

Twinning Co-operation in Water Supply and Sewerage between Helsinki and St. Petersburg

Nordic Building Forum Seminar
St. Petersburg, September 14, 2006

Rainer Lindberg
Project Manager
Helsinki Water



Background

In the middle of 1990's EBRD was interested in starting up a loan project in St. Petersburg and was actively mobilising a twinning relationship between Vodokanal of St. Petersburg (VK) and a suitable European water utility to support VK's development process.

FmoE decided to fund the twinning co-operation and invited Helsinki Water (HW) to be a partner of VK. Of Finnish water utilities HW had enough credibility as a partner of VK. The decision was based also on the preference of VK, because there had been preliminary contacts between VK and HW since 1991.



Main activities

In the institutional development the main subjects have been the following:

- Financial Management
- Leadership and Human Resources Management
- Customer Services
- Information activities
- Performance indicators and Benchmarking

And in the technical development:

- Support for implementation of investment projects
- Waste water treatment
- Network (specially water network)



CDS-Project (CDSP)

The Corporate Development Support Project was a parallel initiative (a covenant of the EBRD loan) funded by the governments of Finland, Sweden and the United Kingdom. The CDSP focused on helping VK to plan and carry out institutional reforms that were considered to be essential pre-requirements for long-term and sustainable financial viability and efficient management.

From 1998 until 2002 twinning was dominated by CDSP. HW was responsible for two of the ten institutional strengthening tasks of CDSP:

- Developing a human resources management strategy.
- Developing a capital management strategy



Financing

FMoE has financed the twinning co-operation between VK and HW from 1996 until 2006, which is the last twinning year.

The total financing is about EUR 3,4 million, of which the twinning co-operation EUR 2,3 million and CDSP EUR 1,1 million. Maximum annual funding has been about EUR 500.000 and minimum EUR 90.000.

Total amount of the working hours of HW's staff is about 21.000.



Figure 1: Actual expenditure on co-operation (incl. CDSP) in 1996 - 2006

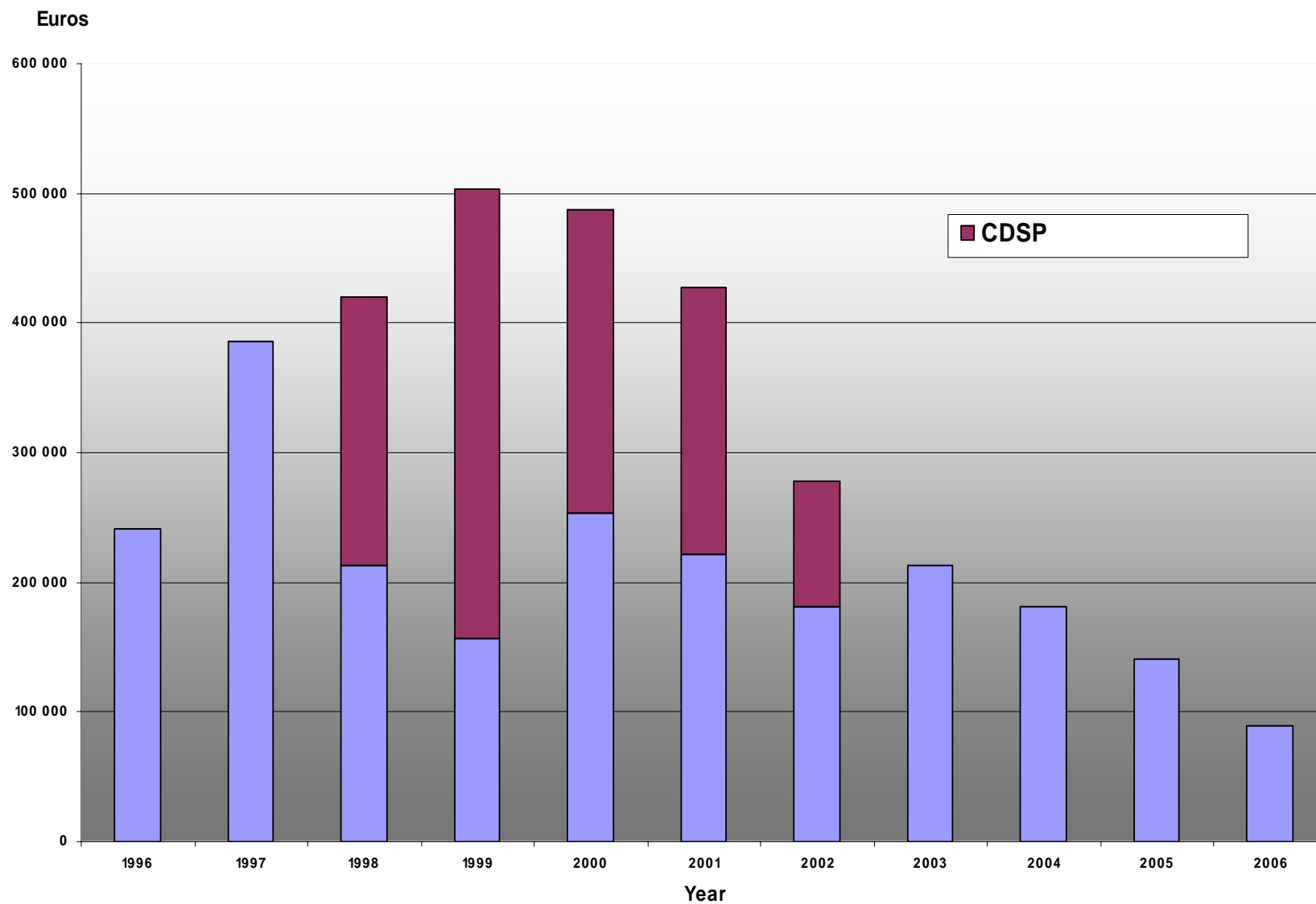


Figure 2: Use of HW's own and outsourced resources for co-operation in 1996 - 2006

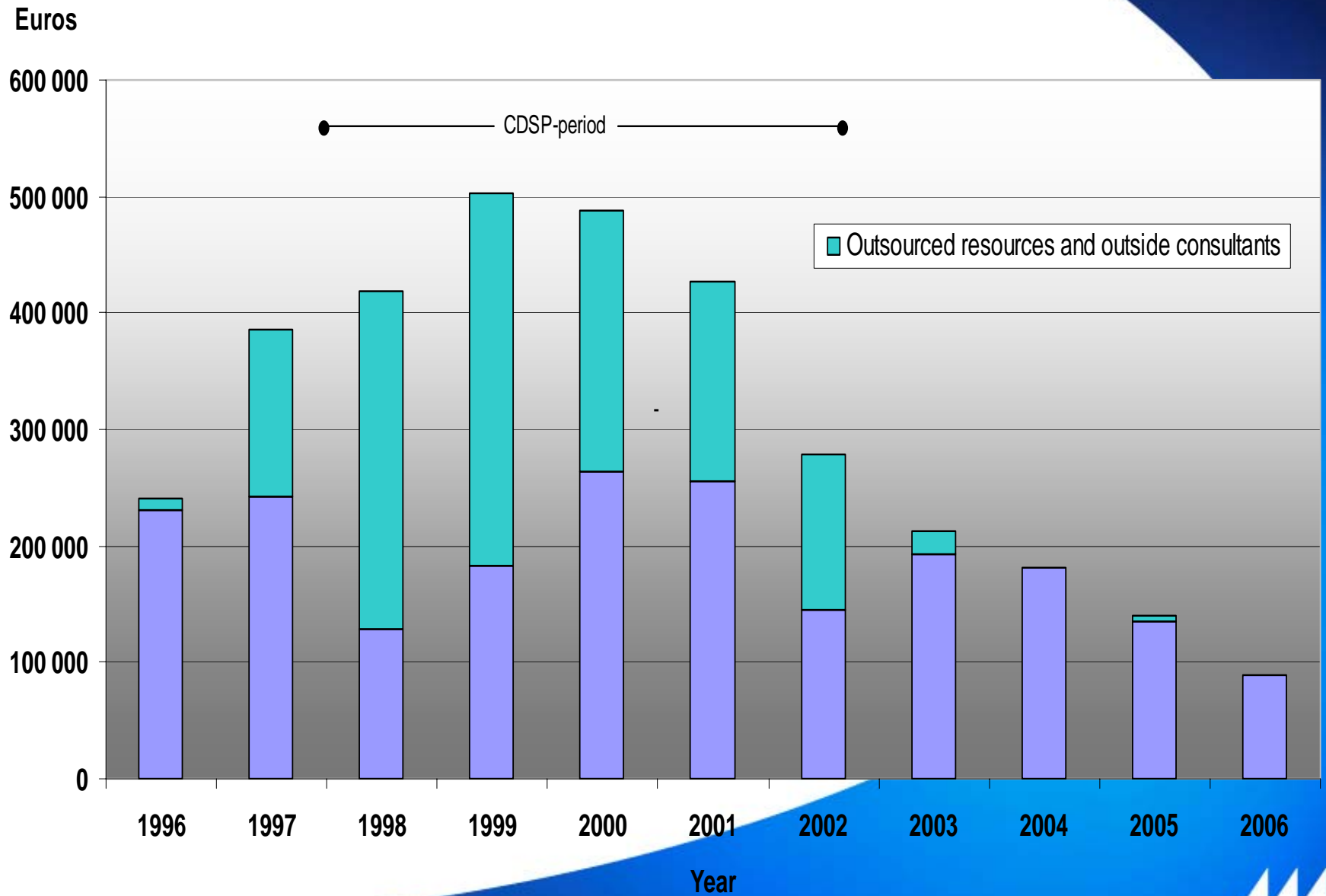
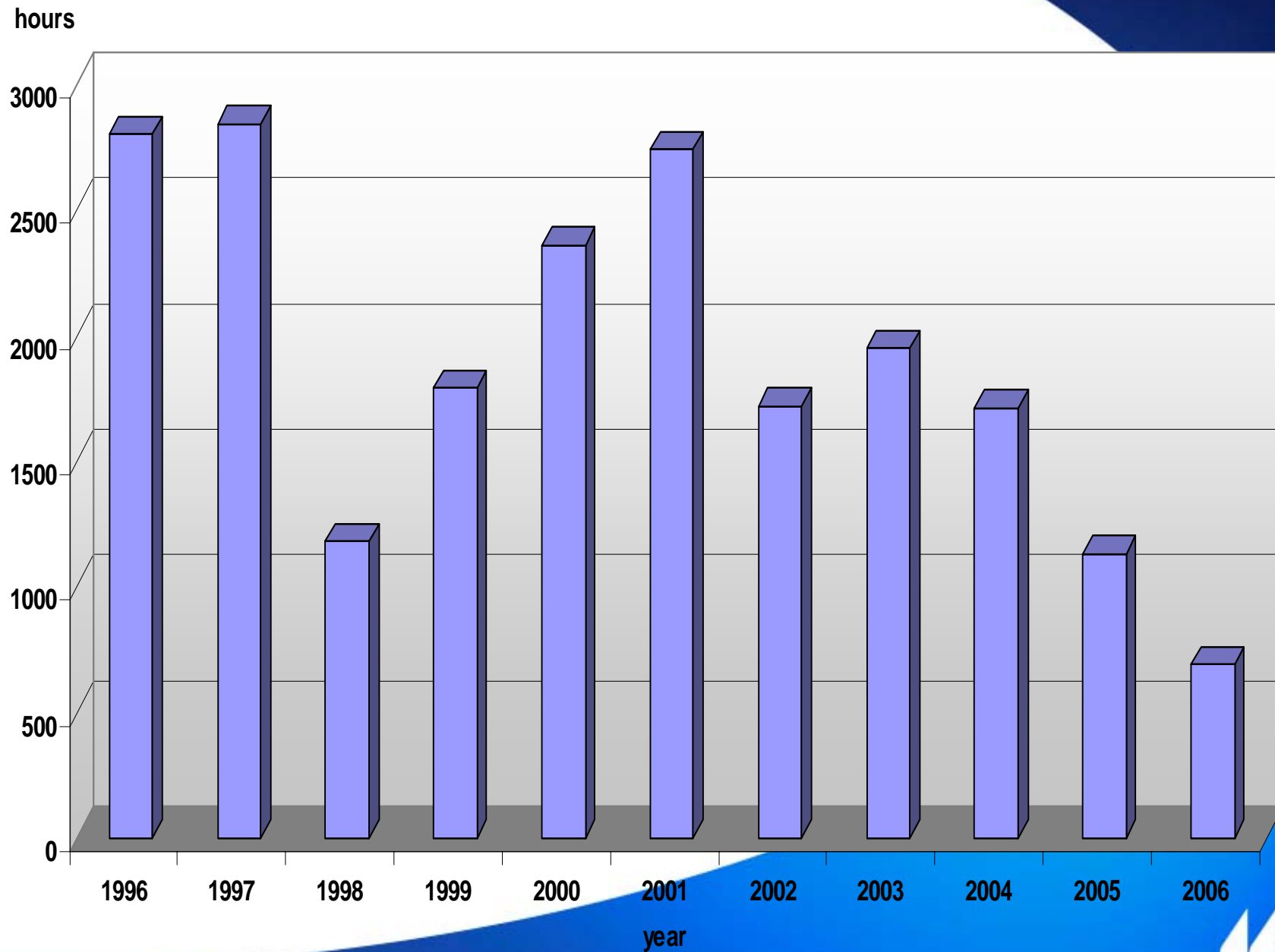


Figure 3: Working hours of HW's staff for co-operation in 1996 - 2006



Financial Management Actions and Outputs

- Study tours for VK's specialists to HW and other Finnish companies.
- Workshops and seminars.
- Investment planning and prioritising practises created as a part of the Capital Programme Management Strategy.
- The principles of the budgeting and monitoring system of the whole VK presented.
- A pilot project carried out in the South-West Vodokanal.
- Financial performance indicators developed and benchmarking started.
- The cost awareness has increased among the staff of VK.



Benchmarking subjects in 2006

In Work programme 2006 the subjects between Vodokanal St. Petersburg and Helsinki Water are:

- 1) Leakages in water network system
- 2) Financial management (e.g. Operating surplus, Return on capital, Equity ratio, Capital turnover rate and Different items in balance sheet)



Conclusions of the Co-operation (1)

The twinning projects have, in general, managed to achieve the specific objectives. Taking into account the flexibility associated with twinning, the key components have been implemented to achieve the expected result.

Through twinning relevant VK staff were familiarised with modern technology, specification of equipment to be procured and O&M of this technology. Twinning has contributed to mental change and motivation, especially general cost-consciousness within VK.



Conclusions of the Co-operation (2)

VK has sought cost savings through the reduction of personnel and replacing old equipment with more energy-efficient installations. VK has turned from a traditional Russian municipal organisation into a commercially operated western like Water Company.

Today VK has been recognised as the leading water utility in Russia. VK has been self-financing for some years except for limited grants from the federal and city authorities.



Lessons learned

- **Sustainable co-operation can start only by means of mutual understanding, common will and common vision**
- **The culture in VK is different from HW and procedural changes last longer.**
- **VK's specialists understand the existing problems and try to solve them within the limits of their resources.**
- **The quality of water meets the targets at the water treatment plants, but the quality deteriorates in the network**
- **Right chemical combination for preserving the water quality in the network can be found, but it is expensive**
- **The knowledge in nutrient removal processes in wastewater treatment has been improved in VK during the period**
- **Implementing of the process changes demand significant investments**

