St. Petersburg PPP toll motorway- Moscow
Russian Federation

Sectors: Construction

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Project website

Sectors
Construction

Location

About St. Petersburg PPP toll motorway- Moscow

The first section of the Moscow - St Petersburg PPP toll motorway project encompasses the construction of 43 km of motorway. The proposed highway would start at the MKAD (Moscow Ring Road) at km 15 of the Moscow to St Petersburg highway (total length 650 km) and finish at its 58th km. The project would also include building seven major interchanges, 37 bridges, and a toll collection system. Read more.

The construction of this highway is set to cut through the Moscow area's last old-growth forest, the Khimki forest. Khimki Forest is a protected natural area with rich wildlife including relic oak groves and elks, boars and other wild animals. The forest is also extremely important to local people living in this polluted and densely populated region. Local people have come together to oppose the currently planned routing of the road as the "Movement to Defend Khimki Forest".

Read more

Latest developments

Latest update
Sep 6 2011

What must happen

At minimum, a change of the routing is required. This is complicated by the fact that the project is being carried out under a PPP model which allows both the Russian government and the concession company NWCC to refuse to make changes citing contractual obligations and the high costs of re-negotiating the contract. Nevertheless it may turn out to be better value for money in the long term than going ahead with the routing as it stands.

In the process of attempting to change the routing, various other issues have emerged which call the whole project and not only the routing into question.

In order to address these, the following recommendations have been made by Bankwatch:

- The Russian public deserves answers to the above questions before the project goes any further. The Russian government must disclose the existing concession agreement and re-examine NWCC's structure, final beneficiaries and tax contributions if the project is to bring any public benefits. The full structure of the company must be made public, including the shareholders of the British Virgin Islands and if applicable Bahamas companies. The Russian government must also re-examine whether the decisions to award NWCC the concession and to continue with the originally planned routing in December 2010 were taken as a result of careful deliberations, or rather as a result
of nepotism or lobbying.

- Although the European Bank for Reconstruction and Development is not currently involved in the project, and the project appraisal process at the European Investment Bank is also not proceeding, there are still lessons to be learnt from their earlier project appraisal processes. In the future they need to step up their project appraisal to screen out such un-transparent projects at a much earlier stage. Those banks which remain involved in the project - Sberbank and Vnesheconombank - likewise need to re-assess the risk they are taking on by financing an untraceable structure.

### Impacts

#### Human rights, social and gender impacts

This project has several social impacts attached to it. Some of these include:

- Direct impact on one of the few remaining natural public spaces in the Moscow area and therefore on the quality of life of the Khimki residents
- Insecurity and disempowerment of civil society dashes the remaining trust of the dedicated part of society in governmental institutions and splits society
- Disrespect of major public interests: According to a poll by the Levada Center in September 2010, 76% of Khimki residents are against the felling of Khimki Forest. Another poll in August 2010 showed that 67 percent of Muscovites oppose sacrificing the Khimki Forest near Moscow for the construction of the new road.

A range of crimes, including assaults resulting in permanent invalidity, attempted murder, beatings and robberies committed against members of the Movement to Defend Khimki forest in the last 3 years still remain uninvestigated.

Read more.

Instead of carrying out their duties of law enforcement, police are acting in a lawless way against activists. Detained activists who try to stop illegal forest cutting report violations of their rights and arbitrary treatment by the police, including denial of access to lawyers.

Read more.

Among the various forms of pressure put on activists against the routing, in February 2011 the State Guardianship and Khimki Police tried to launch a procedure to deprive Evgenia Chirikova of her children. A printed unsigned paper allegedly authored by her neighbours about Chirikova's "cruelty" toward the children was used as a pretext. The first check showed that the neighbours did not write the paper, and they denounced all the allegations in it. Nevertheless, next day the guardianship still tried to prosecute Evgenia. Calls and petitions from outraged people have apparently made them to stop the attempt. Nevertheless, Khimki police tried to enter Chirikova’s apartment again on February 27 and March 1.

Also in February 2011 Alla Chernishova, editor of the Movement’s website, was arrested by Khimki police and taken to the police station together with her 4 and 6 year old children. She was falsely accused of planting a 'dummy bomb' at the site of the forest works and subjected to an extensive interrogation for several hours. (The ‘dummy bomb’ has previously been used as an excuse not to allow a public demonstration to take place at the site). She was treated in a very rude manner, policemen threatened to deprive her of her children and to imprison her. She was finally released without charge.

### Environmental impacts

The 43-kilometer road section will slice through the heart of Khimki Forest, located between Moscow City and the Sheremetyevo airport. The Khimki Forest park is a protected natural area of about 1600 hectares with very rich wildlife including relic oak groves and is a natural habitat for elks, boars and other animals. The Khimki forest has existed in its current size since at least the end of XVIII century, and is classed as an old-growth forest. According to Russian Federal laws, Forest Parks are not to be used for anything other than recreation. It is an important natural recreation area for people living in the north of Moscow.

### Other impacts

The project has been examined by Transparency International, who concluded that the project shows signs of corruption in three areas:

- Loose interpretation of the law on changing the status of forest land, without clear criteria.
- The low level of transparency in the project and conflicting information in different official documents.
- The conflict of interests of Russian transport Minister Igor Levitin and former head of the Federal Agency Roads of Russia, Oleg Shakhov, who in 2009 took up a post as CEO at the Giprodor Research Institute which was engaged in survey work for the project.
- The Khimki forest issue is a precedent case in Russia going beyond forest protection - it is equally important for the protection of the environment and for the development of civil society and respect of human rights in Russia.
- The construction of the toll motorway through Khimki forest has become a symbol of corruption, lawlessness and bad governance which undermines the rule of law in Russia and dashes the remaining trust of the dedicated part of society in governmental institutions and splits society.

### Governance
Other applicable regulations

With the EIB and EBRD effectively out of the picture, the main policies and laws to be applied are those of the Russian Federation.

Vnesheconombank (the Bank for Development and Foreign Economic Affairs) is governed by the Russian Federal law "On the Development Bank" and also has its own set of financial policies. Read more.

These include:

- Transparency. Vnesheconombank shall carry out its investment and financial activities following the principles of information openness and transparency and using best practices of corporate governance;
- Environmental responsibility. Vnesheconombank shall not participate in investment projects that do not fully comply with environmental protection requirements and ecological efficiency standards.

Updates

Latest update

Sep 6 2011

The road construction work through the Khimki Forest is going on since mid-April 2011, after having temporarily been halted by President Medvedev in August 2010 because of the intense public protests. Russian activists have been running a camp in the forest since April, and have been literally risking lives stopping with their bodies, heavy trucks and bulldozers over the last months, being under incessant attacks of private security guards hired to protect the works.

The road construction works in the forest have been carried out in a rough contradiction to the Russian law which demands special permissions for cutting down of any tree in City District of Khimki as well as in Moscow District as a whole. Nevertheless, the perpetrators of the works not only failed to produce those permissions but officially admitted that they had no such permissions at all. Even the permission to start the construction works (which is not the one needed for legally cutting trees, which was never been issued up to now) was obtained in July - i.e., about three mounts later than the works were started de-facto. Only the extremely high level of corruption, which is typical for contemporary Russian courts, has not allowed to stop all the works by a court decision yet. Lawsuits against this project have been submitted by activists and NGOs almost every month since April - but they have been repeatedly refused under various formal pretexts. Now the permission for construction works themselves is to be challenged.

By now, the fight has got beyond the Khimki Forest itself - just the same conflict is unfolding in the forests of Solnechnogorsky district which are to be sacrificed for just the same PPP project. The conflict around Zavidovo National Park will be inevitable in the future if the next section of the motorway is built as it is planned now. The root of the problem is that the forests were clearly considered by the perpetrators of the project (Putin's government among them) as most useless lands that must be "developed" prior to any others.

Despite wide international resonance, French construction giant Vinci (which is standing behind NWCC LLC together with some completely unknown companies from tax-haven jurisdictions) is still keen to take part in the project. It even refuses to see any link between all the beatings, arrests and other human rights abuses and the project itself.

Financiers

Banks

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Multilateral development banks

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<td>Advisor</td>
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<td>undertook appraisal of this project but did not participate in the financial close in April 2010</td>
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The Russian state development bank, Vnesheconombank, together with Sberbank, also majority owned by the Russian state, has secured a syndicated loan, worth 1.05 billion USD for a period of 20 years for the North West Concession Company. The deal brings questions about the value for money of using the concept of PPP for this project considering that one of the main points of public-private-partnerships is to introduce private financing into infrastructure.

Both the European Investment Bank and the European Bank for Reconstruction and Development undertook appraisal of this project but did not participate in the financial close in April 2010. While the EBRD has confirmed that it is highly unlikely that it will now participate in this project, the EIB has been less forthcoming, merely stating that the project appraisal process is frozen.

Related companies

N-Trans Group Russian Federation

North-West Concession Company Moscow (NWCC) - international -

Vinci France show profile
Construction

Vinci SA Rueil Malmaison France