

NDEP News

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Signing ceremony (from left) Sergei Krapivin, Director of Kaliningrad Vodokanal and Jaakko Henttonen, NDEP Manager

€10 million NDEP Grant to improve the water quality in Kaliningrad region

NDEP Grant Agreement in the amount of €10 million was signed in an official ceremony kindly hosted by the Swedish Consulate General in Kaliningrad on 27 September 2007 between the EBRD, as the NDEP Fund Manager, and the Kaliningrad water utility Vodokanal. This is the most substantial NDEP grant signed so far.

This signifies a major breakthrough for an investment that goes back to 1990s when the construction of the wastewater treatment plant was abandoned due to lack of financing. The total cost of the project, as recently confirmed by the Russian state expertise, is approximately USD \$128 million. So far the project has secured loans from the EBRD and NIB and grants from Sweden, Denmark and NDEP. The remaining funds of about USD \$63 million necessary to complete the financing package have recently been confirmed by the Russian Ministry of Finance and the government of the Kaliningrad region.

The NDEP grant will help financing the construction of a wastewater treatment plant, rehabilitation of sewage collectors and pumping stations. The newly established Northern Dimension Foundation in Kaliningrad will assist in project implementation by providing consistent approach and accumulating project experience for two other NDEP investments in the region: district heating and solid waste projects.



Swedish hosts of the event (from left) Lars Eklund, Head of Division at Sida, Manne Wängborg, Swedish Consul General in Kaliningrad and Jan Johansson, NIB Regional Manager

Kaliningrad Water and Environmental Services project will significantly improve the supply of safe and clean drinking water. It will also help to reduce the amount of direct discharges into the Baltic Sea as the current wastewater treatment facilities provide mechanical treatment only. The project will generally improve the financial and operational performance of the municipal water utility, Kaliningrad Vodokanal.



Official inauguration of the phosphorous removal facility in St Petersburg

The phosphorous removal facility at the Central Wastewater Treatment Plant in St Petersburg was officially inaugurated on 1 October 2007 by the Finnish President, Tarja Halonen and St Petersburg Deputy Governor Mikhail Osseyevski. "Our dear Baltic Sea is unfortunately in bad shape, but it can get better. Saving the Baltic requires efforts from all countries in the area, and cooperation for decades to come", said President Halonen at the opening ceremony.



(from right)
The Finnish President, Tarja Halonen and St Petersburg Deputy Governor Mikhail Osseyevski pushing the button to start the facility

Indeed, the newly constructed facility is a fine example of such international cooperation. The €5 million investment is a joint project of the John Nurminen Foundation and the St Petersburg Vodokanal water utility. The Finnish Foundation has collected EUR 2.7 million for the project from Finnish companies, private individuals and the Finnish Ministry of Environment. The remaining funds come from the local Russian sources.



(Above) Overview of the Central Wastewater Treatment Plant located on Bely Island in St Petersburg

The new facility is expected to remove about 95% of phosphorous from wastewater before it enters the Gulf of Finland and reduce the overall phosphorous discharges by about a third. The chemical treatment, according to experts, is a single most effective way to combat the growth of toxic blue-green algae in the environmentally sensitive Gulf of Finland.

Based on the experience gained in the central treatment plant, which is the biggest wastewater treatment plant in St Petersburg, phosphorous removal will also be started in the other NDEP co-financed south-western and northern treatment plants. "Chemical phosphorous removal begins in October, and at two other large treatment plants within two years", assured Feliks Karmazinov, the Director of St Petersburg Vodokanal.

Also looking into the future, President Halonen stated, "NDEP has been catalyzing successfully several environmental investments in St. Petersburg. We wish that the next major NDEP project, the Northern Wastewater Tunnel Collector will commence soon."

New Steering Group Chair sets priorities for the year ahead



Johnny Akerholm, the President and Chief Executive Officer of the NIB, returns to NDEP as the NDEP Steering Group Chair for the second time.

A short interview with the new Chair follows:

- The replenishment initiative of 2006, started by the EBRD and continued by the EIB in their capacity as the NDEP Steering Group Chair, has resulted in new pledges of €16.3 from Germany, Finland and Norway. What is your view on future resources of the Fund?

It is of great importance for the continuation of the successful NDEP cooperation to secure additional funds for the NDEP Support Fund. With the proposed allocations for new projects, the current Fund will be depleted and it would not be possible to develop and implement new projects in pipeline. At NIB we particularly welcome the positive interest of the Russian Federation to continue supporting the NDEP by providing a further contribution and hope that this would also open up for other contributions.

- In recent months we have finally achieved great progress on NDEP projects in Kaliningrad and signed two NDEP agreements to benefit the region. Based on earlier experience, do you think we can now expect smooth project implementation or are there still obstacles in view?

Significant steps have indeed been taken and hopefully the major hurdles have now been passed and implementation of the water and sewage project and the district heating project can proceed smoothly.

However, in large and complex projects one should always be prepared for the unexpected to happen. The third Kaliningrad project, which is being developed for the waste handling sector, is still in an early phase due to the revision of the regional waste management strategy. In order to achieve effective progress it is important in all projects to have a close dialogue with the Russian authorities at both federal and regional level.

- *St Petersburg has been a solid NDEP partner. The SWTP is in operation, the Northern Incinerator project is to be completed this year. How do you feel about the future challenge of the Neva programme considering the sheer magnitude of the programme?*

I am optimistic that also this major undertaking will be carried out according to plan under the management of Vodokanal and with the support of the local and federal authorities. NIB is involved as the lead bank for this programme and we are satisfied with the progress bearing in mind that the preparatory and approval process of such a complex project inevitably requires time. We strive to present the programme for NDEP approval this fall and, pending approval, hope to be in the position to offer assistance to Vodokanal for the implementation.

- *At the last Assembly of Contributors in May 2007, NEFCO proposed to join the NDEP Steering Group. How do you see NEFCO fitting the NDEP?*

There is a general recognition of NEFCO's role as a financing partner in several of the NDEP projects as well as of its environmental financing competence. NEFCO should thus be able to provide a valuable input to the work of the Steering Group.

- *What are your priorities for NDEP during your chairmanship?*

First and foremost I would like to see the replenishment of the Support Fund materializing, as this is a prerequisite for maintaining an active NDEP cooperation. In my view this partnership can still provide an important contribution for the environmental work. And of course we will do what we can, in cooperation with the other partners, to advance the implementation of the ongoing projects as well as to identify new priority projects.

St Petersburg Northern Incinerator plant is nearing completion

The construction of the Northern Incinerator plant is approaching completion and a daily countdown to inaugurate the first incineration line on 26 October has been put in place at the site (see photo on the right).

According to the "Eco Chronicle" published in St Petersburg, the city will become the first in Russia to solve the problem of solid waste produced after the purification of wastewater. At the moment the sludge produced at wastewater treatment plants in the city, including SWTP, is either transported to Central Wastewater Treatment plant for incineration or disposed of in landfills. The new facility will almost double the city's incineration capacity and will lessen the environmental risks involved in transporting and burying the sludge in landfills.



Recent ND Events

Kajaani – 8 & 9 October 2007

As part of the official programme of the Finnish Chairmanship of the Nordic Council of Ministers, the Finnish Ministry of Education held a conference on the Northern Dimension and Culture in Kajaani, Finland on 8 and 9 October 2007. The conference brought together, amongst others, experts from the European Commission, the Russian Ministry of Foreign Affairs, the Ministry of Culture and Mass Communication of the Russian Federation and the Nordic Council of Ministers.

The purpose of the conference was to prepare concrete proposals for the upcoming EU-Russia Cooperation Action Plan and to increase cooperation in the framework of the renewed Northern Dimension policy. The NDEP Manager made a presentation on the financing structure of the NDEP as a model for partnerships in other fields of activities.

Kaliningrad – 10 & 11 October 2007

The third annual international conference on "Cross-Border Cooperation between the Russian Federation and the European Union" was held in the Kaliningrad oblast on 10 and 11 October 2007. The aim of the event was to examine and promote cross border cooperation in the Baltic Sea region at different levels of operation; from practical municipal to a strategic level of the Baltic Sea region and the "Northern Dimension" as a whole.

The conference was organised by the Russian regional government, EU and the Nordic Council of Ministers. The NDEP Manager took part in the round table discussion on financial instruments in the field of cross border cooperation by sharing the EBRD/NDEP experience in project implementation in the region.

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	To be inaugurated in October 2007
4. Municipal Environment Investment Programme in the Leningrad Oblast, Phase 1	NIB	€23.2 million	€4 million	Under construction
5. Komi Municipal Services Improvement Project	EBRD	€31.8 million	€6.035 million	Under construction
6. Kaliningrad District Heating Rehabilitation	EBRD	€21.8 million	€7.3 million	Approved by Assembly Grant yet to be signed
7. Archangelsk Municipal Water Services Project	EBRD	€25.5 million	€8.2 million	Under construction
8. Murmansk District Heating Project	NIB	€29.6 million	€5 million	Approved by Assembly Grant yet to be signed
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	Under construction
13. Kaliningrad Water and Environmental Services	EBRD	€110 million	€10 million	Grant signed 27/09/2007
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	Grant signed Implementation started

Also note...

- The NDEP Steering Group under new Chairmanship of the NIB meets in Helsinki on 25 October 2007
- Next Nuclear Operating Committee meeting will take place in London on 5 November 2007
- Next NDEP Assembly of Contributors will be held in London in the offices of EBRD on 30 November 2007
- ND Senior Officials meeting will take place in St Petersburg on 21 November 2007
- EBRD is preparing a seminar on the environmental, financial and public consultation aspects of incinerator projects for wastewater treatment sludge in the premises of St Petersburg Vodokanal. The date will be announced soon.
- 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 Henttoni@ebrd.com or NDEP Secretariat at Manike@ebrd.com