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Report No: 65362-MNA

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT

IN THE AMOUNT OF US\$3.0 MILLION

TO

PLAN BLEU POUR L'ENVIRONNEMENT ET LE DEVELOPPEMENT EN  
MEDITERRANEE

FOR THE BENEFIT OF THE REPUBLIC OF LEBANON, KINGDOM OF MOROCCO, AND  
REPUBLIC OF TUNISIA

FOR THE

REGIONAL - GOVERNANCE AND KNOWLEDGE GENERATION PROJECT

November 4, 2011

Sustainable Development Department  
Middle East and North Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective: September 26, 2011)

Currency Unit = Euro  
EUR0.86 = US\$1

## FISCAL YEAR

January 1 - December 31

## ABBREVIATIONS AND ACRONYMS

AWI	Arab World Initiative
BB	Bank Budget
CEA	Country Environmental Analysis
CMI	Marseille Center for Mediterranean Integration
CPS	Country Partnership Strategy
COED	Cost of Environmental Degradation
EC	European Commission
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EMS	Environmental Management System
EU	European Union
FSP	Financial Statement of the Project
FY	Fiscal Year
GDLN	Global Development Learning Network
GDP	Gross Domestic Product
GEF	Global Environment Facility
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICZM	Integrated Coastal Zone Management
IDA	International Development Association
IFI	International Financial Institution
IGO	Inter-Governmental Organization
ISP	Implementation Support Plan
IUFR	Interim Unaudited Financial Report
IWRM	Integrated Water Resources Management
MAP	Mediterranean Action Plan
MBI	Market-based Instrument
MCSD	Mediterranean Commission for Sustainable Development
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa

METAP	Mediterranean Environmental Technical Assistance Program
MIS	Management Information System
MSSD	Mediterranean Strategy for Sustainable Development
NAP	National Action Plan
NEAP	National Environmental Action Plan
NGO	Non-Governmental Organization
OP/BP	Operational Policy/Bank Procedure
ORAF	Operational Risk Assessment Framework
PAD	Project Appraisal Document
PDO	Project Development Objective
PIM	Project Implementation Manual
PMT	Project Management Team
PRSP	Poverty Reduction Strategy Paper
RAC	Regional Activity Center
SAP	Strategic Action Program
SME	Small and Medium Enterprises
SOE	Statement of Expenditures
UfM	Union for the Mediterranean
UNEP	United Nations Environment Programme

Vice President:	Inger Andersen
Directors:	Emmanuel Mbi, Mats Karlsson
Sector Manager:	Hoonae Kim
Task Team Leader:	Gabriella Izzi



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# PAD DATA SHEET

*Regional  
Governance and Knowledge generation Project*

## PROJECT APPRAISAL DOCUMENT

*Middle East and North Africa Region  
Agriculture & Rural Development Unit*

<p>Date: November 4, 2011          Directors: Emmanuel Mbi, Mats Karlsson          Sector Manager: Hoonae Kim          Task Team Leader: Gabriella Izzi          Project ID: P118145          Lending Instrument: GEF (FSP)</p>	<p>Sectors: General water, sanitation and flood protection sector (50%); General information and communications sector (50%)          Themes: Water resource management (30%); Climate change (20%); Environmental policies and institutions (20%); Pollution management and environmental health (20%); Other environment and natural resources management (10%)          EA Category: C</p>
<b>Project Financing Data:</b>	
<p>Proposed terms:  <input type="checkbox"/> Loan   <input type="checkbox"/> Credit   <input checked="" type="checkbox"/> Grant   <input type="checkbox"/> Guarantee   <input type="checkbox"/> Other:</p>	
Source	Total Amount (US\$M)
<p>Total Project Cost: 3.71</p> <p>    GEF 3.00</p> <p>Cofinancing:</p> <p>    Plan Bleu pour l'Environnement et le Développement en Méditerranée 0.30</p> <p>    Agence pour le Développement Française (AFD); European Investment Bank (EIB); Marseille Center for Mediterranean Integration (CMI); French Ministry of Ecology, Sustainable Development, Transport and Housing 0.41</p>	
<p>Recipient: Plan Bleu pour l'Environnement et le Développement en Méditerranée</p> <p>Contact Person: Lucien Chabason, President          Telephone No.: (+33) (0) 4 92 38 71 30          Fax No.: (+33) (0) 4 92 38 71 31          Email: <a href="mailto:planbleu@planbleu.org">planbleu@planbleu.org</a></p>	

Estimated Disbursements (Bank FY/US\$ m)				
FY	FY12	FY13	FY14	FY15
Annual	0.27	0.62	1.34	0.77
Cumulative		0.89	2.23	3.00
Project Implementation Period: 3 years Expected effectiveness date: January 1, 2012 Expected closing date: June 30, 2015				
Does the Project depart from the CAS in content or other significant respects?			<input type="radio"/> Yes <input checked="" type="radio"/> No	
If yes, please explain: n/a				
Does the Project require any exceptions from Bank policies? Have these been approved/endorsed (as appropriate by Bank management)?			<input type="radio"/> Yes <input checked="" type="radio"/> No	
Is approval for any policy exception sought from the Board?			<input type="radio"/> Yes <input checked="" type="radio"/> No	
If yes, please explain: n/a				
Does the Project meet the Regional criteria for readiness for implementation?			<input checked="" type="radio"/> Yes <input type="radio"/> No	
If no, please explain: n/a				
Project Development Objective: To foster the integration of environmental issues into sectoral and development policies of the Beneficiaries. <sup>1</sup>				
Project description: <ul style="list-style-type: none"> <li>- <b>Component 1 - Governance.</b> Component 1 aims to promote dialogue, coordination, integration, and synergy among local, national, and regional stakeholders on environmental issues. It will provide Training to the relevant stakeholders and carrying out of Studies for: (i) the review of the environmental management systems of the Beneficiaries; (ii) the review of the environmental issues at the sectoral and macroeconomic levels of the Beneficiaries; (iii) the promotion of private sector participation in environmental management; (iv) the involvement of local stakeholders in the environmental dialogue in the Beneficiaries; and (v) the regional environmental integration.</li> </ul>				

<sup>1</sup> “Beneficiaries” means Morocco, Lebanon and Tunisia and, upon receipt by the World Bank of their written communication expressing their interest and commitment for the Project, and with approval of the World Bank, Algeria, Egypt, Libya, Syria, and West Bank and Gaza.



- **Component 2 - Knowledge generation.** Component 2 aims to produce innovative knowledge on environmental issues. It will provide Training to the relevant stakeholders and carrying out of Studies for: (i) the preparation of knowledge products for the Beneficiaries on the various aspects of environmental vulnerability pertaining to the most relevant economic sectors and most critical locations at local, national and regional levels; and (ii) the dissemination activities for the Beneficiaries for the knowledge products produced, and the establishment of Project website.
- **Component 3 - Project Coordination and Management.** Component 3 will support the implementation of the Project by Plan Bleu, through the financing of Incremental Operating Costs associated with Project coordination and management and the carrying out of the audits for the Project.

Safeguard policies triggered?	
Environmental Assessment (OP/BP 4.01)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Natural Habitats (OP/BP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forests (OP/BP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Physical Cultural Resources (OP/BP 4.11)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OP/BP 4.10)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP/BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects on International Waterways (OP/BP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP/BP 7.60)	<input type="radio"/> Yes <input checked="" type="radio"/> No

**Effectiveness Conditions:**

- The Project Implementation Manual, satisfactory to the Bank, has been adopted by the Recipient, and has been posted on its website.
- The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate action.
- The Steering Committee has been established in a manner satisfactory to the World Bank.



## I. Strategic Context

### A. Regional Context

1. **In the Mediterranean region, several initiatives have played a key role in addressing environmental challenges.** The main issue tackled concerns the transboundary pollution affecting the Mediterranean Sea, in order to manage common environmental resources and develop a common framework for regional cooperation. The most important initiatives include: the Barcelona Convention; the United Nations Environment Programme (UNEP) Mediterranean Action Plan (MAP); the Strategic Partnership for the Mediterranean Sea Large Marine Ecosystem; the European Commission (EC) and the European Investment Bank (EIB) funded programs and facilities; the Union for the Mediterranean (UfM); and the Marseille Center for Mediterranean Integration (CMI) (Box 1). These initiatives come in support of, and greatly complement, the broader Arab World Initiative (AWI) framework, launched in 2007 to accelerate and reenergize regional integration among Arab countries within the global economy.

#### **Box 1: Regional environmental initiatives in the Mediterranean**

**The Barcelona Convention** (adopted in 1976 and amended in 1995) **and its protocols** (especially the new Integrated Coastal Zone Management protocol just entered into force). They aim at:

- The reduction of pollution in the Mediterranean Sea; and
- The protection and improvement of the marine environment and the coastal region of the Mediterranean, thereby contributing to its sustainable development.

**The United Nations Environment Programme (UNEP) Mediterranean Action Plan (MAP) for the Barcelona Convention with its network of Regional Activity Centers (RAC).** It includes for example the MED POL Program (marine pollution assessment and control). Also, it includes Plan Bleu pour l'Environnement et le Développement en Méditerranée (Plan Bleu), which aims at producing information and knowledge in order to alert decision-takers and other stakeholders of environmental risks and sustainable development issues in the Mediterranean. The MAP also created in 1996 the Mediterranean Commission for Sustainable Development (MCSD) which meets bi-annually and includes representatives of ministries of environment, environmental IGOs and NGOs, experts, and members of the scientific community. In 2001, and following a request of the Contracting Parties of Barcelona Convention (the 21 Mediterranean rim countries and the European Community), a draft of the Mediterranean Strategy for Sustainable Development (MSSD) was developed by MCSD, under the authority of the Coordinator of the MAP, with the technical coordination of Plan Bleu and with the support of the other MAP Regional Activity Centers. The strategy was adopted by the Contracting Parties in 2005.

**The Strategic Partnership for the Mediterranean Sea Large Marine Ecosystem.** This is led by UNEP/MAP and the World Bank MENA and ECA regions, co-funded by the GEF, and involve other agencies, IFIs and bilateral and multilateral donors. It serves as a catalyst in leveraging policy, legal, and institutional reforms as well as additional investments for reversing degradation of the Mediterranean Sea Basin. It aims at addressing transboundary environmental concerns identified in the Strategic Action Program (SAP) to address pollution from land-based activities (SAP MED) and in the Strategic Action Plan for the conservation of biological diversity in the Mediterranean (SAP BIO), translated into National Action Plans (NAPs).

**The European Commission (EC) funded programs.** Examples of such projects are: the Horizon

2020 initiative, which aims to tackle the top sources of Mediterranean pollution by the year 2020; PEGASO, concerning the Integrated Coastal Zone Management (ICZM); and ClimRun, for climate services. Some projects financed by the Framework Program 7 (DG Research) may also be of interest, in particular those not purely focused on research but geared towards decision-making.

**The Union for the Mediterranean (UfM).** This was launched in July 2008 as a multilateral partnership between 43 countries from Europe and the Mediterranean Basin. Pollution of the Mediterranean is one of its six priority areas of intervention. It encompasses many initiatives that target good environmental governance, access to drinkable water, water management, pollution reduction, and protection of the Mediterranean biodiversity.

**The European Investment Bank (EIB) and Facility for Euro-Mediterranean Investment and Partnership (FEMIP) funded projects.** FEMIP continues to support the priority projects of UfM, - cleaning up the Mediterranean, the Solar Plan, and maritime and land highways - in accordance with the recommendations of the Euro-Mediterranean finance ministers.

**The Marseille Center for Mediterranean Integration (CMI).** The center represents a multi-partner collaborative arrangement launched in October 2009 to support leaders and other key stakeholders in the region to adopt evidence-based policy making and jointly pursue common development goals as well as to deal with transboundary challenges. Its objective is to facilitate access to knowledge, best practices, and support to relevant public and independent institutions to improve cooperation, enhance sustainable development, and promote policies towards greater integration of the Mediterranean region. The CMI focuses on joint learning which can lead to high impact on policy and investment choices among governments and other actors.

2. **During the past decade, Mediterranean countries have achieved substantial progress in developing their framework for environmental management and building their environmental institutions.** Environmental Strategies and National Environment Action Plans (NEAPs) have been adopted in association with local environmental institutions and other sector ministry agencies. Actions aimed at improving environmental quality by mainstreaming environmental issues into their economic development agenda have been translated into the preparation of national sustainable development plans and implementation of national environmental projects.

3. **Despite these advancements, serious environmental challenges remain.** These include declining availability of per capita water resources (which are aggravated by threats from climate change and the increased degradation of water quality), loss of arable land, pollution-related health problems, overexploitation and degradation of marine resources, deterioration of coastal zones, rapid urbanization, among others, all in a context of constrained environmental institutions, regulatory frameworks, and enforcement mechanisms. The World Bank has estimated the costs of environmental degradation in the Mediterranean countries between 2 and 7 percent of their annual GDPs, with consequences to public finances, household budgets, competitiveness of the economy, and inter-generational equity.

4. **Mediterranean countries should continue addressing these various environmental degradation problems.** The World Bank and other partners should maintain the support to these countries not only in terms of knowledge, technical and institutional capacity, effective

management instruments, but also through support to sector ministries so that they too address environmental issues under their own constituencies. Furthermore, the cultural similarities among the Mediterranean countries suggest that there are many opportunities for joint work to tackle transboundary pollution problems and to share experience of successful management practice.

## B. Sectoral and Institutional Context

5. **Southern and Eastern Mediterranean governments are committed to improve their performance in terms of environment management and sustainable development.** However, their environment sector suffers from incomplete and/or ineffective legal and institutional frameworks and from weak coordination among ministries and government agencies. Environmental guidelines and standards need to be strengthened in order to adequately handle the complex and large infrastructure investments which the region lacks.

6. **Several strategies have been developed in the Southern and Eastern Mediterranean in order to address environmental sector issues.** At the institutional level, **Egypt**, for instance, established in 2006 a National Committee on Sustainable Development, consisting of representatives from various ministries and relevant agencies, with the mandate to develop policies, plans, and laws, in addition to the country's national sustainable development strategy. **Lebanon** has made substantial efforts to strengthen its environmental institutions by enacting an environmental protection law and Environmental Impact Assessment (EIA) regulations. In the same vein, **Morocco** has launched The Charter for Environment and Sustainable Development, which will lead among other national initiatives to the creation of 16 regional observatories that would provide the government with yearly reports and recommendations on environment and developmental issues. Many of these initiatives have been, or are, successfully implemented with the support from the governments as well as donors including the World Bank. Some of the countries have completed their Country Environment Assessment (CEA) with World Bank support with the objective to ensure the integration of environmental aspects into the sector development strategies.

7. **The Mediterranean region hosts several institutions with a mandate to support environmental protection and to bring solutions to common trans-boundary pollution problems, but their impact is still weak.** Notwithstanding the Barcelona Convention was signed 35 years ago, regional institutions with a mandate to mainstream environment into key policy decisions do not have yet the accumulated experience to inform broad development policies, and do not typically involve economic and sector ministries. For example, the Mediterranean Commission on Sustainable Development (MCSD) has a mandate which extends beyond that of Ministries of Environment and might thus be an adequate institution to promote the mainstreaming of environmental issues. It plays a key role in that regard, but it does not yet have the weight and capacity to truly influence the development agenda from an environmental sustainability point of view.

8. **The World Bank has played a major role in the Southern and Eastern Mediterranean, supporting national and regional technical assistance and investment projects in the environment.** This has been done by implementing and hosting the secretariat of

the multi-donor Mediterranean Environmental Technical Assistance Program (METAP) for 20 years. This program, launched in 1990, came to closure in FY10. METAP was implemented in four phases, covering different themes: integrated water resources management, solid and hazardous waste management, chemical pollution, coastal zone management, urban environmental management, capacity development, and environmental policy tools. METAP gave a regional dimension to national environmental issues and helped define sustainable development indicators for the region, assess the impact of policies, programs and projects on the state of the environment, and reinforce the technical capabilities and resources of both public and private entities.

9. **The World Bank and the Global Environment Facility (GEF) conceived the Mediterranean Environmental Sustainable Development Program - “Sustainable MED”.** The Sustainable MED is one of the foundational programs of the Environment and Water cluster of the CMI. The objective of the Program is to help governments in the Mediterranean region to ensure the sustainability of their natural resource base in support to their economic development programs and actions. In its first phase, Sustainable MED focuses on water resources and coastal zone management. Future phases will be defined as the Program evolves, ideally broadening the spectrum of focal areas. Sustainable MED will achieve its objective through a combination of policy dialogue, investment lending, and technical assistance. Various projects were conceived, prepared, and/or implemented under the Sustainable MED Program, and the proposed Project is one of them (see Annex 8).

10. **The Regional - Governance and Knowledge generation Project aims to foster the integration of environmental issues into sectoral and development policies.** The Project will be implemented by “Plan Bleu pour l’Environnement et le Développement en Méditerranée” (Plan Bleu), a French Non-Governmental Organization (NGO).

11. **The rationale for World Bank’s involvement in the environment sector has been strengthened by its ability to provide, under the broad aegis of the Barcelona convention, a regional dimension to national environmental issues.** The World Bank’s high-level dialogue in the environment field has strengthened its partnership with these governments as well as with other donors. With its ability to mobilize regional initiatives and programs, the World Bank can build on its convening power to work closely in partnership with governments and donors. At the technical level, the World Bank has carried out studies on specific environment issues and provided technical assistance on environment management by developing innovative tools and multi-sectoral approaches to environmental policy in the region such as the Cost of Environmental Degradation (COED) studies, drawing on extensive knowledge and expertise accumulated with existing programs and initiatives. The World Bank has furthermore a wealth of experience across regional programs that helped address the economic and development challenges in the broader Mediterranean and Arab region. Regional international waters initiatives such as the Baltic Sea Program, the Black Sea/Danube Partnership Investment Fund and the Nile Basin Initiative have been transformational in the way water is managed as a global public good and in the wider context of sustainable development. More recently, the World Bank’s MENA region has further adopted a regional approach to ecosystems management and conservation, for both shared seas and deserts. The Shared Seas Program aims at revitalizing the sustainable flow of goods and services through pollution reduction, improved water and marine

resources management, renewable energy (offshore wind farming), and sustainable management of national fisheries. The Deserts Ecosystems and Livelihoods Program aims at strengthening biodiversity and harnessing the value of desert ecosystem services and goods in order to improve daily standards of living for millions in the region.

### C. Higher Level Objectives to which the Project Contributes

12. **The Project will enhance the delivery and impacts of the Sustainable MED Program, which is of one of the foundational programs of the Environmental and Water cluster of the CMI.** It will promote dialogue among local, national, and regional stakeholders and support the production of knowledge and the sharing of information related to the broader sustainable development agenda, and in particular to the management of freshwater, coastal, and marine resources.

13. **The activities to be carried out under the Project will be defined in coordination with those carried out by existing bodies, such as Barcelona Convention and Mediterranean Commission on Sustainable Development.** Through the Mediterranean Action Plan (MAP), Parties to the Barcelona Convention already made steps towards sustainable development implementation in Mediterranean Basin. Activities financed under this Project will thus complement activities financed by the program of work of the MAP.

14. **The Project is in line with the Strategic Objectives for the GEF International Waters focal area.** These are to foster a “more comprehensive, ecosystem-based approach to management of transboundary waters”, and “to play a catalytic role by assisting countries to utilize the full range of technical assistance, economic, financial, regulatory and institutional reforms that are needed” in addressing priority transboundary water pollution.

15. **The Project fits within the first three International Waters Focal Areas Strategic Programs of GEF-4:** (i) restoring and sustaining coastal and marine fish stocks and associated biological diversity; (ii) reducing nutrient over-enrichment and oxygen depletion from land-based pollution of coastal waters in LMEs consistent with the GPA; and (iii) balancing overuse and conflicting uses of water resources in surface and groundwater basins that are transboundary in nature. The Project objectives are directly aligned with the Strategic Programs expected outcomes including: (i) political and legal commitments made to address preservation of biological biodiversity, reduction of coastal waters pollution and conflicting uses over water resources; and (ii) institutions and reforms introduced to catalyze implementation of policies for sustainable fisheries, integrated coastal zones management, and international water resources management.

16. **The Project is consistent with the strategic orientation of the 2011 World Bank Group Environment Strategy.** During consultations on the Concept Note of the Strategy, a range of stakeholders across developing and developed countries have reiterated the importance of strengthened environmental institutions and improved governance as critical components of the World Bank efforts.

17. **The Project will help promoting demand for investment projects.** Such demand can be directed to the World Bank as well as to the whole community of international donors active in the Mediterranean region. Independently from the partners involved, these potential investments would ideally be in line with, and part of, the Sustainable MED Program.

## II. Project Development Objectives

### A. PDO

18. **The Project Development Objective (PDO) is to foster the integration of environmental issues into sectoral and development policies of the Beneficiaries,**<sup>2</sup> through the production of innovative knowledge on environmental issues, with specific reference to water related topics (freshwater, coastal, and marine resources), and the organization of Trainings<sup>3</sup> during which this knowledge will be used to strengthen the capacity of key stakeholders at a local, national, and regional level.

#### 1. Project Beneficiaries

19. **Lebanon, Morocco, and Tunisia will benefit from the Project, with Algeria, Egypt, Libya, Syria, and West Bank and Gaza having the possibility to join the Project throughout its implementation on a rolling basis.** To benefit from the Project, they should express their interest through an Endorsement letter and receive World Bank approval. Northern Mediterranean countries (ECA region) may be involved in shared events related to learning and best practices, but the main focus will remain in the MENA Region. The inclusion of ECA countries can be envisaged in a second phase of the Project, in function of future development of the Sustainable MED Program.

20. **Political leaders, finance, planning and sector ministers and ministerial staff, environmental stakeholders (academics, scientists, NGOs, practitioners) will benefit from the Project.** They will directly participate in the activities financed and thus have access to better information and exchanges. In turn, they will directly contribute to the Project through their inputs and feedbacks, creating a virtuous cycle which will allow an improved flow of information between technical experts and decision makers.

21. **Even if no physical works will be financed under the Project, local communities and individuals living near and/or depending on the ecosystem services of the Mediterranean Sea and its coastline will indirectly benefit from the Project.** The association has long been made between environmental quality and livelihoods, health outcomes, and local employment opportunities. It is therefore expected that particularly the poorer communities will incur the highest benefits of the Project, together with fishermen and the fisheries industry, tourists and the

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<sup>2</sup> “Beneficiaries” means Morocco, Lebanon and Tunisia and, upon receipt by the World Bank of their written communication expressing their interest and commitment for the Project, and with approval of the World Bank, Algeria, Egypt, Libya, Syria, and West Bank and Gaza.

<sup>3</sup> Workshops, seminars, meetings, and conferences.



tourism industry, and others. Private firms could also benefit from the Project to the extent that environmental regulations are more clearly defined.

## 2. PDO Level Results Indicators

22. The PDO level results indicator is the **Effectiveness of Trainings<sup>4</sup> and Studies<sup>5</sup> for the policy making process as assessed by the beneficiaries**. It is presented in Annexes 1 and 3 in detail, together with the intermediate results indicators. No core indicator of environmental policies and institutions could be included in the Results Framework and Monitoring of the proposed Project, as these core indicators are currently under development at the World Bank and are expected to be finalized by the end of FY12. One or more appropriate core indicators could be added during Project implementation, in agreement with Plan Bleu.

### III. Project Description

#### A. Project components

23. The Project consists of three components: (1) Governance; (2) Knowledge generation; and (3) Project Coordination and Management. The components are described below and in more detail in Annex 2.

#### **Component 1 - Governance (US\$1.50 million or 50 percent of Project costs)**

24. Component 1 aims to promote dialogue, coordination, integration, and synergy among local, national, and regional stakeholders on environmental issues, with specific reference to water related topics (freshwater, coastal, and marine resources). It will provide Training to the relevant stakeholders and carrying out of Studies for: (i) the review of the environmental management systems of the Beneficiaries; (ii) the review of the environmental issues at the sectoral and macroeconomic levels of the Beneficiaries; (iii) the promotion of private sector participation in environmental management; (iv) the involvement of local stakeholders in the environmental dialogue in the Beneficiaries; and (v) the regional environmental integration.

#### **Component 2 - Knowledge generation (US\$1.26 million or 42 percent of the Project costs)**

25. Component 2 aims to produce innovative knowledge on environmental issues. It will provide Training to the relevant stakeholders and carrying out of Studies for: (i) the preparation of knowledge products for the Beneficiaries on the various aspects of environmental vulnerability pertaining to the most relevant economic sectors and most critical locations at local, national and regional levels; and (ii) the dissemination activities for the Beneficiaries for the knowledge products produced, and the establishment of Project website.

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<sup>4</sup> Workshops, seminars, meetings, and conferences.

<sup>5</sup> Reports, reviews, and analyses.

### **Component 3 - Project Coordination and Management (US\$0.24 million or 8 percent of Project costs)**

26. Component 3 will support the implementation of the Project by Plan Bleu, through the financing of Incremental Operating Costs associated with Project coordination and management and the carrying out of the audits for the Project.

#### **B. Project Financing**

##### **1. Lending Instrument**

27. **The proposed Project is a Specific Investment Loan (SIL) financed by a GEF grant in the amount of US\$3.00 million.** In-kind contribution for a total amount of US\$0.71 million is provided by Plan Bleu and other donors.

##### **2. Project Cost and Financing**

<b>Project Components</b>	<b>Project cost (M US\$) Inclusive of taxes <sup>6</sup></b>
Component 1 – Governance	1.50
Component 2 - Knowledge generation	1.26
Component 3 - Project Coordination and Management	0.24
<b>Total Project costs</b>	<b>3.00</b>
Co-financing	0.71

28. **The GEF Grant will be entirely managed by Plan Bleu without prior allocation to Beneficiaries, sectors, or activities.** Lebanon, Morocco and Tunisia have already expressed their interest for the Project and will benefit from the Project, with Algeria; Egypt; Libya; Syria; and West Bank and Gaza having the possibility to join the Project throughout its implementation on a rolling basis. Plan Bleu will be responsible for managing the Project funds and all related financial transactions, and there will be no transfer of funds to the Beneficiaries. Given the demand-driven approach of the Project, Beneficiaries will jointly identify the activities to be implemented under the Project.<sup>7</sup>

29. **In-kind contribution for a total amount of US\$0.71 million is provided by other donors in parallel to the GEF Grant, and it will finance different activities than those financed by the GEF Grant.** Specifically, this in-kind contribution finances:

- Two Studies (the 2012 Med Report and the Health and Environment Report): in-kind contribution is provided by Plan Bleu (US\$0.30 million in staff working time and consultants); AFD (US\$0.20 million in staff working time and missions costs); EIB

<sup>6</sup> Local taxes on services, and other local taxes, such as VAT and sales tax on the goods procured, have been assessed by the Team and found reasonable. Indicative VAT rate in France is 19.6 percent.

<sup>7</sup> See Annex 3, Implementation arrangements for details.

(US\$0.03 million in staff working time and missions costs); and French Ministry of Ecology, Sustainable Development, Transport and Housing (US\$0.08 million in staff working time); and

- Logistic in Marseille: in-kind contribution is provided by CMI (US\$0.09 million in conference rooms, equipments such as video-connections, and other logistic arrangements such as translation services) for the Trainings organized under the Project.

### C. Lessons Learned and Reflected in the Project Design

30. Key lessons were derived from a review of relevant experiences of regional GEF-operations such as the Aral Sea Program, the Baltic Sea Program, the Black Sea/Danube Partnership Investment Fund, and the Partnership Investment Fund for Pollution Reduction in the Large Marine Ecosystems of East Asia (PEMSEA). The review also included an analysis of the experience gained in the implementation by the World Bank over the last two decades of the multi-donor Mediterranean Environmental Technical Assistance Program (METAP).

31. This review confirmed the positive track record and wealth of experience of the World Bank with such shared seas programs that have all been transformational in the way water is managed as a global public good and in the wider context of sustainable development. It highlighted the relevance of designing and offering flexible and time-responsive technical assistance tools which is one of the objectives of this Project.

32. The most significant lessons learnt from activities undertaken by the above-mentioned programs were incorporated into the design of this Project:

- **Developing capacity.** Capacity development is critical for innovative and effective decision-making and management. The institutional structuring would be incomplete if it were not accompanied by greater cooperation and empowerment of local stakeholders. The Project will support regional, national, and local capacity to strengthen the decision-making process for sustainable management of the Mediterranean resources, collaborating with regional and national centers of expertise and promoting exchanges between experts and decision makers.
- **Monitoring.** Consistent procedures are needed to evaluate and monitor transboundary issues. The Project will partner thematically with existing organizations and centers of expertise to support upgrading the quality of systems used to evaluate, assess, and monitor environmental conditions in the Mediterranean. These systems will be used by regional, national, and local organizations for more effective environmental management.
- **Building partnerships with the private sector.** Involvement of the private sector appears to be a challenging and very important stake for such environmental management programs. The Project will support mechanisms for private-sector participation focusing on the environment as a business opportunity rather than a constraint to the private sector.
- **Translating the regional vision into national level actions.** Programs conceptualized at the regional level can be better implemented when designed at the regional level with

agreement on broad principles, with implementation by specific sectors at the national level. This makes the Programs consistent with regional goals but places implementation under national governments. For the majority of issues addressed by the proposed Project, and when feasible, this will be the adopted approach.

- **Different riparian countries may require different approaches.** The review consistently noted that differences in economics and politics across countries require different approaches in each case. The constraints imposed by limited opportunities for training and availability of materials in Arabic, especially when working with personnel at the provincial and municipal levels, were another concern.
- **Realistic targets.** Country ownership at the line-ministry level is a challenge. For example, because the Aral Sea project was prepared largely by the International Fund for saving the Aral Sea (IFAS), the Interstate Coordination Water Commission (ICWC), and donors, the line ministries had only limited participation in preparing the operation, with the result that there was little focus on country specific results.
- **Partnering with existing activities and organizations.** Linkages with other ongoing activities are necessary to optimize benefits for the recipient countries. These linkages will be assured to the Project by the fact that it is under the Sustainable MED Program. The Sustainable MED program will ensure the flow of information between the proposed Project and the investment lending projects conceived and implemented under the Sustainable MED. In addition, the Sustainable MED Program, by promoting collaboration with all existing partners and institutions, such as UfM, EIB initiatives, UNEP/MAP, MCSD, as well as EC's Horizon 2020 initiative, will represent the bridge between the Project and the community.
- **Integrated Coastal Zone Management (ICZM).** Experience with ICZM, especially from the Gulf of Aqaba Environmental Action Plan, underlines the importance of focusing ICZM activities on land use planning and management, with an emphasis on development of enforceable regulations. Implementing agencies and communities should have maximum flexibility to adapt Project-supported activities to local and site-specific needs.

## **IV. Implementation**

### **A. Institutional and Implementation Arrangements**

33. The Project will be implemented by Plan Bleu, where the Project Management Team (PMT) will be hosted. The Beneficiaries will be represented in the Project Steering Committee. The role and responsibility of Plan Bleu, the PMT, the Project Steering Committee, and donors is described below and in more detail in Annex 3. The World Bank will carry out the supervision of the Project, according to the Implementation Support Plan presented in Annex 5. The Project has been conceived and prepared and will be implemented under the Sustainable MED Program,

which is one of the foundational programs of the Environmental and Water cluster of the CMI; coordination between the Project and the Program is presented in Annex 8.

34. **Plan Bleu** - “Plan Bleu pour l’Environnement et le Développement en Méditerranée” (Plan Bleu) will implement the Project. The choice of Plan Bleu is due to a number of reasons: (i) Plan Bleu has over 30 years of experience promoting environmental regional cooperation; (ii) its mandate is to address environmental issues in the Mediterranean basin, thus entirely aligned with the Project; (iii) its geographical scope is similar, and goes beyond, the Project; (iv) it has well known economic-analytical capacity on environmental issues and environmental policy discussions; (v) it has broad experience with other development agencies to conduct similar work (i.e. AFD, EIB, EU); (vi) it is one of the Regional Activity Centers for the implementation of the Mediterranean Action Plan (MAP); (viii) it has a network of focal points in the Mediterranean basin; and (viii) it is located in the proximity to the CMI where part of the World Bank Project Task Team and the Sustainable MED Program Task Team are hosted.

35. **Project Management Team (PMT)** - The PMT will be housed in Plan Bleu. It will manage day-to-day implementation of the Project. Plan Bleu staff will be assigned to the following PMT roles: Project coordinator, procurement specialist, financial management specialist, Monitoring and Evaluation specialist, and communication specialist. If needed, consultants will be hired to carry out specific tasks.

36. **Project Steering Committee** - The Project Steering Committee will be composed by one representative from the environment sector of each of the Beneficiaries. The Project Steering Committee will be responsible for the following activities, to be further detailed in the PIM: (i) identification of the specific activities to be carried out under the Project; (ii) preparation of the annual work plan; (iii) facilitation of the communication and access between Plan Bleu and the Beneficiaries; and (iv) review of the Project Reports.

37. **Donors** - Other Project donors besides Plan Bleu (AFD, EIB, CMI, and French Ministry of Ecology, Sustainable Development, Transport and Housing) will receive periodical updates on the Project. Plan Bleu will be responsible of providing them all reports produced in a timely manner.

38. **Project Implementation Manual (PIM)** - The Project would be implemented according to detailed procedures defined in the PIM, to be prepared by Plan Bleu as a condition of Project effectiveness.

## B. Results Monitoring and Evaluation

39. **The Monitoring and Evaluation (M&E) system of the Project has been designed to represent the underlying logic of how the activities implemented will help to achieve the PDO.** Annex 1 presents the Results Framework and Monitoring, while Annex 3 details the choice of PDO level and intermediate level results indicators and the type of reports. Further details on these aspects (i.e. methodology adopted for data collection and consolidation) will be provided in the PIM.

40. **Plan Bleu will have the overall responsibility for the reporting (Project Reports; Interim Unaudited Financial Reports, IUFR; Financial Statements of the Project, FSP).** Plan Bleu will establish a clear procedure for information flow, i.e. with reference to country-based activities, to be detailed in the PIM, and it will have the responsibility to consolidate the information.

### C. Sustainability

41. **The sustainability of the proposed Project will ultimately depend on whether key environmental sustainability issues are integrated into the national and regional development agendas.** The Knowledge generation component will provide the substantive platform on which the Governance component will operate, and will thus also provide the basis for sustainability of the Project. Regular flow of information and knowledge exchange between “implementation” and “learning” is key to ensure sustainability, and the Project amply provides the platform for this.

42. **At the regional level, training, capacity-building, and data dissemination will reinforce the capacity of key actors** to build a “coalition” and a shared vision to influence decision makers for greater environmental protection, allocation of resources, and enforcement of environmental legislation.

43. **Last but not least, the sustainability of the Project will depend on the identification and costing of new investment opportunities** (i.e. SMEs investing in green projects; PPP for environmental protection; corporate social responsibility initiatives).

### V. Key Risks and Mitigation Measures

44. **Recent events in North Africa may temporarily reduce the priority of the environmental agenda at the government level.** The environmental agenda might temporarily lose priority due to the shift to short term needs in relation to the recent political, economic, and social turmoil in the region. As a consequence, there might be little buy-in of the Project in the Region. To mitigate this risk, the Project will capitalize in its first phase of implementation on the Beneficiaries having stronger commitment to environmental issues and having endorsed the Project before its negotiation.

45. **One of the key risks associated with the Project implementation is the lack of Plan Bleu knowledge of World Bank Projects.** Plan Bleu staff has limited knowledge in World Bank financial management, disbursement, and procurement standards. As a mitigation measure, a training plan will be put together for the design of appropriate fiduciary support systems. The Plan Bleu staff is expected to quickly pick up all necessary procedures and standards, also considering that the Project is simple in nature, with no physical works or large goods contracts but only with small activities usually below the thresholds identified in the Procurement Plan.

46. **In view of the above, notwithstanding the political uncertainties related to the regional events and Arab spring,** the overall Project risks are rated Medium - High. Other

potential risks and mitigation measures are summarized in the Operational Risk Assessment Framework (Annex 4).

## VI. Appraisal Summary

### A. Economic and Financial Analysis

47. **The Project is a governance and knowledge project not amenable to a quantified cost-benefit or financial analysis.** Nonetheless, although it is difficult to estimate in monetary terms the global and local benefits expected as a result of the activities, the Project has been designed based on the principle of cost-effectiveness. The Project will identify and promote activities that achieve the highest benefits with the available resources.

48. **The Project is financed by a GEF Grant in the amount of US\$3.00 million.** In-kind contribution (co-financing) for a total of US\$0.71 million is provided by Plan Bleu, AFD, EIB, CMI, and French Ministry of Ecology, Sustainable Development, Transport and Housing. Efforts are underway, and will continue throughout Project implementation, to identify opportunities for synergy with other partners and other initiatives to expand the Project and the overall Sustainable MED Program budgets.

49. **Experience from previous METAP Program suggests that there is a big opportunity for the Sustainable MED Program to leverage resources from different sources.** The METAP also aimed at giving a regional dimension to national environmental issues and to reinforce the technical capabilities and resources of both public and private entities. With an overall budget of US\$60 million, METAP developed a strong pipeline of environmental projects totaling approximately US\$2.2 billion, with funding mainly from the World Bank and EIB.

### B. Technical

50. **The Project will address the broad aspects of integration of environmental issues into sectoral and development policies of the Beneficiaries, with specific focus on water resources management.** It will promote dialogue, support production of knowledge and the sharing of information. A critical element is an improved governance system whereby environmental and natural resources are better internalized in the policy and decision-making processes of non-environment Ministries, and are managed in a participatory manner, in line with principles of new economics, modern regulatory regimes, and overall sustainable development.

### C. Financial Management

51. **Plan Bleu financial management system was appraised to determine if it complies with the requirements of the World Bank in respect to OP/BP10.02.** The financial management assessment of Plan Bleu covered the areas of accounting and financial management, as well as the reporting and auditing process of the Project. The financial

management system, including necessary arrangements to respond to the needs of the financial monitoring of the Project, satisfies the minimum requirements of the World Bank.

52. **Plan Bleu will implement the Project.** Plan Bleu will maintain appropriate Project accounts, preparing annual financial statements, and periodic financial reports by component, category, and source of funding.

53. **Plan Bleu accounting system is on accrual basis which is compliant with the acceptable accounting rules applicable in France.** Its financial statements are submitted to an annual external audit. With Reference to the Project, Interim Unaudited Financial Reports (IUFR) covering all activities and sources of funds of the Project will be prepared biannually by Plan Bleu and transmitted to the World Bank within 45 days after the end of each period. The external annual audit report of the Project accounts and the management letter covering recommendations to improve the internal controls and the accounting system (Financial Statements of the Project, FSP) will be transmitted by Plan Bleu to the World Bank within six months after the end of each exercise. The audit will be carried out in accordance with the World Bank guidelines by an acceptable auditor and according to terms of references acceptable to the World Bank. Plan Bleu's external annual audit report will be transmitted to the World Bank as well within six months after the end of each exercise.

54. **The Project is financed by the GEF for US\$3.00 millions.** In-kind contribution (co-financing) for a total amount of US\$0.71 million is provided by Plan Bleu, AFD, EIB, CMI, and French Ministry of Ecology, Sustainable Development, Transport and Housing. Financial flows of the GEF Grant between the World Bank and Plan Bleu will be organized according to disbursement procedures of the World Bank. The flow of funds' mechanism of the Grant will involve the establishment of a designated account with the Crédit Agricole under Plan Bleu's name. Terms and conditions of disbursement will be defined in the PIM to be prepared by Plan Bleu as a condition of effectiveness.

55. **Overall, the Project financial management risk is assessed as Moderate before mitigation and Low after mitigation.** The proposed financial management arrangements will satisfy the World Bank's minimum requirements under OP/BPI 0.02, and be adequate to provide, with reasonable assurance, accurate and timely information on the status of the Grant as required by the World Bank.

#### D. Procurement

56. **Under the Project, the main items to be procured are: (i) consultants services; and (ii) goods and non consulting services.** The Project Management Team (PMT) will carry out Consultant selection and procurement following the Guidelines for (i) Selection and Employment of Consultants by World Bank Borrowers; and (ii) Procurement under IBRD Loans and IDA Credits and the provisions stipulated in the Grant Agreement.

57. Because of the nature and design of the Project, it is anticipated that specialized consultants may be selected on a single source basis (firms and individuals). Plan Bleu, in view that it is staffed with exceptional capabilities pertinent to the Project, will allocate its own staff



on part-time basis for the implementation. Expenses associated to part of salaries will be eligible for disbursement from the Grant proceeds under Incremental Operating Costs.

58. **A desk review of Plan Bleu assessed a Low procurement capacity and a High procurement risk.** The PMT will have a procurement specialist, who will follow at least one adequate training session in the Selection of Consultants according to the Bank Guidelines. A World Bank Procurement Specialist will conduct a Project launch workshop for the PMT staff and will join supervision missions. All selections of consultants, and procurement procedures for goods and non-consulting services, will be subject to prior review during the first year and a half of the Project. Based on the performance of Plan Bleu and reassessment of procurement capacity, this period may be revisited and the procurement plan along with the prior reviews adjusted accordingly.

E. Social (including safeguards)

59. **The Project does not involve any land acquisition or resettlement.** On the contrary, the Project is expected to lead to social benefits.

60. **Consultations were held during the preparation of the Project with representatives of Beneficiaries, donors, partners, and regional initiatives.** In April 2011, a one-day consultation was held in Rome (Italy), with the participation of the GEF focal points (or their representative) of Algeria, Egypt, Tunisia, and Morocco, plus the participation of representatives of UNEP/MAP. The draft Project document was shared, and inputs were taken into consideration in its revision.

F. Environment (including safeguards)

61. **The Project has been classified as a Category C.** OP 4.01 is not triggered and no Environmental Impact Assessment (EIA) is required. The Project does not involve any physical works and will not have any adverse environmental impacts. On the contrary, the Project is expected to lead to better mainstreaming of environmental sustainability issues into key policy decisions at national and regional levels and new investment opportunities identified with environmental benefits.

<b>Safeguard policies</b>	<b>Triggered?</b>
Environmental Assessment (OP/BP 4.01)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Natural Habitats (OP/BP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forests (OP/BP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Physical Cultural Resources (OP/BP 4.11)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OP/BP 4.10)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP/BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects on International Waterways (OP/BP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP/BP 7.60)	<input type="radio"/> Yes <input checked="" type="radio"/> No

## Annex 1: Results Framework and Monitoring

### REGIONAL - GOVERNANCE AND KNOWLEDGE GENERATION PROJECT Results Framework

<b>Project Development Objective (PDO):</b> To foster the integration of environmental issues into sectoral and development policies of the Beneficiaries.										
PDO Level Results Indicators <sup>8</sup>	Core	Unit of Measure	Baseline	Cumulative Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3				
Effectiveness of Trainings and Studies for the policy making process as assessed by the Beneficiaries	<input type="checkbox"/>	Percentage	0	50%	65%	80%	Quarterly	Evaluation sheets	PMT	The evaluation sheet will be developed in the PIM and distributed to the Beneficiaries. Trainings include workshops, seminars, meetings, and conferences. Studies include reports, reviews, and analyses; they do not include minutes, proceeding, notes, newsletters, and webpages.
<b>INTERMEDIATE RESULTS</b>										
<b>Intermediate Result (Component 1): Governance</b>										
Trainings targeting stakeholders from the Ministry of Environment	<input type="checkbox"/>	Cumulative no.	0	1	3	7	Quarterly	Minutes / Proceedings	PMT	Trainings include workshops, seminars, meetings, and conferences.
Trainings targeting stakeholders from at least two Ministries	<input type="checkbox"/>	Cumulative no.	0	1	2	4	Quarterly	Minutes / Proceedings	PMT	Trainings include workshops, seminars, meetings, and conferences. They can be both bilateral and multilateral. Stakeholders from the Ministry of

<sup>8</sup> No core indicator of environmental policies and institutions could be included in the Results Framework and Monitoring of the proposed Project, as these core indicators are currently under development and are expected to be finalized by the end of FY12. One or more appropriate core indicators could be added during Project implementation, in agreement between Plan Bleu and the World Bank.

										Environment should be always represented.
Trainings with private sector participation	<input type="checkbox"/>	Cumulative no.	0	1	2	3	Quarterly	Minutes	PMT	Trainings include workshops, seminars, meetings, and conferences.
Trainings at local level	<input type="checkbox"/>	Cumulative no.	0	2	6	10	Quarterly	Minutes	PMT	Trainings include workshops, seminars, meetings, and conferences.
Trainings at regional level	<input type="checkbox"/>	Cumulative no.	0	2	4	6	Quarterly	Proceedings	PMT	Trainings include workshops, seminars, meetings, and conferences. Regional trainings should be joint by at least two of the Beneficiaries.
<b>Intermediate Result (Component 2): Knowledge generation</b>										
Studies completed	<input type="checkbox"/>	Cumulative no.	0	1	5	8	Quarterly		PMT	Studies include reports, reviews, and analyses; they do not include minutes, proceeding, notes, newsletters, and webpages.
Hits to the Project website	<input type="checkbox"/>	Cumulative no.	0	1,000	5,000	10,000	Quarterly	Website automatic monitoring	PMT	During Project implementation, it will be decided if the website will be created <i>ad hoc</i> for the Project, or be hosted in Plan Bleu website, CMI website, or Sustainable MED websites.

## Annex 2: Detailed Project Description

### Project Development Objective

62. The Project Development Objective (PDO) is **to foster the integration of environmental issues into sectoral and development policies of the Beneficiaries**,<sup>9</sup> through the production of innovative knowledge on environmental issues, with specific reference to water related topics (freshwater, coastal, and marine resources), and the organization of Trainings during which this knowledge will be used to strengthen the capacity of key stakeholders at a local, national, and regional level.

### Project components

63. The Project consists of three components: (1) Governance; (2) Knowledge generation; and (3) Project Coordination and Management.

#### Component 1 - Governance (US\$1.50 million or 50 percent of Project costs)

64. Component 1 aims to promote dialogue, coordination, integration, and synergy among local, national, and regional stakeholders on environmental issues, with specific reference to water related topics (freshwater, coastal, and marine resources). It will provide Training to the relevant stakeholders and carrying out of Studies for: (i) the review of the environmental management systems of the Beneficiaries; (ii) the review of the environmental issues at the sectoral and macroeconomic levels of the Beneficiaries; (iii) the promotion of private sector participation in environmental management; (iv) the involvement of local stakeholders in the environmental dialogue in the Beneficiaries; and (v) the regional environmental integration.

65. Environmental Management Systems review. It consists in the preparation of reviews of Environmental Management Systems (EMS) and best practices with an economic approach to environmental issues and policies, and in the organization of the related Trainings<sup>10</sup>. Within this set of activities, the Beneficiaries can request for example:

- The organization of Trainings among relevant stakeholders (Environmental Ministers and/or ministerial staff) on the finding of the EMS reviews and best practices;
- The organization of Trainings in support of cells for environment economic and policy analysis in the Ministry of Environment that would be able to sustain a dialogue with the Ministry of Finance and economic cabinets in general (i.e. through economic valuation studies and analyses, development and operation of expenditure and revenue instruments as well as economic instruments of environmental policy); and
- The strengthening of national knowledge centers, and government and non-government institutions involved in EMS.

Those activities will be complementary to other existing activities, i.e. those financed by the Mediterranean Action Plan under Barcelona Convention.

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<sup>9</sup> “Beneficiaries” means Morocco, Lebanon and Tunisia and, upon receipt by the World Bank of their written communication expressing their interest and commitment for the Project, and with approval of the World Bank, Algeria, Egypt, Libya, Syria, and West Bank and Gaza.

<sup>10</sup> Workshops, seminars, meetings, and conferences.

66. Interministerial dialogue. It consists in the preparation of reviews on environmental issues at a sectoral and macroeconomic level, and in the organization of the related Trainings. Within this set of activities, the Beneficiaries can request for example:

- The preparation of reviews on environmental aspects in sectors' legislation and policies; and
- The organization of Trainings among relevant stakeholders (Ministers and/or ministerial staff) of the Ministry of Environmental, Ministry of Finance, and others sector Ministries on the finding of the reviews.

67. Private sector engagement. It consists in the organization of (or the contribution to) Trainings with private sector stakeholders, promoting the idea of the environment as a business opportunity. Within this set of activities, the Beneficiaries can request for example:

- The organization of (or the contribution to) Trainings on innovative financial instruments to enhance private sector investments with positive environmental impacts (i.e. PPP, risk-sharing arrangements to leverage private sector participation);
- The organization of (or the contribution to) Trainings on commercially attractive investment opportunities in the field of environment; and
- The organization of (or the contribution to) Trainings on green business development, green jobs creation, and cleaner technology investments.

68. Local constituencies engagement. It consists in the organization of Trainings with local stakeholders and facilitating their involvement in the environmental dialogue. Within this set of activities, the Beneficiaries can request for example:

- The organization of capacity development activities at a local level for the generation and strengthening of the social demand for environmental protection; and
- The creation and/or strengthening of local organizations and/or institutes for information collection and sharing (i.e. observatories).

69. Regional integration. It consists in the organization of Trainings on environmental issues at regional level (including Beneficiaries, government programs, donors, partners, and/or regional initiatives) especially focused on South-South exchanges, in addition to the support to the Project Steering Committee and to the governing body of the Sustainable MED Program of which the Project is part. Within this set of activities, the Beneficiaries can request for example:

- The organization of Trainings for exchange of best practices on environmental issues, between them and developing countries, as well as with developed countries and international initiatives;
- The creation and/or strengthening of networks of experts and of centers of excellence on environmental issues related to the sustainability of the Mediterranean;
- The organization of Trainings among experts at regional level to promote cross-learning on environmental issues (i.e. staff of enforcement agencies - prosecutors, judges, and police –to discuss harmonized approaches to law enforcement); and
- The organization of Trainings to discuss the role and upgrade of regional knowledge centers, and government and non-government institutions (i.e. of the Commission for Sustainable Development, MCSD).

## **Component 2 - Knowledge generation (US\$1.26 million or 42 percent of the Project costs)**

70. Component 2 aims to produce innovative knowledge on environmental issues, with specific reference to water related topics (freshwater, coastal, and marine resources). It will provide Training to the relevant stakeholders and carrying out of Studies for: (i) the preparation of knowledge products for the Beneficiaries on the various aspects of environmental vulnerability pertaining to the most relevant economic sectors and most critical locations at local, national and regional levels; and (ii) the dissemination activities for the Beneficiaries for the knowledge products produced, and the establishment of Project website.

71. Knowledge production. It consists in the preparation of Studies on the various aspects of environmental vulnerability pertaining to the most relevant economic sectors and most critical locations at local, national, and regional levels, with specific reference to water related topics. Within this set of activities, the Beneficiaries can request for example:

- The preparation of Studies on the degree of harmonization of relevant legislation (especially of EIA systems) *vis-à-vis* the use of country systems;
- The preparation of Studies on the cost of environmental degradation (COED);
- The preparation of environmental valuation Studies and cost-effectiveness analysis for mitigation actions; and
- The preparation of Studies on constraints to green private sector growth.

72. Knowledge sharing. It consists in the organization of Trainings for the Studies produced under the “Knowledge production” set of activities, and the establishment of a Project website.<sup>11</sup> Within this set of activities, the Beneficiaries can request for example:

- The organization of Trainings using traditional pedagogical practices (i.e. workshops, web pages, working tours with on-site visits);
- The organization of Trainings using innovative pedagogical practices (i.e. e-learning, use of Global Development Learning Network (GDLN) for just-in-time dialogs and consultations, practitioner to practitioner e-networks and platform, etc.); and
- The organization of joint initiatives with the Sustainable MED, MAP, and GEF (i.e. the GEF International Waters Learning Exchange and Resource Network, IW:LEARN); and regional Trainings (workshops, seminars, meetings, and conferences), such as the GEF bi-annual international waters conferences.

## **Component 3 - Project Coordination and Management (US\$0.24 million or 8 percent of Project costs)**

73. Component 3 will support the implementation of the Project by Plan Bleu, through the financing of Incremental Operating Costs associated with Project coordination and management and the carrying out of the audits for the Project. Incremental Operating Costs includes incremental costs incurred by Plan Bleu in connection with implementation of the Project, including: Plan Bleu staff salaries; strengthening of fiduciary capacities of the Plan Bleu staff and related travels; local and international travels in relation to the implementation of the Project; electricity, phone, office supplies and equipment, software licenses, rental and maintenance of

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<sup>11</sup> During Project implementation, it will be decided if the website will be created *ad hoc* for the Project, or be hosted in Plan Bleu website, CMI website, or Sustainable MED websites.

photocopy machines and computer equipments. Incremental Operating Costs related to Plan Bleu staff salaries have been estimated in US\$180,000 over the whole duration of the Project, in function of the composition of the PMT, the indicative salary, and the time allocation to the Project. A lump sum of US\$15,000 will be withdrawn from the Designated Account, at the beginning of every quarter and for the 3-year duration of the Project, to cover these expenditures.

74. Incremental Operating Costs related to electricity, phone, office supply and equipment, software licences, rental and maintenance of photocopy machines and computer equipments have been estimated in US\$18,000 over the whole duration of the Project. A lump sum of US\$1,500 will be withdrawn from the Designated Account, at the beginning of every quarter and for the 3-year duration of the Project, to cover these expenditures.

75. Plan Bleu will send to the Bank on a quarterly basis an incremental cash flow forecast for operating costs associated with the project activities to be reviewed and approved by the Bank prior to its financing.

76. Incremental Operating Costs related to strengthening of fiduciary capacities of the Plan Bleu staff and related travels, and local and international travels in relation to the implementation of the Project; and the carrying out of the audits for the Project for a total amount of US\$42,000 will be disbursed on the basis of SOE and acceptable supporting documents (i.e. invoices).

### **Tentative list of Project activities**

77. There will be no prior allocation of the GEF Grant to the Beneficiaries, the sectors, or the activities. The activities to be implemented will be defined on a demand-driven basis by the Beneficiaries as the Project develops.<sup>12</sup> Nevertheless, a tentative list of activities has been identified during consultations held throughout Project preparation and presented in the table in the next page.

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<sup>12</sup> See Annex 3, Implementation arrangements for details.

<b>COMPONENT 1: Governance</b>
<b>1.i Environmental Management Systems review</b>
Review of EMS and best practice
Methodological workshop in support of economic units in Environmental Ministries
<b>1.ii Interministerial dialogue</b>
Review of sector legislation/policies
Policy discussion activities
Workshops with Finance-Foreign Affairs: Environ. Protection and Economic Competitiveness
<b>1.iii Private sector engagement</b>
Partnering with EU Horizon 2020 initiative
<b>1.iv Local constituencies engagement</b>
Support local constituencies
<b>1.v Regional integration</b>
Joint activities on adaptation to climate change and management of shared ecosystems
Study and workshop to upgrade the MCSD
Prosecutors Meetings
Support to the Project Steering Committee
Support to the governing bodies of the Sustainable MED Program
<b>COMPONENT 2: Knowledge generation</b>
<b>2.i Knowledge production</b>
Economics of wastewater reuse and desalination
Efficient water pricing: macroeconomic and social implications
Review of EIA regulation
Mediterranean pollution inventory and Cost-Effective Mitigation
<b>2.ii Knowledge sharing</b>
E-community
Publications
Workshops
Glossary



### Annex 3: Implementation Arrangements

#### 1. Project institutional and implementation arrangements

78. The Project will be implemented by Plan Bleu, where the Project Management Team (PMT) will be hosted. The Beneficiaries will be represented in the Project Steering Committee. The role and responsibility of Plan Bleu, the PMT, the Project Steering Committee, and donors is described below. The World Bank will carry out the supervision of the Project, according to the Implementation Support Plan presented in Annex 5. The Project has been conceived and prepared and will be implemented under the Sustainable MED Program, which is one of the foundational programs of the Environmental and Water cluster of the CMI; coordination between the Project and the Program is presented in Annex 8.

79. **Plan Bleu** - “Plan Bleu pour l’Environnement et le Développement en Méditerranée” (Plan Bleu) will implement the Project. Plan Bleu is an NGO based in France, and created based on the law 1901 and existed for over 30 years. In a context of greater international response to the environment, the 21 countries bordering the Mediterranean and the European Community have developed a system of regional cooperation in the original environment of the Action Plan for the Mediterranean United Nations Environment Program (UNEP/MAP). Plan Bleu is one of the actors of this cooperation. An intergovernmental meeting held in Split in 1977 established the Plan Blue mandate, specifically assigning it with: (i) “putting at the disposal of political leaders and decision-makers all information that will enable them to develop plans likely to ensure sustained optimal socio-economic development without degrading the environment”; and (ii) “helping governments of coastal states in the Mediterranean region to increase their knowledge of the joint problems they have to face, both in the Mediterranean Sea and in their coastal areas”.

80. The choice of Plan Bleu is due to a number of reasons: (i) Plan Bleu has over 30 years of experience promoting environmental regional cooperation; (ii) its mandate is to address environmental issues in the Mediterranean basin, thus entirely aligned with the Project; (iii) its geographical scope is similar, and goes beyond, the Project; (iv) it has well known economic-analytical capacity on environmental issues and environmental policy discussions; (v) it has broad experience with other development agencies to conduct similar work (i.e. AFD, EIB, EU); (vi) it is one of the Regional Activity Centers for the implementation of the Mediterranean Action Plan (MAP); (viii) it has a network of focal points in the Mediterranean basin; and (viii) it is located in the proximity to the CMI where part of the World Bank Project Task Team and the Sustainable MED Program Task Team are hosted.

81. **Project Management Team (PMT)** - The PMT will be housed in Plan Bleu. It will manage day-to-day implementation of the Project. Plan Bleu staff will ensure the following PMT roles: Project coordinator, procurement specialist, financial management specialist, Monitoring and Evaluation specialist, and communication specialist. If needed, consultants will be hired to carry out specific tasks. The Project coordinator will be based in the Marseille office of Plan Bleu to facilitate coordination with the World Bank; the other PMT members will be based either in the Marseille or in the Sophia Antipolis<sup>13</sup> offices of Plan Bleu. Plan Bleu will communicate to the World Bank the list of staff who will be part of the PMT, their expertise, their role within the

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<sup>13</sup> Sophia Antipolis is a technology park located at 200 Km east of Marseille.

PMT, and the percentage of their time allocated to the Project. During implementation, Plan Bleu will promptly communicate to the World Bank for review and no objection any change in the composition of the PMT.

82. **Project Steering Committee** - The Project Steering Committee will be composed by one representative from the environment sector of each of the Beneficiaries. The representatives will be the GEF Focal points, unless the Beneficiaries decide otherwise as the Project evolves, in agreement with the World Bank. The Project Steering Committee will be responsible for the following activities, to be further detailed in the PIM: (i) identification of the specific activities to be carried out under the Project, taking into account national and regional priorities; (ii) preparation of the annual work plan to be carried by Plan Bleu under the Project for each calendar year; (iii) facilitation of the communication and access between Plan Bleu and the Beneficiaries; and (iv) review of the Project Reports. The Project Steering Committee will be meeting twice a year, and it will be chaired by a representative of each of the Beneficiaries in rotation. Plan Bleu will act as the secretariat of the Project Steering Committee. As part of the Project supervision, the World Bank will attend the Project Steering Committee meetings. The Beneficiaries can decide to invite to the meetings of the Project Steering Committee partners (i.e. UNEP/MAP) as observers. The Project Steering Committee will receive from Plan Bleu the Project Reports each quarter throughout Project implementation, within 45 days after the end of each period. The members of the Project Steering Committee will have 15 days to review the Project Reports and in case request the revision of the documents. If no objection is raised within this delay, the Project Reports are considered approved by the Project Steering Committee.

83. **Donors** – Donors providing co-financing (CMI, AFD, French Ministry of Ecology, Sustainable Development, Transport and Housing, EIB) will receive periodical updates on the Project. Plan Bleu will be responsible of providing them all reports produced (Project Reports; Interim Unaudited Financial Reports, IUFR; Financial Statements of the Project, FSP) in a timely manner.

84. **Project Implementation Manual (PIM)** - The Project would be implemented according to detailed procedures defined in the PIM, to be prepared by Plan Bleu. The PIM, satisfactory to the World Bank, will be adopted by Plan Bleu, and posted on Plan Bleu website, as a condition of effectiveness. The PIM will remain a living document throughout Project implementation.

i. Financial Management, Disbursements, and Procurement

a. Financial Management

85. **Assessment of the Financial Management System** - An assessment of the financial management system in place at Plan Bleu was carried out to determine if it complies with the World Bank requirements for the Project management in respect to the OP/BP10.02.

86. **Plan Bleu** - Plan Bleu will be responsible for managing the Project funds and all related financial transactions. Plan Bleu will maintain appropriate Project accounts; prepare annual financial statements, and periodic financial reports by component, category, and source of funding.

87. **Budgeting** - Plan Bleu has 3 units (Thematic unit, Strategic unit, and Administrative, financial and support unit). Each of these units prepares its own budget based on its expected needs and projects. A meeting is organized to discuss their budgets, and merge it to one general budget that is presented for approval to the management during their annual general assembly. Once approved, the budget is allocated to each unit. There are no formalized procedures on budgeting. A Financial Management section providing a detailed description of the budgeting processes will be included in the PIM which will be prepared by Plan Bleu as a condition of effectiveness of the Project.

88. **Staffing** - The PMT will manage day-to-day implementation of the Project. The PMT will be housed in Plan Bleu and composed of Plan Bleu staff who will be assigned for a share of their time to the Project while keeping working on other activities in parallel. The PMT will consist of a Project coordinator, a procurement specialist, a financial management specialist, a Monitoring and Evaluation specialist, and a communication specialist. Plan Bleu will allocate its own staff on part-time basis for the implementation. Expenses associated to part of salaries will be eligible for disbursement from the Grant proceeds. The PMT has provided the World Bank with an estimate of its staff time allocation and the related cost for the total Project duration which will be the basis for disbursement of salaries (Incremental Operating Costs) during the Project. Plan Bleu staff doesn't have knowledge of the World Bank procedures, thus the PMT will receive intensive training and assistance from the World Bank Project Task Team.

89. **Accounting** - Plan Bleu is applying the accrual accounting that is governed by the rules applicable to accounting in France. Plan Bleu has an appropriate accounting software that manages its general and cost accounting data. The software allows the extraction of financial data per project. The general principles adopted for the Project accounting will be: (i) Project accounting will cover all sources and all uses of funds for all donors; and (ii) Project transactions and activities will be distinguished from other activities carried out by Plan Bleu. The cost accounting is administered through 3 axes: (i) Financier axis: It reports all costs that are not eligible to donor's funds or are not related to projects; (ii) Project axis: All project costs regardless of their financing sources; and (iii) Allocation according to UNEP (United Nation Environment Program) chart of accounts axis: It accounts for costs by nature and by usage. This axis allows flexibility toward donor's reporting requirements. The Project financial information will be administered under this axis. A section providing a detailed description of the accounting processes will be included in the PIM which will be prepared by Plan Bleu as a condition of effectiveness of the Project.

90. **Reporting** - Plan Bleu has a well established reporting system. The reporting is done periodically (every 3 months). The financial information is extracted from the system on Excel spreadsheet and different calculations are performed to ensure that the indicators requested by management are efficiently tracked. The reports are then submitted to management for review and comments. With reference to the Project, the financial reports will be designed to provide quality and timely information to Plan Bleu management, the World Bank, the Project Steering Committee, and other donors. The Interim Unaudited Financial Reports (IUFR) will cover all activities and sources of funds of the Project. These reports will include: (i) a statement of sources and uses of funds for that period and in aggregate value, (ii) a statement of the use of funds by component and expenditure category (iii) a budget statement indicating forecasts and

deviations from implementation. The format and precise content of these IUFRR will be detailed in the PIM and established in accordance with World Bank guidelines. Plan Bleu will prepare the IUFRR each semester and submit it within 45 days after the end of each period to the World Bank. The Financial Statements of the Project (FSP) will be prepared in accordance with the French Code of General Accounting Standards which is deemed acceptable by the World Bank. The FSP will be produced annually by Plan Bleu. They must include: (i) a cash flow statement, (ii) a financial closing, (iii) a statement of on-going commitments, and (iv) an analysis of payments. These external annual audit reports of the Project accounts and the management letter covering recommendations to improve the internal controls and the accounting system will be transmitted by Plan Bleu to the World Bank no later than six months after the end of each exercise. The annual audit report of the Project accounts will be carried out in accordance with the World Bank guidelines by an acceptable auditor and according to acceptable terms of references by the World Bank. Plan Bleu will also transmit to the World Bank the external annual audit reports of its annual audited financial statements no later than six months after the end of each exercise. The PIM will provide proper guidelines for appropriate valuations to determine the amounts to be recorded in the FSP.

91. **Internal controls** - The Project's internal controls are not documented in a Plan Bleu Financial Management Manual. The World Bank thus requires to include a Financial Management section in the PIM, which will describe the accounting system including: (i) the major transaction cycles of the Project; (ii) funds flow processes; (iii) the accounting records, (iv) chart of accounts; (v) authorization procedures for transactions; (vi) the financial reporting process used to prepare the IUFRR; and (vii) the financial statements procedures. The PIM will be approved by the World Bank as a condition of effectiveness of the Project, and take into consideration all donors' specific funding requirement.

92. **External audit** - Plan Bleu external audit is performed by an independent private auditor, and no specific issue has been flagged during the last three years. During Project implementation, Plan Bleu will be audited annually in accordance with international standards. The statutory audit report for Plan Bleu must be approved by Plan Bleu's Board of director's and must include financial audit report and a management letter. The auditor will express a professional opinion on the annual financial statements and submit the report to Plan Bleu which will submit it to the World Bank within six months after the end of each accounting period. The arrangements for the statutory audit of the financial statements of Plan Bleu should be communicated to the World Bank through agreed terms of reference. Appropriate terms of reference for the external auditor must be developed and agreed within six months from the effectiveness of the Project, and will cover all Project operations. Plan Bleu will annually transmit to the World Bank two external audit reports one for the project financed by the GEF and one for Plan Bleu.

93. **Flow of funds** - The funds flow mechanism is very simple as an advance of the funds will be transferred to a Designated Account, while a justification of the funds usage will be documented when a replenishment of the World Bank account will be requested. The Project is financed by a GEF Grant in the amount of US\$3.00 million. In-kind parallel co-financing for a total of US\$0.71 million will be received from Plan Bleu; AFD; CMI; French Ministry of Ecology, Sustainable Development, Transport and Housing; and EIB. Financial flows of the

GEF Grant between the World Bank and Plan Bleu will be organized according to normal disbursement procedures of the World Bank. The flow of funds' mechanism of the Grant will involve the establishment of a Euro denominated Designated Account with the Crédit Agricole under Plan Bleu's name. The ceiling of the Designated Account will be Euro225,000 equivalent which represents approximately four months of Project forecasted expenditures. Detailed disbursement procedures will be defined in the PIM to be prepared by Plan Bleu as a condition of effectiveness.

94. **Disbursement Arrangements** - The proceeds of the Grant would be disbursed in accordance with the traditional disbursement procedures of the World Bank and will be used to finance Project activities through the disbursement procedures currently used: i.e. Advances, Direct Payment, Reimbursement, and Special Commitment accompanied by appropriate supporting documentation (Summary Sheets with records and/or Statement of Expenditures, SOEs) in accordance with the procedures described in the Disbursement Letter and the World Bank's "Disbursement Guidelines". The minimum application size for direct payment, reimbursement, and special commitment will be the equivalent of 20 percent of the Advance ceiling amount. The World Bank will honor eligible expenditures for services rendered and goods delivered by the Project closing date. A four months' grace period will be granted to allow for the payment of any eligible expenditure incurred before the Grant closing date.

95. **Statement of Expenditures (SOEs)** - Necessary supporting documents will be sent to the World Bank in connection with contract that are above the prior review threshold, except for expenditures under contracts with an estimated value of (i) US\$100,000 or less for consulting firms; and (ii) US\$ 50,000 or less for individual consultants, as well as Incremental Operating Costs and audits, and Training and Studies, which will be claimed on the basis of SOEs. The documentation supporting expenditures will be retained at Plan Bleu and will be readily accessible for review by the external auditors and periods World Bank supervision missions. All disbursements will be subject to the conditions of the Grant Agreement and disbursement procedures as defined in the Disbursement Letter.

96. **Allocation of Grant proceeds** - The allocation by expenditure category is presented in the table below. Grants proceed will be used to the benefit of Lebanon, Morocco, and Tunisia. Algeria, Egypt, Libya, Syria, and West Bank and Gaza have the possibility to join the Project throughout its implementation on a rolling basis.

Expenditure category	Amount (M US\$)	Percentage of expenditure to be financed Inclusive of taxes <sup>14</sup> (%)
Goods, non-consulting services, consultants' services, Training, and Studies under Components 1 and 2	2.76	100%
Incremental Operating Costs and audits under Component 3	0.24	100%

<sup>14</sup> Local taxes on services, and other local taxes, such as VAT and sales tax on the goods procured, have been assessed by the Team and found reasonable. Indicative VAT rate in France is 19.6 percent.

97. **Training** - Training means the expenditures incurred in connection to workshops, seminars, meetings, and conferences carried out under the Project, including: air tickets, local transportation, per diem, hotel, coffee breaks, meals, exchange and wire transfer fees, visa, and participants' medical and travel insurance; and conference rooms, equipments such as video connections, and other logistic arrangements such as translation services for the workshops, seminars, meetings, and conferences organized not in Marseille.

98. **Studies** - Studies means the expenditures incurred in connection to reports, reviews, and analyses to be carried out under the Project, including editing, translation services, printing services, shipping and distribution, exchange and wire transfer fees, and communication campaigns.

99. **Incremental Operating Costs** - Incremental Operating Costs means the incremental costs incurred by the Recipient in connection with the implementation of the Project, including staff salaries, strengthening of fiduciary capacities of staff and related travels, local and international travels in relation to the implementation of the Project, electricity, phone, office supplies and equipment, software licenses, rental and maintenance of photocopy machines and computer equipments.

100. **Risk assessment** - The risk is assessed as Moderate as the following main risks have been identified:

- Plan Bleu doesn't have formalized procedures that document and structure its accounting and control environment. Hence, in order to mitigate this risk, a financial management section in the PIM will be required and approved by the World Bank as a condition of effectiveness.
- The staff of Plan Bleu is inexperienced in World Bank procedures. However, Plan Bleu annual activity report for 2010 displays multiple projects and activities related to the environment in which they have actively participated along with different international organizations. It provides a strong background of Plan Bleu broad experience that will definitely be valuable to the Project. This risk will be mitigated by providing efficient training and assistance of the World Bank Project Task Team.
- Payment delays could impact the Project. This risk will be mitigated by and covered during supervision mission of the World Bank Project Task Team to ensure that there are no delays in payments.
- Grant funds can be commingled with Plan Bleu funds. This risk will be mitigated by the exclusive use of a Designated Account for the Project to receive and use Grant funds.

The risk will be assessed as Low after mitigation.

101. **Implementation support** - Implementation support missions will be conducted at least semi-annually. The mission will: (i) ensure that strong financial management systems are maintained for the Project throughout its implementation; and (ii) review semi-annual IUFs, annual audited FSP, and management letters.

## b. Disbursements

102. **Disbursement Methods and Procedures** - At Grant effectiveness, Plan Bleu will submit a withdrawal application for the initial advance (up to the ceiling amount) to be disbursed into the Designated Account held at Credit Agricole. Subsequent advances will be disbursed by the World Bank upon receiving from Plan Bleu adequate reporting on the use of the initial/previous advance. Each application for replenishment of the Designated Account will be supported with records evidencing eligible expenditures (i.e. invoices, receipts for payments) or Statements of Expenditures (SOE) when the amounts are below the SOE documentation limit specified in the Disbursement Letter. Plan Bleu may also request payments to be made to directly to vendors/suppliers for eligible Project expenditures provided the service has been rendered or the goods delivered to the Project. Plan Bleu may also submit applications for reimbursement for any expenditure that it has pre-financed from its own resources. Lastly, Plan Bleu may request the World Bank to issue Special Commitments when needed to cover a letter of credit issued by a commercial bank on its behalf. The minimum value of applications for direct payment, reimbursement, and special commitment is 20 percent of the Designated Account ceiling. Applications can be submitted electronically using the World Bank's Client Connection website. Detailed disbursement procedures are available in the Disbursement Guidelines for World Bank Projects, dated May 2006.

103. **Retroactive Financing** - The proceeds will be disbursed for payments made for eligible Project expenditures in the aggregate amount not exceeding 10 percent of the Grant amount (US\$300,000) made prior to the Grant Agreement signing date but on or after Negotiations.

## c. Procurement

104. Under the Project, the main items to be procured are: (i) consultant services, and (ii) goods and non-consulting services. The PMT, which will be housed in Plan Bleu, will carry out Consultant selection following the Guidelines for Selection and Employment of Consultants by World Bank Borrowers dated January 2011. Procurement for the proposed Project would be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated January 2011, and the provisions stipulated in the Grant Agreement. The various items under different expenditure categories are described in general below.

105. For selection of Consultants the following methods will be used: (i) Quality and Cost-based Selection (QCBS); (ii) Selection based on Consultants' Qualifications (CQS); (iii) Selection under a Fixed Budget; (iv) Least Cost Selection; (v) Selection of Individual Consultants (IC); (vi) Single-source Selection for consulting firms; and (vii) Sole Source Procedures for the Selection of Individual Consultants.

106. For procurement of Goods and non-consulting services the following methods will be used: (i) International Competitive Bidding (ICB); (ii) Shopping; and (iii) Direct Contracting.

107. The procurement plan for the whole duration of the Project has been prepared during Project preparation in a format acceptable to the World Bank (dated 17 October, 2011).<sup>15</sup> Plan Bleu will be responsible of the periodic revision of the Procurement Plan in function of the work plan prepared and approved by the Project Steering Committee, guaranteeing a high quality implementation of the Project while reducing as much as possible the number of transactions required. The Procurement Plan will be transmitted to the World Bank for review and no objection. According to the procurement plan, all contracts will be subject to World Bank prior review. Training (Expenditures incurred in connection to workshops, seminars, meetings, and conferences carried out under the Project, including: air tickets, local transportation, per diem, hotel, coffee breaks, meals, exchange and wire transfer fees, visa, and participants' insurance; and conference rooms, equipments such as video connections, and other logistic arrangements such as translation services for the workshops, seminars, meetings, and conferences trainings organized not in Marseille) is not included in the Procurement Plan as it will be procured according to Plan Bleu administrative rules.

108. Plan Bleu will allocate its own staff on part-time basis for the implementation. Expenses associated to part of salaries will be eligible for disbursement from the Grant proceeds. A desk review of the procurement capacity of Plan Bleu was conducted, and the capacity is Low. To increase the capacity, the PMT will have a procurement specialist who will be familiar with World Bank procurement policies and procedures. This PMT member will follow, preferably before the start of the selection and procurement activities under the Project, at least one adequate training session in the Selection of Consultants according to the above mentioned World Bank Guidelines, such as the training provided in the International Training Center (ILO) in Turin, Italy or equivalent, or *ad-hoc* training provided by World Bank staff. The World Bank Procurement Specialist will conduct a Project launch workshop for the PMT staff and join supervision missions. Given the fact that Plan Bleu is not yet experienced in World Bank procedures, the procurement capacity has been assessed as Low and the procurement risk is rated high. Therefore, all selections of consultants, and procurement procedures for non-consultant services and goods, will be subject to prior review during the first year and a half of the Project. Based on the performance of Plan Bleu and reassessment of procurement capacity (supervision missions, and desk reviews), this period may be revisited and the procurement plan along with the prior reviews adjusted accordingly.

ii. Environmental and Social (including safeguards)

109. The Project has been classified as Category C. OP 4.01 is not triggered and no Environmental Impact Assessment (EIA) is required. The Project does not involve any physical works, land acquisition, or resettlement. It will not have any adverse environmental or social impacts. On the contrary, the Project is expected to lead to better mainstreaming of environmental sustainability issues into key policy decisions at national and regional levels and new investment opportunities identified with environmental and social benefits.

110. Consultations were held during the preparation of the Project with representatives of Beneficiaries, donors, partners, and regional initiatives. In April 2011, a one-day consultation

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<sup>15</sup> According to the Procurement Plan dated 17 October, 2011 less than 1 percent of the grant proceeds will be used for the procurement of goods.



was held in Rome (Italy), with the participation of the GEF focal points (or their representative) of Algeria, Egypt, Tunisia, and Morocco, plus the participation of representatives of UNEP/MAP. The draft Project document was shared, and inputs were taken into consideration in its revision.

### iii. Monitoring and Evaluation

111. The Monitoring and Evaluation (M&E) system of the Project has been designed to represent the underlying logic of how the activities implemented will help to achieve the PDO. It has been conceived taking into consideration the GEF International Water Tracking Tool, which will be submitted at Project start, mid-term, and closure. The M&E is an operational management instrument from which Plan Bleu should benefit, evaluating and improving their performances throughout the Project implementation, and helping to achieve the PDO. It will provide a basis for regular interaction with the World Bank, the Project Steering Committee, and other donors. Annex 1 presents the Results Framework and Monitoring, while details the choice of PDO level and intermediate level results indicators, the methodology adopted for data collection and consolidation, and the type of reports are presented below. Further details on these aspects will be provided in the PIM.

112. **The Project Development Objective (PDO) is to foster the integration of environmental issues into sectoral and development policies of the Beneficiaries**, through the production of innovative knowledge on environmental issues, with specific reference to water related topics (freshwater, coastal, and marine resources) and the organization of Trainings during which this knowledge will be used to strengthen the capacity of key stakeholders at a local, national, and regional level.

113. The results indicators at PDO level is the **Effectiveness of Trainings and Studies for the policy making process as assessed by the beneficiaries** (final target: 80 percent): An evaluation sheet will be developed by Plan Bleu as part of the PIM. The evaluations sheet will allow assessing the usefulness and pertinence of Trainings and Studies for the policy making, according to Project beneficiaries. This will be considered a proxy for the contribution of the Project to the integration of environmental issues into sectoral and development policies of the Beneficiaries. No core indicator of environmental policies and institutions could be included in the Results Framework and Monitoring of the proposed Project, as these core indicators are currently under development and are expected to be finalized by the end of FY12. On or more appropriate core indicators could be added during Project implementation, in agreement between Plan Bleu and the World Bank.

114. The intermediate results indicators for Component 1, Governance are the following:

- **Trainings targeting stakeholders from the Ministry of Environment** (final target: 7): Stakeholders include both technical and high-level staff. These trainings are held at Beneficiary (nor regional) level.
- **Trainings targeting stakeholders from at least two Ministries** (final target: 4): Stakeholders include both technical and high-level staff. These trainings are held at Beneficiary (nor regional) level. Trainings can be both bilateral and multilateral. Stakeholders from the Ministry of Environment should be always present.

- **Trainings with private sector participation** (final target: 3): These trainings can be both at Beneficiary and regional level.
- **Trainings at local level** (final target: 10): These trainings are held at Beneficiary level.
- **Trainings at regional level** (final target: 6): Trainings are defined as regional when joint by at least two Beneficiaries. These trainings cannot include those accounted under private sector participation.

115. The intermediate results indicators for Component 2, Knowledge generation are the following:

- **Studies completed** (final target: 8): Studies include reports, reviews, and analyses). Studies do not include minutes, proceeding, notes, newsletters, webpages.
- **Hit to the Project website** (final target: 10,000): The Project website is to be intended as the website where all the information on the Project will be uploaded, including electronic version of the Studies and background material on trainings organized. The Project website could be created, or be hosted in Plan Bleu website, CMI website, or Sustainable MED website.

116. Plan Bleu will have the overall responsibility for the reporting, which include:

- **Project Reports:** prepared each quarter and reporting on the activities implemented and on the result indicators. They will be transmitted to the World Bank within 45 days after the end of each period for review and no objection. They will be transmitted within the same delay to the Project Steering Committee, which members will have 15 days to review the Project Reports and in case require the revision of the documents. In case no objection is raised within this delay, the documents will be considered approved by the Project Steering Committee. Projects report will be transmitted also to other donors for information.
- **Interim Unaudited Financial Reports (IUFRR):** prepared each semester and reporting on financial management issues. They will be transmitted to the World Bank within 45 days after the end of each period for review and no objection. IUFRR will be transmitted also to the Project Steering Committee and to other donors for information.
- **Financial Statements of the Project (FSP):** prepared each year and reporting on financial management issues. They will be transmitted to the World Bank within six months after the end of each period for review and no objection. FSP will be transmitted also to the Project Steering Committee and to other donors for information.

**Annex 4:  
Operational Risk Assessment Framework (ORAF)**

<b>Project Development Objective</b>	
PDO: To foster the integration of environmental issues into sectoral and development policies of the Beneficiaries.	
PDO Level Results Indicators:	Effectiveness of Trainings and Studies for the policy making process as assessed by the Beneficiaries

<b>Risk Category</b>	<b>Risk Rating</b>	<b>Risk Description</b>	<b>Proposed Mitigation Measures</b>
<b>Project Stakeholder Risks</b>			
Stakeholder	Medium-L	Little buy-in of the Project.	<p><i>During preparation</i> - The World Bank kept continuous contact with the Beneficiaries. Consultations were held, i.e. in April 2011 in Rome (Italy), with the participation of the GEF focal points (or their representative) of Algeria, Egypt, Tunisia, and Morocco, plus the participation of representatives of UNEP/MAP.</p> <p><i>During implementation</i> - The Project will initially capitalize on the Beneficiaries having stronger commitment to environmental issues and having endorsed the Project before its negotiation. Plan Bleu has good leverage to reach out with Ministries of Environment, also thanks to their network of focal points. The Sustainable MED Policy dialogue will facilitate the buy-in of the Project.</p>
<b>Implementing Agency Risks</b>			
Implementing Agency	High	<p>No Plan Bleu formalized procedures that document and structure its accounting and control environment.</p> <p>No Plan Bleu previous experience in World Bank procurement and financial management standards.</p>	<p><i>During preparation</i> - Plan Bleu will prepare a PIM to be approved by the World Bank as a condition of effectiveness, including a financial management section. The PMT will include a procurement and a financial management specialists. A training plan will be put together for the design of appropriate fiduciary support systems.</p> <p><i>During implementation</i> - The Project is simple in nature, with no physical works or large goods contracts but only with small activities usually below the thresholds identified in the Procurement Plan, thus requiring simpler procurement procedures.</p>

Project Risks			
Design	Medium-I	Lack of agreement between the Beneficiaries on the specific activities to be funded.	<p><i>During preparation</i> - Consultations allowed to identify common ground for activities.</p> <p><i>During implementation</i> - Organization of regular meeting for the Project Steering Committee will facilitate the exchanges among the Beneficiaries and the reach of an agreement concerning the activities to be financed within the available budget.</p>
Environmental Safeguards	Low	N/A	
Program & Donor	Medium-I	Partial linkage of the achievement of the Project PDO to the success of the Sustainable MED Program.	<p><i>During preparation</i> - The World Bank has defined internal operational procedures to guarantee the coordination between the Project and the Program.</p> <p><i>During implementation</i> - The World Bank will continue to monitor developments at both Project and Program level to guarantee full consistency between these two levels throughout Project implementation.</p>
Delivery Quality	Medium-L	Limited budget allocated to Component 3 of the Project.	<p><i>During implementation</i> - The appropriate training of PMT staff in World Bank procurement and financial management standards will reduce the time needed for the staff to carry out each operation. In the periodic revision of the procurement plan in function of the work plan prepared and approved by the Project Steering Committee, Plan Bleu will guarantee a high quality implementation of the Project while reducing as much as possible the number of transactions required.</p>

Risk Rating: Preparation	Risk Rating: Implementation	Comments
Medium-I	Medium-I	N/A

## **Annex 5: Implementation Support Plan**

117. The strategy for the implementation support has been developed based on the nature of the Project and its risk profile. It aims to make implementation support to Plan Bleu more flexible and efficient, and it will focus on implementation of risk mitigation measures defined in the ORAF (Annex 4).

118. **Budget** - In addition to the budget made available by the GEF for Project supervision, World Bank Budget (BB) will be allocated to ensure adequate implementation of the Project and of the overall Sustainable MED Program (see para. below on the Coordination with the Sustainable MED Program). BB will be made available to cover for staff time (in Headquarters, CMI, and World Bank country offices in the Region), in addition to office space, other facilities, and logistic and communication services. In addition to the BB, the World Bank Project and Program Task Teams will multiply the existing efforts to identify opportunities for synergy with other partners and other initiatives to leverage on the Project and the overall Sustainable MED Program, allowing more budget to be available throughout Project implementation.

119. **Supervision missions** - Regular supervision missions by the World Bank Project Task Team will be carried out at least semi-annually to monitor progress per the results indicators (Annex 1) and to provide necessary assistance. Given expected effectiveness by January 1, 2012, a mid-term review will be scheduled for July 2013. Whenever possible, supervision missions will: (i) take place back-to-back with Project's trainings; and (ii) include site visits of Plan Bleu and the field. In addition, thanks to the proximity between the CMI (where part of the Project Task Team is located) and Plan Bleu, regular exchanges will be fostered. As part of the Project supervision, the Project and the Program Task Teams will attend the Project Steering Committee meetings.

120. **Fiduciary requirements and inputs** - The Financial Management Specialist, the Disbursement Specialist, and the Procurement Specialist will provide regular support to Plan Bleu, in particular during the first period of implementation of the Project. Technical inputs are required to review bid documents, monitor quality of data and reports generated by consulting firms, and ensure fair competition through proper technical specifications and fair assessment of the technical aspects of bids. All selections of consultants, and procurement procedures for non-consultant services and goods, will be subject to prior review during the first year and a half of the Project. Whenever possible, the Financial Management Specialist, the Disbursement Specialist, and the Procurement Specialist will join supervision missions. From a Financial management perspective, the mission will: (i) ensure that strong financial management systems are maintained for the Project throughout its implementation; and (ii) review semi-annual IUFRRs, annual audited FSP, and management letters.

121. **Technical inputs** - Through the review and no objection of all Terms of Reference, the Project Task Team will provide technical inputs in order to facilitate the achievement of high quality products. In addition, the Project Task Team will remain available to act as peer reviewer at Plan Bleu request.

122. **Coordination with the Sustainable MED Program** - The Project has been conceived and prepared and will be implemented under the Sustainable MED Program, which is one of the foundational programs of the Environmental and Water cluster of the CMI. For this reason, the Project Task Team and the Program Task Team will work in strong collaboration to maximize the synergies between the Project and the Program. Coordination between the Project and the Program is presented in Annex 8.

## Annex 6: Project Task Team Composition

### World Bank staff and consultants who worked on the Project:

Name	Title	Unit
Gabriella Izzi	Task Team Leader	MNSAR
Nathalie Abu-Ata	Operations Officer	MNCMI
Sergio Margulis	Sustainable MED Program Coordinator	MNSEN
Gilles Pipien	Senior Environmental Specialist	MNSEN
Guillaume Meyssonier	Environmental Specialist (JPO)	MNSEN
Jean-Charles de Daruvar	Senior Counsel	LEGEM
Ghada Youness	Senior Counsel	LEGEM
Anjum Rosha	Legal Associate	LEGEM
Hassine Hedda	Finance Officer	CTRFC
Aissatou Diallo	Senior Finance Officer	CTRFC
Lina Fares	Senior Procurement Specialist	MNAPR
Velayutham Vijayaverl	Senior Procurement Specialist	MNAPR
Salim Benouniche	Lead Procurement Specialist	MNAPR
Lamyae Hanafi Benzakour	Financial Management Specialist	MNAFM
Anas Abou El Mikias	Senior Financial Management Specialist	MNAFM
Soukeyna Kane	Senior Financial Management Specialist	MNAFM
Josephine O. Onwuemene	Information Assistant	MNSSD
Soumia Driouch	Program Assistant	MNCMA

## **Annex 7: Incremental Cost Analysis**

123. Incremental cost analysis requires that a baseline “without GEF” scenario be determined and that its cost be compared to a “with GEF” scenario. The difference in design between the GEF and non-GEF alternatives is that the GEF scenario incurs incremental costs to address global externalities.

124. This Project consists of seven sets of activities, five under the Governance component and two under the Knowledge generation component. The Project financing is US\$3.00 million from GEF, with in-kind co-financing to be received from Plan Bleu (US\$0.30 million); AFD (US\$0.20 million); CMI (US\$0.09 million); French Ministry of Ecology, Sustainable Development, Transport and Housing (US\$0.08 million); and EIB (US\$0.03 million).

125. A quantified analysis of the costs and benefits of the Project activities is nearly impossible to be made with any degree of precision. Nonetheless, the analyses below are an attempt to separate a baseline set of activities, which would presumably be carried out independently of the availability of GEF resources, and then an additional set of activities which are contained in the proposed Project. These are the incremental activities whose costs and benefits need to be compared with those of the baseline. The analyses are separated according to the Project’s components one and two, and for each component with reference to the respective sets of activities.



## Incremental Cost Analysis

Activity	Baseline	GEF Alternative	Global Benefits	Incremental Costs (US\$)
<b>Component 1: Governance</b>				
Set of activities 1: Environmental Management Systems review	Focus of Ministries of Environment of Beneficiaries on local environmental issues	Broader focus of Ministry of Environment to include pollution of the Mediterranean sea	Reduced pollution and better coastal and water resources management of the Mediterranean sea	Baseline: 200,000 GEF alternative: 400,000 Incremental: 200,000
Set of activities 2: Interministerial dialogue	Difficult dialogue between Ministry of Environmental, Ministry of Finance, and others sector Ministries	Strengthened synergy between Ministry of Environmental, Ministry of Finance, and others sector Ministries	More rational pollution management	Baseline: 0 GEF alternative: 300,000 Incremental: 300,000
Set of activities 3: Private sector engagement	Focus of the private on Green Business and local pollution	Private sector engagement to prioritize corporate social responsibility into a consultative and supportive role to the regional dialogue	More concerted efforts on pollution abatement	Baseline: 100,000 GEF alternative: 200,000 Incremental: 100,000
Set of activities 4: Local constituencies engagement	Environmental information systems and environmental observatories mobilized around local environmental threats	Regional level externalities are also tracked and constituencies mobilized.	Improved monitoring of pollution loads into the Mediterranean Sea and increased accountability	Baseline: 200,000 GEF alternative: 500,000 Incremental: 300,000
Set of activities 5: Regional integration	N/A	Create a forum for open discussion and integration, identification of key issues and agreed opportunities for collaboration; support enforcement institutions (prosecutors, judges, police) with similar mandates to prevent pollution and/or protect shared ecosystems in the Mediterranean region	More concerted and cost-effective pollution reduction and strengthened water resources management	Baseline: 0 GEF alternative: 100,000 Incremental: 100,000
<b>Component 2: Knowledge generation</b>				
Set of activities 1: Knowledge production	Focus of Knowledge production on local environmental issues	Knowledge generation broadened to stronger focus on Mediterranean pollution	Stronger focus on Mediterranean pollution in knowledge production	Baseline: 500,000 GEF alternative: 1,200,000 Incremental: 700,000
Set of activities 2: Knowledge sharing	Focus of knowledge sharing on local environmental issues	Knowledge sharing broadened to regional focus	Common knowledge strengthened	Baseline: 200,000 GEF alternative: 300,000 Incremental: 100,000
<b>TOTAL</b>				<b>Baseline: 1,200,000</b> <b>GEF alternative: 3,000,000</b> <b>Incremental: 1,800,000</b>

Note: The GEF alternative costs mimic the Project costs per component, with a notional breakdown by activity. The Baseline costs are estimated vis-à-vis the GEF costs.

## Annex 8: Sustainable MED Program

126. The Mediterranean Environmental Sustainable Development Program - “Sustainable MED” was conceived by the World Bank and the GEF with the objective to help governments in the Mediterranean region to ensure the sustainability of their natural resource base in support to their economic development programs and actions. The Sustainable MED is one of the foundational programs of the Environmental and Water cluster of the CMI. In its first phase, Sustainable MED focuses on water resources and coastal zone management, while future phases will ideally broaden the spectrum of focal areas.

127. Sustainable MED will achieve its objective through a combination of policy dialogue, investment lending, and technical assistance:

- **Policy dialogue:** Sustainable MED will promote coordination at Beneficiary level (cross-sectoral dialogue between Ministry of Environmental, Ministry of Finance, and other sector Ministries); among donors and partners (i.e. AFD; EC; EIB; UNEP); and among regional initiatives (i.e., Barcelona Convention; MAP; Strategic Partnership for the Mediterranean Sea Large Marine Ecosystem; the EC and the EIB funded programs and facilities; UfM).
- **Projects:** Sustainable MED will promote on-the-ground environmentally sound development through investment lending and technical assistance. Various projects (see table below) were conceived, prepared, and/or implemented under the Sustainable MED Program, and the proposed Project is one of them.

128. The Regional - Governance and Knowledge generation Project will enhance the delivery and impacts of the Sustainable MED Program, and thus of the Environmental and Water cluster of the CMI. This will require coordination between the Project and the Program at two levels:

- **Strategic level:** Trainings organized by the Project will be functional to the Policy dialogue fostered by the Program, and the Studies completed under the Project will provide the technical base of discussion for this Policy dialogue.
- **Operational level:** Beneficiaries will be informed of the Sustainable MED Program work plan, so that they can take this work plan into consideration when preparing and approving the Project work plan.

<b>Beneficiaries</b>	<b>Title</b>	<b>GEF Grant (US\$)</b>	<b>Total = GEF Grant + co-financing (US\$)</b>
<b>Project endorsed by the GEF CEO, under implementation by the WB</b>			
Tunisia	Greater Tunis Treated Wastewater Discharge in the Mediterranean Sea	8,030,000	68,630,000
Regional (Egypt, Syria, Jordan, West Bank and Gaza)	Regional Coordination on Natural Resources Management and Capacity Building (w/ NASA)	5,644,545	13,869,000
<b>Project approved by GEF council for pipeline entry, at preparation stage within the WB</b>			
Egypt	Enhanced Water Resources Management	6,682,500	40,982,500
Regional	Governance and Knowledge generation	3,000,000	3,710,000
Morocco	Integrated Coastal Zone Management for Lake Nador	5,181,818	25,181,818
Regional (Jordan, Algeria, Morocco, and Tunisia)	Regional Technical Assistance and Capacity Building for the Promotion of Treated Wastewater Reuse in the Mediterranean	4,545,455	11,345,455
<b>Project approved by GEF council for pipeline entry, at preparation stage within UNEP</b>			
Regional (Albania, Algeria, Bosnia, Egypt, Lebanon, Libya, Morocco, Montenegro, Syria, Tunisia)	Integration of Climatic Variability and Change into National Strategies to Implement the ICZM Protocol in the Mediterranean	2,700,000	7,180,000

<b>Program Leverage ratio    1 : 3.8</b>
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