

FRAMEWORK BRIEF

GEF STRATEGIC PARTNERSHIP ON THE DANUBE/BLACK SEA BASIN

INTRODUCTION

1. In the International Waters focal area, countries often face very complex, water-related environmental problems. In order to develop the joint political commitment to be successful in addressing these transboundary problems, the GEF Operational Strategy recognized that a series of international waters projects may be needed over time to: (a) build the capacity of countries to work together, (b) jointly understand and set priorities based on the environmental status of their waterbody, (c) identify actions and develop the political commitment to address the top priority transboundary problems, and then (d) implement the agreed policy, legal, and institutional reforms and investments needed to address them.

2. The 17 countries of the Danube, Dniro, Dniester, and Don basins draining to the Black Sea face a variety of shared environmental problems that are transboundary in nature. Through two GEF assisted projects since the Pilot Phase, the countries have identified the excessive release of nutrient pollution from agriculture, municipal, and industrial sources as the top priority transboundary water problem and releases of toxic substances from hotspots as an additional priority. Beginning with the Pilot Phase of the GEF, the Danube Basin countries have worked together as have the 6 countries surrounding the Black Sea with European Union and GEF assistance. The series of two pilot phase projects and two small follow-on projects has resulted in the countries learning to work together, setting priorities related to the most serious transboundary problems, and jointly agreeing on what interventions are needed to address the top priorities through their programs or plans of actions (known as “Strategic Action Programs” (SAP) in the GEF Operational Strategy).

3. The Danube Basin SAP and the Black Sea SAP are now ready for implementation by the countries consistent with GEF Operational Program 8 in the International Waters focal area. In order to accelerate on-the-ground implementation of the SAPs, this Strategic Partnership is being proposed for Council approval. The Partnership has been developed over the last 24 months, has been discussed at a Stocktaking meeting in June 2000 with all 17 basin countries, and has been “mainstreamed” into the programs of GEF Implementing Agencies (IA) as a way of meeting the country-driven needs according to the comparative advantages of each IA. This Strategic Partnership also responds to Objective 8.5(e) of Operational Program 8 as part of a test to determine whether GEF can serve as a significant catalyst in leveraging policy/legal/institutional reforms and priority investments for reversing degradation of a damaged large marine ecosystem and its contributing freshwater basins. This basin-wide, multi-stakeholder collaboration is also a globally significant test to determine whether on-the-ground implementation of measures can be accelerated to reverse nutrient over-enrichment and toxics contamination of the Black Sea as part of the Global Programme of Action (GPA) to protect the Marine Environment from Land-Based Activities.

4. This Framework Brief is included in the Work Program for Council approval. It (a) reviews the background of GEF assistance and the development of this Strategic Partnership, (b) outlines the objectives and indicators of meeting those objectives for the six year Partnership that have been adopted by the 17 collaborating nations (15 recipient plus Austria and Germany) and IAs, (c) describes the tranches that are being sought for the three initiatives under the Partnerships and their first tranche outputs and success criteria for which Council approval is sought, and (d) includes as Attachments the three individual elements according to IA comparative advantage that together constitute the Strategic Partnership. Council is being asked to approve a first tranche of US\$29 million. This will consist of US\$9 million for the two regional capacity building/technical assistance projects to be implemented by UNDP and UNEP and US\$20 million for the World Bank Partnership Investment Fund for Nutrient Reduction. In total, the two Regional Projects would be allocated US\$25 million and the Investment Fund US\$70 million over multiple tranches. The Partnership would be allocated a total of US\$95 million in GEF funds over multiple tranches. The Investment Fund will aim to leverage US\$210 million to accompany US\$70 million GEF grant funds for nutrient reduction investments in the agriculture, and municipal and industrial wastewater treatment sectors and for wetland restoration. The two Regional Projects will in total leverage US\$26.5 million in co-financing and a US\$907 million baseline to complement the US\$25 million total GEF financing over the two tranches.

BACKGROUND

5. Based on years of preparatory discussions and closely following the Rio Earth Summit in 1992, Danube River basin countries signed a convention pledging to work together to restore the environment of their transboundary river system and the six Black Sea countries signed their own convention pledging to do the same for the Black Sea environment. In 1992 the European Union joined forces with the Pilot Phase of GEF to provide US\$12 million in co-finance for a Danube Basin GEF international waters project (US\$8.5 million GEF grant) and in 1993 provided US\$23 million in co-finance for a Black Sea international waters GEF project (US\$9.3 million GEF grant). Both projects were led by UNDP, predated the GEF Operational Strategy, and were aimed at building the countries' capacity to work together to solve their shared water problems.

6. Both pilot phase international waters projects came to a close just as Council adopted the GEF Operational Strategy. In 1996, Council approved two small "bridging projects" to complete the strategic work recommended by the GEF Operational Strategy in Operational Program 8. The Danube basin bridging project ran from 1997-1999 with a GEF grant of US\$3.9 (US\$6 million co-finance) and the Black Sea bridging project from 1998-2000 with a GEF grant of US\$1.8 million (US\$4million co-finance). The other large, multi country river draining to the Black Sea is the Dniro River. An international waters project was approved by Council for that three-country basin in 1998 with UNDP (US\$7.3 million GEF, US\$11 million co-finance) and is under implementation to complete equivalent strategic work to the rest of the basin and begin implementation of nutrient reduction measures.

Box 1. Black Sea/Danube and Other Waterbodies Experience Serious Nutrient Pollution

Nutrient overenrichment or eutrophication is becoming a more widespread pollution problem around the globe. Countries of Europe, North America, and Asia are still trying to reverse nutrient pollution of coastal and marine waterbodies, such as the North Sea, Baltic Sea, Adriatic, Gulf of Mexico, Chesapeake Bay, Albemarle/Pamlico Sound, Florida Bay, and the Seto Inland Sea. Overfertilization of coastal waters with excessive amounts of nitrogen from a man-induced disruption of the global nitrogen cycle has become a problem on every continent. Until the 1960s, the Black Sea was known for its productive fishery, scenic beauty, and as a resort destination for millions of people. Since that time, as with other waterbodies around the world, massive overfertilization of the sea by nitrogen and phosphorus from agriculture, municipal, and industrial sources has seriously degraded the ecosystem, disrupted the fisheries, reduced biodiversity, posed health threats to humans, and resulted in billions of dollars of economic losses to the economies of the 6 countries. Pollution from 17 countries (15 GEF-recipient countries as well as Germany and Austria) has created this transboundary water quality problem. Since 1992, efforts have been underway with European Union and GEF support to gradually reverse the situation; this proposal for a Strategic Partnership is aimed at accelerating implementation of nutrient reduction measures and policy/legal/institutional reforms in the basin draining to the fragile sea.

7. Beginning with the Council Paper entitled STREAMLINING THE PROJECT CYCLE (GEF/C.12/9) in 1998, Council was alerted to the opportunity that such strategic partnerships could help expedite meeting programmatic objectives of the GEF Operational Strategy. In 1999, Council was informed in paragraph 42 of the GEF CORPORATE BUSINESS PLAN, FY 01-03 (GEF/C.14/9), that such a partnership was under development for the Danube/Black Sea Basin. At its Spring, 2000 meeting, Council received a progress report on the development of strategic partnerships and programmatic approaches in GEF/C.15/3 that referred to the accompanying Council Information Document (GEF/C.15/Inf.6) on the approach under development for the Danube Basin and Black Sea. Following its initial presentation as a Council INF document, funding limitations prevented the proposed Partnership from being presented to Council in November, 2000. The Strategic Partnership is now being presented to Council for approval.

8. Elements of the proposed Strategic Partnership were developed by the IAs in consultation with the countries and the GEF Secretariat. The draft approach papers were discussed with representatives of all 17 countries in a Stocktaking Meeting held in Istanbul, on June 29-30, 2000. The Stocktaking meeting was organized by the International Commission for the Protection of the Danube River and the Black Sea Commission and all 3 IAs and the GEF Secretariat participated in the dialogue for accelerating implementation of the Danube and Black Sea action programmes. Following incorporation of recipient country comments, the elements of the Strategic Partnership were discussed at subsequent Danube Commission and Black Sea Commission meetings. Adjustments were adopted in 2001 by the two groups to a tranced

approach to the Partnership in response to funding shortages and to better match actual demand for resources.

9. The processes of consultation in formulating this strategic partnership not only helped to develop common understandings among recipient countries, IAs, and the GEF Secretariat but also served as an instrument for involving other organizations wishing to assist the countries so that coordination and collaboration may be achieved rather than duplication or creation of gaps. In particular, the European Union, EBRD, EIB, USAID, WWF, and the Governments of Germany, Austria, Canada have been involved in the process, are contributing to accelerate SAP implementation, and provide important coordinated support to the larger strategic framework. The EU is taking a leadership role in convening partners for better coordination, including sponsorship of periodic donor and agency coordination meetings with the first held in February 2001 in Brussels. This may help to shorten by one-half the time frame experienced elsewhere in Europe and North America of two to three decades for developing necessary political commitments and institutional reforms to foster enough action on transboundary waterbodies.

THE STRATEGIC PARTNERSHIP

10. GEF and its Implementing Agencies are proposing a Strategic Partnership consisting of capital investments, economic instruments, development and enforcement of environmental law and policy, strengthening of public participation, and monitoring of trends and compliance over the period of 2001-2007 for the 17 countries of the Danube/Black Sea basin. This would complement the activities of the countries, EC, EBRD, EIB, and bilaterals aimed at similar objectives as well as fit programmatically with the on-going GEF project for the Dnipro basin. Through the formulation process, six objectives with indicators of success were adopted by the 17 nations for this Strategic initiative for the entire 6 year period. They are listed in Box 2. The Partnership consists of three elements which fit together to assist the countries in a collaborative manner according to IA comparative advantage. Each element has received endorsement from the GEF Operational Focal Points of all the participating countries.

Box 2. Objectives and Indicators of Success for the Danube/Black Sea Basin Strategic Partnership for 2001-2005

	Objective	Indicator
1	In support of the implementation of the Black Sea Strategic Action Plan and the "Common Platform for Development of National Policies and Actions for Pollution Reduction under the Danube River Protection Convention", and taking into account the mandate of the Sofia and Bucharest Conventions, Danube/Black Sea basin countries adopt and implement policy, institutional and regulatory changes to reduce point and non-point source nutrient discharges, restore nutrient 'sinks', and prevent and remediate toxics "hot spots".	By 2007, 100% of participating countries introduce one or more policy or regulatory measures (including P-free detergents) to reduce nutrient discharges in the agricultural, municipal, or industrial sectors, to restore nutrient sinks (wetlands, flood plains), and to prevent and remediate toxics "hot spots", and 50% adopt multiple policy measures, towards goals of maintaining 1997 levels of nutrient inputs to the Black Sea, and reducing toxics contamination in the basin.
2	Countries gain experience in making investments in nutrient reduction and prevention and remediation of toxics "hot spots".	100% of participating countries initiate one or more investments in agricultural, municipal, land use or industrial sectors for nutrient discharge reduction, nutrient sink restoration, and prevention and remediation of hot spots of toxic substances, some with GEF assistance, by 2007 to accompany expected baseline investments.
3	Capacity of the Danube and Black Sea Convention Secretariats is increased through, sustainable funding, and development of international waters process, stress reduction and environmental status indicators adopted through Convention processes.	Payments of contributions by all contracting parties to the Danube and Istanbul Conventions made for 2000 and 2001 and pledged for the period beyond project duration. Nutrient control, toxics reduction and ecosystem indicators assessing processes in place, stress reduction, and environmental status, are developed, harmonized and adopted for reporting to Secretariat databases by 2006.
4	Country commitments to a cap on nutrient releases to the Black Sea at 1997 levels and agreed targets for toxics reduction for the interim, and possible future reductions or revisions using an adaptive management approach after 2004 are formalized into specific nutrients control and toxics discharge protocol(s) or Annex(es) to both Conventions.	Countries adopt protocols or annexes to their two conventions and/or develop legally binding "Action Plans" regarding nutrients and toxics reduction commitments as part of their obligations under the GPA for Land-Based Sources of pollution to the Danube/Black Sea basin by 2006 towards agreed goal to restore the Sea to 1960's environmental status. For the Danube, such a commitment will be contained in the revised Nutrient Reduction Plans (coherent with the ICPDR Joint Action Programme) and developed in accord with the application of the relevant EU Water Directives.
5	Implementing Agencies, the European Union, other funding partners and countries formalize nutrient and toxics reduction commitments into IA, EU and partner regular programs with countries.	Regular programs of IA's and EC support country nutrient and/or toxics reduction commitments during 2001-2007 as part of expected baseline activities and incorporate them into CCF (UNDP), GPA Office Support (UNEP), CAS (WB), and EU (Accession support) by 2005.
6	Pilot techniques for restoration of Danube/Black Sea basin nutrient sinks and reduction of non-point source nutrient discharges through integrated management of land and water resources and their ecosystems in river sub-basins by involving private sector, government, NGO's and communities in restoration and prevention activities, and utilizing GEF Biodiversity and MSP projects to accelerate implementation of results.	All countries in basin begin nutrient sink restoration and non-point source discharge reduction by 2007 through integrated river sub-basin management of land, water and ecosystems with support from IA's, partners and GEF through small grants to communities, biodiversity projects for wetlands and flood plain conservation, enforcement by legal authorities and holistic approaches to water quality, quantity and biodiversity of aquatic ecosystems. Plans (coherent with the ICPDR Joint Action Programme) are developed in accord with the application of the relevant EU Water Directives.

Elements of the Strategic Partnership

11. The following three elements constitute the proposed Strategic Partnership:

- 1. A GEF Black Sea Regional capacity building and technical assistance element implemented (in cooperation with the Black Sea Commission under the leadership of UNDP and with the assistance of UNEP for defined components - two tranches;*
- 2. A GEF Danube River basin regional capacity building and technical assistance element implemented (in cooperation with the ICPDR) under the leadership of UNDP -two tranches;*
- 3. A GEF / World Bank Partnership Investment Fund for Nutrient Reduction focused on single country nutrient reduction investments - multiple tranches.*

Elements 1 and 2: Capacity Building and Technical Assistance

12. The two regional elements are aimed at addressing transboundary environmental degradation in the Danube/Black Sea basin through policy and legal reform, public awareness raising, and institutional strengthening. Each element will be operated through or closely linked to the respective Black Sea and Danube Secretariats in Istanbul and Vienna. The first tranche of each of the two elements are presented in Attachments 1 and 2. They will each focus on the following areas within the Danube and Black Sea convention countries, with the GEF lead agency shown for each:

- ◆ Actions to revise and/or create a nutrients and toxics reduction protocol/annex to the Black Sea Convention in accordance with the Global Programme of Action to Protect the Marine Environment from Land Based Activities (UNEP). For the Danube, strategies and measures for nutrient reduction will be reflected in the ICPDR Action Plan, which will be endorsed and thus become legally binding to the contracting Danube countries under the DRPC (UNDP);
- ◆ Activities to develop and implement policies and legislation aimed at addressing sectoral causes of nutrient and toxics releases, such as phosphate detergent phase-out, agricultural reform, cleaner production in industry, etc. (UNDP);
- ◆ Policy and legislative reforms aimed at promoting the protection and restoration of critical nutrient sinks, particularly wetlands and floodplains (UNDP);
- ◆ Strengthening of the institutional capacities of the Black Sea and Danube Secretariats to build in long-term capacity to understand, address and monitor levels and impacts of transboundary nutrients and toxics (UNDP);
- ◆ Public awareness raising in support of basin-wide nutrient and toxics reduction efforts (UNDP);

- ◆ Harmonization of water regulatory standards (in line with EU regulations, where applicable) among the Danube/Black Sea basin countries to include similar nutrient and toxics reduction provisions (UNDP);
- ◆ Development of Black Sea and Danube River basin Monitoring and Evaluation indicators harmonized among countries for process, stress reduction and environmental status indicators (UNDP);
- ◆ Strengthening of the Information System to allow interactive information exchange and update and development of public area for specific topics of nutrient reduction (UNDP);
- ◆ Support to further development of NGO activities at national and regional level (UNDP);
- ◆ Establishment of Small Grants Fund to reinforce community based actions for nutrient reduction with particular attention to agricultural reform projects, wetland restoration and use of lagoons for nutrient reduction (UNDP);
- ◆ Feasibility studies for a nutrients emission trading system at the national and regional levels. UNDP will coordinate an overall feasibility study for the Black Sea basin as a whole while the ICPDR/KfW will carry out a study specific to the Danube River Basin towards the possibility of developing economic instruments for nutrient management in the Danube River Basin (UNDP).

Element 3: GEF / World Bank Partnership Investment Fund for Nutrient Reduction

13. A paper describing the Partnership Investment Fund for Nutrient Reduction in the Danube/Black Sea Basin is proposed for approval by Council (Attachment 3). A summary of this investment fund is described below.

14. The Partnership Investment Fund for Nutrient Reduction would be funded by GEF for a total of US\$70 million over multiple tranches. The World Bank in using this fund commitments to assisting the 15 recipient countries in the Basin as they implement the two SAPs in addressing the top transboundary priority nutrient reduction. The World Bank would commit to (a) incorporating in its country dialogue with each of the 15 GEF-recipient countries policies that address nutrient reduction in the agriculture, municipal, and industrial sectors, (b) promoting inclusion of Danube/Black Sea restoration issues in the on-going Country Assistance Strategy (CAS) development processes, and (c) using the Bank's convening powers and comparative advantage to mobilize funding and engage other donors/partners to achieve an overall contribution of US\$3 from other sources for every US\$1 from GEF in implementing nutrient reduction measures.

15. The Investment Fund would fund modest investments in nutrient reduction as part of domestic and industrial wastewater treatment, agricultural pollution control and wetland restoration projects in individual countries. Projects would be selected by the World

Bank according to specific, pre-approved eligibility criteria, including country identification as a priority investment as part of the SAP development process; potential for replicability and commitment to specific activities that promote replicability; country commitments to policy/legal/institutional reforms related to nutrient reduction and water quality improvement; GEF focal point endorsement; the country being up-to-date on contributions to its regional convention(s); and acceptable level of co-financing secured. Each project would be approved and implemented following standard World Bank procedures and therefore would be subject to World Bank Board approval. Project implementation under the Investment Fund would be streamlined through delegation of approval authority to the GEF CEO under Council authorized GEF funding envelopes the first of which is sought in this work program. Replenishment of tranches for the Investment Fund would be requested from the GEF Council together with a progress report with information on the overall leveraging ratio achieved to date and the project pipeline.

16. *Replicability.* Replication of nutrient reduction interventions throughout the Black Sea/Danube Basin will be one of the most important objectives of the Partnership Investment Fund. Projects supported through GEF funds will have design elements to facilitate their replication. This is important since GEF funds invested through the Partnership will constitute only a small fraction of the total resources needed to finance the priority hot spots identified by Danube and Black Sea Strategic Action Plans and to make a difference in the Black Sea's ecological state.

17. *Leveraging Ratios.* The Investment Fund would aim at leveraging GEF grant funds against other project financing sources at a target overall program ratio of 1 (GEF) to 3 (other sources) which would when this is achieved, represent some of the higher. Co-financing may be secured from a combination of national sources, loans from the World Bank or other IFIs, and additional grant funding from donors/partners. The minimum leveraging ratio for individual projects has been established as of 1 (GEF) to 0.5 (other) and would only be allowed in very exceptional cases, such as in countries with the most significant resource constraints or critical wetland restoration projects with funding constraints. Such low-leverage projects would be offset by other investments, such as nutrient reduction at wastewater treatment plants, where the proportion of GEF incremental cost financing would be expected to be significantly lower. The World Bank will assist countries of the region in finding co-finance sources so that they may participate in the Partnership.

18. *Reporting Requirements.* The CEO will circulate each proposal intended for approval to Council for information for a two weeks period in which comments would be welcomed. The World Bank will report annually to the Council on status of the Partnership and to the two commissions periodically at their meetings. The CEO will transmit a report to Council on achievement of progress and indicators in the first tranche for consideration at a Council meeting before authorizing the start of the second tranche. A final report with lessons learned and recommendations will be submitted to Council.

19. *Monitoring and Evaluation provisions.* Each individual project will have its own monitoring indicators, benchmarks, and monitoring plan to confirm actual nutrient

reduction achieved. This is very important globally in that cost-effectiveness indicators (US\$/kilogram nitrogen or phosphorus removed) will be established through the Partnership for different situations to be used in possible future applications by GEF and by the international community as non-recipient countries enhance their actions to reduce nutrient over enrichment of coastal/marine ecosystems.

SUMMARY OF FIRST TRANCHE PROPOSALS FOR MAY 2001 COUNCIL APPROVAL --- OUTPUTS and SUCCESS CRITERIA

1. Black Sea Regional Project (US\$4 million)

Objectives/Outputs/Success Criteria

Objectives	Success Criteria
<p>The <u>long-term objective</u> is for all Black Sea basin countries to take measures to reduce nutrient levels and other hazardous substances to such levels necessary to permit Black Sea ecosystems to recover to similar conditions as those observed in the 1960s.</p> <p><u>Intermediate objective</u>: Urgent control measures should be taken by all countries in the Black Sea basin, in order to avoid that discharges of nitrogen and phosphorus to the Black Sea exceed those levels observed in 1997.</p> <p><u>Immediate Objectives</u>:</p> <ol style="list-style-type: none"> 1. Reduction of the nitrogen and phosphorus loads to the Black Sea; 2. Enhancement of the service function of wetlands and benthic (seabed) plant communities for the assimilation of nutrients; 3. Improved management of fisheries to permit their economic recovery in parallel with improvements to the ecosystem. 4. In addition to the above, and where appropriate, attention will also be given to transboundary contamination by hazardous substances, particularly where these have similar sources to nutrients. In the case of oil pollution (a significant problem in the Black Sea), attention will also be given to measures that may reduce the risk of spillage by ships. 	<ol style="list-style-type: none"> 1. For the <u>long term objective</u>, the availability of state of the Black Sea reports that permit comparison with the historical data on the state of the Black Sea before the onset of severe eutrophication. 2. Full compliance with the new Protocol for Landscape and Biological Diversity to the Bucharest Convention. 3. For the <u>intermediate objective</u>, annual reporting of the discharges of P and N from rivers, direct point sources and airborne fluxes (estimates based on ground stations). 4. Full compliance with the new LBA Protocol to the Bucharest Convention.
Objective 1. Support the integration of a Sustainable Secretariat for the Bucharest Convention	
Outputs	Success Criteria
<ol style="list-style-type: none"> 1. A management regime capable of coordinating regional actions to overcome the key transboundary issues facing the Black Sea, primarily the control and abatement of eutrophication and hazardous substances but also the improved management of fisheries (see component V). 	<ol style="list-style-type: none"> 1. Programme Implementation Unit (PIU) fully staffed and operational 2. Joint Management Committee established and operational 3. Advisory Groups and Activity Centres operational and engaged in addressing transboundary issues 4. Istanbul Commission able to raise funding for

2. A permanent mechanism for co-operation with the ICPDR (Danube) and other emergent river basin commissions in the Black Sea Basin.	transboundary projects
3. Publicly accessible programme materials in all Black Sea languages	5. Inter-Commission Working Group operating and setting common management objectives 6. Information in the public domain throughout the Black Sea coastal region regarding the transboundary problems and solutions offered.
Objective 2. Regional actions for improving LBA legislation to control eutrophication and for tackling emergent problems.	
Outputs	Success Criteria
1. A new and more comprehensive protocol for the control of land-based activities in the Black Sea. This will pay particular attention to the integral control of eutrophication.	1. New LBA Protocol approved and endorsed
2. A detailed study of emergent issues in the Black Sea and their social and economic root causes based on application of the GIWA methodology.	2. Feasibility study of the MEH published.
3. A feasibility study for the establishment of a marine electronic highway (MEH) in the Black Sea and Turkish Straits.	3. Black Sea Futures report approved by the Istanbul Commission and published.
Objective 3. Assist countries to improve their knowledge of the process of eutrophication in the Black Sea	
Outputs	Success Criteria
1. State of the Black Sea report (as required by the SAP), focusing on eutrophication and hazardous substances, in December 2001. This activity will enable the report to be made despite the absence of a functional monitoring network (see Objective 4).	1. Integration of international study group on Black Sea
2. Satellite maps of indicators of eutrophication issued weekly.	2. Peer reviewed study
3. Recommendations to the Istanbul Commission and ICPDR for new nutrient control objectives within the concept of adaptive management (see also Obj. 5)	3. Completion of 4 surveys in 2001 and studies of nutrient sources
	4. Publication of State of the Black Sea Report, 2001
	5. Copies of the satellite color scan maps and explanatory reports distributed widely in all six Black
	6. Use of the information in setting new adaptive management
Objective 4. Introduce new sectoral policies and a system of process, stress reduction and environmental status indicators for monitoring the effectiveness of measures to control eutrophication (and hazardous substances where appropriate).	
Outputs	Success Criteria
1. Sectoral nutrient control master plans and associated indicators (agriculture, industry, municipalities) for each country.	1. Written agreement of the agricultural, industrial and municipal sectors in each country to cooperate on specific indicators and to help to develop and implement measures within their area of responsibility.
2. Amended laws and policies, as appropriate.	2. Adopted new system of process, stress reduction and environment status indicators employed, similar to that described in Annex 8.
3. National nutrient reduction strategies.	3. Indicator data used to enforce existing/new regulations and for regional status and trends reports
4. An Istanbul Commission information base, initially managed by the PIU.	4. Use of the information base by all six countries.
5. Annual environmental status monitoring reports, starting in 2002 and incorporating process and stress reduction indicators by 2003.	5. Status reports showing positive trends in selected indicators.
Objective 5: Support the Commissions in their periodic review of Adaptive Management objectives	
Outputs	Success Criteria
1. A benefit/cost study of the application of the recommendations (to be conducted jointly with the ICPDR)	4. Publication and positive reception of the benefit/cost study
2. Technical recommendations for new	5. Recommendations for new objectives and priorities formulated.

objectives including recommendations of target sectors/sub-sectors for control measures and/or investments. 3. Final recommendations to the Commissions (from the Joint Working Group)	6. Approval of the new objectives by the two Commissions (hopefully also the new Dnipro Commission).
Objective 6. Assist the public in implementing activities to reduce eutrophication through a programme of grants for small projects and support to regional NGOs.	
Outputs	Success Criteria
1. Reports describing 29 completed actions in the first tranche (e.g. wetlands restored, videos produced, farms converted to organic production, etc.) 2. Reports, as above, for the second tranche. 3. Regional NGO newsletter 'Black Sea Shared' produced and distributed quarterly (mainly electronically) 4. Regional report on wetland protection and restoration and recommendation for local actions (WWF) 5. Inclusion of the Black Sea in WWF's Europe-wide reports on the reform of fisheries management (WWF).	1. Full implementation of first tranche of 29 projects (independent review). 2. Successful second call for proposals. 3. Full implementation of the second tranche (independent review). 4. Effective contribution of NGO evinced by the establishment of a regional NGO WG on nutrient reduction, media reports and presence at significant regional open meetings. 5. Increased number of wetlands protected and/or restored (WWF) 6. Introduction of fisheries no-take zones and analysis of those subsidies to fishing that may be damaging to stocks or the environment(WWF)–see also Objective 8.
Objective 7. Formulate proposals for market-based or alternative economic instruments for limiting nutrient emissions and establish private -public sector partnerships for environmental protection in the Black Sea.	
Outputs	Success Criteria
1. 'Gap analysis' published, showing difference between the current use of economic instruments and those that would be required for the effective implementation of national nutrient reduction strategies. 2. Feasibility study of the nutrient trading mechanism and its alternatives (including action-oriented recommendations for the Commissions). 3. Letters of agreement and other practical arrangements with regional/national funding institutions. 4. Long-term investment priorities for the post Strategic Partnership period.	1. Reports of actions taken within countries to correct identified gaps in the application of instruments. 2. Decision of Commissions regarding mechanism for nutrient trading and/or alternatives. 3. Loans for nutrient-related investments channeled through regional or national development banks. 4. Substantial project portfolio that can be taken to a 2005 donor conference or similar funding mechanism
Objective 8. A fisheries exploited within its maximum sustainable yield and incorporating measures to protect ecologically sensitive areas.	
Outputs	Success Criteria
1. First Black Sea Fish Stock Assessment 2. Declaration of fisheries free zones to allow for restoration of macrophyte habitats and recovery of nursery grounds. 3. Measures for enforcing the above. 4. Signed fisheries convention with measures to limit fishing effort and provisions for enforcement.	1. Reports demonstrating effective protection of sensitive habitats as fisheries free zones 2. Recovery of macrophyte beds damaged by trawling gear (indicators as per Annex 8). 3. Independent review of stock assessment. 4. Signature, ratification and implementation of the Fisheries Convention 5. Signature, ratification and implementation of the new Biological and Landscape Diversity Protocol to the Bucharest Convention (prepared with BSEP (GEF and Tacis) funding. 6. Sustained increases in sensitive stocks (e.g. Turbot, Sturgeon)

2. Danube River Basin Regional Project (US\$5 million)

Objectives/Outputs/Success Criteria

Objectives	Success Criteria
<p><u>1. Long-term Development Objective:</u></p> <p>The long-term development objective of the proposed Regional Project is to contribute to sustainable human development in the DRB through reinforcing the capacities of the participating countries in developing effective mechanisms for regional cooperation and coordination in order to ensure protection of international waters, sustainable management of natural resources and biodiversity.</p> <p><u>2. Overall Objective:</u></p> <p>The overall objective of the Danube Regional Project is to complement the activities of the ICPDR required to provide a regional approach and global significance to the development of national policies and legislation and to the definition of priority actions for nutrient reduction and pollution control with particular attention to achieving sustainable transboundary ecological effects within the DRB and the Black Sea area. The combined structural (US\$882 million baseline) and non-structural (this project, Phases 1 and 2) interventions will reduce nitrogen and phosphorus burdens to the Danube River basin by an estimated 22 and 33 percent, respectively.</p> <p><u>The specific objectives of Phase 1 of the Project are:</u></p> <ol style="list-style-type: none"> 1. Creation of sustainable ecological conditions for land use and water management 2. Capacity building and reinforcement of transboundary cooperation for the improvement of water quality and environmental standards in the DRB 3. Strengthening of public involvement in environmental decision making and reinforcement of community actions for pollution reduction and protection of ecosystems 4. Reinforcement of monitoring, evaluation and information systems to control transboundary pollution, and to reduce nutrients and harmful substances. 	<p>Overall Project Objective: At the end of Phase 1 of the Project, methodologies and concepts have been developed under the DRPC to introduce and implement legal and institutional mechanisms for efficient pollution control and reduction of nutrient loads to the Black Sea. At the end of the Project Phase 2, all Danube River Basin countries have developed and ratified policies and legal instruments for sustainable water management and nutrient reduction and have put in place mechanisms for exacting compliance.</p> <p>Objective 1: At the end of the Project Phase 1, all Danube River Basin countries have reviewed policies and legal instruments in relation to ecological land use (River Basin Management) and water management and have prepared mechanisms to adapt their national legislation to international and EU standards.</p> <p>Objective 2: By end of Phase 1, operational mechanisms for the monitoring of water pollution and control of emissions from point and non-point sources and a reliable information system under the ICPDR are designed and ready for implementation at the regional and national level to assess improvement of water quality and nutrient reduction in the Black Sea.</p> <p>Objective 3: At the end of Phase 1 of the Project the Secretariat of the Danube Environmental Forum (DEF) is fully operational and national representations exist in all Danube countries. National NGOs are involved in project preparation and have identified community-based nutrient reduction projects to be financed under the GEF Small Grants Programme and have prepared at least two national awareness-raising campaigns.</p> <p>Objective 4: At the end of Phase 1 of the Project, the ICPDR has conceptualized and developed its monitoring and evaluation system and has identified the indicators for pollution reduction and environmental status; knowledge on removal of nutrients and toxic substances is increased and economic instruments to encourage investments for nutrient reduction are developed at the national and regional level.</p>

Objective 1: Creation of sustainable ecological conditions for land use and water management	
Outputs	Success Criteria
Output 1.1: Development and implementation of policy guidelines for river basin and water resources management.	<ol style="list-style-type: none"> 1. River Basin Districts are defined 2. River basin management practices are identified and gaps and needs in relation of WFD requirements are clarified 3. Methodology for preparation of RBD management plans is implemented in pilot river basins 4. Transboundary cooperation and coordination is enhanced
Output 1.2: Reduction of nutrients and other harmful substances from agricultural point and non-point sources through agricultural policy changes	<ol style="list-style-type: none"> 1. List of priority agricultural ‘hot spots’ and assessment of legislation on point and non-point sources of pollution are updated 2. Review of hazardous agrochemicals and their impacts is worked out 3. Conventional and alternative agricultural practices and farming in line with EU requirements for central and downstream Danube countries are analyzed 4. National deficiencies in agricultural policy are identified
Output 1.3: Development of pilot projects on reduction of nutrients and other harmful substances from agricultural point and non-point sources	<ol style="list-style-type: none"> 1. Assessment of practical promotion of best agricultural practices and manure handling is updated 2. Alternative concepts for farming and manure handling in line with EU requirements for central and downstream Danube countries are elaborated 3. Needs for pilot activities in best agricultural practices are identified in UA, MO, RO, BG, YU and B-H 4. Understanding of decision makers and farmers on the need to introduce new concepts for animal farming and manure handling is addressed
Output 1.4: Policy development for wetlands rehabilitation under the aspect of appropriate land use	<ol style="list-style-type: none"> 1. Areas for land use planning in pilot river basins are identified 2. Methodology and concepts for appropriate land use and wetland restoration are developed 3. Inappropriate land use at wetland restoration is discussed with stakeholders (workshop)
Output 1.5: Industrial reform and development of policies and legislation for application of BAT (best available techniques including cleaner technologies) towards reduction of nutrients (N and P) and dangerous substances	<ol style="list-style-type: none"> 1. Updated list of priority ‘hot spots’ and inventory on industries with outdated techniques and facilities (accidental risks), related to SIAs, are produced 2. Existing policies and legislation at the national level are collected and existing gaps with EU legislation are identified 3. Workshop programmes for BAT introduction are prepared
Output 1.6: Policy reform and legislation measures for the development of cost-covering concepts for water and waste water tariffs, focusing on nutrient reduction and control of dangerous substances	<ol style="list-style-type: none"> 1. Deficiencies in international comparison related to tariffs, metering, types of collection etc. are identified 2. Most appropriate cost recovery models and gradual tariffs reform are proposed for specific countries
Output 1.7: Implementation of effective systems of water pollution charges, fines and incentives, focusing on nutrients and dangerous substances	<ol style="list-style-type: none"> 1. Present systems of charges, fines and incentives is analyzed nationally and DRB-wide. 2. Alternative concepts for the introduction of incentive based instruments for groups of DRB countries are identified 3. Institutional, economic and social capabilities to implement economic instruments are assessed

<p><u>Output 1.8:</u> Recommendations for the reduction of phosphorus in detergents.</p>	<ol style="list-style-type: none"> 1. Analysis of legal and institutional possibilities for introducing restrictive standards for detergents use in particular DRB countries is performed 2. Proposals of severe standards and implementation schedule for phosphorus reduction are developed 3. Proposals for enforcement and compliance are elaborated 4. Organization of workshops on phase out of phosphorus in detergents
<p>Objective 2: Capacity building and reinforcement of transboundary cooperation for the improvement of water quality and environmental standards in the DRB.</p>	
<p>Outputs</p>	<p>Success Criteria</p>
<p><u>Output 2.1:</u> Setting up of “Inter-ministerial Committees” for development, implementation and follow-up of national policies legislation and projects for nutrient reduction and pollution control</p>	<ol style="list-style-type: none"> 1. Existing structures and mechanisms for implementation of environmental policies and legislation analyzed 2. Adequate structures proposed in cooperation with relevant ministerial departments 3. Inter-ministerial Committees established
<p><u>Output 2.2:</u> Development of operational tools for monitoring, laboratory and information management and for emission analysis from point and non-point sources of pollution with particular attention to nutrients and toxic substances</p>	<ol style="list-style-type: none"> 1. Water quality objectives and nutrient and toxics quality conditions are developed 2. Statistics of emissions from point and non-point sources for P and N are existing 3. Inventory of priority chemicals in line with EU is prepared 4. Laboratory equipment in selected countries is reinforced 5. Information system and network are improved
<p><u>Output 2.3:</u> Improvement of procedures and tools for accidental emergency response with particular attention to transboundary emergency situations</p>	<ol style="list-style-type: none"> 1. National stations - PIACs for MD, UA, BiH, YU are planned and programme for implementation prepared 2. Inventory and assessment of high accidental risks spots are produced in all countries 3. DBAM is prepared for improvement to respond to pollution transport issues
<p><u>Output 2.4:</u> Support for reinforcement of ICPDR Information and Monitoring System (DANUBIS)</p>	<ol style="list-style-type: none"> 1. ICPDR Information System is fully operational with internal working area and public accessible area 2. Networking within DANUBIS by all ICPDR contracting parties is developing 3. Interactive DANUBIS web site is developing 4. Mechanisms for many users of having access to information are available
<p><u>Output 2.5:</u> Implementation of the “Memorandum of Understanding” between the ICPDR and the ICPBS relating to discharges of nutrients and hazardous substances to the Black Sea</p>	<ol style="list-style-type: none"> 1. Joint work programme for MoU is approved 2. Agreement of status indicators is reached 3. Joint AQC system is defined and agreed 4. Rules of reporting are developed 5. Agreement on regular meetings is concluded 6. MoU is signed.
<p><u>Output 2.6:</u> Training and consultation workshops for resource management and pollution control with particular attention to nutrient reduction and transboundary issues</p>	<ol style="list-style-type: none"> 1. Training needs are assessed, training programmes and course materials are developed. 2. Sub-contractors and organizations for training courses are identified and contracts are prepared.

Objective 3: Strengthening of public involvement in environmental decision making and reinforcement of community actions for pollution reduction and protection of ecosystems	
Outputs	Success Criteria
<u>Output 3.1:</u> Support for institutional development of NGOs and community involvement	<ol style="list-style-type: none"> 1. Optimal operation of DEF secretariat is achieved 2. Training needs identified and programmes on environmental issues developed 3. Publications and materials for awareness raising on nutrient and toxics are conceptualized and prepared 4. Training courses and materials to reinforce NGO cooperation are prepared.
<u>Output 3.2:</u> Applied awareness raising through community based “Small Grants Programme”	<ol style="list-style-type: none"> 1. Conditions and implementation mechanisms for Small Grants Programme prepared and disseminated (topics, criteria, timing) 2. Calls for a regional and two local grants programmes
<u>Output 3.3:</u> Organization of public awareness raising campaigns on nutrient reduction and control of toxic substances	<ol style="list-style-type: none"> 1. Realistic approach on organizing public campaigns is developed 2. Sufficient and reliable information for mass media purposes are prepared and published 3. Basin-wide documents are periodically published
Objective 4: Reinforcement of monitoring, evaluation and information systems to control transboundary pollution, and to reduce nutrients and harmful substances	
Outputs	Success Criteria
<u>Output 4.1:</u> Development of indicators for project monitoring and impact evaluation	<ol style="list-style-type: none"> 1. Monitoring and evaluation system for project implementation is developed 2. Indicators for emissions and water quality are reviewed to respond to nutrient concerns 3. Progress indicators for monitoring project implementation are developed 4. Impact indicators to evaluate environmental effects are defined 5. Environmental status indicators are developed
<u>Output 4.2:</u> Analysis of sediments in the Iron Gate reservoir and impact assessment of heavy metals and other dangerous substances on the Danube and the Black Sea ecosystems	<i>Carried out only in the 2nd Phase of the Project</i>
<u>Output 4.3:</u> Monitoring and assessment of nutrient removal capacities of riverine wetlands	<ol style="list-style-type: none"> 1. Criteria for wetlands classification and observation priorities are defined 2. Methodological approach for assessment of nutrient removal capacities is developed taking into account results of other projects 3. Observation programme to assess annual removal capacities is designed and approved
<u>Output 4.4:</u> Danube Basin study on pollution trading and corresponding economic instruments for nutrient reduction	<ol style="list-style-type: none"> 1. Economic instruments for nutrient reduction analyzed elaborated 2. Assessment on legal and policy issues related to economic instruments in DRB countries 3. Needs and barriers for “pollution trading” studied

World Bank GEF Partnership Investment Fund for Nutrient Reduction (US\$20 million)

20. The World Bank is submitting the overall framework for a Nutrient Reduction Investment Fund and seeks GEF financing of US\$20 million for a first envelope of funds under a longer term program requesting US\$70 million of GEF resources. This envelope of funds would be used to commit resources against individual eligible projects at the CEO endorsement stage. An important feature of the proposed Partnership Investment Fund is that these funds will not be earmarked against any particular project at the time of GEF Council approval. This feature is intended to promote competition for best practice projects, to promote early action, and to provide flexibility in managing investments in accordance with partnership eligibility criteria and objectives. Currently, seven proposed projects are at various stages of development (summarized below) and are likely candidates to access funds from the first tranche. The demand for GEF resources that this pipeline of projects reflects are well in excess of US\$20 million that would be approved in the first tranche. A second tranche will be requested at the December 2001 Council meeting. Periodic progress reports to the GEF Council during the Partnership implementation period will describe the ongoing project pipeline – and future tranche funding requests will report retrospectively on the use of funds committed under earlier tranches. Outputs and success criteria for the Partnership Investments Fund are described in the Investment Fund Paper (Attachment 3) including leveraging targets, replication goals; and contribution to nutrient reduction. Progress on Investment Fund indicators will be described in the periodic progress reports to the Council. Each project under the Partnership will include its own measures for success relating to nutrient reduction, sustainability and replicability.

Status of Project Pipeline Development

21. *Three advanced concepts.* The proposed Romania Agricultural Pollution Control, Bulgaria Wetlands Restoration, and Russia Rostov Reduction of Nutrient Discharges and Methane Emissions on Rostov-on-Don Projects are at an advanced stage of preparation and expected to require GEF resources in the calendar year 2001. These are model projects for the Partnership Investment Fund and their concept notes were presented to the GEF Council in May 2000. These concept notes are attached again as an annex to the Investment Fund Paper. In case these projects fall behind schedule or fall out of compliance with Partnership criteria (for example arrears on Commission dues), then there are other project proposals under development that may be committed sooner.

22. *Two less advanced concepts.* The proposed Turkey Agricultural Pollution Control and Russia Krasnodar Agricultural Pollution Reduction Projects are at early project concept note stage and have not yet received preparation grants, but both governments have indicated their desire for preparation funds.

23. *Two very preliminary concepts.* The proposed Moldova Agricultural Pollution Control, and Hungary Wastewater Nutrient Reduction Projects are at early stages of discussion. The Moldova project may be blended with a World Bank agricultural credit and extension project targeted at small and medium sized enterprises. Contingent finance with GEF grant funds is under consideration/review. The Hungary Project may be

blended with EU and EBRD financing. Additional project ideas are expected. Presented below are a quick summary of each of the three most advanced projects.

ROMANIA: AGRICULTURAL POLLUTION CONTROL PROJECT

Project Objective. The overall objective of the project is to increase the use of environmentally-friendly agricultural practices in the project area and thereby reduce pollution from agricultural sources in Romania to the Danube River and Black Sea and at the same time assist Romania in meeting European Union standards in agricultural pollution control. The project, which will focus its activities in the Calarasi county in the southern part of Romania, along the lower Danube, could be used as a demonstration activity to be replicated in similar sites in Romania as well as other Black Sea riparian countries.

Rationale. Romania is the largest contributor of nutrients to the Black Sea as its entire territory drains into the Black Sea. In 1994, nutrient calculations in surface waters consisted of about 284-306 tons of nitrogen/year and 39-40 kilo tons of phosphorous/year. Agriculture accounts for 44% of the total nitrogen and 58% of total phosphorous contamination. Groundwater pollution with nitrates and microbial organisms from agriculture has major implications for drinking water supply for rural settlements in Romania. Between 1996-1999, forty five cases of acute nitrate poisoning were reported in the project area; in fact, all cases of acute nitrate poisoning in 1997 in Romania were in the Calarasi judet. Since the economic decline in the region in the past decade and the success of nutrient load reduction programs, the overall discharge of nutrients to the Black Sea have reduced and this offers a window of opportunity for actions aimed at improving the quality of the Black Sea which will also help Romania in its EU accession process.

Project Components. *Component 1:* Activities in the Calarasi Judet, which will include: (i) promotion of environment-friendly agricultural practices by farmers' associations, family farms and individual farmers in seven comunas; (ii) manure management practices; (iii) promotion of ecologically sustainable land use in the Boianu-Sticleanu Polder, including a conservation management plan for the Iezer Calarasi water body; (iv) water and soil quality monitoring; and (v) public awareness and replication *Component 2:* National level Activities, incl.: strengthening national policy and regulatory capacity, including harmonizing relevant legislation with the requirements of the EU; and (ii) public awareness activities and replication strategy. *Component 3:* Regional Collaboration, which would include regional workshops, field trips, training and other activities to promote replication of project activities in other Black Sea riparian countries.

RUSSIAN FEDERATION: REDUCTION OF NUTRIENT DISCHARGES AND METHANE EMISSIONS IN ROSTOV-ON-DON

Rostov Oblast and the city of Rostov have been identified as a "hot-spot" by the Black Sea Environmental Program Strategic Action Plan (SAP). As such, it is a priority and is eligible for GEF financing under the Partnership for Nutrient Reduction in the Danube River Basin and Black Sea (Partnership). The Russian Federation Environmental Management Program has already developed the Environmental Strategic Action Plan for Greater Rostov (GRESAP). The action plan analyzed the environmental priorities of the Rostov Water and Wastewater Municipal Company (Rostov Vodokanal – RVK) and their possible impact in the restoration of the Azov/Black Sea watershed. Both GRESAP and SAP have identified municipal wastewater pollution as the most serious problem facing the Azov/Black Sea region. The priority for these programs is to reduce pollution from wastewater operations, particularly nutrient discharges from wastewater treatment operations.

By improving wastewater treatment schemes through an integrated investment program and changes in consumer practices, the project would complement the regional Don River Pollution Reduction Program and assist the Government in meeting its

international obligations under the Bucharest Convention and the Odessa Ministerial Declaration on the Protection of the Black Sea. The identified components of the project are (a) Sewerage Network Improvement; (b) Upgrading of the Wastewater Treatment Plant; (c) Sludge Handling Improvement and Utilization of Methane Gas; (d) Policy Reform Programs; (e) TA for Replication; and (f) Project Management and Monitoring.

The project will demonstrate effective mechanisms for rehabilitation of wastewater schemes to reduce the nutrient loads and prevent wastewater sludge spillover into the Don River and Azov/Black Sea, reduce methane emissions from wastewater operations, and will facilitate replication of this comprehensive approach in other parts of Russia and in other countries of the Black Sea basin.

BULGARIA: WETLANDS RESTORATION AND POLLUTION REDUCTION PROJECT

Environmental degradation in the Black Sea Basin has caused significant losses to riparian countries in reduced revenues from tourism and fisheries, loss of biodiversity, and increased water-borne diseases. Pollution is likely to increase as the regional economy recovers. As reflected in the Danube/Black Sea Partnership Strategy Report, the most urgent actions to address the degradation of the Black Sea are the implementation of measures aiming to reduce excessive nutrient loads, mostly nitrogen and phosphorus, in the rivers discharging into the Black Sea, particularly into the Danube. Indeed, this is the focus of the Bulgaria Wetlands Restoration and Pollution Reduction Project. Although the project focuses on directly addressing the restoration of a few priority wetlands in Bulgaria, the implementation of the project will play a critical demonstration role within the region and help to promote nutrient reduction investments in other parts of Bulgaria and neighboring countries.

The Bulgaria Wetlands Restoration and Pollution Reduction Project would support the restoration of critical wetlands in the Danube river basin and the use of the riparian zones of the wetlands as nutrient traps. The project will also support sustainable management of selected areas in the flood-plain of the Danube, improved water quality and monitoring, and public awareness. The identified components of the project are (a) Integrated Nutrient Reduction Strategy and Action Plan; (b) Wetlands Restoration and Protected Areas Management; (c) Monitoring Program; (d) Sustainable Livelihoods Program; (e) Public Awareness and Participation Program; and (e) Project Management and Coordination.

TURKEY: AGRICULTURAL POLLUTION CONTROL PROJECT

Project Objective. The overall objective of the project is to assist the Government of Turkey in reducing the discharge of agricultural pollutants to the Black Sea and assist it in meeting European Union standards in agricultural pollution control.

Rationale. Turkey with a Black Sea coastline of about 1,700 km, and three large rivers (Sakarya, Kizilirmak and Yesilirmak) flowing into it, is a significant contributor of nutrients and agricultural pollutants to the Black Sea. The Nutrient Reduction Action Plan for Turkey identified agricultural non-point source pollution as a very significant source of nutrient pollution of Turkish rivers discharging into the Black Sea. Kizilirmak and Yesilirmak deltas are subject to intensive horticultural and small scale livestock production. The Government of Turkey, with international assistance, is seeking to introduce sustainable river basin management for all three rivers flowing into the Black Sea and has therefore tentatively selected the Yesilirmak basin (provinces of Samsun, Tokat and Amasya) and, possibly, selected water catchments in the Kizilirmak river basin as the proposed project site. The project would benefit approximately 1.5 million people in the project area and help Turkey in its EU accession process.

Project Components include (i) *Promotion of environmentally-friendly agricultural practices*, including crop rotation, integrated pest management, manure management, soil and water quality monitoring; (ii) *Strengthening of national policy and regulatory capacity towards meeting EU standards*, including support for harmonizing national legislation with EU standards; and (iii) *Public Awareness and Replicability*, to increase understanding for the environmentally-sound agricultural practices and dissemination of good agricultural practices for conservation of biodiversity, and water and soil protection.

RUSSIA – KRASNODAR AGRICULTURAL POLLUTION REDUCTION PROJECT

Project Objective. The overall objective of the project is to increase the use of environmentally-friendly agricultural practices and improved land management in the project area and thereby reduce nutrient runoff and pollution in the Black Sea. The project activities will initially focus on Krasnodar Kray area and could be replicated in similar sites of the region. The Project would help the Russian Federation meet EU standards in agricultural pollution control.

Rationale. Intensive farming and poor land use management practices have contributed to declining soil fertility and rill erosion in Krasnodar Kray, leading to significant nutrient run-off into the Black Sea. Over the past 30 years, soil loss from erosion is estimated at 600 million tons. In the past few years, due to the economic crisis, although application of fertilizers and other chemicals has fallen sharply, the danger of increased input use is imminent as the economy recovers. There is now a "window of opportunity" to introduce integrated nutrient management practices and the project proposes to select pilot farms in three to four districts in Krasnodar to test and demonstrate improved agricultural practices, and strengthen the national policy and regulatory capacity that will help make agriculture environmentally sustainable in the project area.

Project Components include: (a) Promotion of environmentally-friendly agricultural practices;; (b) Strengthening national policy and regulatory capacity, including harmonizing relevant legislation towards meeting EU standards; (c) Public awareness, capacity building and replication of project activities to other similar local, national and regional areas; and (d) Development of a pilot system to monitor changes in land use patterns and the quality of land and develop a Code of Good Agricultural Practices.

SEQUENCE OF TRANCHES

24. The GEF Secretariat, the Implementing Agencies, and requesting countries have agreed to phase the funding of the partnership to help better match the requirement for GEF funds. The CEO will submit for Council's approval in May 2001 the Strategic Partnership and a request for a first tranche of funds. The sequence of tranches would be proposed as follows:

- i) May 2001 tranche. Regional capacity building activities for the first three years (US\$9 million, led by UNDP) and an envelope for priority investments that would be identified and well advanced in preparation by that time (US\$20 million, led by the World Bank).
- ii) December 2001 tranche. Additional identified investments in nutrient reduction (US\$25 million, led by the World Bank).
- iii) May 2002. Final capacity building activities (US\$16 million, led by UNDP).
- iv) November 2002. Additional identified investment projects (US\$25 million, led by the World Bank).

ATTACHMENTS

FIRST TRANCHES FOR THREE ELEMENTS OF THE PARTNERSHIP

- (1) **BLACK SEA REGIONAL PROJECT**
- (2) **DANUBE BASIN REGIONAL PROJECT**
- (3) **WORLD BANK PARTNERSHIP INVESTMENT FUND FOR NUTRIENT REDUCTION**