



RESTRUCTURING PAPER
ON A
PROPOSED RESTRUCTURING
OF
ST. PETERSBURG ECONOMIC DEVELOPMENT LOAN
APPROVED ON MAY 15, 2003
TO
THE RUSSIAN FEDERATION

SOCIAL, URBAN, RURAL AND RESILIENCE GLOBAL PRACTICE

EUROPE AND CENTRAL ASIA

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ABBREVIATIONS AND ACRONYMS

CIF	Cultural Investment Facility
EMP	Environmental Management Plan
FM	Financial Management
FISP	St. Petersburg Foundation for Investment Projects
GDP	Gross Domestic Product
ICRR	Implementation Completion and Results Report
ISRs	Implementation Status Reports
LA	Loan Agreement
MOC	Ministry of Culture of the Russian Federation
MOF	Ministry of Finance of the Russian Federation
M & E	Monitoring and Evaluation
PAD	Project Appraisal Document
PDO	Project Development Objective
PIU	Project Implementation Unit
POM	Project Operational Manual
RF	Russian Federation
SME	Small and Medium Enterprises
SPEDP	St. Petersburg Economic Development Loan



BASIC DATA

Product Information

Project ID P069063	Financing Instrument Investment Project Financing
Original EA Category Financial Intermediary Assessment (F)	Current EA Category Financial Intermediary Assessment (F)
Approval Date 15-May-2003	Current Closing Date 14-Apr-2020

Organizations

Borrower Ministry of Finance of the Russian Federation	Responsible Agency Ministry of Culture of the Russian Federation
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Project Development Objective (PDO)

Original PDO

1) Policy and regulatory environment is conducive to the expansion of private sector enterprises; 2) Larger and more efficient private market for land and real estate; 3) Improved City fiscal management capacity; 4) City to preserve its comparative advantage in culture and the arts.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Commitment	Net Disbursed	Undisbursed
IBRD-46940	15-May-2003	04-Aug-2004	24-Jan-2005	14-Apr-2020	101.10	99.66	1.44

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. St. Petersburg Economic Development Loan (SPEDP, US\$101.1 million) was approved in May 15, 2003, and the SPEDP Loan Agreement became effective in January 24, 2005. The Project Development Objectives (PDO), as stated in the loan agreement, are to ‘support St. Petersburg’s efforts to accelerate the implementation of key elements its Strategic Plan, in particular by rehabilitation and restoration of certain outstanding cultural monuments under federal jurisdiction, enhance St. Petersburg’s prospects for sustainable economic growth, and allow it to more fully exploit its position as Russia’s “Window to the West,” in particular, by enabling St. Petersburg to take greater advantage of its unique position as one of Russia’s top centers of culture and the arts and create the basis for developing tourism as a key element of future economic growth’.
2. Progress towards the achievement of the PDO has been satisfactory since the SPEDP loan effectiveness. Disbursements are at 99.66 percent; the remaining loan amount is US\$1.44 million. All activities, envisaged under the SPEDP loan agreement, have been successfully completed with the PDO indicators met, including increase in the number of new Small and Medium Enterprises (SMEs), increase in private transactions for land and real estate, credit rating by international credit rating agency, and increase in the number of city visitors. The SPEDP has supported the Russian Government and St. Petersburg in leveraging the city’s cultural heritage to generate investments, job opportunities, and tourism revenues (tourism accounts for 11 percent of the city’s GDP). For example, 130 jobs (120,000 labor days) were created during the restoration works at the St. George Hall of the Russian Museum’s Engineering Castle; 140 jobs (145,000 labor days) during the rehabilitation of the Russian Museum’s Corp-de-Guards pavilions; and another 1,300 employees (2 million labor days) during the reconstruction and restoration of the State Hermitage East Wing. The majority of buildings and sites benefitting from the SPEDP have become accessible to physically challenged people.
3. In autumn 2017 the Ministry of Finance (MOF) of the Russian Federation (RF) and the Ministry of Culture (MOC) of the RF jointly approached the Bank to consider an option of allocating additional Borrower’s budget funds of US\$ 20 million to implement one of the two remaining sub-projects which were appraised and initially planned under the SPEDP – namely, rehabilitation of two inner courtyards of the Mikhailovsky Palace of the State Russian Museum. At the end of 2017 the Bank restructured the SPEDP accordingly with the share of the Russian Federation co-financing increased and the SPEDP loan closing date extended until mid-April 2020 to enable successful implementation of the Russian Museum inner courtyards sub-project.
4. Furthermore, since majority of the SPEDP loan financed activities have already been completed, it was agreed that the Project Implementation Unit (PIU) at the St. Petersburg Foundation for Investment Projects (FISP) will use the time until mid-April 2020 to summarize the SPEDP results and collect data for SPEDP Implementation Completion and Results Report (ICR) with the help of a competitively selected Consultant company which already in May 2019 commenced its work on collection and analysis of information to assess the SPEDP effectiveness and evaluate the Project outcome.
5. April 15, 2020 is the final loan closing date that is aligned with the Final Maturity date and, thus, it cannot be further extended. Therefore, it was critically important that the State Russian Museum inner courtyards sub-project is fully completed by mid-April 2020. In this regard, FISP completed competitive selection of the General Contractor and technical/engineering supervision consultant company at the end of 2018, and the Contractor was ready to start the works as soon as it gets access to the site that was to be granted by the Russian Museum. To complete the sub-project on time, the latest possible deadline for the contractor to start the works at the site was mid-April 2019. The deadline was missed. In its letter of April 11, 2019, the Russian Museum informed FISP that, while the relevance and importance of the inner courtyards sub-project remained unchanged, the Russian Museum decided to suspend implementation of this sub-project, as the Museum would not be able to vacate in time the premises adjoining to the inner yards due to its inability to ensure absolute security of art objects that were to be moved for the period of



execution of the rehabilitation works. That made the implementation of the inner courtyard rehabilitation impossible under the SPEDP, since the corresponding contract would not be completed by the SPEDP loan closing date.

6. In view of the above, on June 4, 2019 the MOF approached the Bank with an official request to exclude the courtyards sub-project from the SPEDP scope and amend the text of the SPEDP loan agreement accordingly. The SPEDP closing date will remain unchanged, so that the Borrower would be able to run the above described consultancy to assess the SPEDP effectiveness and evaluate the Project results.
7. The restructuring will not change the PDO and associated outcomes. At the same time, intermediate indicators aimed to track the State Russian Museum inner courtyards subproject implementation progress will be dropped from the Results Framework.
8. Composition of the SPEDP's components and institutional arrangements will also remain unchanged.
9. There are no outstanding audits under the SPEDP. All audit and financial management reports have been submitted in time and found to be acceptable to the Bank. Both Procurement and Safeguards compliance are satisfactory, and no safeguards related issues have been reported.

II. DESCRIPTION OF PROPOSED CHANGES

10. **Summary of Proposed Changes.** In response to the Borrower's request of June 4, 2019, this restructuring paper seeks for amendment of Paragraph 2 of Part A, Schedule 2 "Description of the Project" of the Loan Agreement to exclude the rehabilitation of the Russian Museum inner courtyards in the list of cultural assets under Part A of the Project (Rehabilitation of Cultural Assets in St. Petersburg). Furthermore, Paragraph 2 of Part D (Project Implementation) of Schedule 2 of the Loan Agreement will be amended to exclude mentioning of the works on rehabilitation of the inner courtyards in the Mikhailovsky Palace of the State Russian Museum.
11. **Change in Results Framework.** The proposed restructuring does not entail any changes to the PDO and the PDO indicators. All original targets have been met. However, target values for the SPEDP intermediate indicator on the number of completed sub-projects under sub-component "Rehabilitation of Cultural Assets in St. Petersburg", as well as intermediate indicators on number of cultural institutions' sites rehabilitated under the Project that provide improved unassisted access for people with disabilities and intermediate indicator on number of cultural institutions' sites rehabilitated under the Project with improved visitor facilities will be decreased to reflect exclusion of the inner courtyards site from the SPEDP scope. Furthermore, selected intermediate indicators ("increased usable floor space for public cultural activities and events in the Mikhailovsky Palace of the Russian Museum due to the Project", "added floor space for restoration workshops in the Mikhailovsky Palace of the Russian Museum due to the Project", "increased number of visitors in the Mikhailovsky Palace of the Russian Museum per year" and "increase in earnings generated by the Mikhailovsky Palace of the State Russian Museum from public events, workshops and lectures") which were aimed to monitor the implementation of the inner courtyard sub-project will be dropped.
12. **The disbursement estimates** are revised to reflect exclusion of the Russian Museum inner courtyards subproject from the SPEDP scope.
13. There is no change in the structure of the SPEDP components and their names. There also will be no changes in the institutional and implementation arrangements. The Project will continue to follow the existing Project Operational Manual.
14. The restructuring will not lead to any changes to safeguards policies. The SPEDP environmental category does not change. There are no new safeguards policies triggered.



III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Disbursement Estimates	✓	
Other Change(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)



DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2003	0.00	0.00
2004	0.00	0.00
2005	5,427,969.10	5,427,969.10
2006	3,896,185.84	3,896,185.84
2007	12,929,930.92	12,929,930.92
2008	18,399,621.65	18,399,621.65
2009	19,221,103.00	19,221,103.00
2010	15,663,358.00	15,663,358.00
2011	9,078,379.00	9,078,379.00
2012	10,700,509.00	10,700,509.00
2013	3,201,159.00	3,201,159.00
2014	200,000.00	200,000.00
2015	0.00	0.00
2016	0.00	0.00
2017	0.00	0.00
2018	100,000.00	100,000.00
2019	253,800.00	253,800.00
2020	1,267,500.00	588,200.53
2021	760,500.00	0.00



Results framework

COUNTRY: Russian Federation
St. Petersburg Economic Development Project

Project Development Objectives(s)

1) Policy and regulatory environment is conducive to the expansion of private sector enterprises; 2) Larger and more efficient private market for land and real estate; 3) Improved City fiscal management capacity; 4) City to preserve its comparative advantage in culture and the arts.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	End Target
Policy and regulatory environment is conducive to the expansion of private sector enterprises			
More competitive environment due to 10% p.a. increase in number of new SMEs registered in SPB. (Number)		96,900.00	141,871.00
Larger and more efficient private market for land and real estate			
5% p.a. increase in private transactions for land and real estate. (Number)		90,402.00	115,379.00
Improved City fiscal management capacity			
Credit rating by international credit rating agency (Text)		Fitch IBCA: BB (positive) S&P: BB (stable) Moody's: Ba2 (Figures are for 2003)	Creditworthy status achieved and maintained
City to preserve its comparative advantage in culture and the arts			
Growth in tourism 8%p.a. (Number)		2,737,685.00	4,022,557.00



Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
Rehabilitation of Cultural Assets in St. Petersburg			
Number of completed sub-projects under sub-component "Rehabilitation of Cultural Assets in St. Petersburg" (Number)		0.00	9.00
<i>Action: This indicator has been Revised</i>			
Number of cultural institutions' sites rehabilitated under the Project with improved visitor facilities (Number)		0.00	9.00
<i>Action: This indicator has been Revised</i>			
Number of visitors in the Mikhailovsky Palace of the Russian Museum per year (Number)		160,000.00	168,500.00
<i>Action: This indicator has been Marked for Deletion</i>			
Increased usable floor space available for public cultural activities and events at the Mikhailovsky Palace of the Russian Museum due to the Project (Square Meter(m2))		0.00	100.00
<i>Action: This indicator has been Marked for Deletion</i>			
Added floor space for restauration workshops at the Mikhailovsky Palace of the Russian Museum due to the Project (Square Meter(m2))		60.00	140.00
<i>Action: This indicator has been Marked for Deletion</i>			
Increase in earnings generated by the Mikhailovsky Palace of the State Russian Museum due to public events, workshops and lecturing activities (Russian Rubles) (Number)		48,000,000.00	50,600,000.00
<i>Action: This indicator has been Marked for Deletion</i>			



Indicator Name	DLI	Baseline	End Target
Number of cultural institutions' sites rehabilitated under the Project that provide improved unassisted access for people with disabilities (Number)		0.00	5.00
Action: This indicator has been Revised			
Cultural Investment Facility (CIF)			
Number of completed sub-projects under "Cultural Investment Facility" sub-component (Number)		0.00	20.00
Cultural Investment Facility (CIF) resources fully committed by end of fourth year of project implementation and completion of all CIF operations by end of project (Text)		Baseline is zero, as it is start of the project: no CIF funds committed and no CIF operations completed	All CIF funds (US\$ 7.99 mln. of loan amount) are fully committed; and implementation of all CIF subprojects financed from the awarded CIF grants is successfully completed
Institutional Strengthening			
Number of viable/sustainable applications submitted by participants to St. Petersburg Cultural Committee as a result of completion of the Staff Reserve program (Number)		0.00	20.00
St. Petersburg DPL component			
Divestiture of City owned enterprises (Text)		Baseline value is zero as this is the start of the process	Reduction of the number of City-owned or City-controlled commercial enterprises in St. Petersburg through diversiture or other means, including but not limited to SUEs, achieved and maintained



The World Bank

St. Petersburg Economic Development Project (P069063)

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