

legal/fiscal and regulatory environment to attract private capital and create a competitive domestic industry. The initial year of project implementation was not fully satisfactory due to delays in equipment delivery, largely resulting from political disruptions in the fall of 1994 and disputes over payment of import duties and VAT. While project economic returns are still expected to be achieved, production increases have been delayed by at least nine months. Initial procurement activities have been satisfactory and contracts for the first year program are largely in place. US\$23.5 million has been disbursed.

Ln 3706-RU Highway Rehabilitation and Maintenance Loan: US\$300 Million: Loan of June 22, 1994; Effective Date: Not Yet Effective; Closing Date: June 30, 1998; Executing Agency: Ministry of Transportation, Federal Highway Department. The Project Implementation Unit, which benefits from twinning arrangements with U. S. and Finnish highway agencies, has been established and is performing well. Contracts have been awarded for the first year (1994) which consists primarily of pilot road works under competitive bidding. Execution of road works began in August 1994 and is still in progress. Consultants are being selected to assist the Ministry of Transportation in developing a legal framework for the transport sector. No disbursements have yet been made.

Ln 3768-RU Second Oil Rehabilitation Loan: US\$500 Million: Loan of September 27, 1994; Not Yet Effective; Closing Date: June 30, 1997; Executing Agencies: Megionneftegas, Tomskneft, and Yuganskneftegas Producer Associations. This loan was signed on September 27, 1994. Draft bid documents are under preparation by all three Producer Associations and are expected to be provided to the Bank shortly. Bids for external procurement and technical advisors are under evaluation. Local procurement advisors have been engaged for four months. All Project Implementation Units have been established. External technical advisors are being placed. This project is not yet effective. No disbursements have yet been made.

Ln 3763-RU Enterprise Support Project: US\$200 Million Loan of September 27, 1994; Not Yet Effective; Closing Date: June 30, 2000; Executing Agency: Private commercial banks, Ministry of Finance. The loan will provide market-based medium-term finance to private enterprises for incremental capital investment. The funds will be intermediated through some twenty private commercial banks. Audits for twenty one banks have been completed and several