

NDEP News

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In this issue:

- An interview with Johnny Åkerholm, NDEP's new Steering Group chair
- New pledges for NDEP Support Fund
- Five projects endorsed for NDEP nuclear window
- NDEP Steering Group meets in Helsinki
- Two new environmental projects added to the NDEP pipeline
- NDEP grant agreement signed for Archangelsk
- PPP Seminar held in Moscow

Plus:

- NDEP projects in brief
- Also note...

An interview with Johnny Åkerholm, NDEP's new Steering Group chair



In April 2005, the Nordic Investment Bank (NIB) welcomed a new President and Chief Executive Officer, Johnny Åkerholm (pictured left).

Since the NIB currently holds the chairmanship of the NDEP Steering Group, Mr Åkerholm succeeds Jón Sigurðsson as the Group's chair.

A short interview with him follows:

• *NDEP recently secured additional donor funds. As a long-standing member of the donor community, what are your thoughts on this expression of confidence on their part?*

I am very pleased the donor community has responded so positively to the invitation to pledge more funds for the environmental window of NDEP. I see this as an expression of trust in NDEP as a multilateral financing mechanism, as well as a recognition that it has produced tangible results in the course of a relatively short time.

• *NDEP was designed to provide an innovative way of mobilising capital for environmental projects in north-west Russia. Do you think we are delivering on the mark?*

Yes, without doubt. Twelve projects were initially selected by NDEP for implementation. These projects were considered the most important environmental hotspots in the Northern Dimension area. At present, all the projects have proceeded and many are at the stage of implementation. The first project, which commanded a €189 million investment in the south-west wastewater treatment plant in St Petersburg, will be commissioned on 22 September this year. The NDEP project preparation work has been so successful that all the available funds were committed for financing in a fairly short time.

• *NDEP's approach is fundamentally based on partnerships and concerted action. Sceptics argue that partnerships are nothing but a "flavour of the month" fad. Do you have any comments on how NDEP's achievements are proving this assertion wrong?*

It was generally agreed that removing the large sources of pollution in north-west Russia could only be achieved by closely coordinating the efforts of international financial institutions (IFIs) and bilateral agencies, and by introducing an international financing mechanism. NDEP has been successful because it rests on a committed partnership among the Russian Federation, IFIs and donors. Without this, it would have been impossible to deliver and to produce such success stories as the south-west wastewater treatment plant. This project was carried out as a private-public partnership and earned a "Deal of The Year" international prize. There should be ample room to create other partnerships like NDEP around the world.



- *Do you think that NDEP's emphasis on grants for capital investments is more beneficial than a focus on technical assistance? Why?*

The preparatory part of the projects is financed by the bilateral agencies and the capital investments by IFIs and the donor community. By using the grants from the NDEP fund for capital investments, it has been possible to soften the financial burden of the project financing. This is essential for securing a satisfactory capital structure for such public utility projects. That being said, this does not exclude the possibility of using NDEP funds for technical assistance in circumstances when the requirements exceed what can be expected from bilateral sources.

- *What are your thoughts on the inter-IFI cooperation fostered by NDEP?*

This is one of the most intriguing aspects of the NDEP model. The IFIs are brought much closer together than before, as cooperation on project level is essential in order to bring the projects forward. We have in this way been able to improve coordination and avoid duplicating efforts, as well as share experience as we go along.

- *What are your goals as a Steering Group chair? How have you found the group you are presiding?*

The major goals of the NIB chair, which started last July, have been to complete the pledging process for the environmental window of the NDEP Support Fund, to see the first projects come forth in the nuclear window, and to develop the Ladoga Environmental Programme, a private sector window in NDEP. And I am pleased to say that all of these objectives are being achieved.

- *What is your vision for the environment in north-west Russia?*

Through close cooperation with Russia, I would like us to be able to remove the environmental risks that the nuclear waste on the Kola Peninsula represents. In addition, I would like us to tackle all the major sources of pollution in the region, whether in the private or public sector, within a period of five years.

EU, Russia, Sweden, Finland and Denmark pledge additional funds for NDEP Support Fund

Following the NDEP Assembly meeting in December 2004, five NDEP donors pledged to make additional contributions. The European Commission and the Russian Federation pledged €10 million each, and Sweden and Finland pledged €6 and €2 million respectively for non-nuclear environmental projects

In addition, Denmark assigned €1 million for the nuclear window.

These pledges increased the overall size of the NDEP Support Fund to €226 million, of which €76 million are non-earmarked.

NOC endorsed five projects for NDEP nuclear window

Following extensive consultations with the Russian Federation and bilateral donors, the Nuclear Operating Committee (NOC) endorsed in its meeting on 22 April five priority projects.

Four projects will tackle urgent issues in the Gremikha Bay area and will involve the following activities:

- creating safer conditions for storing and unloading spent nuclear fuel,
- developing a feasibility study for removing spent nuclear fuel and spent radioactive waste from open storage areas,
- improving physical protection, and
- developing a feasibility study for safely storing spent nuclear fuel in existing facilities.



Above photo: Solid radioactive waste (SRW) storage pad in Gremikha

In addition, a fifth project will develop a radiation monitoring and emergency response system in Murmansk.

Russian experts and Western consultants have begun working on the planning stages of these projects.

The first task of the nuclear window was to develop, together with the Russian Federation Authorities and a group of independent international experts, a **Strategic Master Plan (SMP)**. The SMP defines a comprehensive and harmonised work programme for the overall decommissioning of nuclear submarines and service vessels, for the management of spent fuel and waste and finally for the environmental rehabilitation of the north-west Russia.

EBRD is carrying out a **Strategic Environmental Assessment (SEA)** of the SMP. The purpose of the SEA is to ensure that the environmental consequences of the SMP are identified and assessed before its implementation goes ahead. By reporting on key environmental, health and safety and social implications, the SEA provides the environmental dimension to the technical SMP and increases its transparency through a public consultation process which follows it. The Strategic Environmental documentation is available for public review on the EBRD website:

<http://www.ebrd.com/enviro/nuclear/index.htm>

NDEP Steering Group meets in Helsinki

The NDEP Steering Group – made up of representatives from the EBRD, EIB, European Commission, NIB, World Bank and the Russian Federation – gathered on 9 March 2005 in Helsinki. Observers from Canada, Finland, Germany, Lithuania, Poland and Sweden also attended. The meeting, chaired by the NIB, coincided with the fourth anniversary of the establishment of NDEP.

The Steering Group examined the status and progress of all NDEP projects. The Group agreed to recommend a grant of €10 million from the Support Fund to the Kaliningrad Solid Waste Management project. In addition, two further projects were included in the NDEP work programme: the Kaliningrad Water and Environmental Services project and the Vologda Municipal Water Services project.

NIB reported on the substantial environmental impacts of their project portfolio in north-west Russia. Once implemented, the total yearly sulphur dioxide reduction is expected to be three times the total yearly emissions from Sweden. Carbon dioxide reduction will be equivalent to almost one fourth of Sweden's climate strategy target reduction under the Kyoto protocol. The overall investments will reduce the load of phosphorus to water equal to 10 % of the total load to the Gulf of Finland.

Two new environmental projects added to the NDEP pipeline

The NDEP Steering Group decided to include two new projects in the NDEP environmental pipeline.

The first one will seek to assist municipal water services in the city of Vologda, which has a population of 300,000 inhabitants and is located 450 km north-west of Moscow and 600 km south-east of St Petersburg.

The total project cost is expected to reach €16 million, towards which an NDEP grant of €3.5 million is sought. The project is being designed to improve the treatment of water and wastewater and hence reduce wastewater pollution and increase energy efficiency.

The second project will improve Kaliningrad's water and wastewater treatment facilities. The city's wastewater treatment capacity is insufficient; and most of its wastewater is discharged directly into the Baltic Sea. In addition, pollution problems in the Pregol River and Primorsk Bay vastly exceed the levels recommended by HELCOM and EU standards.

EBRD, NIB, bilateral donors and Russian partners are making efforts to close the remaining financing gap of this project worth approx. €90 million.

NDEP grant agreement signed for Archangelsk project

NDEP signed an €8.2 million grant agreement in Archangelsk on 11 February 2005. The NDEP grant supports a project carried out by the EBRD for the Archangelsk Vodokanal, the municipal water management company owned by the city of Archangelsk.

This is the largest NDEP grant so far and it will help fund equipment and technical assistance for the reconstruction and extension of the city's wastewater network. The project, the implementation of which has already started, will help eliminate discharges of untreated sewage into the Barents Sea basin.



Timo Hokkanen (left) NDEP Manager and Leonid Kabanihin (right) Archangelsk Vodokanal's Director General sign the NDEP grant agreement

PPP Seminar held in Moscow

The Ministry of Finance of the Russian Federation, in cooperation with all major IFIs active in Russia, held a seminar on Public-Private Partnerships (PPP), in Moscow on 10 February 2005.

The seminar, entitled "PPPs: Global Experience and Challenges in Russia," helped elucidate how these partnerships can bring solutions to the country's infrastructure finance challenges.

IFIs including EBRD, EIB, IFC and NIB shared their global experience on PPPs and discussed perspectives in Russia. The presentations are available in both English and Russian from the NDEP website at www.ndep.org.



Evgeni I Tselikov (pictured left), First Deputy General Director of GUP Vodokanal St Petersburg, shares his experience on attracting financing for municipal investments in Russia.

NDEP Projects in brief

Project	Leading IFI	Total cost	NDEP grant	Progress
• St Petersburg South West Wastewater Treatment Plant	NIB	€189 million	€5.8 million	Under construction
• St Petersburg Flood Protection Barrier	EBRD	€492 million	€1 million	Under Construction
• St Petersburg Northern Wastewater Treatment Plant Incinerator	EBRD	€90.4 million	€6.35 million	Under Construction
• Municipal Environment Investment Programme in the Leningrad Oblast	NIB	€23.3 million	€4 million	Approved
• Komi Municipal Services Improvement Project	EBRD	€31.8 million	€5.9 million	Implementation started
• Kaliningrad District Heating Rehabilitation	EBRD	€21.8 million	€7.3 million	Approved
• Novgorod Cross Municipal Rehabilitation	NIB	€20 million	€2 million	In preparation
• Kaliningrad Solid Waste Management Project	NIB	€49 million	€10 million	In preparation
• Archangelsk Municipal Services Improvement Project	EBRD	€25.3 million	€8.2 million	Implementation started
• Murmansk District Heating Project	NIB	€29.6 million	€5 million	Approved
• St Petersburg Neva Direct Discharge Closure Project	NIB	€200-300 million	To be determined	Steering Group Endorsed
• St Petersburg District Heating Programme	EBRD	To be determined	To be determined	In preparation
• Ladoga Environmental Programme	NIB	€500 million	To be determined	Implementation started
• Kaliningrad Water and Environmental Services	EBRD	€91 million	To be determined	In preparation
• Vologda Municipal Water Services	EBRD	€16 million	To be determined	In preparation

Also note...

- 13th Ministerial session of the Council of the Baltic Sea States (CBSS) will be held in Szczecin, Poland on June 9-10 <http://www.cbss.st/>
- The next NDEP Steering Group meeting will be held in St Petersburg on July 6
- The opening ceremonies of the Southwest Wastewater Treatment plant in St Petersburg are scheduled for 22 September this year. This event is expected to attract high level presence from the governments, investors and other organisations involved in the project.
- Visit NDEP's website in Russian at www.ndep.org/RUS/ and in English at www.ndep.org. The site includes all information available on NDEP, including newsletters and general information. The NDEP brochure is being updated. Write to info@ndep.org with your name, organisation and postal address to receive a copy once it becomes available.

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 €226 million.

For more information, visit www.ndep.org, or contact Timo Hokkanen at hokkanet@ebrd.com