

NDEP News

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(from left, front row) Mr Sergey Storchak, Deputy Minister of Finance of Russia and Mr Kapyrin, Deputy Director, Ministry of Foreign Affairs of Russia

Assembly of Contributors meets in London



(from left, front row) **Dr Alistair Clark**, Steering Group Chair and EBRD Managing Director, **Sir Suma Chakrabarti**, EBRD President, **Mr Richard Tibbels**, Assembly Chair and Head of Division at EEAS at the European Union

The EBRD, Fund Manager of NDEP, welcomed delegations from Belarus, Denmark, the European Union, Finland, France, Germany, Netherlands, Norway, Russia, Sweden and the United Kingdom to the NDEP Assembly of Contributors in London on 30 November 2012 to assess progress and take stock of the activities of the Partnership during the past year. The European Union chaired the Assembly as the largest Contributor to the Fund and Belarus, Lithuania and the NDEP Implementing Agencies (EBRD, EIB, NIB, NEFCO and KfW) attended the meeting as observers.

In his opening address EBRD President **Sir Suma Chakrabarti** expressed gratitude to Norway and Germany for their contributions to NDEP in 2012.

“The replenishment initiative to mark the 10th anniversary of NDEP has so far resulted in almost €50 million of additional funds and that is in my view a remarkable achievement in the current economic climate. We are very grateful indeed for that,” said the EBRD President. With the new resources, NDEP has been able to co-finance a number of new projects for energy efficiency in line with Russia’s priorities, alongside the traditional investments for improved wastewater treatment and solid waste management. Commenting on the nuclear window of NDEP, Sir Suma Chakrabarti highlighted the successful transportation of the Lepse ship from Murmansk for further decommissioning as the key achievement in 2012 and also noted substantial progress made in establishing contracts to ensure safe removal of spent fuel assemblies stored at Andreeva Bay. The EBRD appreciates the good cooperation with Rosatom under the leadership of its Director Mr Kryukov.

Mr Sergey Storchak, Deputy Minister of Finance of Russia noted that “the Russian Government pays great attention to the activities of NDEP which is probably the most efficient partnership in northern Europe,” and added that “Russia is pleased that the partnership is spreading its activities to new fields of the environment and the infrastructure”. Mr Storchak admitted that one of the big challenges for the Partnership is to limit delays with the project implementation, particularly in the Kaliningrad region which is now receiving a great deal of political attention. Mr Storchak thanked the European Union as the Chair of the Assembly, the EBRD for hosting the meeting and managing the Fund and commended the Implementing Agencies for good work on projects.



"I think the Northern Dimension is a success story of genuine partnership between the EU, Iceland, Norway and the Russian Federation and our Environmental Partnership is the flagship within this success story. We see the importance of NDEP as two-fold: it has produced concrete results across a wider area of the Baltic, the Barents and north-west Russia but it is, at the same time, a positive example of the EU and Russia working together," said **Mr Richard Tibbels** on behalf of the European Union as Chair of the NDEP Assembly. Mr Tibbels paid tribute to all the Northern Dimension partners for their generous donations and support of the Partnership in the past years and remarked that "Now as some of the large-scale projects of the Partnership are advancing well, it may be time to reflect on how we develop the Partnership further in the future".



(from left, front row) Mr Anatoly Grigoriev, Head of Department at Rosatom, Mr Bernard Moutou, French Ministry of Ecology, Energy, Sustainable and Territorial Development

Mr Anatoly Grigoriev, Deputy Head of Department of Rosatom expressed his appreciation to the countries supporting the nuclear window of NDEP and noted that "from year to year our results are becoming more and more impressive, and an example of that undoubtedly is the transportation of Lepsa from the highly populated centre of Murmansk to shipyard at Nerpa". At the same time, Mr Grigoriev noted the high complexity of projects such as defueling the uniquely designed Papa-class submarine reactors and the retrieval of the SNF from Andreeva Bay. In this context international cooperation within the NDEP is particularly important to address these challenging nuclear hazards.



The Swedish, Norwegian and Dutch Delegations to the 11th NDEP Assembly of Contributors

Mr Vince Novak, EBRD Director of the Nuclear Safety Department noted the excellent cooperation between the bilateral programmes and the multilateral NDEP and thanked Rosatom for their good cooperation. While the transportation of Lepsa was the most visible achievement of the year, the Archangelsk Radiation Monitoring and Emergency Response System was also successfully completed in 2012. This, together with the Murmansk system, now provides an effective monitoring and emergency response system across the entire region. In their progress report, the EBRD informed about the status of various contracts and construction works across the nuclear safety portfolio of projects. The Assembly approved the proposed contracts for further work at Andreeva Bay and cancelled at Rosatom's request previously approved grant GIA 009 due to a change in the management strategy for SNF which will save costs.

The Assembly examined the progress in the environmental window including the newly approved projects for Lomonosov District Heating (EUR 2.5 million grant) by EBRD, Gatchina Wastewater Treatment (EUR 0.39 million) and Gatchina District Heating (EUR 0.5 million) by NEFCO. The EBRD and the NIB gave a detailed report on the status of the NDEP projects in Kaliningrad and informed that all the partners are looking forward to scheduled completion of the wastewater treatment plant in May 2013. The NIB reported on the excellent progress with the construction of the Northern Tunnel Collector in St Petersburg which will be officially inaugurated on 10 October 2013.

The next Assembly meeting is planned for 6 December 2013 in London.

NDEP Support Fund at the start of 2013

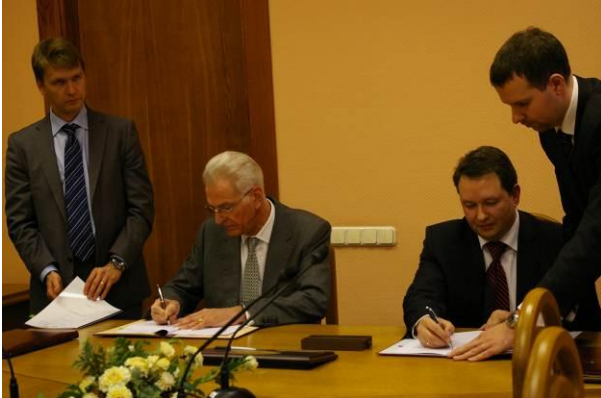
NDEP Support Fund in 2013		
Environmental		Nuclear
€44m	European Union	€40m
€60m	Russia	
	France	€40m
	Canada	€20m
€10m+€3m	Germany	€10m
€26.2m	Sweden	
€19m	Finland	€2m
	UK	€25.2m
€10m	Denmark	€1m
€3.1+€0.68m	Norway	€12.7m+€3.75m
	Netherlands	€10m
	Belgium	€0.5m
€1m	Belarus	
€176.98m		€165.15m
€342m		

Sludge Dewatering Station approaching completion

At the start of 2013 the NDEP Support Fund totals EUR 342 million with EUR 176.98 million available for environmental projects and EUR 165.15 million earmarked for nuclear safety projects. The total amount of grant agreements signed for nuclear safety projects comes to EUR 160.6 million. In the environmental window, the Assembly has so far approved 29 projects with grant allocations of EUR 123 million – leaving a balance of EUR 52 million for new projects. The Assembly encouraged the IFIs to develop new proposals for co-financing with NDEP.

EBRD and NIB loan signing for NDEP projects in Belarus (10 December 2012)

Belarus joined NDEP in 2009 with a EUR 1 million donation to the Fund. Based on this the NDEP Assembly of Contributors held on 6 December 2010 and attended by the First Deputy Prime Minister of Belarus, Mr Vladimir Semashko, approved EUR 6 million in grant funds for three wastewater treatment projects in Vitebsk, Grodno and Brest. After extensive preparation, both the EBRD and NIB loan agreements were signed on 10 December 2012 in Minsk.



Signing of the EBRD loan agreement (from left) Mr Paul-Henri Forestier, EBRD Director for Caucasus, Moldova and Belarus and Mr Andrey Sharets, Minister of Housing and Communal Services of Belarus

The sovereign loan of EUR 18.2 million provided by the EBRD is part of a long term environmental infrastructure project to benefit three municipal water companies in Vitebsk, Baranovich and Slonim. Vitebsk Vodokanal will rehabilitate its wastewater treatment facilities while Baranovich and Slonim Vodokanals will modernize their management of sludge accumulated from wastewater treatment which will allow them to collect biogas for energy production. The loan funds will be on-lent to the three utilities for investment through decentralised project implementation units. The loan and grant funds will be disbursed directly to the relevant contractors who will be selected through international tenders.



Signing of the NIB (from right) Mr Andrey Sharets, Minister of Housing and Communal Services of Belarus, Mr Thomas Wrangdahl, NIB First Vice-President and Head of Lending, Ms Kersti Talving, NIB Senior Manager and Mr Igor Kovtun, NIB General Representative in Russia presenting a good-will token to Belarus

The NIB is financing wastewater treatment investments in two additional municipalities of Grodno and Brest with a EUR 25 million loan. The project for Grodno is also supported by a EUR 4.5 million loan from the World Bank. The NIB signed a framework agreement with Belarus in June 2010 and Grodno and Brest became the NIB's first projects in this country. Similarly, these are the EBRD's first water utility projects in Belarus where the Bank had not previously had any exposure to the municipal sector.



(from left) Mr V. Shkodov, Director of Slonim Vodokanal, Ms Kersti Talving, NIB Senior Manager, Mr A. Sadkov, Director of Vitebsk Vodokanal, Mr Paul Covenden, EBRD Senior Banker and Mr S. Karpinsky, Grodno Vodokanal

The three wastewater treatment projects in Vitebsk, Grodno and Brest will improve the environment and public health of about 1 million people. What is more, since almost half the country lies in the Baltic Sea basin area, there will be significant cross-border environmental benefits for neighbouring countries. Currently the nutrient load from Belarus enters the Baltic Sea through its trans-boundary rivers: the Bug flowing through Poland, the Daugava through Latvia and the Nemunas through Lithuania.

The objective of the three NDEP co-financed projects is to ensure compliance with HELCOM standards for wastewater treatment. The combined expected annual reductions are estimated at 336 tons of phosphorous and 1,410 tons of nitrogen. In comparison, the HELCOM target for phosphorous reduction in Belarus is 1,740 tons per year in order to reach the recommended content of 0.5 mg of phosphorous in one litre of treated wastewater. These nutrients have been identified as the key substances causing the eutrophication of the Baltic Sea creating dead zones where the ecosystem is threatened by the spread of noxious algal growth.

In appreciation of this major step towards better wastewater treatment in Belarus, the NIB presented the Belarusian party with an ornamental glass fish at the signing ceremony. Mr Igor Kovtun, NIB General Representative in Russia, explained that it is a tradition of their Bank to mark each important signing with a special token and in this case, a fish symbolises the good health of the Baltic Sea that the projects are aiming to achieve.

The signing of the NDEP grant agreements is expected in spring 2013 after the loans have been registered with the respective authorities in Belarus.

Completion of the Novgorod Water and Wastewater Rehabilitation Programme

The NDEP project in Novgorod came to a technical completion in December 2012. The newly constructed wastewater facilities will be taken into operation in spring 2013. The NIB/NEFCO loan agreements and the NDEP grant were signed in December 2009 on the occasion of the 110th Anniversary of the Novgorod water utility. The NDEP grant provided equipment to upgrade the main sewer collector and wastewater networks. The financing structure included EUR 15.5 million in the Russian federal and local funds, EUR 4 million joint NIB and NEFCO loan, EUR 3 million NDEP grant and EUR 0.5 million grant from the Swedish Sida.



Mr Vitaly Artyushenko, Chief Investment Adviser of NEFCO in Russia (pictured left) has a long history connected with the project in Novgorod. A short interview with him follows below.

Where did the idea for the Novgorod project initially come from?

The project has a long history. It has witnessed the change of two Governors, three Mayors and three Vodokanal Directors and gave rise to a few careers, including my own as I have progressed over the years from a Consultant to NEFCO working on this particular project to a Chief Investment Adviser of NEFCO in Russia. The project idea dates back to the end of the 1990s when the NIB, as the lead Bank, began structuring an investment covering all three municipal sectors (water, district heating and solid waste) based on a feasibility study financed by SIDA. NEFCO was supporting the preparatory phase of the project with grant funds. Unfortunately due to insufficient local commitment at the time, this combined approach did not work out and the IFIs carried on working separately with each of the responsible utilities.

NEFCO resumed their discussions with Novgorod Vodokanal in 2005. As NEFCO was not part of NDEP then, it was agreed that the NIB would regain its position as a lead Bank and would channel the NEFCO financing to the utility and seek for an NDEP grant for the project. This joint cooperation resulted in a quick (considering the whole history) result when the NIB/NEFCO loans and the NDEP grant were signed on 10 December 2009.

Who were the most instrumental parties in getting the project off the ground?

The most crucial was the Government of the Novgorod Oblast in providing a guarantee for the project and the City of Novgorod which showed strong commitment. In addition the newly appointed Director of Vodokanal was most crucial in getting the project fully financed. He came on board just half a year before the loan signing with ambitious vision of Vodokanal's future.

Other very important stakeholders in the project's success were funds from the Russian federal budgets and surprisingly the city's own history! In 2009 Novgorod celebrated its 1150th anniversary as the birthplace of Russia. In connection to this remarkable jubilee substantial federal funding was allocated through several federal programmes to, inter alia, upgrade the infrastructure of this ancient city. Federal financing has in turn triggered the need for external financing which was secured from the NIB, NEFCO and NDEP. I am certain that the NDEP grant of EUR 3 million in particular was duly recorded in the long register of anniversary presents that Novgorod has received.

What were the main challenges during the implementation of the project?

I would say that cold winter and rainy autumn which surprised the contractor and caused some delays in project implementation. But seriously speaking, the project was implemented quite swiftly, within the agreed budget and without any major deviations from the original plans.

How difficult was it to persuade the client to invest in its wastewater system?

It was indeed not easy, especially in the beginning. But this is exactly why NDEP makes a great difference by leveraging affordability of investments, securing political attention to environmental challenges and creating attractive mechanism in order to implement complex projects to achieve concrete environmental benefits.

As Chief Investment Adviser of NEFCO in Russia, how do you see future cooperation of NEFCO and NDEP?

The cooperation between NEFCO and NDEP has always been strong and mutually rewarding covering not only project fields. It has in particular, allowed to substantially increase NEFCO's activities in the municipal sector in Russia and thus fulfil on a much broader scale NEFCO's environmental mandate. As for the future, we are currently working on an extensive pipeline of new projects in Russia, several of which will definitely see their place on the NDEP table already this year.



Ms Maria Kolchak, PIU Manager from Novgorod Vodokanal in front of concrete pipes for the main sewer collector financed by the NDEP grant

NDEP Projects in brief (in million EUR)

Project	Lead IFI	Total cost	NDEP grant	Progress
1. St. Petersburg Southwest Wastewater Treatment Plant	NIB	193.6	5.8	Completed - in operation
2. St. Petersburg Flood Protection Barrier	EBRD	2000	1	Completed - in operation
3. St. Petersburg Northern Incinerator	EBRD	90.4	6.35	Completed - in operation
4. Leningrad Oblast Municipal Programme	NIB	23.2	4	Approaching completion
5. Komi Syktyvkar Municipal Services	EBRD	31.8	6	Approaching completion
6. Kaliningrad District Heating Rehabilitation	EBRD	21.8	7.3	Under construction
7. Archangelsk Municipal Water Services Project	EBRD	25.5	8.2	Approaching completion
8. Novgorod Water and Wastewater Rehabilitation	NIB	23	3	Completed
9. St. Petersburg Neva Programme	NIB	563	24	Under construction
10. Kaliningrad Water and Environmental Services	EBRD	110	10	Under construction
11. Vologda Municipal Water Services	EBRD	20	5.18	Under construction
12. Kaliningrad Project Implementation Unit	EBRD	3.8	3	Under implementation
13. Sosnovyi Bor Municipal Water Services	NEFCO	3.3	0.5	Approaching completion
14. PIU for Poultry Farms in Leningrad Oblast	NEFCO	3.5	2	Under implementation
15. Petrozavodsk Water and Wastewater Rehabilitation	NEFCO	32	5	Under construction
16. Ten Suburban WWTP in St Petersburg	NEFCO	16	3.75	Under construction
17. Petrozavodsk Solid Waste Management	NEFCO	8.5	1.5	Approved by Assembly
18. Pskov Water/Wastewater Infrastructure Rehabilitation	EBRD	27.4	6.5	Under construction
19. Murmansk City Water/Wastewater Rehabilitation	EBRD	30.1	6	Approved by Assembly
20. Vitebsk Wastewater Treatment Rehabilitation	EBRD	21.2	2	Approved by Assembly
21. Grodno Water/Wastewater Treatment Rehabilitation	NIB	25.1	2	Approved by Assembly
22. Brest Water and Wastewater Treatment Rehabilitation	NIB	18.4	2	Approved by Assembly
23. Vologda District Heating	EBRD	17.8	2	Under implementation
24. Gatchina Wastewater Treatment Plant	NEFCO	2.5	0.39	Approved by Assembly
25. Tikhvin Wastewater Treatment Plant	NEFCO	1.3	0.25	Approved by Assembly
26. Vyborg Wastewater Treatment Plant	NEFCO	6.5	1.25	Approved by Assembly
27. Novgorod District Heating	EBRD	23.3	1	Approved by Assembly
28. Gatchina District Heating	NEFCO	4	0.5	Approved by Assembly
29. Lomonosov District Heating Rehabilitation	EBRD	15.2	2.5	Approved by Assembly
TOTAL		€3.3 billion	€123 million	

The **Northern Dimension Environmental Partnership (NDEP)** was set up in 2001 in response to calls from Russia and the international community for a concerted effort to address environmental problems in the Northern Dimension Area (NDA).
The most pressing actions relate to water, waste-water, solid waste, energy efficiency and nuclear waste.

The NDEP Support Fund is managed by the EBRD and provides grant financing to key investments in environmental and nuclear safety projects in the Northern Dimension Area. NDEP projects are implemented by the EBRD, NIB, NEFCO, EIB, the World Bank and KfW.

The European Union, Russia, Belarus, 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 €342 million.

For more information, visit www.ndep.org, or contact:

Jaakko Henttonen, EBRD Regional Office, 25 Nevsky Prospect, St Petersburg 191186, Russia - Email: HenttonJ@ebrd.com
NDEP Secretariat: Ewa Manik, EBRD, One Exchange Square, London EC2A 2JN, UK - Email: ManikE@ebrd.com