

Annex G: Evaluations of Caspian Environment Programme (CEP)
Annex G1: UNDP-GEF Component



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ACRONYMS

BSAP	Biodiversity Strategic Action Programme
CEP	Caspian Environment Programme
CRTC	Caspian Regional Thematic Centre
EC/TACIS	European Commission / Technical Assistance to the Commonwealth of Independent States
EQO	Environmental Quality Objective
ERACL	Effective Regional Assessment of Contaminant Levels
GEF	Global Environment Facility
GIS	Geographical Information System
IAEA	International Atomic Energy Agency
ICM	Integrated Coastal Management
IOC	Intergovernmental Oceanographic Commission
IPPA	International Public Participation Adviser
IT-CAMP	Integrated Coastal Area Management Planning
MAGICA	Management Advisory Group Intersectoral Co-ordination Assistant
NCAP	National Caspian Action Plan
NFP	National Focal Point
NGO	Non-Governmental Organisation
OP	Operational Programme (GEF)
PCU	Project Co-ordination Unit
PPA	Public Participation Adviser
SAP	Strategic Action Programme
TDA	Transboundary Diagnostic Analysis
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNOPS	United Nations Office for Project Services
WMO	World Meteorological Organisation

EXECUTIVE SUMMARY

The Caspian Environment Programme (CEP) was established in 1998 to address the most pressing environmental transboundary issues facing the sustainable use and management of the Caspian Sea. It engages all five riparian States: Azerbaijan; Islamic Republic of Iran; Kazakhstan; Russian federation; and Turkmenistan. The issues of concern include the over-exploitation of fisheries resources; coastal habitat and landscape degradation; poor waste management practices; unsustainable farming and mining practices; erosion of biodiversity; the introduction of alien and invasive species; damage to coastal infrastructure from water level fluctuations; decline in human health through poor air and water quality; and oil pollution. Weak management structures and a lack of identified alternative economic opportunities are recognised constraints to the sustainable management of the area.

The first phase of the CEP, which took place between 1998-2002, has been co-financed by UNDP/GEF, the European Commission's TACIS programme, UNEP, and the World Bank. The key elements of the UNDP/GEF support, which is the focus of this evaluation, have been assistance in the development of:

- Improved regional co-operation and collaboration;
- A Transboundary Diagnostic Analysis (TDA);
- National Caspian Action Plans (NCAPs) for each country; and
- A Strategic Action Programme (SAP) for the region as a whole.

UNEP and UNDP/GEF have also provided support in the development of a Framework Convention for the Protection of the Marine Environment of the Caspian Sea, which is expected to become a cornerstone of regional co-operation. This evaluation, which largely took place in July 2002, focuses on assessing the effectiveness, efficiency, impact and sustainability of the UNDP/GEF contribution to the CEP. An overview of the findings and recommendations of the evaluation are provided below.

The Project Design

The CEP's concept and design are wholly appropriate to the political and institutional climate concerning the management of the Caspian Sea, and demonstrate a good understanding of the environmental concerns of the region. The timing of the CEP has been pertinent in terms of facilitating regional dialogue on environmental management at a time when there was little formal structure joining the five states, four of which were newly independent, on common issues. The design was developed in a collaborative manner and the *modus operandi* for interventions was carefully tailored to the regional situation.

The CEP design is also very relevant to the UNDP mandate on regional co-operation and environmental protection, and to GEF policy in International Waters, especially Operational Programme 8, which focuses on seriously threatened water bodies. It has attempted to institute lessons learned from other regional seas programmes, such as the Black Sea Environment Programme and the Mediterranean Action Programme. The focus on stakeholder participation throughout CEP is central to GEF policy.

In addition to these positive aspects, there are a number of weaknesses in the project design, which include: poor donor co-ordination between UNDP/GEF and EC/TACIS; ambiguous project objectives, including unrealistic targets; a lack of an overarching purpose; and the lack of indicators to measure impact.

Project Implementation

The CEP Management Framework: The Project Co-ordination Unit (PCU), currently based in Baku, Azerbaijan, has been the nucleus from which all CEP interventions have been facilitated. The perception of the PCU within the region is that it is well-run and its national and international staff are motivated, enthusiastic and effective. The PCU has been advised by a Steering Committee, which has functioned in accordance with its terms of reference and has played a strong role in guiding the CEP.

Within each country, CEP activities are co-ordinated by a Management Advisory Group Intersectoral Co-ordination Assistant (MAGICA), who reports to a National Focal Point (NFP). This arrangement has, on the whole, worked well, although staff changes in Kazakhstan and Azerbaijan created a few transitional difficulties in CEP implementation in those countries. A reflection of the importance each Caspian country places on the CEP has been the selection of senior government officials to the NFP position, which has facilitated high-level decision-making. Each country has demonstrated its commitment through attendance at all regional meetings, although Turkmenistan has occasionally had difficulty in attending for political reasons.

Relationship with UNDP Country Offices: The UNDP Country Offices provide minor administrative support to the CEP, for which they are reimbursed, and are understood to act as a local advocate for the CEP and participate in its implementation. Relationships between the PCU and UNDP Country Offices in Azerbaijan, Russian Federation and Islamic Republic of Iran are strong, however, there are points of dissatisfaction that have been raised by both the PCU and Country Offices. The Country Offices consider that the monetary reimbursement for administrative services is inadequate; that authorisation arrangements are confusing; and they also feel a degree of disenfranchisement from the Programme. The PCU on the other hand perceive a lack of enthusiasm of some Country Offices in the CEP; consider responses to requests for administrative assistance are sometimes tardy; and in certain cases there is a lack of trust. It was also apparent that a lack of co-ordination exists between the project-related activities of some Country Offices and the CEP.

Relationship with UNOPS: UNOPS is responsible for the overall administration of the UNDP/GEF contribution to the CEP and works in close collaboration with the UNDP/GEF Technical Adviser on International Waters. The relationship between the PCU, UNOPS, and the UNDP/GEF Technical Adviser is supportive and effective, on both administrative and technical terms. Areas that could be strengthened lie in the closer sharing of financial information between UNOPS and the PCU.

Co-operation with other partners and projects in the region: The PCU takes every effort to ensure its awareness of other relevant projects within the region, and has developed links with projects such as CASCOP (a regional programme generating and sharing information on hydrometeorology and pollution), the World Bank Ecotox project, and the USAID Kura River Project.

Private and public participation: The CEP has been effective at leveraging funds from the private sector in support of its activities, to the amount of some \$5-6 million. These funds have largely derived from the hydrocarbon industry.

Public participation in CEP has largely been achieved through small grant projects (each less than \$3000), facilitated by Public Participation Advisers, to support NGO and community schemes. The outputs generated have included public awareness and environmental education materials. Whilst successful in some respects, the direct impact of the CEP on the public has so far been limited, due to the prioritisation of high-level dialogue between the countries. It is anticipated that the next phase of the CEP will do much more to engage the public.

The budget and its disbursement: The UNDP/GEF component of the CEP will not exceed its stated budget of \$5.1 million. The budget has been appropriately apportioned, with a significant level of resources being allocated to consultants and sub-contracts, followed by workshops and training activities. This is appropriate in a project that is largely concentrated on developing dialogue and facilitating the preparation of information and management tools.

Earlier criticisms that the CEP focused more resources on international consultants rather than national expertise were quickly redressed, and the majority of contracts awarded over the last three years have been to national and regional consultants. Azerbaijan has seen the highest number of contracts awarded to national consultants, largely due to the presence of the PCU in this country, which resulted in a greater need for support in areas such as translation and workshop / meeting preparation. Kazakhstan, Russia and Turkmenistan have received equal distributions of national contracts, whilst Iran had a marginally higher number due to the greater number of Caspian Regional Thematic Centres (CRTCs) and the need for translations into Farsi.

Overview of activities and outputs

The CRTCs: These thematic centres have been instrumental in collating and generating information required to inform the TDA, and consequently the NCAPs and SAP. There were 11 CRTCs established under Phase I: four funded by EC/TACIS; six by UNDP/GEF; and one by UNEP. The UNDP/GEF CRTCs focused on data and information management (Azerbaijan); integrated coastal management (IT-CAMP, Iran); assessment of sediment contaminants (ERACL, Iran); emergency response (Iran); biodiversity (Kazakhstan); and human sustainable development and health (HSD&H, Turkmenistan).

The CRTCs were largely housed within national centres of expertise. Where appropriately situated, their influence and effectiveness was undoubtedly stronger. Each of the UNDP/GEF CRTCs were led by a national director, and supported by a relevant UN (or other) organisation that was able to provide technical guidance. These organisations included the International Maritime Organisation, International Oceanographic Institute, World Health Organisation, and Flora and Fauna International.

The CRTCs largely achieved what they were tasked to do, namely to support the development of the TDA, NCAPs and SAP, and to regionally co-ordinate their activities. Some were more successful than others in achieving their work programme, particularly ERACL. Others met difficulties that were to some extent related to the onerous tasks facing these Centres, particularly IT-CAMP and HSD&H. IT-CAMP's difficulties related to the short time period given to introducing the concept of integrated coastal management to the region, and HSD&H's problems concerned the large scope of issues within its remit.

Criticisms of the CRTCs included the high turnover of consultants engaged in their activities; the duplication of activities of CRTCs funded by different donors; the fact that they were too numerous, small and dispersed to make a significant contribution to environmental management; and their general lack of sustainability (all have ceased to operate as a physical project entity, although staff members within some CRTCs continue to work on the same themes within their national organisations). Given these issues, the CEP partners are considering a) whether CRTCs will have a future in the next phase; and b) what form they should take. The favoured approach is one multi-disciplinary centre per country, each with a responsibility for one of the five core transboundary SAP areas.

The TDA: The TDA provides the technical basis for the development of the NCAPs and SAP. It was achieved through strong regional input, and supported by data provided by the CRTCs. The CEP overcame significant barriers in its preparation, not least of which was the lack of transparency or

culture of information sharing within the region. Criticisms of earlier drafts of the TDA included its limited geographical extent (which was defined by the Caspian countries); weak, outdated, and often incorrect data; repetition and poor coherence. A later redraft of the TDA has addressed all of these criticisms, and the revised report is available on the CEP website in Russian and English.

The NCAPs: Each country has prepared an NCAP in accordance with the terms of reference provided by the PCU. Each of these documents reflects the pertinent issues facing the transboundary sustainable management of the Caspian Sea, which implies a recognition of the problems and a willingness to address these co-operatively at the national and regional levels. The NCAPs have informed the identification of Priority Investment Projects, to be funded by the World Bank. The first drafts of the NCAPs have been presented to national fora for appraisal. These drafts vary in quality, from a comprehensive assessment of issues and interventions to a simple listing of priority areas. Areas of weakness within these early drafts included an inadequate assessment of the human, institutional and financial resources required to undertake the interventions; poor consideration for the time-scales required; a lack of indicators to monitor impact; and little reflection on the structure for inter-sectoral co-ordination required to achieve the interventions effectively. The second drafts are now underway and once complete will enter country specific approvals procedures.

The SAP: The SAP represents a natural progression from the TDA, and presents a structure for future policy, legislation, regulatory and investment interventions relating to the management of the environment. It is a shared plan between all CEP partners and therefore requires consensus. At the time of the evaluation the SAP was in early draft. It has been developed in a participatory manner, but in its initial stages it was considered largely donor-led rather than country-owned. Criticisms of the early draft noted the broad range of environmental quality objectives and a lack of prioritisation of key issues or funding required to address these issues. During consultation in the evaluation there appeared to be a lack of awareness among some country representatives that the SAP, which will form the core of CEP's next phase, will be largely funded by the Caspian States, with contributions from UNDP/GEF and EC/TACIS as appropriate. This misunderstanding was removed at a recent SAP meeting between all CEP partners. The SAP is now being revised in light of the earlier criticisms.

The Framework Convention: The Convention will serve as an overarching framework governing co-operation on Caspian environmental management. The PCU, working closely with UNEP, has played a key role in guiding and facilitating its development, which has evolved through the close participation of all Caspian States. Whilst the path towards developing the Convention has not always been smooth, it is anticipated that the Convention will be signed at the end of 2002. Ratification is not expected until the legal status of the Sea has been resolved.

The CEP website: The CEP has placed considerable effort in developing and maintaining an informative website, containing information on its activities. Key documents, such as the TDA, are available for downloading. It will be an important tool to enable the wide dissemination of CEP materials and a cost-effective way for enabling regional co-operation and collaboration on areas of mutual interest.

CEP Impact

Despite not achieving some of the objectives defined in the predicted 'end of project situation' noted in the Project Document, i.e. those that were too ambitious, the CEP has far exceeded initial expectations, given the political and economic difficulties facing the region at the time of its inception. It has been a successful and worthwhile programme, which is well managed and widely respected within the region. To the credit of the collaborating States, the CEP has become the leading forum for environmental co-operation within the region. One of the major impacts of the programme has been its influence in bringing all countries together in dialogue over the difficult issues facing the

sustainable management of the Caspian Sea. The enthusiasm and support of the various stakeholders, especially the Governments, have demonstrated strong political will to foster a regional approach to resolving these issues, and the Framework Convention should set the right foundation for capturing this political will.

The CEP has also raised the profile of environment in the States. Whilst once and still relatively weak, ministries of environment within the region are now able to lobby their cause with greater effect, resulting in a larger allocation of funds. Nonetheless, the private sector is expected to provide substantial contributions.

One of the key pressures for the future phases of the CEP will be to maintain its momentum, particularly in light of the socio-economic difficulties in each country, and the growing tensions over the allocation of hydrocarbon resources and the legal status of the Caspian. Having had a considerable impact at the institutional level in Phase I, substantial effort is now required to ensure that institutional commitment is translated into effective action, which is the challenge for Phase II.

Suggestions

The suggestions provided by this evaluation are two-pronged; the first focusing on recommendations for UNDP/GEF project cycle management; and the second on the future focus of CEP. These are summarised below:

Suggestions for UNDP/GEF Project Cycle Management

- Improved donor co-ordination.
- Clear and relevant project objectives linked by an overarching purpose.
- Development of project performance indicators that measure impact as well as outputs.
- Maintained level of flexibility in project design.
- Continued adherence to the recommendations put forward by the Project Steering Committee.
- Continuation of support for CEP and smooth and continuous transition between Phases I & II.
- Improved co-ordination and collaboration with UNDP Country Offices.

Suggestions for the future of CEP

- Continued financial, institutional and human resources support and commitment from CEP partners in the CEP.
- Caspian States should be more proactive in encouraging regional dialogue and taking ownership of CEP.
- Maintain commitment to the Framework Convention and consider its future management.
- Communicate clearly the intentions of the CEP and separate it from political issues where possible.
- Continue the revision of NCAPs and SAP into robust and realistic documents with committed resources, learning lessons from similar programmes elsewhere.
- Increase stakeholder participation and ensure a greater involvement of NGOs and the private sector.
- Ensure the sustainability of an effective PCU.

- Consider and agree upon the most appropriate structure, and financial and technical support for the future CRTCs.
- Improve the framework for information sharing: improve access to information; adopt the TDA as a working document and continue to update its contents; and improve the effectiveness of the website.
- Place considerable effort on ensuring effective inter-sectoral collaboration in decision-making on resource use and management.

1. INTRODUCTION

The Issues

The Caspian Sea is the largest landlocked body of water on earth, and is bordered by Azerbaijan, the Islamic Republic of Iran, Kazakhstan, Russian Federation, and Turkmenistan. It is a rich source of natural resources and raw materials, some of which provide a substantial contribution to the economies of the five riparian states, most notably hydrocarbon and sturgeon fisheries resources. The States are looking to the resources of the Caspian to resolve some of the pressing social and economic issues prevalent within the region, which include high unemployment and under-developed transitional economies. The oil and gas sector is expected to make the largest contribution.

The increasing pace of economic development over the past ten years and the enclosed nature of the Caspian has rendered it susceptible to environmental degradation. The issues that are perceived to have had the most damaging effects are the over-exploitation of fisheries resources; coastal habitat and landscape degradation; poor waste management practices; unsustainable farming and mining practices; erosion of biodiversity; the introduction of alien and invasive species; damage to coastal infrastructure from water level fluctuations; decline in human health through poor air and water quality; and oil pollution. Weak management structures and a lack of identified alternative economic opportunities are recognised constraints to the sustainable management of the area.

The Caspian Environment Programme

The Caspian Environment Programme (CEP) was established to address these issues in a transboundary regional approach, engaging all five States. Given the past and recent political history of the region, and the emergence of four newly independent states around the Caspian within the last 10 years, the first phase, which took place between 1998 and 2002, has been aimed primarily at the establishment of institutional mechanisms to enable international dialogue on environmental issues.

The CEP has comprised a number of inter-related components, which have been funded by UNDP/GEF, EC/TACIS, UNEP, and the World Bank. The key elements of the UNDP/GEF support have been assistance in the development of:

- Improved regional cooperation and collaboration;
- A Transboundary Diagnostic Analysis (TDA);
- National Caspian Action Plans (NCAPs) for each country; and
- A Strategic Action Programme (SAP) for the region as a whole.

Similarly to UNDP/GEF, EC/TACIS provided support to the development of the TDA and assisted in the establishment of the Project Coordination Unit (PCU). The World Bank provided funds for a Priority Investment Portfolio aimed at supporting small environment-related projects, and UNEP has been instrumental in guiding the development and endorsement of a Framework Convention for the Protection of the Marine Environment of the Caspian Sea, which is expected to become a corner stone in regional cooperation.

The Evaluation Process

This evaluation is concerned with the performance of the UNDP/GEF contribution to the CEP during its first phase. Project evaluation is an essential and mandatory element of UNDP's approach to project cycle management, being the main tool for assessing the relevance, effectiveness, impact, and sustainability of its development interventions, and therefore accountability. Whilst a review of the interventions of the project is a key component, an important role of evaluation is to point to the positive and negative lessons learned throughout the process of the project cycle, from design to implementation to termination, and to highlight recommendations for future similar interventions.

Ultimately, the goal of evaluation is to strengthen UNDP's effectiveness in the delivery of development assistance, through robustly designed and well-targeted projects.

The evaluation took place between 30 June and 2 August 2002. The core of the evaluation comprised visits to each of the five riparian states between 30 June and 17 July. During this period, the evaluator met with the Programme Coordinator and other staff of the PCU in Baku, and briefly attended a regional workshop on the development of the NCAPs, which was held in Baku between 2-5 July. Within each country, the evaluator met with the Management Advisory Group Inter-sectoral Coordination Assistants (MAGICAs) and UNDP Country offices, and where possible, the National Focal Points. Other stakeholders, such as those responsible for the development of the NCAPs, representatives of the oil and gas sector, and NGOs, were also met. De-briefing was undertaken at UNOPS and UNDP/GEF headquarters in New York between 1-2 August. A list of people consulted during the mission is provided in Appendix 1.

The structure of the evaluation referred to the scope of work set out in the terms of reference (Appendix 2) and the guidelines for project evaluation by the UNDP Central Evaluation Office. The evaluation report describes the findings and conclusions of the mission, and offers suggestions for the future shape of the CEP.

2. FINDINGS

The evaluation has been tasked with assessing the effectiveness, efficiency, impact, and sustainability of the UNDP contribution to the CEP in terms of:

- Project design;
- Project Implementation; and
- Project Impact.

The results of the evaluation process are set out in accordance with these 3 areas.

2.1 Project design

The evaluation of the project design is largely concerned with its appropriateness to the overall situation of the Caspian Sea and its relevance within the framework of GEF programmes and guidelines.

2.1.1 Appropriateness to the overall situation of the Caspian Sea

Considering all inter-related aspects of the CEP, the Project's concept and design are considered wholly appropriate to the political and institutional climate concerning the management of the Caspian Sea. The CEP was borne out of a need to establish regional dialogue at a time when there were insufficient institutional mechanisms encouraging formal communication and cooperation on any level, let alone on an environmental management level. The timing of the CEP was very pertinent in light of the emergence of four newly independent states in the early 1990s, and the political difficulties Iran was experiencing in establishing an international presence, in terms of their need for a more concrete means of communicating on all issues relating to the Caspian Sea.

It is understood that the UNDP/GEF component was developed with the full collaboration and participation of the recipient countries, and sufficient time (two years) was given in the PDF-B phase for developing the programme in such a manner. The two-year PDF-B timescale was very necessary for a programme of this complexity, to ensure that its interventions were well targeted and meaningful. The countries themselves were involved in determining and agreeing the institutional framework and

content of the design, which is probably reflected in the support and respect that each country has for the CEP, and has rendered it less susceptible to the pitfalls of poor project sustainability.

The Project Document demonstrates a good understanding of the issues facing sustainable development within the Caspian Sea region, and also an understanding of the status of environmental management at the institutional and policy framework level. The project beneficiaries have been realistically identified at the direct project level, although the scope of target beneficiaries is perhaps over-ambitious at this stage.

As is often the case with large complex projects, and is also relevant to this project, there are a number of weaknesses within the project design, which should be acknowledged during the PDF-B for Phase II. These are summarised as follows.

Assumptions of good donor co-ordination

The CEP design opted for a co-funding approach between different development agencies, namely UNDP/GEF, EC/TACIS, The World Bank, and UNEP. In principle, approaches of this kind are intended to ensure co-ordinated donor approaches within a given region and to leverage a greater amount of funds to achieve the tasks in hand. In practice, however, they are usually extremely difficult to manage for several reasons, one of which concerns the timing of funding availability, which if poorly co-ordinated does not allow the various donor activities to start as planned, and introduces risks into project success. This risk was not acknowledged in the project design.

One of the key weaknesses of donor collaboration, which was manifested in the initial stages of the CEP, was the poor definition of responsibilities between the UNDP/GEF and EC/TACIS components of the project. It had initially been agreed that both of these donor elements would begin simultaneously, however, when GEF was unable to commit the required funds on time, EC/TACIS had to initiate the project alone. By the time UNDP/GEF started its activities, the EC/TACIS component was nearing completion.

EC/TACIS and UNDP/GEF both had responsibilities for the completion of the TDA and for each supporting Caspian Regional Thematic Centres (CRTCs) within the region. The set-up and scope of work for EC/TACIS and UNDP/GEF CRTCs differed somewhat, which yielded results that were not always in synchrony with one another and variations in the national ownership of the Centres. There were also differences in opinion between the donors as to whether the CRTC arrangement was the right approach. These institutional problems did not lend themselves to rescuing the difficulties in co-ordination, and weak collaboration between the management teams did not assist the process. Unfortunately, in the early stages of the CEP the recipient countries took advantage of the poor donor co-ordination, and progress with some elements of the project were hampered.

The set-up for the multi-donor approach was such that neither party was ultimately accountable to the other, and therefore they were neither able to monitor the effectiveness and impact of each other's activities, nor assess how their activities affected other donor programmes. This effectively reduced the ability of the Programme Coordinator to control and manage certain activities that could have jeopardised the success of the project. Fortunately, despite some difficulties experienced between UNDP/GEF and EC/TACIS teams, significant problems relating to project performance did not arise, and this is largely attributable to the commitment and competence of the PCU management.

On top of the internal wrangling, the countries themselves were confused over the different procurement and administration systems imposed by the various funding partners, particularly UNDP, EC and the World Bank. In some cases, differences between systems, such as salary and the terms and conditions of employment, created friction amongst national project counterparts.

Ambiguous objectives

Within the project design, a number of stated targets to be achieved at the 'end of project situation' are relevant and have been reached, for example the development of a strong regional institutional framework; the identification of a regional SAP and NCAPs; increased public awareness; and the ratification of the Caspian Framework Convention. However, this essentially sound and well-targeted project design is somewhat weakened by the fact that other stated targets are not adequately reflected in the specific activities of the Programme. The 'end of project situation' includes some ambitious targets, a few of which could not be possible given the scope of activities and the time and resources allocated. Examples include the "conservation of habitats and species (within the Caspian region)", and "sustainable use of transboundary stocks". Whilst these are pertinent issues, they should be considered as regional goals, which activities such as the SAP should work towards. The exaggeration of expected achievements at the outset might have led to unnecessarily raised expectations.

There appears to be a missing link between the goal of the project, which is "*environmentally sustainable development and management of the Caspian environment...*" and the objectives of the project, of which there are 14, which are focused on developing coordination, generation of information in key topic areas (CRTCs) to inform the TDA, and development of a SAP. These objectives are good foundations for sustainable development and management; however, they alone will not achieve the goal. The Project Document would benefit from a clear description of the purpose of the project, which demonstrates the link between all of these objectives. This would also help to avoid misconceptions about what the first phase of the CEP was trying to achieve.

Measurement of achievement

Success criteria have been defined for each output within the project's logical framework table (listed in Appendix 4). These are mostly straightforward, easy to measure, and relate to the achievement of activities within each output. The design does not make clear, however, how the overall impact of the project will be measured against its defined goal. For example, how will environmentally sustainable development and management be measured? Going beyond the measurement of attendance at regional environment meetings or the institution of a robust environmental action plan, ultimately the measurement of impact should measure direct change in activities such as more sustainable resource utilisation; improved human behaviour and attitude towards wise use of the environment; and whether biodiversity conservation efforts are effective.

Reliable and informed indicators are not always easy to define and often difficult to measure, but these ought to be set in place now, so that the long-term impact of the CEP can be monitored and lessons learned as to whether its approach and activities have been effective. This should in turn strengthen UNDP/GEF's approach to project development in this field.

2.1.2 Relevance to GEF and UNDP

The CEP is relevant to two of the key UNDP mandates: regional cooperation and environmental protection. The CEP is also very much in line with the current thrust of GEF policy in International Waters, which is set out in the GEF Operational Strategy adopted in 1995. It is understood that GEF will continue to provide support under this Strategy and therefore the programme will remain relevant within the foreseeable future.

CEP demonstrates complementarity with Operational Programmes (OP) 2, 9 and 10, but is most relevant to OP8 which focuses on seriously threatened water bodies and the transboundary threats to these ecosystems. The threats considered include pollution; over-exploitation of living and non-living resources; habitat degradation; and the introduction of non-indigenous species. The CEP design has focused on all of these issues, which are pertinent to the Caspian. It has followed GEF policy by

enabling the Programme to play a catalytic role in supporting countries to leverage co-financing from the international community and private sector, focused on changing sectoral policies and activities responsible for transboundary environmental concerns. Examples of this are CEP's facilitatory role in the development of:

- a) The Framework Convention, which will form one of the most important legal documents on the transboundary management of the Caspian Sea, and will pave the way for future inter-regional collaboration;
- b) A regional TDA on transboundary issues; and
- c) A SAP for the implementation of a group of countries, targeted at resolving the root causes of environmental degradation.

By these interventions GEF has followed the typical form of assistance for projects of this nature, and has also attempted to institute lessons learned from other similar programmes, such as the Black Sea Environment Programme and the Mediterranean Action Programme.

Stakeholder participation is the cornerstone of GEF policy, and the CEP design was well set-up to ensure good stakeholder dialogue, through Steering Committee Meetings, NFP meetings, workshops, seminars, training courses, and public awareness activities. During the early days of project implementation, it was recognised that more interface was required between the PCU and NFPs/countries, and therefore the role of Management Advisory Group Inter-sectoral Coordination Assistant (MAGICA) was instituted to ensure that the dialogue was maintained at optimal levels. Similarly, the original project design had allowed for an International Public Participation Adviser (IPPA), who would have been responsible for coordinating all local participation activities and engaging NGOs in the Programme throughout the region. Again, it was decided that five local PPA specialists, instead of one IPPA, would better deliver this role and so additional consultants were recruited to take on these roles at a national level under the guidance of a part-time IPPA and the PCU. This new arrangement was probably much more effective in achieving local dialogue on environmental matters and served GEF policy well.

The project design assumes a number of discrete (but continuous) phases, which if successful will achieve the expected programme outputs of GEF OP8. It has, essentially, been a planning phase, laying the foundation for effective action. The next phase will need to move on from data collection and the identification of issues, to the concrete implementation of interventions that will focus on achieving the goals of GEF OP8. The scope of work for the next phase has already been outlined in a Concept Paper, which has been submitted to GEF Secretariat for consideration. The timing for the delivery of this has been appropriate, and will help ensure as seamless a transition between the two phases as possible.

2.2 Project implementation

2.2.1 General implementation and management arrangements

Programme Co-ordination Unit

For the duration of this phase of the Programme, the CEP has been managed by a Programme Coordination Unit (PCU) based in Baku, Azerbaijan. The PCU office is spacious and located within the premises of a Government building provided in kind by the Government of Azerbaijan. The office premises comfortably cater for the current staff of seven and also provide a general meeting room and a small conference facility. The PCU is headed by an international Programme Coordinator, who is assisted by a team of international and national technical specialists together with administrative support. The PCU is responsible for administration; support in the preparation of technical studies;

coordination of project activities; collection and dissemination of information relevant to the project; reporting on project progress; and the preparation of reports.

The PCU appears to be well run, and is staffed by a motivated and enthusiastic team. Staff members interviewed have a high regard for the management of the PCU, and relationships between team members are good. It is apparent that the division of labour within the office is efficient and tasks are appropriately delegated. All staff members have an excellent command of English, and the local staff, which represent 70% of the team, are native speakers of Russian and Azeri. The Environmental Economist to the PCU is fluent in Farsi. Therefore, there is fluency within all of the languages of CEP within the PCU. All local staff members within the PCU have participated in English language training. Members of the administrative team have also received training in word processing and basic computing skills; account management; business administration; and data management. Staff members are invited to attend weekly programme meetings, and *ad hoc* meetings are held as required, which assists in good communication between all staff. The interest shown in the long-term career development and involvement of PCU staff in the programme's implementation has served to adhere the team and has clearly had a positive effect on the delivery of the programme.

Programme support to these activities goes beyond the more specific target achievements of the CEP by setting an example of positive long-term development assistance. This view of the overall efficiency and effectiveness of the PCU was very much reflected by those interviewed within the region, who commended its ability to respond rapidly to the needs of those involved in the CEP through regular dialogue and in-country visits.

Country-level coordination

Within each of the five participating countries, the main link between the CEP and the national level has been through a National Focal Point (NFP), who is supported by a Management Advisory Group Intersectoral Coordination Assistant (MAGICA). NFP and MAGICA positions have been filled by Government nominees, although most of the MAGICAs are not currently civil servants or full-time government employees, which is an issue for Programme sustainability.

An indication of the importance of the CEP to the region has been the selection of very senior ministerial staff members to the NFP position, either at Minister or Head of Department level. The MAGICAs have typically been selected by the NFPs, and this arrangement has helped to secure a good working relationship and communication between NFPs and MAGICAs, thereby ensuring that the process of coordination between the country level and the PCU is as optimal as possible. Generally, continuity in the posts has been strong, with NFPs and MAGICAs remaining in position throughout the duration of the project. The main exception has been in Kazakhstan, where a change in NFP also resulted in a change in MAGICA. The effect of this was a reduction in activities related to the CEP within the country during this period, and no doubt it reduced the effectiveness of the CEP in-country coordinating office. However, the recently appointed incumbents have stated their commitment to the continuation of the CEP and the implementation of the SAP.

In Azerbaijan, a new Environment Minister (who also assumed the role of NFP) was appointed in the last year of the project. Whilst this caused a few transitional difficulties at the beginning, the relationships are once again strong. Commitment of NFPs and MAGICAs is also evident in the other countries, with good attendance at the regular project meetings and a steady stream of communication between the PCU and the countries. Turkmenistan has not always been able to attend CEP meetings, which has often been due to visa issues, but has stressed its commitment and welcomes the move of the PCU to Iran at the end of the year where entry should no longer be an issue.

In accordance with the Project Document, the PCU has been supervised by a Steering Committee composed of representatives of the recipient countries, UNDP/GEF, EC/TACIS, UNEP, and the World Bank. At several meetings, observers were invited to attend, including members of NGOs and the oil industry. In accordance with its terms of reference, the Steering Committee has met annually and was responsible for the overall strategic policy and management direction of the CEP, decisions on which have been agreed by consensus. It was also responsible for creating mechanisms for interaction with the private sector and in assisting the CEP to find additional funding to support its outputs. The minutes from the Steering Committee meetings demonstrate that the Committee did play a strong role in the decisions relating to the implementation of the CEP, and the recommendations put forward by the Committee were, where relevant, acted upon by the PCU.

One matter specified in the Project Document as a possible source of future funding for resolving environment problems in the region, but which the Committee has not furthered, is the establishment of an Environmental Trust Fund. The purpose of such a fund would be to meet foreseen commitments towards environmental management and to reduce reliance on donor support. Generally, trust funds of this type are seen as a means for over-coming institutional and market failures during transition to a market economy. The downsides of such funds are that they can result in the inefficient allocation of resources over the longer term, and can create vested interests, which places pressure on the fund. The establishment of a trust fund for the Caspian was looked into carefully by all parties concerned, and the CEP financed a seminar in July 2000, which provided information on the types of funds that might be appropriate and the commitments required by the countries. Since the seminar, there has been little enthusiasm for such a fund and the concept has therefore been postponed.

UNDP Country Office Arrangements

The design of the CEP included the involvement of the five UNDP Country Offices to undertake minor administrative duties on behalf of UNOPS, such as the preparation of contracts and payment for local experts; and to act as a local advocate for the Programme. In addition to supporting UNOPS in administrative duties, for which they are reimbursed, it is also the understood role of UNDP Country Offices to participate in the implementation of UNDP projects, including the CEP, for which they are not reimbursed.

The arrangement has been somewhat unsatisfactory, a view largely expressed by the Country Offices but in some cases also by the PCU (and UNOPS). The Country Offices consider that the monetary reimbursement for administrative services is inadequate; that authorisation arrangements are confusing; and they also feel a degree of disenfranchisement from the Programme. The PCU on the other hand perceive a lack of enthusiasm of some Country Offices in the CEP; consider responses to requests for administrative assistance are sometimes tardy; and in certain cases there is a lack of trust.

The relationships between the PCU and UNDP Country Offices in Azerbaijan, Russian Federation and Islamic Republic of Iran are strong. The PCU has probably had most contact with the Country Office in Azerbaijan, due to the greater need for administrative assistance from this office owing to the presence of the PCU in Baku.

Payment for the services of UNDP Country Offices is a standard percentage set by UNOPS. The issue of inadequate payment is one that relates to the UNOPS project structure, rather than the CEP, and can therefore only be addressed by those who set financial policy within the organisation. However, the matter of disenfranchisement could perhaps have been resolved by more communication and commitment from both sides, and more effort on presenting a united front to the outside world.

What was surprising was the lack of dialogue between the UNDP Country Offices and PCU on the project activities that UNDP Country Offices are directly involved in. In Turkmenistan, for example, the UNDP Country Office is supporting the development of a National Environmental Action Plan (NEAP); however, there appears to be no formal communication or coordination between the Country Office and PCU on areas of mutual interest. This lack of communication is undermining UNDP's involvement in these countries.

Relationship with UNOPS

As the Executing Agency for UNDP/GEF support to the CEP, UNOPS has been responsible for the overall administration of the UNDP/GEF Project, and undertakes day-to-day operational and administrative duties. UNOPS works in close collaboration with the UNDP/GEF Technical Adviser for International Waters, who guides the Programme from a technical standpoint. The relationship between UNOPS, the UNDP/GEF Technical Adviser, and the PCU has been cohesive and mutually supportive. All sides have commented on the other's ability to respond rapidly and appropriately to requests, and the PCU has valued both the administrative and technical support offered by UNOPS and UNDP/GEF. This positive relationship is demonstrated by the frequent correspondence between UNOPS, UNDP/GEF and PCU, and a close dialogue on all activities underway within the Programme.

One area where UNOPS could have assisted the PCU more, but is a function of the UNOPS budgeting system rather than the individuals involved, is the timeliness of sharing information on budget expenditure. The current arrangement is apparently not conducive to the close management of accounts by the PCU. The PCU would value more information on project expenses - whilst it maintains a record of its own expenses incurred, it is not always aware of the expenses incurred on its behalf and on funds that are still available. More agreement on financial information sharing between UNOPS and PCU might assist in the future.

Cooperation with other partners and projects in the region

Due to the current perceived and predicted environmental issues relating to the Caspian Sea, there are an increasing number of projects concerned with environmental management and sustainable development within the region, some of which are national and others that intend to have regional impacts. Where avenues are open for its involvement, the PCU has been keen to ensure dialogue and to assist in developing coherence in activities, to avoid duplication of effort and also to maximise the use of funds to achieve similar aims.

One such programme is the CASCOP, with which the PCU has signed a memorandum of understanding. This is a regional programme under development aimed at collecting and exchanging information on hydrometeorology and pollution within the Caspian region. CASCOP is supported by the hydrometeorological services of all Caspian States, together with World Meteorological Organisation (WMO), UNEP, and UNESCO. CEP has also developed links with the USAID Kura River Project, and has strong ties with the World Bank Ecotox project, amongst others.

Private sector participation

The CEP has been very effective at leveraging funds from the private sector in support of its activities. During Phase I, the private sector provided between \$5-6 million to CEP over 2.5 years, largely contributed by oil companies operating within the region, particularly British Petroleum, Shell and Agip. These contributions have supported activities such as biodiversity sensitivity mapping, environmental impact assessments (EIA), the At-Sea-Training-Programme expeditions, oil spill response planning, and elements of the TDA. The private sector has also actively participated in Steering Committee Meetings, and is viewed by CEP as an important and constructive stakeholder in the development of sustainable approaches to environmental management in the Caspian Sea region.

Public participation

Initially, public participation within CEP was to be co-ordinated by one International Public Participation Adviser (IPPA). Recognising that this was inadequate support to effectively engage the public on matters relating to the sustainable development of the Caspian, the PCU split this role into five full-time positions (i.e. one local PPA per country) and one part-time IPPA (based in Geneva). The IPPA assisted with the development of a work programme for the PPAs and provided support to their activities as required. The arrangement has worked well, and the work programme delivered by the IPPA has been informative and well structured. The arrangement of PPAs has been marred by the difficulty that Kazakhstan and Russia have had in recruiting a suitable PPA; and a very recent changeover in the PPA in Turkmenistan. Activities in Iran have not been as prolific as anticipated due to a long illness of the PPA.

Public participation has largely been achieved through small grant projects (each of less than \$3000) awarded to schemes put forward by small NGOs and community-based organisations. The award of grants were decided through consensus between the PPAs, PCU, and NGOs, and the projects focused on activities such as environmental education and awareness raising, developing tools such as booklets for children on the aquatic life of the Caspian Sea. These have been popular outputs. Other achievements of the CEP public participation efforts include the work carried out in Iran, which has attempted with some success to unite three coastal provinces in closer collaboration on community-oriented activities.

The Initiation for Social Action in Euro-Asia (ISAR), a regional NGO coordinating body, has been invited to participate at the Steering Committee Meetings, and presented a paper at one. Its role has been to facilitate the participation of NGOs and the public in the CEP. This organisation, and others, considers that CEP could do more to engage the public and suggests that the next phase allocates more funds to support NGO activities, emphasising public awareness and environmental education. The CEP has, to date, been fairly top-down as far as the involvement of the public and NGOs is concerned, but perhaps this has been the necessary first step considering the stage of development of the region, where the priority has been to develop coherent dialogue at a high level.

2.2.2 Budget and timeliness of disbursement

The UNDP/GEF component of the CEP began in July 1999, and was intended to have a 3-year duration. Due to delays in the start of the programme, largely owing to uncertainties in GEF financing, this component, which was intended to start at the same time as the EC/TACIS interventions, was delayed by some six months. Within its agreed budget, UNDP/GEF has extended the end of the project similarly, and the project is scheduled to finish at the end of September 2002. The total budget of the project amounts to approximately \$5.1 million, which has been delivered in accordance with the amount set out in the Project Document, and will not be exceeded.

From an examination of a breakdown of budget expenditure into the broad areas of its distribution, the budget appears to have been appropriately apportioned (Figure 1). Given that this Phase was largely concentrated on developing dialogue, improving communication and collaboration regionally and internationally, and preparing documents, a significant amount of resources went on consultants and sub-contracts (40%), workshops and training activities (15%), and inter-agency agreements (7%). Just over one-fifth of the budget was allocated to the administrative and managerial support of the CEP in terms of the PCU and the national staff in each CEP national co-ordination unit. The remaining resources were spent on the necessary travel costs, and equipment and supplies to support CEP activities in each country.

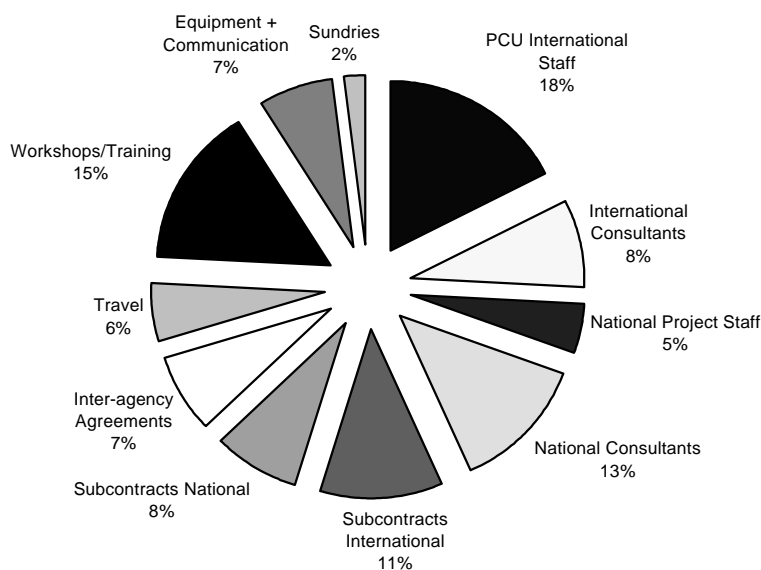


Figure 1. Breakdown of CEP budget according to key areas of spend between 1999-2002 (source: UNOPS, 2002)

In the early stages of the CEP, there was criticism from the countries regarding the high dependence on international consultants, and not enough use made of national and regional consultants. CEP acknowledged this criticism and redressed the balance accordingly (Figure 2). Other than the full-time international staff working on the project (namely the Programme Coordinator; Economic Adviser; and Scientific Liaison and Information Management Officer), which accounted for 18% of the budget between 1999-2002, the use of international consultants on short-term to medium-term contracts only amounted to 8% of the budget, whereas national staff and consultants comprised 18% of the budget (Figure 1). Recognising that national consultant and staff fee rates are lower than for international consultants, this represents a significant involvement of national and regional expertise in the CEP, as is demonstrated in Figure 2. A consultants' database has been placed on the CEP website.

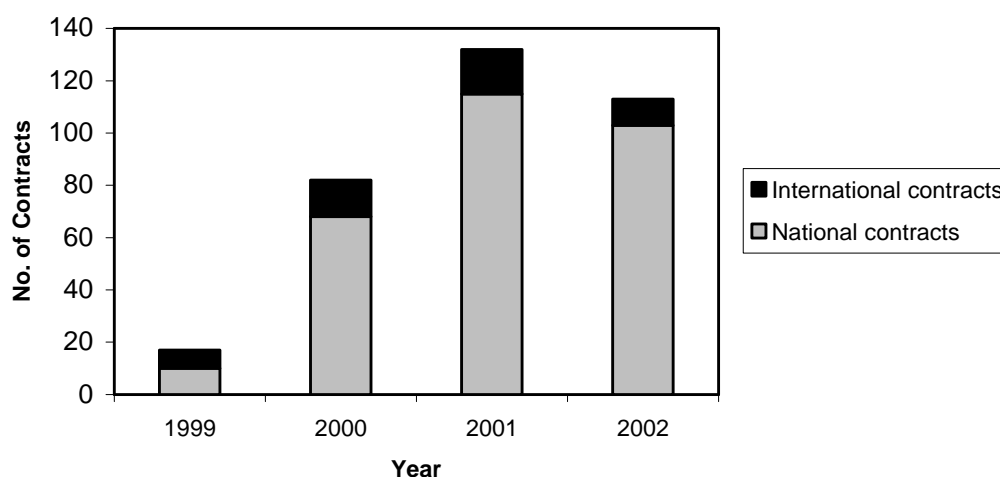


Figure 2. Number of contracts awarded to national and international consultants and sub-contracts between 1999-2002 (source: UNOPS, 2002)

The number of contracts allocated to national consultants and sub-contractors varied somewhat between countries. Due to the presence of the PCU in Azerbaijan, more contracts were awarded in this country, particularly in 2002 when the requirement for support such as report translations was at its highest. Azerbaijan also hosted the greatest numbers of workshops and meetings (see Appendix 3), for which support was required. Few contracts were awarded in 1999 to any country, due to the limited activities that took place during that year owing to project delays. The number of national contracts awarded in Kazakhstan, Russia and Turkmenistan were approximately the same over the duration of the project, but a little higher in Iran due to the greater number of Caspian Thematic Research Centres and also the need for translations of documents into Farsi (Figure 3).

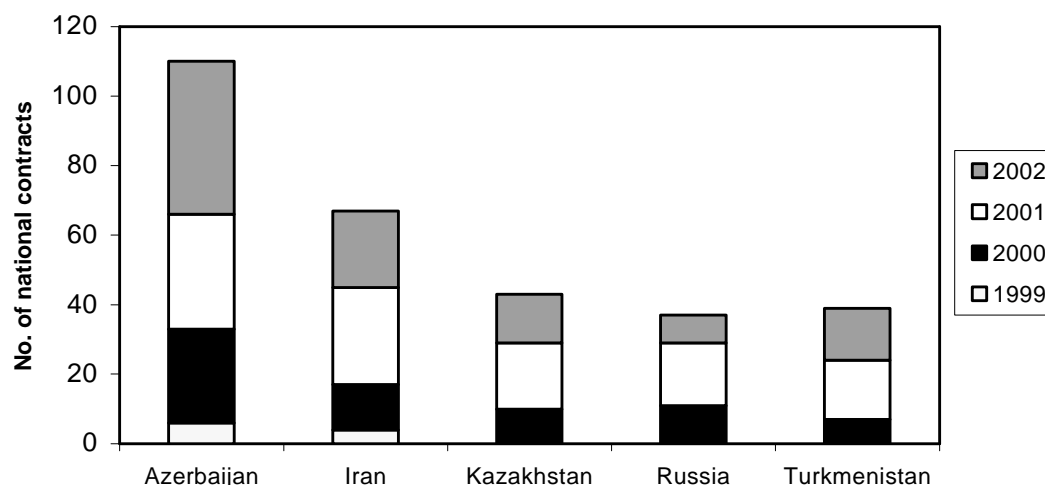


Figure 3. Number of national contracts (consultants and sub-contractors) awarded per country between 1999-2002 (source: UNOPS, 2002)

Of the key outputs of the CEP, the TDA, NCAP and Framework Convention have been largely achieved by the involvement of national experts in both decision-making and report preparation, facilitated by international consultants and the PCU. The NCAPs were wholly prepared by national experts, and approved by national committees, with guidance from PCU as required. At the time of this evaluation, there was criticism, however, both from the donor organisations and the countries themselves, that the SAP was more donor-led rather than country-owned, having been largely prepared by international consultants with consultation on its content. Countries would like to see more national involvement in the direct preparation of this document. Whilst this would require more time and effort, it would improve the perception of ownership. The issue of ownership appears to have improved since the SAP meeting that took place in August 2002, at which all CEP partners participated.

2.2.3 Overview of activities

The Caspian Regional Thematic Centres

One of the key aims of this phase of the CEP has been to both collate and generate information relating to the Caspian Sea environment, which has resulted in the Transboundary Diagnostic Analysis (TDA) and has informed the NCAPs and SAP. In an effort to engender project activities at a country level, 11 Caspian Regional Thematic Centres (CRTC) were established throughout the region; four by EC/TACIS, six by UNDP/GEF, and one by UNEP. This evaluation is only focused on the UNDP/GEF component of the CEP, but acknowledges other centres where relevant.

Each CRTC was assigned a particular subject area (listed below) within which it was tasked to collate data from around the region, and in some cases undertake limited research.

*EC/TACIS CRTC*s

- Bioresources, Russian Federation;
- Pollution Control, Azerbaijan;
- Combating Desertification, Turkmenistan;
- Water Level Fluctuation, Kazakhstan.

*UNDP/GEF CRTC*s

- Data and Information Management, Azerbaijan (within the PCU);
- Integrated Coastal Area Management Planning (IT-CAMP), Islamic Republic of Iran;
- Effective Regional Assessment of Contaminant Levels (ERACL), Islamic Republic of Iran;
- Emergency (oil spill) Response, Islamic Republic of Iran;
- Biodiversity, Kazakhstan;
- Human Sustainable Development & Health (HSD&H), Turkmenistan.

UNEP CRTC

- Legal and regulatory instruments, Russian Federation.

The institutional approach adopted in the establishment of the CRTC's differed slightly between EC/TACIS and UNDP/GEF, and may offer lessons in the future development of such centres. In most cases, the CRTC's were established within institutions that had prior expertise in the given area, so for example, the CRTC for Water Level Fluctuation was established within the premises of Kazakhstan Hydrometeorology and the CRTC for Emergency Response (oil spills) was established within the Iranian Port & Shipping Organisation.

This approach made much sense in that it enabled CEP to establish links with known centres of expertise within the region, strengthening not only the CEP network and influence, but also improving access to knowledge and information. However, in some instances, the CRTC's were not housed in appropriate institutions, for example the CRTC for Biodiversity was situated in the UN Volunteers Office and then moved to the University of Oil and Gas in Atyrau. Whilst this Centre collated useful information on biodiversity, its contribution to capacity building within the region was limited. A number of CRTC's were situated in the State capitals and many were thus removed from the actual environment on which they were focused. This may be appropriate if the CRTC's are to contribute to institutional capacity building, but for the purposes of undertaking research the States may wish to reconsider whether to relocate any future CRTC-type institution to the Caspian region in a subsequent phase of the CEP.

CRTC's received support from both national and international specialists in various subject areas; EC/TACIS centres had international directors, whilst UNDP/GEF centres relied on local and regional expertise. The latter approach was politically important, and the centres received additional support through links established with various relevant international organisations, e.g. International Maritime Organisation (CRTC Emergency Response), International Oceanographic Institute (CRTC IT-CAMP), Flora & Fauna International (CRTC Biodiversity), World Health Organisation (CRTC Human Sustainable Development & Health), and the International Atomic Energy Administration (CRTC ERACL). Both approaches undoubtedly built capacity, but the UNDP/GEF approach probably achieved more in terms of strengthening international links between the countries and the rest of the world, which the countries consider very important.

A criticism of support to the CRTC's was the high turnover of consultants. Centres considered to have suffered from this are the Pollution Control; ERACL; and Biodiversity. Lack of continuity frustrated the countries and meant that much old ground had to be covered when meeting with NFPs and MAGICAs.

Did the CRTCs achieve what they set out to?

The Project Document envisaged that the CRTCs would:

- a) develop a work plan and implement activities in their given area;
- b) regionally coordinate in their given area;
- c) assist in the TDA preparation; and
- d) assist in the development and implementation of NCAPs and SAP.

From discussions with relevant individuals from all of the UNDP/GEF CRTCs, except Biodiversity, and also staff from the Combating Desertification and Water Level Fluctuations CRTCs of EC/TACIS, it can be concluded that they certainly achieved a) and c) in that they largely achieved their workplans and the work produced informed the development of the TDA.

With respect to the UNDP/GEF CRTCs, a number of tasks defined in the workplans of several CRTCs were not completed. IT-CAMP, whilst achieving considerable dialogue on the need for integrated coastal management (ICM) within the region, did not implement its envisaged pilot projects under this phase although outline plans were developed. It should be noted, however, that establishment of such pilot projects in a region that is new to the concept of ICM was an ambitious aim within two years (the CRTC was late in starting). It is hoped, and intended, that these projects will be developed under the implementation of the SAP. The timing of this will in fact be more appropriate in a phase that is concerned with action rather than planning.

All CRTCs worked towards regional coordination (task b) to some extent, which was largely achieved through regional workshops, training courses, and meetings, of which 74 related to CTRC activities and the preparation of the TDA, NCAPs and SAP. UNDP funded 60% of these, whilst the remainder were supported by TACIS. Workshop, training courses and meetings took place in roughly equal numbers in each country, apart from in Azerbaijan which hosted a greater number due to the presence of the PCU in Baku. A list of the meetings, workshops and training courses that took place throughout CEP Phase I is provided in Appendix 3.

From those interviewed during the evaluation, many had high regard for the cooperation efforts of CRTC Biodiversity and CRTC IT-CAMP in particular. Many of the CRTCs contributed to strategy development, such as the workshop on the development of a Caspian Sea Regional Plan on Cooperation in the case of Major Oil Spill, held in April 2002.

In terms of specific regional collaboration on data collection, some of the most noteworthy activities have been the three At-Sea-Training-Programme scientific expeditions organised by ERACL, which investigated contaminant levels within sediments in various parts of the Caspian Sea. The expeditions had multi-national teams with representatives from all five countries, who sampled at 150 locations around the Caspian. The expeditions also served to demonstrate good collaboration between private, public and multilateral partners on the co-funding of environment projects, with significant funding being derived from British Petroleum. The results, which provided previously undocumented data from some parts of the Caspian, were shared with all countries. Whilst this was a useful exercise in providing a snapshot in time of the condition of the sediments, continued monitoring is required if long-term meaningful data are to be generated.

Each of the UNDP/GEF CRTCs has an informative page on the CEP website, in which its activities and findings are set out. This has probably been one of the most effective forms of communicating the activities within the region and beyond.

The CRTCs also contributed to task d), but not as fully as might have been hoped due to timing; the NCAPs and SAP are still under preparation, whereas the CRTCs ceased to operate since CEP stopped financially supporting them some months ago. However, the Directors of the CRTCs were involved in the development of the Environmental Quality Objectives and in defining targets and interventions as part of the TDA process. They also attended the first SAP meeting.

In some instances there is the perception that CRTCs have duplicated the efforts of other institutions within the region. This point was noted by the Russian Hydrometeorological Service, whose mandate includes investigating water level fluctuations within the Caspian, amongst others. The perception of duplication could perhaps be avoided in the future through regular consultation and the participation of as many relevant institutions in the implementation of the NCAPs and SAP as possible, and through a review of workplans and activities of the CRTCs against other regional centres of expertise.

It was also considered that some of the CRTCs themselves duplicated effort, particularly the EC/TACIS Bioresources CRTC and the UNDP/GEF Biodiversity CRTC. This is possibly a result of poor donor coordination. The Steering Committee made a recommendation that it would resolve this area of overlap. Whether this was achieved is unknown to the evaluator.

The Future for CRTCs

At the October 2001 Steering Committee Meeting, the Committee noted its disappointment that the CEP would cease funding the CRTCs. Now, however, amongst the Steering Committee and others engaged in the CEP, there is considerably less enthusiasm for their continuation as currently structured. The general view held is that the CRTCs were too numerous, too small and too dispersed to make any significant contribution to environmental management within the region. There has, however, been considerable disappointment from those engaged in the CRTCs that the Centres were not to continue, and perhaps the exit strategy did not appear to have been well-communicated to the countries or employees of the CRTCs at the outset.

The CRTCs as designed and established were not sustainable, in that the recipient governments are not willing to continue their support in the current form. On a negative side it can be argued that the design concept of the CRTCs was not appropriate (and if one examines similar approaches that have been adopted elsewhere, for example the Mediterranean Action Programme, one could also argue that the lessons had already been learned), however, they have served a purpose in terms of developing the TDA and contributing towards the NCAPs and SAP, and brought the countries into technical dialogue on issues relating to the sustainable use of the Caspian Sea.

At the recent CEP meeting in Tehran (15-17 July 2002), at which the final deliberations on the structure of the Framework Convention took place, one day was devoted to discussing the future institutional arrangements of the CEP. During these discussions, all participants voted for a restructuring of the CRTCs, favouring one multi-disciplinary centre per country, with responsibility for one of the five core SAP areas, rather than a larger number of more dispersed centres as was the case during this phase. The proposed institutional arrangements for the next phase of the CEP are contained in the revised interim document and will be discussed at the Steering Committee Meeting to be held 2-3 Oct 2002.

2.2.4 Key visible outputs

This section provides a brief evaluation of five of the key visible outputs of the project, namely the transboundary diagnostic analysis (TDA); the National Caspian Action Plans (NCAPs); the Strategic Action Programme (SAP); the Caspian Framework Convention; and the CEP Website.

The Transboundary Diagnostic Analysis

The TDA provides the technical basis for the development of the NCAPs and SAP, and is set out into three volumes:

- 1) An executive summary; a list of Environmental Quality Objectives (EQOs); and the provisional SAP outline;
- 2) An overview of the Caspian environmental status, and major perceived problems and issues; and
- 3) Supplementary materials and a causal chain analysis.

The TDA was achieved through strong regional input and in a very participatory manner, utilising experts from around the region and internationally, with main dialogue achieved through four regional meetings held between July 2000 and November 2001. The CRTCs were responsible for generating (through data collection and some limited research) the considerable amount of information within the TDA, and the long time-scale given to its preparation has been commended.

During the evaluation, a number of criticisms were made of the TDA as it stood at that time, namely that its geographical coverage was not extensive enough. However, the geographical extent of the TDA was defined by all countries in the CEP Charter as covering 100km of the coastal strip and the Sea. This narrow definition was instituted due to sensitivities over the legal status of the Caspian Sea and ownership of resources. Other criticisms noted were that data were often out-dated, incomplete, or generally weak, and that the TDA lacked an overall synthesis, having been prepared by many hands with different styles. Particular weaknesses included a lack of data on biodiversity, water quality and on non-point sources of pollutants. Recognising the weakness in data, the At-Sea-Training Programme was undertaken to collect information on sediment quality, and the countries and the PCU considered the information generated useful.

Criticisms were made on the quality of regional consultants employed to assist in the preparation of the TDA, some of whom made disappointing contributions. As is often the case, the translation of the TDA into Russian and English lost some meaning and some of the text was repetitious and factually incorrect. Overall, whilst the process for preparing the TDA was right, perhaps one of the main reasons why the TDA was not as robust as it might have been is that the regional capacities and institutions responsible for delivering the data to support the TDA were not as strong as had been inferred during the CEP's design. Since the evaluation mission took place, the TDA has been favourably revised in light of these criticisms. It is now available for downloading from the CEP website in both Russian and English.

Despite its initial weaknesses, the TDA exists, even though a number of barriers were initially perceived to counter its development, namely: 1) the lack of a convention and political will; 2) inadequate regional communication and cooperation; 3) the lack of accountability and transparency; and 4) the lack of a fully developed civil society. CEP has overcome these difficulties to develop the TDA, and has in some cases removed the barriers: there is now a Convention; there is more political will than before; regional communication and cooperation is adequate; and it has improved transparency by enabling data to be shared more freely and willingly.

The NCAPs

All countries have developed an NCAP (Kazakhstan has two due to internal differences in opinion over its format), prepared by national experts and overseen by a national environment committee. Each country (except Russia) recently delivered the first drafts of the NCAPs to national fora for close scrutiny by other ministries, NGOs, and members of the public. There are a number of positive elements that should be noted on the NCAPs:

- Firstly, each country prepared an NCAP within the time allotted, and each generally follows the terms of reference set by the PCU to guide their development;
- Secondly, each NCAP reflects the issues highlighted in the TDA, and the interventions suggested to combat environmental management issues are oriented towards achieving some of the EQOs. The issues highlighted are comparable between the NCAPs; therefore each country recognises the same national and transboundary issues facing the sustainable management of the Caspian Sea;
- Thirdly, each of the NCAPs has been used to identify Priority Investment Projects (to be funded by the World Bank), therefore ensuring no radical diversion from stated aims and follow-up action; and
- Finally, there is a realisation of the obstacles facing the achievement of sustainable development, but this is often blamed on regional cooperation difficulties and less so on national responsibilities.

The first drafts of the NCAPs varied quite considerably in quality, from a comprehensive assessment of issues and interventions designed to combat these issues, to a simple listing of priority areas. All of them need more work to turn them into workable plans. Areas that would benefit from more effort are:

- 1) Better definition of the scope of interventions;
- 2) Prioritisation of interventions (which are most pressing; for which can resources be more readily mobilised etc.);
- 3) Identification of institutional responsibilities to achieve interventions, and where inter-sectoral coordination is required;
- 4) Time-scales for interventions – break-down interventions into short-, medium-, and long-term activities;
- 5) Assessment of resources (financial and human) required to undertake interventions, and detail on the source of funding; and
- 6) Indicators to monitor effectiveness and impact of interventions.

The second drafts of the NCAPs are now underway, and once complete will enter into specific country approval procedures.

The timing for the preparation and delivery of the NCAPs has been criticised by many, who consider that the NCAPs would have been stronger and more coherent had they followed on from the SAP, rather than being developed largely on the strength of the TDA (which was considered vague at the time) and in advance of the SAP. Perhaps what might have further assisted the countries in the preparation of their NCAPs would have been an exemplary model of an NCAP, from a country (countries) facing similar issues.

Strategic Action Programme

Having set out the issues relating to the sustainable use of the Caspian Sea in the TDA, together with EQOs, the SAP provides continuity to the process by presenting a road map for future policy,

legislation, regulatory and investment interventions relating to the management of the environment. It is a synthesis of the priority transboundary issues identified in the NCAPs and includes both baseline and incremental interventions. The SAP is a shared plan between all CEP partners and it is therefore essential that it has regional consensus, and focuses on actions and interventions that address realistic political, economic and social constraints.

At the time of the evaluation, the SAP was in the early stages of its development, and therefore it is not possible to provide an accurate evaluation of this document. Generally, it appears to have been developed in a participatory manner; however, at least in its initial stages it was perceived to be donor led. Since the SAP meeting held in August 2002, in which all countries, UNDP, and UNEP participated, the regional ownership of the SAP has improved.

Criticisms of the early drafts of the SAP related to the need for more coherent and concrete actions to match the EQOs. The EQOs themselves were considered too broad. As with the NCAPs, there is a need to prioritise interventions, and be realistic on the costs required to implement the interventions. The Biodiversity SAP (BSAP), which forms a component of the SAP is making considerable progress, and generating much interest. It has overgrown its remit somewhat at present, being almost as large as the SAP itself, but will be dovetailed into the SAP in due course.

The interventions outlined in the SAP will be funded by all CEP partners, attracting private sector support to achieve their aims. GEF and TACIS intend to fund some activities of the SAP, to an estimated combined amount of some \$10m, whilst the lion's share of SAP activities is to be funded by the countries themselves. Whilst at the time of the evaluation mission some countries appeared to be unaware that this was always the intention, the SAP meeting between CEP partners in August 2002 ensured that clarification on financing responsibilities was provided.

The Framework Convention

Dialogue over the establishment of a Framework Convention for the Protection of the Marine Environment of the Caspian Sea started in 1995. Whilst the facilitation of the development and endorsement of the Convention falls within the remit of UNEP, the PCU has been instrumental in guiding the process through its active participation at all meetings. PCU and UNEP have enjoyed a close and stimulating working relationship on this matter, which has no doubt assisted its fruitful development.

The Convention will serve as an overarching legal framework governing cooperation on Caspian environmental and sustainable bioresources management, while binding agreements on specific problems would be governed by implementing protocols. Seven meetings have been held over the past two years to determine the content and wording of the Convention, the last being that held in Tehran on 15-17 July 2002. At this meeting, consensus was reached on its structure and content. It is anticipated that it will be signed at the end of the year, along with the SAP and BSAP. Full ratification and implementation of the Convention is dependent upon the resolution of the legal status of the Caspian Sea.

CEP Website

One of the greatest achievements of the CEP has been the wide dissemination of materials relating to environmental management and sustainable development through its website. The TDA, NCAPs and eventually the SAP and Framework Convention will all be available on the website, together with links to regional and international centres of expertise and experts. This transparency of information sharing is very new to the region. Most, if not all, of those involved in the project have access to the Internet, and therefore the CEP website, and whilst telecommunication systems in some parts of the region are somewhat slow at present, information can be obtained. The website itself is imaginative and informative, and contains a wealth of information. It is imperative that support for this website

continues, so that new data emerging from the continuing studies underway in the region can be incorporated into the site.

The planned and achieved activities and outputs that took place during CEP Phase I are summarised in Appendix 4.

2.2.5 Reporting

The evaluation has examined the reports provided by UNOPS, namely the Project Document; Project Implementation Review; Tripartite Review; and also those provided by the PCU, particularly the Steering Committee Meeting reports and Project Progress Reports (which were bimonthly until December 2001 and are now quarterly).

Reporting arrangements appear to have been adequate throughout the duration of the project, particularly as they were reinforced by regular communication between the PCU, UNOPS, and UNDP/GEF. The Steering Committee Meeting reports and progress reports provided the most comprehensive information on the progress of the project, and reveal a highly productive and dynamic team. It is recommended that the progress reports include a table detailing achievements against actions outlined in the previous progress report. A terminal report is currently being prepared by the Programme Coordinator.

2.3 Overview of project impact

An assessment of project impact should go beyond the measurement of activities and outputs to examine whether the process and products arising from the Programme have in some way altered the existing institutional, and ultimately human and natural, environment in the manner that was expected. In the assessment of impact, the predicted end of project situation (set out in the Project Document) has been examined, to assess whether this has been realised. From the end-of-project success indicators outlined in the Project Document, the following conclusions can be drawn, based on the discussions that have been presented in the preceding sections:

Predicted End of Project Situation

1. Strong regional institutional framework to enhance stakeholder communication, cooperation and coordination to address transboundary environmental impacts.

Impact: This has been one of the key achievements of the CEP, bringing together five nations that were formerly estranged into dialogue on common transboundary issues. The establishment of CTRCs helped to cement regional communication and cooperation. Whilst weak in many ways, there is a realisation that CTRCs served the purpose of informing the development of the TDA and making those within the region aware of where technical strengths lay.

2. Regional SAP and NCAPs with countries and donor commitments and incremental interventions identified.

Impact: The SAP and NCAPs exist. Interventions have been identified. Countries have yet to finalise their intended and projected commitments, and more tangible resources need to be identified from other sources. The documents are still in their early draft phases, but will be updated. The timing for their delivery has taken longer than expected, but this was due to initial delays in the programme financing, and the fact that effective consultation and stakeholder participation takes time.

3. Increased public awareness and support for regional environmental issues. Enhanced overall effectiveness of environmental awareness programmes through the organisation of concerted region-wide activities, and exchange of lessons through an active regional network of NGOs and community groups.

Impact: This has probably been one of the weakest areas of CEP, and is due to a) inadequate financial and human resources to achieve these goals; b) inadequate time to undertake these activities; and c) PPA change over and inability to recruit appropriate individuals in some countries. The framework to enable effective public awareness does, however, exist through a well thought out work plan and the inclusion of NGOs on the Steering Committee. More efforts will be needed here in the next Phase when implementation activities begin.

4. Caspian Framework Convention ratified. Existing national and international laws and conventions surveyed.

Impact: This has been one of the substantial achievements of the CEP, where impact has been greatly felt, and will be heightened in the future should it be signed in December 2002, as anticipated. The review of international laws and conventions has also been thorough, but has yet to be adequately disseminated.

5. Regional Caspian Information System including data on institutional capacities, scientists, environmental projects, environmental data sets in the region and GIS, accessible via Internet to the world community. High quality, reliable data on Caspian environmental issues. Improved regional capacity for data collection, integration, analysis, and use in decision-making.

Impact: This is also another area where the CEP has achieved success. The website, developed and maintained by the PCU, is informative and stimulating. It contains information on experts and institutions within the region, the activities and outputs of the CRTC's, and already some of the key outputs of the CEP (TDA). It is widely used by people engaged in CEP within the region, who state they use it regularly. How much the website is referred to by members of the public, NGOs and others is unknown, and will also depend upon their ability to access the Internet. To ensure its wider impact on the population as a source of information will require a public relations exercise, which might be carried out in the next phase.

6. Network of monitoring centres throughout the region. Reduction of existing and prevention of new types of contamination.

Impact: Not achieved. The CRTC's were not set up to monitor environmental parameters in the long-term. This expectation is beyond the reach of this Phase, but may be considered relevant in Phase II.

7. Conservation of habitats and species of global significance. Regional network of protected areas as a part of a global one.

Impact: This was one of the ambitious targets that could not be achieved by this Phase, nor was it designed to achieve this. It is, however, a worthwhile goal for Phase II and the overall concept of CEP.

8. Sustainable use of transboundary fish stocks building on sound stock assessment, region-wide monitoring, and management plans. Conservation of threatened and endangered species emphasising public awareness and participation.

Impact: This is not a realistic target, considering the actual scope of work for Phase I and has not been achieved.

9. Adoption of common regional approaches to reduced environmental degradation and loss of coastal habitats for migratory species and global biodiversity, by catalysing the development

and implementation of national IT-CAMPs through regional training, exchange of lessons learned and sustainable financing.

Impact: The concept of integrated coastal management (ICM) has been introduced in this Phase, not with total success. Lessons from elsewhere show that ICM requires considerable time and effort to instil in national planning and development systems; considerably more time than has been allocated for this phase. Nevertheless, CRTC IT-CAMP has developed two ICM plans, and the CEP should seek to implement these as pilot demonstration studies in Phase II under the SAP.

10. Regional environmental health action plan as part of the CEP SAP.

Impact: This has not been achieved. It was a very ambitious target considering the scope of environmental health issues within the region, and data were insufficient. The CRTC on Sustainable Human Development & Health therefore concentrated on a much narrower area of focus. How environmental health will be addressed in Phase II will need to be carefully defined in the SAP.

11. Major reductions in risks of regional environmental degradation. Caspian regional oil spill contingency planning, strong regional network for oil spill response.

Impact: The CEP has gone some way towards achieving this; largely through the support of the private sector in the development of a regional oil spill contingency plan. This has only very recently emerged and the evaluation is unclear what the regional perception of this plan is. The CEP has not been able to reduce the risks of environmental degradation, but has assisted in alerting those responsible for environmental management of the issues that exist (through the TDA), and the means for combating these risks are to some extent identified in the NCAPs and SAP.

Despite not achieving some of the above, i.e. those that were in the first instance too ambitious, the CEP has far exceeded initial expectations, given the political and economic difficulties facing the region at the time of its inception. In comparison with evaluations of similar programmes elsewhere, the CEP has been a successful and worthwhile programme, which is well managed and widely respected within the region. It has been carried out in a competent and enthusiastic manner by all those involved, and has received high endorsement from the participating countries.

To the credit of the collaborating States, CEP has become the leading forum of environmental cooperation within the region, and most importantly, it is the first, and at present sole, programme that enables intra-regional dialogue. One of the major impacts of the programme has been its influence in bringing all countries together in dialogue over the difficult issues facing the sustainable management of the Caspian Sea. The enthusiasm and support of the various stakeholders, especially the Governments, have demonstrated strong political will to foster a regional approach to resolving these issues, and the Framework Convention should set the right foundation for capturing this political will.

The general impression is that CEP has created the right infrastructure required to enable active environmental management to take place. It is also succeeding in overcoming barriers to information exchange. All of those interviewed during the evaluation stressed the importance of the CEP in bringing the nations together in dialogue on common concerns, and to enable more constructive communication on contentious issues such as hydrocarbon allocation. Despite the difficulties that CEP has had in trying to bring countries together, all agree that it is important that the Programme continue, for whilst it might not be able to solve the political problems it can assist in resolving the environmental problems.

The CEP has also raised the profile of environment in terms of government agendas. Whilst once and still relatively weak, ministries of environment within the region are now able to lobby their cause with greater effect, resulting in a larger allocation of funds. Ministries of Environment will need to work more closely with those line ministries responsible for the governance of natural resources, if environmental management and sustainable development policies are to be effectively implemented. Improving inter-sectoral coordination and collaboration will need to be core areas for Phase II.

One of the key pressures on the CEP will be to maintain the momentum on achieving sustainable environmental development in the face of socio-economic difficulties in each country and the growing tensions over the allocation of the vast oil resources. This first phase of the CEP has had great impact at the institutional level, but momentum will now need to be greater than ever to ensure that institutional commitment is translated into effective action, which is the challenge for Phase II.

3. SUGGESTIONS FOR UNDP/GEF AND THE FUTURE OF THE CEP

Based on the discussion of activities and lessons learned in the preceding sections of this report, this section provides a synthesis of the suggestions (recommendations) for the future development of the CEP. The section has been sub-divided into suggestions for the more generic internal project-cycle management of UNDP/GEF, and more specifically to the CEP Partners.

SUGGESTIONS FOR UNDP/GEF PROJECT CYCLE MANAGEMENT		
1.	Donor co-ordination	<ul style="list-style-type: none"> ➤ Ensure a robust framework for donor co-ordination and collaboration, with a clear distinction of activities and areas of responsibility; ➤ Try to avoid dependency of individual donor interventions upon another, as this can lead to delays and the realisation of 'killer assumptions' if there are problems in project start-up and implementation; ➤ Develop a single donor protocol for the administration of local counterparts to avoid confusion, ill feeling, and inequity; ➤ Ensure clarity between the roles of different donor staff to avoid struggles over management control; ➤ Institute joint objective and verifiable indicators to enable the measurement of success for the whole programme; ➤ Institute joint monitoring and evaluation mechanisms, not just responsibility for measuring impact of individual components.
2.	Project objectives	<ul style="list-style-type: none"> ➤ These should relate to the actual interventions planned under the project. The design should also link together the individual objectives of the project into a common purpose. As it is anticipated that the CEP will continue, a clear over-arching goal for all phases should be established.
3.	Success indicators	<ul style="list-style-type: none"> ➤ These should be designed to measure impact as well as output. Indicators are needed at the project implementation level (i.e. per phase), but also on a goal level (combination of phases).

4.	Design flexibility	➤ Continue to support a process approach in project development, to enable changes to the design by the project management team, in agreement with the project's Steering Committee.
5.	Reporting	➤ Ensure that recommendations or actions arising through Steering Committee Meetings, progress reports or other internal reporting mechanisms are acted upon, and the degree of success in achieving these is recorded in subsequent progress reports.
6.	Phasing	➤ This evaluation recommends the continuation of the CEP through Phase II. It will be important to ensure a seamless transition between Phase I and II. As all CEP partners are aware, this will be critical in terms of maintaining the momentum of the CEP.
7.	UNDP Country Offices	➤ Regular meetings / workshops between the PCU and Country Offices might be beneficial for a) improving the efficiency and effectiveness of the relationship; and b) engendering more ownership of the project by the Country Offices. Perhaps the more routine could be met through an imprest account managed by the PCU for local purchases.

SUGGESTIONS TO CEP PARTNERS		
8.	Support for the CEP	<ul style="list-style-type: none"> ➤ Continue support and commitment for the CEP, maintaining the active involvement of senior government officials. To ensure that the next phase generates the political impetus required, it is recommended that all States assist in enabling their preferred candidates to participate in all the meetings, particularly Steering Committee Meetings; ➤ It is recommended that the CEP States continue to support MAGICAs and NFPs to ensure co-ordination and dialogue is maintained. Retention of the same individuals in these positions is to be encouraged; ➤ Commit sufficient funds (national- and donor-derived) to ensure Phase II has the critical mass of financial support to enable significant interventions aimed at the sustainable use of the Caspian Sea; ➤ Identify alternative sources of funding to support any shortfalls, such as commercial investments, loans/grants from international financing institutions or bilateral development agencies. The Caspian States may require facilitation in the development of proposals seeking outside funding and introductions to potential collaborative partners.
9.	Ownership	➤ A greater degree of ownership of the CEP and SAP activities by the Caspian States is recommended. These partners should seek to become more proactive in encouraging regional dialogue and collaboration between all CEP partners.
10.	Support for the	➤ Maintain commitment to the signing of the Convention, and ultimately

	Convention	<p>its ratification through the resolution of the status of the Caspian Sea;</p> <ul style="list-style-type: none"> ➤ Consider the most appropriate <i>modus operandi</i> through which the CEP will transform into a Secretariat for the Convention.
11.	Clear intentions	<ul style="list-style-type: none"> ➤ Although it was not its intention, because of its unique regional focus, the CEP has naturally become embroiled in higher political issues, particularly the legal status of the Caspian Sea. The result has been that at times there was a risk that the CEP might lose the participation of some States. The objectives and intentions of CEP Phase II should be clearly communicated to avoid any confusion.
12.	The NCAPs and SAP	<ul style="list-style-type: none"> ➤ The interventions identified in the NCAPs and SAP are relevant and pertinent to the sustainable development of the region. To improve the effectiveness of these interventions, the development of the NCAP and SAP should consider the following: <ul style="list-style-type: none"> • Prioritisation of interventions (which are most pressing; for which resources can be more readily mobilised etc.); • Time-scales for interventions – break-down interventions into short-, medium-, and long-term activities; • Assessment of resources (financial and human) required to undertake interventions, and detail on the source of funding; • Indicators to monitor effectiveness and impact of interventions. Prioritise interventions according to their urgency in terms of the sustainable use of the Caspian Sea, and set these out into short-, medium-, and long-term activities; • The establishment of an effective monitoring system to track the successes and weaknesses of SAP implementation, and to assess whether interventions remain relevant or change in priority. ➤ GEF and UNDP might wish to share lessons learned and provide 'exemplary' examples of TDAs, NCAPs and SAPs from other regions, to assist the five States in the development of these documents and programmes. Phase II should endeavor to more fully utilize knowledge sharing resources and services provided by the GEF IW:LEARN project.
13.	Stakeholder participation	<ul style="list-style-type: none"> ➤ This is key to the success of CEP in terms of realisation of the sustainable use of the Caspian Sea. More involvement of NGOs would be recommended in Phase II, where concrete action is required to resolve issues. Awareness raising and environmental education will be key activities for NGOs and community-based organisations; ➤ The private sector should be encouraged to continue to play an important role in the CEP, and efforts should be made to further foster and strengthen this relationship.

14.	The Future PCU	<ul style="list-style-type: none"> ➤ The PCU should continue to be located in a suitable environment with close proximity to CEP country partners if it is to remain effective. The selection of Tehran as the next location for the PCU appears to be favoured; ➤ The PCU should continue to communicate effectively in all the languages of the Caspian Sea region, both in written and vocal form; ➤ Maintenance of good communication between PCU and all CEP partners, responding rapidly and coherently to requests; ➤ Engender staff ownership of the CEP through their involvement in project meetings and professional-improvement incentives, to encourage the long-term retention of good staff; ➤ Ensure an adequate transition period in the transfer of the PCU from Baku to Tehran. Preferably staff members of the present PCU in Baku should support this transition period.
15.	CRTCs	<ul style="list-style-type: none"> ➤ Further consensus on the role, number and location of CRTCs in Phase II is required if these are to be 'owned' and successful; ➤ Ensure that CRTCs are co-ordinated, relevant to the CEP, and avoid duplication of effort; ➤ Ensure appropriate management and funding arrangements. Encourage national and regional specialist involvement, relying on international consultants only where relevant and where international knowledge can add weight to the CRTCs activities; ➤ Consider continuing the <i>ad hoc</i> technical support to CRTCs by international UN agencies, and developing professional associations with relevant international centres of expertise; ➤ Ensure an exit strategy is defined at the outset, should this be appropriate.
16.	Information sharing	<ul style="list-style-type: none"> ➤ Much of the work of the CRTCs was hindered by the lack of formal access to government archives. A regional legal agreement on data sharing would be a useful step towards more open data exchange, and would make for more efficient spend of resources. The aim of this arrangement would be to establish a robust scientific foundation underpinning important political decisions on the use of resources; ➤ The TDA should be viewed as a working document to guide decision-making on the sustainable management of the Caspian Sea, and as such should be regularly updated. This may require its structure to be re-shaped to enable easy updating. The updating of the TDA should be managed by the PCU to ensure consistency in format, style, and quality. A template for the type and format of data required will be required to enable countries to contribute data on a regular basis, and should be developed in a collaborative manner between all CEP

		<p>partners;</p> <p>➤ Given the geographical distance between the CEP partners, and the need to engage as wide an audience as possible within the region in the most cost-effective manner, the website should be viewed as a valuable interactive tool for sharing information. The website requires marketing to this wider audience, which should include academic institutes, schools, public sector offices, and relevant private sector organisations. The audience should be encouraged to interact with the website, to comment on its usefulness and to ensure its continued relevance. Use of Russian and Farsi, as well as English, on the website should be considered.</p>
17.	Inter-sectoral Co-ordination	<p>➤ Productive inter-sectoral co-ordination will be key to ensuring that Phase II is a success. It was weak in Phase I, but considerable effort ought to be placed in ensuring good co-ordination between environment and other sectors (particularly those that govern resource use). Where these do not already function, the Caspian States might consider establishing inter-sectoral governmental and non-governmental committees to improve cross-sectoral thinking and action.</p>

IN-DEPTH EVALUATION

Project “Addressing Transboundary Environmental Issues in the Caspian Environment Programme (CEP) - Strengthened Institutional, Legal, Regulatory and Economic Frameworks for SAP Implementation” (GF/FP/5023-00-07)

2 PREPARED BY

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3 MAY 2003

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EXECUTIVE SUMMARY

This in-depth evaluation of the project “Addressing Transboundary Environmental Issues in the Caspian Environment Programme (CEP) – Component III. Strengthened Institutional, Legal, Regulatory and Economic Frameworks for SAP Implementation (GF/FP/5023-00-07)” was conducted in the period from 3 March to 30 April 2003.

CEP represents a regional cooperation process of five Caspian littoral states and is a comprehensive response to the key environmental problems facing the Caspian region. This intergovernmental process is currently supported by the international community through, *inter alia*, GEF, UNDP, World Bank, UNEP and EU, and the private sector, in particular the oil and gas.

UNEP is GEF Implementing Agency for this Project, which was to create the legislative umbrella to CEP. The objectives of this component are to enhance national legal and institutional capacities, including the harmonization of national legal regimes and to create an effective institutional legal framework for environmental cooperation in the Caspian region. The concept of the Project was wholly appropriate and relevant to the political climate and institutional situation of the Caspian Sea, but the strategic approach of the development of the legal framework for the Caspian programme should have been better integrated with the substantive activities funded by UNDP and EU/Tacis from the outset. This would have made the Caspian countries aware that the long-term support for substantive activities of CEP depends on the adoption of its legal framework and on the creation of an institutional mechanism supporting both the Convention and CEP.

UNEP ROE was effective and instrumental in the facilitation of the negotiation and regional discussions with regards to reaching an agreement on the text of the Framework Convention. Under the stewardship of UNEP (in cooperation with UNDP, WB and EU/Tacis) the countries are proceeding towards signing of the Framework Convention and SAP (tentative dates 14/15 June 2003), agreeing institutional arrangements, and negotiating key regional protocols and agreements. International partners are ready to assist the countries, but ***only if governments are ready to accept the ownership of the Convention and the Action Plan and demonstrate it by providing adequate financial and institutional support.*** The NCAPs were developed by all Caspian countries and they are ready for national endorsement although national endorsement procedure in some countries might take up to two to three years, in order to obtain local, central and institutional agreements prior to budget earmarking.

The warning has been delivered repeatedly to the Caspian governments by the present partners in the implementation of CEP (UNDP, UNEP, GEF, EU) that their continued support depends on adoption of an overarching legal and institutional framework for CEP. Delay in signing the Framework Convention is putting the second phase funding from GEF in jeopardy and sending a worrying signal to the partners. The degree of support given by the Riparian Governments in integrating the Project objectives and goals into the national development programmes and other related projects are rather modest at present. Lack of the concept of ownership is one of the main reasons, which is typical for this type of the project. Quite often Governments were expecting that the international community will fund and implement activities and plans. This position is gradually changing, particularly recently, and there are good signs that countries are ready to commit more financial and human resources in the protection of the Caspian Sea (Extraordinary Meeting of the Steering Committee, Baku, March 2003). The international community has been a necessary and important catalyser of these changes.

An important component of the strategy for and facilitation of integration of relevant transboundary elements of the CEP with the Framework Convention is development and implementation of the protocols to the Framework Convention. The Convention envisages seven protocols and the SAP

envisages the development of eight protocols. Judging by the current titles, from the two sets of protocols only two protocols are the same in both the Framework Convention and the SAP, but actually most corresponding protocols cover the same subject, although under different titles. By the time of the adoption of the Framework Convention and the SAP the harmonisation of titles should be achieved. It is planned that the SAP be revised before the signing of the Convention to bring it in line with the NCAPs and, possibly, the Convention.

The negotiation and agreement of a regional Environmental Framework should advance the environmental agenda onto the policy arena. The legally-binding regional agreement should be translated into national policies and laws and should establish a solid regional legislative platform for further specific commitments. The Framework Convention, once in force, and its future protocols should provide the necessary overarching legal and institutional framework for the CEP and legislative regime under which the SAP will be implemented and will contribute to its sustainability. ***This will materialize if the Conference of Plenipotentiaries, when adopting the Framework Convention, will decide that the Conference of the Parties is the highest authority of the Action Plan. It is suggested that the SAP will act as the Action Plan of the Framework Convention and that UNEP will act, on the ad interim basis, as the Secretariat of the Framework Convention.***

Sustainability of the Framework Convention will depend on the determination of all involved parties to the full implementation of the Convention. Implementation of the Convention in the first instance requires the adaptation of the Parties' national legal regimes, policies, rules and regulations in order to make them congruent with the requirements of the Convention and, second, the enforcement of these in everyday practice. The Caspian Convention is a framework-type of convention and contains only general obligations. Without protocols, annexes and specific decisions of the Conference of the Parties such conventions lack substance on which action at regional or national level can be built. Therefore, the real implementation of the Convention will start only when such instruments are added to the Convention.

As of 31 Dec. 2002 uncommitted funds were about 40% of allotted. Over 80% of these remaining funds are earmarked to activities scheduled in 2003 (EIA follow up workshop, small projects of technical assistance, evaluation, conference of plenipotentiaries, etc.). Currently new revision of the Project Document is under preparation, which will extend the duration of the Project until the end of 2003 and thus allow that all uncommitted funds will be committed and spent.

In the framework of strengthening legal and technical capacities of the Caspian States, several workshops (MEAs and EIA) were held, two comprehensive reports were produced (regional review of legal and economic instruments) and a small grant facility was developed and implemented in all five participating countries. High level of cooperation with international partners (EBRD, REC and Milieu Ltd.) and secretariats of relevant MEAs (Espoo, CITES and Aarhus Conventions) was achieved. All these activities contributed toward capacity building and preparation for the development and implementation of relevant legal and economic instruments at national level. For the implementation of this Project, UNEP cooperated with UNDP, the World Bank, EU/Tacis and PCU and worked locally through a supporting organization, CIP, Moscow, as well as with other local partners.

Regarding the performance of CIP in the implementation of the UNEP Project, opinions are mixed. On one hand CIP produced several reports and organised several meetings on the basis of MOUs concluded with UNEP, but on the other hand the quality of some of these documents and organisational skills of some of the meetings were questioned, as well as implication arising from the mixed roles of CIP in the Project.

Assessment of the achievements of this Project were done in the following two independent ways:

- review of individual activities/items of the CEP Component III as contained in the TORs for evaluation. The findings of this report were prepared on the basis of the review of numerous documents (Annex V); interviews with key persons from the international community (Annex II) involved in the design, implementation and management of the Project; answers to the questionnaire (Annex III) sent to national contacts (NFPs and NPICs) in all five participating countries; and answers to the questionnaire sent to the main national partner involved in the implementation of the Project (CIP, Moscow); and
- comparison and analysis of the activities and outputs (as contained in the Project Document) with the actual achievements to date. This comparison and analysis is presented in the Annex VI of this evaluation.

An evaluation of the success of GEF/UNEP Project implementation was carried out by rating seven items as contained in the TORs for the evaluation. Attainment of outputs, Completion of activities, Project executed within budget, and Impact created by the Project were rated as “good” and Timelines, Achievement of results, and Sustainability as “satisfactory”, with Overall rating as “good”.

The evaluation provides ten recommendations of which the highest priority recommendations were:

- (i) UNEP, being in charge of the preparation of the Framework Convention, jointly with the countries of the region and other actors from the international community, should concentrate efforts to achieve signing and entry into force of the Convention and its protocols;
- (ii) Conference of Plenipotentiaries, when adopting the Framework Convention, decides that the Conference of the Parties is the highest authority of the Action Plan and that SAP acts as the Action Plan of the Convention;
- (iii) countries be called upon for enhanced ownership of CEP and the Convention, including increased financial commitment towards the next phase, as the CEP is moving from institution-oriented to activities-oriented technical support approach;
- (iv) selection and development of protocols be harmonised with the requirements of NCAPs, SAP and the Framework Convention and that UNEP ROE ensures adequate in house expertise in order to organise and implement such process; and
- (v) for the capacity building, in addition to the enhancement of the legal framework at national level, UNEP ROE to provide technical assistance and advice to countries and other stakeholders for the development and application of economic tools and instruments related to the protection and sustainable management of the environment of the Caspian region.

The evaluator concludes that the remarkable and significant work which was done over the last five years by the Governments of the region and International Partners in order to develop and coordinate the joint efforts of the Caspian states and the International community for the protection of the Caspian environment has about an even chance to be successful or to fail. The only way to success will be if the Caspian Governments accept the ownership of the Convention, the protocols, SAP and the CEP and demonstrate it by providing adequate financial and institutional support.

1. INTRODUCTION

This detailed review and evaluation of the Project “Addressing Transboundary Environmental Issues in the Caspian Environment Programme (CEP) - Strengthened Institutional, Legal, Regulatory and Economic Frameworks for SAP Implementation Project (GF/FP/5023-00-07)” was conducted as an in-depth evaluation in the period from 3 March 2003 to 30 April 2003. The Terms of Reference for the evaluation are attached as Annex I to this report.

The evaluator developed a participatory evaluation methodology to carry out this exercise through interview with a number of individuals from the international community which were actively involved in the development and implementation of the Project (Annex II to this report), through the preparation of a questionnaire (Annex III to this report), which was sent to all Caspian countries, and through the questionnaire (Annex IV to this report) which was sent to the main local partner (CIP, Moscow). The evaluation was based on consulting the archives of UNEP ROE, review of large number of documents (Annex V to this report), on visit to UNEP ROE and on interviews with the Director of UNEP ROE, the Project Manager and a number of individuals listed in Annex II to this report, on information collected during the participation at the Geneva Partners Meeting: CEP II (Geneva, 3 March 2003), and on the responses to the questionnaires. Comparison and analysis of the Activities and Outputs (as contained in the Project Document) with the Actual Achievements to Date is presented in Annex VI to this report. List of acronyms is presented in Annex VII to this report.

This report contains sections 3 on Project design, 4 on implementation, 5 on impact, 6 on rating of implementation of the Project, 7 on lessons learned, 8 on recommendations and 9 on conclusions.

According to the Terms of Reference for this evaluation, the recommendation and conclusions of this evaluation will contribute to the preparation of the Project Brief that will be submitted to the GEF for a second phase of CEP.

2. BACKGROUND

CEP represents a regional cooperation process of five littoral states, namely Azerbaijan, Islamic Republic of Iran, Kazakhstan, Russian Federation and Turkmenistan. CEP is a comprehensive response to the key environmental problems facing the Caspian region with GEF and the EU helping to address the priority transboundary issues. This intergovernmental process is currently supported by the international community through, *inter alia*, GEF, UNDP, World Bank, UNEP and the EU, and the private sector, in particular the oil and gas sector. The overall goal of the CEP is:

“Environmentally sustainable development and management of the Caspian environment, including living resources and water quality, so as to obtain the utmost long-term benefits for the human populations of the region, while protecting human health, ecological integrity and the region's sustainability for future generations.”

The immediate foci of the overall CEP Project are:

- Component I: Development of a Caspian regional coordination and management mechanism for the sustainable development and management of the Caspian environment through the creation of regional, inter-sectoral and thematic institutional frameworks, including a regional framework convention;
- Component II: Completion of a Transboundary Diagnostic Analysis (TDA) of priority water-related environmental concerns for the Caspian ecosystem;

- Component III: Strengthened Institutional, Legal, Regulatory and Economic Frameworks for SAP implementation;
- Component IV: *Development of Priority Investment Portfolios for Transboundary Priorities; and*
- Component V: Formulation and Endorsement of a Regional Strategic Action Programme (SAP) and five National Caspian Action Plans (NCAPs) outlining priority actions, both baseline and additional, to be taken on behalf of sustaining the Caspian and its associated resources.

Within the framework of the GEF Project and in line with its mandate of assistance to the CEP and support to the Caspian states, UNEP ROE is GEF Implementing Agency for Component III: Strengthened Institutional, Legal, Regulatory and Economic Frameworks for SAP implementation, which was to create the legislative umbrella to CEP. The objectives of this component are to enhance national legal institutional capacities, including the harmonization of national legal regimes; and to create an effective institutional legal framework for environmental cooperation in the Caspian region.

The original Project document “Addressing Transboundary Environmental Issues in the Caspian Environment Programme (CEP) – Strengthened Institutional, Legal, Regulatory and Economic Frameworks for SAP Implementation” envisaged duration of the Project of three years (May 2000 – May 2003). Due to the delay in the implementation of certain activities, mainly related to the finalization of the Caspian Framework Convention negotiations, and after consultations with Governments and Project partners involved, the duration of the Project was changed to July 2000 – July 2003. Further extension to the end of 2003 is under preparation, in order to allow for the finalisation of the Framework Convention process and the postponement of some of the activities which were scheduled for May/June 2003 and which have had to be postponed because of the travel restrictions due to the recent events in the region.

3. PROJECT DESIGN

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3.1 ***Overall appropriateness of the objectives of the project to the pertinent UNEP mission, mandate, sub-programme objectives and strategic approach***

Overall, the Project has appropriate objectives to the pertinent UNEP mission, mandate, sub-programme objectives and strategic approach. The Project directly contributes to Objective 2 “Strengthen regional and sub-regional cooperation as well as national capacities to address global environmental issues and respond to emergencies in the region. This will be done through partnerships with regional and sub-regional actors and advisory services to governments” of the sub-programme 5, Regional Cooperation and Representation of the UNEP Programme of Work 2002-2003, Regional Office for Europe. The Project also contributes to a number of other programme elements, including sub-programme 2: Policy Development and Law, programme elements: 2.1 Policy Analysis, Review and Development and 2.2 Legal, Economic and Other Instruments; sub-programme 3: Policy Implementation, programme element 3.1: Technical cooperation; sub-programme 4: Technology, Industry and Economic, programme element 4.5: Economics and trade; and sub-programme 6: Environmental Conventions, programme elements 6.1: Promotion of the development of complementary policies and programmatic approaches among the work programmes of related global and regional environmental conventions and processes, 6.2: Support the development of new international conventions and agreements, including protocols, existing conventions and agreements and 6.3 Coordination of the provision of UNEP programmatic support to the implementation of the work programmes of conventions and related

international agreements and processes, particularly where programmatic interlinkages exist.

3.2 Relevance of the project design within the framework of GEF programmes and guidelines

- 5 THIS PROJECT HAS BEEN FORMULATED IN ACCORDANCE WITH THE GEF OPERATIONAL STRATEGY AND OPERATIONAL PROGRAMME #8 – THE WATERBODY BASED OPERATIONAL PROGRAMME. IT FORMS PART OF A COORDINATED SET OF ACTIONS IMPLEMENTED BY UNEP, UNDP AND THE WORLD BANK UNDER SEPARATE INTERNAL IMPLEMENTING AGENCY PROJECT DOCUMENT. THESE ACTIONS ARE DESIGNED TO PROVIDE THE RIPARIAN COUNTRIES WITH A COMPREHENSIVE PACKAGE OF ASSISTANCE IN ADDRESSING THE ENVIRONMENTAL ISSUES AND PROBLEMS OF THE CASPIAN SEA. THE SPECIFIC ACTIONS FOR WHICH UNEP IS RESPONSIBLE AND WHICH ARE DETAILED IN THE PROJECT DOCUMENT CONFORM TO THE SPECIFIC ACTIONS CONTAINED IN THE PROJECT BRIEF ENTITLED ADDRESSING TRANSBOUNDARY ENVIRONMENTAL ISSUES IN THE CASPIAN ENVIRONMENT PROGRAMME, APPROVED BY THE GEF COUNCIL IN NOVEMBER 1998.

The transboundary transport and effects of contamination in this water body and transboundary nature of many of the Caspian's valuable bioresources warrant GEF support. This Project coordinates actions among implementing agencies, countries, and other stakeholders, and generates programmatic benefits for the global environment that would not otherwise be achievable. This approach is fully in line with the GEF Operational Strategy for International Waters, as well as for the Waterbody Based Operational Programme #8. The Caspian countries consider the GEF to be a key donor for programme initiation, focusing on institutional development and capacity building at the international level in an integrated, comprehensive manner and with the emphasis on the identification and implementation of policy and legal reforms. GEF funds will support the identification and ultimate mitigation of transboundary issues that would be neglected if addressed only from national perspective. In the Waterbody-Based OP, GEF plays a catalytic role in assisting a group of countries seeking to leverage co-financing in association with national funding, development financing, agency regular Programmes, and private sector action for necessary elements of a comprehensive approach for sustainable managing of the waters environment.

3.3 *Appropriateness and relevance of the concept and strategic approach of the project to the overall situation of the Caspian Sea*

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The concept of the Project was wholly appropriate and relevant to the political climate and institutional situation of the Caspian Sea, but the strategic approach of the development of the legal framework for the Caspian programme should have been better integrated with the substantive activities funded by UNDP and the EU/Tacis from the outset. It would be important to harmonise the Convention and the SAP on all relevant subjects, including the selection of protocols. Better integration would have made the Caspian countries aware that the long-term support for substantive activities of CEP depends on the adoption of its legal framework and on the creation of an institutional mechanism supporting both the Convention and CEP, as the Convention's operational arm.

The possible strategy of having CEP and the Secretariat of the Convention as two separate entities and possibly at two different locations will not be the best solution in the opinion of the evaluator. In the interregnum between the signing of the Convention and its entry into force, probably the best solution would be that UNEP plays the role of the Interim Secretariat of the Convention (which would be by far the most logical and practical solution until the entry into force of the Convention). It can be predicted that the period between the signing of the Convention and its entry into force will be long, probably several years. There is a big danger that, in that period, the results of all the good work and enormous efforts by UNDP, WB, UNEP and the EU/Tacis, as well as participating countries, will be lost if the relation among CEP, SAP and the Secretariat of the Convention will not be well defined and harmonised.

The harmonisation of the Convention, the SAP, and CEP is extremely important, particularly the relations among the responsible Governmental structures within the countries. The ideas of having two separate offices was tested and abandoned in the Mediterranean in late 70's and after that having one integrated unit was a standard policy of UNEP's Regional Seas Programme.

Under the stewardship of UNEP (in cooperation with UNDP, WB and the EU/Tacis), the countries are proceeding towards signing of the Framework Convention, agreeing institutional arrangements, and negotiating key regional protocols and agreements. The development, adoption and entry into force of protocols are extremely important, although this issue is not part of this present Project. It is clear that the development of protocols and their entry into force will take several years and will probably be dealt with partly in the second phase of CEP. The international partners are ready to assist the countries with upgrading their policy and legal bases, to strengthen their institutional arrangements, to assist in improvement of compliance with existing national legislation, and implementation of multi-lateral and international environmental agreements, which will provide a firm basis for future protection of the Caspian environment, but only if governments are ready to accept the ownership of the Convention and the CEP and demonstrate it by providing adequate financial and institutional support. Assistance from the international partners towards implementation of the Framework Convention, CEP and the SAP is to provide the required impetus and momentum to the National Governments for the implementation of the NCAPs and the SAP. Regional programmes of this kind usually are passing first through an initial phase where the international community is assisting the participating countries through provision of financial and organisational support in order to set the ground for the development and implementation of a comprehensive programme which includes legal, substantial and institutional aspects. Such a phase can take several years but it is not a sustainable solution. The only sustainable solution is that the participating countries take a major role in financing activities at the national level and, in such a way, give a clear indication of their ownership of the programme. It is the opinion of the evaluator that the Caspian region and CEP are at present close to completing the initial phase and entering into the sustainable phase.

3.4 *Role of Component III to the CEP and synergy effects between the project components of the CEP*

UNEP ROE is the GEF Implementing Agency for Component III, which was to create the legislative umbrella to CEP. The objectives of this component are to enhance national legal institutional capacities, including the harmonization of national legal regimes; and to create an effective institutional legal framework for environmental cooperation in the Caspian region. These objectives cannot be met by Component III alone. Component III has been designed to contribute to setting up an institutional framework, but lots of work is still needed, *e.g.* for the entry into force of the Convention (after signing), for adoption and ratification of protocols, for development of the ownership concept in all countries, and above all for merging the CEP with the Convention and protocols. The objectives of this component and synergy effects will not be achieved unless the Convention and CEP are completely harmonized.

The development of the institutional and legal capacity in the littoral states for environmental management was one of the essential roles of this Project and its corresponding activities aimed at the development of the basis for the legal and institutional cooperation mechanisms.

Another important role of Component III was to assist in the preparation of the TDA and the SAP. A number of activities like the review of legal and economic instruments, work on EIA and MEAs, the small projects on legal/institutional capacity building, all have contributed to the preparation of the TDA and the SAP.

7 4. PROJECT IMPLEMENTATION

4.1 *To what extent the project's objectives were met and planned results obtained and whether this has been a cost-effective way of obtaining these results*

4.1.1 Activity 1. Facilitation of the finalization of the Framework Convention for the Protection of the Marine Environment of the Caspian Sea and institutional structures for the Convention and relationship with CEP as a whole

At the request of the governments of the region, UNEP facilitated the development of the Framework Convention and organized, in close cooperation with its international partners, seven meetings of government-nominated experts. At its seventh meeting in Tehran (July 2002), the government-designated experts succeeded in agreeing on the text of the Convention, with few outstanding issues, which, it is believed, should be easily sorted out at the technical meeting to be held on the day before the Conference of Plenipotentiaries. The Conference was scheduled to be held in Tehran in January 2003 but had to be postponed due to political difficulties. Further to the cancelling of the January Conference, contacts have been made by UNEP with the five Caspian Governments to ascertain their readiness to reschedule the meeting in the near future. A letter was received from Kazakhstan suggesting minor adjustments to the text of the Convention, which, it is believed, should not cause much concern and difficulty. The situation with Turkmenistan remains the same: it is unlikely that it will agree to signing the Convention until the legal status has been sorted out, though there are signals that the views might be changing. With regards to Russia, Azerbaijan and Iran, it is believed that all three are ready to sign. At the Extraordinary Steering Committee Meeting (ESCM, Baku, 12 March 2003) it was agreed that on 14/15 June 2003 (tentative dates) in Tehran the Conference of Plenipotentiaries would be held with the view of adopting the text of the Framework Convention and opening it for signature. This will allow those present with plenipotentiary powers to sign the Convention on the second day of the meeting, if they wish so.

The Framework Convention, once in force, and its future protocols (which will be the subject of CEP II) should provide the necessary overarching legal and institutional framework for the CEP and legislative regime under which the SAP will be implemented and will contribute to its sustainability. It would be important that the Conference of Plenipotentiaries, when adopting the Framework Convention, decides that the Conference of the Parties is the highest authority over the CEP and the SAP.

The negotiation and agreement of a regional Environmental Framework should advance the environmental agenda onto the policy arena. The legally-binding regional agreement should be translated into national policies and laws and should establish a solid regional legislative platform for further specific commitments.

UNEP ROE has been working through the management structures of the CEP to implement Project activities. The current management structure for CEP includes the Steering Committee (SC), the Programme Coordination Unit (PCU), National Focal Points (NFPs) and the Caspian Regional Thematic Centres (CRTCs). The SC in its advisory role and PCU in its working and coordinating role did a very good job so far. CRTCs were working as long as there was financial support from the international partners and when such support ended so did their work. International partners insisted that they should be supported by national resources but that never materialised.

4.1.2 Activity 2. Development of a strategy for and facilitation of integration of relevant transboundary elements of the CEP with the Framework Convention

The main strategy for the integration of relevant transboundary elements of the CEP has been the development of the SAP, which draws on the TDA, the NCPAs and the Framework Convention. The SAP identifies the environmental interventions to be taken at both the national and the regional level to address the priority transboundary areas of concern: it builds upon and complements the NCAPs. Additionally, the SAP creates clear objectives and targets for priority investment action considerations for the international community. The SAP identifies the national and regional interventions needed to address four priority regional environmental concern areas: fisheries development; biodiversity protection; pollution monitoring and control; and sustainable development of coastal areas.

The SAP sets the agenda for enhanced regional environmental cooperation among the littoral states for the next five and ten years. To improve environmental stewardship and protect the ecosystems of the Caspian, the SAP outlines five regionally agreed Environmental Quality Objectives - EQOs (Conservation and sustainable use of commercial fisheries resources; Conservation of biodiversity; Improvement of the water quality of the Caspian; Sustainable development of the coastal zones; and Strengthen stakeholder participation in Caspian environmental stewardship) for areas of environmental concern and defines a set of targets and interventions to meet these objectives to be addressed over the next five- and ten-year periods. The SAP also highlights the financial resources and the institutional structure required for the implementation of the priority actions for the next 5+5 years. The SAP might have been designed a bit over ambitious. The SAP (with its Biodiversity Strategic Action Programme - BSAP as an integral part of SAP) will be the final output of a regional consultation process, which has involved the littoral countries and the International Partners. It is hoped that this process will be concluded in time that the SAP could be signed at the forthcoming Conference of Plenipotentiaries.

The NCAPs and the TDA, which are the major pillars of the SAP, have been thoroughly studied and reviewed at a number of regional meetings. One of the key achievements of CEP is that NCAPs implementation has already started in a number of countries and it is clear that concrete actions will be happening first through the NCAPs implementation.

An important component of the strategy for and facilitation of integration of relevant transboundary elements of the CEP with the Framework Convention is the development and implementation of the protocols to the Framework Convention. The Convention envisages seven protocols (pollution from land-based sources; pollution from seabed activities; pollution from vessels; pollution caused by dumping; protection, preservation and restoration of marine living resources; sea level fluctuations; and environmental impact assessment). The SAP envisages the development of eight protocols (biodiversity; pollution from land-based sources; pollution by hazardous substances; environmental standards; dumping at sea; control of invasive species; fisheries; and monitoring of pollution). At the first glance it seems that only two protocols are the same in both the Framework Convention and the SAP, but actually subjects covered are the same and mostly the difference is in the title. Still complete harmonisation of protocols in the Framework Convention and the SAP has to be achieved. This problem will have to be solved by the time of the adoption of the Convention and the SAP, although the development and implementation of protocols will be one of the subjects of the CEP II.

4.1.3 Activity 3. Assessment of the status of implementation of relevant multilateral environmental agreements

2.1.1

2.1.2 In the framework of strengthening legal and technical capacities of the Caspian States, a Regional Legal Workshop was held in Baku in December 2001 focusing on implementation of Multilateral Environmental Agreements (MEA) in

the Caspian region (CITES, Aarhus and Espoo Conventions), with participation and contribution from the Secretariats of the Conventions. The overall objective of the workshop was to facilitate the implementation of MEAs in the Caspian region through discussing and reviewing the legal process of their implementation at national level. Also the objective was to strengthen the cooperation and understanding between participants from different countries of the region as well as among the Secretariats of the conventions and thus avoid unnecessary duplication of efforts. The workshop helped guide the participants through the process of preparing national legislation and regulations that would adequately transpose the obligations of MEAs into the national legal system. The participants noted that often MEAs are ratified before the countries have the means to properly implement them (e.g. adequate legislation and institutional mechanisms or resources). The participants praised the concept of organizing one single workshop for several conventions.

The SCM (Oct. 2002) appealed to UNEP and the littoral states to further intensify and collaborate on building institutional capacity in and between the countries for handling priority concerns related to the implementation of MEAs in the context of CEP.

It could be argued whether the selection of the CITES, Aarhus and Espoo Conventions was the best choice. CITES certainly was a good choice which is not necessarily true for the other two. Also not selecting Ramsar Convention is surprising, as well as not including into this activity most relevant international programmes, like GPA/LBA, GIWA, GOOS and PEBLDS. It would be good to take this comment into account in the design of the CEP II.

4.1.4 Activity 4. Assessment of national legislation and institutions related to the protection and sustainable management of the Caspian environment and its resources

The review “Legal, Regulatory and Institutional Measures for the Protection and Sustainable Management of the Caspian Ecosystem in the Riparian States” was prepared in 2001 by an independent consultant in cooperation with the CRTC/LREI, which supported the consultant through the recruitment of local experts in each of the Caspian countries and consolidating the data. This is a very good document, which concludes that, in general, the environmental legislation of the Riparian States ensures legal protection of the Caspian Sea. The national legislation of the Riparian States, which, in most cases, is very recent, now plays the principal role in regulating the use of natural resources and environmental protection in the Caspian Sea and responds to the new challenges sometimes successfully and sometimes with difficulties. The deficiencies are caused, sometimes, by deficiencies of the laws and governmental regulations, gaps and inconsistencies, but also often by economic constraints. Insufficient funding of the environmental protection ministries and departments sometimes practically paralyses their work. The document identifies gaps and inconsistencies in the national legislation and institutional measures of each Riparian State. On the basis of the analysis, the report proposes recommendations for each of the Riparian States for improvement of the legal and institutional measures for environmental protection of the Caspian Sea and sustainable use of natural resources. Taking into consideration that the Riparian States have definite similarity of the legal and institutional problems, the report proposes common approaches at the regional level, which could help in solving issues of a transboundary character. This document served as a key input in the preparation of the TDA and the SAP.

The direct impact of the UNEP Project on national legislations/regulations might not be very apparent at this moment of time but it would certainly have positive implications in the near future when more legally bounded cooperation will be in place due to existence of the Framework Convention and other Regional Environmental Agreements.

4.1.5 Activity 5. Provision of technical assistance to governments in the legislative/regulatory and related institutional fields

UNEP developed and implemented a small grant facility to further assist the Governments in legislative/regulatory and related institutional fields, as these refer to the CEP, the NCAP and SAP recommendations and/or the national obligations under the endorsement of Multilateral Environmental Agreements. The objectives of these grants (projects) were to respond to legal commitments and needs, as these refer to the CEP and SAP recommendations and/or the national obligations under the endorsement of MEAs. The small project facility focuses on capacity building and institutional/legal strengthening and enables governments to follow up on the recommendations of the December 2001 MEAs workshop and the recommendations of the legal review undertaken in 2001. The chosen path of implementation of small projects in countries received much appreciation from the countries, as enabling activities to help strengthen national institutions. Small projects were approved and contracted in all Caspian countries with the exception of the project in Russia, which is still under negotiations.

As part of the provision of technical assistance, UNEP ROE signed the following MOUs:

- Development and approval of methods, rules and regulations regarding monitoring of sea water quality and calculation of norms (Kazakhstan Ministry of natural resources and nature protection);
- Elaboration and distribution of a guidance for the public, explaining Aarhus Convention and national environment protection legislation in the Caspian region (Turkmenistan Ministry of Nature Protection);
- Elaboration and implementation of rules of protection of shoaling waters of the Caspian Sea from pollution from vessels (Turkmenistan State Enterprise for Caspian Issues);
- Development and dissemination of a guideline on (Overview Brochure, brief summary, "call for" leaflets) raising public awareness about Aarhus Convention and national legislation on nature protection in the Azerbaijan (Azerbaijan Ministry of Ecology and Natural Resources);
- Trio-training workshop on application and provisions of CITES, Aarhus and Espoo Conventions (Iran Department of the Environment); and
- Assessment of the national/local legal base for implementation of the provisions of the "Convention on Environment Impact Assessment in a Transboundary Context" (Espoo Convention) for the Northern Caspian, Collection of the contact points for the EIA in a transboundary Context (Russian Federation, CIP, under negotiations).

4.1.6 Activity 6. Assessment of existing economic tools and instruments related to the protection and sustainable management of the Caspian environment and its resources

The CRTC/LREI has prepared in 2001 a comprehensive review of economic instruments for solving environmental problems of the Caspian Sea. This review is based on the documents, submitted by the national experts from all Caspian Riparian States. The review incorporates an analysis of the experience in the development of economic instruments used for the management of the environment, an assessment of the applicability of economic instruments for the management of the environment and natural resources, other materials, as well as recommendations on increasing the efficiency of economic instruments in addressing environmental problems of the Caspian Sea, whose draft was presented at the Third

Conference of Experts of the CRTCLREI (Moscow, August 2001), agreed upon during the discussions, and approved by national experts.

The system of legal, regulating and economic instruments (LREI) was viewed as the basis for actual management of the environment, including marine environment of the Caspian Sea as a complex transboundary object. Internationally, the Caspian states significantly lag behind in introducing economic free-market oriented instruments in the national economy. Economic instruments could also be used to levy more charges on oil and gas companies and consortiums for the direct and indirect damage caused to the Caspian fisheries.

This report is an analytical document, unfortunately most probably prepared through patching of available academic documents, but it is not giving enough of the guidance to national experts and authorities for practical action that will facilitate the development and implementation of economic tools in the environmental management. There were no tangible recommendations and no follow up activities to this review. Unfortunately, any change at the national level in applying economic instruments in improved environmental protection is still to be seen.

The applicability of economic tools and instruments in environmental aspects is indispensable from national policy set up and would not be implemented until and unless there is a strong government will and appropriate Strategic Environmental Management in place. Therefore, the result of preparing such report by the UNEP is very useful provided there is a will within the government to apply the findings. It was anticipated by countries that UNEP would play a vital role in assisting the countries to understand the benefit and the usefulness of such financial arrangements and will facilitate developing a regional financial usefulness of such financial arrangements and will facilitate developing a regional financial mechanism in order to provide sustainability to the regional cooperation beyond the CEP Phase II.

It would be important in the next phase of CEP to implement a stronger capacity-building component which will ensure provision of technical assistance and advice to governments and other stakeholders in developing and implementing economic tools and instruments related to the protection and sustainable management of the Caspian environment and its resources.

4.1.7 Activity 7. Provision of technical assistance and advice to governments and other stakeholders involved in application of environmental impact assessment processes in the Caspian, including consideration of environmental valuation as a component thereof

As part of this activity, a workshop “Capacity Building and the Implementation of EIA in a Trans-boundary Context in the Caspian Sea Region” was held in November 2002 in Moscow, organized by UNEP Regional Office for Europe in cooperation with the Secretariat of the UN UNECE Convention on Environmental Impact Assessment in a Trans-boundary Context (Espoo), and the European Bank for Reconstruction and Development (EBRD), and with the support of the Centre for International Projects (CIP), Moscow.

This workshop also draws from the 2001 regional report of the CRTCLREI on ‘Economic Instruments for Solving Environmental Problems of the Caspian’ and the December 2001 UNEP/UNECE meeting in Baku on International Environmental Law (*i.e.*, Espoo, Aarhus, and CITES Conventions).

The workshop considered the establishment of a set of harmonised procedure for EIA in a transboundary context, outlining obligations under the Espoo Convention agreed by all the countries in Caspian Sea region.

It was agreed that procedure guidelines for implementing EIA in a transboundary context, with outlining obligations under the Espoo Convention, would be produced. The guidelines should be practical and easy to use and include examples of notification letters and

responses requested. Particular attention will be drawn on the petroleum related development projects, including the prevention of oil spills from offshore oil development.

It was agreed that a follow up workshop would be held to finalise the guidelines. It was scheduled for February 2003, postponed because the draft guidelines were not ready and again postponed because of the events in the region. Other activities under this topic include the preparation of draft guidelines for EIA in a transboundary context (currently being developed and about to be sent to the countries), small contracts with each of the Caspian countries to carry out a national consultation and feedback on the guidelines.

Acceptance of implementing transboundary EIAs in the region would require many pre-requisite activities such as more training, more exchange of views, closer cooperation, better understanding of the Caspian ecosystem, the appropriate demarcation of liabilities and responsibilities which is quite time consuming and it requires willingness of the governments of the region to come into an agreement, in addition to UNEP support.

UNEP was successful in enlisting the support and cooperation of other international partners in this activity (EBRD and Espoo Secretariats) and in such a way proving to be attentive at trying to bring on board other partners and linking with activities of such partners as well as with other UNEP efforts.

4.2 *The implementation and management of the project in terms of quality, usefulness and timeliness of activities and outputs, adherence to work plans and budgets*

As it is quite often the case for this type of projects, the quality and usefulness of activities and outputs ranges from excellent to satisfactory. UNEP ROE did a good job in managing the project. Activities and outputs were often delayed comparing with the work plan but in synergism with the UNDP, WB, and the EU/Tacis Project, a whole array of very useful activities were carried out with outputs that certainly contribute significantly to setting the stage for concrete activities which will go beyond the analysis of the situation and capacity building (see Annex VI).

Work plans were not strictly adhered to. In hindsight it seems that the work plan in the Project Document was overoptimistic, underestimating inertia and difficulties in the initiation of the international cooperation among the countries of the Caspian Sea and in the development of the institutional capacity for such work. These are common problems, which were faced in most, if not all, projects of this kind around the world.

The UNEP GEF Project (CEP Project Component III), as revised, commenced in July 2000 for a 37 months period (*i.e.* until July 2003). The original Project Document was signed for a 3-year duration from May 2000 onward but due to considerable delay in the approval and internalisation of the UNEP GEF Project Document, the initiation of the Project implementation had to be postponed accordingly. The GEF has allocated a total of US\$ 614,715 for UNEP. UNEP provided US\$ 60,282 from its own Environmental Fund (FP/5230). In addition to the GEF funds and the Environment Fund contribution, US\$ 400,000 was spent from UNEP funds for the development of the Caspian Framework Convention and related activities. US\$ 300,000 was disbursed over the years 1995 to 1998 with a further US\$ 100,000 allocated from UNEP funds for support to the remaining work on the preparation of the Caspian Framework Convention and towards development of its protocols. As of the March of 2003 over 80% of these remaining funds are earmarked to activities scheduled in 2003 (EIA follow up workshop, small projects of technical assistance, evaluation, conference of plenipotentiaries, *etc.*). Currently new revision of the Project

Document is under preparation, which will extend the duration of the Project until the end of 2003 and thus allow that all uncommitted funds will be committed and spent.

4.3 The effectiveness of institutional arrangements, particular through the local partner, Center for International Projects (CIP), as well as monitoring and backstopping support given to the project by all parties concerned

In the framework of CEP, ten Caspian Regional Thematic Centres (CRTCs), covering eleven themes, were established and were instrumental in collating and generating information required for the preparation of the TDA, NCAPs and the SAP. The CRTC/LREI (CRTC/Legal, Regulating and Economic Instruments) was the main local partner of UNEP in the implementation of the Project. The Center for International Projects (CIP, Moscow) acted as the CRTC/LREI.

Since 1997, CIP has been the coordination group on international cooperation of Interstate Ecological Council of the CIS countries. In this role, CIP carried out, within the framework of cooperation with UNEP, a number of projects related to solving priority environmental problems of the Caspian. These projects are connected with the implementation of the UNEP Project:

- Developing a Harmonized Approach to Environmental Legislation in the CIS Countries;
- Elaboration of proposals for improvement of EIA process in environmentally sound decision-making for CIS countries; and
- Integrated Environmental Management in the Volga-Caspian Region.

Within the framework of the last of the above mentioned projects, the activity on preparation of the Framework Convention on the protection of the marine environment of the Caspian Sea was carried out until year 2000 and the later work was regulated through the MOU between UNEP and CIP for CEP activities.

In order to organise the work between UNEP and CIP, the following seven Memorandum of Understandings (MOUs) were prepared:

- Organisation of regional meeting (21-22 May 1999) to discuss the 3-year work plan for the CRTC/LREI) (not funded under this Project);
- Organisation of the sixth meeting of experts of Caspian Riparian States (11-13 Oct. 2000) on the preparation of a draft Framework Convention (not funded under this Project);
- Assessment of the Caspian states' relevant national economic tools and instruments in the context of the sustainable management of the Caspian environment and its resources and their effectiveness and preparation of the report (July 2000 – Jan. 2002) (report issued);
- Assistance to the work of the international consultant in preparing the assessment of national environmental legislation (July 2000 – Jan. 2002) (report issued);
- Preparation of reviews and organisation of coordination (June 2000 – Jan. 2002):
 - Preparation of a review of ongoing related capacity-building activities carried out by other international agencies, bilateral donors and NGOs to strengthen legal/regulatory/institutional economic frameworks in the Caspian region (report submitted in Russian language only);

- Preparation of a review on the existing multilateral legislation on the Caspian Sea: multilateral and bilateral agreements and the status of implementation, including bottlenecks to such implementation and regional needs (report submitted in Russian language only);
- Preparation of a review on international experience in creating and functioning of legal and economic instruments for providing environmental safety in the context of oil extraction (report submitted in Russian language only);
- Implementation of overarching coordination, data base management and analytical information activities in the major fields relevant to the tasks of the CRTCLREI;
- Organisation of CEP EIA transboundary workshop, Moscow, 27-29 Nov. 2002; and
- Assessment of the national/local legal base for implementation of the provisions of the Espoo Convention for the Northern Caspian, Collection of the contact points for the EIA in a transboundary Context (Jan. – April 2003) (MOU under negotiation).

Unfortunately, certain delays were experienced in signing and financing of some MOUs and one of the reasons was that CIP has been slow in providing all information pertaining to the MOUs.

CIP played various roles in the implementation of this Project: as CRTCLREI for CEP; as support institution to the Russian NFP; as Russian Institute; and as UNEP's partner in the implementation of various other projects (EIA in CIS, Volga, etc.). Such mixed roles of COP sometimes created complications. Also on some occasions the quality of the organisation of meetings by CIP was not adequate.

Regarding the outputs produced by CIP, the opinion of some experts was that the quality of the document on economic instruments, produced by CIP, was not adequate. Another three of the documents produced by CIP were published only in Russian language (due to the fact that respective MOUs did not require translation into English) and that certainly limited seriously the use of these documents at the regional level and also did not allow that the quality of these documents be assessed. Also absence of follow-up to these activities was noted. As a consequence, the cost-effectiveness of the work of CIP was questioned.

4.4 *The effectiveness of technical, administrative and financial support provided by UNEP ROE and GEF*

UNEP ROE has remained focused on legal and institutional strengthening and provided technical, administrative and financial support to the Project and technical assistance to all Riparian Countries on various subjects, including legal strengthening of all Riparian Countries through preparation of documents (assessment of legal and economic instruments), organisation of workshops, provision of small grants, support to the preparation of the SAP and to the implementation of EIA in Riparian Countries (see point 4.1.5 above).

UNEP ROE was effective and instrumental in the facilitation of the negotiation and regional discussions with regards to reaching an agreement on the text of the Framework Convention. Also, it is likewise instrumental in encouraging a high-level endorsement and signing of the document. Due to continuous efforts of UNEP ROE and the Project Manager, the text of the Framework Convention was adopted, with few outstanding issues, which should be relatively easy to sort out, and is ready to be submitted to the Conference of the Plenipotentiaries for signing. Working through both formal and informal channels, supporting and facilitating, UNEP has allowed the countries to take a proactive and leading role in the Convention process.

GEF was effective in the provision of the financial support to the Project. Following completion of fact finding (TDA) and priority setting (SAP) exercise, GEF is ready to support selected interventions aimed at assisting countries in implementing transboundary and/or globally significant biodiversity elements of the SAP/NCAPs. GEF gained regional acceptance as a major international partner and leader in regional and transboundary environmental initiatives, along with the various UN agencies and EU/Tacis.

The administrative servicing of the Project has been a heavy burden on UNEP ROE. It is questionable whether UNEP ROE can continue with the heavy load of contracts and MOUs. UNEP ROE has often subcontracted UNOPS (with the assistance from the PCU) for the organisation of meetings and this cooperation proved quite effective and easy.

4.5 *The flexibility demonstrated by the project management during project implementation in order to obtain the planned results of the project*

The Project management was mostly exercised through the UNEP ROE and the PCU, with the advisory role of the Steering Committee. UNEP ROE demonstrated remarkable flexibility during Project implementation in order to adjust to often-changeable conditions in political scene, communication with main actors and lack of the perception of ownership by the Caspian countries. UNEP ROE has been extremely responsive to the concerns of the Caspian Governments, and its Director undertook a number of trips to the region to liaise and discuss problems with Governments. The implementation of UNEP activities has been done in close collaboration with the PCU. In the design, running and monitoring of UNEP activities, the PCU was closely involved and their comments and support sought systematically. Finally, UNEP has been discussing the proposed implementation of activities with the NFPs and kept the NFPs regularly informed of their implementation.

4.6 *The level and effectiveness of co-operation among project partners (i.e., UNOPS, UNEP, World Bank, UNDP/GEF, EU/Tacis, Project Coordination Unit, UNDP Country Offices and National Focal Points)*

For the implementation of this Project, UNEP cooperated with UNDP, the World Bank, EU/Tacis and PCU and worked locally through a supporting organization, the Center for International Projects (CIP), Moscow – Caspian Regional Thematic Center on Legal, Regulatory and Economic Instruments (CRTCLREI) and directly with local partners. Cooperation can be considered as very successful providing a concerted effort towards the protection and development of the Caspian Sea.

UNEP has been encouraging interest and participation of other partners, like EBRD (EIA initiative), and the Secretariats of CITES, Espoo and Aarhus Conventions. UNEP has been active in the regional meetings, participating and contributing to the TDA, the SAP, the SCMs and other substantive meetings. UNEP has encouraged the cooperation of the CEP international partners and maintained close collaboration with its CEP partners, the EU, WB and UNDP. UNEP had excellent cooperation with the PCU throughout the Project. In fact UNEP took a leading role in helping smooth out the strained relations among some international partners whenever this began to impact the programme.

In collaboration with UNEP-Arendal, a CD-ROM was prepared reflecting the TDA findings in digital form. This CD accompanied the publication of the Caspian TDA. UNEP also provided additional legal and technical consultancy support to the preparation of the TDA, the NCAPs, Caspian Information System, the drafting of the SAP, the discussions on CEP institutional arrangements and the preparation of the second phase (CEP II) Project Brief. These are added inputs that UNEP provided, though not specifically mentioned in the original activities. These activities demonstrate

that UNEP was an important partner in other CEP activities and that UNEP activities were an integral part of the CEP.

8 5. IMPACT

5.1 *Level of stakeholder involvement during project implementation and ownership of the project by the participating countries*

The governmental sector of the participating countries has been major partner to UNEP in the implementation of the Project. Involvement of the governmental sector at the beginning of the Project did show lack of the concept of ownership, which is typical for this type of project. It takes time to develop and accept the concept of ownership, which is one of the main driving forces for action. Recent developments indicate that countries are on the right way to accept the ownership concept and with the continuous and additional help from the international community chances are quite good for the future of the Project (see point 5.2).

5.2 *Level of financial, technical and political commitment of countries to support ongoing project activities and a potential future project phase*

The level of financial, technical and political commitment of countries to support ongoing Project was modest at the beginning of the Project but there are good signs that commitment is gradually picking up. For instance at the recent ESCM (Baku, March 2003), the countries accepted to pay for the cost of their participation in the regional meetings, the cost of hosting regional meetings and the cost of running their own Caspian National Structures. Also under the small project capacity building facility of UNEP, the Governments are progressively showing that they are designing, managing and monitoring projects, but this process is rather slow.

5.3 *Degree of support given by the Riparian Governments in integrating the project objectives and goals into the national development programmes and other related projects, and how well the project fits into national development policy*

The degree of support given by the Riparian Governments in integrating the project objectives and goals into the national development programmes and other related projects are rather modest at present. Quite often, Governments were expecting that the international community would fund and implement activities and plans. This position is gradually changing, particularly recently, and there are good signs that countries are ready to commit more financial and human resources in the protection of the Caspian Sea (Extraordinary Meeting of the Steering Committee, Baku, March 2003). The international community has been a necessary and important catalyser of these changes. Under the small project facility, Governments have also seen this facility as a way to strengthen their national legal and institutional systems. The projects selected by them were often components of their NCAPs and their national strategic priorities.

5.4 *Impacts on policy, strategy and action plan of countries created through this project*

This Project and CEP as a whole had a very strong positive impact on policy, strategy and action plan of the countries involved. A regional environmental management mechanism has been established and the planned diagnostic work had been completed. Through the activities, including capacity building, a number of ministries and other organisations improved considerable their know-how to prepare policy statements, development strategies and concrete action plans.

5.5 *Impact on enhancing co-operation among project partners and coordination of (other) project initiatives*

The Project certainly has had a very strong positive impact on the level of cooperation among the countries themselves and between the countries and the International Partners. It took time to develop such cooperation and it would be a great loss if the momentum will be lost due to delay in the signing of the Convention, and eventually its entry into force. Also, UNEP's initiatives on partners cooperation (meetings in Brussels in Oct. 2002 and Geneva in March 2003) and linking with other programmes, like the Secretariats of CITES, Espoo and Aarhus Conventions had an important positive impact on enhancing cooperation among Project partners.

5.6 *Sustainability of the Caspian Framework Convention, in particular in terms of establishment of convention secretariat and development of action plans*

The sustainability of the Framework Convention will depend on the determination of all involved parties to the full implementation of the Convention. The Convention will become sustainable only if each of the countries of the region take ownership of the Convention, the SAP and CEP and if the International Partners have reasons to believe that the funds spent on the development and implementation of the Convention and CEP are well spent. The focus on developing regional legal mechanisms will assure that the regional basis is set for sustainability.

A critical period for the sustainability of the Framework Convention will be the period starting with the signing of the Convention and ending with its entry into force. This period could take several years and it would be easy to lose momentum in the region if the Interim Secretariat and PCU will not be mandated to do the work in this period.

The issue at stake is the implementation of the Convention which in the first instance requires the adaptation of the Parties' national legal regimes, policies, rules and regulations in order to make them congruent with the requirements of the Convention and, second, the enforcement of these in everyday practice.

The Caspian Convention is a framework-type of convention and contains only general obligations. Without protocols, annexes and specific decisions of the Conference of the Parties such conventions lack substance on which action at regional or national level can be built. Therefore, the real implementation of the Convention will start only when such instruments are added to the Convention.

Furthermore, the implementation of the Convention at the regional level will require an Action Plan to deal with issues of common nature and transboundary significance. The adoption of the SAP as the Convention's Action Plan would be the most rational and expeditious solution.

Last but not least, the Convention and its Action Plan would need an agreed funding mechanism in order to be "sustainable" in any meaningful sense.

Another step towards sustainability will result from the GEF focus on interventions directed at policy, legal, regulatory, and institutional mechanisms. By improving these at the outset, each country would be poised with the proper basis for long-term sustainability.

The countries have to take their responsibilities and demonstrate, through their activities and adequate funding, that the Convention and its associated Action Plan truly belong to them.

6. RATING OF IMPLEMENTATION

6.1 Achievements of the project

The achievements of this Project were evaluated in the following ways:

- review of individual activities/items of the CEP Component III as contained in the TORs for evaluation. Findings of this report were prepared on the basis of the review of numerous documents (Annex V); interviews with key persons from the international community (Annex II) involved in the design, implementation and management of the Project; answers to the questionnaire (Annex III) sent to national contacts (NFPs and NPICs) in all five participating countries; and answers to the questionnaire sent to main national partner involved in the implementation of the Project (CIP, Moscow); and
- comparison and analysis of the activities and outputs (as contained in the Project Document) with the actual achievements to date. This comparison and analysis is presented in the Annex VI of this evaluation.

9 6.2 EVALUATION OF THE SUCCESS OF GEF/UNEP PROJECT IMPLEMENTATION BY USING ITEMS AS CONTAINED IN THE TORs FOR THE EVALUATION

On the basis of a detailed assessment the evaluation of the success of the GEF/UNEP Project implementation is presented below (applying items as indicated in the TORs for the evaluation) and using following rating system: 1 = Excellent (90-100% achievement); 2 = Very Good (75-89%); 3 = Good (60-74%); 4 = Satisfactory (50-59%); 5 = Unsatisfactory (49% and below).

6.2.1 Timelines

For a number of activities, the timetable as indicated in the Project Document was not met and outputs were produced in some instances with considerable delay (see Annex VI).

Rating: Satisfactory – 4

6.2.2 Achievement of results

Some of the results were achieved as planned but some results were not achieved since some activities were still not completed (see Annex VI).

Rating: Satisfactory - 4

6.2.3 Attainment of outputs

For activities that were completed outputs were in most cases in accordance with those defined in the Project Document, but for activities that are still ongoing, outputs are still to be produced (see Annex VI).

Rating: Good - 3

6.2.4 Completion of activities

Most of the activities envisaged in the Project Document have been completed, although several activities are still ongoing (see Annex VI), with the good chance to be completed by the closing of the Project (with the new revision which is being prepared, it is predicted that the Project will be closed by the end of 2003).

Rating: Good – 3

6.2.5 Project executed within budget

The Project was executed within budget, but there are still about 40% of uncommitted funds that will have to be committed and spent by the completion of the Project (currently July 2003, but the revision which will extend the Project until the end of 2003 is under preparation).

Rating: Good - 3

6.2.6 Impact created by the project

After a slow start, the impact created by the Project in the participating countries and in the international community was good.

Rating: Good - 3

6.2.7 Sustainability

The sustainability depends on the signing and entry into force of the Framework Convention, and there are indications that the Convention will be signed in June 2003.

Rating: Satisfactory - 4

6.2.8 Overall rating

Since four of the seven points were rated as “good” and three points were rated as “satisfactory” the overall rating is considered to be “good”.

7. LESSONS LEARNED

It is quite typical for this type of regional programmes that, at the beginning, the international community assist the participating countries to launch the programme and, usually, in the initial phase, the countries are sluggish in identifying themselves with the programme and in accepting the ownership of the programme. Clearly demonstrating the ownership to the programme through active participation in the design and implementation of activities and through the provision of financial, institutional and human support is the only way to make such programmes sustainable, because such programmes should be of the countries of the region and have to be implemented by the countries of the region. The international community should only support the programme but the ownership has to be with the countries of the region. The sooner the countries of the region demonstrate their ownership of the programme, the more efficient the programme will be. The timely demonstration of ownership will send a clear signal to the international community that the countries of the region are ready to take responsibility for the solution of their problems. This is the lesson learned in other programmes of this type in the world and the Caspian region is no exception.

The Caspian Environment Programme is a very complex undertaking and different components of the programme have been developed and implemented by different partners of the international community (GEF, UNDP, WB, UNEP, the EU/Tacis and others) and at different times. Various complex activities were undertaken, like the design and preparation of TDA, NCAPs, SAP, Framework Convention, and a number of basic studies on various subjects and it is inevitable that, on some occasions, a lack of coordination in substance and/or time will be apparent. It is very important to try to harmonise and coordinate all basic activities and such harmonisation should not be only in substance but also in time. For instance, it is important that the legal base/framework for such a complex programme is developed on time to be harmonised with other activities. The negotiations for the development of the legal base (Framework Convention and protocols) for the Caspian region have been lagging behind the development of some other components. Regional ownership of this type of programmes can be demonstrated only through the timely adoption of the legal framework. A lesson learned is that all basic components of regional programmes should be designed and developed in close coordination not only in substance but also in time.

Environmental protection and sustainable development of regions like the Caspian is a very costly business. Proper protection and development of such regional programmes costs tens of billions of dollars and it is neither feasible nor sustainable to expect that the public sector and the international community alone will cover such costs. Without the very active involvement of the private sector, there is no sustainable solution to the environmental protection and sustainable development of the region. Participation of the oil and gas sector in the CEP is a very clear example of the active interest of the private sector. It would be important that the participation of the private sector be broadened also to other sectors. A lesson learned is to develop active participation of the private sector from the very beginning of a regional programme of this kind. They should be involved not only in the implementation of the programme but also in its design and management in order to share in the ownership of the programme.

8. RECOMMENDATIONS

8.1 Development and implementation of a legal umbrella to CEP

Signing and entry into force of the Framework Convention and its protocols, as an overarching legal and institutional framework of CEP, SAP and NCAPs, is of utmost importance for the long-term coordinated and systematic protection and sustainable development of the Caspian environment. Signing of the Convention without further delay will be a definite proof of the enhancement of the concept of ownership of CEP, the SAP (as the action plan of the Convention) and the NCAPs by the countries.

It is recommended that:

- (i) UNEP, leading the preparation of the Framework Convention, jointly with the countries of the region and other actors from the international community, should concentrate efforts to achieve signing and entry into force of the Convention and its protocols;
- (ii) Conference of Plenipotentiaries, when adopting the Framework Convention, decides that the Conference of the Parties is the highest authority of the Action Plan and that SAP acts as the Action Plan of the Convention;
- (iii) UNEP should act in the period between the signing and entry into force as the Interim Secretariat of the Convention; and

- (iv) UNEP should be assisting the PCU in the transitional period.

8.2 Coordination of components in an environment management programme of this scale and duration

In order not to duplicate the work and optimise the achievements of environment management programmes of this scale and duration, it is very important to coordinate all of the basic components (the NCAPs, the SAP, and Framework Convention with protocols), particularly those implemented by various organisations, like UNDP, WB, UNEP, the EU/Tacis and others. Coordination should be both substantive and in time. Likewise, such coordination should also be achieved among various governmental departments and between governmental and other organisations at the level of individual countries. Coordination of legal and substantive components is particularly important when selecting and developing protocols and agreements.

It is recommended that:

- (v) *UNEP take appropriate actions in order that coordination mechanisms are enhanced among all involved actors at the national level, at the international level and between national and international levels.*

8.3 Recommendations that outline design and strategic approach, prioritise activities and identify institutional arrangements for a next phase(s) upon completion of the current project (e.g. rank in terms of feasibility, if more than one recommended strategic approach)

Upon completion of the current Project and when designing the next phase, efforts of UNEP should focus on activities necessary for enhancement of the perception of the ownership among participating countries, early entry into force of the Framework Convention, development of protocols and relevant capacity building.

It is recommended that:

- (vi) countries be called upon for enhanced ownership of CEP and the Convention, including increased financial commitment towards the next phase, as the CEP is moving from institution-oriented to activities-oriented technical support approach;
- (vii) selection and development of protocols be harmonised with the requirements of the NCAPs, the SAP and the Framework Convention and that UNEP ROE ensures adequate in house expertise in order to organise and implement such a process; and
- (viii) for the capacity building, in addition to the enhancement of the legal framework at national level, UNEP ROE to provide technical assistance and advice to countries and other stakeholders for the development and application of economic tools and instruments related to the protection and sustainable management of the environment of the Caspian region.

8.4 Recommendations that can further enhance synergy and coordination between international and European agencies in the sub-region

For the enhancement of synergy and coordination between international and European agencies, it would be important to continue with existing coordination arrangements with selected international conventions but also to develop cooperation with some other conventions and most relevant international programmes.

It is recommended that:

- (ix) UNEP ROE in addition to already existing cooperation with the secretariats of the CITES, Aarhus, and Espoo Conventions, makes efforts to develop cooperation with Ramsar Convention and most relevant international programmes, like GPA/LBA, GIWA, GOOS and PEBLDS.

8.5 Recommendations that consider the replicability of this project and its legal umbrella approach for other projects that address the need to promote sustainable environment protection and development of environment programmes in sub-regions

In order to consider the replicability of this Project and its legal umbrella approach in other regions of the world it would be important to present the experience of the Caspian region at relevant international meetings and to bring the Caspian Sea Convention into the family of Regional Seas of UNEP.

It is recommended that:

- (x) UNEP ROE presents the experience of the Caspian region at relevant international meetings and makes efforts to bring the Caspian Sea Convention into the family of Regional Seas of UNEP.

2.1.1 9. CONCLUSIONS

As a conclusion, the evaluator is of the opinion that the remarkable and significant work which was done over the last five years by the Governments of the region and International Partners in order to develop and coordinate the joint efforts of the Caspian states and the International community for the protection of the Caspian environment has about an even chance to be successful or to fail. The only way to success will be if the Caspian Governments accept the ownership of the Convention with protocols and the SAP as Convention's Action Plan, and demonstrate it by providing adequate financial and institutional support.

Annex G3: Evaluation WB-GEF Component of Caspian Environment Program (CEP)

MID-TERM EVALUATION

11 August 2003

**Project “Addressing Transboundary Environmental Issues
in the Caspian Environment Program (CEP): Component IV - Priority Investment Portfolio
Project” (RER/98/G32/A/1G/42)**

10 WORLD BANK COMPONENT OF THE GEF-CEP PROJECT

Prepared by
Ljubomir Jeftic, Consultant

Zagreb, August 2003

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EXECUTIVE SUMMARY

This mid-term review and evaluation of the project “Addressing Transboundary Environmental Issues

in the Caspian Environment Program (CEP): Component IV - Priority Investment Portfolio Project” (RER/98/G32/A/1G/42) (World Bank Component of the GEF-CEP project) was conducted in the period from 15 April to 30 July 2003.

CEP represents a regional co-operation process of five Caspian littoral states and is a comprehensive response to the key environmental problems facing the Caspian region. This intergovernmental process is currently supported by the international community through, *inter alia*, GEF, UNDP, World Bank, UNEP and EU, and the private sector, in particular oil and gas.

UNDP is GEF Implementing Agency and the World Bank the Executing Agency for this project. The objective of this project is to increase the number and quality of priority environmental investments that have a positive transboundary environmental impact and that contribute to economic growth.

The general concept and strategic design of the project is wholly appropriate to the political and institutional situation regarding the management of the Caspian Sea and its resources and demonstrates good understanding of the environmental concerns of the region. In addition to these positive aspects on a general level, there are a number of weaknesses in the detailed project design, one of them is that the Project Document is overoptimistic regarding the ability and readiness of states to implement medium and larger scale investments, even when linked to agreed regional priorities such as highlighted in SAP.

The first subcomponent of this project (Investment Identification and Pre-Preparation) was partially successful in achieving its goals because investment projects have been selected and endorsed only by the governments of Azerbaijan and Turkmenistan with a commitment for implementation, warranting further expenditure of PIPP resources for preparation. Good projects have been identified in Iran, Kazakhstan and Russia, but no firm commitment can be made for implementation funding at this time. The main problems were: (a) significant investments required; and (b) national budgetary constraints, especially with regard to environmental investments and vague support from national level. On the other hand a very positive aspect of PIPP was that it activated a dialog between national ministries and regional authorities about priority environmental investment necessary for the implementation of NCAPs.

The second subcomponent of this project (Institutional Strengthening and Training for Project Preparation) was effective and training courses were very positively received by participants representing local governments, scientific institutions and NGOs. It was a common feeling that such training should continue, especially regarding economic valuation methodologies. Most of the NFPs, Magicas and LLCs interviewed considered this subcomponent successful, resulting in the enhanced know-how in participating countries to formulate project ideas, to prepare project documentation and search for possible sources of financing.

The third subcomponent of this Project (Matched Small-Grants Programme, MSGP) was very successful in its initial phase, which was completed recently, although its development took longer than planned. The success of MSGP in the initial phase was achieved by (a) an excellent conceptualisation and selection procedure; (b) small size of projects with regional priority; (c) strong motivation to leveraging of own resources; and (d) an excellent capacity building program. The impact of the MSGP on the ground is still to be seen to allow for a full assessment, as only 5 out of 16 selected Projects are being implemented at present. Monitoring of MSGP Projects, which is extremely important, will pick up significantly now that

all the projects are funded (or almost so) and are under implementation, and no new grant rounds are being prepared.

The general implementation and management of the project in the terms of quality was very good and was cost effective. Regarding timeliness, it is true that a number of activities were significantly delayed, but that turned out to be beneficial for the whole process because of the synergic effects with the TDA, NCAP and SAP activities. Also credit should be given to the World Bank management team that they did withstand the pressure of the deadlines and did not compromise the quality of the outputs due to the deadlines that could not be met, and rather revised the target dates in order to have high quality outputs. The institutional set-up was adequate, well designed and managed. In the cases when the planned goals were not achieved, this was not due to the inadequacy of the institutional set-up but rather to the lack of readiness of some governments to provide a clear indication of financial support to selected projects. Co-operation among project partners was successful providing a concerted effort towards the protection and development of the Caspian Sea. The management of the project did demonstrate remarkable responsiveness to changes in the environment in which the project has been operating, although some of the changes took considerable time to be implemented. Co-operation (including information sharing) and coordination among international partners and management structures can be considered as very successful providing a concerted effort towards the protection and development of the Caspian Sea.

This project developed to a certain level the concept of the “ownership” by the countries although further development of that concept would be desired. The level of commitment of the countries to support the project was mostly adequate. This project had a significant impact on the participating countries, particularly in capacity building regarding the formulation of problems, preparation of proposals and selection and implementation of projects. It is hoped that the enhanced know-how will have sustainable effects and that the synergic effects of NCAPs and SAP on one hand and PIPP and MSGP projects on the other will be even more pronounced in the future.

Section 6 of the evaluation presents conclusions and recommendations, including lessons learned and particular elements of this project that have worked well and those that have not worked well. The main points of this section are presented below.

One of the lessons learned is that stakeholders view this project generally positively, but have tended to maintain the unrealistic expectation that external donors would provide grant financing to support all or almost all of the activities under the CEP. Environment Ministries (the lead counterpart) had in some cases assumed that investments, once selected, would be managed within their own agencies. In fact, the proponents for the candidate investments most often were other agencies or local government bodies. These views are now changing, assisted by the NCAP process and other dialogue under the CEP, but expectations are still very high.

Particular elements of this project that have worked well:

- integration of the PIPP investment identification process with budget and investment planning in the NCAPs;
- creation of a consultative investment screening process and selection of priority investments in each Caspian state for further preparation;
- successful delivery of two formal training programs to develop capacity (a) for use of economic analytical tools in environmental policy and program formulation (valuation training), and (b) for project preparation (proposal writing training);
- successful development and implementation of the First Round of MSGP projects and successful development of the Second and Third Rounds; and

- recruitment of one LLC in each Caspian state for capacity development, support in investment identification and preparation for PIPP and MSGP projects and connection to NCAPs and SAP.

Particular elements of this project that have not worked well:

- the Bank experienced significant administrative difficulties as executing agency for the PIPP, resulting in delays in implementation of the project. These were overcome, but indicate that this is not the most efficient role for the Bank to play;
- the lack of a regional entity satisfactory to all parties and legally capable of serving as the executing agency hampered implementation and resulted in the project re-design with the Bank in the role of executing agency. This situation will likely prevail until after the states will have signed the Framework Convention;
- relatively low national priority accorded to environmental and sustainable bioresources management. The challenge is to design interventions that help decision makers to balance environmental needs with other policy choices, so that sound development decisions can be taken and implemented. The PIPP may have helped the Caspian states in this regard in a modest fashion, through the economic valuation training and cooperation on the NCAPs and SAP;
- general lack of tradition and culture to develop and own fundable investment projects in the region, in particular in CIS countries having as a result the inability or unwillingness of some states to allocate budget or borrow for implementation of priority investments identified via the PIPP and NCAPs. This is particularly true of the ministries of environment, usually the CEP counterparts; and
- lack of serious involvement by the sectoral agencies including finance and economic national agencies in project identification process.

This evaluation provides twelve recommendations of which the highest priority are given to:

- for larger-scale investments: to stop allocating funds under regional projects such as GEF-II for identification and development of investment projects. Instead, countries should engage with the Bank or other IFIs or donors on a bilateral basis to develop investment projects that meet priority objectives as defined in the NCAPs and SAP, and that have the strongest probability of financial and institutional support for successful implementation. Regional projects can and should support this process, but should keep expectations matched to realities;
- to continue the MSGP, keeping in place the approach for selecting projects on a merit basis, instead of switching to a population-based or even-split approach to grants selection;
- that the World Bank decision to use some of resources under the existing MSGP to train the staff of MSGP II when operational be fully implemented;
- that no efforts should be spared in order to ensure a smooth transition from MSGP I to MSGP II, including transfer of knowledge, training of staff and relocation of PCU;
- that MSGP II should be linked as much as possible to NCAPs and SAP; and
- For training: consider allocating resources for expansion of training in economic valuation.

1. INTRODUCTION

This mid-term review and evaluation of the project “Addressing Transboundary Environmental Issues

in the Caspian Environment Program (CEP): Component IV - Priority Investment Portfolio Project” (RER/98/G32/A/1G/42) (World Bank Component of the GEF-CEP

project) was conducted in the period from 15 April to 30 July 2003. The Terms of Reference for the evaluation are attached as Annex I to this report.

This evaluation is based on the review of a large number of documents (Annex II to this report), on numerous communications with Ms Amy Evans (the World Bank); Mr Hamid Ghaffarzadeh (CEP Coordinator), and Mr Andy Hudson (UNDP), on a number of interviews in Baku (PCU, UNDP, and Ministry of Environment), and on the responses to the questionnaire (Annex III) sent to Lead Local Consultants (LLCs) and questionnaire (Annex IV) sent to National Focal Points (NFPs) and Management Advisory Group and Inter-sectoral Assistants (Magicas) members in each of the Caspian states. The summary of answers by NFPs/Magicas to the questionnaire is presented in Annex V. A list of all MSGP projects granted is presented in Annex VI and a list of acronyms is presented in Annex VII to this report.

This report contains sections 3 on Project design, 4 on Project implementation, 5 on Project impact, and 6 on Conclusions and recommendations.

2. BACKGROUND

CEP represents a regional co-operation process of five littoral states, namely Azerbaijan, Islamic Republic of Iran, Kazakhstan, Russian Federation and Turkmenistan. CEP is a comprehensive response to the key environmental problems facing the Caspian region with the international partners and others helping to address some of the priority issues. This intergovernmental process is currently supported by the international community through, *inter alia*, GEF, UNDP, World Bank, UNEP, EU, bilateral donors, and the oil and gas sector. The overall goal of the CEP is:

“Environmentally sustainable development and management of the Caspian environment, including living resources and water quality, so as to obtain the utmost long-term benefits for the human populations of the region, while protecting human health, ecological integrity and the region’s sustainability for future generations.”

The immediate foci of the overall GEF CEP project are:

- Component I: Development of a Caspian regional coordination and management mechanism for the sustainable development and management of the Caspian environment through the creation of regional, inter-sectoral and thematic institutional frameworks, including a regional framework convention;
- Component II: Completion of a Transboundary Diagnostic Analysis (TDA) of priority water-related environmental concerns for the Caspian ecosystem;
- Component III: Strengthened Institutional, Legal, Regulatory and Economic Frameworks for SAP implementation;
- Component IV: *Development of Priority Investment Portfolios for Transboundary Priorities; and*
- Component V: Formulation and Endorsement of a Regional Strategic Action Program (SAP) and five National Caspian Action Plans (NCAPs) outlining priority actions, both baseline and additional, to be taken on behalf of sustaining the Caspian and its associated resources.

Within the framework of the GEF project and in line with its mandate of assistance to the CEP and support to the Caspian states, UNDP is GEF Implementing Agency and the World Bank is Executing Agency for Component IV: Development of Priority Investment Portfolios for Transboundary

Priorities. The objective of this component is to increase the number and quality of priority environmental investments that have a positive transboundary environmental impact and that contribute to economic growth.

The project was initially planned to be implemented by the World Bank, but after a fairly long time this proved impossible as no suitable executing body could be identified. At that point (late 1999), the states and the GEF agencies agreed to have UNDP as Implementing Agency and the World Bank as Executing Agency. That was one of the reasons for the delay that was referred to in a couple of places in this document. The other major development, which also impacted the pace of delivery, was the withdrawal of the US firm that had been contracted by the World Bank to manage the MSGP, which forced the World Bank to go for full restructuring of the MSGP management.

The original project document “Addressing Transboundary Environmental Issues in the Caspian Environment Program (CEP): Component IV - Priority Investment Portfolio Project” envisaged the duration of the project to be three years (July 2000 – June 2003). A revision agreed by the CEP Steering Committee in October 2002 and implemented in March 2003 rephased funds and the period of implementation to the period from October 2000 to December 2004.

3. PROJECT DESIGN

3.1 Appropriateness of the project’s concept and strategic design to the overall situation of the Caspian Sea, the World Bank’s strategic strengths and the overall goal of the CEP

The general concept and strategic design of the project is wholly appropriate to the political and institutional situation regarding the management of the Caspian Sea and its resources and demonstrates good understanding of the environmental concerns of the region. The project concentrates rather well to the strategic strength of the World Bank (selection, development and implementation of investment projects and corresponding training). The project is one of the five components of the GEF CEP Project and as such covers a significant and important part of the whole CEP.

In addition to these positive aspects on the general level, there are a number of weaknesses in the detailed project design. The Project Document is overoptimistic regarding ability and readiness of states to implement medium and larger scale investments, even when linked to agreed regional priorities such as highlighted in SAP. It is surprising that the project of this complexity and importance has neither a work plan nor a timetable of implementation. Objectives and activities of the project are rather scattered over the document, they are not consistent and in some cases they use a very confusing manner of information from the Project Brief. The lack of indicators to measure impacts was also noted.

In their answer to the questionnaire LLCs were of the opinion that the Project design was quite appropriate.

3.2 Relevance of the project design within the framework of GEF programs and guidelines

This project is definitely very relevant to the framework of GEF programs and guidelines. The GEF’s participation in the CEP stems from the broad global and transboundary impacts prominent in the Caspian. The global environmental objective of the project is environmentally sustainable development and management of the Caspian environment, including living resources and water quality, so as to obtain the utmost long-term benefits for the human populations of the region, while protecting human health, ecological integrity and the region’s sustainability for future generations.

4. PROJECT IMPLEMENTATION

4.1 Achievements of the project against the original objectives, outputs and activities as detailed in the project document

Objective

The objective of the Priority Investment Portfolio Project (PIPP) implemented by UNDP and executed by the World Bank is *to increase the number and quality of priority environmental investments that have a positive transboundary environmental impact and that contribute to economic growth.*

Outputs

The planned outputs of the projects were *enhanced capacity in the region to identify and prepare investment projects suitable for finance from international financial institutions.*

Subcomponents and Corresponding Activities

This project is composed of the following four subcomponents and corresponding activities:

- (i) Subcomponent No. 1 – Investment Identification and Pre-Preparation
Corresponding Activity 1. Support the identification and pre-preparation of investment projects, with emphasis on the financial feasibility and blended funding for implementation;
- (ii) Subcomponent No. 2 – Institutional Strengthening and Training for Project Preparation
Corresponding Activity 2. Training on project preparation, financing, management and supervision; Training or seminars on the role of investments in implementing the national policy agenda;
- (iii) Subcomponent No. 3 – Matched Small-Grants Program (MSGP)
Corresponding Activity 3. Establish a grant program to support the implementation of small demonstration or pilot projects; and
- (iv) Subcomponent No. 4 – Project Management
Corresponding Activity 4. Project Management - Coordination among many parties with a transparent mechanism for managing all subcomponents.

The subcomponents and activities were designed to maximize the results of using limited GEF resources. The first subcomponent assists the participating organizations to identify and begin to prepare high-priority investment projects that meet program criteria. The second subcomponent provides targeted technical assistance to participating organizations. The third subcomponent establishes a matched small-grants program whereby a small amount of GEF funds is matched, one for one, with in-country and other sources of funds for the implementation of demonstration or pilot-scale projects in line with the overall objectives of the Caspian program. Finally, the fourth subcomponent provides for transparent project management of coordinated activities.

After a very slow beginning made necessary by a complete re-design of the implementation structure of this component, good progress has begun to be seen especially in the areas of investment identification, matched grants, and formal training. In retrospect, it has been advantageous for the investment identification process to occur towards the end of the UNDP/UNOPS and UNEP components of the

project, so that the investment identification process has benefited from a completed TDA and from active collaboration in development of the NCAPs. There is still significant uncertainty about the ability of the Caspian states to finance (via budget, commercial investments or IFI lending) investments that are identified as priorities through the TDA/NCAP/SAP process. Realistic discussions with project proponents and government stakeholders have been greatly facilitated by the presence of PIPP LLCs, who have helped the Bank and national counterparts to identify and screen candidate investments.

In their answers to the questionnaire (Annex V) most of the NFPs/Magicas were of the opinion that objectives of the Project were achieved although some thought that they were not achieved.

4.1.1 Subcomponent No. 1 – Investment Identification and Pre-Preparation

This subcomponent has been implemented through the *Activity 1. Support the identification and pre-preparation of investment projects, with emphasis on the financial feasibility and blended funding for implementation.*

This subcomponent supports the identification and pre-preparation of investment projects, with emphasis on the financial feasibility and blended funding for implementation. It had been anticipated that priority investments could include transboundary environmental issues.

In the early stage of the work on this activity between 3 and 12 project ideas have been considered in each state. At the time of Tripartite Review in Oct. 2002 within each country a set of investment project ideas was screened and reached the point when one or two investment projects were preliminary selected in each country which were to be further developed for implementation. Each selection was supposed to be finalized with the government. The work on investment identification and pre-preparation was conducted with involvement of the NFP, assisted by LLC, in consultation with EU-TACIS and UNDP.

At that time the World Bank pointed out the difficulty in identifying financing for investments. By the time of the Tripartite Review considerable work and resources for capacity building were provided in form of grants and expectations continued to exist on the part of the Caspian states that most financing would come from external funds and on the grant basis. Still at the stage of moving from capacity building to investment, there had been a need for resources to be provided by the countries, both in form of their budgetary contribution and in form of countries seeking international loan financing to help finance some of the project investments and NFPs were supposed to bring this to the attention of their governments. This issue was not only limited to concern of the PIPP but also indicated a critical stage for the CEP where a significant additional contribution will be needed from countries.

It was expected by the Tripartite Review that by June 2003 preparation of five project concepts, representing detailed documents describing objectives, funds, participants, implementation arrangements and beneficiaries should be completed. Each project concept document should have been developed according to the procedures and format of the organization that is expecting to finance the project. Unfortunately such expectations did not materialise.

The present status of the PIPP is summarized below.

Projects have been selected and endorsed by the governments of Azerbaijan and Turkmenistan with a commitment for implementation, warranting further expenditure of PIPP resources for preparation. Good projects have been identified in Iran, Kazakhstan and Russia, but no firm commitment can be made for implementation funding at this time.

PIPP in Azerbaijan

The proposed PIPP Kura Delta project would spot-dredge the main channel to open a passage for fish migration, restore spawning grounds upstream, expand protected wetlands and the coastal area by establishing a reserve to connect with the existing Shrivani preserve, support development of aquaculture, and establish a system for sustainable financing of bioresources management. The Kura was last dredged in 1981. Since then, silting has been exacerbated by the Caspian Sea level rise in the 1980s, to the point that upstream migration of sturgeon and other fish is very restricted. Recovery of the sturgeon fishery and protection of wetland habitats is among the highest priorities for Azerbaijan and the Caspian region as a whole. A draft project description and accompanying proposal for a GEF MSP are under preparation. The Government has taken a number of steps to bring in elements that were previously missing and this is indicative of their commitment and further work in this direction is encouraged.

PIPP in Iran

Discussions with the Department of Environment (main counterpart for the CEP) confirmed that a PIPP project supporting the environmental management component of the Bank-financed Pashakola Integrated Watershed Management Project does not have sufficient support within the Government to warrant proceeding with preparation. The Government prefers to use the PIPP resources to support preparation of a project on integrated coastal zone management (ICZM) in central Gilan province, as this project would address several of the highest priority problems identified in the National Caspian Action Plan for Iran. The proposed 5-year Gilan ICZM project would seek to reduce point and non-point source pollution, improve biodiversity protection and better plan land use to improve water quality and other environmental conditions in the central coastal area of Gilan Province in northern Iran. Project costs are estimated at \$28.5 million, and the Government may decide to request Bank and GEF financial support. The proposed project area would include the Anzali wetlands, a Ramsar site, and the lower Sefid Rud watershed, a critical sturgeon spawning grounds.

The counterparts agreed to work with the relevant government agencies to identify potential sources of financing for the implementation of the investment project, and to confirm Government commitment to the project. If part of the financing is intended to be provided by an international financial institution, it was agreed that the Ministry of Economic Affairs and Finance would signal a clear indication of willingness to borrow funds for this purpose.

PIPP in Kazakhstan

Meetings were held in February 2003 with representatives of several Ministries and local authorities on the potential scope, costs and implementation arrangements for a possible \$15.2M Atyrau Environmental and Bioresources Project that would replenish and preserve sturgeon stocks and protect biodiversity on the Ural River and delta.

The Ministry of Agriculture and Atyrau Akimat agreed to submit proposals to the Ministry of Economy and Budget Planning for a budget allocation for implementation of the Project on a priority basis in 2004 or 2005. After approval by the Ministry of Economy, financing for the project will be identified from the state budget, Akimat budget, grant sources, and, if deemed appropriate by the Government and Bank management, an IBRD loan. A letter confirming these actions was to have been sent by the Ministry of Economy to the Bank.

Given the lack of an indication of commitment to implement the project, the Government will be advised that Bank plans to allocate the PIPP resources to other priority objectives under the CEP.

PIPP in Russia

The Russian candidate PIPP project involves construction of 1-2 vessels for transport of juvenile sturgeon and other hatchery species to the sea, which will significantly increase the survival rate over that achieved when the juveniles are released directly from the hatcheries into the Volga. Confirmation of funding for implementation of the project (costed at \$4.0-5.8M, depending on whether 1 or 2 vessels are built) from the national budget and the State Fisheries Committee is being sought. The Russian Caspian NFP expressed written support for the project, but the letter lacks a clear statement of willingness and the ability to finance the project from the Russian Government or other resources. The option of co-financing in loan from the WB or EBRD or any other organization remains open but initiative for that should come from the Russian Federation. The most promising direction for fund seeking, pointed out by the WB, is to link the process of allocating quota for sturgeon fishing to financing of the release of fingerlings. This would put into place sustainable mechanism for release of fingerlings, create market and economic incentives to increase productivity and effectiveness. PIPP resources can be made available to make such mechanism workable if there is political will from the Russian Federation. The Bank has advised the Russian CEP participants that, in the case of an absence of a written confirmation of funding for implementation of the project, the Bank will reallocate the funds to other PIPP priorities.

PIPP in Turkmenistan

Work is proceeding to prepare a proposal for a GEF MSP to support biodiversity and habitat project in the Hazar Reserve on the Turkmenistan Caspian coast. The GEF MSP would be submitted by UNDP, and PIPP resources would be used for training and preparatory studies needed to implement the project.

In their answers to the questionnaire (Annex V) NFPs/Magicas were of the opinion that this subcomponent was partially successful. In their answers to the questionnaire LLCs were of the opinion that this subcomponent was quite successful although one was of the opinion that it was not.

It can be assessed that this component was only partially successful in achieving its goals because only two countries were ready to implement investment projects. PIPP was not fully successful in achieving its stated aims due to: (a) significant investments required; and (b) national budgetary constraints, especially with regard to environmental investments and vague support from national level. On the other hand a very positive aspect of PIPP was that it activated a dialog between national ministries and regional authorities about priority environmental investment necessary for the implementation of NCAPs.

4.1.2 Subcomponent No. 2 – Institutional Strengthening and Training for Project Preparation

This subcomponent has been implemented through the *Activity 2. Training on project preparation, financing management and supervision; Training or seminars on the role of investments in implementing the national policy agenda.*

This subcomponent addresses two main areas of institutional strengthening:

- Training of NFPs and other National personnel on project preparation, project cycle, financing, management and supervision, and
- Training or seminars for NFPs and other senior National personnel on the role of investments in implementing the national policy agenda.

The training element of the PIPP was successfully completed in 2002, with the delivery of two formal training courses.

A training course “Environmental Valuation in the Caspian Sea” was held in Baku (29 Jan. – 8 Feb. 2002) to 27 technical experts and 10 decision-makers from all Caspian countries. The main objectives of this

workshop were to strengthen the capacity of technical experts in the Caspian Sea region to apply modern methodologies of environmental valuation; to interpret the implications of valuation findings for the purpose of decision-making; and to demonstrate economic costs of inadequate environmental policies and benefits which could be achieved by undertaking curative and preventive measures and enhance public awareness of social costs of environmental degradation. Two distinctive features of the training were practical orientation (case-studies formed the basis for all presentations); and a learning-by-doing approach with the participants working in teams. The course materials included following well prepared and detailed papers: Monetary valuation of environmental impacts; Assessing the economic costs of air pollution; An economic analysis of the problem of sturgeon depletion in the Caspian Sea; Measuring the economic value of biodiversity and coastal habitats; and Using valuation of environmental impacts in decision-making. The workshop was well attended and received very positive evaluations from the participants. The main recommendations of the workshop were to execute economic analysis of Caspian environmental damages and benefits; to organize a special study for future of CEP including financing sources; and to incorporate environmental valuation in EIA.

The second main activity under the training component were formal 3-day workshops on proposal writing that were delivered in each of the five Caspian states in July 2002. In five workshops conducted by Counterpart International throughout the Caspian Region, 138 participants were trained in the World Bank-approved Project Design and Proposal Writing workshops. This activity was implemented with the support of UNDP and Tacis. The introductory workshop on Training the Trainers was held in Baku with five participants. Subsequently to this workshop five workshops were held on Project Design and Proposal Writing in Baku, Astrakhan, Ashgabat, Rasht, and Atyrau. Most of the attendees were from government and academia, with few from NGOs. The main topics covered were: Donor relations; A review of the project cycle; Problem analysis and problem trees; Problem analysis exercise; Impacts and indicators; The log frame; Budget; Matching donors to projects; and Research and communication. Participants valued the information presented in these workshops. They all expressed interest in additional workshops and suggested that workshops should be four or five days in length. Also it was suggested that it would be good to end the training with the development of a real proposal. .

In addition to the two formal training courses mentioned above a very important document “Manual for conducting very small-value procurement under World Bank/IDA small-grants, loans and credits” was prepared and was an important contribution to implementation of projects under the MSGP.

In their answers to the questionnaires (Annex V) NFPs/Magicas were of the opinion that this component was mostly successful. In their answer to the questionnaire most of the LLCs were of the opinion that this subcomponent was quite successful, although some thought that it was not.

It can be assessed that the training component was effective and training courses were very positively received by participants representing local governments, scientific institutions and NGOs. It was a common feeling that such training practice should continue.

4.1.3 Subcomponent No. 3 – Matched Small-Grants Program (MSGP)

This subcomponent has been implemented through the *Activity 3. Establish a grant program to support the implementation of small demonstration or pilot projects (Matched Small-Grants Program)*

The MSGP is an element of CEP, a regional initiative to promote the sustainable development and management of the Caspian environment. This subcomponent of the project was developed in recognition of the strong desire of the Caspian states and international partners to achieve results on the ground as quickly as possible, and the fact that many projects actually require relatively small amounts of investment. The purpose of the MSGP is to advance small-scale investment or pilot projects to address urgent

environmental problems in the Caspian region. With this program small-scale priority projects can be implemented quickly, in order to take curative or preventive actions. The MSGP also helps to develop capacity for further actions to improve the Caspian environment and operates in all five Caspian littoral states. The following types of organizations that are legally registered in a Caspian state were eligible to apply for the MSGP:

- Private sector: companies, businesses, and scientific institutions, both foreign and locally owned;
- Governmental sector: state-owned enterprises, local, provincial and national authorities, utilities, state scientific institutions and committees working on the regional level in the Caspian Sea region; and
- Non-governmental sector: foreign NGOs, local NGOs, Community-based organizations (CBOs), local associations.

Grants were competitively selected by an Evaluation Committee (EC) comprised of Caspian National Focal Points (NFPs), the Caspian Environment Program Coordination Unit (PCU), the World Bank, and the European Union. In order to facilitate the implementation of the MSGP, detailed Evaluation Criteria were developed, as well as the MSGP Flyer; the MSGP Reporting Guidelines; the Application Forms and Guidelines; the Sample Grant Agreement; and the Manual for Conducting Very Small-Value Procurement under World Bank/IDA Small Grants, Loans and Credits. Each grantee must attend a one-day Grantee Orientation, where the Grant Agreement is reviewed, grantees introduce their projects to one another, and MSGP staff explains the procurement, financial management and reporting procedures.

As a result of these projects, it was expected that a number (order of 5 to 10) of the projects could develop either into larger scale investment opportunities, or projects that can be replicated in other locations around the Caspian Sea.

Under the MSGP, small-scale investment or pilot projects that produce tangible, practical results have been financed. Preference was given to those projects that address transboundary environmental issues and make tangible environmental improvements, create substantial innovation in solution of environmental problems in the Caspian region and/or demonstrate a solution that can be readily replicated at other locations in the region. Projects should help to address priority problems identified in the TDA, NCAPs and SAP.

Projects eligible under the program may address the following areas identified as priorities in the SAP and TDA, or may address Caspian national priorities identified in the NCAPs:

- **decline in commercial fish stocks, including sturgeon;**
- **degradation of coastal landscapes and damage to coastal habitats;**
- **damage to coastal infrastructure and amenities;**
- **threats to biodiversity;**
- **overall decline in environmental quality;**
- **decline in human health;**
- **introduced species; and**
- **contaminaton from offshore oil and gas activities.**

The MSGP focuses on investment projects and does NOT support the following activities: research; monitoring; formal academic training; ongoing institutional core support; scholarships and fellowships; study programs; or individuals applying on their own behalf, including for travel or studies.

Two MSGP rounds were planned from the beginning of the project and were within the project schedule and budget, but the third round was added towards the end of 2002. Management of the MSGP was restructured in late 2001 when the firm administering the MSGP withdrew from their contract. The restructured management entailed direct Bank administration of the program. The MSGP is managed directly by the Bank Caspian team at HQ, with support by two local consultants based at the CEP PCU in Baku and the LLCs in each country. As a Bank-managed program, each MSGP project is executed via a Grant Agreement (simple letter format) by the Bank and the Recipient. A formal monitoring and evaluation procedure and schedule was established.

The First Round of MSGP Projects

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- 12 THE MSGP COMPLETED THE FIRST ROUND OF SOLICITATION OF PROPOSALS IN OCTOBER 2001 AND THE MEETING ON THE FIRST ROUND OF MSGP WAS HELD IN MOSCOW, 2 NOV. 2001 AND A TOTAL OF \$287,500 WAS ALLOCATED. A TOTAL OF 53 APPLICATIONS WERE RECEIVED (AZERBAIJAN 20; IRAN 12; KAZAKHSTAN 5; RUSSIA 11; AND TURKMENISTAN 5). PRE-SCREENING WAS CONDUCTED BY MSGP STAFF, BASED ON TWO CRITERIA: THAT THE PROJECTS HAVE THE POTENTIAL TO PRODUCE TANGIBLE RESULTS; AND THAT MATCHING FUNDING IS CONFIRMED. AS A RESULT 32 APPLICATIONS WERE SELECTED (AZERBAIJAN 16; IRAN 3; KAZAKHSTAN 3; RUSSIA 7; AND TURKMENISTAN 3) FOR THE EC TO REVIEW FOR THE FIRST ROUND. THESE APPLICATIONS REQUESTED A TOTAL OF \$1,644,419. AN ELABORATE AND EFFICIENT EVALUATION AND SELECTION PROCEDURE WAS APPLIED (INCLUDING SCORING BY EC PRIOR TO THE MEETING BY APPLYING NINE CRITERIA FORM THE "GUIDELINES FOR EVALUATION PROCEDURES") AND AS A RESULT CONDITIONAL (DETAILED PRECONDITIONS FOR EACH OF THE APPROVED PROJECTS WERE DEFINED) APPROVAL OF FIVE PROJECTS (ONE FROM EACH COUNTRY) WAS AGREED UPON, TOTALLING \$244,829. THE MEETING CONSIDERED IN DETAIL MSGP PROCEDURES, THE APPLICATION PROCESS, AND EVALUATION CRITERIA AND AGREED ON RECOMMENDATIONS TO BE TAKEN INTO CONSIDERATION IN PREPARATION FOR THE SECOND GRANT ROUND.

The list of the First Round MSGP projects under implementation is presented in Annex VI.

The Second Round of MSGP Projects

A Meeting on the Second Round of MSGP was held in Ashgabad, 4 Oct. 2002. A total of \$331,090 was allocated for the second round. A total of 19 applications were received (Azerbaijan 4; Iran 2; Kazakhstan 4; Russia 3; and Turkmenistan 6). Administrative pre-screening was conducted by MSGP staff and as a result 12 applications (Azerbaijan, Iran and Russia two each; and Kazakhstan and Turkmenistan three each) were determined to be eligible for funding totalling \$601,218. A review and scoring of these proposals was conducted by the EC members prior to the meeting. A technical review of the 12 projects was also conducted by MSGP staff, LLCs, and World Bank internal staff and consultants. An elaborate and efficient evaluation and selection procedure was applied and as a result a conditional (detailed request for project redesign for each of the approved projects were defined) approval of five projects (one from each country) was agreed upon totalling \$266,810. The meeting

agreed upon recommendations for improving MSGP to be taken into consideration in preparation for the third grant round.

An orientation meeting for the five new second round grantees was held in Baku on 13 December 2002. The draft grant agreements and guidelines for procurement and reporting were reviewed in detail, as well as project management procedures, and the grantees were assisted in finalizing their draft procurement plans.

The grant agreements were finalized and the list of Second Round MSGP projects under development is presented in Annex VI.

The Third Round of MSGP Projects

The October 2002 Tripartite Review Meeting of the PIPP and the CEP Steering Committee Meeting of the same date endorsed the extension of the MSGP into the third round. Such extension required a shift of an amount between \$200,000 and \$300,000 from subcomponent 1 (Investment Identification and Pre-preparation) and 'Project Management' budget line to subcomponent 3 (MSGP), increasing the original budget from \$570,000 to \$870,000. The third round is to be completed by the end of 2004.

A Meeting on the Third Round of MSGP was held in Baku, 13 March 2003. A total of \$351,000 plus \$200,000 as reserve was available for allocation in the third round. A total of 27 applications (Azerbaijan 8; Iran 7; Kazakhstan 5; Russia 3; and Turkmenistan 4) were received. As a result of the administrative pre-screening 18 applications (eight from Azerbaijan, two each from Iran and Kazakhstan, three each from Russia and Turkmenistan) were determined to be eligible for funding and were forwarded to the EC members for review. A technical review of 18 projects was also conducted by the LLCs, and World Bank internal staff and experts. Sixteen applications were eligible to be considered at the meeting, totalling \$1,093,000. An elaborate and efficient evaluation and selection procedure was applied and as a result a conditional (detailed request for project redesign for each of the approved projects were defined) approval of six projects for a total \$406,509 in new grants was agreed. Though the process has been slow to reach to this point it was interactive across the region and benefited from synchronization of priority project identification and preparation of NCAPs. The meeting agreed upon recommendations for improving MSGP to be taken into consideration in preparation for the next round of grants. Formal procedures for supervision, monitoring and evaluation have been developed and are being implemented.

The list of the Third Round MSGP projects that were selected for the implementation is presented in Annex VI.

A grantee orientation meeting for the six new third round grantees was held in Baku on 5 May 2003 to review in detail the draft grant agreements and guidelines for procurement and reporting. The grant agreements are in preparation and it is expected that they will be finalized in near future.

The MSGP team will now concentrate on start-up of the third round projects, monitoring implementation progress of all MSGP project, and ensuring timely disbursements of funding for the active projects. The team will also train the new MSGP staff to be recruited by the new CEP PCU in Tehran under the UNDP-led Caspian GEF II project.

The Fourth Round of MSGP Projects

The next (fourth) grant round will be developed under the second CEP/GEF project and administered by the PCU in Tehran, with support from UNDP and UNOPS. The World Bank

plans to keep the current MSGP team in place through 2004 to monitor and report on the projects funded in the first three grant rounds, and to train the new MSGP staff on the program's administrative systems. Work with PCU Tehran will start to enable the PCU to become the Administrator of MSGP in the future as there is an intention of UNDP and UNEP to include small-grant program into the CEP GEF II.

In their answers to the questionnaire (Annex V) most of the NFPs/Magicas assessed that the MSGP component was "mostly" successful although there were some concerns with the procedure and delay in the implementation. In their answers to the questionnaire all LLCs were of the opinion that this subcomponent was successful.

It can be assessed that MSGP was very successful in its initial phase, which was completed recently, although its development took longer than planned. The success of MSGP in the initial phase was achieved by (a) excellent conceptualisation and selection procedure; (b) small size of projects with regional priority; (c) strong motivation to leveraging of own resources; and (d) an excellent capacity building program. It was pointed out by several of the persons interviewed that MSGP information dissemination on the progress in the design and implementation of the MSGP was not adequate (although there were significant improvements lately). This resulted in the reduced interaction with some of the important partners in the process. The impact of the MSGP on the ground is still to be seen to allow for a full assessment, as only 5 out of 16 selected Projects are being implemented at present. Monitoring of MSGP Projects, which is extremely important will pick up significantly now that all the projects are funded (or almost so) and are under implementation, and no new grant rounds are being prepared.

4.1.4 Subcomponent No. 4 – Project Management

This subcomponent has been implemented through the *Activity 4. Project Management - Coordination among many parties with a transparent mechanism for managing all subcomponents.*

A project of this complexity and the need for coordination among many parties requires a transparent mechanism for managing all the subcomponents. In subcomponent 4, this project did ensure efficient use of resources by:

- (i) establishing a PIPP Baku-based liaison officer at the CEP PCU, who did facilitate coordination among the CEP participants; and
- (ii) establishing contracts with one LLC on a half-time basis in each Caspian state to assist the NFP in implementation of the project.

Further information on project management can be seen in points 4.2 – 4.5.

It can be assessed that project management was successful.

4.2 General implementation and management of the project in terms of quality and timeliness of inputs and activities, adherence to work plans and budgets

After a very slow beginning made necessary by a complete re-design of the implementation structure of this project, good progress has begun to be seen especially in the areas of investment identification, matched grants, and formal training. In retrospect, it has been advantageous for the investment identification process to occur towards the end of the UNDP/UNOPS and UNEP projects, so that the investment identification process has benefited from a completed TDA and from active collaboration in development of the NCAPs. There is still significant uncertainty about the ability of the Caspian states to finance (via budget, commercial investments or IFI lending) investments that are identified as

priorities through the TDA/NCAP/SAP process. Realistic discussions with project proponent and government stakeholders have been greatly facilitated by the presence of LLCs, who have helped the World Bank and national counterparts to identify and screen candidate investments.

UNDP acknowledged the delays in implementation of the PIPP but also noted that these delays ended up being in many ways beneficial to the PIPP, such as MSGP and investment identification, because they permitted greater synergy and linkage with the parallel SAP and NCAP process.

The GEF has allocated a total of US\$2,420,528 for the World Bank component, which includes \$67,513 for UNDP Country Office Support Costs and \$21,000 for administrative support cost to the Bank. In addition to the GEF funds, co-financing in the amount of \$3,551,000 has been made available to assist the Caspian Environment Program, and support the investment portfolio development. These funds have been or are being administered by the World Bank:

Japanese Policy and Human Resources Development: Two grants of \$500,000 and \$250,000 expended during 1994-1999 have assisted the World Bank and the Region in initiating the CEP activities, including investment portfolio issues.

A Norwegian Trust Fund provided a grant of approximately \$500,000 for the recruitment of a full-time staff at the World Bank, who has assisted in executing the CEP PIPP for a three-year period (late 2000 – early 2003). A Norwegian Trust Fund also provided \$155,000 to help develop mutual aid arrangements for oil spills in the Caspian region in 1999-2001.

A Japanese Trust Fund has provided \$994,000 to conduct an Ecotoxicology Study within the CEP, which assisted in the TDA preparation and investment activities in the CEP. This project had its kick-off meeting in October 1999 in Baku, Azerbaijan, and was completed in December 2002.

In addition, the matching requirement for the MSGP leveraged \$1,152,000 in co-financing, approximately half in local currency, and half in in-kind contributions.

Based on decisions taken by the Caspian SC at its October 2002 meeting, advice of Bank management and consultations with UNDP, and the realization that only 2-3 of the Caspian states would be able to pursue actively investments prepared with PIPP resources, the Bank Caspian team has reallocated approximately \$400K from investment preparation and project management budget categories to small-grants. A budget revision has been prepared to formalize the reallocation and to extend the implementation period of the PIPP to end 2004. The extension is needed to allow time for completion of the projects financed under the MSGP.

In their answer to the questionnaire (Annex V) most of the NFPs/Magicas assessed that Project management was “mostly” effective, although some assessed that it was “fully” and some that it was “partly” effective. In their answer to the questionnaire all of the LLCs were positive regarding the general implementation and management of the Project.

It can be assessed that the general implementation and management of the project in the terms of quality was satisfactory. Regarding timeliness, it is true that number of activities were significantly delayed, but that turned out to be beneficial for the whole process because of the synergic effects with the TDA, NCAP and SAP activities. Also credit should be given to the World Bank management team that they did withstand the pressure of the deadlines and did not compromise the quality of the outputs due to the deadlines that could not be met, and rather revised the target dates in order to have high quality outputs.

4.3 Adequacy of management arrangements as well as monitoring and backstopping support given to the project by all parties concerned

Management arrangements for this project can be considered as adequate due to the very good job done by the World Bank, which has been also giving adequate monitoring and backstopping support (see point 4.4 below).

The WB tasked their LLCs in the Caspian countries to cooperate with the NCAP teams to produce the country's PIPP projects. The LLCs were main links in co-operation among NFPs, PCU, and the WB. The process was fully nationally owned although CEP/PCU closely monitored the process through visiting missions and close communication.

In their answer to the questionnaire (Annex V) some NFPs/Magicas assessed that the management arrangements were effective and some that it could have been more effective. In their answers to the questionnaire all but one LLC were of the opinion that the management was adequate.

4.4 Institutional set-up, in particular in light of the changes made in administration of the project

The key institutions involved in the implementation of this project include:

- *Caspian governments.* The Caspian states' national government bodies charged with coordination of Caspian environmental co-operation serves as lead agency in each country for the project. In most cases, the lead agency is the Ministry (State Committee, Department) of Environment, and the Caspian National Focal Point (NFP) is a Minister or Deputy Minister of Environment (or equivalent). The NFPs are responsible for national coordination of the CEP at the inter-ministerial, national and sub-national levels within their states. The NFPs play a leading role in the implementation of this project. Each NFP is assisted by a part-time lead local consultant (LLC), who liaises with the PCU, World Bank and other CEP partners;
- *CEP Steering Committee for the Program (SC).* The SC, composed of NFPs or other senior representatives from Caspian countries representatives of international organizations, bilateral programs, and other organizations that actively support the CEP, is the supreme decision-making and supervisory body of the CEP, responsible for approving strategic decisions and annual work plans, setting program direction, reviewing CEP progress, and identifying new and additional funding related to implementation of projects under the CEP;
- *PCU.* The Program Coordinating Unit (PCU) provides a coordination and management structure for the development and implementation of the CEP. The PCU is accountable to and reports to the CEP Steering Committee. A Baku-based Project Manager is located in the CEP PCU in Baku to assist in region-wide coordination of this project through regular interactions with each LLC and international partners;
- *World Bank.* As part of its role in execution, the World Bank expends and accounts for project resources, provides advice in the identification of investment needs, funding options and investment partners, delivers or contracts for training, participates in the evaluation of proposals to the MSGP, and administers the MSGP. In addition, the Bank team works closely with country teams at the World Bank (*i.e.*, in Washington and at resident missions) for each of the five Caspian states to ensure that, where appropriate, activities comport with Country Assistance Strategies developed by the countries with the assistance of the World Bank; and

- *UNDP*. As the implementing agent of the GEF grant, UNDP is responsible for the overall results of the program. Consequently, UNDP heads the supervision and monitoring tasks related to this project.

In each of the five Caspian countries, a half-time LLC has been contracted to assist the Bank, the Caspian NFP, and other stakeholders in the identification and selection of candidate investment projects. The LLCs also assist with the MSGP and PIPP training activities on a national basis. Several adjustments in local staffing support to the PIPP have been made in response to the budget reallocations and the Bank's policies regarding STCs. The PIPP LLCs had been tasked on an approximately half-time basis to assist with identification and early stage preparation of investments, and also to advise and monitor MSGP projects and assist with the PIPP training activities (now completed). The LLCs in Azerbaijan and Turkmenistan are expected to continue in this role on a half-time basis, supporting preparation of the investment projects in their countries and assisting with MSGP business. The LLCs in Iran, Kazakhstan and Russia have been advised that the Bank would require their assistance at a reduced level – approximately quarter-time – primarily to support MSGP supervision in their countries. Each has been urged to seek additional contract work that does not conflict with their Bank assignment. The two full-time local consultants who support the MSGP from the Caspian Liaison Office (former PCU) in Baku have been contracted by UNDP with PIPP funds reallocated from the Bank to UNDP for this purpose.

It can be assessed that the institutional set-up was adequate, well designed and managed. In the cases when the planned goals were not achieved, this was not due to the inadequacy of the institutional set-up but rather to the lack of readiness of some governments to provide clear indication of financial support to selected projects.

4.5 Responsiveness of project management to changes in the environment in which the project operates

The management of the project did demonstrate remarkable responsiveness to changes in the environment in which the project has been operating, although some of the changes took considerable time to be implemented.

A positive aspect of the project implementation, in particular the MSGP, has been the willingness and flexibility to adjust to the needs and requirements of the changes and challenges. Tasking the LLC to become involved in SAP/NCAP process, introducing a technical pre-review by the WB staff of MSGP proposals, changes in the MSGP Guidelines and MSGP Evaluation Meetings rules of procedures, introduction of MSGP Information Bulletin and enhanced liaison with PCU are a few examples of this flexibility to learn and adjust.

4.6 Co-operation among project partners (UNEP, UNDP, GEF, EU/Tacis, Project Coordination Unit, UNDP Country Offices, National Focal Points)

For the implementation of this project, the World Bank cooperated with the Governments of the Caspian states, UNDP, UNEP, EU/TACIS, and worked locally through a team of local consultants in the region. WB participated actively in the Tripartite Review (Oct. 2002) and in all meetings of the Steering Committee. Also WB took active part and contributed substantially in the preparation of the TDA, NCAPs and the SAP. The World Bank agreed to remain open to the suggestions to consider other elements of high priority to the CEP programme if and when they arrive at the conclusion that all efforts were made to ensure that the original objectives of PIPP are achieved to the extent possible. There was very clear case of synergism among participating organisation, particularly UNDP, UNEP, EU-Tacis and the WB, when working on various components of CEP. The WB has an excellent relation with EU-Tacis, which helped develop some PIPP investment concepts. It also has constructive relation with UNDP, which grew stronger as the project progressed and became

even more solid with the involvement of LLCs in the development of NCAPs. The WB had excellent cooperation with the PCU throughout the Project.

In their answers to the questionnaire (Annex V) most of the NFPs/Magicas assessed that the coordination was “mostly” coordinated although some NFPs/Magicas thought that it was “fully”, some “partly” and some “not” coordinated. In their answers to the questionnaire LLCs assessed that the coordination was good.

4.7 Degree of co-operation and coordination between PIPP Team and other WB units, including WB resident missions in the region

The degree of co-operation, information exchange and coordination between PIPP Team and other WB units, including WB HQ staff and WB resident missions in the region has been satisfactory. The Bank HQ was very communicative with LLCs and local MSGP team providing continuous advice and instructions.

The Bank had three staff members at the HQ substantially supporting the programme and that at times gave the impression that the Bank was perhaps not delegating enough decision-making to the regional team (Programme Coordinator, PCU-based MSGP staff and the LLCs). This could have reduced the work burden on the Washington-based WB team and could have enhanced the Project’s cost efficiency. Regarding delegation of decision-making, the LLCs have a more consulting/advisory role regarding the investment identification and screening process. They have had an important voice in the selection of the final PIPP candidate projects, but the decision was taken by the Bank based on a consensus of views of the LLCs, Bank HQ and field staff, and the national counterparts (NFPs, Magicas, other stakeholders). The current MSGP team is tasked with administration of the program, reporting to Bank HQ. The full-time team in Baku is definitely needed to make the program work.

In most countries the relation between RMs and the LLCs and local MSGP was a fairly constructive dialogue based on information exchange and consultation. In Iran the case was different due to the absence of an RM. The NFPs and Magicas, which were representing ministries of environment, and the WB RMs and/or visiting missions, which were coordinating with the ministries of finance, did not always have appreciation of each other’s mandates. Coordination of the work on this Project with the Bank RMs and country teams was mostly handled by the LLCs and Bank staff. Investment projects did not need to be included in Bank Country Assistance Strategies (CASs) as the Bank wasn’t the only possible funder, though the HQ team worked to get the key CEP priorities reflected in the CASs as this would be a precondition for any project entering the Bank lending pipeline. The LLCs were key to bringing the parties together in country.

Without appropriate cooperation efficient implementation of the substantive sub-components, i.e., Investment, Training and MSGP would not be possible.

In their answers to the questionnaire (Annex V) most of the NFPs/Magicas were of the opinion that the cooperation was “fully” achieved, although some were of the opinion that the Project was not yet implemented. In their answers to the questionnaire LLCs assessed that cooperation was good.

Co-operation (including information sharing) among international partners and management structure can be considered as very successful providing a concerted effort towards the protection and development of the Caspian Sea.

4.8 Cost effectiveness of the management structure

Regarding cost-effectiveness of the management structure latest revision of the Project Document indicates that the contribution to the Project from GEF/UNDP/WB is US\$2,334,128, of which US\$1,138,836 (49%) were to be spent on Identification and pre-preparation of investment projects; Training, and MSGP. The rest of the funds were used for International experts - WB (7%), Consultants (19%), Administrative support (1%), Travel of personnel (9%), Monitoring and Evaluation (0.9%), National professionals (7%), Meetings and training (2%) and other costs (5%).

The actual Project expenditure by budget line and components for 2000-2002 is presented in the table below. It should be noted that in addition to the funds spent there are US \$ 916,409 committed, but not spent yet, for MSGP grants.

Breakdown of the budget indicates that better part of the funds was spent on concrete activities and it can be concluded that the Project was cost effective regarding the management structure.

Actual Project Expenditures by Budget Lines and Components for 2000-2002 (in US \$)

Budget line	13 COMPONENT				Total
	1	2	3	4	
International experts (WB)	37,024	30,180		74,818	142,022
Consultants	4,500	13,596	13,250	88,263	119,609
Administrative staff				9,164	9,164
Mission travel (WB)	15,574	9,694	3,426	63,712	92,406
Consultants in-country travel			3,303	31,522	34,825
Five half-time in country consultants		13,515	26,280	72,911	112,706
Training providers (incl. logistics)		86,687			86,687
NGO Grants Administrator contract			84,000		84,000
Grants awarded			33,261		33,261
Investment Project Preparation Training		49,425			49,425
Consultants in-country travel		7,446	65		7,511
Sundries		870	14,905	8,878	24,653
Shared secretarial support		1,643			1,643
TOTAL	57,098	213,056	178,490	349,268	797,912

The World Bank, as executing agency, had for a fairly long time three staff members (one of those funded by the Norwegian Government) at the HQ substantially supporting the programme. It is estimated that they spent about 65 working months on this Project since its beginning which indicates considerable human resources dedicated to this Project by the Bank in order to make the Project effective.

An important aspect of the cost effectiveness is the cost of the involvement of the WB staff. This is not subject of this evaluation but careful analysis of such cost would be important for the development of the realistic budget for the GEF CEP II MSGP II which is to be implemented without the participation of the WB.

5. PROJECT IMPACT

5.1 Level of ownership of the project by the participating countries

As it is typical for this type of projects at the beginning of the project the participating countries did show lack of the concept of ownership and general feeling was that it is expected from the international community to finance all activities. Gradually the concept of ownership was developed to a certain extent and finalisation of NCAPs in all countries and finalisation and readiness to adopt SAP are clear indications that the concept of ownership has been developing. Readiness to provide finance for PIPP projects in Azerbaijan and Turkmenistan is clear proof of the ownership concept and hopefully in Iran, Kazakhstan and Russia governmental structure will also decide to support financially PIPP projects. Regarding MSGP the beneficiaries in all five countries provided matching financial and in-kind support, which is another proof of the growing ownership.

It is noteworthy that the requirement for matching funding under MSGP has enhanced ownership by the project proponents, that priorities identified in the TDA have been addressed through pilot or small-scale projects such as sturgeon stock rehabilitation and improved living conditions in coastal communities, and that a variety of stakeholders (NGOs, local governments, research institutes, commercial firms) have been able to participate in the program.

In their answers to the questionnaire (Annex V) NFPs/Magicas were of the opinion that the ownership was achieved but one thought that it was not. In their answer to the questionnaire all but one LLC were of the opinion that the level of ownership was adequate.

5.2 Level of commitment of countries to support ongoing project and potential future project phase

As indicated in the point 5.1 above all participating countries did show commitment to the implementation of the MSGP subcomponent and some countries did also demonstrate commitment to the PIPP projects. In the type of countries that participate in this project, it takes time to build commitment to support projects, particularly when it comes to counterpart financial contribution, but with the quite impressive management work of the World Bank and other international partners, such commitment has been definitely demonstrated in the recent past. Regional participants interviewed did indicate clear commitment of their countries to the implementation of NCAPs, SAP and CEP, as well as activities of this project.

It is important to note that MSGP co-financing is provided directly by the grantees, not by the countries. The states all support this approach. In the past, some representatives of the states have suggested to reduce the level of matching, but other states resisted, noting that 1:1 matching keeps up the value of the investments.

In their answers to the questionnaire NFPs/Magicas assessed that the level of commitment was “mostly” adequate (Annex V). In their answer to the questionnaire all LLCs but one were of the opinion that the commitment was adequate.

5.3 Degree of support given by the riparian Governments in integrating the project objectives and goals into the national development programs and other related projects, and how well the project fits into national development policy

The degree of support given by participating countries in integrating the project objectives and goals into the national development programs was modest at the beginning but did gradually develop. The support given by participating countries to the integration of the project objectives and goals into the national development programs was demonstrated by the selections process for PIPP and MSGP

projects since most of the subjects selected were taken from the TDA, NCAPs and SAP. At least in this case slow development of PIPP and MSGP was beneficial since TDA, NCAPs and SAP were developed and were used in the selection process (see also points 5.1 and 5.2 above).

In their answers to the questionnaire LLCs were of the opinion that the degree of support was adequate.

5.4 Impacts on policy and strategy of countries

This project had a strong positive impact on policy, strategy and action plans of the countries involved. Through the very successful training component and through the development and implementation of the selection process for PIPP and MSGP projects the know-how in participating countries to develop adequate and realistic policies and strategies was significantly enhanced. There was a clear mutual benefit from the development of NCAPs and SAP on one side and from the training component and selection process for PIPP and MSGP projects on the other side. Synergism has been clearly demonstrated in this case.

The Bank Caspian team with primary inputs from the LLCs are contributing information on investment priorities and financing to the NCAPs that were completed in 2002. This is the chief mechanism for explicitly linking national priorities for the Caspian with PIPP investments and the regional CEP.

An interesting aspect of MSGP was that the states seemed to benefit from and appreciate the opportunity to participate in decision-making regarding projects and also learned about managing finite resources for maximum impact.

In their answer to the questionnaire (Annex V) some of the NFPs/Magicas were of the opinion that there was positive impact on the policy of countries and some that there was not. In their answer to the questionnaire LLCs were of the opinion that there was positive impact on policy of the countries.

5.5 Sustainability of the outputs in form of the knowledge transferred to the region to identify, develop and fund investment projects

The knowledge transferred to the region to identify, develop and fund investment projects was enhanced considerably in the region through this project. The training component and selection, development and implementation process for PIPP and MSGP projects were the main reasons for such enhancement. It appears that there is a quite a significant connectivity between the PIPP and MSGP projects with the NCAPs and SAP which makes the outputs of this project sustainable. For instance the Bank PIPP LLCs have been tasked to assist the country NCAP and SAP teams to develop the sections dealing with investments and costs of the anticipated actions. Whether the knowledge accumulated through this project will have long lasting positive effect will depend on the determination of the countries to utilize this knowledge and to continue to prepare and implement projects on their own. Another important factor for the sustainability is the continuation of the support of the international community in the preparation and implementation of projects. Without at least catalytic role of the international community chances are rather slim that the level of sustainability will be significant.

In the course of work on this Project it took some time and effort of the Bank CEP team to clarify to participating countries the concept of funding which will distinguish between identification of sources of funding in principle and financing for specific investments. The PIPP candidate investment projects were screened against all potential sources of financing as part of the evaluation. The Bank CEP team repeatedly emphasized to the states that the Bank wasn't to be viewed as the only or even the preferred source of funding. Funding for mid-size (\$500K-\$1m) and large (+\$1m) projects almost always involves some national budget or borrowing commitment, and rarely can hope to be fully funded by

external grants. In response to the request from the October 2002 SCM, the Bank CEP prepared consolidated information about sources of financing, which will be presented at the next SCM. The real positive impact comes from linking a specific project idea with a specific funding source (or sources).

In their answers to the questionnaire (Annex V) NFPs/Magicas were of the opinion that sustainability was “mostly” or “partly” achieved. In their answers to the questionnaire LLCs were of the opinion that sustainability was achieved.

5.6 Project impact on enhancing co-operation among sectors and project partners

The combined effect of the training component, selection, development and implementation of PIPP and MSGP projects has strong positive impact on enhancing co-operation among sectors and project partners. In addition synergic effects with NCAPs and SAP are further positive impetus for such co-operation. Although the World Bank would not participate in the CEP II, it would continue to serve as Executing Agency for the PIPP under the first GEF project, and would train staff at the new Tehran PCU to manage the MSGP under the CEP II. The Bank would also continue to serve on the CEP Steering Committee. Such a role for the World Bank will be another positive factor in the enhancing of the co-operation.

In their answers to the questionnaire LLCs were of the opinion that there was a positive impact.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 The degree to which the project objectives were obtainable and the degree to which they have been met

The degree to which objectives of this project were achieved was assessed at the PIPP Annual Project Review, Ashgabad, Oct. 2002. In the Table presented below first three columns were reproduced from the Project Review document and the fourth column (most right hand sided) was introduced in order to assess the achievement as of June 2003.

It can be concluded that the project was successful in the training component, quite successful in the preparatory phase of the MSGP component (apart from the delay in the implementation) and partially successful in the investment projects since only two projects have been selected for further preparation using PIPP resources.

The first subcomponent of this project (Investment Identification and Pre-Preparation) was partially successful in achieving its goals because investment projects have been selected and endorsed only by the governments of Azerbaijan and Turkmenistan with a commitment for implementation, warranting further expenditure of PIPP resources for preparation. Good projects have been identified in Iran, Kazakhstan and Russia, but no firm commitment can be made for implementation funding at this time. Main problems were: (a) significant investments required; and (b) national budgetary constraints, especially with regard to environmental investments and vague support from national level. On the other hand a very positive aspect of PIPP was that it activated a dialog between national ministries and regional authorities about priority environmental investment necessary for the implementation of NCAPs.

The second subcomponent of this project (Institutional Strengthening and Training for Project Preparation) was effective and training courses were very positively received by participants representing local governments, scientific institutions and NGOs. It was a common feeling that such training practice should continue.

The third subcomponent of this Project (MSGP) was very successful in its initial phase, which can be considered that was completed recently, although its development took longer than planned. The success of MSGP in the initial phase was achieved by (a) excellent

conceptualisation and selection procedure; (b) small size of projects with regional priority; (c) strong motivation to leveraging of own resources; and (d) excellent capacity building program. The impact of the MSGP on the ground is still to be seen to allow for a full assessment, as only 5 out of 16 selected Projects are being implemented at present. Monitoring of MSGP Projects, which is extremely important will pick up significantly now that all the projects are funded (or almost so) and are under implementation, and no new grant rounds are being prepared.

Summary of Results and Achievements

Project objectives	Indicators*	Achievements as of Oct. 2002*	Achievements as of June 2003
1. Investment identification and pre-preparation	1-2 qualified priority investments per country identified, matched with funding source and pre-prepared	1-2 qualified priority investments per country identified	One project each was selected and endorsed by the governments of Azerbaijan and Turkmenistan with a commitment for implementation. One good project each was identified in Iran, Kazakhstan and Russia, but no firm commitment can be made yet for implementation funding.
2. Training for project preparation	Capacity development for about 35 participants in economic valuation and for about 150 participants in proposal writing	2 formal training courses delivered	Activity completed.
3. Matched Small-Grants Program established and funding projects	At least 1 MSGP project per country implemented	1 project each in Azerbaijan, Iran, Kazakhstan and Russia selected and funded in 1 st grant round; 2 nd grant round launched	In the First Round of MSGP one project in each of the Caspian countries is under implementation. In the Second Round of MSGP one project in each of the Caspian countries was confirmed and contracts are under preparation. In the Third Round of MSGP six projects were selected from all Caspian countries.

Annual output targets*	Achievement of outputs*	Proposed output targets for next year*	Achievements as of June 2003
1. 1-2 investments per country consistent with NCAPs and TDA identified	1-2 investments identified in 4 of 5 countries consistent with NCAPs and TDA; tentative identification of investment in 5 th country	5 project concept documents prepared in accordance with requirements of funding organization	Target only partially achieved (see point 4.1.1).
2. 2 Training courses	2-week environmental valuation training held in Baku in Feb 02 with about 35 participants from all five Caspian states 3-day proposal writing workshop presented to 30-40 participants in each Caspian state in July 02	none	Targets achieved. Activity completed in 2002 (see point 4.1.2).
3. Matched Small-Grants Program established and funding projects in all 5 Caspian states	Program established and 1 st grant round completed with 5 projects selected, 4 initially funded and under implementation	Resolve status of 5 th project from 1 st round Conduct 2 nd grant round If funds are available, conduct 3 rd grant round Train PCU in Tehran to administer MSGP	Targets for 3 grant rounds achieved (5 Projects of the first round being implemented; for 5 Projects of the second round grant agreements signed; 6 Projects selected for the third round, see point 4.1.3).

*Taken from the PIPP Annual Project Review 2002, Ashgabad, Oct. 2002

6.2 Significant lessons that can be drawn from the experience of the project and its results, particularly those elements that have worked well and those that have not

One of the lessons learned is that stakeholders view this project generally positively, but have tended to maintain the unrealistic expectation that external donors would provide grant financing to support all or almost all of the activities under the CEP. Environment Ministries (the lead counterpart) had in some cases assumed that investments, once selected, would be managed within their own agencies. In fact, the proponents for the candidate investments most often were other agencies or local government

bodies. These views are now changing, assisted by the NCAP process and other dialogue under the CEP, but expectations are still very high.

Particular elements of this project that have worked well:

- integration of the PIPP investment identification process with budget and investment planning in the NCAPs;
- creation of a consultative investment screening process and selection of priority investments in each Caspian state for further preparation;
- successful delivery of two formal training programs to develop capacity (a) for use of economic analytical tools in environmental policy and program formulation (valuation training), and (b) for project preparation (proposal writing training);
- successful development and implementation of the First Round of MSGP projects and successful development of the Second and Third Rounds;
- recruitment of one LLC in each Caspian state for capacity development, support in investment identification and preparation for PIPP and MSGP projects and connection to NCAPs and SAP.

Particular elements of this project that have not worked well:

- the Bank experienced significant administrative difficulties as executing agency for the PIPP, resulting in delays in implementation of the project. These were overcome, but indicate that this is not the most efficient role for the Bank to play;
- the lack of a regional entity satisfactory to all parties and legally capable of serving as the executing agency hampered implementation and resulted in the project re-design with the Bank in the role of executing agency. This situation will likely prevail until after the states will have signed the Framework Convention. Until a legal entity such as a Secretariat and/or PCU is established, implementation of international grant projects will continue to be managed by the international organizations or their proxies, not implemented directly by the states. One feature of the MSGP that is very welcomed by the states is that these small projects are implemented directly by the grantees, perhaps the only example of local implementation (so far) in the CEP;
- relatively low national priority accorded to environmental and sustainable bioresources management. This is predictable and common in most countries, and not necessarily a poor policy choice. The challenge is to design interventions that help decision makers to balance environmental needs with other policy choices, so that sound development decisions can be taken and implemented. The PIPP may have helped the Caspian states in this regard in a modest fashion, through the economic valuation training and cooperation on the NCAPs and SAP;
- general lack of tradition and culture to develop and own fundable investment projects in the region, in particular in CIS countries and result was inability or unwillingness of some states to allocate budget or borrow for implementation of priority investments identified via the PIPP and NCAPs. This is particularly true of the ministries of environment, usually the CEP counterparts. As noted elsewhere, however, the environment ministries are most often not the “owner” of the investment, more likely it would be a sectoral agency (agriculture, fisheries, oil) or provincial or local government body. This relates to weak intersectoral coordination (see below) and inadequate consultation with the budget-making ministries. This problem was addressed in this Project via the PIPP, but progress was noticed only in very small steps. The LLCs helped a lot but the government officials should have been more engaged; and

- lack of serious involvement by the sectoral agencies including finance and economic national agencies in project identification process. Better sectoral coordination was attempted in a systematic way in the preliminary identification and screening of PIPP Investment project ideas, where the LLCs met with the Ministries of Finance (or equivalent) to understand the budget allocation process, review project concepts for consistency with national priorities, etc. LLCs also met with sectoral ministries and provincial government representatives to refine project concepts, gauge commitment, etc. The process was pretty good but the results were less than hoped.

6.3 Recommendations on further actions upon completion of the current project including design and implementation arrangement for the next phase(s)

The main question regarding further actions upon completion of the current project are connected with the CEP GEF-II project, which seems to be realistic to be in place by 2004.

Regarding the MSGP under the CEP GEF-II, questions are mostly focused on the need to continue the program or replace it with direct targeted interventions. The matching requirement of MSGP has limited the participation of beneficiaries to those that are able to raise the counterpart contributions. It is noteworthy however that all categories of applicants (national and local government agencies, municipalities, companies, and NGOs) have been awarded grants. Depending on the program criteria and selection method, targeted interventions would risk losing the matching funding, would not be selected competitively based on merit, would not engage the region as a whole in the selection process, and would result in projects implemented by a GEF agency rather than the beneficiaries. These would be serious shortcomings.

It is recommended:

- to continue the excellent work on the MSGP component (particularly selection process, which can serve as a model for the development of the know-how of participating countries in the preparation and implementation of projects);
- to assess the outcomes of the MSGP projects relative to NCAPs and SAP;
- to develop a standard type of verification document for the matching contribution and define the maximum percentage permitted for some budget categories, in particular for salary/labor payment;
- to organise follow-up of the training program in order to ensure sustainability of the know-how enhancement;
- in selecting projects for grants the merit-based approach should continue to be applied, instead of shifting to a population-based or nationally even-split approach to grants selection;
- **for larger-scale investments:** to stop allocating funds under regional projects such as GEF-II for development of investment projects. Instead, countries would engage with the Bank or other IFIs on a bilateral basis to develop investment projects that meet priority objectives as defined in the NCAPs and SAP, and that have the strongest probability of financial and institutional support for successful implementation;
- **to continue the MSGP,** keeping in place the approach for selecting projects on a merit basis, instead of switching to a population-based or even-split approach to grants selection;
- that the MSGP allows the CEP and GEF-II to concentrate resources on achievable goals, even if more modest in impact;

- that the World Bank decision to use some of resources under the existing MSGP to train the staff of MSGP II when operational be fully implemented;
- that no efforts should be spared in order to ensure smooth transition from MSGP I to MSGP II, including transfer of knowledge, training of staff and relocation of PCU;
- that MSGP II should be linked as much as possible to NCAPs and SAP; and
- **For training:** consider allocating resources for expansion of training in economic valuation.

CASPIAN ENVIRONMENT PROGRAMME



INSTITUTIONAL ARRANGEMENTS

(INTERIM)

(Extraordinary Steering Committee Meeting: March 12, 2003)

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Annex 2 Rules of Procedure for Steering Committee

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Annex 3 Draft Application for Decision on formal status of new projects under CEP umbrella

22

1. The Caspian Environment Programme (CEP) has participation on regional, national, and international levels. The CEP organization has as its basis several overarching documents, including:

- The Concept Paper (approved May 1998 in Ramsar)
- The Project Brief (approved May 1998 in Ramsar)

2. The CEP is a programme for and from the five Caspian Littoral States, Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan aiming to halt the deterioration of environmental conditions of the Caspian Sea and to promote sustainable development in the area. This intergovernmental process is currently being supported by CEP's International Partners, Global Environmental Facility (GEF), UNDP, World Bank, UNEP and European Union, other international organizations and the private sector, in particular the oil and gas sector. In the first four years, CEP has developed and adopted a Strategic Action Programme (SAP) for the protection and rehabilitation of the Caspian environment in four priority regional environmental concern areas and assisted the littoral states to develop National Caspian Action Plans (NCAPs).

3. Within the context of the CEP and the implementation framework provided by its various programmes and projects the main responsibilities of the five Caspian littoral states will include the following:

- to contribute to the overall strategic policy and management direction to the CEP through their representation in the Steering Committee;
- to provide technical and management advice to the CEP through their representation on the Advisory Groups;
- to provide national policy guidance for the CEP through their National Coordination Structures (NCS) and Inter-sectoral Coordination Groups (ICG);
- to ensure that policy guidance from the Steering Committee is reflected in national CEP-related policies and programme activities, as appropriate; and
- to contribute and commit, financially and in kind, to implementation of the National Caspian Action Plans and the Strategic Action Programme.

4. During its first four years (July 1998 to October 2002) the CEP has established and prepared the following:

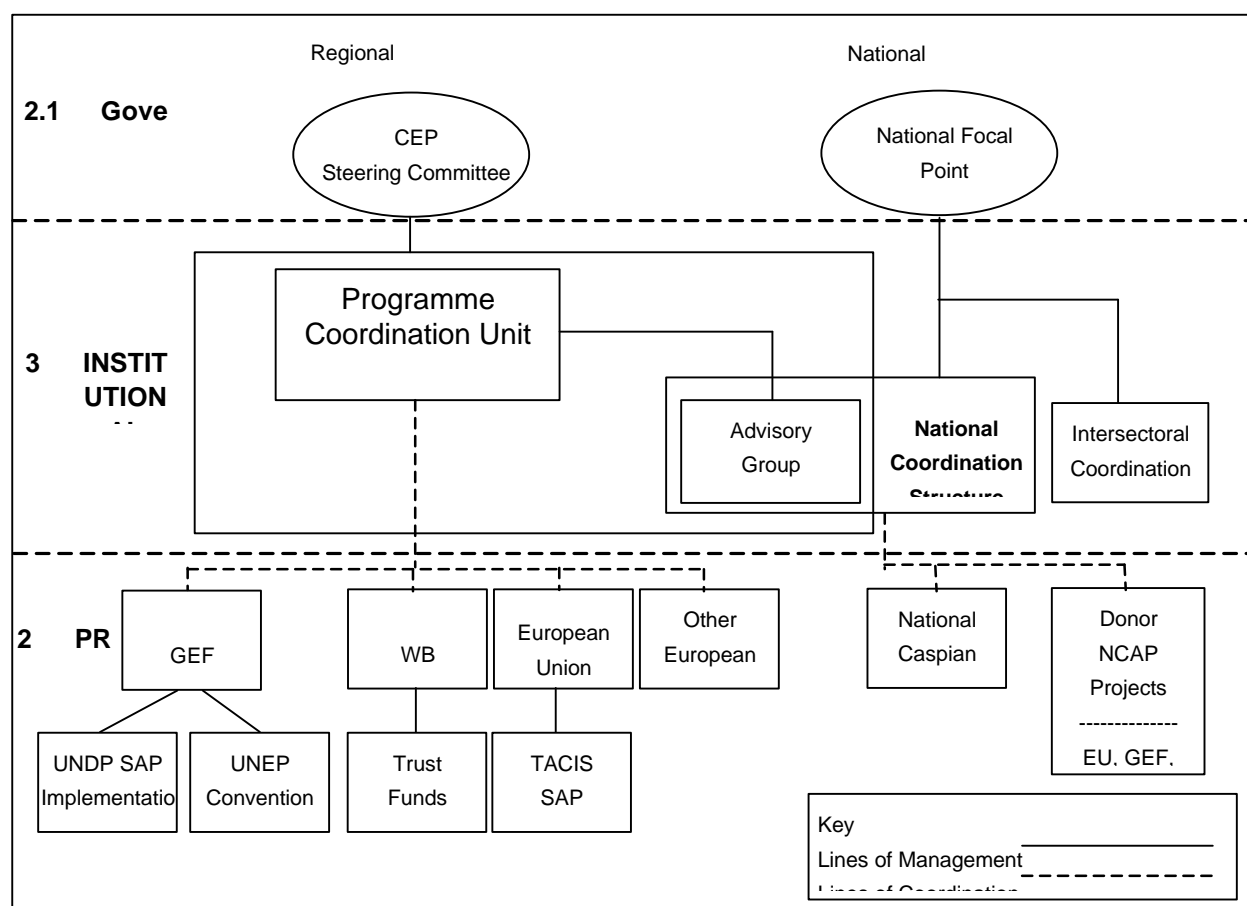
- A management structure, including a Programme Coordination Unit (PCU) and ten Caspian Regional Thematic Centres
- Transboundary Diagnostic Analysis (TDA)
- National Caspian Action Plans (NCAPs)
- Strategic Action Programme (SAP)
- Biodiversity Strategy and Action Plan (BSAP)
- Priority Investment Portfolio Project (PIPP)
- Draft text of the Framework Convention for the Protection of the Marine Environment of the Caspian Sea
- Regional Cooperation Plan for Oil Spill Preparedness

CEP will concentrate efforts in the longer term on the implementation of the adopted NCAPs and SAP and further support to the Framework Convention Process. Implementation of the SAP will be supported by the CEP with the assistance of the International Partners at both the national and regional levels. During SAP implementation it is anticipated that other international agencies will apply (see section III) to have their projects included under the CEP umbrella and in so doing become full international partners.

5. The CEP Institutional Arrangements will need to be modified in the future, in particular upon final determination of the legal status of the Caspian Sea and subsequent ratification of regional agreements between the five littoral states.

6. The overall programme structure is shown as Figure 1. The overall governance is provided by the Steering Committee. The National Focal Point and the National Coordination Structure (NCS) provide coordination at the national level. Overall CEP implementation is under the guidance of the Programme Coordination Unit, led by the Programme Coordinator.

7. Each of these elements is discussed below and Terms of Reference (ToR) are provided in Annex 1.



Structure of the Caspian Environment Programme

Regional Governance

Steering Committee:

8. **The Steering Committee (Committee) comprises one senior representative from each Caspian littoral state and one representative from the present four International Partners, UNDP, UNEP, World Bank, and European Union. Project Managers of projects operating under the CEP umbrella may attend meetings as observers, subject to the discretion of the Steering Committee Chairman. Other interested parties may be invited as observers at the Steering Committee's discretion.**

9. The Steering Committee is the principal policy-making body of the CEP. The Committee will provide direction to the Programme Coordination Unit (PCU) on issues pertaining to the regional governance of the CEP, and, when appropriate, to the National Coordination Structures on issues pertaining to the national governance.

10. The Steering Committee's approved Rules of Procedure (Baku in June 1999) are included in Annex 2.

11. Funding of Ordinary Steering Committee meetings will be shared between the countries and International Partners. The country chairing the Steering Committee will be expected to host and bear the costs of the Steering Committee meeting in its year of office whilst the other countries and International Partners shall bear the costs of attendance at the meeting by their representatives. Attendance of observers will be at their own cost.

12. The ToR for the Steering Committee are provided in Annex 1.1.

Programme Coordination Unit:

13. In accordance with the recommendations of the CEP Institutional Arrangements meeting in Tehran July 2002, the PCU has been transferred from its first location Baku, Azerbaijan, to Tehran, Islamic Republic of Iran, at the end of December 2002, reconfirming the decision made in Ramsar in 1998. The PCU will remain in Tehran until December 2006, in accordance with the decision taken at the 2002 Tehran institutional arrangement meeting. The decision whether the PCU location is to be permanent after December 2006 or will rotate around the littoral states, moving every four years, is deferred until December 2003, one year after re-location to Tehran.

14. The PCU will carry out the day-to-day coordination of the regional components of the CEP and implementation of the SAP, and will act as the Secretariat for the Steering Committee. The initial PCU structure will consist of a Programme Coordinator, an Assistant and the necessary support staff. The Programme Coordinator and Assistant will be selected from applicants proposed by the littoral states.

15. The Programme Coordinator and Assistant will be selected by the Steering Committee by simple majority. Nominations for the two posts will be accepted from any littoral state. The salary and living expenses of the selected Programme Coordinator and Assistant shall be borne by the nominating littoral state.

16. Project Managers of umbrella projects will be subject to coordination of the Programme Coordinator, and, where project staff is located within the PCU, the Programme Coordinator's management authority with regard to office administration matters.

17. Each individual Project Manager of an umbrella project will be responsible to the Steering Committee members, as per project application (see section III) and the stated project beneficiary, for his/her project activities.

18. The Host Country will provide appropriate furnished accommodation, for the PCU and the necessary support staff.
19. The ToR for the PCU are provided in Annex 1.2.
20. The ToR for the Programme Coordinator are provided in Annex 1.6.

National Governance

The National Focal Points:

21. The National Focal Point is the main contact in each Country for the CEP. The NFP is either a Minister or the Minister's authorized representative and will sit on all meetings of the Steering Committee. The NFPs will hold an existing national governmental post.
22. The NFP directs and manages the activities of the National Coordination Structure and assures full inter-sectoral participation in CEP nationally, including ministries, academia, NGOs, private sector and other pertinent stakeholders. It is recommended to establish a national Inter-sectoral Coordination Group (ICG), chaired by the NFP, to ensure full partnership and involvement of the other pertinent national stakeholders.
23. Terms of Reference for the NFP are provided in Annex 1.3.

National Coordination Structures:

24. The National Coordination Structure (NCS) in each country is responsible for coordination of NCAP implementation, national SAP implementation and provision of national input into the regional programme.
25. The NCS is a permanent body directed and managed by the National Focal Point, which will maintain close contact with the PCU and be aware of all PCU activities.
26. The ToR for the NCS are provided as Annex 1.4.

The Regional Advisory Groups

27. The five Regional Advisory Groups (RAG), established to replace the Caspian Regional Thematic Centres that were operational during the first four years of CEP are as follows:
 - Advisory Group on Biodiversity and Invasive Species
 - Advisory Group on Fisheries
 - Advisory Group on Emergency Response
 - Advisory Group on Pollution
 - Advisory Group on Sustainable Coastal Development

Each littoral state will chair and host one of the Advisory Groups.

28. The Regional Advisory Groups purpose is to assist CEP PCU in concert with the PCU to coordinate its activities in the priority regional environmental concern areas. The Regional Advisory Groups will oversee implementation of the SAP in their specific concern area and, where required, develop specific implementation plans. Through the Regional Advisory Groups the littoral states will contribute to the overall regional coordination of the CEP.

29. The Regional Advisory Groups will operate on the basis of working parties, involving the participation of all littoral states, PCU representation, and, when necessary, outside experts. Each littoral state, through the NFP, will appoint a technical expert from the appropriate authority to sit on each Regional Advisory Group and act as the country focal point, reporting to the NCS and NFP.

30. The Regional Advisory Groups will meet at least twice a year. The host littoral state will bear the costs of convening the Advisory Groups meetings. The other littoral states and PCU shall pay the costs of their representatives' attendance at the meeting.

31. The National Coordinating Structure of the host country shall act as the Secretariat to the Regional Advisory Group and shall prepare meeting minutes and an annual report on the activities of the Group to be submitted to the host country's National Focal Point and the PCU. The Steering Committee will be informed regarding the activities of the Regional Advisory Groups through the PCU. The PCU will assist in assuring relevant communication and data exchanges across the Regional Advisory Groups.

32. Terms of Reference for the Regional Advisory Groups are provided in Annex 1.5.

2.1

2.2

2.3 Funding Arrangements and Responsibilities

2.4

2.5 33. It is recognized that the CEP International Partners in funding umbrella projects must abide by their own rules and regulations governing the provision and administration of project funds.

34. Within these regulations and conditions, the Steering Committee will have the ability to pass comment on project work plans through an annual review. Subsequently, it will be the responsibility of the Project Managers of umbrella projects (in coordination with the CEP Programme Coordinator and in consultation with the NFPs through the National Coordination Structures) to revise the work plans where appropriate.

35. The littoral states contribution to CEP shall include:

- Mobilize sufficient resources to implement all national activities and support all regional actions, specified in CEP National Action Plans and Strategic Action Programme in accordance with programme dates.
- Provide all umbrella projects with appropriate work space.

- Provide the NCS and its staff with the necessary financial support to execute its Terms of Reference; this includes adequate office space, utilities, meeting expenses and administrative support.
- Provide access to all data and information required for implementation of the CEP, in accordance with the rules and procedures of the littoral state.
- Each country shall, as the incumbent Chair of the Steering Committee, host and support the Steering Committee meeting and Regional Advisory Groups meetings, providing venue, logistical support and translation.
- Provide support for their representatives to attend the Steering Committee meetings and the meetings of the Regional Advisory Groups.

II. COMMUNICATIONS MODALITIES

The Programme Coordinator, as Secretary to the CEP, will help maintain clear channels of communication. The Secretary will be responsible for:

- **preparation of materials for Steering Committee meetings;**
- **assisting the Chairman of the Steering Committee in providing inter-sessional updates;**
- **assuring that all parties have the latest versions of the SAP and NCAP reports and CEP implementation progress report and other pertinent documents;**
- **distribution of all major reports from the umbrella project to all parties, for review and comment;**
- **Communication exchange between the RAGs and distribution of RAG minutes and reports to the members of the Steering Committee;**

All correspondence between the NFPs and PCU, should be copied to all Steering Committee Members and the NCSs.

III. INCLUSION OF NEW PROJECTS UNDER CEP UMBRELLA

PROCEDURES FOR DETERMINING THE STATUS OF ASSOCIATED PROJECTS WITHIN THE CASPIAN ENVIRONMENT PROGRAMME

Preamble: The Caspian Environment Programme (CEP) is a body of the five Caspian Littoral States, which formally came into being at the 1998 Ramsar Steering Committee Meeting. In its inception, the CEP was assisted by umbrella project implemented by the four CEP International Partners, European Union, UNDP, UNEP and the World Bank.

It is desirable to attract other international partners to place their projects under the CEP umbrella. The advantages to the CEP include bringing more resources to address the goals of the CEP; minimization of overlap and duplication of project activities; broader Programme participation; involvement of CEP at the project design phase, thereby ensuring better targeting of resources.

Advantages to the new projects of being under the CEP umbrella include resources of the CEP will be made available to the umbrella project; the PCU may be able to help guide the project, and provide resources to assist; formal acceptance under the CEP umbrella will ease the process of obtaining official government approval of the project; duplication and overlap can be minimized; certain governmental activities (licenses, permits, etc.) may be obtained more easily.

In this context, two types of projects will likely be conducted, namely those under the CEP umbrella; those outside the CEP umbrella, but still encouraged to coordinate/communicate with the CEP through the PCU.

This second category may exist for several reasons, i.e. short duration of the Project; limited congruence with the goals and objectives of the CEP.

Full Status: Full status will be approved to those projects whose goals coincide strongly with those of the CEP, and which would benefit close collaboration and cooperation with the CEP. The project would be expected to interact closely with the PCU in matters of coordination, communication, and conduct of the work. Such projects may even have Staff located within the PCU. Their Work Plans should be subject to review by the Steering Committee.

Associated Status: Associated status may be given to projects whose goals only partially coincide with those of the CEP. The benefit to CEP of association is the maintenance of close communication and awareness of the goals and products of the project. The benefit to the project is that it enables the project to benefit from the coordination capacity and products of the CEP, such as contact lists, reports and meeting notes and attend and participate in relevant technical meetings.

Procedure for applying for Status under the CEP: The Form, included in Annex 3 should be filled out by any Project applying for Umbrella or Associated status under the Caspian Environment Programme to be submitted to the PCU, and distributed to the Steering Committee and Regional Advisory Groups for comment. The final decision on acceptance will be made Steering Committee following advice by the PCU. Communication with the applicants will be through the Chairman of the Steering Committee.

IV. INTERNATIONAL PARTNER COORDINATION

The International Partners in supporting the Caspian Environment Programme acknowledge the guidelines provided in the Concept Paper, as approved at Ramsar in 1998, whilst complying with the specific project development and intervention goals set down by their implementing bodies. As a result of this commitment, the International Partners, will seek to develop their projects in close collaboration and, if possible, in parallel with each other, in order to ensure that both overall CEP and specific project goals are met with minimum overlap and maximum targeting.

In this regard, the International Partners agree to:

- **With the assistance of the Programme Coordinator, develop an integrated implementation plan and programme, to be shared with the Steering Committee.**
 - **Hold the following schedule of meetings:**
- **Task managers, once a year, chaired by Programme Coordinator, with meeting notes sent to Steering Committee;**
- **Project managers, three times a year, chaired by Programme Coordinator, meeting notes sent to Steering Committee;**
 - **Submit all public reports in draft form to the Programme Coordinator for review and comment before finalization; this does not include reports intended for internal distribution within the International Partner organizations.**
- **Submit all final public reports to all International Partners and Steering Committee in electronic and paper form for review and comment.**

2.5.1 ANNEX 1: TERMS OF REFERENCE

Annex 1.1 Terms of Reference Caspian Environment Programme 14 STEERING COMMITTEE

Background: The CEP Steering Committee will direct the activities of the CEP. The CEP Steering Committee will also act as the Steering Committee for the GEF/UNDP and the EU/TACIS projects and any other projects that are incorporated under the CEP umbrella (at which time additional donors to the CEP may designate a Steering Committee member from their agency, upon agreement of Steering Committee). The CEP Steering Committee will make decisions based on the consensus principle.

Membership: Initial Steering Committee membership will include a representative from each of the five littoral countries as well as one each from UNDP, EU/TACIS, UNEP, and The World Bank.

Tasks:

- Provide management direction to the Programme;
- Assist in identifying and allocating Programme support for activities consistent with Programme objectives;
 - Annually review and assess the progress of the Programme and its projects;
- Annually review and approve the work plan and comment on the budgets of the Programme and its projects, and provide overall direction on the work plan implementation;
- Provide guidance to the PCU in coordinating and managing the Programme and its projects, and review and provide guidance on Regional Advisory Groups recommendations;
- Create mechanisms for interaction with the Private Sector, including a Trust Fund;
- Coordinate activities of International Partners projects, ensuring maximum targeting of the NCAPs and SAP;
- With the assistance of National Coordinating Structures, review the implementation of the NCAPs and SAP.

15 ANNEX 1.2 TERMS OF REFERENCE

Caspian Environment Programme 16 PROGRAM COORDINATION UNIT (PCU)

Background: The PCU will provide a coordination and management structure for implementation of the Caspian Environment Program in accordance with the rules and procedures and directions provided by the Steering Committee.

Tasks:

- Assist in networking between National Focal Points and National Coordination Structures in all five coastal countries (Azerbaijan, Iran, Kazakhstan, Russian Federation, Turkmenistan) and act as a Secretariat to the CEP Steering Committee;
- Coordinate the activities of the International Partner projects ensuring maximum targeting of the NCAPs and SAP;
- Cooperate and liaise with RAGs;
- With the assistance of the National Coordinating Structures, prepare the reports on implementation of the NCAPs and SAP on a regular basis for the Steering Committee;
- Assistance in capacity building within and among littoral countries;
- Prepare progress reports (administrative and financial) concerning programme activities;
- Maintain the CEP web-site and Caspian information system;
- Disseminate information on policy, economic, environmental, scientific and technical issues related to the programme;
- Coordinate international, multi-lateral and bi-lateral environmental activities in the Caspian, where appropriate; and
- Assist in resource mobilization for the NCAPs and SAP.

Annex 1.3 Terms of Reference Caspian Environment Programme

National Focal Point

Background: National Focal Point is the main contact point for the Caspian Environment Programme in the littoral state. The NFP is a member of the Steering Committee, and represents his/her country's interests in the governance of the CEP. The National Focal Point is tasked with coordinating national activities on the Caspian within CEP, as well as coordinating and being responsible for his/her country's participation in the CEP. The National Focal Point oversees the office and functions of National Coordination Structure. The NFP must hold an existing national governmental post.

Tasks:

- Member of the Steering Committee representing his/her country;
- Performs Intersectoral Coordination with his/her country, including ministries, private sector, NGOs, and other stakeholders;
- Directs and manages the National Coordination Structure;
- Nominates Advisory Group staff;
- Nominates Chairperson of RAG hosted by his/her country;
- Assures participation of national representatives at the Steering Committee meeting and Regional Advisory Group meetings.

Annex 1.4 Terms Of Reference
Caspian Environment Programme
National Coordination Structure

17

- 18 **BACKGROUND:** THE NATIONAL COORDINATION STRUCTURE (NCS) IS RESPONSIBLE FOR COORDINATION OF IMPLEMENTATION OF THE NATIONAL CASPIAN ACTION PLAN AND, IN COLLABORATION WITH THE PCU, NATIONAL IMPLEMENTATION OF THE STRATEGIC ACTION PLAN. THE NCS WILL BE A PERMANENT BODY LOCATED EITHER WITHIN THE MINISTRY OR A HOST INSTITUTION DESIGNATED BY THE NFP. THE NFP SHALL OVERSEE AND MANAGE THE OFFICE AND FUNCTIONS OF THE NCS. IT WILL ASSIST THE NFP IN THE EXECUTION OF HIS/HER DUTIES UNDER CEP, INCLUDING INTER-SECTORAL COORDINATION FUNCTION (SEE ARTICLE 22). THE NCS SHALL MAINTAIN CLOSE CONTACT WITH THE PCU AND BE AWARE OF ALL ITS ACTIVITIES.

Tasks:

- Promote and coordinate NCAP implementation;
- Assist in resource mobilization for the NCAP;
- Report annually on NCAP implementation and national SAP implementation against programme timelines and submit report to the Steering Committee and PCU;
- Review and comment on CEP documents prepared by PCU, Advisory Groups and National Focal Points;
- Act as the secretariat to the nationally hosted RAG and monitor and report on its activities to the PCU;
- Assist in coordination of all national inputs into umbrella projects;
- Assist with practical arrangements for international and regional cooperation (e.g. meeting arrangements, logistics, visa applications, etc.);
- Assist in identifying national institutions and experts to undertake different thematic tasks with the umbrella projects and coordinate the different themes at the national level.

2.1 Annex 1.5 Terms of Reference

Caspian Environment Programme 19 REGIONAL ADVISORY GROUPS

Background: The Advisory Groups' purpose is to provide the PCU with the best possible advice and information on topics key to the implementation of the SAP. They will operate on the basis of working parties involving participation of all littoral states and the PCU, together with outside experts when considered necessary. The involvement of NGOs is encouraged. The Advisory Groups will meet at least twice a year and the country NCSs (see Annex 1.4) will act as the Secretariats.

Tasks:

- With the assistance of the PCU and the International Partner support projects, develop where necessary specific implementation plans to operationalise the relevant section of the SAP;
- Work closely with the PCU to ensure regional coordination within the area of competency;
- When and where appropriate, make recommendations to the Steering Committee, on guidance and strategy within area of competency;
- Assist in further development and revision of the TDA and SAP;
- Make recommendations for training within area of competency;
- Liaison closely with National Coordination Structures and PCU;
- Cooperate with other Regional Advisory Groups.

Annex 1.6 Terms of Reference

Caspian Environment Programme **Programme Coordinator**

General Job Description: The Programme Coordinator shall be responsible in general for the overall coordination of all aspects of the Caspian Environmental Programme (CEP) and implementation of the SAP in particular. He/she shall liaise directly with the National Focal Points and the representatives of International Partners and other donors in order to coordinate the annual implementation plan for the programme (SAP, and NCAPs).

The implementation plan will provide day-to-day guidance on implementation of the programme and on the integration of the various donors funded initiatives. He/she shall be responsible for all CEP substantive managerial and financial reports. He/she will provide overall administrative supervision of the Programme Coordination Unit, as well as guiding and supervising all external policy relations. He/she will be active in promoting the CEP and mobilizing funds from other donors and the private sector to assist with SAP implementation.

Tasks:

- Prepare an annual implementation plan for CEP on the basis of the SAP, NCAPs and support projects, in close consultation and coordination with the National Focal Points, International Partners and relevant donors. The plan will provide day-to-day implementation guidance on the programme and assist with integration of donor funded initiatives;
- Cooperate closely with NCS and RAGs;
- Coordinate and monitor the implementation of the SAP and, with the assistance of NFPs, RAGs and the NCSs- NCAPs;
- Ensure consistency between the various programme elements and related support project activities;
- Oversee preparation of the regional technical documents, such as protocols to the Framework Convention, relating to environmental governance of the Caspian; and
- Foster and establish links with other related Caspian programmes and, where appropriate, with other Regional Seas programmes.

CASPIAN ENVIRONMENT PROGRAMME
STEERING COMMITTEE
RULES OF PROCEDURE
(ADOPTED AT 1999 BAKU STEERING COMMITTEE MEETING)

20

21 RULE 1. DEFINITIONS

For the purposes of these Rules:

- a) **“Steering Committee”** means the Steering Committee of the Caspian Environment Programme;
- b) **“Programme Coordination Unit”** means the Programme Coordination Unit of the Caspian Environment Programme;
- c) **“Chairperson”** means the Chairperson nominated in accordance with Rule 6;
- d) **“Meeting”** means any meeting of the Steering Committee;
- e) **“Caspian littoral States”** means Azerbaijan, Islamic Republic of Iran, Kazakhstan, Russian Federation and Turkmenistan.

Rule 2. Composition

1. The Steering Committee shall be composed of representatives of the Caspian littoral states and of the United Nations Development Programme, United Nations Environment Programme, The World Bank, and European Union TACIS.
2. The Steering Committee may decide that other organizations become Members of the Steering Committee.

Rule 3. Meetings

1. The Steering Committee holds an ordinary meeting at least once a year, upon convocation by the Chairperson. At each ordinary meeting, the Steering Committee shall decide upon dates and venues of the next ordinary meeting.
2. An extraordinary meeting may be convened at any time at the request by any Member of the Steering Committee submitted to the Secretariat, subject to concurrence of the majority of the Steering Committee. The requests for an extraordinary meeting shall be circulated by the Secretariat to all Members with a deadline for reply. The requesting member shall be informed by the Secretariat about the replies it receives.
3. The ordinary meetings shall be held in each Caspian littoral State in turn in alphabetic order of the Caspian Littoral States in the English language. The venue for extraordinary meeting should be defined by the Chairman of Steering Committee in consultations with Secretariat.

4. The meetings shall be held in private unless the Steering Committee decides otherwise.

Rule 4. Agenda

1. The Secretariat shall in consultation with the Chairperson prepare the provisional agenda for each meeting.
2. The provisional agenda for each ordinary meeting shall include:
 - a) items the inclusion of which was decided at a previous meeting;
 - b) items proposed by any member;
 - c) items proposed by the Chairperson.
3. The provisional agenda for an extraordinary meeting shall consist only of those items proposed for consideration in the request for the holding of the extraordinary meeting.
4. The provisional agenda together with supporting documents shall be circulated in all working languages by the Secretariat to the members at least four weeks before the opening of the meeting.

Rule 5. Representation

The Caspian littoral states shall be normally represented at ministerial level or by senior officials designated by their respective governments.

Rule 6. Chairmanship

1. The chairmanship of the Steering Committee shall be given to each Caspian littoral State, in turn, in alphabetical order, of the Caspian littoral States, in the English language.
2. The Caspian littoral State chairing the Steering Committee shall nominate the Chairperson and a Vice-Chairperson. If the Chairperson finds it necessary to be absent during any meeting or any part thereof and/or is unable to perform his/her functions, the Vice-Chairperson shall take his/her place.
3. The Chairperson shall serve for a period of one year.
4. In addition to exercising the powers and duties conferred upon him/her elsewhere in these rules the powers and duties of the Chairperson shall be:
 - a) to convene the ordinary and extraordinary meetings;
 - b) to declare the opening and closing of each meeting;
 - c) to preside at all meetings;
 - d) to ensure observance of these Rules and to decide all questions of order raised at the meetings;
 - e) to make such decisions and to give such directions to the Secretariat as will ensure, especially in the interval between the meetings, that the business of the Steering Committee is carried out efficiently and in accordance with its decisions;
 - f) to hold responsibility for public awareness, particularly through mass media, in consultations with Secretariat and in accordance with Steering Committee policy.

Rule 7. Secretariat

1. The Programme Coordination Unit shall serve as the Secretariat of the Steering Committee.
2. In addition to exercising the powers and duties conferred upon it elsewhere by the Rules, the Secretariat shall:
 - a) issue the invitations to the meetings;
 - b) prepare the provisional agenda for the meetings in accordance with Rule 4;
 - c) make all necessary arrangements, including secretarial assistance, for the meetings of the Steering Committee and its subsidiary bodies;
 - d) prepare reports of the meetings; and
 - e) perform such other functions and tasks entrusted to it by the Steering Committee.

Rule 8. Conduct of business

1. A majority of the members shall constitute quorum.
2. Proposals shall normally be introduced in writing and submitted to the Secretariat, which shall circulate them to the members.
3. The decisions of any meeting shall be taken by consensus.
4. Between meetings, any proposal for a decision falling within the competence of the Steering Committee shall be circulated in writing by the Secretariat to all members with a specified deadline for reply.
5. A written decision shall be taken by consensus subject that all members reply.

Rule 9. Subsidiary bodies

1. The Steering Committee may establish any subsidiary body if it deems it necessary.
2. The Rules of Procedure of any such Subsidiary body shall be, *mutatis mutandis*, those of the Steering Committee.

Rule 10. Languages

The working languages of the Steering Committee shall be English and Russian.

Rule 11. Participation of Observers

1. The Steering Committee may invite observers to participate in its meetings.
2. The observers may participate, without the right to participate in decision-making, in the deliberations of the Steering Committee and its subsidiary bodies, if any, upon the invitation of the Chairperson, as the case may be, on question within their competence or scope of activities.
3. Observers may, upon invitation of the Chairperson, submit written statements that shall be circulated by the Secretariat to the members of the Steering Committee or of the subsidiary body concerned.

Rule 12. Amendments and Suspension

Any of these rules may be amended or suspended by the Steering Committee in accordance with Rule 8.

2.1

2.2 ANNEX 3: DRAFT APPLICATION FOR DECISION ON

FORMAL STATUS OF NEW PROJECT
UNDER THE UMBRELLA OF THE
CASPIAN ENVIRONMENT PROGRAM

STATUS DESIRED: UMBRELLA STATUS _____
ASSOCIATE STATUS _____

DATE OF APPLICATION: _____

APPLICANT: _____

CONTACT INFORMATION FOR APPLICANT (ADDRESS, PHONE, FAX, EMAIL, ETC.):

FULL PROJECT TITLE: _____

SOURCE OF FUNDS: _____

LEVEL OF FUNDING: _____

PROJECT DESCRIPTION: ATTACH ONE-PAGE DESCRIPTION

PROJECT START DATE: _____

PROJECT DURATION: _____

MODALITY OF INTERACTION WITH THE CEP:

STEERING COMMITTEE: _____

PROGRAMME COORDINATION UNIT: _____

REGIONAL ADVISORY GROUPS: _____

REGIONAL EXPERTS _____

_____ **PAG**

E 1 OF 2

REQUIREMENTS FOR ASSISTANCE FROM THE CEP (PCU, PERMITS, LICENSES,
CUSTOMS, ETC.): _____

Please send this Application to the Programme Coordination Unit:

Programme Coordinator

Email: caspien@caspien.in-baku.com



370073 Azərbaycan, Bakı, B.Ağayev küç. 100-A
Tel: (99412) 92-59-07, Faks(99412) 92-59-07

B.Aghayev Str. 100-A, 370073 Baku, Azerbaijan
Tel: (99412) 92-59-07. Fax (99412) 92-59-07

№ 4/1766-01

« 08 » 08 2003-cü il

Mr. Hamid Ghaffarzadeh
CEP Programme Coordination Unit

Dear Mr. Ghaffarzadeh,

In response to your letter dated 30 June, 2003 regarding the co-funding the CEP/GEF II we would like to confirm that as part of in-kind contribution to CEP we are prepared to cover expenses related to the participation of the Republic of Azerbaijan in CEP. This will include the following:

- Cost of necessary office space and equipment as well as services of NFP;
- Cost of hosting meetings (premises, equipment, preparation of programmes and auxiliary documents);
- Cost of services rendered on gratis basis including organizing meetings of national experts, coordination of their work, preparation of proposals on CEP documents, providing officially published data and any accessible information.

There are some concerns regarding cost of participation at regional meetings and hosting regional meetings. We suggest that this item of expenses is covered from the budget of various projects within CEP/GEF II activities that may coincide in time and venue with such meetings.

Faithfully,

Gussein Bagirov
Minister



Ref: 34 - 19082

Date: 27 July 2003

*Islamic Republic of Iran
Department of the Environment*

-----In The Name Of God-----

To: Dr. Ghaffarzadeh
*Programme Coordinator,
Caspian Environment Programme*

Sub: Co-funding the GEF-CEP Phase II

Reference is made to your letter dated 30th June 2003, regarding the extent of co-funding of the Islamic Republic of Iran towards the implementation of the GEF-CEP Phase II.

In the spirit of a regional cooperation towards the protection of the marine environment of the Caspian Sea and in order to support the CEP in the preliminary implementation of the SAP and continuance of the Framework Convention process, I am honored to confirm that the I.R. Iran is intended to co-fund the CEP activities (GEF-CEP Phase II) under three categories as specified below:

- A) **Addressing the transboundary environmental issues of the Caspian Sea:** as identified in the NCAP and in line with GEF-CEP Phase II objectives (roughly estimated about 6,000,000 USD)
- B) **Fulfilling country's commitment towards CEP activities:** including (services of NFP, assistant office space, cost of participation at regional meetings, cost of hosting meetings, cost of Programme Coordinator and Assistant (if selected from I.R. Iran), cost of services rendered on gratis basis including data & information (roughly estimated about 250,000 – 300,000 USD)
- C) **Country's commitment towards hosting of the PCU:** including rental, staffing, miscellaneous (roughly estimated about 300,000 USD)

Best regards.

Yours sincerely

S. Hosseini

M. S. Hosseini
Director General
Marine Environment Bureau
CEP-NFP, I.R. Iran

**To: Mr. Hamid Ghaffarzadeh
CEP Programme Coordination Unit**

Dear Mr. Ghaffarzadeh,

Thank you for sending us on June 27 and 30, 2003 of the draft CEP/GEF II project document 27 and proposals on the co-funding the CEP/GEF II.

In our opinion, the document on CEP II sufficiently reflects tasks of support of implementation of the SAP and the Framework Convention, thus it would be expedient to include in the Objective 1 also issues connected with environmental emergencies, and their contents to register in the separate output agrees with the planned name of the appropriate Advisory Committee.

Regarding expenses of the Russian Federation for financing of participation in CEP, understanding necessity of the mechanism of joint financing for maintenance of regional and national ownership and sustainability of the projects and supporting continuation of activity within the framework of the CEP II, it is necessary to note the following:

- Cost of necessary office space and equipment as well as services of NFP will be supplied (\$ 60,000);
- Cost of participation in regional meetings can be covered by those ministries and departments, which experts will be invited for participation in CEP events (thus a number of the ministries there can be complexities with payment of participation of the experts) (\$ 10,000);
- Cost of hosting meetings (premises, equipment, preparation of the programmes and auxiliary documents) will be supplied;
- Possibility of payment of the cost of Programme Coordinator and Assistant and also their probable nominees are being discussed;

- Cost of services rendered on gratis basis including preparation and holding of the meetings of the national experts, coordination of their work , preparation of proposals on the CEP documents, granting of the officially published data and information will be supplied (\$ 200,000).

With regards,

National Coordinator

Amirkhan M. Amirkhanov

MINISTRY OF NATURE PROTECTION OF TURKMENISTAN

18.07.2003
924/01

To: **Hamidreza Ghaffarzadeh**
Programme Coordinator

Subject: **Re: Co-funding the CEP/ GEF II**

Informal translation

Dear Hamidreza Ghaffarzadeh,

Having considered your letter dated 07.07.03 on co-funding the CEP/GEF II, we are glad to inform you that Turkmenistan is interested in further activities of the Caspian Environment Programme. Please find bellow contribution of Turkmenistan to the project:

First component: cost of transboundary activities earmarked in the NCAP and submitted to the Cabinet of Ministers - \$ 670,000.

Second component: cost of country participation in CEP- Turkmenistan will allocate \$ 60,000-100,000, that includes:

- Salary to National Focal Point, office space for Intersectoral Coordination Group and Regional Advisory Group (2) (including electricity, furniture, heating, communication, technical services of the rooms, etc.).
- Hosting local expert meetings: provision of conference-halls, equipment, per diem for nonresident participants, secretary services, equipment (computer, fax, copy-machine), typing and printing of meeting material, telecommunication and internet.
- Organizing regional meetings in Turkmenistan, that includes secretary services, printing meeting material, communication (telephone, internet, fax). However, it is impossible to pay for translation services, hotel expenses of meeting participants, per diem and travel expenses. It is advisable that CEP would bear the above-mentioned expenses.

- Cost of services rendered on gratis basis including data and information: \$ 200,000-300,000 (involvement of specialists, receiving scientific- environmental information from the agencies, which are managed by the Ministry of Nature Protection).
- Support of activities aimed for implementation of the Caspian Environment Programme.

In conclusion I assure Turkmenistan will make possible efforts for successful implementation of the CEP/GEF II project.

With respect,

M.Rajapov

Minister of Nature Protection of Turkmenistan,
CEP NFP

MINISTRY OF ENVIRONMENTAL PROTECTION OF KAZAKHSTAN

Date: 08.10.2003
02-05-CEP/4857

Dear Mr. Ghaffarzadeh,

As you are aware the draft of National Action Plan of the Republic of Kazakhstan on rehabilitation of Caspian environment for 2003-2012 (NCAP RK) has been developed by national experts within the framework of the CEP.

Ministry of Environmental Protection has prepared a section for the State Programme of Kazakhstan Caspian Sea sector development (KCSS) – “Environmental safety provision”, which included actions taken from the NCAP to the amount of 15 951 712 USD.

In connection with it and further to our letter # 02-05 CEP /4114 dated 22.08.03 on co-funding of CEP/GEF, we are glad to inform you that 15 951 712 USD have been allocated for implementation of NCAP transboundary activities within the first component.

With respect,

S.K.Kesikbayev
First vice-minister

08 September 2003

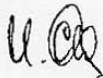
Mr. Hamid Ghaffarzadeh
CEP Programme Coordination Unit

Dear Mr. Ghaffarzadeh,

As a follow up to the letter from the Ministry of Ecology and Natural Resources, Republic of Azerbaijan dated 8 August 2003 we would like to indicate the estimates of co-funding by Azerbaijan to CEP which are as follows:

- Cost of necessary office space and equipment as well as services of NFP – \$60 000- 100 000;
- Cost of hosting meetings (premises, equipment, preparation of programs and auxiliary documents) – \$10 000;
- Cost of services rendered as gratis basis including organizing meetings of national experts, coordination of their work, preparation of proposals on CEP documents, providing officially published data and any accessible information – \$200 000 – 300 000.

Sincerely,



Rasim Sattar-zade
National PDF-B Consultant

From: Jan.BEHRENS@cec.eu.int [mailto:Jan.BEHRENS@cec.eu.int]
Sent: Friday, August 22, 2003 5:46 PM
To: hghaffarzadeh@caspian.in-baku.com; Anna.Bramwell@cec.eu.int
Cc: andrew.hudson@undp.org
Subject: RE: Tacis funding

Dear Hamid,

these are the values:

- Sustainable Management of Caspian Fisheries (€900, 000 services, € 100,000 supply)
- Sustainable development of Caspian coastal communities, Contract is with A. Bramwell but my firm understanding is the following: (€900, 000 services, € 1,500,000 pilot projects)

Hope this helps

Wishing a good weekend

Jan

-----Original Message-----

From: Hamid Ghaffarzadeh [mailto:hghaffarzadeh@caspian.in-baku.com]
Sent: vendredi 22 août 2003 12:39
To: BEHRENS Jan (AIDCO); BRAMWELL Anna (AIDCO)
Cc: Andrew Hudson (E-mail)
Subject: Tacis funding

Dear Colleagues

Could you please confirm that EU/Tacis will provide funding of approximately Euro 3.5 millions for the following projects in support of CEP:

- Sustainable Management of Caspian Fisheries
- Sustainable development of caspian coastal communities

This confirmation is required for GEF internal processing of CEP/GEF II project.

Best regards

Hamid

Hamidreza Ghaffarzadeh
Environmental Economist

WB162478

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October 15, 2003 6:57 PM