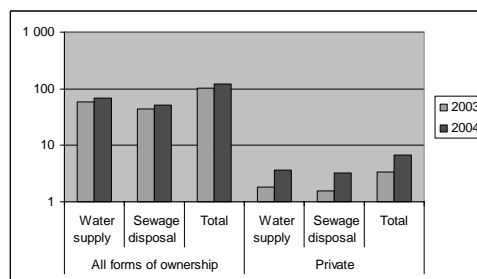


Private Business Development in the Russian Water Sector

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Market share of private operators in the Russian water supply and sanitation sector



Development PPP in the public service sector - 1

- Major improvements of the sector-related legislation through enactment of laws “On Principles of Utility Tariff Regulation” (December 2004), “On Concession Agreements” (July 2005), and the new “Housing Code of the Russian Federation” (December 2004). The laws are expected to significantly improve the investment climate in the sector, and in the WSS sector in particular. However, the real effect of this legislation will become tangible no sooner than next year.

Development PPP in the public service sector - 2

- The position of the big Russian private companies, which two years ago were so eager to develop the market for public services, has become more financially oriented and less politically loaded. Particularly notable changes are evident in the most prominent private operator - Russian Communal Systems JSC - which has reduced its presence in the field to only 13 regions.

National water operators

- **Russian Communal Systems (RCS)** – a company running water businesses in six Russian cities with a total population of some two million;
- **Eurasian Water Partnership** – a company running water businesses in two Russian cities with a total population of more than two million;
- **Novogor-Prikamje** – a company running water businesses in two Russian cities with a total population of some one and a half million;
- **Rosvodocanal** – a company running water businesses in two Russian cities with a total population of more than one million.

Development PPP in the public service sector - 3

- A new important trend towards long-term lease contracts, including investment commitments has emerged (such contracts may be easily converted into concession agreements). Already more than 10 contracts of this type have been concluded in the WSS sector.

Development PPP in the public service sector - 4

- In the past year municipalities, for the first time, offered their WSS facilities for private operation through public tenders.

Development PPP in the public service sector - 5

- Alongside big companies marketing themselves as national public service operators, Russian regions are also seeing the emergence of regional private operators that usually are affiliated either to regional power producers or powerful regional politicians.

Development PPP in the public service sector - 6

- In many countries, engagement of foreign operators for water servicing is common practice, unlike in Russia where they have not met with success yet and are now less active.

Water supply and sanitation PSP projects in Russia

City	Private operator	Shareholders of the company	Year of entrance	Type of the contract	Term of the agreement
Perm	LLC «New Urban Infrastructure of Prikamye»	CJSC «New Urban Infrastructure»	2003	Long-term Lease + The Investment contract	49 years
Berezniki	LLC «New Urban Infrastructure of Prikamye»	CJSC «New Urban Infrastructure»	2005	Long-term Lease + The Investment contract	25 years
Omsk	JSC «OmskVodokanal»	LLC «Eurasian Water Partnership»	2004	Long-term Lease + The Investment contract	25 years (with an opportunity of prolongation till 49 years)
Rostov-on-Don	LLC «Rostov water partnership»	LLC «Eurasian water partnership» and others	2005	The Investment contract	n/a
Kirov	JSC «The Kirov Utility Systems »	JSC «Russian Utility Systems»	2003	Long-term Lease + The Investment contract	15 years
Tambov	JSC «The Tambov Utility Systems »	JSC « Russian Utility Systems »	2003	Long-term Lease + The Investment contract	25 years
Tomsk	JSC «Tomsk Utility Systems »	JSC « Russian Utility Systems »	2003	Long-term Lease + The Investment contract	49 years
Blagoveshchensk	JSC «The Amur Utility Systems »	JSC « Russian Utility Systems »	2003	Long-term Lease + The Investment contract	10 years
Volgograd	JSC «The Volgograd Utility Systems »	JSC « Russian Utility Systems »	2003	Short-term Lease	11 months
Kachkanar	JSC «Sverdlovsk Utility Systems »	JSC « Russian Utility Systems »	2003	Short-term Lease	11 months
Petrozavodsk	JSC «Petrozavodsk Utility Systems »	JSC « Russian Utility Systems »	2005	Long-term Lease + The Investment contract	20 years
Orenburg	LLC «Orenburg Vodokanal»	LLC «Rosvodokanal»	2003	Long-term Lease	20 years