited access to capital funding. Under the proposed project the Bank would extend subordinated loans directly to the selected partner banks. The Framework partner banks would utilise the funds for regional / business expansion. It is anticipated that the Framework funds will be fully drawn during 2006-2007. Consideration will be given to a subsequent capital markets transaction to package and securitise the partner banks' obligations under the Framework.

<b>Sub-projects:</b>	View a list of <a href="#">sub-projects</a> for this and other framework projects.
<b>Transition impact:</b>	<p>The proposed transaction would support the development of medium-sized Russian banks, which at present have limited opportunities to raise capital in the market and have insufficient retained earnings to support the growth.</p> <p>The key transition impact areas will be: promotion of competition and increase of financial intermediation in the Russian banking sector.</p> <p>A possible subsequent securitisation of the Framework partner banks' obligations would further enhance the transition impact and would contribute to the development of capital markets in Russia.</p>
<b>The client:</b>	<p>The project is aimed at the Bank's existing partner banks among: (i) regional banks; and (ii) mid-sized Moscow-based banks. Each partner bank will be assessed individually in accordance with specific criteria, which among other things include: growth prospects; current capital adequacy; financial performance.</p>
<b>EBRD finance:</b>	USD 150.0 million.
<b>Total project cost:</b>	USD 150.0 million.
<b>Environmental impact:</b>	<p>The participating banks will be required to apply EBRD's Environmental Procedures for Intermediated Financing through Local Banks to the full range of their commercial lending activities. The banks will be required to comply with applicable national environmental, health and safety and labour requirements, adhere to the FI Environmental Exclusion and Referral List, submit annual environmental reports to the EBRD and nominate a member of senior management to be responsible for environmental risk management and implementation of the environmental procedures.</p>
<b>Technical cooperation:</b>	<p>None.</p> <p>For consultant opportunities for projects financed by technical cooperation funds, visit <a href="#">procurement of consultants</a>.</p>
<b>Company contact:</b>	<p>Alexander Saveliev, EBRD  Tel: +44 20 7338 6672  Fax: +44 20 7338 6119</p>
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<b>Business opportunities:</b>	For business opportunities or procurement, contact the client company.
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## O.

<b>Project name:</b>	Euromax
<b>Country:</b>	Albania

<b>Project number:</b>	36847
<b>Business sector:</b>	Agribusiness
<b>Public/Private:</b>	Private
<b>Environmental category:</b>	C
<b>Board date:</b>	25 July 2006
<b>Status:</b>	Passed final review, Pending board approval
<b>Date PSD disclosed:</b>	6 June 2006
<b>Date PSD updated:</b>	
<b>Project description and objectives:</b>	The proposed Project will finance construction and operation of 5 supermarkets in the main urban centres of Albania supporting Euromax to become the first modern food retail operator in the country.
<b>Transition impact:</b>	The Bank's participation will promote competition and increased efficiency, and establish best industry practice with regard to food hygiene, and health and safety standards in the Albanian food distribution sector. In addition it will set the standards of corporate governance and good business practice throughout Euromax operations.
<b>The client:</b>	Euromax sh.p.k.. is a local supermarket operator in Albania.
<b>EBRD finance:</b>	EUR 10 million secured loan and up to EUR 1.5 million equity investment.
<b>Total project cost:</b>	EUR 23.5 million.
<b>Environmental impact:</b>	The construction of new supermarket developments such as this project has some environmental impacts which can be readily identified and prevented through adequate mitigation measures. For the above reasons, the EBRD has classified the project C/1 and as such it requires an environmental audit. The audit will take the form of a corporate environmental review which will assess the environmental risks and liabilities associated with the Company's operations and compliance with both national and EU standards, and will provide recommendations, as necessary, to address any risk or non-compliance issues. Any such recommendations will be formulated into an agreed environmental action plan and the Company will provide reporting to the Bank on the implementation of the EAP. This PSD will be updated, as appropriate, following the completion of environmental due diligence.
<b>Technical cooperation:</b>	None. For consultant opportunities for projects financed by technical cooperation funds, visit <a href="#">procurement of consultants</a> .
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## P.

**Project name:** Pilkington Russia 2  
**Country:** Russia  
**Project number:** 36927  
**Business sector:** General manufacturing  
**Public/Private:** Private  
**Environmental category:** C  
**Board date:** 11 July 2006  
**Status:** Passed final review, Pending board approval  
**Date PSD disclosed:** 5 June 2006  
**Date PSD updated:**

**Project description and objectives:**

In 2003, Pilkington plc, the second largest glass manufacturer globally, established a joint-venture company called Pilkington Glass LLC (the "Company"), to construct and operate a world-scale, green-field float glass plant (the "Project"), at Chulkova, near Moscow. Project cost was estimated at EUR 193 million, and the financing plan included EUR 100 million of parallel senior loans provided by EBRD and IFC (the "IFIs"), of which EUR 57.5 million was provided as a syndicated loan from EBRD (the "First Loan"). The IFI loans are fully disbursed. Construction of the plant is complete and commercial production of glass started in February 2006.

The Company faced challenging local conditions that adversely affected Project implementation and resulted in a Project cost overrun from the initial budget. The IFIs have been requested to provide additional financing the Company to complete the Project.

The Company faced challenging local conditions that adversely affected Project implementation and resulted in a Project cost overrun from the initial budget. The IFIs have been requested to provide additional financing the Company to complete the Project.

**Transition impact:** Pilkington will raise production and quality standards in the

Russian glass industry and offer consumers more choice at affordable prices. Furthermore, with its strong history of demonstrated transition impact in other countries of operations, Pilkington will play a positive role in setting corporate governance, business, and environmental management standards (i.e. energy savings from establishing building standards that promote installation of thermal insulating glass), as well as by providing reference points for other firms, and local and regional regulatory agencies.

A recent due diligence review found that the Company has a well-developed labor policy that provides terms of employment and working conditions, including the freedom to create unions (was not a requirement of the Safeguard Policies), in accordance with Russian law. Also, the new facility was designed according to the latest principles and included best-available-technology for emission control, an access road that avoids residential areas, and frequent public information and discussion meetings in cooperation with the local authorities.

**The client:**

The Company is a 50:50 joint venture formed by Pilkington plc ("Pilkington"), and AIG Emerging Europe Infrastructure Fund L.P. Employing approximately 25,000 people globally, Pilkington is a leading worldwide producer of float glass products, automotive glass products and specialty glass. AIG Emerging Europe Infrastructure Fund (AIG EEIF) is a private equity fund with US\$550 million capital to invest in selected greenfield projects, companies undergoing post-privatization restructuring and privatization in Eastern and Southern European countries including the Russian Federation.

**EBRD finance:**

EBRD's First Loan was for € 57.5 million, of which €20 million was syndicated to ING and FMO. In respect of the Project cost overrun, it is proposed that EBRD will co-finance a further €23 million by way of a long-term loan, in parallel with loan for €17 million from IFC.

**Total project cost:**

The revised total operation amount is €254 million.

**Environmental impact:**

Pilkington is committed to manage the project in accordance with the relevant Russian and EU environmental and occupational health and safety standards. During the planning and construction phases of the project its social and environmental management has been largely supported by the Pilkington's corporate management system. Currently Pilkington's Russia is establishing in-house capacity to implement the project-specific Social and Environmental Management Program;

This project was screened B/1 requiring an environmental audit and analysis. The environmental investigations addressed the following potential environmental, health and safety and social impacts.

- Site location and suitability
- Sustainable raw material supply;

- Air emissions;
- Wastewater and solid waste management;
- Noise;
- Occupational health and safety;
- Employment opportunities.

### **Proposed mitigation for environmental and social issues**

The sponsor has presented plans to address these impacts to ensure that the proposed project will, upon implementation of the specific measures agreed, comply with applicable national laws and regulations and EU and World Bank/IFC requirements. The information about how these potential impacts will be addressed by the sponsor/project is summarised in the paragraphs that follow.

The proposed site is located 35 kilometers south east of Moscow, in the Ramenskii District and is owned by a private farm company. The private farm company, formerly a collective, owns and uses approximately 4,500 ha of land for its production based on cattle, milk and vegetables. The 37 ha site is located between two villages (east and west), a major sand quarry (north), and open fields with an underground high-pressure sewage line (south). The nearest village is Zhukovo approximately 600 meters west-south-west of the property line on the other side of two high voltage power transmission lines and a railroad line leading to the sand quarry. At a further distance towards the east is the village of Kakuzevo. The nearest residence is 300 meters from the site boundary and a land usage plan will ensure that no residences can be built within 100 meters of the project site.

The site is located along the rail line and the project includes rail facilities for raw materials import. Road access to the main road to Moscow is currently via a local road passing thru the village of Zhukovo. To avoid heavy traffic in the village the project will construct a new access road to the north of the village. This road will follow existing field divisions to avoid impact on the usage of the fields. The land take for the access road is included in the 37 ha to be bought from the farm company.

General utilities, including natural gas, are readily available near the site; while the project will have the limited need for water supplied from own wells.

The main raw materials for the float glass production are sand, soda ash, and dolomite/limestone. All these raw materials are available as a commodity at the market and Pilkington will ensure supply contracts with at least two suppliers for each essential raw material. The principle of at least two suppliers is to ensure price competitiveness and the possibility of eliminating any supplier breaking basic principles for environmentally sustainable supply. Despite the principle of at least two suppliers for all raw materials it must be expected that the local sand quarry, which is the leading local supplier for glass production and has a capacity of up to 1,000,000 tpa, will have a transport cost advantage over other suppliers and will supply a significant part of the

180,000 tpa needed by the project. Pilkington will carry out an internal review of all major suppliers ahead of contracting. Melting inorganic raw materials in a furnace at high temperature is the basis for glass production. The high temperature needed will result in formation of sulphur oxides (SOx), nitrogen oxides (NOx), and dust emissions. Sulphur oxide concentrations in the air emissions will be directly proportional with the sulphur in the fuel used, while nitrogen oxides are formed by oxidation of the natural free nitrogen in the atmosphere. A normal trimmed (optimized) glass smelter furnace will have NOx emissions of up to 2,500 mg/Ncm if no NOx reduction measures are taken. Dust emissions are caused by both the fuel used and evaporation and later condensation of sodium sulphate from the melt.

The proposed plant will utilize natural gas, which is low in sulphur and the air emissions will therefore have low sulphur oxide emissions. To limit the NOx emissions Pilkington will install its 3R-low NOx technology on the plant. This will allow the plant to reduce the NOx emissions to around 1200 mg NOx/Ncm. Pilkington has further committed to follow European Union Directive IPPC (Integrated Pollution Prevention and Control) as applied to float glass manufacturing once it becomes available.

Natural gas is a clean fuel and does not result in dust formation by it self. Therefore the dust emissions will be limited to evaporation of sodium sulphate (a water soluble non toxic substance) from the molten glass bath. The evaporated sodium sulphate will condense as the temperature of the combustion gas decreases in the heat recovery system. Pilkington has managed to optimize the furnaces from originally emitting around 250 mg dust/Ncm to around 100 mg dust/Ncm at the moment, and is currently developing and testing further furnace modifications to lower the dust emissions. Pilkington is committed to optimise the furnaces operation to bring the dust emission below 50 mg/Ncm before the end of 2007. The compliance with the 50 mg/Ncm limit will be achieved either by the new furnace modifications or by installing traditional flue gas scrubbing systems.

Water consumption and wastewater from the new facility will be limited. Both cooling water and wash water from the process will be circulated in closed loops, with only a small bleed being discharged to the on-site wastewater treatment plant. Hereby the on-site biological wastewater treatment plant will mainly receive its load from domestic sources (toilet, bath, canteen facilities, etc.). The treatment system will be based on a system successfully implemented at another Pilkington float glass plant and will fully comply with local requirements, EU standards and World Bank guidelines.

A float glass plant needs significant blowers for the furnaces. These blowers will, due to the construction of the heat recovery systems, be located in deep enclosures and will have practically no noise impact on the site. Therefore the main sources of noise will be rail movements and truck

movements. No residences are located near the site, and the new access road will ensure that the trucks do not pass through the local villages.

While cut related accidents in the downstream handling of the flat glass has been typical for this industry sector in the past, Pilkington PLC, the sponsor company, has corporate wide focused on occupational health and safety upgrades. As a result the Pilkington corporate accident rates have fallen from 34 LTA/MMH (Lost Time Accidents/Million Man-Hours) in 96/97 to 5.85 LTA/MMH in 01/02. While the reduction is impressive, Pilkington PLC is aware that further improvement is desirable and is constantly looking for opportunities to reduction. Within the Pilkington worldwide operations the float glass plant in Sandomierz, Poland, has the best safety record with no LTA for the last 1790 days (nearly five years) at the time of appraisal. The Sandomierz operation is of approximately the same size as the proposed project and to ensure the highest safety standard from the very beginning, the General Manager of Pilkington's operations in Sandomierz is expected to take the position of General Manager of the new facility.

During construction the number of construction worker will reach almost 500. In the operational phase the float glass plant will need around 200, of which 180 will be hired locally and trained to operate the plant safely and optimally.

#### **Monitoring and compliance**

EBRD will evaluate the project's compliance with the applicable environmental and social requirements during the lifetime of the project by reviewing the annual monitoring reports (AMRs) prepared for the project covering ongoing performance of project-specific environmental, health and safety activities. Periodic site supervision visits will also be conducted.

#### **Technical cooperation:**

None.  
For consultant opportunities for projects financed by technical cooperation funds, visit [procurement of consultants](#).

#### **Company contact:**

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#### **EBRD contact:**

Mark Webber, Operation Leader: [webberm@ebrd.com](mailto:webberm@ebrd.com)

#### **Business opportunities:**

For business opportunities or procurement, contact the client company.

#### **General enquiries:**

EBRD project enquiries not related to procurement:  
Tel: +44 20 7338 7168; Fax: +44 20 7338 7380  
Email: [projectenquiries@ebrd.com](mailto:projectenquiries@ebrd.com)

**Q.**



<b>Project name:</b>	Kazan Municipal Water and Wastewater Loan
<b>Country:</b>	Russia
<b>Project number:</b>	37096
<b>Business sector:</b>	Municipal and environmental infrastructure
<b>Public/Private:</b>	Public
<b>Environmental category:</b>	B
<b>Board date:</b>	7 November 2006
<b>Status:</b>	Passed concept review, Pending final review
<b>Date PSD disclosed:</b>	1 June 2006
<b>Date PSD updated:</b>	
<b>Project description and objectives:</b>	The proposed project involves a loan to the municipal water and wastewater utility of the City of Kazan, capital of the Russian Republic of Tatarstan. The proceeds of the loan would be used to finance priority capital investments to improve the municipal water and wastewater infrastructure and services in the City, which will contribute significantly to decreasing the level of polluting discharges into the Volga River and the Caspian Sea basin.
<b>Transition impact:</b>	The proposed project will have an impact on the transition process through: (i) corporatisation and commercialisation of the Company (ii) billing according to actual consumption; (iii) transfer of skills during the implementation phase including the procurement, design, installation and contracts supervision in accordance to the best available international engineering practice.
<b>The client:</b>	The borrower will be the municipal water and wastewater utility "Vodocanal" (the Company) of the City of Kazan.
<b>EBRD finance:</b>	A senior Rouble loan equivalent to EUR 20 million to Kazan Vodocanal.
<b>Total project cost:</b>	Equivalent to EUR 26 million.
<b>Environmental impact:</b>	<b>Environmental classification and rationale</b> The EBRD has classified the project B/1, requiring an Environmental Audit/Review of the key operating assets to be undertaken and an Environmental Analysis to assess the potential environmental impacts of the priority investments. The prioritisation of the investment programme should take into consideration environmental issues. The project would improve the quality and efficiency of drinking water supply and sewerage collection services in the City of Kazan. The operation would also support the achievement of important environmental objectives in the Volga River and the Caspian Sea basin by improving water and wastewater management. The project would be structured in accordance with Russian and EU environmental standards that would be directly applicable to the project

The Company and the City will, together with the project implementation unit and with a help of a reputable international consultant, prepare an Environmental Management Plan guiding the Company and the City towards achieving wastewater services compliant with international standards. The EMP will be implemented within a timeframe acceptable to the Bank and other parties involved with an intention to protect the City's water sources from potential further pollution.

**Technical cooperation:**

It is foreseen that the proposed project would include further technical cooperation support:

- Technical Feasibility Study including the development of the Environmental Management Plan. Funding to be identified.
- Financial Due Diligence of the Company, IFRS Audit and review of the municipal budgets to be financed by the European Union.
- Project Engineer for procurement, design and contracts supervision. Funding to be identified.

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

**EBRD contact:**

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**Procurement or tendering opportunities:**

Visit [EBRD Procurement](#)  
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## R.

<b>Project name:</b>	Naryan-Mar District heating, Water and Waste water loan
<b>Country:</b>	Russia
<b>Project number:</b>	37097
<b>Business sector:</b>	Municipal and environmental infrastructure
<b>Public/Private:</b>	Public
<b>Environmental category:</b>	B
<b>Board date:</b>	5 December 2006
<b>Status:</b>	Passed concept review, Pending final review
<b>Date PSD disclosed:</b>	1 June 2006
<b>Date PSD updated:</b>	

**Project description and objectives:**

The proposed project involves a loan to the municipal district heating, water and wastewater utility of the circumpolar City of Naryan-Mar, capital of the Nenets Autonomous Okrug in North-western Russia. The proceeds of the loan would be used to finance priority capital investments to improve the municipal district heating, water and wastewater infrastructure and services in the City, which will contribute significantly to decreasing the level of polluting discharges into the Pechora River and the Barents Sea basin.

The project has mainly environmental and energy efficiency objectives. The City of Naryan-Mar is located in the priority Northern Dimension Environmental Partnership (NDEP) area of the Barents Sea basin.

**Transition impact:**

The proposed project will have an impact on the transition process through:

- (i) corporatisation and commercialisation of the Company;
- (ii) billing according to actual consumption;
- (iii) transfer of skills during the implementation phase including the procurement, design, installation and contracts supervision in accordance to the best available international engineering practice.

**The client:**

The borrower will be the municipal district heating, water and wastewater utility “United District Heating Networks and Boilers” (the Company) of the City of Naryan-Mar. Nenets Autonomous Okrug will act as a Guarantor.

**EBRD finance:**

A senior Rouble loan of RUR 350 million (equivalent to EUR 10 million) to Naryan-Mar Company. The Company has applied to NDEP for co-financing by a grant of EUR 6.0 million. Additional co-financing of EUR 5.0 million is envisaged to come from local sources.

**Total project cost:**

Equivalent to EUR 21 million.

**Environmental impact:**

Environmental classification and rationale

The EBRD has classified the project B/1, requiring an Environmental Audit/Review of the key operating assets to be undertaken and an Environmental Analysis to assess the potential environmental impacts of the priority investments. The prioritisation of the investment programme should take into consideration environmental issues.

The project would improve the quality and efficiency of water and district heating utility services in the City of Naryan-Mar and its suburbs. The environmental benefits of improving the technical infrastructure and operational management are expected to be significant as they will improve energy efficiency as well as improve the quality of drinking water and effluent, thereby reducing the threat to public health and pollution to the Pechora River and the Barents Sea basin. Potential benefits of various priority investments will be assessed through an Environmental Analysis.

The project would be structured in accordance with Russian and EU environmental standards that would be directly applicable to the project. Construction-related impacts that may arise in projects are likely to be localised, short term in

nature and can be easily mitigated or prevented by good construction practice. The Company and the City will, together with the project implementation unit and with the help of a reputable international consultant, prepare an Environmental Management Plan guiding the Company and the City towards achieving wastewater services compliant with international standards. The EMP will be implemented within a timeframe acceptable to the Bank and other parties involved with the intention to protect the City's water sources from potential further pollution.

**Technical cooperation:**

It is foreseen that the proposed project would include further technical cooperation support:

- Technical Feasibility Study including the development of the Environmental Action Plan financed by the European Union.
- Financial Due Diligence of the Company, IFRS Audit and review of the municipal budgets financed by the European Union.
- Project Engineer for procurement, design and contracts supervision. Funding to be identified.

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

**EBRD contact:**

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**Procurement or tendering opportunities:**

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Email: [projectenquiries@ebrd.com](mailto:projectenquiries@ebrd.com)

### III. ADDITIONAL INFORMATION AND ASSISTANCE:

- a. **US Advocacy Center-EBRD Liaison Office (AC-EBRD):** AC-EBRD is an integral part of U.S. representation at the EBRD with a mandate to increase the effectiveness of U.S. participation in the Bank's projects. For more information about project opportunities at the European Bank for Reconstruction and Development (EBRD) please contact:

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At the Advocacy Center - EBRD Liaison Office  
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Web: [www.buyusa.gov/ebrd](http://www.buyusa.gov/ebrd)

Note: AC-EBRD can offer its services only to US companies. EBRD procurement opportunities can be viewed at [www.ebrd.com/oppo/procure/ops/index.htm](http://www.ebrd.com/oppo/procure/ops/index.htm). An updated list of EBRD publications can also be found on the main website [www.ebrd.com](http://www.ebrd.com)

- b. **BISNIS:** The Business Information Service for the Newly Independent States (BISNIS). Countries covered: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Russia, Ukraine, Uzbekistan. Web: [www.bisnis.doc.gov](http://www.bisnis.doc.gov) Tel: +(202) 482-4655, Fax + (202) 482-2293.