



Northern
Dimension
Environmental
Partnership

Природоохранное
Партнерство
Северного
Измерения

The Northern Dimension Environmental Partnership:

Concerted action for a cleaner
environment in northern Europe

The Northern Dimension Environmental Partnership (NDEP) is an innovative cooperative effort responding to calls from the Russian government and the international community for concerted action to tackle the most pressing environmental problems in north-west Russia.

NDEP provides a strong international framework, backed by financial resources, for governments, donors, international financial institutions (IFIs) and all concerned to work together in bringing solutions to the region's long-standing environmental problems. The Northern Dimension stretches from Iceland to north-west Russia and from Norway to the southern coast of the Baltic Sea.

To design and implement its projects, NDEP combines, for the first time, the expertise and resources of the European Union, the Russian Federation, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Nordic Investment Bank (NIB) and the World Bank Group.

Why is NDEP needed?

The need for environmental investment in north-west Russia is severe, especially considering the years of neglect under the Soviet era and the fragile environment across the region.

Pollution in the Northern Dimension is not confined by national borders. Poor wastewater treatment, lack of energy efficiency and inadequate nuclear waste management affect the environment and the livelihoods of people thousands of kilometres away.

Several countries in the Northern Dimension are in transition towards market-oriented economies. These countries lack the resources and the expertise to tackle on their own, and with the necessary expediency, the weight of environmental damage they face.

Investments in environmental projects in north-west Russia are limited – and many projects need additional funds to become

commercially viable. The population's low income puts a strict limit on how much environmental investment can be financed by increasing tariffs. NDEP addresses all these challenges in north-west Russia.

Who started NDEP?

NDEP marshals unparalleled top-level political commitment and cooperation from local governments, international organisations and donors.

NDEP emerged from the European Union's Northern Dimension initiative, whose Action Plan features prominently in the EU's policy agenda. A key mandate of the EU's Action Plan for the Northern Dimension is working towards a safe and clean environment for all people in this area. NDEP embodies the environmental aims of the EU's Northern Dimension Action Plan – and is turning words into action.

The concept of NDEP and the high-level political support it enjoys, has developed over several European summits and Council meetings since 2000. During these stages, the efforts of a variety of organisations, particularly the EBRD, were crucial in shaping and fine-tuning the scope of the partnership. NDEP's distinct challenges in dealing with nuclear waste have already been met with top-level cooperation. The signing of the landmark Multilateral Nuclear Environmental Programme in the Russian Federation (MNEPR) came about because of the unwavering international political commitment gathered to confront negative nuclear legacies. G8 initiatives, including the G8 Global Partnership against the Spread of Weapons and Materials of Mass Destruction, also provide backing for NDEP's aims.

All NDEP projects benefit from the high environmental, financial and technical standards demanded by the IFIs, whose experts strive to bring world-class technical know-how to each project. The involvement of the IFIs also guarantees that all NDEP projects should be environmentally sound, conforming to regulatory frameworks, regularly monitored, and compliant with the public information and consultation principles of transparency and accountability.

NDEP has received a substantial contribution from the Russian government, which actively participates in the design and implementation of NDEP projects.

For the first time, a partnership – made up of the region's IFIs, contributing governments, bilateral aid agencies and other important actors, such as the EU – is delivering a common environmental programme for north-west Russia. Together, they set priorities for action and ensure investments in each project are as beneficial as possible.

How does the Fund work?

The NDEP Support Fund is designed to complement the resources provided by the IFIs working in north-west Russia. With this aim, NDEP awards grants to environmental projects implemented and/or co-financed by IFIs.

By providing a portion of the total funding required for these projects, NDEP grants act as catalysts for further investments in environmental projects. They provide an extra “push” to environmental projects that may not be financially viable without the support of a grant.

To deal with nuclear waste, NDEP provides full funding within an international cooperation framework addressing the complex challenges of cleaning up the legacy of the Soviet Northern Fleet, which operated in the region. With this in mind, the NDEP Support Fund has a special nuclear “window”.

NDEP also endeavours to secure the active involvement of the Russian authorities and other donors and lenders. These efforts aim

to foster awareness and strengthen cooperation among all concerned with improving the environment in the Northern Dimension.

What types of projects does NDEP finance?

NDEP grants support projects that:

- tackle urgent environmental infrastructure problems
- require additional investment financing – rather than technical assistance funding – to complete the structuring of an IFI loan
- involve progress monitoring – and amendments to the project if necessary
- have the support of the Russian government.

As of mid-2003, 12 projects – totalling over €1.3 billion in investments – have been identified and other opportunities will continue to be assessed. NDEP projects include:

- completing the south-west waste-water treatment plant in St Petersburg, which will substantially reduce the effluent load to the Bay of Neva, the Gulf of Finland and the Baltic Sea
- completing the St Petersburg flood protection barrier, which will protect the city and its residents from damaging floods
- building the St Petersburg northern waste-water treatment plant incinerator, which will solve sludge disposal problems for the Gulf of Finland
- upgrading Kaliningrad's district heating system, which will reduce energy losses, help increase productivity and safeguard the area's environment
- improving municipal services in the Republic of Komi to improve the quality of drinking water, water supply and waste-water services for the local population.

The full list of NDEP projects is available at www.ndep.org.

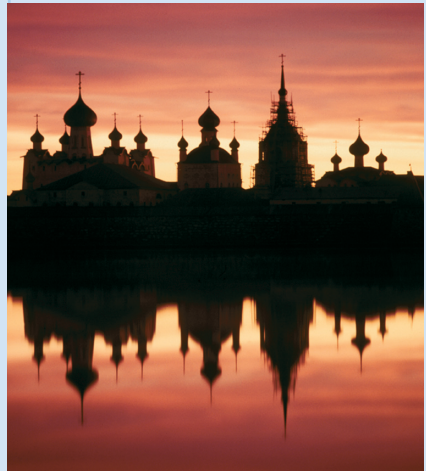
NDEP structure

NDEP consists of two separate pillars:

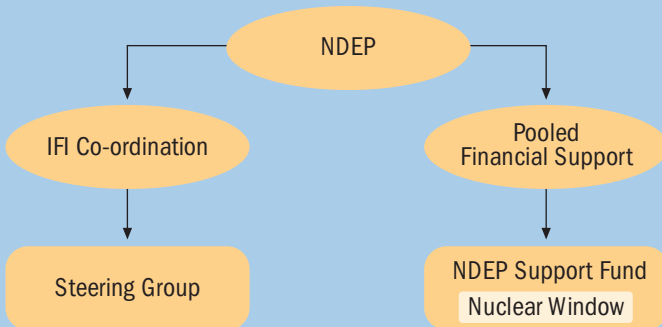


The **NDEP Steering Group** brings together the expertise of the European Commission, Russia, the EBRD, the EIB, the NIB and the World Bank. The Steering Group seeks to achieve effective consultation, coordination and cooperation among the IFIs. Based on the region’s main environmental concerns and the available NDEP funds, the Steering Group identifies priority projects and puts together financial packages – consisting of NDEP grants, IFI resources and other donor funds – for each selected project. Following this process, the Steering Group presents projects to the NDEP Assembly of Contributors for approval. The IFIs take it in turn to be the chair of the Steering Group on a one-year rotational basis. The Steering Group meets several times a year.

The **NDEP Support Fund** pools the funding from all NDEP contributors and guarantees that assistance is provided effectively. Contributors to the NDEP Support Fund participate in an extensive international programme that, through a unique collaborative approach, maximises the impact of their contributions towards improving the environment in northern Europe. The NDEP Support Fund is managed by the EBRD under the supervision of the Assembly of Contributors, the Fund’s governing body. As Fund manager, the EBRD draws on its substantial experience in north-west Russia and in administering similar funds, particularly for nuclear safety activities. The Assembly is currently chaired by the European Commission and meets at least once a year.



NDEP pillars



North-west Russia's environmental challenges

On the one hand... the Northern Dimension area has vast natural resources, including a unique biodiversity and some of the last unexploited European forests. However environmental degradation is causing increasing concern. The Baltic Sea is heavily polluted by excess nutrients and other organic substances, which interfere with the health and diversity of indigenous fish, plant and animal populations.



One of the main sources of fresh water to the Gulf of Finland comes from the Neva River, which flows through St Petersburg. More than half of the municipal waste-water from St Petersburg is discharged into the river with insufficient treatment. This makes the city the single most important source of pollution in the Baltic Sea area.

NDEP projects tackle this important source of pollution as well as other infrastructure needs aiming to improve energy efficiency and municipal services throughout north-west Russia.

By the same token... radioactive waste stemming from the operation of nuclear submarines and other nuclear vessels is a major problem for the Northern Dimension area. In addition, there are roughly 40,000 spent nuclear fuel assemblies in many areas of the Barents Sea region. The nuclear material is inadequately stored – some of it on land or off shore in submarines or ships,

many of which are in danger of sinking. Typically, the fuel is highly enriched and poses environmental threats and security risks of an international scale.

The current facilities were not designed for the gigantic task of supporting the decommissioning of the ageing Soviet nuclear fleets. Efforts must be directed towards radically improving the management of accumulated waste as well as facilitating present and future decommissioning and de-fuelling of nuclear propelled vessels.

The EBRD is the lead IFI for managing the NDEP's nuclear window. This is based on its extensive experience in nuclear safety projects in eastern Europe and the former Soviet Union. Pledged contributions to the EBRD's nuclear safety programme total over €1.4 billion.



NDEP supports projects in two distinct areas. It backs traditional environmental projects, such as water, waste-water, solid waste and energy efficiency, as well as nuclear waste management projects. NDEP environmental projects are carried out throughout the whole of north-west Russia and Kaliningrad. Nuclear clean-up projects focus on the Kola Peninsula, the largest repository of spent nuclear fuel in the world.

A case in point...

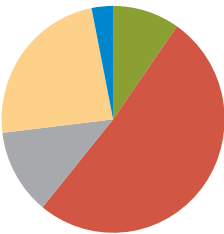
Concerted action for cleaner water in the Baltic Sea

Poisonous algae nourished by untreated sewage from St Petersburg render the Gulf of Finland's waters unsafe for swimmers and fish for part of each summer.

Shepherded by the NDEP Support Fund, a group of donors and lenders are financing a €190 million project to complete the St Petersburg south-west waste-water treatment plant, which was left only half-finished when construction funds ran out in the Soviet era. The plant is the single most important way of cutting the Gulf of Finland's level of pollution. When completed, it will handle 330,000 cubic metres of sewage a day, dramatically curtailing pollution levels for Russia and its neighbours on the Gulf of Finland and beyond.

An unprecedented collaboration – among European institutions, Nordic contractors, IFIs, donors, and local authorities – stands behind this partnership. Funds are being provided by NDEP, the EBRD, the EIB and the NIB. Other investors include Sweden's Swedfund International, the Finnish Fund for Industrial Cooperation and the Nordic Environmental Finance Corporation.

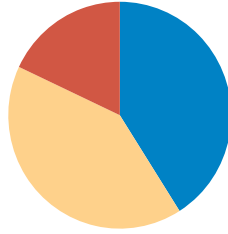
Project financing structure



- Equity and local contribution (€18.37 million, 9.7%)
- IFI loans (€96.58 million, 51.2%)
- Other loans (€23 million, 12.2%)
- Bilateral grants (€45 million, 23.8%)
- NDEP grant (€5.8 million, 3.1%)

The project is also supported by the EU's TACIS programme, the Swedish International Development Agency and

Nordvod's ownership structure



- Vodokanal St Petersburg (local water utility) 41%
- International and local contractors 41%
- Nordic Environment Finance Corporation (NEFCO) 18%

the Finnish Ministry of Environment. The NIB is leading this unique group of financiers. The project is acting as a model for public private partnerships (PPP) in Russia. It will combine the resources and expertise of the local authorities with those of Nordvod, the newly formed private company in charge of implementing the project.

A special purpose construction company, SWTP Construction Ltd, was set up to conduct the works. Seventy per cent of employees are Russian and the remaining come from Finland and Sweden.



Through a series of projects in water, waste-water, solid waste, energy efficiency and nuclear waste management, NDEP is helping to deliver concrete benefits to the environment – and the people – of north-west Russia and the Northern Dimension at large.



NDEP is a partnership bringing together donor countries, the European Commission, the Russian Federation and the international financial institutions operating in north-west Russia. The NDEP Support Fund pools financial resources available for NDEP activities. Current contributors to the NDEP Support Fund are:

- European Union
- Denmark
- Finland
- France
- Norway
- Russia
- Sweden
- United Kingdom

Other donors including Belgium, Canada, Germany and the Netherlands are expected to join the Fund in the near future.



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