

NDEP News

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Assembly of Contributors meets in London on 28 November 2005

The Assembly of Contributors of the NDEP Support Fund gathered for the fourth time in London on 28 November 2005 to examine the Partnership's progress and to make decisions on future projects and actions. The Assembly meeting was hosted by the EBRD, the NDEP Fund Manager and chaired by Mr Gerhard Lohan of the European Commission.

Delegations from the contributing countries included: Canada, Denmark, European Commission, Finland, France, Germany, the Netherlands, Norway, the Russian Federation and Sweden. Also, Belgium, Italy, Poland and the United States were present as observers, together with the EIB and the NIB as the NDEP Implementing Agencies.

"For all of us the Northern Dimension Initiative is very important, for all the donors, for all the countries and for Russia", said the EBRD President, Mr Jean Lemierre, in his welcoming speech. He noted the positive results of the replenishment efforts for the non nuclear side which totalled over €28 million in 2005 and came from five

different countries. He also acknowledged concrete results in the nuclear window where first contracts were signed and further progress was made with the Strategic Master Plan. Mr Lemierre underlined the strength of the multilateral approach such as the NDEP and assured that the results in the years to come would further demonstrate the relevance of this approach.



Russian Delegation to the Assembly: (from left) Ms S. Korzhova, Ministry of Foreign Affairs, Ms L. Kozhanova, Ministry of Finance, Mr D Pankin, Ministry of Finance, Ms T Balykina, Ministry of Foreign Affairs and Mr S Antipov, Rosatom

The Russian Delegation this year included representatives from the Ministry of Finance, the Federal Atomic Energy Agency (Rosatom) and the Ministry of Foreign Affairs. In addressing the Assembly, the Head of the Russian Delegation, Mr Dmitry Pankin, Head of the International Cooperation and External Debt Management Department of the Ministry of Finance, expressed Russia's satisfaction with the achievements of the NDEP. He also acknowledged the importance of launching the first NDEP project, the Southwest Wastewater Treatment Plant in St Petersburg earlier this year. Mr Sergey Antipov, Deputy Head of Rosatom, added that the NDEP had succeeded in providing the legislative basis and standards for the nuclear window which had now entered the Implementation Phase.

The Assembly approved new contributions to the NDEP Support Fund from the European Commission (€10 million), Russia (€10 million), Sweden (€6 million), Finland (€2 million), Denmark (€1 million) and from Norway (€125,000).



The Assembly then focused their attention on the NDEP project pipeline, the progress in the nuclear window and the four potential projects for the NDEP grant financing: Kaliningrad Project Implementation Unit, Kaliningrad Water and Environmental Services, Kaliningrad Solid Waste Management and Vologda Municipal Water Services project.

The key outcome of this year's Assembly was the approval of a €10 million grant funding for Kaliningrad Water and Environmental Services project and €3 million grant for the Kaliningrad Project Implementation Unit. The Assembly also agreed to extend the life of the NDEP Support Fund till November 2012.

Assembly extends the life of the NDEP Support Fund till 2012

The Assembly agreed to amend the Rules of the NDEP Support Fund and extend the life of the Fund, currently expiring in 2007, till 2012. The replenishment efforts of 2005 resulted in much welcomed new pledges, the payment of which will extend beyond the year of 2007. Also, it has become evident that the implementation of both the non nuclear and nuclear window projects will continue beyond 2007. The decision to extend the life of the Fund was unanimous.

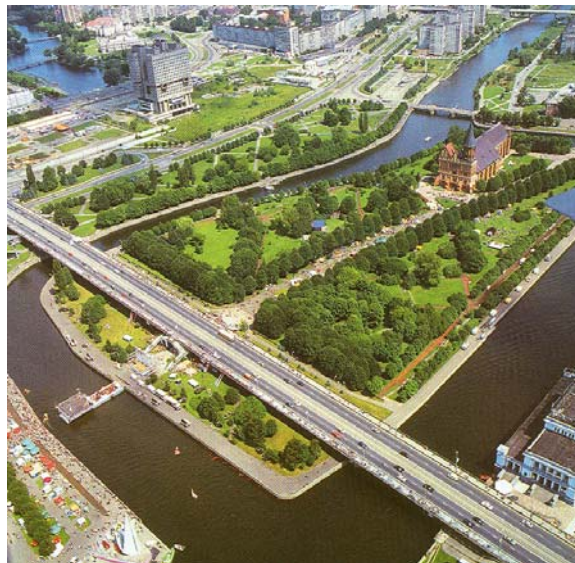
The Assembly approves grant funding for two projects in Kaliningrad

Kaliningrad Water and Environmental Services Rehabilitation project and Kaliningrad Project Implementation Unit (PIU) will benefit from a €10 million and a €3 million NDEP grant funding respectively – the Assembly agreed at its meeting on 28 November 2005.

Currently there are three NDEP projects in Kaliningrad at various stages of preparation: USD 127 million Water and Environmental Services project, €49 million Solid Waste Management project and €22 million District Heating project. This represents a huge amount of investments and environmental benefits for Kaliningrad.

The Russian Ministry of Finance proposed to establish a **Project Implementation Unit (PIU) in Kaliningrad** so that all three projects could come together under one common structure and be implemented under the same guidelines. One corporate governance structure will guarantee that the skills and expertise required for the implementation of projects are concentrated in one entity and shared by all three investments. It will also ensure coordination in terms of monitoring and reporting back to donors, lenders and other stakeholders.

The PIU will be staffed by professionals from the Kaliningrad Oblast, while international consulting firms are to provide assistance and advisory services. By establishing a local ownership of the projects, the PIU will strengthen local commitment for the proposed investments as the Kaliningrad Oblast will share the responsibility and accountability for project implementation. The €3 million NDEP grant funding for the Kaliningrad PIU will fully cover the cost of external consultant advisory services and partly fund the local staff expenses.



Overview of the city of Kaliningrad

The €10 million NDEP grant funding for **Kaliningrad Water and Environmental Services Rehabilitation** project will help to secure a long awaited financial closure for this USD 127 million investment. The proposed financing structure also includes: EBRD (USD 18 million), Sida (SEK 120 million), NIB (USD 13 million), DEPA (USD 6.4 million), NEFCO (USD 1.7 million), local financing (USD 5 million) and EIB/other IFIs (USD 67.6 million).

The project was originally designed in 1997 and the initial cost estimate was USD 57 million. Subsequent studies revealed that the project was significantly undervalued and the most recent valuation in January 2005 raised the figure to USD 127 million. The reason behind this cost increase was aggregated inflation of over 8 years, devaluation of the USD and further deterioration of assets built in the seventies and eighties.

Kaliningrad has been identified as a priority environmental hot spot under the Baltic Joint Comprehensive Environmental Action Plan. It is one of the major polluters of the Baltic Sea, second only to St Petersburg. The pollution problems in the Pregol River and Primorsk Bay exceed 10 times the levels stipulated by HELCOM and more than 20 times EU standards. Potable water, which around 420,000 people rely on, is of such poor quality that it meets neither World Health Organisation nor Russian Health standards. Water supply is frequently disrupted especially in summer when, as a rule, households receive water for only two hours per day and water to hospitals and schools needs to be delivered in tanks. Annually 4% of population in Kaliningrad falls ill with diseases caused by poor quality of water.

Kaliningrad Water and Environmental Services Rehabilitation project includes a construction of a new wastewater treatment plant which is estimated to decrease discharges of BOD into the Baltic Sea by 7,800 tons per year, nitrogen by 300 tons per year and phosphorus by 120 tons per year.

NDEP Nuclear Window has entered the Implementation Stage

The legal and the financial frameworks for the Nuclear Window activities were established in 2005. The Agreement on the Provision of Technical Assistance to the Russian Federation in Implementation Projects between Rosatom and the EBRD was signed on 7 July 2005. It paved way for the first Grant Implementation Agreements (GIAs) totalling € 19.1 million signed with the Russian recipients on 5 August 2005.

- The first Grant Agreement was signed with Rosatom for €7 million for financing the second phase of the Strategic Master Plan including a development of a full blown decommissioning plan for North West Russia. The contract with the team of Russian experts was signed in October 2005 and the tender for the International Consultant launched in November.
- The second Grant allocated € 7 million to SevRAO ("Northern Federal Company on handling with radioactive waste") – a company established by Russia to take over the navy on-shore facilities in Gremikha and Andreyeva Bays. This Grant supports three urgent projects in Gremikha Bay dealing with critically important storage of spent fuel and physical protection of the facility.
- The recipient of the third Grant totalling € 5.1 million was Murmansk Regional Government. It is to fund the Regional Monitoring and Emergency Response System in the area.

The contracts for the urgent projects were all signed in 2005 and the work is progressing. The projects address the most critical priorities in terms of safety and security, as identified in the Strategic Master Plan Phase I and confirmed by the Strategic Environmental Assessment (SEA) which was completed in October 2005 after an extensive public consultation.

Quarterly NDEP Steering Group meeting held in London 7 November 2005

The NDEP Steering Group gathered on 7 November 2005 in London to discuss the Partnership's progress and prepare for the forthcoming meeting of the Assembly of Contributors. Representatives from Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Poland and Sweden participated in the meeting as observers. Also, a representative from the Kaliningrad Oblast joined the meeting to support the NDEP projects in this region.

Mr Fabrizio Saccomanni, the new Steering Group Chair, noted two great milestones achieved since the last meeting in July 2005. The first NDEP project, St Petersburg Southwest Wastewater Treatment Plant was inaugurated in September with a high level of international political participation. On the nuclear side, three grant agreements totalling nearly €20 million were signed in August to benefit urgent projects in Gremikha Bay and Murmansk region.



The Steering Group examined the financial status of the NDEP Support Fund and checked on the progress of all the projects in the pipeline. The Group agreed to recommend an NDEP grant of €3 million for the Kaliningrad Project Implementation Unit and an NDEP grant of €10 million for the Kaliningrad Water Services Rehabilitation project for the Assembly's approval on 28 November 2005.

The meeting marked the hand over of the Steering Group Chairmanship from the NIB to the EBRD for the next 12 months. The next Steering Group meeting is scheduled to take on 28 April 2006.

4th Northern Dimension Ministerial Meeting in Brussels (21 November 2005)

4th Northern Dimension Ministerial meeting took place in Brussels on 21 November 2005. The Meeting, chaired by the UK - which currently holds the EU Presidency - adopted a guideline for developing the concept of the Northern Dimension after 2006. With the enlargement of the European Union in May 2004 and the adoption of the Road Maps for the four Common Spaces between the EU and the Russian Federation in May 2005, it was felt that the ND requires some reshaping in order to better fit into the new operational environment.

The new Northern Dimension concept will replace the current Northern Dimension 2nd Action Plan which expires on 31 December 2006. It will provide a stable and permanent basis for the ND policy as opposed to the previous three-year action plans. The Northern Dimension will focus increasingly on north-west Russia, including its environment.

The Foreign Affairs Ministers present at the meeting recognised the important role played by the International Financial Institutions active in the area. The NDEP was mentioned as a good model for future partnerships of international cooperation.

Farewell to Timo Hokkanen – NDEP Manager

Regrettably, Timo Hokkanen stepped down from his position as the NDEP Manager on 10 February and decided to pursue a new career in his native Finland. The recruitment process for his successor will start shortly and details of the post will be advertised on the EBRD website: www.ebrd.com.

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	€492 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	€20.03 million	€4 million	Approved by Assembly
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	€25.3 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	€20 million	€2 million	In preparation
10. Kaliningrad Solid Waste Management Project	NIB	€49.2 million	€10.1 million	In preparation
11. St. Petersburg Neva Direct Discharge Closure Project	NIB	€300 million	To be determined	In preparation
12. St. Petersburg District Heating Programme	EBRD	To be determined	To be determined	In preparation
13. Ladoga Environmental Programme	NIB	€500 million	n/a	Implementation started
14. Kaliningrad Water and Environmental Services	EBRD	€110 million	€10 million	Approved by Assembly
15. Vologda Municipal Water Services	EBRD	€16 million	€3.5 million	In preparation
16. Kaliningrad Project Implementation Unit	EBRD	€3.7 million	€3 million	Approved by Assembly

Also note...

- The next NDEP Steering Group meeting will be held in London on 28 April 2006.
- The Arctic Council will have a Senior Arctic Officials (SAO) meeting on 26 and 27 April 2006 in Syktyvkar, the capital of the Russian Republic of Komi.
- 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 Ewa Manik at Manike@ebrd.com