UNEP/GEF Project - Russian Federation: Support to the National Programme of Action for the Protection of the Arctic Marine Environment

4th Supervisory Council Meeting in a form of conference call between SC members chaired by UNEP

November 14, 2006, 16:00-18.00, Moscow Time.

SC4-RPT

The Fourth Project Supervisory Council meeting

REPORT

Prepared	by Project Office
Status	approved by Project Supervisory Council

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REPORT

Introduction

The 4th meeting of the Supervisory Council for the UNEP/GEF Project “Russian Federation - Support to the National Programme of Action for the Protection of the Arctic Marine Environment” took place on November 14, 2006 in a form of a conference call between SC members.

The conference call has been organised by the Project Office from Moscow and connected with the Project Supervisory Council members from UNEP (Nairobi), Minekonomrazvitiya of Russia (Moscow), NEFCO (Helsinki), and ACOPS (London). Conference call started at 16.00 (Moscow time). Member of the Project Steering Committee Mr. Bill Freeman (USA) was connected from Washington D.C. and Mr. Lev Neretin from INEP Moscow participated in the conference call from Saint Petersburg.

A list of the Project Supervisory Council Meeting participants is given in Annex I.

1. Opening of the meeting and adoption of the Agenda (SC 4/1)

The meeting was chaired by Mr. Takehiro Nakamura (Implementing Agency). Mr. Nakamura welcomed participants and proposed to adopt the Agenda of the Project Supervisory Council meeting prepared by the Project Office in consultation with both Executing and Implementing Agencies. The meeting adopted the Agenda.

The agenda of the meeting is enclosed as Annex II to the Report.

2. Agenda item 2. Progress Report of the Project Office activities (SC 4/2)

The Information on progress in implementation of the Project has been prepared by the Project Office for the period from July to October, 2006 and has been circulated through the Project Supervisory Council and Project Steering Committee members together with all other documents prepared by the Project Office to the 4th Project Supervisory Council meeting.

Project Manager (hereinafter designated as PM) made brief overview of activities performed to date for all Project components. He emphasised that the SAP document is ready for 75-80%, preparation work for pre-investment studies is fulfilled for about 25-30%. The field-mission of COMAN-DEMO project devoted to indigenous people co-management is finished on November 14, 2006 and the progress on preparation of project document on COMAN-DEMO will be discussed with RAIPON representatives; contracts for WG consultants have been already prepared. A demo project BASES-DEMO is on its preparatory stage. At the moment there is a problem with a final selection of remediation site/military base. Franz Josef Land Project is supported by the Arctic Council and major international stakeholders. Contracts for WG consultants have been already prepared. As far as remediation of the environment through the use of

brown algae demo project – working documents have been already prepared but these documents require some improvement and clarification. Contracts for WG consultants have been also prepared.

PM noticed that there is a half-yearly delay in Project implementation. The main reason for this is that (i) procedure for disbursement of donors' funds was agreed by August 2006 only, (ii) there were difficulties with preparation of Integrated Work Plan for Phase I due to uncertainty with donors' funds for some activity of the Project, and (iii) UNDP blocked all project activities by means of dramatic postponing with finalisation of consultant contracts and contract remuneration pay out. At the end of his report the PM asked SC members to consider a possibility of the Project Phase I prolongation for half a year – till the middle of December 2007.

Mr. Neretin pointed out that he is not satisfied with the format of the report and will prepare a format for report preparation that the PO should follow.

Mr. Morgunov noted that comments of the Executing Agency to the daft report were sent to the Project Office before the conference call and should be incorporated in the report. He also asked UNEP to clarify whose decision should be made to prolong the Phase I. The answer was that the Project Steering Committee decision is necessary.

The meeting has taken into consideration the information on the Project Office activities and obliged the PO to make it sure that next transfer of money is directed strait to the PO foreign account which was opened by PO earlier in the summer of this year. This will remove the UNDP as an intermediary between UNEP and PO and accelerate the Project implementation. The meeting also recommended to the Project Office to prepare all the following progress reports in a less narrative form but make them more specific and more closely related to the Integrated Work Plan and strait to the point to give a clear picture of where the Project is. It was also agreed that the PM would include the formal proposal concerning Phase I prolongation in a formal half yearly report for UNEP. All SC members are welcome to provide their written comments on this subject.

The adopted Progress Report of the Project Office activities is enclosed as Annex III to this report.

3. Agenda item 3. Information on preparation to the 2d Phase of the Project implementation, (SC 4/3)

Mr L. Neretin introduced a Project Concept for Phase II prepared by the PO in coordination with the Executing and Implementing Agencies. Mr. Neretin familiarised the meeting with new GEF rules when applying for Phase II funding. The application for the Phase II funding can be submitted only after completion the Phase I. So, if the Phase I will be completed in October 2007 the Phase II can start not earlier than February 2008 after Phase I evaluation process finalisation.

Mr. Nakamura explained how the new rules are applicable to NPA-Arctic project. He promised to send a schedule of different document submission to GEF secretariat (Project Concept, Project Brief, Project Document, etc) to the Executive Agency and Project Office.

Mr. Morgunov noted that comments of the Executing Agency to the draft concept were sent to the Project Office before the conference call and should be incorporated in the document.

The Supervisory Council approved generally the Project Concept for Phase II, which incorporates all comments received by the Project Office. The meeting agreed that the Project Document for Phase II has to be prepared as soon as possible because it has to be passed through approval process in Russian ministries. The SC members together with both Executing and Implementing Agencies are invited to assist the PO in this work. This new Project Document for Phase II stems from Phase I and will be in accordance with the previous Project Document signed on 18 July 2005 but take into account the progress and lessons learned during the Phase I. This new PD has to be submitted for proper approval nationally and internationally. Donors should also confirm their financial participation in the Phase II and clearly indicate the Project components they are interested in supporting and the funds they are able to provide for these components.

The Project Concept for Phase II document with incorporated comments is enclosed in Annex IV to the Report.

4. Agenda item 4. Partner Agencies activities on attracting the donor funds for the project (ACOPS)

Mr. T. Turner on behalf of ACOPS informed the meeting about steps undertaken by ACOPS for attracting more donor funds into the Project. Mr. Turner apologised that no written document on this topic has been provided to the SC members. He briefly explained in sketchy form what donor countries and international organisations were involved in the project and in what form donors participated in the Project starting from its PDF-B stage. He also informed what funds donors spent for the Project activities and what activities the funds was spend for by ACOPS.

The meeting asked ACOPS to prepare within a week period a comprehensive written report concerning the Partner Agency activities on attracting the donor funds for the Project. This report should comprise all key questions: 1- what have been done; 2 – all the future steps are going to be undertaken to attract more international donors and funds; 3 – what and how funds were received and spent before the main Project activities started and during its implementation. This ACOPS report will be attached to the final SC-4 meeting report and will be subject for further consideration. The meeting also asked the PO to prepare for the next

SC meeting additional information regarding Russian regions funding in form of an amendment to the previous information included into the Integrated Work Plan for the Phase I.

As of December 10, 2006 ACOPS did not provide any reports. The Supervisory Council demands the report from ACOPS as soon as possible as it will also required for preparation of a half-yearly report by the Project Office.

5. Agenda item 5. Procedure of Co-financing through NEFCO Funds and Relevant Reporting (NEFCO) (SC 4/5).

On behalf of NEFCO Mr. Ulf Bojö advised that NEFCO distributed the document *Procedure of Co-financing through NEFCO Funds and Relevant Reporting* among SC members and would appreciate any comments on it. The PM noticed that PO in coordination with the Executing Agency has already sent their comments to NEFCO. This document was agreed upon via electronic communication between NEFCO and Executing Agency within two days after the meeting.

It was emphasised at the meeting that NEFCO should make more efforts in rising additional funds for the Project and attract more donors and stakeholders.

The SC agreed that after finalizing this document it would be submitted to the Project Steering Committee for final approval.

The document on Procedure of Co-financing through NEFCO Funds and Relevant Reporting agreed by NEFCO and Executing Agency is enclosed in Annex V.

6. Agenda item 6. Preparation for the 2nd Project Steering Committee Meeting – Agenda, Dates and Location (SC 4/6).

PM informed the meeting that comments on the above document were received from the Executing Agency only.

Mr. B. Morgunov took a floor and suggested to remove minor questions from the Agenda and to add an important item - co-financing issue for Phase II. The main task of the STC meeting would be to evaluate progress of the Project implementation. Draft SAP will be the most important document on the Agenda. Before being submitted to the STC meeting the document should be pre-considered by Russian authorities. He also proposed that a report on the state of the Russian Arctic environment be prepared by the Project Office within the SAP and tabled at the STC meeting.

It was mentioned in following discussion that evaluation process of the Phase I has to be included in the Agenda. This process should be done in close cooperation with the STC members. The Implementing Agency will prepare draft ToR for the mid-term review

of the Project to be done on completion of the Phase I. This ToR will be considered at the STC meeting.

Some doubts were raised upon PO capability to prepare all the documents for STC members in one-month prior if the STC meeting is planned for 31 January – 2 February 2007.

It was suggested that if the draft SAP pre-considered by Russian authorities wouldn't be prepared to the end of December 2006 the STC meeting should be postponed. More realistic date of the STC meeting is the last week of February 2007. The meeting agreed with the Chairman's suggestion to come back to the issue in the middle of December and to re-assess the situation with the SAP readiness and STC meeting timing.

The first revision with comments received to the draft document "Preparation for the 2nd Project Steering Committee Meeting – Agenda, Dates and Location" is enclosed in Annex VI.

7. Agenda item 7. Priority hot spots selection criteria for ensuring pre-investment studies implementation (SC 4/7).

Because of time constrains for the conference call the meeting decided that all SC members would scrutinize the document "Criteria for selection of priority hot spots for ensuring pre-investment studies" earlier distributed by PO and send their comments and remarks in written form to the PO in 10 days period. The PO summarises all the comments received and submits the resulting document to the Executing Agency for its further approval by the Russian authorities. It takes up to 1 month for approval.

The document has not been considered during the meeting in details and needs further improvement. The work on the document has to be continued.

8. Agenda item 8. Any Other Business.

No other items were discussed.

Closure

In his closing statement, the meeting Chairman Mr. Nakamura expressed his thanks to all participants of the Project Supervisory Council meeting for their active and fruitful input and expressed his hope that all SC members will receive this meeting report prepared by the PO very soon and the English version of the SAP document will be prepared in proper time for the STC meeting.

The meeting was closed by the Chairman at 18:20 hours on 14th of November 2006.

ANNEX I

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ANNEX II

UNEP/GEF Project - Russian Federation: Support to the National Programme of Action for the Protection of the Arctic Marine Environment

4th Meeting of Project Supervisory Council (conference call between SC members chaired by UNEP)

14 November, 2006 – 16.00-18.00 (Moscow time)

SC 4/1

Provisional Agenda

Prepared: by Project Office

Status: approved by Project Supervisory Council

Tuesday, November 14, 2006, 16.00-18.00

Meeting of the Project Supervisory Council

(in the form of conference call, chaired by UNEP)

16.00	1. Adoption of Agenda
16.05	2. Progress Report of the Project Office activities for the period 11 July - 13 November, 2006 (Project Manager)
16.20	3. Information on preparation to the 2nd Phase of the Project implementation, Project Concept for Phase II (UNEP - Project Manager)
16.40	4. Partner Agencies activities on attracting the donor funds for the project (ACOPS)
17.00	5. Procedure of Co-financing through NEFCO Funds and Relevant Reporting (NEFCO)
17.20	6. Preparation for the 2nd Project Steering Committee Meeting – Agenda, Dates and Location (Project Manager)
17.40	7. Priority hot spots selection criteria for ensuring pre-investment studies implementation (Project Manager)
17.50	8. Any other business

ANNEX III

UNEP/GEF Project - Russian Federation: Support to the National Programme of Action for the Protection of the Arctic Marine Environment

4th Supervisory Council Meeting (conference call between SC members chaired by UNEP)

November 14, 2006. – 16.00-18.00, Moscow Time

SC4-4/2

Progress Report on Project Implementation for the period from July to October, 2006

Prepared:	by Project Office
Status	accepted by the Supervisory Council with comments received

Progress Report on Project Implementation for the Period from July to October, 2006

Introduction

For the reported period the main activities have been carried out within 3 Project components: Strategic Action Programme, Pre-investment studies and Demonstration projects.

1. *STRATEGIC ACTION PROGRAMME (SAP) COMPONENTS*

In line with recommended by GEF methodology the following activities has been undertaken when developing the SAP:

a) identification and evaluation of environmental problems in the Russian Arctic;

b) setting the priorities;

c) setting up objectives and targets for the priority problems directed to prevention, reducing, control and elimination of the pollution of Arctic marine environment;

d) identification, evaluation and selection of the actions aimed at solving set up goals and objectives;

i) determination of criteria for efficiency of suggested measures;

f) preparation of a portfolio of priority investments;

I. Diagnostic analysis of current state of environment in the Russian Arctic has been performed. The following issues have been analyzed:

Physical and Geographic characteristics of the Russian Arctic

Socio-economic characteristics: demographic situation, industry, energy, agriculture, forestry, indigenous people economics, transport, protected areas in Arctic.

Environmental situation in the Russian Arctic. Environmental situation in Russian Arctic regions has been analysed for all the regions. Special attention is given to consideration of environmental components including atmospheric air, surface and ground waters, sea waters, soil and land resources, biological diversity, etc.

Transboundary transfer of pollutants. Transboundary transfer of pollutants to and from the Russian Arctic has been evaluated with emphases to the marine environment and Arctic costal area.

Impact areas (IA) and 'hot spots' (HS) in the Russian Arctic. Causes of IA and HS formation have been considered in details and evaluation criteria for the territories have been proposed.

II. Key environmental issues in the Russian Arctic

When selecting key environmental issues in the Russian Arctic criteria accepted in the GIWA (Global International Water Assessment) and GEF methodologies have been used.

II.1. *Immediate causes for environmental problems*, which are generally bound up with definite enterprises including oil-and-gas field operations, power production, mining, pulp & paper, metallurgical and chemical industries, agriculture, transport, fishery, housing and communal services, as well as military activities in the Russian Arctic including previous nuclear tests.

II.2. *Sectoral causes of environmental problems.* A role of different sectors of national economy in creation of environmental problems has been analysed and the sectoral causes of environmental problems have been highlighted.

II.3. *Fundamental causes of Arctic environmental problems.* The causes, which give the above environmental problems in the Russian Arctic, were considered.

Environmental issues in the Russian Arctic, considered in the previous section, are driven by four root causes:

1. Historical unsustainable development
2. Consequences of socio-economic crisis during the transition to a market economy
3. Absence of strategy and tactics in state economic policy in the Russian ArcticUndervaluing of the environment conservation.

The following set of criteria was defined and used for the prioritization of environmental issues in the Russian Arctic:

- Nature of an issue.
- Scale of impacts of an issue on the ecosystems.
- Scale of impacts of an issue on economic activities, the environment and human health.
- Relevance of an issue from the perspective of national priorities reflected in existing national policies and action plans on environmental rehabilitation and biodiversity conservation in Russian Arctic.
- Scope of the systemic relationship with other environmental issues and economic sectors.
- Expected multiple benefits that might be achieved by addressing an issue.
- Lack of perceived progress in addressing/solving an issue at the national level.

As a result of this analysis, the following 14 major environmental issues were identified in the Russian Arctic. These can be grouped into four categories:

- *Pollution of environment* This included:
    - Oil pollution
    - Chemical pollution
    - Pollution by radio nuclides
    - Solid wastes
    - emergencies
    - Transboundary issues
- *Disruption of ecological balance:*
    - Modification/loss of ecosystems
    - Reducing of biodiversity
    - Destruction of costal area.
    - Climate impact
- *Conservation of natural resources potential:*
    - Uncontrolled use of bio-resources and poaching
    - Deterioration of portable water supply
- *Conservation of enabling environment:*
    - Infringement of traditional nature use of indigenous people
    - Climate change influence

III. A strategy of the environmental remediation in the Russian Arctic

The following issued have been considered in details in this section:

III.I. *National environmental policy in the Arctic. Priorities of national interest and international cooperation*

III.2. *Regional development projects* – federal, regional and sectoral target-oriented programmes are analysed which are directed to the development and application of the effective control mechanism and to solving the problems of the resources conservation, environment protection, environment and hydrometeorology safety.

III.3. *Strategies of industrial development in the Arctic.* A list of main industries and agricultural activities in the Russian Arctic together with analysis of their current state are given. Strategy and potential of their future development in context of sustainable development of the Arctic are presented.

III.4. *Formulation of the regional and industrial environmental policy.* The three possible scenario of the environmental policy implementation in the Russian Arctic are

suggested. A general direction of industrial environmental policy for protection of the Arctic environment is described.

III.5. *Long-term objectives.* In accordance with the principles stated the following long-term objectives were formulated in Strategy for Environmental Rehabilitation of the Russian Arctic:

- Sustainable Nature Use and Environment Protection in the Russian Arctic
- Environment Quality that is Safe for Human Health
- Conservation of biological and landscape diversity
- Rehabilitation of traditional nature use by indigenous people with conservation of ecological balance

Each long-term objective identified in SAP involves a number of tasks and a series of logical and interrelated steps to be taken to attain it.

In order to formulate options for achieving the objectives set by the SAP that are fully in line with national policy priorities the SAP uses the following timescale: 5-10-15 years; ranked the actions in terms of their priority: (High, Medium, Low) and estimated the cost of implementation of these actions.

Activities proposed for reaching the above-objectives can be formally grouped into 5 categories:

1. Monitoring and evaluation of pollution of Arctic Seas

2. *Improvement of legislative/regulatory mechanisms for creation of Environmental Protection System for Russian Arctic3. Investment projects for protection of Arctic Seas and pollution prevention*

4. Administrative and technical measures

*5. Participation in international programs on protection of Arctic Seas***IV. SAP structure**

The structure of a draft of the SAP is as follows:

Diagnostic analysis

- Physical and Geographical Characteristics
- Socio-Economic Characteristics
- Environmental situation

Priority Issues

- Immediate Causes of Issues
- Underlying Sectoral Causes of Issues
- Root Causes of Environmental Issues

Strategy for Environmental Rehabilitation

Legal and Institutional Framework of the SAP Implementation

Financing the SAP

Arrangements for Monitoring the Implementation of the SAP

V. Legal and organisational basis of the Strategy implementation is based on (1) international conventions, agreements and treaties in the field of environmental protection and nature use in the Arctic and (2) national legislation and regulations as well as on current institutional structure of the environmental and nature use management in the regions of the Russian Federation.

Public participation. The SAP assists to the public involvement into the decision making process including the public participation in the selection of priority directions of the environmental investments in the Russian Arctic. Public participation in abatement of environmental situation in the Russian Arctic is considered at three levels: international, regional and local.

VI. SAP financing

An assessment of the investments necessary for the SAP implementation will be given; existing financial mechanisms and all possible sources of national and international funding are described.

A portfolio of priority investment projects for individual regions based on the information obtained of federal and regional authorities, individual enterprises in the Russian Arctic is prepared.

On the basis of the extended version of the SAP it would be appropriate to prepare a concise version of SAP, which should be submitted to federal and regional authorities and to all other stakeholders.

2. PREPARATION OF A SET OF PRE-INVESTMENT STUDIES

A working group for the preparation of a set of Pre-Investment studies (PINS) was established in summer. Working document (WD) that includes basic concept of PINS; overview of priority environmental hot spots selected during the work on the NPA-Arctic and PDF-B stage; objectives; principles; content; outputs; work plan; timetable; and role of the co-ordinator of the WG and its members has been prepared.

In the Introduction, the purpose of the WD-PINS, its function, WD users, its application are briefly described.

Main objectives of the UNEP/GEF Project and its implementation policy are mentioned briefly in the second section “Basic Concept of PINS”; objectives and tasks of the pre-investment studies are considered; underlying principles of the PINS are introduced, existing limitations in the PINS conduction are revealed.

The third section considers selection of priority hot spots (HS). A review of priority HS identified at PDF-B stage and supplemented by the SAP TT consultants, NEFCO/AMAP study, data received from regions and other studies is presented. Four types of criteria for selection of the priority HS in the Arctic impact areas are suggested. They are: (1) environmental, (2) social, (3) political and (4) economic and technological. A brief substantiation of chosen criteria has been given.

The forth section is devoted to practical aspects of the PINS conduction. Suggestions for WG structure are discussed, selection criteria for WG coordinator and consultants, lead cooperating and participating organisations for PINS are proposed. Basic requirements to the Guidance for PINS conduction are listed, work plan and timetable for PINS organisation and implementation are proposed.

The final section discusses the issues concerning PINS organisation and conduction. The 4 stages of PINS conduction have been suggested:

Stage 1. Organisation of PINS;

Stage 2. Selection of consultants for preparation of investment projects;

Stage 3. Pre-selection of 8-10 hot spots for conduction of PINS for individual investment projects.

Stage 4. Presentation of the investment projects to potential investors for evaluation and making decision regarding funding.

A list for possible investment projects for the priority HS and in some other areas proposed by local authorities and as well as on a basis of other available information is given.

The following information used for the preparation of a list of priority investments:

- proposals of local authorities;
- regional environmental programmes, fuel and energy sector and housing and communal services development programs of constituents of the Russian Federation and municipalities;
- sectoral environmental programmes; and
- proposals received from companies and enterprises operating in the Russian Arctic.

On a basis of this listed and agreed criteria for selection of hot spots the WG has to select highest priority proposals and to develop of ToR for conduction of PINS for these sites.

A special document devoted to criteria for selection of priority hot spots has been prepared and presented for SC-4 meeting as SC_4_7 document.

3. Demonstration projects

A tender has been held, coordinators and consultants for all three demo projects have been selected. A delay with commencement of these projects implementation resulted from untimely signing contracts with consultants by UNDP.

DEMOS-CLEAN-UP: Remediation of the environment through the use of brown algae. The working paper for development of the pilot project remediation of the marine environment through the use of brown algae has been prepared. Issues related to demonstration of the possibilities using brown algae for environment remediation, proposals for demo objects selection and proposals for development of a project document for this demo project have been analysed. A Conception of the demo project:

"Clean up of the Arctic marine environment by means of setting up sea brown algae protective zones around pollution sources" submitted to the Project Office needs to be thoroughly reworked.

DEMOS-BASES: Environmental remediation of two decommissioned military bases. A WG for this demo project is formed and some decommissioned military bases – possible candidates for conducting in future environmental remediation are considered. One of the military decommissioned bases under consideration is situated on an island, which belongs to the France Joseph Land archipelago.

DEMOS-COMAN Indigenous environmental co-management. For this demo project consultants were also selected and a working group (WG ECO) was formed. The WG missions to Yamalo-Nenets Autonomous Regions and to the Republic Sakha (Yakutia) are planned for the middle of November. The purpose of the mission is substantiating the selection of a model territory for demonstrations conduction.

4. PROJECT MANAGEMENT

For the reporting period the Project Office prepared and submitted to Executing and Implementing Agencies in compliance with the UNEP/GEF requirements the following documents:

- the half-yearly progress report, in line with the Project Document requirements;
- the quarterly Project expenditure report;
- the quarterly cash advance application in line with the Project document requirements;
- required documentations prepared and two tenders have been performed to select consultants for the SAP WG2 and for demo projects WGs.
- a comprehensive progress report of the Project Office activities from the date of the Project Document was signed and to the 1st October 2006 has been prepared for the Executing Agency.

Project Manager delivered message on Project implementation at the Arctic Council PAME WG in Murmansk on August 29, 2006, ISIRA (International Scientific Initiative for Russian Arctic) meeting in Moscow on October 27, 2006, at the workshop "Development of environmental protection at the enterprise level in new conditions" organised for enterprises of North-West region in Saint-Petersburg on September 29, 2006. Progress on the report implementation was also discussed by Mr. Morgunov at the IGR-2 in Beijing.

5. PROBLEMS AND CONSTRAINTS AND OPPORTUNITIES FOR THEIR SOLUTIONS

Project is delayed from schedule approximately for 6 month. Attempts undertaken by the Project Office to intensify the work during the summer time were totally blocked by UNDP that could not conclude the contracts with consultants in a timely manner. For example, contracts with consultants on DEMOS were issued only in October despite of

all necessary documents for contracting these consultants were sent there early beginning of July.

Total expenditures of GEF funds reallocated for the Phase 1 of the Project are less than 380 K$ (as to beginning on November) or less than 7 %. Despite of about 70 % of the GEF funds is planned for sub-contracts with cooperating organizations for 2007 it is unlikely that these contracts will be implemented during less than half of year.

The Commission for international humanitarian and technical assistance under the Russian Federation government issued the Certificate of UNEP/GEF Project acceptation as a grant in early June. Project Special Currency Account is opened. Project Office proposes to use this account for the Project implementation to avoid unexpected delays with planned activities implementation.

ACOPS should also speed up the process of issuing contracts for international and Russian consultants which are planned for SAP and PINS activities. For example, contracts for members of WG working on Guidelines for Conduction of PINS were issued only at the end of October despite of ToR for this WG was sent to ACOPS in early March.

The meeting is invited to consider possibility to prolong the Phase 1 of the Project implementation for a half of the year. Project Office considers this reasonable taking into account that majority of field activity can be carried out only during time frame from April to October.

ANNEX IV

UNEP/GEF Project - Russian Federation: Support to the National Programme of Action for the Protection of the Arctic Marine Environment

4th Supervisory Council Meeting (conference call between SC members chaired by UNEP)

November 14, 2006. – 16.00-18.00, Moscow Time

SC4-4/3

Project Concept for Phase II

Prepared:	by Project Office in consultation with both Executing and Implementing Agencies
Status	considered by the Supervisory Council members which recommended to the Project Office together with Executing and Implementing Agencies to proceed with the Concept in line with GEF requirements

PROJECT DEVELOPMENT AND PREPARATION
SUBMISSION OF CONCEPT FOR PIPELINE ENTRY

GEFSEC PROJECT ID: 2343
IA/EXA PROJECT ID: 1006
COUNTRY: Russian Federation
PROJECT TITLE: Russian Federation - Support to the National Programme of Action for the Protection of the Arctic Marine Environment, Phase 2
GEF IA/EXA: UNEP/ Ministry of Economic Development and Trade of the Russian Federation
OTHER PROJECT EXECUTING AGENCY(IES): No
DURATION (PDF): Not applicable
GEF FOCAL AREA: International Waters
GEF FOCAL AREA STRATEGIC OBJECTIVES: IW-1
GEF OPERATIONAL PROGRAM: Contaminant-based Operation Program #10
ESTIMATED STARTING DATE (PROJECT): December 2007
ESTIMATED STARTING DATE (PDF, IF ANY):

ESTIMATED WP ENTRY DATE: FEBRUARY 2008?
PIF APPROVAL DATE:

FINANCING PLAN ($)			
		PDF	Project***
GEF	A*		4.425
	B**		
	C		
GEF Total			4.425
Co-financing		(details provided in Section d): co-financing)	
GEF IA/ExA			
Government			**4.350**
Others			3.840
Co-financing Total			8.190
Total			12.615

*

* PDF A approval date:

** If supplemental, date of original PDF B approval:
; amount:

*** For multi-focal area projects, indicate agreed split between focal area allocations

RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT:

Igor Maidanov
Head of Department of International Cooperation of Ministry of Natural Resources of the Russian Federation

Date*: October 25, 2006*

This proposal has been prepared in accordance with GEF policies and procedures and meets the standards of the GEF Project Review Criteria for pipeline entry

Name & Signature
Olivier Deleuze, O-i-C, Division of GEF Coordination

Date: *(Month, Day, Year)*

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PART I - PROJECT CONCEPT

A - PROJECT SUMMARY

The project's overall global environment objective is to protect the global marine environment in which the Arctic plays a pivotal role. The more specific objective of the Project is to develop and establish a sustainable framework to reduce environmental degradation of the Russian Arctic from land-based activities on a system basis by implementation of the SAP developed at the first stage of the Project in favor of all Arctic States and global community and to comply with obligations of the Russian Federation under international conventions and agreements taking into account decisions and programmes of the Arctic Council. As such, it would create conditions, which will allow for capital investments to flow in the Russian Arctic in order to ensure long term protection of coastal and marine environment of the Arctic and to address main root causes of trans-boundary pollution in the Russian Arctic.

The main outcome of the Project Phase I is nationally approved Strategic Action Programme (SAP) to address damage and threats to the arctic environment from land-based activities in the Russian Federation. In support of the SAP, at the Project Phase II activities aimed at implementing the SAP by using on-the-ground pollution reduction innovative investment modalities for addressing trans-boundary problems of the highest priority in the Russian Arctic; employing innovative policy measures by developing and establishing Environmental Protection System (legislative, regulatory, institutional and technical capacity) within the Russian Federation and conducting three on-the-ground demonstration projects dealing respectively with (1) marine environmental clean up, utilizing developed in the country technology for marine water remediation using marine algae, (2) the environmental remediation of decommissioned military bases and their transfer to civilian control, and (3) the demonstration of new legislative and economic mechanisms balancing the interests of extracting companies and indigenous people in resolving economic and environmental problems in a sustainable way. Completion of ten pre-investment studies started at Phase I will result in tractable interventions to correct or prevent trans-boundary impacts of land-based activities.

The project aims at Project activities which have potential for replication both, nationally and regionally, to ensure sustainability of the project outcomes. The project would also provide a working model for the implementation of the ongoing regulatory and institutional reforms in the country and strengthen the global regulatory capacity to deal with pollution affecting the marine environment.

The results are intended to benefit the international arctic environment, particularly the Arctic Ocean basin and its shelf seas, and contribute to two principal international agreements: Arctic Environmental Protection Strategy (AEPS); and the Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities (GPA) as implemented in the Arctic Region through the Regional Programme of Action for the Protection of the Arctic Marine Environment from Land- based Activities (RPA) and the Arctic Council Plan of Action to Eliminate Pollution of the Arctic (ACAP).

B - Country ownership

1. COUNTRY ELIGIBILITY

Russia is eligible under paragraph 9(b) of the GEF Instrument.

2. COUNTRY DRIVENNESS

The Project concept is consistent with the existing in Russia legislation, doctrines and programmes. The Project is consistent with priorities of the country as identified in:

- Principles of the State Policy of the Russian Federation in the Arctic approved by the Russian Government in 2001;
- Concept of the State Support for the Economic and Social Development of the North Regions approved by the Russian Government in 2000;
- Russia's Ecological Doctrine adopted by the Russian Government on August 31, 2002;
- Mid-Term Programme for Social and Economic Development of the Russian Federation adopted by Russian Government on January 19, 2006; and
- National Plan of Action for the Protection of the Arctic Marine Environment from Anthropogenic Pollution in the Russian Federation (NPA-Arctic) approved by the Russian Government in 2001.

The NPA-Arctic is incorporated into the federal target-oriented program "World Ocean" which is approved by the Russian Government for the period till 2012. The Project is supported by all Arctic regions of the Russian Federation and a number of private companies. The Russian NPA-Arctic is strongly supported by the Arctic Council in the Iqaluit (1998), Barrow (2000), Inari (2002), Reykjavik (2004) and Salekhard (2006); the ministerial declarations were signed by the Russian Federation.

There is the necessary legislation to conduct this Project. A number of federal laws and regulations have been adopted by the Government of the Russian Federation in order to address environmental issues and protection of the marine environment. In particular, the federal laws on the Environmental Protection, on the Continental Shelf of the Russian Federation, on the Exclusive Economic Zone of the Russian Federation, on the Internal Marine Waters, Territorial Sea and Adjacent Zone of the Russian Federation, on Protection of Ambient Air, etc. should be indicated.

The Project is in line with the 'Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities' (GPA). The First Intergovernmental Review Conference held in Montreal in November 2001 emphasized the importance of this Project as one of the major demonstration projects implemented in the framework of GPA. At IGR-2 meeting in Beijing the Project was also welcomed.

C – Program and Policy Conformity

1. FIT WITH FOCAL AREA STRATEGY

Through this Project GEF plays a catalytic role in addressing transboundary issues in the Russian Arctic by assisting Russian Federation to develop and implement economic, financial, regulatory and institutional reforms actively utilizing leverage co-financing. The Project is consistent with GEF-4 IW priorities and will foster implementation of national policy, legal, institutional reforms to reduce land-based sources of nitrogen, phosphorus, and oxygen demanding pollutants consistent with agreed transboundary action programs; innovative demonstration projects and financing options in the agriculture, municipal, and industry sectors as well as will support policy, legal, and institutional reforms for meeting WSSD targets for sustainable fisheries. The Project is consistent with the GEF-4 Strategic Objective IW-1 - Catalyze implementation of agreed reforms and on-the-ground stress reduction investments to address transboundary water concerns. Country's and international approval of NPA Arctic is the basis for the successful implementation of the proposed activities. Through implementation of the investment and demonstration components, the Project (i) concentrates on on-the-ground actions and fully complies with the priorities of the

Russian Federation in the Arctic; (ii) employs potentially replicable strategies aimed at catalyzing non-GEF resources from both, private and public donors; (iii) as its substantial part has a strong stakeholder dialogue component through design of investment projects and demonstration projects; (iv) aims at attracting substantial investment resources for environmental remediation as a result of pre-investment studies component; and (v) builds capacity to implement policy, legal and institutional reforms among stakeholders in the Russian Arctic (federal, regional and local governments, NGOs, academia, local communities). Project outcomes will benefit Environmental Protection System of the Russian Federation, which will increase the resilience of local communities to adverse effects of climate change (adaptation to climate change). Finally, project results will be widely disseminated both, locally and internationally, which will foster replication in other Arctic regions as well as contribute to learning within the IW portfolio (Strategic Objective IW-2). Finally, the Project contributes to Strategic Objective BD-4: Generate, disseminate and uptake of good practices for addressing current and emerging biodiversity issues by demonstrating synergy between transboundary contamination reduction and conservation of biological diversity

PROGRAM DESIGNATION AND CONFORMITY

This Project is consistent with GEF policies as articulated in the description of Operational Programme No. 10. It deals predominantly with land-based activities that have either compromised, or threaten to compromise, the arctic marine environment with consequences for other States bordering this ocean but, more significantly, the global marine environment in which the Arctic plays a pivotal role.

GEF Contaminant-based Operational Programme No. 10 “focuses on poorly addressed contaminants and aims to utilise demonstrations to overcome barriers to adoption of best practices, waste minimisation strategies, and pollution prevention measures.” The description of Operational Programme No. 10 states that the “contaminant-based operational programme is intended to include an array of projects that address certain high priority contaminants in the areas of land-based activities which degrade marine waters, global toxic pollutants, and ship related contaminants”. While pollution prevention is stressed in this Operational Programme on the basis that “prevention, not remediation, is a more cost-effective strategy”, the particular situation in the Russian Federation largely obviates the ability to take a predominantly preventative approach. This is related to the consequences of the intensive industrial development of the Arctic in the last several decades that has led to a degraded environment and weak infrastructure. Superficial evidence of this situation is evident especially in areas of extracting industries and in the vicinity of decommissioned military bases. However, associated compromise of the environment caused by anthropogenic activities is a much graver problem. Thus, one of the main requirements of interventions in favour of environmental improvement in the Arctic is to deal with this decline and restore environmental conditions while at the same time endeavouring to prevent further deterioration and new threats.

It is also noteworthy that under “Programme Outputs” Operational Programme No. 10 (Paragraph 10.10) specifies that: “the outputs of the operational programme encompass a number of projects that focus on certain types of contaminants that degrade the International Waters environment. Consequently, GEF interventions in this operational programme tend to demonstrate that technological barriers can be overcome or that measures aimed at removing barriers can be implemented. Some barriers involve lack of information or the lack of training. Others involve the legal, regulatory, or sectoral policy adjustments needed to reduce environmental stress. Innovative programmes, financing measures and demonstrations of technologies characterise certain projects”. The current Project is designed precisely in such a context and permits the Russian Federation to substantiate, consistently with its “World

Ocean" FTOP initiative, the necessity to institute major changes in legislation, procedures and public attitudes to environmental protection and restoration in the Arctic environment.

2. PROJECT DESIGN

Problem Statement:

Polar regions are the most important areas on the planet that influence and are impacted by the climate change. The Arctic Ocean and its shelf seas represent an area of global significance in terms both of their influence on global oceanic and atmospheric circulation and their unique biological species, which constitute an essential element of global biological diversity. Although the smallest of the major ocean basins of the world, the Arctic Ocean plays a crucial role in the movement of oceanic waters through connections and exchanges with the Atlantic and Pacific Oceans. Its characteristics are influenced by major inflows from the Atlantic Ocean, secondary inflows through the Bering Strait and continental runoff. The Arctic is the major driving force for the deep circulation of the oceans with cold deep water formation on the peripheries of the Arctic Ocean giving rise to the deep western boundary undercurrent which can be regarded as the starting point for Henry Stommel's 'Tour de Force' (or 'oceanic conveyor belt'). The Arctic marine environment is heavily ice-covered throughout most of the year with seasonal fluctuations in ice-cover enabling the recovery of important fisheries resources from its shelf seas, particularly the Barents and Kara Seas. The largest fishery landings are made by Russia and Norway with Barents Sea cod among the most important species. The predominant shelf areas lie along the northern Russian coast and in the Canadian Arctic Archipelago. The Russian landmass occupies 44% of the circumpolar arc - approximately twice that of the next largest country, Canada.

The Arctic marine environment is home to a wide range of unique species, the best known among them being polar bear, narwhal, walrus and beluga. Over 150 species of fish inhabit arctic and sub-arctic waters; important among these are cod and American plaice, which is the most abundant flatfish in the Barents Sea. There are also a wide variety of birds. Some of these are unique to the Arctic such as several species of auk and ivory gulls that maintain close contact with ice-covered areas throughout their lives.

A further important feature of the Arctic is its indigenous inhabitants. As consumers of local resources, they are frequently the most exposed recipients of contaminants from local and distant sources. They are the most vulnerable part of human population in Arctic and most sensitive to environmental changes. With the increased exploitation of natural mineral resources in the Arctic, the existence of the indigenous community is at risk. Arctic indigenous peoples are the most fragile elements of human society in the Arctic and the most susceptible to environmental change and contamination.

The top-priority environmental issues in the Russian Arctic are mainly associated with local hot spots in the areas of intensive work, first and foremost, of oil, gas and mining companies. The contamination levels in these areas significantly exceed the regional ones, degrading or even destroying natural ecosystems, thus seriously damaging the health of local inhabitants and undermining the traditional way of life of the indigenous peoples. Mining work in the Russian Arctic is expected to gather momentum, which threatens to further damage the environment in this region. All this necessitates urgent measures to be taken to address the adverse ecological effects of the past and also to prevent further contamination of the Russian Arctic in the new realities of a market economy.

There are a number of barriers to the correction of environmental degradation with both national and transboundary implications. The major barrier derives from the necessity to solve numerous problems, which emerged during Russia's transition to a market economy, resulting in the lack of funding for environmental protection. Another barrier arises from the outdated nature of the current environmental regulations, which do not correspond with the

new economic conditions in Russia. Environmental protection in the Arctic and the adoption of environmental norms are regulated largely by the federal environmental legislation, which has been established on the basis of a single approach that disregards the variety of geographical regions of the country. At present there are no legislative norms that would bind federal, regional and provincial executive bodies and economic entities with regard to the specifics of nature management and environmental protection in the Arctic Region and adequately reflect the differences in the transition of the economic entities located there to market conditions.

Baseline scenario:

The United Nations Conference on Sustainable Development (Rio de Janeiro, 1992) gave major impetus to Russian activities to resolve environmental protection issues. In 1996, the President of the Russian Federation endorsed the 'Concept of Transition of the Russian Federation to Sustainable Development' that, in particular, stipulates the need to adopt measures to reduce the impact of industrial activities on the global environment and to stabilize the condition of the arctic environment.

The Russian Federation is now attempting to rectify past deficiencies and to formulate a comprehensive approach to environmental protection including that of the Arctic and its indigenous arctic peoples. A significant first step in this direction was its involvement with the other seven Arctic States (Canada, Denmark, Finland, Iceland, Norway, Sweden and the United States) in an Arctic Environmental Protection Strategy adopted in Rovaniemi, Finland, in 1991 and the subsequent assessment of the state of the environment of the entire Arctic defined on political boundaries though the Arctic Monitoring and Assessment Programme (AMAP) the first stage of which was completed in 1998. The first pan-arctic assessment set the stage for all the Arctic States to devise a common approach to the restoration and protection of the arctic environment, its living resources, its biodiversity and its indigenous population. Russia continues to be an active participant in the bilateral and multilateral environmental programmes carried out within the framework of the Rovaniemi agreement. In 1996, Russia became a founding member of the Arctic Council that assumed the overall consultative process for the Arctic initiated in Rovaniemi in 1991.

The marine area that is the focus of protective activities among the Arctic States extends generally northwards of latitude 60^{o}N. It therefore includes not only the entire Arctic Basin but also several adjacent marine areas such as the Barents Sea, the Greenland Sea, Baffin Bay and some parts of the Bering Sea. The Project outlined here deals specifically with interventions within the Russian Federation to address the most seriously affected marine areas of the Arctic by anthropogenic activities. This is an issue of direct concern to the Russian Federation as the most affected coastal seas are the Barents, Kara and Chukchi Seas, all of which are partially or entirely within Russian jurisdiction. These are shelf seas that are the major areas of ice formation, leading to brine rejection, sinking and export, which directly influence the internal structure of the Arctic Ocean and the character of its waters. However, the adverse effects of previous and contemporary anthropogenic activities in the Russian Federation extend beyond these seas to both international waters and those under the jurisdiction of other countries. Through the role played by the Arctic Ocean in the formation of Atlantic Ocean deepwater, the trans-boundary effects of Russian activities can extend beyond the Arctic Basin to the major deepwater masses of the global ocean through the "oceanic conveyor belt" process. The dominantly cyclonic surface circulation of the Eurasian Basin of the Arctic Ocean in surface drift to the east along the northern coast of Russia provides a further avenue of trans-boundary movement of surface water constituents. Arctic tracers (radionuclides) derived from western European sources after entry into the Arctic through the Norwegian Current have been shown to enter the East Greenland Current, the West Greenland Current and are expected to continue surface transport through the Greenland Sea into the surface boundary flow southwards along the eastern seaboard of

North America. This demonstrates the interconnectivity of the Arctic with the North Atlantic and other oceans through surface flows. This surface flow is complemented by flow into the deep Western Boundary Undercurrent of the Atlantic as a result of overflow across the Iceland-Scotland and Scotland-Faeroes Ridges. Thus contaminants in the Arctic can be subsequently distributed relatively rapidly to the North Atlantic and then enter the global ocean circulation and reach other oceans. All this adds a global dimension to a topic that would, at first glance, appear to be primarily a matter of concern to the Arctic States.

The Russian Federation implements Federal Target-Oriented Programmes (FTOPs) that are the basic tools for providing State support to the solution of economic, social and environmental problems. The "World Ocean" FTOP, adopted by the Russian Government in 1998, and its sub-programme 'Use and Development of the Arctic' constitute the basic instruments within Russia for policy directions for marine activities and the Arctic.

With a view to resolving the increasingly serious environmental problems in the Russian Arctic, Russia, having considered the necessity to comply with international agreements and programmes, has elaborated and approved in 2001 the National Plan of Action for the Protection of the Marine Environment from Anthropogenic Pollution in the Arctic Region of the Russian Federation (NPA-Arctic) incorporated into the "World Ocean" FTOP. Some of the NPA issues bear only on the Russian Federation and these are to be funded from national resources. Other issues involve serious consequences of economic activities in the Russian Arctic to wider environmental and natural resources of the international waters. These issues are matters of international concern, which will permit systematic action, at both national and international levels, to resolve them. This, in major part, constitutes the underlying basis of the Phase I of the UNEP/GEF Project "Russian Federation - Support to the National Programme of Action for the Protection of the Arctic Marine Environment" – to enable a comprehensive approach to be adapted to the reduction of environmental degradation that provides the greatest net benefit to the Russian Federation, its arctic neighbors and the entire global community.

During the PDF-B executed in 2000 a number of preparatory activities were undertaken including: (1) the identification and prioritization of hot-spots (i.e., areas of environmental degradation and threat) within the Russian Arctic; (2) an analysis of the mechanisms of hydrological and atmospheric transport of contaminants within the Arctic with primary emphasis on processes within the Russian Federation; (3) an analysis of the current environmental policy and legislative situations in Russia including an assessment of contemporary initiatives and future directions; and (4) an analysis of infrastructural and institutional capacities within Russia.

Phase I of the Project commenced in July 2005. The major outcome of the Phase I is the development and subsequent adoption of a Strategic Action Programme for the Protection of the Arctic Marine Environment from Land Based Activities in the Russian Federation that identifies and addresses priority issues from both national and international (i.e., transboundary) perspectives. This Strategic Action Programme (SAP) will correspond to a National Programme of Action to address land-based activities developed from the FTOP 'World Ocean' initiative. SAP will comprise specific targeted and costed actions for longer-term implementation to address priority issues and concerns relating to existing damage to the Arctic and threats to its future integrity. This SAP will accommodate three principal thrusts: the Arctic Environmental Protection Strategy agreed in Rovaniemi in 1991 by the eight arctic states (subsequently subsumed under the Arctic Council); the Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities concluded in Washington, D.C., in 1995 by over 100 countries; and the 'World Ocean' Federal Target Oriented Programme adopted by the Russian Government in 1998.

According to the Project Document signed in July 2005 the Project comprises in addition to SAP other three components:

- Pre-investment studies (PINS)
- Environmental Protection System Improvements (EPS), and
- Three demonstration projects (DEMOS).

EPS should be initial step for the SAP implementation. Preparation of PINS and DEMOS began during the Phase I. This work is important for improvement of the environmental situation in the Arctic region and in global scale but it cannot be implemented without Phase II of the Project.

Alternative scenario:

The overall Project objective is to protect the arctic marine environment. Consistent with this overall objective, the project embodies three main objectives: ensure a coherent basis for the identification of priorities associated with the adverse effects of land-based activities; meet Russia's obligations under the GPA and other international agreements; and prepare the ground for environmentally sustainable development of the Arctic. Project outcomes will be an agreed SAP at an advanced stage of implementation, draft Acts, a regulatory framework complemented by adequate infrastructural and technical capacities and prepared ground for substantial investments in remediation/prevention of damage to the arctic environment.

To satisfy the objectives, the Project at Phase II is divided into three major components, namely:

1. Completion of a set of Pre-Investment Studies (PINS);
2. Development and implementation of Environmental Protection System (EPS), embodying legislative, administrative, institutional and technical capacity improvements consistent with the SAP; and
3. Three demonstrations projects on:
   (i) Indigenous Environmental Co-management;
   (ii) Remediation of the Environment through the Use of Brown Algae; and
   (iii) Environmental Remediation of Two Decommissioned Military Bases

For possible expansion of donor base for the Project, some additional demonstration and pilot projects will be considered, particularly in the following areas:

- Ecological rehabilitation of the Arctic territories contaminated by radionuclides; Enhance preparedness to deal with consequences of radiation accidents in the Arctic region;
- Ecologically safe utilization of obsolete military techniques and ammunition in the Arctic;
- Utilization of the old stocks of toxic chemicals for agricultural and other purposes in the Arctic region;
- Assessment of the consequences of global warming for the Arctic territories polluted by toxic chemicals, oil products and radionuclides;
- Conservation of habitats and biodiversity at the Arctic territories under impacts of toxic chemicals and radionuclides;
- Ecologically safe utilization of obsolete radio isotopic thermo electrical generators in the Arctic region.

Pre-investment studies (PINS) – will involve the completion of a set of pre-investment studies to address serious environmental compromises or threats posed to the Russian Arctic from previous and current activities. PINS will be conducted based on results of PDF-B and NEFCO/AMAP studies, an analysis of federal, regional and sectoral programs, data obtained

from Arctic regions, newly developed criteria addressing the most frequent and most serious cases of environmental degradation in the Russian Arctic. Completed PINS will provide an optimal set of proposals for investment, where input of money for their implementation will be most effective in economic, ecological, social and political sense. These pre-investment projects can be used to solicit and obtain support from a wide variety of potential donors. As transboundary implications of land-based pollution will be among selection criteria, it is anticipated that major international support can be obtained from the Arctic States, either under bilateral arrangements or through concerted action under the auspices of the Arctic Council. It is envisioned that co-financing component of the Project will increase and potentail new donors attracted when pre-investment proposals are finalized and pre-investment studies are under way.

The completion of the **Environmental Protection System** component for the Russian Arctic initiated at the Phase I of the Project will result in the improvement in legislative, administrative and institutional conditions, which will constitute the first step of the Strategic Action Programme implementation. This will permit the installation of a comprehensive legal framework for environmental protection, sustainable exploitation of natural resources and the wise and environmentally sound exploitation of non-renewable resources in the Russian North. It will also harmonize and rationalize the responsibilities and procedures of the federal and provincial executive agencies in the field of environmental protection in the Arctic. Finally, the proposals on the establishment of appropriate institutional entities to ensure optimal operation of the Environment Protection System will be substantiated and approved.

Implementation of final component of the Project that includes **three demonstration projects** designed at the Phase I of the Project, will serve as a basis for a wider application of approaches and methods for restoration and prevention of damage to the environment within Russia and in Arctic as well as other states. One of them provides for the demonstration of new effective legislative and economic mechanisms to strike the balance of interests of extracting companies and indigenous peoples in resolving economic and environmental problems while preserving the traditional way of life and habitat. The advantages of establishing special areas – territories of traditional nature management by indigenous peoples of the North, and also the following has been elaborated: (1) proposals on the organisational frameworks and functioning principles of the territories of traditional nature management: (2) principles, procedures and methods of designing of territories of traditional nature management. The final aim of the undertaken measures is to create conditions for co-management of environmental protection by executive agencies, local self-government bodies, extracting companies and indigenous peoples of the North in the areas of their traditional habitat and economic activities. The active role in the Project development and implementation will belong to indigenous peoples organisations, first and foremost, Russian Association of Indigenous Peoples of the North (RAIPON).

The second project in the demonstration category addresses the utility of a marine alga in the remediation of marine water in the Arctic. It is intended to demonstrate a method of deployment of the algae shelters in the areas threatened with oil contamination. On the inside of these shelters, adult two-year-old species form an active absorption surface which absorbs practically all oil contaminants when the concentration of a dumping does not exceed 3 mg per litre. In an emergency dumping, these algae can curb a 30-thousand-ton raw oil spot. The outside of these shelters of young one-year-old algae absorbs the residual amount of spilt oil. Adult alga material is removed annually to be further processed and recycled and some valuable products, which can be used as food additives, fertilisers or thermal insulation, are extracted in the process. This technology of marine water remediation was designed in the Russian Federation. Following the completion of the demonstration Project it can find a wider application both in Russia and outside.

The third demonstration project addresses environment remediation in the areas of decommissioned military bases for which there is a desire to have them transferred to the civilian sector. In many cases, these sites are contaminated and not in a condition that enables civilian authorities to assume responsibility for them. Similar problems have been experienced in other jurisdictions and the benefit of the experience elsewhere, especially within the Arctic, will be fully applied to achieve demonstrations of environment remediation for the areas of two decommissioned military bases of different types in the Russian Arctic. It is anticipated that the results of these demonstrations will have applicability not only to other ex-military bases in the Arctic but also to other military installations in Russia where the civilian end-uses may differ but the procedures for remediation would be similar.

Phase II is a logical continuation of the Phase I of the Project aiming at on-the-ground implementation of SAP recommendations. It is envisioned that co-financing component of the Project will increase and potentail new donors attracted when pre-investment studies are under way. GEF incremental costs will be used to address globally and regionally significant transboundary environmental issues in the Russian Arctic. These are identified and prioritized during the environmental status analysis in the course of preparation of Strategic Action Programme including sources of regionally significant hot spots in the Arctic region.

At the moment of preparation of the Concept (November 2006) the following progress was achieved (as compared with benchmarks for the Phase I):

1. Project implementation structure, including Project Office, Project Steering Committee, and Project Supervisory Council have been established (100 % in comparison with benchmark);
2. Diagnostic analysis of current state of the environment in the Russian Arctic has been carried out and the first version of Strategic Action Programme has been prepared to be sent to relevant stakeholders (70 %); Preparation of the SAP ready for endorsement by national authorities is planned for April 2007;
3. Criteria for selection of hot stops have been elaborated and Working Group has been established for preparation of pre-Investment Studies;
4. Selection of lead implementing organization and members of each of the three working groups for the development of the Environmental Protection System is planned for the beginning of 2007;
5. Preparation of design documentation for demonstration activities will be completed to the beginning of 2007 (30 %).

Based on national and regional baseline activities, the GEF incremental costs will be directed to addressing the globally and regionally significant trans-boundary environmental issues. These are identified and prioritized during analysis of marine environmental status in the course of preparation of Strategic Action Programme and underlying threats associated with land-based human activities, *inter alia*, the sources of regionally significant hot spots, in the Arctic region during the he Phase I of the Project. With the existing SAP mechanism as the baseline, GEF intervention will establish a strategic mechanism and framework for addressing identified environmental issues and concerns for the Arctic Ocean. After the GEF project, such a mechanism could be added onto the current framework and maintained.

3. SUSTAINABILITY (INCLUDING FINANCIAL SUSTAINABILITY)

The project is confidently expected to be sustainable (a) financially, (b) institutionally, and (c) in terms of its environmental and development objectives. Project activities are linked to long-term national programs on protection of Arctic marine environment and to the intention of the Government of the Russian Federation to protect the environment. The Russian Government has adopted the Federal Target-Oriented Programme (FTOP) 'World Ocean' that is scheduled to run until 2012. This programme is being implemented by federal agencies, including the Ministry of Economic Development and Trade

(Minekonomrazvitiya), the Ministry of Natural Resources and the Federal Service for Hydrometeorology and Environmental Monitoring (Roshydromet), and the Russian Academy of Sciences. The FTOP 'World Ocean" is supported by the authorities of the Arctic region and a number of private companies. It has also received recognition and endorsement by a parliamentary hearing in the State Duma. There is accordingly strong evidence of a new commitment in Russia to work both at federal level and in consultation with the regions to improve conditions in the Arctic and to fulfill its obligations within the international arctic community, especially those formulated through the Arctic Council. This project offers the real prospect of fostering even more increased commitment to environmental protection in the area of international waters of the arctic through the development of new legislative, regulatory and institutional mechanisms for coordinated environmental protection within the Russian Federation. The existence of the Arctic Council as an international mechanism to monitor progress and to take continued steps towards the restitution of the arctic environment also provides additional assurance of sustainability of actions beyond the period of this project. Indeed, the GEF project will provide a basis for the interdepartmental, federal-provincial and international consultations that provide much greater confidence of sustainability.

The Project will create conditions that allow for capital investments to flow in the Russian Federation in order to ensure long-term protection of coastal and marine environment of the Arctic. To this end, in accordance with established policies of the GEF, participation in the Project of international financial institutions, such as the European Bank for Reconstruction and Development, the Nordic Environment Finance Corporation and the Northern Development Environment Partnership, and mechanisms operating with such institutions has been assured. They provide oversight of preinvestment studies with a view to facilitating conditions for the necessary capital investments. In addition, further measures will be taken at the Phase I of the Project to mobilize support of the private sector and other financial institutions. Conducted pre-investment studies will be used to solicit and obtain support from a wide variety of potential donors for future investments. It is anticipated that through wide dissemination of project results new investment proposals will emerge and environmental management projects initiated.

Adoption of the SAP to protect Arctic environment for the period until 2020 by all relevant authorities in Russia will ensure that project outcomes will be sustained. Project's capacity-building and regulatory activities (Environmental Protection System) will enhance the capacity of governments at national, regional and local levels to manage environment. The project provides the platform for region-wide multi-stakeholder dialogue on environmental problems in the Russian Arctic, a dialogue, which did not exist before.

4. REPLICABILITY

The project has considerable local, national, regional and perhaps global replication potential. The project replicability is ensured by its robust focus on removing barriers to the development of feasible mechanisms for attracting substantial investment resources in Russian Arctic as a result of pre-investment studies component, which will supposedly lead to a change in the current unfavorable investment climate and create enabling environment.

The installation of a comprehensive legal framework for environmental protection, sustainable exploitation of natural resources and the wise and environmentally sound exploitation of non-renewable resources in the North, harmonization and rationalization of the responsibilities and procedures of the federal and provincial executive agencies in the field of environmental protection in the Arctic will show enormous potential for replication within Russia.

All demonstration projects provide an excellent opportunity for replicability within the Arctic region as well as at the country level. They will serve as a basis for a wider replication of approaches and methods for restoration and prevention of damage to the environment within Russia and in arctic and non-arctic states. One of them (Remediation of the Environment through the Use of Brown Algae) will demonstrate the potential of the brown algae to act as a cleanup agent in marine areas. Project addresses problems of marine water oil pollution that are common in many other parts of the world. Another demonstration project includes environmental remediation of the areas of decommissioned military bases to be transferred to public use. The third demonstration Project (Indigenous Environmental Co-management) is aimed at setting the conditions for co-management of the environment by executive agencies, resource developing companies and indigenous peoples of the North.

The project would adopt a multi-pronged dissemination and replication strategy. The experiences of the demonstration projects would be developed into case studies for dissemination in other regions of the Russian Federation.

Design and implementation of pre-investment studies with environmental objectives is new endeavor in environmental management not only in Russia where such experience mostly absent, but in other parts of the world too. Developed approaches and practices can be replicated in other anthropogenically impacted areas to attract donor resources for environmental remediation.

5. Stakeholder Involvement/Intended Beneficiaries

To ensure adequate development impact, the implementation of the Project will be based on a broad stakeholder involvement, including actors in the relevant sectors, such as the industrial sector and municipal sectors as well as indigenous communities. The primary stakeholder is the Ministry of Economic Development and Trade (Minekonomrazvitiya of Russia), the Project Executive Agency, having overall charge of arctic policy development and co-ordination of the FTOP 'World Ocean'. The following federal Ministries and Agencies are taking part in Project activities: the Ministry of Natural Resources, the Ministry of Industry and Energy, the Ministry of Health and Social Development, the Ministry of Transport, the Ministry on the Issues of Civil Defense, and Emergencies and Disaster Control, the Ministry of Regional Development, Russian Agency on Hydrometeorology and Monitoring of the Environment, Federal Service on Environmental, Technological and Atomic Supervision, the Ministry of Defense, as well as institutions and organizations under their administration. Representatives of these ministries will be involved in Working Groups and Steering Committee meetings. Representatives of the Arctic Council, particularly its Working Group on Protection of the Arctic Marine Environment (PAME) and Arctic Monitoring and Assessment Programme (AMAP), will be also involved.

Government agencies at federal and regional levels, NGOs, and industry enterprises are bound into the implementation of the Project through their positions in the Interagency Working Group that was established at inception by Minekonomrazvitiya of Russia and chaired by representative of the Ministry. Their role is to advise on other complementary activities being undertaken, influence various policy decisions that may have an impact on private sector development, to act as sources of information on investment opportunities and to assess how interests of all Russian stakeholders are reflected in documents developed under the project. Meetings of the WG take place twice a year.

At the local/regional levels the administrations of the regions will play a leading role. Strong interest and willingness to participate in project implementation was expressed by NGOs (WWF, RAIPON, several professional associations and scientific and research institutions), Russian Academy of Sciences and private sector (engineering and consulting companies, industrial companies of different forms of ownership, etc.).

Local communities, including indigenous communities are key stakeholders for the implementation of demonstration projects; local governments and private sector will also be involved as stakeholders. Of particular significance will be the involvement of industry, including oil, gas and mining companies, the fishing industry and other relevant industrial sectors. Aspects of the project, especially the demonstration of ecological co-management, will provide for direct involvement by indigenous communities of the Russian North.

During the Phase I of the Project, the consultations with all of key stakeholder groups have been performed in the framework of Stakeholder Analysis and a Stakeholder participation plan will be also developed

At the Phase I of the Project interagency working group consisting of representatives of Russian organizations interested in the Project implementation for taking into account their interests has been established and will continue its work during the Phase 2. Representatives of all concerned federal and regional authorities, Russian Academy of Sciences, organizations of native inhabitants of the North, companies of all forms of ownership, NGOs and civil society participate in this working group.

6. EXPECTED IMPACT

The NPA-Arctic provides a comprehensive framework for the reduction of environmental degradation of the Russian Arctic with net benefits to the Russian Federation, its arctic neighbors and the entire global community.

The project is also intended to provide the initial stimulus for showing how economic and social gain can be achieved from sound environmental stewardship. The predominant adverse effects on the Arctic are caused by contaminants from human activities. Among them, the Russian Federation is undoubtedly the major anthropogenic source of cadmium for the arctic marine environment and there are clear indications of associated damage to marine organisms as reflected in the conclusions of the AMAP assessment. Also the influx of hydrocarbon residues is probably also greatest for the Russian Federation simply because of the magnitude of its northern population and the intensity of associated existing and planned industrial activities in the north of Russia. This is also the case for pulp and paper effluents containing a wide variety of organic and inorganic chemicals although in this case transport of these constituents does not occur normally over large distance scales.

The ***national benefits*** from this project fall into four categories: improvement of the national capacity to manage and control national land-based activities in a manner that more effectively limits adverse environmental impacts and forestall threats to the environment; the restoration of the environment for enhancement of resource sustainability and public health; reduced dependence of indigenous peoples on state support; and increased economic prosperity associated with the enhanced use of the arctic, particularly accelerated mineral resource development, without large-scale environmental damage and costs. Benefits to the Russian Federation will accrue in all of these areas as a result of the proposed GEF project.

Broader application of approaches developed through the GEF project for pre-investment studies to other areas of the Russian Federation (i.e., indirect benefits) will have a great long-term benefit to Russia. In the case of both the decommissioned military bases and indigenous peoples environmental management demonstrations there would be expected to be subsequent benefits from the wider application of the mechanisms developed.

At the ***global level*** the Russian Federation covers over *35%* of the land area adjacent to the Arctic. Yet the contribution of contaminant loading from the Russian Federation to pollution of the circumpolar region is far greater as there are few industries developed on the Arctic rim except for oil exploration in Alaska and the Barents Sea part of Norway. The adverse effects of previous and contemporary anthropogenic activities in the Russian Federation extend beyond the arctic basin to the major deep-water masses of the global ocean through

the 'oceanic conveyor belt'. Thus any remediation in the area covered by the Russian Federation will make a significant global contribution. The benefits to international waters in terms of fisheries are likely to be minor in the short term, however any reduction in chemically-induced stress on marine ecosystems is likely to have a positive effect on fisheries yield over the longer term.

The important role played by the Arctic in world ocean circulation, global biodiversity and planetary climate control is unquestionable. Given the important role played by the Arctic in the global climate it is clear that improvements within the Russian Federation are likely to bring global benefits.

Regional level. The project is clearly focused on the Arctic regions of the Russian Federation and thus has a clear national focus. But since the Russian Federation covers such a huge geographical range the regional nature of the project will be addressed by focusing on developing demonstration projects, which can then be evaluated and their cost-effectiveness assessed before being generally applied in the different regions. The Arctic Council in its Ministerial Declarations recognized the importance of the National Programs of Actions, including the Russian NPA-Arctic, as components of the Regional Program of Action implementation phase.

The effect of reductions in industrial emissions in northern Russia that the Project aims to will allow the original natural vegetation to recolonize with direct beneficial effects on Russian territory and probably have similar, effects on the climates of Russia's immediate neighbours to the west in the direction of prevailing airflow (Finland, Sweden and Norway). In general Arctic region context, any restorative or preventative measures adopted by the Russian Federation that address adverse transboundary effects should be implicitly beneficial to the other arctic states to the extent of the ratio of their proportions of the polar arc.

7. RISK ASSESSMENT

There are a number of threats and barriers to the correction of environmental degradation in the Russian Arctic with both national and transboundary implications that can be grouped into 3 categories: (1) financial barriers derive from the necessity to solve numerous problems, which emerged during Russia's transition to a market economy: lack of domestic and foreign investment capital; lack of longer-term affordable debt financing; high project preparation and transaction costs; high cost of special abatement equipment applicable for arctic conditions; need to spend a lot of funds for social and other problems; (2) institutional barriers arise from the outdated nature of the current environmental regulations, which do not correspond with the new economic conditions in Russia and which has been established on the basis of a single approach that disregards the variety of geographical regions of the country; at present there are no legislative norms that would bind federal, regional and provincial executive bodies and economic entities with regard to the specifics of nature management and environmental protection in the Arctic Region and adequately reflect the differences in the transition of the economic entities located there to market conditions; (3) information barriers associated to lack of high quality information about current state of environment in the Russian Arctic regions and potential for environmental improvements.

There are several internal and external assumptions regarding conditions within the Russian Federation that must be met for the projected results of the Project to be achievable and sustainable. These risks are of two types, national (or internal) and international (or external). There is an internal requirement for social stability in the Russian Federation. This seems to pose little risk of not being fulfilled. Second, there is a requirement that economic conditions in the Russian Federation do not suffer a serious downturn. Recently the economic growth in Russia has been on the increase and this situation is likely to continue. This minimises the risk of this condition not being fulfilled. Third, there is a risk that governmental authorities

will decrease the financing on the part of the Russian Federation. The success achieved at the Phase I of the project implementation is directly related to sustained political commitment at federal and regional levels, ensured the adequate level of project ownership, the broad-based public support, including received support of indigenous communities.

The NPA-Arctic is incorporated into the FTOP "World Ocean", which is approved by the Russian Federation for the period till 2012 and it is also supported by all Arctic subjects of the Russian Federation and a number of private companies. This reduces the possibility of a decrease in the intended contribution of Russia to the implementation of the Project to a minimum. Arctic and environmental issues will be among priotities of the Russian Government even in a case of possible changes after 2007 State Duma and 2008 Russian President elections. State authorities are not expected to lose interest in the problems of the North and the environment.

The second types of risks are those associated with external factors bearing on the Project, particularly the need for continuing support by the Arctic States. This is essential in order to ensure the international support for the Project and adequate co-financing. The record of successful international co-operation in favour of arctic environmental protection after the adoption of the Arctic Environmental Protection Strategy (Rovaniemi, 1991) and the current commitment of all the Arctic States to the "Rovaniemi process" and the principles of sustainable development, the heightened attention of the Arctic Council to sustainability in resource management and to wise exploitation of non-renewable resources considered interests of the indigenous peoples – all lend credence to the judgement that the risks of decreased international support for the Project are minimal. It should also be noted that ministerial Arctic Council declarations, adopted in Iqualuit, Barrow, Inari and Reykjavik, stated their support for the Russian NPA Arctic which was recognized as important component of the Arctic Council "Regional Program of Action for the Protection of the Marine Environment from Land Based Activities" (RPA) implementation phase. It is included in the Arctic Marine Strategic Plan approved at the Arctic Council ministerial meeting in November 2004. The Project is bound with the Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities (GPA) and was supported at the 1st Intergovermental Review Meeting of the GPA in Montreal and at the IGR-2 meeeting in Bejinng. Thus, overall, the external risks to the Project appear not so serious as to endanger its satisfactory execution and completion.

The nature of risks and measures adopted in the Project to reduce risks are summarised in Table below.

Risk	**Risk Rating**	**Risk Minimisation Measure(s)**
Internal risks:		
Less concern on the part of state authorities about problems of the North and environmental protection	N	Ensuring the involvement of all federal and regional stakeholders and their commitment to the development and adoption of a Strategic Action Programme and a national Environmental Protection System Sustained political commitment at federal and regional levels, ensured the adequate level of project ownership achieved at the Phase I of the Project
Economic downturn and social instability, which may result in the decrease in financing on the part of the Russian Federation.	N	The NPA-Arctic is incorporated into the FTOP "World Ocean" which is approved by the Russian Government for the period till 2012. The Project is supported by all Arctic subjects of the Russian Federation and a number of private companies. The Project was given "tax-free" status by
External risks		

Change in the priorities of the Arctic Council and its programmes	**N**	Maintaining cognizance of developments in Arctic Council programmes and their directions. Regular reports at Arctic Council Working Groups. Inclusion of NPA-Arctic in the Arctic Marine Strategic Plan of the Arctic Council. Submission of the necessary information on Project progress. Confirmed support of the Project by the Arctic Council Ministerial Meeting in October 2006 in Salekhard.
Changes in the policies of the Arctic States vis-à-vis priorities for environmental protection of the Arctic, which can lead to the decrease in financing on the part of external donors	**N**	Participation of representatives of co-financing states in the Steering Committee and Supervisory Council. Substantive reports and periodic updates on Project progress
Changes in priorities in the framework of the GPA for addressing the major sources of contamination of the marine environment	**N**	November 2001 Intergovernmental Review brought no changes in priorities to adversely affect the Project, the NPA-Arctic was referred to as a good example of GPA implementation. Inclusion of the GPA Secretariat in the Steering Committee. Submission of the necessary information to the GPA Secretariat on Project progress. Positive response to the Project at the IGR-2 meeting in Beijing.

N – NOT SIGNIFICANT

D - Financing

ESTIMATED PROJECT COST (IN US$)

Project Components/Outcomes	Co-financing ($)	GEF ($)	Total ($)
1. Pre-investment studies (PINS)	**2,739,000.0**	**611,350.0**	**3,350,350.0**
2. Environmental Protection System Improvements (EPS)	**3,030,000.0**	**1,544,600.0**	**4,574,600.0**
3. Demonstration Projects (DEMOS)	**2,100,000.0**	**1,266.800.0**	**3,366,800.0**
3.1. Indigenous Environmental Co-management	800,000.0	606,800.0	1,406,800.0
3.2. Remediation of the Environment through the Use of Brown Algae	500,000.0	240,000.0	740,000.0
3.3. Environmental Remediation of Two Decommissioned Military Bases	800,000.0	360,000.0	1,160,000.0
3.4. Meetings on dissemination of DEMOS results	0.0	60,000.0	60,000.0
4. Project management budget/cost*	**321,000.0**	**1,002,250.0**	**1,323,250.0**
Total project costs	**8,190,000.0**	**4,425,000.0**	**12,615,000.0**

* This item is the aggregate cost of project management; breakdown of the aggregate amount should be presented in the table in b) below:

b) **PROJECT MANAGEMENT BUDGET/COST** (estimated cost for the entire project in US$)

Component	Estimated staff weeks	GEF($)	Other Sources ($)	Project Total ($)
Locally recruited personnel*	**732**	**400,200.0**		**400.200.0**
Project Manager	156	133,200.0		133,200.0
Project Deputy Manager	156	72,000.0		72,000.0
Project Financial Management Officer	156	93,600.0		93,600.0
Project Assistant, Financial Management Officer	30	6,000.0		6,000.0
Project Secretary	156	36,000.0		36,000.0
Project Adviser	78	59,400.0		59,400.0
Internationally recruited experts*	**117**	**329,904.0**	**150,000.0***	**479,904.0**
UNEP technical expert	78	239,904.0		
UNEP technical expert	39	90,000.0		
Office facilities, equipment, vehicles and communications		**54,500.0**	**171,000.0****	**225,500.0**
Expendable equipment		5,000.0		5,000.0
Non-expendable equipment		7,000.0		7,000.0
Travel		**18,000.0**		**18,000.0**
Miscellaneous		**199,646.0**		**199,646.0**
Meetings		123,000.0		123,000.0
Reports and translation		44,000.0		44,000.0
Sundry		12,646.0		12,646.0
Evaluation		20,000.0		20,000.0

Total project management cost		**1,002,250.0**	**321,000**	**1,323,250.0**

* Local and international personnel and experts in this table are those who are hired for functions related to the management of project.
** GPA cash-input to support UNEP technical experts
*** The Russian Federation input for office premises granting to the Project Office is equal to 57,000 US$ per year

c) **CONSULTANTS WORKING FOR TECHNICAL ASSISTANCE COMPONENTS*** (estimate for the entire project in USD):

Component	Estimated staff weeks	GEF($)	Other Sources ($)	Project Total ($)
Pre-investment studies		**611,350.0**	**2,739,000.0**	**3,350,350.0**
Personnel, including:	28	41,050.0		
Local consultants	18	16,050.0		
International consultants	10	25,000.0		
Travel on official business		30,000.0		30,000.0
Meetings		29,000.0		29,000.0
Sub-contracts with coopering organizations		506,300.0		506,300.0
Reports and translation		5,000.0		5,000.0
Miscellaneous				
Environmental Protection System Improvements		**1,544,600.0**	**3,030,000.0**	**5,574,600.0**
Personnel, including:	**112**	**147,600.0**		
Local consultants	80	67,600.0		
International consultants	32	80,000.0		
Travel on official business		90,000.0		90,000.0
Meetings		50,000.0		50,000.0
Sub-contracts with coopering organizations		1,225,000.0		1,225,000.0
Reports and translation		32,000.0		32,000.0
Demonstration projects		**1,266,800.0**	**2,100,000**	**3,366,800.0**
Personnel, including:		0.0		0.0
Local consultants		0.0		0.0
International consultants		0.0		0.0
Sub-contracts with coopering organizations		1,206,800.0		1,206,800.0

Total	**140**	**3,422,750.0**	**8,190,000.0**	**11,612.750.0**

d) **CO-FINANCING** (in million of US$)

Name of Co-financier (source)	Classification	Type	Amount	
			Confirmed ($)	Unconfirmed ($)
Russia	(select) Nat.Gov.	(select) In-kind	2,250.0	
Russia	(select) Loc.Gov.	(select) In-kind	0,590.0	
Russia	(select) Private sector.	(select) In-cash		1,510.0
GPA	(select) multilat. Agency	(select) In-cash	0,150.0	
USA	(select) Nat.Gov.	(select) In-cash		2,170.0
Canada	(select) Nat.Gov.	(select) In-cash		0,460.0
Iceland	(select) Nat.Gov.	(select) In-cash	0,060.0	
Italy	(select) Nat.Gov.	(select) In-cash		0,500.0
IOC of UNESCO	(select) Nat.Gov.	(select) In-cash		0,500.0
Total co-financing		**8,190.0**	3,050.0	5,140.0

E - TIMETABLE FOR THE PROJECT

	Starting Date	Completion Date
Preparation		
Implementation	December 2008	November 2011

F - INSTITUTIONAL COORDINATION AND SUPPORT

1) CORE COMMITMENTS AND LINKAGES

In 2003 Governing Council of the UNEP adopted UNEP's Arctic agenda –a program of action on sustainable development in the Arctic. UNEP has designated UNEP/GRID-Arendal located in Norway as "the UNEP key centre on Polar environmental assessments and early warning issues, with particular focus on the Arctic". Through this center UNEP is committed to developing UNEP's involvement in and support for the circumpolar regions. UNEP's various activities in polar regions are concentrated around the following: (i) Promote cooperation between UNEP and polar stakeholders to address environmental and sustainable development issues; (ii) Implement integrated ecosystem management projects to protect biological and cultural diversity in the Arctic; (iii) Undertake overview assessments on emerging polar issues; (iv) Develop and implement capacity building projects in cooperation with Arctic indigenous peoples and organizations; (v) Conduct outreach and education activities. The Polar Programme coordinates its work in UNEP through the Division of Early Warning and Assessment, the Division of Environmental Conventions and the Division of Environmental Policy Implementation. The proposed project goals are inline with the UNEP's Arctic Agenda and potential synergies and experience exchange with interested UNEP divisions are envisioned during the course of the Project.

The types of projects that UNEP supports are consistent with its mandate and expertise and are outlined in the Action Plan on UNEP-GEF Complementarity adopted by the Governing Council of UNEP and endorsed by the GEF Council in 1999. Though in practice UNEP/GEF projects often address several of the following objectives, these include projects that:

(1) Promote regional and multi-country cooperation to achieve global environmental benefits (management of transboundary ecosystems, transboundary diagnostic analyses and cooperative mechanisms/action);

(2) Advance knowledge for environmental decision-making through scientific and technical analyses, including environmental assessments and targeted research;

(3) Develop and demonstrate technologies, methodologies and policy tools for improved environmental management;

(4) Build capacity to prepare and implement environmental strategies, action plans and reports and environmental management and policy instruments to implement multilateral environmental agreements.

The proposed Project is fully consistent with these priorities and shows comparative advantage of UNEP/DGEF in its implementation.

UNEP is IA of the other ongoing GEF project in the Russian Arctic "ECORA: An integrated ecosystem management to conserve biodiversity and minimize habitat fragmentation in three selected model areas in the Russian Arctic". The outcomes of the ECORA project support "National Action Plan-Arctic" (NPA) and the status of ECORA as a supporting to NPA project was confirmed by the Russian government. UNEP/DGEF has experience of implementing projects in the Russian Arctic. Completed in 2004 FSP on PTS, Food security, and indigenous peoples of the Russian North is the most recent example.

A number of different organizations are active in promoting environmentally sound development of the Russian Arctic. This list is not meant to be comprehensive, but illustrates the breadth of activity ongoing in Russian Arctic and the key projects with which UNEP will co-operate.

UNEP will further research in more detail and identify potential linkages with the current and future planned activities of the various international multilateral and bilateral agencies, together with those of the national government. The nature of interaction is likely to fall into three categories: dissemination of information between programs; cooperation with other programs to ensure a source of dealflow; complementary efforts to address priority issues.

UNDP: Consultations about possible synergies and interaction with the UNDP on the ongoing MSP on the Central Taimyr "Conservation and sustainable use of biological diversity in Russia's Taimyr Peninsula: Maintaining connectivity across the landscape" are under way.

European Union TACIS Program: Between 1992 and 2006 TACIS supported several projects in the Russian Federation including several cross-border projects in the Russian North devoted to establishment of business development centers in the Russian Federation. Today, they are working as independent private companies (business or engineering consultancy organizations) on a self-financed basis, offering consultancy expertise, engineering and training capabilities. Some of these centers have the intention to go further by investing in environmental activities with their clients. These centers will be a valuable source of information on potential investments. They can also be integrated as local technical assistance providers.

World Bank: Environmental Management Project (EMP) financed under the loan to the Russian Federation is a valuable source of information for the Project under consideration. National Pollution Abatement Facility (NPAF) aims to alleviate the financial burden on environmental investments. Sixty-million dollar NPAF revolving fund co-finances investment projects, which bring out tangible environmental benefits in a given location. The majority of investment projects, which are financed in the framework of NPAF, including

those in the Russian Arctic, are win-win projects: they bring both economic and environmental benefits.

The Barents Euro-Arctic Council (BEAC), established in 1993 for promoting sustainable development in the Barents Euro-Arctic region situated in the extreme north of Europe, including economic co-operation, the environment, regional infrastructure, educational and cultural exchange, tourism and the situation of indigenous peoples. Cooperation with activities performed to the date and planned activities will be taken into consideration

The Arctic Council (AC) established 1996 and focus on the protection of the Arctic environment and sustainable development as a means of improving the economic, social and cultural well-being of the north. The project will also further closely coordinate with the other projects implemented by other Arctic Council Working Groups in the Arctic region.

The proposed project goals are consistent with priorities of the Russian Federation, linked to long-term national programs on protection of Arctic marine environment and to the intention of the Government of the Russian Federation to protect the environment as described in section 2 of this Concept.

2) CONSULTATION, COORDINATION AND COLLABORATION BETWEEN AND AMONG IMPLEMENTING AGENCIES, EXECUTING AGENCIES, AND THE GEF SECRETARIAT, IF APPROPRIATE.

There is an emerging and shared concern on the degradation of marine environmental quality of the Arctic Seas among Arctic countries. The eight Arctic States (Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden and the United States) adopted an 'Arctic Environmental Protection Strategy', which laid the foundations for environmental co-operation in the Arctic at the intergovernmental level (the Rovaniemi process). That is why it is in the framework of this programme that the National Plan of Action for the Protection of the Marine Environment from Anthropogenic Pollution in the Arctic Region of the Russian Federation was elaborated to reflect the Russian Federation's commitment to the objectives of the Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities (GPA) in the Arctic region through the Regional Programme of Action for the Protection of Arctic Marine Environment from Land-Based Activities (RPA), and the Plan of Action to Eliminate Pollution in the Arctic (ACAP) initiatives of the Arctic Council.

The first pan-Arctic assessment carried out by Arctic Monitoring and Assessment Program (AMAP) set the stage for all the Arctic States to devise a common approach to the restoration and protection of the Arctic environment, its living resources, its biodiversity and its indigenous population. Russia continues to be an active participant in the bilateral and multilateral environmental programmes carried out within the framework of the Rovaniemi process. In framework of this process and to reflect the Russian Federation's adherence to the objectives of the Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities (GPA) the National Plan of Action for the Protection of the Marine Environment from Anthropogenic Pollution in the Arctic Region of the Russian Federation (NPA-Arctic) was elaborated. The Arctic Council approved the development of the Russian NPA-Arctic and charged the Working Group on the Protection of the Arctic Marine Environment (PAME) with the co-ordination of efforts made by the Arctic states, international financial organizations and other agencies, with a view to supporting the NPA-Arctic. Inari Declaration of the Arctic Council, adopted on 10 October 2002, acknowledged the NPA-Arctic as important component of the Regional Programme of Action for the Protection of Arctic Marine Environment from Land-Based Activities and commended adoption of the NPA-Arctic by Russia and multilateral and bilateral financial support for it. This was confirmed in Reykjavik (2004) and Salekhard (2006) Declarations of the Arctic Council.

The project will liaise with the activities of the Arctic Council Working Groups and projects. Arctic Council oversees the aforementioned 'Arctic Environmental Protection Strategy', which was endorsed by the government of Russia, and which lays out a road-map for improving and sustaining the seas of Arctic Ocean. The project will also closely coordinate with the other projects implemented by other Arctic Council Working Groups in the Arctic region to avoid duplicating work and to coordinate work programmes in an efficient and cost effective manner.

The Project will also further liaise its activities with other GEF and non-GEF projects briefly discussed in section F1 and coordinate its activities through the coordination among IAs. During PDF-B as well as Project Phase I IA was in a close liaison with Project stakeholders (Federal Ministries and other federal agencies, UNDP, and GEF Secretariat). During three consultative meetings organized before the implementation of the Phase I started, Project implementation and executing structures were formed and agreed among all interested parties including donors. UNEP played a catalytic role in these negotiations.

Commencing the 1st Phase of the Project was endorsed at the meeting chaired by the Chair/CEO of GEF and UNEP Executive Secretary on 30th May 2005 in Washington, D.C.

3) IMPLEMENTATION/EXECUTION ARRANGEMENTS

In order to coordinate and implement the Project, Steering Committee as the Project supreme governing body was created in the beginning of the Phase I of the Project. The main objective of the Project Steering Committee is to discuss and approve annual work plans and budgets for the Project, oversee their implementation and adopt corrective actions relating to the further implementation of the Project. The Project Steering Committee has three categories of participation: full member, permanent participant and observer. The Committee makes decisions by consensus of full members. Permanent participants take part in discussion of all documents at the Committee meetings. Observers are invited to participate in the meetings of the Committee as deemed necessary by the Committee. Following representatives are full members of the Committee: Executing Agency, Implementing Agency, USA, Canada, Italy, Iceland, GPA Secretariat, IOC of UNESCO. Partner Agencies (ACOPS AND NEFCO) and RAIPON are the permanent participants. NEFCO will have a full member status when speaking as a donor. EBRD, NDEP and Arctic Council are invited as observers. Other observers can be invited by the Steering Committee.

The Project Supervisory Council, a working body in charge of supervising the Project and ensuring the project implementation during the intervals between Steering Committee meetings, has been also established. The Project Supervisory Council consists of representatives of Executing Agency, Implementing Agency and Partner Agencies. The donors may participate or may be represented at the Project Supervisory Council by their chosen Partner agencies. Each Agency appointed its official representative to the Council. RAIPON is invited to work in the Project Supervisory Council.

ACOPS, NEFCO and RAIPON are designated as Partner Agencies. Partner Agencies are mandated to receive funds from donors and coordinate Project activity of donors that request a Partner Agency to do so. Partner Agencies will establish Project Trust Funds to receive funds from bilateral and multilateral donors.

The project will be implemented by UNEP and executed by the Ministry of Economic Development and Trade of the Russian Federation. To ensure efficient implementation of the Project, Executing Agency, in coordination with Implementing Agency, entrusted an existing independent non-profit organization, National Pollution Abatement Facility (NPAF), to act as the Project Office. Executing Agency and NPAF in coordination with Implementing Agency signed an Agreement, highlighting the roles and responsibilities of the two institutions, including the reporting relationship, legal responsibilities, UNEP/GEF funds'

accountability, etc. The Project Office operates in accordance with the objectives determined in the Project Document and job descriptions for personnel as specified in the Project Document.

At the end of 2006, two new positions were established in the UNEP Country Office in Moscow: UNEP/GEF Project Management Officer and UNEP/GEF Fund Management Officer. These two positions will carry full overseeing function for the Project and their location in Moscow will ensure close co-operation between IA, EA, Project Office and other stakeholders involved in the Project.

Interagency working group consisting of representatives of Russian organizations interested in the Project implementation for taking into account their interests has been established and will continue its work during the Phase II. Representatives of all concerned federal and regional authorities, Russian Academy of Sciences, organizations of native inhabitants of the North, companies of all forms of ownership, NGOs and civil society participate in this working group. Their role is to advise on other complementary activities being undertaken, influence various policy decisions that may have an impact on private sector development, to act as sources of information on investment opportunities.

G - RESPONSE TO REVIEWS

1) CONVENTION SECRETARIAT

2) OTHER IMPLEMENTING AGENCIES/RELEVANT EXECUTING AGENCIES

ANNEX V

UNEP/GEF Project - Russian Federation: Support to the National Programme of Action for the Protection of the Arctic Marine Environment

4th Meeting of Project Supervisory Council (conference call between SC members chaired by UNEP)

14 November, 2006 – 16.00-18.00 (Moscow time)

SC 4/4

Partner Agencies activities on attracting the donor funds for the Project

Prepared:	by Project Office
Status:	**ACOPS has not produced the report on the ACOPS activities on attracting the donor funds for the Project despite of second request of the Supervisory Council**

ANNEX VI

UNEP/GEF Project - Russian Federation: Support to the National Programme of Action for the Protection of the Arctic Marine Environment

4th Meeting of Supervisory Council (conference call between SC members chaired by UNEP)

November 14, 2006, 16.00-18.00 (Moscow time)

SC 4/5

Procedure of Co-financing through NEFCO Funds and Relevant Reporting

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Prepared by:	Nordic Environment Finance Corporation with comments of the Executing Agency
Status:	approved by the Project Supervisory Council

Procedure of Co-financing through NEFCO Funds and Relevant Reporting

1. Introduction

1.1. The UNEP/GEF Project “Russian Federation – Support to the National Programme of Action for the Protection of the Arctic Marine Environment” (hereinafter UNEP/GEF Project) is implemented in accordance with the Project Document signed on July 18, 2005. The Executing Agency for the UNEP/GEF Project is the Ministry of Economic Development and Trade of the Russian Federation and the Implementing Agency is the United Nations Environment Program (UNEP). The Advisory Committee on Protection of the Sea (ACOPS) and Nordic Environment Finance Corporation (NEFCO) are designated as Partner Agencies with the functions set out in Annex X to the Project Document.

1.2. Pursuant to the Project Document, the Project Office established in Moscow manages activities in the integrated work plan approved by the Project Steering Committee. As appropriate, the Partner Agencies will take part in these activities upon confirmation from the Executing Agency and Project Manager.

1.3. The UNEP/GEF Project has three sources of funding:

- GEF funds;
- funds of the Russian Federation (in cash and in kind);
- funds from other co-financing countries and organisations (donors).

The procedure of disbursement of the GEF and the Russian Federation funds and relevant reporting has been defined by the Project Document. Procedure of disbursement of donor funds via trust funds created by Partner Agencies and relevant reporting is defined by the document approved by Project Steering Committee members via electronic communication on August 8, 2006.

1.4. This document reflects peculiarities of UNEP/GEF project co-financing from NEFCO funds. NEFCO is simultaneously Partner Agency and donor.

1.5. NEFCO donor funds for the purposes of the UNEP/GEF Project implementation, if and when the donors wish, may be sent to the Currency Account of the Project Office (See STC 1/7) or channelled (i) through the Trust Funds established by NEFCO explicitly for the purpose of the UNEP/GEF project implementation through such specific Trust Funds, or (ii) through investment funds managed by NEFCO on sovereign basis (parallel co-financing).

1.6. This document determines

(a) the co-financing procedure and relevant reporting by NEFCO, acting as a donor and co-financing organisation, for the purpose of the parallel co-financing of UNEP/GEF Project implementation through existing and/or potential future NEFCO funds such as, but not limited to, the Investment Fund, the Nordic

Environmental Development Fund, the Testing Ground Facility carbon fund and the Barents Hot Spots Facility (hereinafter referred as NEFCO Fund(s)); and

(b) the disbursement procedure and relevant reporting for donor funds provided to NEFCO explicitly for the purpose of the UNEP/GEF project implementation through specific Trust Fund(s), applicable only in the event NEFCO makes a decision to establish dedicated Trust Fund(s) for the UNEP/GEF Project implementation.

2. Procedure of Parallel Co-financing and Relevant Reporting by NEFCO

2.1. Principles of Parallel Co-financing by NEFCO:

2.1.1. Parallel co-financing is applicable as a rule for implementation, through NEFCO financed investment, of additional demonstration and pilot projects included into Integrated Work Plan approved by Project Steering Committee.

2.1.2 In accordance with NEFCO's Statutes NEFCO, as a sovereign international financial institution, shall retain sovereignty over its funds and funding procedures.

2.1.3 In parallel co-financing of UNEP/GEF Project implementation NEFCO shall apply the same procedures that are applied to all NEFCO activities.

2.1.4 The regulations of the relevant NEFCO Fund shall be complied with in any UNEP/GEF Project implementation by NEFCO.

2.1.5 The main investment phases are: identification phase, evaluation phase, approval by the NEFCO Board of Directors', signing of project agreements, implementation and monitoring. The investments to be financed by NEFCO can be identified by NEFCO or be proposed for NEFCO's financing by the Executing Agency or Project Office. These investment proposals are evaluated project per project based on the NEFCO criteria for financing.

2.1.6 The inclusion of a NEFCO financed investment as part of the co-financing of UNEP/GEF Project implementation shall be subject to the proposal by NEFCO and approval by the Project Steering Committee.

2.2. Reporting by NEFCO:

2.2.1. NEFCO will agree with the Project Office the procedures for reporting on the progress of an investment approved for the co-financing of the UNEP/GEF Project.

2.2.2 NEFCO will yearly submit reports (as of December 31) to the Executing Agency, Implementing Agency and Project Office on disbursement of funds from NEFCO Funds for projects and activities accepted by the Project Steering Committee as part of co-financing of the UNEP/GEF Project. For these reports, formats provided for by the Project Document (Annex XVIII) are used, if not otherwise proposed by NEFCO and agreed with Project Office.

3. Procedure of Disbursement of Donor Funds through dedicated Trust Funds and Relevant Reporting

3.1. Notification:

Subject to NEFCO having made a decision on establishing dedicated Trust Fund(s) for the UNEP/GEF Project implementation, the donor will send a letter to the Implementing and Executing Agencies, Project Office and NEFCO as relevant Partner Agency with the following information:

- donor's consent to participate in co-financing of the implementation of the entire UNEP/GEF Project or its individual components in accordance with the integrated workplan approved by the Project Steering Committee and on the basis of the amount of funds allocated by the donor;
- identification of NEFCO as the Partner Agency with which the donor chooses to work;

3.2. Agreement Between Donor and NEFCO:

The Donor and NEFCO will sign an agreement, whose activities will be in accordance with the integrated workplan, and which will be shared with the Implementing/Executing Agencies and Project Office.

NEFCO will be legally responsible for disbursement of the donors' funds received in the Trust Fund(s) established by NEFCO.

3.3. Principles:

NEFCO may establish Trust Funds for the UNEP/GEF Project after the official notification letter is received from the donor.

Work that will be financed with donor funds should be in conformity with the integrated workplan approved by the Project Steering Committee.

Donors will transfer funds to the Trust Fund(s) established by NEFCO based on the terms of their legal agreement.

NEFCO will disburse donors' funds directly, based on the consent of the donor, applying NEFCO funding procedures.

3.4. *Disbursement of donors' funds directly:*

- NEFCO on a basis of donor request will send to the Project Manager and the Executive Agency for agreeing the drafts of ToRs for activities described in the Integrated Workplan for donors funds and schedule of their implementation
- NEFCO will sign the contracts for implementation of specified above activities after agreeing the ToRs and the work schedules with the Project Manager and the Executing Agency
- NEFCO will send to the Project Manager for comments the draft reports on implemented works in the framework of contracts concluded by NEFCO. Project Manager will evaluate these reports using competence of TT and WGs leaders, if necessary. NEFCO should take into account comments received when preparing the final versions of the report, Project Manager informs Executing and Implementing Agencies in a case of difference in opinion on quality of performed works and contentious issues are subject for consideration at the next meeting of the Project Supervisory Council[1].
- NEFCO will be legally responsible for disbursement of the donors' funds

[1]According to item 53 of the Project Document "The Project Manager at the Project Office shall be responsible for ensuring that all Project activities are carried out in compliance with the Project design and the instructions of the Steering Committee, and Executing Agency".

accumulated in the Trust Fund(s) established by NEFCO and disbursed directly by NEFCO

3.5. NEFCO will, in a timely manner, inform the Executing Agency, Implementing Agency and Project Office of the total amount of donor funds accumulated in respective Trust Fund(s) to be accounted for in drafting the integrated workplan and budget.

3.6. NEFCO will quarterly submit reports on disbursement of donors' funds within co-financing of the UNEP/GEF Project to donors and in copy to the Executing and Implementing Agencies and Project Office.

3.7. For preparing reports on expenditure of donors' funds, formats provided for by the Project Document are used, if not otherwise proposed by the donors.

ANNEX VII

UNEP/GEF Project - Russian Federation: Support to the National Programme of Action for the Protection of the Arctic Marine Environment

4th Meeting of Supervisory Council (conference call between SC members chaired by UNEP)

November 14, 2006, 16.00-18.00 (Moscow time)

SC 4/6

Preparation for the 2nd Project Steering Committee Meeting – Agenda, Dates and Location

Prepared by:	Project Office
Status:	Preliminary approved by the Project Supervisory Council that asked for further preparatory work for the Project Steering Committee

Preparation for the 2nd Project Steering Committee Meeting – agenda, dates and location

Agenda

Meeting is invited to discuss an Agenda of the coming Project Steering Committee meeting. The following agenda of the meeting is proposed:

- Opening
- Adoption of Agenda
- Project Progress report
- Co-financing of the Phase II
- Consideration of draft Strategic Action Program
- Consideration of work on PINS-component. PINS Guidelines and a list of selected hot spots and impact regions.
- Approval Project Documents for three DEMOS-projects mentioned in the Project Document
- Consideration of new DEMOS projects
- Information on preparation of Phase II of the Project. Co-financing issues.
- Integrated Work Plan until the end of Phase I
- Budget until the end of Phase I
- Procedure of Approval of Documents via Electronic Communication
- Discussion and agreeing of decisions of the Steering Committee on considered documents
- Any other business
- Closing

A list of documents for the second STC meeting will be prepared in consultation with the Executing and Implementing ageneses.

Dates

Taking into account delay with Project implementation, Project Office proposes to consider possibility of next Project Steering Committee Meeting last week of February. Meeting is invited to discuss possible dates of StC-2. It is proposed that meeting will be held at the end of February, 2007, earliest.

Location

Meeting is invited to discuss possible place of StC-2. Possible options are Moscow, Saint Petersburg or one of the Arctic regions.