

Project Summary for Public Disclosure

Project Name	Small Historic Cities Development Project Phase II
Country	The Russian Federation
Sector	Urban Infrastructure, Sustainable Development
Concept Approval Date	17 March 2020
Board Approval Date	29 June 2020
Total Project Cost	EUR 287 million
Loan Amount	EUR 205 million
Borrower	The Russian Federation
Implementing Agency	Saint Petersburg Foundation for Investment Projects (FISP)
Project Context	<p>Small historic cities in Russia are facing several key challenges in achieving sustainable economic development: (i) urban infrastructure has been underdeveloped and often poorly maintained; (ii) preservation of heritage assets is under various financial constraints due to limited budgetary support; and (iii) modernization of urban facilities makes retaining the original cultural landscape of the cities even more difficult. There are different approaches on how to relaunch the cycle of urban development of small cities. For instance, some small cities have a historically determined potential for development of tourism infrastructure, and for them it can be an efficient instrument for economic growth. The rich historical heritage in some Russian cities creates a sound foundation to develop cultural tourism that is able to attract travelers from abroad, as well as domestic visitors.</p> <p>Development of tourism can bring in a multiplier effect which contributes to a business-enabling environment for new small and medium enterprises to emerge and job opportunities to be created. As businesses catering to tourists grow, so will other enterprises supporting these efforts, increasing jobs and salaries. Furthermore, the improvement of urban infrastructure needed for tourism can be both the catalyst for sustainable socio-economic growth, and can also help improve the quality of life for local people, creating incentives to reside in small cities.</p>
Project Objective	The Project focuses on urban development through preservation and development of cultural heritage to drive tourism related revenues and improve the municipal economy of eight small cities located in the European part of Russia. The Project will foster economic growth, job

	creation and new businesses through urban infrastructure improvements while boosting the importance of cultural heritage sites.								
Project Description	<p>The Project envisages (i) restoration of cultural heritage sites in order to create tourist focal points; (ii) construction and modernization of related auxiliary infrastructure; and (iii) development of marketing and branding strategies of the cities.</p> <p>The Project is an extension of the Small Historic Cities Development Project Phase I that is currently being implemented with NDB financing.</p>								
Expected Benefits	The Project's expected benefits are: (i) an increase in annual tourist flows in the cities, leading to (ii) an increase in the employed population; (iii) an increase in the earnings of local residents; and (iv) an increase in municipal budget revenues of the cities.								
Environmental and Social Aspect	The Project is assigned Category "B" in accordance with the NDB Environment and Social Framework due to its limited adverse social and environmental impacts. These adverse impacts are generally associated with the construction activities in urban settings, impacts on freshwater habitats and ecology from dredging and construction works in water bodies for some of the subprojects and will be mitigated by adherence to the country system for environmental protection including conducting environmental impact and cultural heritage assessments and implementing subproject specific environmental management plans. No land acquisition and displacement of people will be required for the Project.								
Financing Aspect	<p>The total cost of the Project is estimated to be EUR 287 million. NDB will support the Project through a Sovereign Project Loan of EUR 205 million. The federal government has allocated EUR 8 million from the federal budget to improve the attractiveness of these cities by developing and implementing marketing strategies. The balance of EUR 74 million will be financed from regional budgets, municipal budgets and non-budgetary sources.</p> <table border="1"> <thead> <tr> <th>Source of Fund</th><th>Amount (EUR million)</th></tr> </thead> <tbody> <tr> <td>New Development Bank</td><td>205</td></tr> <tr> <td>Federal Budget</td><td>8</td></tr> <tr> <td>Regional budget, municipal budget and other non-budgetary sources</td><td>74</td></tr> </tbody> </table>	Source of Fund	Amount (EUR million)	New Development Bank	205	Federal Budget	8	Regional budget, municipal budget and other non-budgetary sources	74
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Implementation	The Project is estimated to be implemented over 6 years between 2020 and 2026.		
Contacts	NDB	Borrower	Implementing Agency
	Eurasia Regional Centre Tim Fleming	Anna Bakanova PriemnayaDep17@ minfin.ru	Saint Petersburg Foundation for Investment Projects (FISP); spfund@fisp.spb.ru