



**SPECIAL ISSUE FOR  
RESOURCE MOBILIZATION CONFERENCE**

**NEWSLETTER N° 4**

ÅLBORG  
ÅRHUS  
BERGEN  
BREMEN  
ELBLĄG  
GDAŃSK  
GDYNIA  
KALININGRAD  
KALMAR  
KARLSHAMM  
KARLSKRONA  
KLAIPĖDA  
KOŁOBRZEG  
KRISTIANSTAD  
LIEPĀJA  
LÜBECK  
MÖRBYLÅNGA  
NÆSTVED  
NAKSKOV  
NORRKÖPING  
NYKØBING F.  
ROSTOCK  
RIGA  
ST. PETERSBURG  
SOPOT  
STOCKHOLM  
STRALSUND  
SUNDSVALL  
SZCZECIN  
TALLINN  
TURKU  
VENTSPILS  
VISBY  
WISMAR  
YSTAD



Dear Readers,

This is a special issue of our Union's Newsletter dealing with the Protection of the Environment of the Baltic Sea. On March, 24-25, 1993, the High Level Conference on Resource Mobilization is held in Gdańsk in which the Ministers of Environment Protection, representatives of financial institutions and non-governmental organizations take part.

At this meeting which is inevitably an important historical step in cooperation in the Baltic Sea Region, our Union participates as a formal observer of the HELCOM Programme Implementation Task Force. We consider this fact, first of all, as an obligation that all the Member Cities of the Union will be included in the implementation of this Programme in a practical way. Commission on Environment Protection, led by the cities of Aarhus and Turku, had a number of remarkable achievements in this field.

We have a wide experience of programme "City Sustainable Development" implementation; we have started a process of experience and knowledge exchange leading to the institutional strengthening and development of human resources needed for successfully follow-up of the Baltic Programme.

This is the goal we are heading for and this is also our contribution to the process aimed at saving our common treasure that is the Baltic Sea.

I wish you all the best,



Anders Engström  
President



**FLEMING OTZEN**  
**Ministry of the Environment,**  
**Danish EPA**  
**Chairman,**  
**Helsinki Commission**

On the 3 May, 1980, the Baltic Marine Environmental Protection Commission better known as the Helsinki Commission (HELCOM) held its founding session in Helsinki. The Commission's secretariat was established in Helsinki shortly after the termination of the Commission's first session.

Thus this year the Commission will reach the age of thirteen, which indicates that the Commission will become a Teenager, however, with experience, flexibility and evolution as an adult.

To justify this statement, one needs only to recall some of the political conditions the Commission had to adjust to since 1980, inter alia, the East-West conflict in the early eighties and the political changes in East and Central Europe in the early nineties.

Despite the prevailing political East-West differences in the start of the Commission's life, the endeavors within HELCOM to protect the marine environment of the Baltic Sea was one of the first major topics, on which the Baltic Sea States demonstrated a willingness for cooperation. It was thus not by accident that the work of the Helsinki Commission became a working example of CSCE efforts.

A manifestation of this willingness is the 1988 HELCOM Ministerial Declaration, in which the Ministers responsible for the environmental protection in the Baltic Sea States declared their firm determination to take quite a range of far-reaching measures, e.g. to reduce the load of pollution in the order of 50 per cent of the substances most harmful to the ecosystem of the Baltic Sea as soon as possible, but not later than 1995.

Taking into consideration the serious environmental problems in the Baltic Sea Region and the urgent need for a drastic reduction of the pollution load on the Baltic Sea, the Prime Ministers of Poland and Sweden invited their colleagues from the other states in the catchment area of the Baltic Sea as well as representatives of the Commission of the European Communities, and of the four multilateral financial institutions to a conference in Ronneby, Sweden, in September 1990.

The outcome of the Conference was the 1990 Baltic Sea Declaration according to which a Joint Comprehensive Programme should be elaborated to reduce emission and restore the Baltic Sea to a sound ecological balance.

The preparation of the Programme should be the responsibility of an *ad hoc* High Level Task Force established within HELCOM. States, the Commission of the European Communities and four multilateral financial institutions represented at the Conference were invited to participate in the Task Force work.

The Baltic Sea Declaration expands the number of states participating in the Baltic restoration process and requires measures to be taken deep in the territories of these states. It also addresses the cost of restoration and the ways to finance such costs.

One could say that this Declaration clearly signaled the positive political changes we were to experience in the years that followed.

Another positive signal emerges from the Diplomatic Conference on the Protection of the Marine Environment of the Baltic Sea Area, which was held in Helsinki on 9 April, 1992. At this Conference a new, modernized, Convention was signed which, inter alia, expanded the Convention area to cover also the internal waters of the Baltic Coastal States and further stipulates that pollution reduction measures should be taken in the catchment areas of these states.



Furthermore, the Baltic Sea Environmental Declaration was adopted and thereby securing that the work of the former Task Force could be continued by a new Programme Implementation Task Force established according to the Declaration.

The next step in the process will be the High Level Mobilization Conference to be convened on 24-25 March 1993 in Gdańsk, Poland, which the Polish Minister of the Environment has invited to.

Despite the negative trends in the financial situation that many countries experienced in the years following the Ronneby Conference it is my hope that commitments will be made by those participating in the Gdańsk Conference to implement the Joint Comprehensive Environmental Action Programme adopted in principle at the 1992 Diplomatic Conference.

I am convinced that the Gdańsk Conference will act as an incentive for potential inventors within the Baltic Region as well as outside the Region to join the efforts of restoring the ecological balance of the Baltic Sea.

**GÖTE SVENSON**

**Chairman**

**Programme Implementation Task Force**

**Helsinki Commission**

The Baltic Sea countries are known as pioneers in international environment cooperation. The region was the first area in the world where protection of a regional sea - one of the elements in the global environmental programme, adopted by 1972 UN Conference in Stockholm - was transformed from words to action. The Convention on Protection of the Marine Environment of the Baltic Sea was signed by all littoral states in 1974, and implementation started immediately on a provisional basis. Again in 1990 the Baltic Sea countries proved to be far ahead of other world regions in their firm resolution to restore the ecological balance of the Baltic Sea. This was the year when prime ministers from all countries in the catchment area met at Ronneby, Sweden, and agreed to elaborate a Joint Comprehensive Environmental Action Programme. It is of particular interest to note that this Programme, the implementation of which is now starting, was worked out in partnership with four multilateral banks, namely the European Bank for Reconstruction and Development, the European Investment Bank, the Nordic Investment Bank and the World Bank.

Undoubtedly, the Joint Comprehensive Baltic Sea Environmental Action Programme is the most ambitious joint international effort, launched so far in the field of environmental protection. But is also a realistic approach. The programme is based on the reconstruction that the objective formulated by the prime ministers at Ronneby can only be attained through phased action over a long period of time. It is assumed that the implementation will have to extend over at least decades. Another important feature of the Programme is that it realizes the necessity of concerted efforts by all countries concerned in a variety of ways such as policy and regulatory reforms, capacity building and capital investment to control pollution from both point sources and diffuse sources.

The immensity of the cost of the investment - close to 18 billion ECU - can easily overshadow the other components of the Programme. Therefore it cannot be emphasized strongly enough that all parts of the Programme must be viewed as an integrated whole. It becomes increasingly clear, for example, that regulatory reforms and institution building are not only essential complementary measures but indeed fundamental prerequisites of investments.

This will probably be one of the findings of the Resource Mobilizing Conference at Gdańsk, which is convened to examine one of the most critical issues in implementing the Programme: the funding of investments. When the multilateral financial institutions demonstrated their readiness to participate in elaborating the Joint Comprehensive Programme,



hopes were probably raised that this would imply a solution of the financial problems. One has to face the fact, however, that banks are lending and not charitable institutions. They will be more than willing to put credits at disposal for investments, listed in the Programme, but only if they feel sure that the money will be paid back with interest. Admittedly, grants, in various forms, are also available and may play a part as one element in a complex funding mechanism. It must be realized, however, that the volume of grants will only be marginal as compared to the total needs.

There is no magic formula at hand which can be applied at the Gdańsk Conference. Still, the conference can play an important role in providing a better overview of the different financial resources available and in defining prerequisites for the most sufficient ways of combining them.

**CARL NIELSEN**  
Technical Director,  
City of Aarhus, Denmark  
Co-Chairman,  
Environmental Committee of  
the Union of the Baltic Cities



Environmental protection in the municipalities is basically not about finding technical solutions to human-caused problems in our environment.

Environmental protection in the municipalities is about keeping and regaining those qualities in our environment that are necessary for a sustainable development.

The sustainable solution to a great deal of the environmental problems of the Baltic Sea will be to change our current behaviour and habits. But experience shows that this change is much more difficult and takes much more time than it is often expected.

Actions are therefore highly needed if we want to protect and regain the qualities of the Baltic Sea. Actions in the form of sewage treatment, solid and hazardous waste management, industrial pollution, nature conservation/protection programmes, etc. All elements in the Baltic Sea Joint Comprehensive Environmental Action Programme adopted in 1992.

The nature of the problems are pretty well-known, and so are the solutions. What is needed are decisions on how to finance the implementation of the suggested initiatives.

This is not to the traditional financing problem as we know it in Danish municipalities where investments (and running costs) in sewage treatment and solid waste management is consumer financed – with a payback time about 10 years.

The key problem is who will finance investments in cities (and industries?) where consumer financing is unrealistic in the nearest future? According to the Action Programme we are taking about investment of 5,000 million ECU in 1993–1997.

The Resource Mobilization Conference in Gdańsk in March 1993 will show – or at least give some hint – whether the Joint Comprehensive Environmental Action Programme will be the platform for coordinated initiatives toward a Clean Baltic Sea among the Baltic Countries and municipalities.

In my opinion the UBC – and more precisely the Environmental Commission of the Union – could be a helpful institutional framework for promotion of a more systematic cooperation among the Baltic Cities in the context of the Joint Comprehensive Environmental Action Programme.

Much attention must be paid to programmes supporting the “Institutional Strengthening” and “Human Resource Development” – and ensuring a continuity of these initiatives – when deciding on the long – term investments for protection of the Baltic Sea.



The continuity of such programmes can – at least with a high degree of probability – be ensured through a close cooperation among the cities around the Baltic Sea. I shall mention just a few reasons for this:

- all the cities somehow depend on the quality of the Baltic Sea;
- all the cities have common interest in the democratic development in the Region;
- continuity of cooperation among the Cities is based on ethnic standards and moral values that goes beyond specific projects.

The cooperation among the cities in the Union is to a very high degree based on principles that are "sustainable" in the long run. You are as a City very much committed to the success of the projects you have engaged in cooperation on. The simple fact that politicians and technicians from most of the cities meet at least once a year put some "moral pressure" on you. We are in it together – and therefore this institutional framework to my opinion should be used offensive in the implementation of the Joint Comprehensive Environmental Action Programme.

Let me mention a few areas from the Action Programme where the UBC Environmental Commission could initiate cooperation among the member cities:

- (i). the development of local level institutions to handle decentralized environmental management could be initiated through educational programmes based on specific experience in the Nordic cities. The value of such programmes will depend very much on continuous contact between the cities involved – in a "learning-by-doing" fashion;
- (ii). upgrading of capabilities for the operation and maintenance of facilities with a special focus on upgrading financial planning and management skills and on-the-job training. Cities with experience s in building and running treatment plants for sewage, solid waste, hazardous waste etc. could contribute to general educational programmes and as a partner on job training;
- (iii). developing local capacity to carry out environmental audits through the training of personnel from local industries, consulting firms and regulatory organizations for their planning, conduct and application. Many cities have experiences on environmental audits either related to specific facilities or to more over-all and complex issues.

The initiatives from the AP mentioned above have to be set up on the short run. The importance of these programmes are very much linked to the long term value of the huge investments needed according to the AP.

If the professional capacity to run and maintain the modern facilities is not present in the municipalities the running costs will increase and the value of the facilities decrease in an unacceptable way.

In the City of Aarhus we have in the last 5 years invested nearly 200 millions ECU in upgrading the sewage treatment plants to fully biological treatment plants and nitrogen and phosphorous removal. The slogan for the programme has been "Clean Water for Mother Nature".

As a part of Mother Nature the Baltic Sea has received some cleaner water from the City of Aarhus – as it has done in recent years from many other cities around the Baltic Sea.

This is our common interest and obligation toward nature – and it calls for close cooperation and commitment among the cities.

But first and foremost it calls for the necessary financial support – some very "patient" money – to start implementation of the Joint Comprehensive Environmental Action Programme.



**MIKKO JOKINEN**  
Director  
Environmental Protection Office  
City of Turku, Finland

Political changes in the eastern Europe have strongly reflected on the environmental policy in the Baltic area. The general ecological state of the Baltic sea ecosystem has traditionally been quite well documented by the scientists and the governmental bodies like the Helsinki commission (HELCOM). During the last few years it has become possible to deepen the knowledge of the sources of pollution and also to get a more realistic picture of the possibilities to solve these problems.

#### Problems are common

The Baltic Sea is a very important and valuable resource for the 16 million people who are living in the coastal area of the sea, but it has a great value also to all the 80 million people who are living on the drainage area of the Sea.

The key words from the human point of view in Baltic context are: fishery, wildlife, recreation and transport. It means that people can utilize the Baltic Sea as an important resource for food production, tourism and recreation. These activities presupposed, with the exception of transport, that the ecological state of the Sea will also be on the sustainable basis in long run.

The core of the ecological problems concerning the Baltic Sea are the nutrients and poisonous chemical compounds which are flowing into the Baltic pool from its drainage area. Nutrients are the main reason for the rapid eutrophication, which is taking place all the time changing the ecosystem everywhere in the Sea. Poisonous chemicals, on the other hand, are the main reason for the poor condition of Baltic wildlife. This can be clearly seen in the case of sudden animal deaths and also by poor breeding success of rare species like seals and eagles. It is also remarkable that poisonous compounds in the sea and in its food nets are a threat to human health.

#### Action is needed

Thanks to the fairly high level of knowledge we have from the ecological state of the Baltic, also the efforts to improve the situation are quite comprehensive. On the governmental level the most active body in this field has been the Helsinki Commission (HELCOM). It has shown clear outlines to what should be done in the near future, if we want to ensure sustainable development in the Baltic region. Because the implementation of environmental protection in the area calls for a big need of financial aid, also the international financial organizations have an essential role in formulating the future of the Baltic.

#### Local level cooperation natural choice

An obvious change in the international cooperation in the Baltic area has been the active role of local administration. Only 5 years ago the connections between the Baltic cities were upheld mainly in the form of cultural activities. The cooperation was based on a twin city way of thinking.

Now it seems the cities have found each other in a new way. It has been generally accepted that most of the present problems in Baltic context must be solved and the solution should be implemented at the local level. Governments will make the necessary decisions at the national level and the actual work will be done locally. This is a very big challenge, especially to the democratic development in the eastern cities.

We have long traditions on local self government in the Scandinavian countries and in Germany. In these countries most of the environmental issues are the responsibility of the city-level municipalities. It means that the most of the western expertise in sewage water treatment practices, waste management practices, monitoring and controlling the state of the



environment and environmental health e.g. is mainly located in cities. Therefore the starting point for city level cooperation in the environmental field is most natural also along the east-west axis.

Several city level networks have been formed around the Baltic sea during the last two years. Some of them like the Union of the Baltic cities and The Healthy Cities Baltic Network (WHO) put an emphasis on the cooperation in the environmental field. The main idea in this kind of activity is to promote the development of the cities especially in the field of human resources. This takes place by exchanging the experiences and giving opportunities of obtaining consulting advice from each others on a very practical level. City level networking means that there is always a wide spectrum of expertise available for solving all kinds of problems.

Considering the huge problems we now are facing in the environmental field and elsewhere it is important to stress the need for extensive cooperation in all decision-making processes.

**STEPHEN F. LINTNER**  
**Senior Environmental Specialist**  
**The World Bank**



The World Bank welcomes the participation of the Union of the Baltic Cities in the Baltic Sea Environment Programme. It believes that cooperation between cities within the Baltic Sea catchment area has the potential to play a major role in implementation of the Programme. Twinning arrangements between cities within the region should be given high priority as an effective means of sharing knowledge and experience. These city-to-city twinning arrangements can serve as a model for practical complementary programs between industries, agricultural organizations and in the banking and finance sectors.

The Union of the Baltic Cities can play a critical role in the realization of the objectives of the Programme by the providing direct and continuous links between cities within the region to address the critical planning and financial management needs which currently constrain many municipalities from successfully meeting key environmental challenges. These relationships also provide a forum for the exchange of skills in the operation and maintenance of municipal environmental services such as water supply, waste water treatment and solid waste management. They can also be used to transfer experiences in the development and finance of water and waste water utilities at the municipal level.

Recognizing that the Programme will be implemented over a period of least twenty years, it is important that city-to-city linkages be developed with a long-term perspective. Traditionally, linkages have focused on cooperation between those cities on or near the coast; however, the needs of the Programme to address environmental improvements through the Baltic Sea catchment area mandates that cooperation between cities be extended to all parts of the region. This will require that measures be taken to ensure the participation in the Programme of a number of cities which are at greater distance from the Baltic Sea.

The participation of the Union of the Baltic Cities, in the February 1993, Baltic Water Supply and Sewerage Utilities Partnership Workshop in Riga, Latvia is an example of the type of cooperation the World Bank hopes to continue and expand in the future. This workshop provided a forum for representative of governments, cities, utilities and the cooperating international financial institutions to come together to analyze and identify practical means to overcome common or similar problems. It also resulted in the Riga Declaration, which highlights the need to achieve autonomous and self-sufficient public utilities.

We look forward to cooperation with the Union of the Baltic Cities and its members.



## **TIMO MÄKELÄ**

**Senior Project Manager**

**Infrastructure, Energy and Environment Department**

**European Bank for Reconstruction and Development**

The European Bank is a new international financial institution (IFI) that began operations in April 1991 with 10 billion ECU of capital. It is owned by the major western economies, the European Commission, the European Investment Bank, and its countries of operation. Originally the Bank's countries of operation were limited to Central and Eastern Europe, but the area has now been expanded to include Estonia, Latvia, Lithuania, Albania, and the republics of the former Soviet Union who are just now becoming members and shareholders.

The set-up and operating principles of the Bank stem directly from its broad and unique mandate:

- \* first, the Bank has within it a merchant bank to provide private sector financing, and development bank to work with the public sector;
- \* initially 60% of lending go to private or privatizing enterprises, and 40% to public sector infrastructure development;
- \* its lending and investment instruments are market oriented and flexible; all funds are provided in accordance with sound banking principles and at market rates - basically a market base rate plus a credit margin (the Bank intends to be profit-making, but now not profit-maximizing);
- \* the Bank is able to provide equity investments and guarantees in addition to debt financing and is staffed and organized to provide its clients with the full range of financial derivatives and intermediary banking services available in today's western capital markets;
- \* the Bank compliments the efforts of other public and private sector institutions (the Bank is not in competition with private or other international banks and financial institutions), and through its risk taking, project preparation and technical assistance efforts, as well as its preferred creditor status, endeavors to encourage foreign direct investment and CO-financing that might not otherwise occur;
- \* the Bank's lending in the case of infrastructure is generally for a maximum term of 12-15 years with a grace period of about three to five years depending on the period needed to implement the project;
- \* the Bank's resources cannot be lent on preferential or concessional terms (below market interest rates), and credits to intermediaries be on-lent at subsidized rates of interest;
- \* the Bank's loans can be in any convertible currency, which can also be changed at a fee during the term of the loan (a feature which may help a country or an enterprise reduce foreign exchange risk);
- \* there is exceptional flexibility in selecting the terms of the loan in order to protect the borrower as much as possible from interest rate changes and foreign exchange risks, but the Bank cannot assume foreign exchange on behalf of the borrower

The Operational instruments being developed by the Bank to meet the environmental investment challenge are a direct out-growth of its charter and mandate.

Two important observations condition the Bank's approach:

- (i) In view the present economic conditions, innovative approaches to project finance are needed including the blending of different sources of funds with different as well as new public/private sector partnerships in environmental infrastructure project financing and management under different concession and franchise arrangements



- (ii) The needs are equally great for institutional restructuring, strengthening, policy reforms And managerial support. This is a long term process that calls for massive technical assistance and advisory services from the Bank in addition to the direct financing of specific projects.

The Bank's primary instrument is project financing. The range of loan or investments is quite broad and flexible and includes loans to:

- (i) central government agencies, public authorities, and public enterprises such a utilities and publicly owned companies at the national and local level;
- (ii) combined, private/public ventures operating under a variety of concession agreements such a Build, Operate and Transfer (BOT), license, and franchise schemes, implemented through a variety of form such as joint stock companies;
- (iii) private enterprise providing services and/or infrastructure under agreements with public authorities;
- (iv) in the form of lines of credit to financial intermediaries to be on-lent for agreed usually sectoral purposes and in accordance with specific criteria.

The second factor that shapes the Bank's operational strategy for environmental issues is its basic mandate to foster the transition towards open, market-oriented economies, and to promote private and entrepreneurial initiative in its countries of operation committed to an applying the principles of multi-party democracy. The clearly political character of this mandate which is also unique among IFIs, translates into a strong focus on regional and European integration. Supporting the transition to a market economy is the heart of the Bank's mandate and it response the Bank has developed initial operational priorities:

- \* creation or strengthening of infrastructure necessary for private sector development and the transition to a market economy including institutional infrastructure;
- \* privatization;
- \* reform and strengthening of the financial sector including the creation of new financial intermediaries;
- \* development of a productive, competitive private sector;
- \* restructuring of industrial enterprises;
- \* stimulation of foreign direct investment.

The Bank has taken four significant steps to translate its strong environmental mandate and its operational priorities into specific strategies, actions, and instruments to support our member countries to address their environmental problems.

Firstly, the Bank established an Environmental Advisory Council (ENVAC) whose members represent a wide spectrum of viewpoints from government, academic, and the business community.

Secondly, the Bank has translated its mandate into an Environmental Policy intend to guide all of the Bank's activities. The Policy's main priorities include:

- \* provide assistance for effective policy reform including the development of effective legal and regulatory instruments, adoption of appropriate standards, and creation of effective institutions;
- \* promoting the use of economic instruments to establish appropriate incentive to address the underlying causes of environmental degradation;
- \* encourage the development of an environmental goods and services industry;
- \* initiate special studies and programmes to address regional and national problems;
- \* adopt adequate environmental safeguards for its own activities.

Thirdly, in keeping with our emphasis on supporting European and East-West integration, the Bank is taking an active role in the major regional environmental programmes developed by its member countries including the Baltic Sea Environmental Programme, the Danube River basin and Danube Delta programmes, as well as the Black Sea Environmental Programme.



Fourth, the Bank is developing an operational strategy to utilities its investment instruments and technical assistance to address environmental problems.

Given this setting, the Bank is using its technical cooperation resources to identify and prepare investment project in three key areas:

- \* identify competitive and potentially viable industrial enterprises where it is necessary to finance the clean-up of the legacy of pollution from industrial production in the past as well as investments to control current pollution and safely manage current and future waste disposal problems;
- \* implement an effective package of infrastructure investment to improve the quality and efficiency of cities and local government in support of the transition to a market economy;
- \* finance selected project to reserve the degradation of sensitive environmental issues and develop effective conservation of important environmental and natural resources.

To summarize, the European Bank has been and will be actively involved in the implementation of the Baltic Sea Environmental Programme. At this moment our aim is to prepare, together with our counterparts, well-managed, environmentally and economically sustainable projects. At present, several such activities are taking place in cities in Poland, the Baltic countries, and in the pulp and paper industry. The Bank is also already involved in industrial development projects in the region, especially in the pulp and paper sector.

## **HARRO PITKÄNEN**

**Director**

**The Nordic Environment Finance Corporation – NEFCO**

NEFCO was established in 1990 by the Five Nordic countries: Denmark, Finland, Iceland, Norway and Sweden as a multilateral institution to support environmental investments in Central and Eastern Europe.

The purpose of NEFCO is in essence to provide risk capital in support of long-term cooperation between business enterprises from the Nordic countries and from Central and Eastern Europe in the field of environmental technology.

A main focus is therefore on the environment effects that can be obtained through the projects. Special emphasis should be given to projects that contribute to a reduction of trans-boundary pollution that affects the Nordic Region.

Thus the purpose and activities of NEFCO are closely linked to the aim of the Joint Comprehensive Programme – the restoration of the ecological balance of the Baltic Sea. Of the countries participating in the Programme NEFCO's operations extend to Belarus, the Czech Republic, Estonia, Latvia, Lithuania, Poland, Russia, Slovakia and the Ukraine.

NEFCO, according to its charter, should invest its funds only in commercially sound projects. Therefore not only the expected environmental effects from the business activity in the investments projects are considered but every project is scrutinized for its technical, institutional, economic and financial viability to ensure that external and local funds are mobilized only for projects which have the potential for successful business.

Such projects can be established e.g. through the formation of enterprises that cater for the environment sector. Potential areas include production of equipment for waste water treatment or consultant services related to environmental protection. As soon as the demand on the market reaches a sufficient level, development which is linked to environmental legislation and its enforcement, there will be business opportunities for entrepreneurs in this field.





Environmental investments in themselves are often conceptually looked upon as being "defensive" in the sense that they have to be undertaken in order to deal with an environmental problem but do not in themselves generate additional income that would secure the pay-back of the investment. Most of so-called end-of-pipe solutions are likely to fall within this group. The investor in these cases has to mobilize the funds needed e.g. from its other operations which underlines the importance of corporate and institutional restructuring.

It is important to recognize, however, that this does not apply generally to all environmental investments. In a number of cases it is possible to achieve the desired effects through investment into new technology that will also increase the revenues of the investing company. This would be the effect e.g. when the process-technology of a plant is upgraded through the introduction of new production methods that are both more efficient and less hazardous to the environment.

In some cases it will be also possible to structure single larger investments on a self-financing basis. The general idea is to isolate the investment into a one-purpose company which undertakes to implement the investment and manage the operations either for a pre-determined period of time or indefinitely. This company procures the project and raises the financing for it. The external financiers will base their financing decisions on the commercial and financial predictions for the company. A group of investors is needed to provide a sufficient equity basis for the company. Frequently, suppliers or operators would be asked to participate as investors. The investors would make a return on their investment and the lenders have their debt serviced only if the company is able to generate sufficient income. Although mainly used in connection with energy or communication projects this technique can also be applicable to environmental investments in areas such as water treatment plants. A prerequisite is that the project-company is granted a right to set sufficient tariffs in return for providing its services, so as to ensure a continuous revenue stream.

**JAN REY**

**Vice-President**

**National Fund for Environmental Protection and Water Management**

The National Fund for Environmental Protection and Water Management was established on the basis of an act of 27 April 1989 and started its activity on 1 July 1989. The National Fund has a legal status and is one of the biggest financial institutions in Poland outside the insurance and banking sectors.



The National Fund incomes come from:

- fees and fines collected from institutions and enterprises conducting private business activity
- and using natural environment;
- concession fees for the usage of natural resources;
- private business activity and shares in companies;
- interest loans given for pro-ecological purposes;
- voluntary payments.

Among The National Fund's tasks there are supporting activities in the sphere of environmental protection and water management. The Fund may allocate its funds for:

- \* appropriating interest loans;
- \* granting subsidies;
- \* investing shares into companies, including the companies with foreign capitals and joint-stock ones;
- \* emission of own stocks as well as purchasing stocks and shares from individual entities;
- \* purchase of foreign currency;



- \* salaries and bonuses for activity connected with environmental protection and water management.

The National Fund's organs are the Supervising Board and the Executive Board. The Supervising Board of the National Fund for Environmental Protection and Water Management is appointed and dismissed by the Minister for Environmental Protection, Natural Resources and Forestry on his own initiative while the National Fund's Executive Board on the application of the Supervising Board.

The National Fund conducts activities, first of all in the sphere of:

- water protection through financial support for constructing waste water treatment plants, low-water-consumption technologies, establishing water closed cycles and introducing multiple usage systems;
- air protection through supporting modern low or non-waste technologies; production and installation of waste reduction devices; production of fuels and bio-fuels and renewable energy sources.
- soil surface protection and appropriate waste treatment through supporting low or non-waste technologies; utilization and waste neutralization technologies; ecological waste management in the area of its accumulation; production of devices for collecting, transporting and waste management; recultivation of degraded soils, using accompanying minerals and management of methane and brackish mine waters;
- nature protection through financial aid for organizing and maintaining deductive-scientific bases in national parks; restitution and reintroduction of threatened animal species and restructure of stand in the areas of ecological catastrophe;
- ecological education through supporting publishing and training activities, forming bases for implementation of educational programmes on environmental protection at different educational levels as well as holding competitions, seminars and conferences on pro-ecological issues;
- environmental monitoring through financial support of existing and newly created networks of state monitoring and checking-measuring bases.

In 1992 the National Fund income amounted at 3.206 billion PLZ, i.e. twice as much as in 1991.

The income was in great part created by payments from provinces of 2.298 billion PLZ, i.e. 51% more than last year, and takings for minerals excavation of 279 billion PLZ. Other takings are the loan interests, capital returns and interest on bank investments.

The expenditure, however, in 1992 of 3.209 billion PLZ comprised: loans of 2.400 billion PLZ, subsidies of 520 billion PLZ, additional payments to preferential credits of Environmental Protection Bank, investments and treasure bonuses purchase.

Loans are a dominant form of spending the means of the National Fund and will be given on favourable conditions. The credit interest will be estimated in relation to the refinanced credit interest and should be between 0.2 and 0.8 of the refinanced credit.

Environmental protection undertakings that reached the highest ranking position according to the criteria, can be additionally financed from the National Fund sources up to 50% of all the costs resulting from the estimation cost. Loan limit, interest, security forms, payback deadline, including possible waiting periods, are established during the negotiations between the loan taker and the Executive Board taking into account the financial situation of an entity applying for a loan.

Donation aid will be given mostly to ecological education, monitoring, nature protection, expertise description and implementation programmes.

Loans, as a form of financial aid, make investors obliged to take more care of costs, quality and investments completion deadline.



When looking through the applications for financial support the National Fund considers first of all:

- compliance of the undertaking with the state ecological policy;
- economical situation of the applicant;
- amount of private means secured by the applicant to cover costs of the undertaking;
- investment and maintenance costs of the intended undertaking;
- intended ecological effects of the undertaking.

In 1992 the National Fund spent funds which constituted 15% of the state capital.

The National Fund is one of the founders and is the main share holder of the Bank for Environmental Protection where it keeps 44.4% stocks worth 115.7 billion PLZ.

Moreover the National Fund owns:

- 20% of stocks, valued at 500 million PLZ, in "METANEL SA" in Warsaw;

and shares:

- 16.9 million PLZ, i.e. 35% of the whole share stock, in Technological Innovations Enterprise "PORWATER", Co. Ltd. in Wrocław;
- 141.6 million PLZ, i.e. 12,5% of shares, in "POLNISAX" Co. Ltd. in Warsaw;
- 196.8 million PLZ, i.e. 15% of shares, in Upper Silesia Press Association, Co. Ltd. in Katowice;
- 30 million PLZ, i.e. 30% of shares, in "ECOLOGICAL TELEVISION" Co. Ltd. in Poznań;
- 40 million PLZ, i.e. 100% of shares, in "EKO-EFEKT" Co. Ltd. in Warsaw;
- 1.1 billion PLZ, i.e. 15% of shares, in "KEMIPOL" Co. Ltd. in Police.

The Fund is going to obtain a credit line from the European Bank for Reconstruction and Development for environmental protection investments. It has also established cooperation with the World Bank representative in Warsaw which will enable a better verification of foreign offers and contracting parties.

In spring 1993 a KPMG consulting firm from London is finishing a four stage strategic plan for the National Fund. The effect of the programme is greater strengthening of management as well as introducing many procedures characteristic for western financial institutions.

The National Fund is taking over the whole personnel and tasks of PIU attending so far in the Ministry of Environmental Protection, Natural Resources and Forestry the aid programmes of EC (PHARE), bilateral contracts and credits from the World Bank using required procedures.

Essential/the merit experience of the Fund's staff combined with introducing western methods of work make the Fund a serious partner in the activities in the whole Baltic Sea Area.

### **KLAS RINGSKOG**

**Senior Vice President**

**Country and Project Analysis**

**Nordic Investment Bank**

The Nordic Investment Bank (NIB) was established in 1976 by the five Nordic countries Denmark, Finland, Iceland, Norway and Sweden to provide financing on normal banking terms for investment projects of Nordic interest within and outside the Nordic countries.



NIB has been a member of the HELCOM Task Force from the very beginning of the activities in 1990. NIB, as executing agency, has directed and supervised implementation of the studies of environmental problems in St. Petersburg, Karelia, the three Baltic republics and the Kaliningrad region. An action programme for charting the 130 or more



pollution "hot spot" of the Baltic Sea region was produced by the Task Force and adopted by the Environmental Ministers at their meeting in Helsinki in April 1992.

In connection with this meeting, the Finnish Ministry for the Environment and NIB signed agreement establishing a fund for Finnish technical assistance for the preparation of environmental projects in the Baltic region. The purpose of the fund is to finance preparations, evaluation and supervision of projects undertaken at the request of the Bank by Finnish consulting enterprises and consultants. The objects of those measures is to promote the implementation of environmental project in Finland's immediate surroundings and in the Baltic region. The fund is administrated by NIB.

NIB has been a significant financier of environmental protection investment in the Baltic region. During the last three years, approximately USD 750 million in environmental protection loans been made in the Nordic countries. NIB may grant environmental protection loans even if the investment is carried out by companies or local authorities in only one Nordic country. Environmental pollution does not respect country borders! An environmental protection investment in one country can therefore produce positive environmental effects in a neighbouring country as well.

NIB is prepared, on a case to case basis, to consider environmental projects in connection with the Baltic Sea Environment Programme. The conditions for financing would, inter alia, comprise tests that show that the proposed investments are technically, economically, financially, and institutionally feasible. NIB's conservative risk assessment philosophy would apply to the analysis of these investments.

## **PATRICK WALSH**

**The European Investment Bank  
Environmental Protection in Central and Eastern Europe**



The European Investment Bank's (EIB) activities outside the European Community take place under various protocols, conventions and cooperation agreements between the EC and (groups of) third countries. The Luxembourg based EIB finances capital investment in 12 countries in the Mediterranean region, the 69 countries signatory to the Lomé Convention, and in a number of countries in Eastern and Central Europe: since November 1989 in Poland and Hungary and since April 1991 in Bulgaria, the Czech Republic, the Republic of Slovakia, and in Romania. The EIB's Board of Governors – the Ministers of Finance of the Member States – authorized the Bank to lend up to ECU 1 billion in Poland and Hungary and up to ECU 700 million in the other four countries.

In Hungary EIB loans now total ECU 305 million, in Poland 290 million, in Bulgaria 115 million, in Czech Republic 57 million, in the Republic of Slovakia 28 million, and in Romania ECU 25 million. In most of these countries there have been EIB financed projects with a positive environmental effect. Mainly these concerned investment in the energy sector, to increase rational use of energy and improve the environment through the retirement and replacement of obsolete power plants, installing desulphurisation equipment and/or ash disposal facilities. Examples are the investment to modernize the natural gas production in Poland and the upgrading of power plants at Rovinari and Turceni in Romania and in south-eastern Bulgaria.

In Hungary, Poland, the Czech Republic and the Republic of Slovakia the EIB also has global loans with domestic banks.

These loans, similar to lines of credit, can be used for small and medium-sized investment schemes, inter alia investment in rationalizing energy use and for environmental protection. The banks concerned are, in Hungary, the Inter-Europa Bank and the National Bank, the latter managing an APEX facility; the Export Development Bank and the Polish Development



Bank (APEX) in Poland, and the central banks of the Czech Republic as well as the Republic of Slovakia have APEX facilities.

All project appraisals include an assessment of the environmental impact, identification of potential problems as well as possible solutions. Projects financed by the EIB are minimally required to comply with relevant legislation on the protection of the environment and to take into account internationally set recommendations.

### Regional programs

At a regional level, the EIB is actively participating in various international cooperation programs aimed at improving the quality of the environment. In Eastern and Central Europe, four major initiatives are currently under way:

- environmental rehabilitation of the Baltic: the countries surrounding the Baltic Sea and four multilateral financing institutions (World Bank, NIB, EBRD and EIB) plus the Commission of the European Communities are involved in a series of studies pin-pointing priority areas for environmental investment. The EIB, in liaison with the EC Commission, supervised the study of the Oder basin which covers a third part of Poland as well as parts of the Czech Republic, the Republic of Slovakia, and eastern Germany;
- protection of the Elbe: under arrangements similar to those adopted for the Oder Basin, the EIB together with EC Commission and the International Commission for the Protection of the Elbe, is involved in a study of environmental problems in the upper Elbe basin. The objective is to identify suitable environmental improvement projects, of benefit not only to the basin itself but also to downstream areas and the North Sea;
- for the Danube basin an environmental program is getting under way and an action plan set up which will be based on prefeasibility studies. The EIB may supervise specific studies;
- environment for Europe: this initiative is a follow-up of a Conference of the Environment Ministers, held in Dobris Castle (Czech Republic) in June 1991, at which the EIB was represented. A working programme is being drafted, focusing on Central and Eastern European countries.

### **DR. GRZEGORZ GRZELAK**

**Chairman of the Local Self-Government of Gdańsk Province,  
Vice-Chairman of Central Board of Local Self-Governments**



At present we have only one form of local authorities in Poland: local district authorities including city and country local communities. The space between the city or a county and the government is occupied by different organs of general and special government administration (sector). Strong state centralization as well as objective of over-local character of many activities in the sphere of environmental protection cause that a great deal of public tasks from this branch are on the side of government administration.

Local authorities carry out a number of tasks defined as "their own ones" from the spatial order, environmental protection, water supply, disposal and treatment, landfill and utilization of municipal waste water. There is a broad range of tasks defined as "imposed" which can be taken over by local authorities from the governmental administration on the basis of compliance. The first ones are realized from the county budget, the latter from the state budget.

For example, to the county's tasks belongs water protection against pollution, including discharging sewage to the water, issuing permissions for removing trees and bushes, hunting administration, maintaining tidiness and order. As far as imposed tasks are concerned counties may take care of issuing water-law permissions, permissions for excavating sand, gravel, stones or issuing order of planting trees and afforestation.



The most important competencies, as it may seem, lie on the side of governmental administration. So called "districts" of this administration carry out, among other things, checking activity in the sphere of environmental protection, water management and geology, they determine protection zones of water resources, determine compensations for flood damages. Special competence has a governor. Besides checking functions he or she has a right, among other things, to give opinion on local investments, stopping activities resulting in worsening the state of environment, issuing decisions on approved emission of polluters and approved noise level, disposition of surface and underground water resources.

The governor owns funds for environmental protection in form of an environmental protection fund. He or she is allowed to fine for breaking infringe protection laws. Practice shows that the governor's means and central authorities are definitely insufficient. It is the reason for more serious financial engagement of the counties, very often not connected with an appropriate competence distribution. It can be observed on the example of "Wschód" waste water treatment plant in Gdańsk.

Right now preparations are carried out to introduce second level of local authorities – county self-government. They presume shifting part of the competence from central administration into own tasks sphere of the second level. It would apply, among other things, to control environmental protection, forest and water management, nature conservation. A new law is already being prepared which will give the base for establishing "metropolitan groups" – such as, for instance, Gdańsk agglomeration that would have special rights in the sphere of environment. It seems, however, that serious centralization of this problem will take place at the moment of regionalization – establishing local regions.

**GUNNAR NORÉN**  
**Executive Secretary**  
**Coalition Clean Baltic**

Coalition Clean Baltic (CCB) has expanded its activities in the Baltic with the creation of Secretariats in Estonia, Latvia, Lithuania and Poland. This allows CCB greater contact with each country and a direct link to improve the implementation phase of proposed projects.

Within the HELCOM structure, CCB now concentrates on the work of PITF, the HELCOM Programme Implementation Task Force. This is a fundamental and innovative focus on environmental initiatives. The primary focus of PITF is the actual implementation of projects that adhere to HELCOM recommendations. PITF considers, among other things, financial support, technical assistance, and governmental support in carrying out various projects.

CCB is currently involved in several projects that relate to Program Implementation guidelines. It has begun to conduct studies on the cost-effectiveness of several ecological engineering techniques. These alternative or low-technology solutions are ideal for sewage treatment and water management in small catchment areas. Aside from their obvious values in environmental awareness, research in this new field, and basic sewage treatment, these studies will determine if this is indeed an economical approach to reducing sewage inputs to the Baltic Region. At present, much attention tends to focus on larger municipal and industrial sources of pollution which require much more intense, more expensive reforms. Funding may be more readily available from local sources for these smaller, alternative approaches, an important consideration.

Also, CCB concentrates on Public Awareness and Environmental Education which, indeed, is one of main items in the Baltic Sea Joint Comprehensive Programme that stipulates its successful implementation. In fact, PA&EE is one of the main responsibilities of the Secretariats in each country. CCB is currently translating books on the Baltic Sea into the Estonian, Latvian, Lithuanian and Polish languages. CCB is sponsoring courses on the Baltic environment and gatherings, like the study-circle leaders in Poland, where important Baltic issues can be discussed. CCB has also translated and published a Polish Environmental Encyclopedia due for distribution to the public in the near future. We are conducting informa-



tion campaigns on the importance of wetlands as nutrient traps and vital contributors to biodiversity. CCB is organizing seminars on Green Consumerism to assist Eastern Baltic States in this difficult market transition period. And CCB will sponsor courses for local government representatives and NGOs on alternative waste water treatment.

All of these projects and initiatives are designed to increase public knowledge, concern, and interest in the issues facing the Baltic Sea. CCB feels this is an important step in Program Implementation because without strong public support, no environmental initiative can succeed. Coalition Clean Baltic focuses its activities on initiatives that are lasting, feasible, and timely. More importantly, they are economically, technically, and politically effective and appropriate.

## **BRITT HÄGERHÄLL ANIANSSON**

### **WWF Baltic Programme and WWF Baltic Bulletin**

To develop and implement, in cooperation with various partners, a comprehensive work program in nature conservation and protection of biodiversity in the Baltic region.

To establish cooperation, in the form of field projects as well as organizational support, with NGOs working on conservation issues in all countries and regions around the Baltic Sea. Those are the overall objectives of the WWF Baltic Programme. World Wide Fund for Nature launched its Baltic Programme in 1990, and since then a number of activities have been initiated. WWF has observer status with the Helsinki Commission (HELCOM), and has made great efforts to contribute constructively to the work of HELCOM. As a result of successful WWF lobbying a new Article 15 on nature conservation and biodiversity protection was included in the new 1992 Helsinki Convention. By accepting Article 15 the countries around the Baltic have committed themselves to international cooperation on nature conservation in the Baltic region – a completely new approach in the context of HELCOM. EC-Nature, a special working group under HELCOM's Environment Committee, has been set up for the implementation of Article 15. The WWF Baltic Programme is working in close cooperation with HELCOM on its nature conservation work, and the Programme is also involved in the work of HELCOM's Program Implementation Task Force. HELCOM has adopted a WWF proposal on the development of management plans for coastal lagoons and wetlands, which is another step towards a more ecological approach to the Baltic environment, and WWF has been entrusted with the responsibility to function more or less as an executive agency for the coordination of the work on these plans.

A joint working group of the Baltic Marine Biologists (BMB) and WWF have identified some 50 valuable coastal and off-shore marine areas that should be included in a network of internationally protected areas. The report has been submitted to HELCOM, and the aim is to have the Baltic Environment Ministers approve a first list of such protected areas in the Baltic region at the High-level HELCOM meeting in 1994.

Through the Baltic Programme, WWF is working in close cooperation on various field projects with NGOs in the respective countries around the Baltic. Organizational support and funding of diverse activities in the countries in transition is another important part of the Programme, which works through National WWF Offices in Denmark and Finland, Project Offices in Germany and Latvia, independent Estonian and Lithuanian Nature Funds, and various groups and scientists in Poland and Russia (St. Petersburg and Kaliningrad areas).

The magazine WWF Baltic Bulletin has been published by the Baltic Programme since April 1992. It is distributed throughout the entire Baltic region free of charge and can be obtained through various contacts in the respective countries. Everyone in the Baltic region is very welcome to contribute with articles and photos on nature conservation and environmental topics of general interest for a Baltic audience. All kinds of informal networks between groups and people are also of great interest for example, the Union of the Baltic Cities was presented in WWF Baltic Bulletin 2/92. You are most welcome to contact the Editor, WWF Baltic Bulletin, P.O. Box 26044, S-750 26 Uppsala, Sweden, with ideas or contributions! Write, fax on +46 18 46 95 59, or call on 46 18 46 99 66.



## CITIES - MEMBERS OF THE EXECUTIVE BOARD:

### Århus

City Hall  
DK-8100 Århus C, Denmark  
Phone: +45 89 402352  
Fax: +45 89 402508

### Gdańsk

City Hall  
Nowe Ogrody Str. 8/12  
80-803 Gdańsk, Poland  
Phone: +48 58 323853  
Fax: +48 58 323941

### Kaliningrad

City Council  
Pobeda sq. 1  
USSR, 236000 Kaliningrad  
Phone: +7 0112 214478  
Fax: +7 0112 215658

### Klaipėda

City Board  
Liepu 11  
235800 Klaipėda, Lithuania  
Phone: +7 0126 116856  
Fax: +7 0126 113641

### Kristiansand

Voieasan 99, Norway  
Phone: +47 42 75000  
Fax: +47 42 24042

### Riga

K.Valdemara Str. 3  
226162 Riga, Latvia  
Phone: +7 0132 229616  
Fax: +7 0132 325377

### Rostock

Neuer Markt 1  
0-2500 Rostock, Germany  
Phone: +49 381 3811421  
Fax: +49 381 3811902

### Sundsvall

Sundsvalls Kommun  
85185 Sundsvall, Sweden  
Phone: +45 60 191379  
Fax: +45 60 128191

### Tallinn

Vabaduse Sq. 7  
200001 Tallin, Estonia  
Phone: +7 0142 691432  
Fax: +7 0142 441230

### Turku

Kristiinank. 1  
SF-20100 Turku, Finland  
Phone: +358 21 627221  
Fax: +358 21 627229

### SECRETARIAT OF THE UNION OF THE BALTIC CITIES

24. Długi Targ Str.  
80-828 Gdańsk  
Phone: +48 58 317637  
Phone: +48 58 319123  
Fax: +48 58 317637  
Telex: 512844 ubc pl

### BANK ACCOUNT OF THE UNION

BANK GDAŃSKI SA  
IV Oddział w Gdańsku  
301817-661416-132