

NDEP News

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The opening ceremony of the St. Petersburg South-west Waste-water Treatment Plant



From the left: Mr Vladimir Putin (President of Russia), Ms Valentina Matvienko (Governor of St. Petersburg), Ms Tarja Halonen (President of Finland) and Mr Göran Persson (Swedish Prime Minister) at the opening ceremony of SWTP

The first NDEP project, South-west Waste-water Treatment plant (SWTP), was officially inaugurated in St. Petersburg on 22 September 2005. The President of Finland, Ms Tarja Halonen and the Swedish Prime Minister, Mr Göran Persson joined the Russian President, Mr Vladimir Putin, for the opening ceremony of the €189 million plant.

"This is a truly significant event not just in the life of our City but for the entire Baltic Sea region (...) Gone are the days when St. Petersburg was the main polluter of the Baltic Sea," said Ms Valentina Matvienko, the Governor of St. Petersburg, in her welcoming speech. *"For the first time in St. Petersburg, different states, European financial institutions and 856 private companies have all united their efforts to build this environmental facility of such significance for us all – a facility that is the biggest of its kind in recent years and the best in Europe"* – she also said in her speech.

The Finnish President said that the coastal states had cooperated for decades in order to improve the condition of the Baltic Sea. Ms Halonen commended the unique structure of the SWTP, which although involving so many parties was completed on time and entirely according to the financing plan. She noted that it was the first ever project that had been completed with the assistance from the NDEP Support Fund and added: *"I am convinced that the good experience and relations achieved in this project can also be utilised in other Northern Dimension cooperation."*

"This plant is the flagship of the Northern Dimension Environmental Partnership. (...) The experience we have gained through our cooperation in St. Petersburg creates the conditions for further joint effort to ensure a clean and healthy Baltic Sea for the future," – said the Swedish Prime Minister. However he expressed his concerns about the extent of the environmental damage done to the Baltic Sea: *"Too great a volume of untreated wastewater enters the Baltic, raising phosphorous and nitrogen content to dangerous levels. The cod population has fallen drastically. Mass-scale algal bloom in the waters meant that many beaches on the Baltic coast were unfit for public use this summer. We need to and we can take action to reverse this situation."* Mr Persson stressed the need to move forward with the remaining projects in St. Petersburg, Kaliningrad and the the Baltic Sea area.



The Russian President, Mr Vladimir Putin, congratulated everyone on this outstanding example of international cooperation, especially thanking the Finnish President and the Swedish Prime Minister for their personal commitment to the project. *"We have made a great contribution to improving the quality of life for people in St. Petersburg and for our neighbours in the Baltic region. We should remember that the coasts of the Baltic Sea are home to 50 million people,"* he said.

"Russia realises its responsibility for maintaining the ecological balance and improving the region's environment, and we hope to be able to continue working together with our partners to carry out major projects that are in the interests of all our people," assured Mr Putin. He also added: *"the Finnish and Swedish taxpayers, and indeed all the countries of Europe, should know that their money has been spent in the best way possible here in St. Petersburg."*

The full versions of the speeches and photos from the event are available on the NDEP website www.ndep.org in the News Section.

An interview with Fabrizio Saccomanni, NDEP Steering Group chair



In July 2005, the European Bank for Reconstruction and Development (EBRD) took over the Chairmanship of the NDEP Steering Group.

The EBRD Vice President, Mr Fabrizio Saccomanni, (pictured left), has succeeded Mr Johnny Åkerholm as the Group's new chair.

A short interview with him follows:

• How would you evaluate the current progress of the NDEP?

Bearing in mind the challenges the NDEP faced during its first two years of operation as a pioneering initiative, the progress so far has been good. Especially this year we can see tangible results of our hard work. NDEP's first project, Southwest Wastewater Treatment plant, is now fully operational. The opening ceremony took place on 22 September in the presence of the Russian President Putin, Swedish Prime Minister Persson and Finnish President Halonen. Several other NDEP environmental projects are well underway with the NDEP funds being disbursed to suppliers. On the nuclear side, the EBRD has managed to reach a consensus on the Strategic Master Plan and the first Grant Implementing Agreements were signed in August this year.

• There has been some discussion on the slow start of the nuclear window activities. Do you think that EBRD is delivering its promise?

I think we are. The start appeared to be slow because of the huge preliminary and preparatory work required. You have to remember that we are dealing with unique challenges in Kola Peninsula not only of an environmental nature. We have had no previous experience in coordinating such huge tasks with a large number of Russian and foreign actors in a highly sensitive defence sector. It took some time to put the right structure in place. The adoption of Strategic Master Plan was a very important milestone, both from a political and technical point of view. The Strategic Environmental Assessment, which accompanies it, will be finalised in early October. The implementation of the first projects will start soon and we will be able to see tangible results in the nuclear window.

• Russia is currently enjoying high economic growth and a very strong balance of payments surplus. Why should international donor community continue to support environmental projects in north-west Russia?

Despite the strong external position of Russia, the magnitude of environmental problems in the North-west cannot be resolved without international co-operation. We are talking about huge investments spread over a number of years. It is in the interest of all the neighbouring countries, not only Russia's, to implement the projects quickly. NDEP provides an effective mechanism both for the Russian government, western donors and international financial institutions to mobilise very substantial investment for environmental purposes. International cooperation in the NDEP allows to mobilise not only financial resources but also the IFI's and donors' expertise in project formulation and implementation which is crucial in dealing with complex environmental projects. In any case, I would like to remind you that Russia provides a significant amount of local financing for the NDEP projects. If the current good economic growth continues, it will help with the project implementation and will allow us to increase our portfolio of projects.

• There has been great progress with NDEP projects in St. Petersburg. Will the NDEP's attention now shift to Kaliningrad - another major source of pollution to the Baltic Sea?

We have three important environmental projects under preparation in Kaliningrad: water and wastewater services, district-heating rehabilitation and solid waste management. The combined value of these investments is over €160 million. We are very keen to start these projects in Kaliningrad which remains a major environmental hot spot in the Baltic Sea region. At the same time, NDEP will continue preparing and implementing four large projects in St. Petersburg: the northern incinerator plant, the flood protection barrier, the River Neva direct discharge closure and the district heating programme. The total value of these projects is in the range of €900 million. In this sense, it will not be

the case of shifting our attention to Kaliningrad but more like trying to keep both horses running at the same time.

• What is your agenda for the chairmanship of the Steering Group? What is the greatest challenge of your new role?

This is my second term in the SG rotating Chairmanship and I know that the Steering Group provides a very functional mechanism for co-operation between the NDEP partners. As the chairman of the Steering Group, my priority task would be to secure more funding for the NDEP non-nuclear window to carry on with the preparation of projects and to start work on the urgent projects already identified in the nuclear safety sector. Secondly, I would like to speed up the implementation of projects and the rate of disbursements. These are challenging objectives but I hope we will be able to report back to the donor community on many positive achievements of the NDEP by June 2006.

14th NDEP Steering Group meeting takes place in St. Petersburg

NDEP Steering Group meeting, comprising representatives from the European Commission, the Russian Federation, the EBRD, the EIB, the NIB and the World Bank - met on 6 July 2005 in St. Petersburg to discuss the Partnership's progress and future actions. Representatives from Canada, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden were also present as observers.



Ms Valentina I. Matvienko, Governor of St. Petersburg and Mr Johnny Åkerholm - the Steering Group Chair

The meeting kindly hosted by St. Petersburg City Administration was the second one to be held in the Russian Federation. In her welcoming speech Ms Valentina I. Matvienko, Governor of St. Petersburg, acknowledged the importance of the Partnership for the Baltic Sea region with its planned investment of US\$ 1billion for projects in St. Petersburg.

Ms Matvienko noted the significant environmental benefits of the NDEP projects for the five million inhabitants of the city and the entire Baltic Sea region. The Southwest Wastewater Treatment will ensure 80% wastewater treatment level in the city. The construction of the Northern Incinerator and the reduction of the direct

discharges into the River Neva will allow St. Petersburg to comply with HELCOM standards. The governor also mentioned the importance of the Flood Protection Barrier for the future of the city.

Mr Johnny Åkerholm - the Steering Group Chair and the newly elected NIB President - led the discussion on the Partnership's financial status, progress of the NDEP projects and future visibility actions.

This time the discussion focused on the Kaliningrad Water Services project which faces a substantial financing gap. The project cost has increased from USD 57 million originally estimated in 1997 to USD 127 million. This is due to aggregated inflation over the years, devaluation of the USD and further deterioration of assets built in the Soviet times. There was a general support for the project and for the proposed joint NDEP Project Implementation Unit for Kaliningrad – both to be discussed further in the next Steering Group meeting.

The meeting marked the end of the NIB's chairmanship of the Steering Group. For the next 12 months, the EBRD will convene Steering Group meetings and lead the cooperation between the members. The July meeting also marked the departure of two long serving NIB members of the Steering Group: Jón Sigurðsson and Oddvar Rønsen who started their retirement later this year.

Nuclear window update

NDEP nuclear window concentrated their efforts on preparing the first urgent projects and the documents for the Strategic Master Plan (SMP) Phase 2. The first Grant Implementing Agreements were signed in August this year. The Strategic Environmental Assessment (SEA), which accompanies the SMP, will be finalised in early October. The implementation of the first projects in the nuclear window is expected to start shortly.

Komi and Archangelsk Municipal Services Improvement projects

The investment programme for the City of Syktyvkar, the capital of the Komi Republic, has now entered a procurement stage. All financing agreements have been signed and are effective. The first tender for the NDEP funded equipment (leakage detection equipment) was published on 9th September. Further tender notices are under preparation and will be published later this month.

The project for rehabilitation and modernisation of the water and waster infrastructure in the City of Archangelsk, the capital of Archangelsk region, is now close to a procurement stage. The guarantee agreement with the Archangelsk region has finally been approved and is to be signed later in October. A detailed investment plan is currently being prepared which includes the NDEP funded equipment.

NDEP Projects in brief

Project	Leading IFI	Total cost	NDEP grant	Progress
• St. Petersburg South-west Waste-water Treatment Plant	NIB	€189 million	€5.8 million	completed
• 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	€300 million	To be determined	In preparation
• 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...

- Seminar in Lappeenranta, Finland **10-11 October 2005** "The Future of the Northern Dimension", organised by the Finnish Ministry of Foreign Affairs. <http://www.lut.fi/nordi/overview/seminar2005.html>
- The next NDEP Steering Group meeting will be held in London on **7 November 2005**.
- EU Northern Dimension Ministerial meeting will take place in Brussels on **21 November 2005**.
- The 4th NDEP Assembly of Contributors meeting will take place in London on **28 November 2005**.
- 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 **new 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 €226 million.

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