

NDEP News

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5th NDEP Assembly of Contributors



(Above) NDEP Assembly of Contributors

The summer meeting of the NDEP Contributors has rejuvenated the spirit of the Partnership and confirmed its commitment. The Assembly of Contributors chaired by Michael Webb, Deputy Head at the European Commission was held on 29 May 2007 in the offices of the EBRD.

“NDEP is a success story”, said EBRD President Jean Lemierre but added that the initiative is probably

reaching a bottleneck if there is no replenishment. “Building on the results of the Northern Dimension, the capacity of donors to bring a clear view and leadership and momentum by the replenishment is crucial, and that is in your hands” said the President.



(From left) Jean Lemierre, EBRD President and Vince Novak, EBRD Director for Nuclear Safety

The Russian Ministry of Finance led the Russian delegation which also included the Federal Atomic Energy Agency (Rosatom), Ministry of Foreign Affairs, Academy of Sciences (IBRAE), Kaliningrad Oblast Administration and representatives from the Russian Consulate in London.



(From left) Dmitry Pankin, Head of Department at the Russian Ministry of Finance and Andrey Malyshev, Deputy Head of Rosatom



Dmitry Pankin, the Head of Department at the Russian Ministry of Finance noted that there had been a real progress in the past 18 months with new funding and improved rate of disbursements. He also added that "If we make progress with the Kaliningrad projects and disbursement begins, we will have enough of an argument to approach the Government for additional money".

In his opening statement, Andrei Malyshev, the Head of Rosatom pointed out that Russia was contributing considerable resources into normalising the situation in respect of the nuclear legacy of the Cold War and acknowledged that cooperation under NDEP is a great contribution to increasing nuclear radiation safety in the northern area of Russia.

The Assembly welcomed new contributions from Germany (€10 million), Finland (€6 million) and Norway (2 million Norwegian kroner) and approved the first NDEP Grant for decommissioning of Building No 5 in Andreeva Bay in the sum of €2.25 million. A small increase of €135 thousand in TC funding for Syktyvkar Municipal Water Services Development project was also given a go-ahead. The Assembly also welcomed a proposal from the Nordic Environmental Finance Corporation (NEFCO) to join the NDEP Steering Group, which will be discussed at its next meeting.

The NIB presented a detailed report on the forthcoming project: Neva Closure of Direct Discharges of Untreated Wastewater in St Petersburg. Although the financing plan is not yet ready, the total project cost is estimated to be over €700 million. The NDEP grant envisaged for the first phase is in the region of €30 million.

The next Assembly of Contributors is planned for November 2007.

High Level NDEP meeting in Moscow

At the invitation of the Russian Ministry of Finance, the NDEP key members gathered in Moscow on 27 April 2007 for a high level meeting to discuss relevant issues and to prepare for the forthcoming Assembly of Contributors.



(Above) High level meeting in Moscow organised by the Russian Ministry of Finance on 27 April 2007

The meeting was co-chaired by the NDEP Steering Group Chair, Claudio Cortese, Director at the EIB and Dmitry Pankin, Head of International Cooperation and External Debt Management Department at the Russian Ministry of Finance. It brought together representatives from the Russian Federal Ministries for Economic Development and Trade, Foreign Affairs, Nuclear Energy and the Kaliningrad regional government. Representatives from the local Embassies of Canada, Finland and Sweden attended as observers.

The meeting provided an excellent opportunity for the EBRD and NIB to present reports on the developments in both the nuclear and non nuclear window of the NDEP, which were well received by the European Commission and Russia.



(From right) Claudio Cortese, NDEP Steering Group Chair, Dmitry Pankin and Alexander Pavlov from the Russian Ministry of Finance

The participants noted with special interest an update from the Kaliningrad regional government. The NDEP Grant Agreement for the Northern Dimension Foundation in Kaliningrad was ready for signing in May. The Governor of Kaliningrad supported the District Heating loan decree for which the approval of the Russian Ministry of Economic Development and Trade is to be issued shortly. The State expertise approval for the Water and Environmental Services Project including financing plan is expected to be obtained in June; same time as the extra-budgetary federal and local funding and are to be finalised for the Solid Waste Management Project.

The Russian Ministry of Finance confirmed its readiness to consider further NDEP Support Fund replenishment on the basis of program progress. The European Commission repeated its pledge to allocate €10 million pending on a letter of intention from the Russian side, failing which this offer from the EC would expire at the end of 2007.

The participants discussed new grant allocations for both nuclear and non nuclear window to be put forward as recommendations to the NDEP Steering Group. Other issues included: project implementation issues, rate of disbursement, ways to improve the coordination and information exchange.

Kaliningrad NDF receives €3 million NDEP Grant



(From left) Jaakko Henttonen, NDEP Manager, Yuri Savienko, Mayor of Kaliningrad, and Vladimir Dmitrievski, NDF Director General

NDEP Grant Agreement in the value of €3 million was signed on 17 May 2007 in Kaliningrad between the EBRD as the NDEP Fund Manager and the Northern Dimension Foundation (NDF).

The NDF was established by the Kaliningrad regional government to facilitate the implementation of the Kaliningrad Water and Environmental Improvement Services Rehabilitation Programme, which consists of 3 components (3 NDEP projects): water and wastewater component, district heating and solid waste management. The NDF will be responsible for project management, reporting to stake-holders, procurement and supervision of contract implementation.

Nuclear Window update

Since January 2007 the NDEP nuclear window has maintained a high level of monitoring of urgent projects and of the Strategic Master Plan (SMP) – Phase 2 and developed new projects.

The **urgent projects**: No 1 – Creation of safe conditions for storage and unloading of SNF “Alpha” class nuclear submarine in Gremikha and No 5 – Enhancement of Radiation Monitoring and Emergency Response System in Murmansk Region are on schedule. Project 5 was inaugurated on 27th of February in presence of the Bank. Other urgent projects are completed or progressing well. Urgent project No 2 – Feasibility Studies for Removal of SNF and SRW from the Open Storage Area in Gremikha and No 3 – Provisions for Safe Storage of WWR SNR in Existing Storage Facilities in Gremikha are undergoing a three months delay. Urgent project No 4 – Improvement of Physical Protection in Gremikha is completed and tests and training are underway.



(Above) Urgent project no 5 – a demonstration at the crisis center in Murmansk-inauguration on 27 February 2007)

The work on the **SMP-2** continues and will provide the framework for new projects to be funded by the NDEP nuclear window as well as a clear strategy for decommissioning. The priority programme and the findings of the strategic studies which were the first milestones of the projects were reviewed on 12th of April 2007 by the international community at the occasion of a NOC-CEG (Contact Expert Group) seminar held in London. This event was widely welcome, giving the occasion to discuss thoroughly the strategic project first outcomes. The Expert Advisory Group, created in 2003 to provide independent guidance of international experts to the Bank, gave his advice on the SMP work the following day. SMP-2 is expected to be completed in August 2007.

As for the **new projects**, the TACIS funded feasibility study is on-going to prepare the decommissioning plan for the “Lepse”. The Bank met with the Russian authorities and current contractor to have the most suitable documentation to ensure a quick start of the project in autumn; an approval then of the grant agreement by written procedure is foreseen. Concerning the decommissioning of Building 5 in Andreeva Bay, a first Grant Agreement (EUR 2.25 million) was approved by the NDEP Assembly at the occasion of its meeting on 29th of May to fund urgent maintenance works and the optioneering study that shall determine the decommissioning strategy. Negotiations are ongoing on the management functions.

Syktvykar Municipal Water Services project is gathering pace

The NDEP grant of €3.72 million combined with the €10 million loan from the EBRD and additional grants from the Finnish, Swedish and Canadian Governments have helped the Syktvykar Vodokanal to attract federal funding, and together with local financing, allowed to finish the work already started. Syktvykar Vodokanal managed to complete the construction of drinking water treatment facilities in Block No 4 and are now using the EBRD loan to construct a drinking water distribution main in the town.



(Above) Construction of the 800mm diameter water main in Syktyvkar

The overall investment aims to modernise the water and wastewater infrastructure in the City of Syktyvkar and strengthen the financial and operational performance of the municipal water company. Local facilities are insufficient due to prolonged lack of investment and outdated technology. Urgent needs in the city include rehabilitation of water mains and completion of the water treatment plant and 15 pumping stations. Moreover, the distribution network is in need of urgent work; the pipelines are for the most part old and corroded while the almost 300km wastewater system has on average 5-6 blockages per week.



(Above) New water treatment facilities in Block No 4 in Syktyvkar Vodokanal

The NDEP grant is used to finance the construction of a sludge pressure sewer and wastewater sludge pumping station to be operated by automated SCADA system. The NDEP is also financing technical consultants responsible for the design, procurement, engineering services and contract supervision.

The most expensive component will be a new water disinfection system for which €1.35million of NDEP grant is allocated. It will use sodium hypochlorite which is a much safer and environmentally friendly alternative to liquid chlorine. Tenders received for this component are now under evaluation.

The leak detection equipment financed by NDEP is already in operation and helps the Vodokanal to reduce losses of purified water through quick leak detection and elimination. The contract for the construction of a sludge

pressure sewer is to be signed by the end of June. Forthcoming tenders for other NDEP financed equipment can be found on the EBRD and NDEP websites. Procurement for NDEP tenders is to be completed by the end of 2008.

The Assembly of Contributors at its meeting on 29 May 2007 increased the NDEP grant funding by €135,000 to cover additional scope of engineering works.

Recent ND Events

The **Renewed Northern Dimension seminar** organised by the Spanish and Estonian Ministries of Foreign Affairs, and the local Estonian Embassy took place on **21 and 22 March in Madrid**. It gathered participants from Finland, Estonia, Spain, Portugal and the European Commission. Panel discussions were held on the NDEP and on the Northern Dimension Partnership for Public Health and Social Well-Being. The NDEP Manager made a presentation on the achievements of the NDEP.

The **Renewed Northern Dimension Policy and the Next Steps** was the subject of a seminar organised in Finland by the **Lappeenranta University of Technology on 31 May and 1 June**. It focused on energy efficiency, innovation and logistics. The keynote speeches at the seminar were made by the Finnish Ministry of Foreign Affairs, European Commission, Russian Ministry of Foreign Affairs, Secretary General of the Nordic Council of Ministers, Sitra, NEFCO and the St Petersburg State University. The NDEP Manager made a presentation on the Municipal Services and District Heating Projects in the North-West Russia in the session dedicated to improving energy efficiency of the Northern Dimension.

On **15 June** the Nordic Investment Bank held an expert **workshop on the Northern Dimension Transport and Logistics Partnership in Brussels**. The purpose of the workshop was to invite experts and financial institutions to discuss the potential role, content and additionality of a ND partnership for transport and logistics and to prepare this concept for further consideration by the Northern Dimension Senior Officials meeting later this year. The idea to examine such partnership was raised in the new Political Declaration of the EU, Russia, Norway and Iceland – the four equal partners who signed up to a new ND policy in November 2006.

Second meeting of the **Northern Dimension Steering Group** took place in **Brussels on 19 June**. The event was hosted by the European Union Presidency and the European Commission. The NDEP was presented to the group as an example of a well function partnership with a good track record. The NDEP Manager made a presentation which included challenges and bottlenecks encountered in the project implementation in Russia. The Northern Dimension Partnership on Public Health and Social Well-Being (NDHS) was also discussed together with a list of Russian suggestions for future ND projects.

NDEP Projects in brief

Project	Lead IFI	Total cost	NDEP grant	Progress
1. St. Petersburg Southwest Wastewater Treatment Plant	NIB	€193.6 million	€5.8 million	Project completed; plant in operation
2. St. Petersburg Flood Protection Barrier	EBRD	€1000 million	€1 million	Under Construction
3. St. Petersburg Northern Wastewater Treatment Plant Incinerator	EBRD	€90.4 million	€6.35 million	Under Construction
4. Municipal Environment Investment Programme in the Leningrad Oblast, Phase 1	NIB	€23.2 million	€4 million	Implementation started
5. Komi Municipal Services Improvement Project	EBRD	€31.8 million	€5.9 million	Implementation started
6. Kaliningrad District Heating Rehabilitation	EBRD	€21.8 million	€7.3 million	Approved by Assembly
7. Archangelsk Municipal Water Services Project	EBRD	€25.5 million	€8.2 million	Implementation started
8. Murmansk District Heating Project	NIB	€29.6 million	€5 million	Approved by Assembly
9. Novgorod Cross Municipal Rehabilitation	NIB	€14 million	€2 million	In preparation
10. Kaliningrad Solid Waste Management Project	NIB	€49.2 million	€10.1 million	In preparation
11. St. Petersburg Neva Closure of Direct Discharges of Untreated Wastewater	NIB	€700 million	€30 million	In preparation
12. Ladoga Environmental Programme	NIB	€100 million	n/a	Implementation started
13. Kaliningrad Water and Environmental Services	EBRD	€110 million	€10 million	Approved by Assembly
14. Vologda Municipal Water Services	EBRD	€18.4 million	€3.5 million	In preparation
15. Kaliningrad Project Implementation Unit	EBRD	€3.8 million	€3 million	Implementation started

Also note...

- The Nordic Investment Bank takes over the chairmanship of the NDEP Steering Group on 1 July 2007
- The NDEP Steering Group meeting is planned for September 2007 in Helsinki
- Kaliningrad Programme Steering Group will be held in September 2007
- Committee of the Senior Officials of the Council of the Baltic Sea States (CBSS) will meet on 12 September 2007 in Riga
- Committee of the Senior Officials of the Barents Euro-Arctic Council (BEAC) will meet at the beginning of September in Helsinki
- Inauguration of the chemical phosphorous removal plant in St Petersburg by St Petersburg Vodokanal in October 2007 with high level representation from Russia and Finland
- The NDEP brochure is available on request. Write to info@ndep.org with your name, organisation and postal address to receive a copy.

The **Northern Dimension Environmental Partnership** was developed in response to calls from the Russian Federation and the international community for a concerted effort to address environmental problems in Northwest Russia. The most pressing relate to water, waste-water, solid waste, energy efficiency and nuclear waste.

The NDEP evolved from this initial idea into a fully established partnership whose Support Fund, managed by the EBRD, provides grant co-financing to key investments in environmental and nuclear safety projects in this area. NDEP projects are implemented by the EBRD, the NIB, the EIB and the World Bank.

The European Union, the Russian Federation, Belgium, Canada, Denmark, Finland, France, Germany, the Netherlands, Norway, Sweden and the United Kingdom are the sponsors of the NDEP Support Fund, which currently stands at close to €242 million.

For more information, visit www.ndep.org, or contact Jaakko Henttonen at Henttonj@ebrd.com or NDEP Secretariat at Manike@ebrd.com