



CASE STUDY 11: CLEARING WASTE WATER FOR ST PETERSBURG

Dilapidated plumbing has for years carried St Petersburg's waste water (around 40 per cent of which was untreated) and industrial pollution into the famously photogenic river Neva and on to the Baltic Sea.

Sweden's Commission on the Marine Environment warned in 2003 that the eastern Baltic was in a "critical" condition, with fish and plant life decimated by algal blooms and oxygen depletion. This was widely blamed on St Petersburg's cash-strapped Vodokanal, the utility in charge of the region's largest city by far and saddled with the ageing infrastructure that had never been able to cope with five million people.

The main problem was the repeated delays to the completion of a large waste-water treatment facility that had been left half finished in the 1990s. Organising the finance for such a vast and complex infrastructure project was anything but straightforward, although St Petersburg's special status meant that its authorities had access to the syndicated loan market and Eurobonds. These options were not open to other Russian cities – from 2001 they were banned from incurring foreign currency liabilities, including guarantees. The St Petersburg Municipal Support Project was established in June 1997, and it enabled the financial foundations to be laid through an extensive series of technical assistance projects to reform municipal accounting, investments and legal and regulatory aspects.

The €193 million south-west waste-water treatment plant eventually opened in September 2005, financed by a range of IFIs, including a grant of €5.8 million from NDEP. Capable of treating 330,000 cubic metres of waste water a day in line with EU standards, the plant is drastically reducing pollution in the Gulf of Finland.

Since 1994, the EBRD has financed a total of four projects in St Petersburg's water and waste-water sectors, which have played a key role in bringing the infrastructure of Russia's second city closer to the standard of other leading European conurbations. In 2007 an NDEP grant of €6.4 million was provided to St Petersburg Vodokanal to complete the construction of a state-of-the-art sludge incinerator, solving the twin problems of a full landfill site and preventing the discharge of heavy metals into the Neva. Work is also under way to eliminate all the remaining direct discharges of waste water into the Neva.