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GEF DANUBE/BLACK SEA BASIN STRATEGIC PARTNERSHIP

INTERIM PROGRESS REPORT

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I. INTRODUCTION

1. At its May 2001 meeting, the GEF Council approved Tranche I of the Danube/Black Sea Basin Strategic Partnership on Nutrient Reduction (GEF/C.17/7) in the International Waters Focal Area. Subsequently, Council approved remaining tranches of the regional components of the partnership as well as remaining tranches of the pilot investment fund component. This report represents an interim progress report on this Strategic Partnership at mid-term of implementation as scheduled in the original document approved by Council.

2. This progress report was produced by the 3 GEF Implementing Agencies following a scheduled mid-term Partnership Stocktaking Meeting. The mid-term meeting was organized by the 16 participating nations through their Danube and Black Sea regional conventions with participation by the European Union, all 3 GEF Implementing Agencies, GEFSEC, the new GEF office of Monitoring and Evaluation (OME) and other organizations working on the partnership. The Stocktaking meeting (held in Bucharest, Romania, November, 2004) was programmed to allow participating nations and organizations to review implementation progress, coordination modalities, and identify mid-course corrections. Such a participative Stocktaking is consistent with the adaptive management philosophy of the International Waters Focal Area.

3. This Strategic Partnership represents a test, a new mechanism for harnessing interagency collaboration to meet country-driven needs while streamlining the GEF project cycle and facilitating more rapid disbursement for agreed priority investments. Pilot efforts like this benefit from mid-course corrections, and this interim report to the GEF Council details progress as well as recent actions Implementing Agencies have taken to improve implementation.

4. This paper consists of a short summary of progress at mid-term in implementation of the Strategic Partnership. Several annexes produced by the Implementing Agencies include the details on achieving partnership objectives, positive environmental responses in the Danube River and the Black Sea, and specific outcomes from the mid-term Stocktaking meeting. While the series of GEF International Waters projects in the Danube/Black Sea basin since 1991 can not take overall credit for the measurable improvement in water quality, the countries and partners have underscored GEF's important catalytic role in bringing all 16 countries together to focus on national actions needed for the transboundary water system and in calling for attention as part of EU Accession on the needed transboundary reduction of nitrogen and phosphorus pollution. In fact, the EU highlighted the Danube program as a model for transboundary waters governance in its report to the U.N. Commission on Sustainable Development in April 2005.

5. Nowhere on Earth have such demonstrable water quality and ecosystem improvements been observed in a large river and adjacent sea as in the Danube River/Black Sea system over the last decade. In particular, nowhere has such nitrogen and phosphorus pollution reduction been achieved as to reverse the documented dead zone of oxygen depletion in the Black Sea. Data included in Annex 1 show that nitrogen emissions have decreased about 20% and phosphorus almost 50 % in the Danube Basin the last 15 years. The results also show that GEF-funded demonstration investments are complementing those of the EU and calling attention to mainstreaming agriculture sector and wetland restoration measures into policies on all levels in order to sustain the improvements. Similar actions as those supported by this GEF partnership on

nutrient reduction are needed elsewhere in both GEF and non-GEF recipient nations to restore and protect coastal waters as noted by the GEF-funded Global International Waters Assessment.

II. BACKGROUND ON THE STRATEGIC PARTNERSHIP

6. The GEF has funded regional projects for addressing water quality in the Danube River Basin and the Black Sea since early in GEF's pilot phase. The participating countries in the regional projects responded to the GEF Operational Strategy for International Waters by producing a Transboundary Diagnostic Analysis (TDA) and a Strategic Action Programme (SAP) consisting of country-identified policy/legal/institutional reforms and investments needed to address the top transboundary concerns identified in the TDAs. These equivalents of enabling activity projects in the International Waters Focal Area matured to the point that the 16 collaborating nations in the Danube/Black Sea Basin agreed in 2000 to move to implementation of those Action Programmes consistent with the GEF Operational Strategy. The Strategic Partnership approved by Council in 2001 represents a pilot test of GEF's strategy to harness all 3 Implementing Agencies in working together according to their comparative advantages to help the countries address key transboundary concerns---in this case pollution from the nutrients nitrogen (N) and phosphorus (P) with subsequent eutrophication of the lower Danube and the Black Sea that has created many environmental and water use problems.

7. There are 3 components of the Strategic Partnership:

- (a) The Danube Regional Project (DRP) implemented by UNDP. This is the third and last in the series of GEF Danube Basin regional projects since 1991 with the 13 nations in the basin, including Austria and Germany. The project provides technical assistance and capacity building for countries implementing the SAP (now termed Joint Action Programme, JAP) for the Danube Basin with a focus on nutrient reduction and was divided into 2 tranches by GEF in 2001 because of resource limitations (\$17 mil total). It focuses on policy/legal/institutional reforms and includes associated finance for national projects for \$1 billion in water quality investments to accompany the reforms and involves the International Commission for the Protection of the Danube River (ICPDR).
- (b) The Black Sea Ecosystem Recovery Regional Project (BSERP) implemented by UNDP and UNEP. This is the third and final GEF regional project for the 6 Black Sea littoral countries and it provides technical assistance and capacity building in implementing the SAP with a focus on nutrient reduction. It was divided into 2 tranches by GEF in 2001 because of resource limitations (\$10 mil total). It also focuses on reforms; the UNEP element addresses regional legal frameworks for pollution reduction and fisheries.
- (c) The Investment Fund for Nutrient Reduction (IFNR) implemented by the World Bank. This test of innovative financing supports single country, single sector investment sub-projects for nutrient reduction in the municipal, industrial, and agriculture sectors as well as wetland/floodplain restoration. Council approved funding in 3 tranches totaling \$70 mil for the 6+ year implementation period. Annex 1 describes modalities for the Fund in which concepts come on a rolling

basis consistent with Council-approved criteria, approval is delegated to the CEO, and sub-project endorsement follows regular GEF processes.

The *long-term objective* of the Strategic Partnership is for all Danube/ Black Sea basin countries to take measures to reduce nutrient pollution levels and other hazardous substances to such levels necessary to permit Black Sea ecosystems to recover to similar conditions as those observed in the 1960s. The *intermediate objective* of the Partnership includes the implementation of urgent control measures by the 16 countries in the Danube/Black Sea basin to reduce discharges of nitrogen and phosphorus to the Black Sea to levels at or below those observed in 1997. A key aspect of the Partnership is to put in place sustainable governance and investment frameworks to prevent the renewed ecosystem deterioration that might occur with the expected overall economic improvement of the Black Sea Basin countries. Through the Partnership formulation process, six objectives with indicators of success were adopted by the 16 nations for this Strategic initiative for the six year duration of the Partnership. Section III reports on progress toward those 6 partnership objectives while Annex 1 presents a more detailed summary.

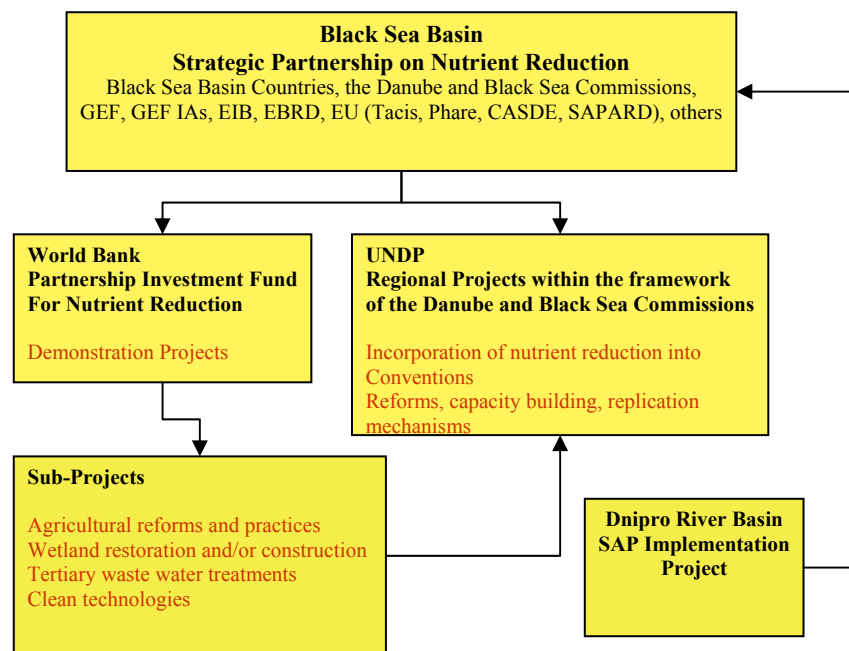
Overview of the Danube/Black Sea Basin Strategic Partnership on Nutrient Reduction

FOUNDATIONAL WORK 1991 – 2001

**UNDP
Regional TDA-SAP
foundational
Projects (4) in the Danube
and the Black Sea Basins**

In this initial phase, GEF joined forces with related EU programs as a catalyst for accelerated action. During this same period both the Danube and the Black Sea Conventions entered into force. As a result of GEF action the main transboundary concern – nutrient over-enrichment, was identified and agreed upon by the countries, and specific Action Programs were endorsed at interministerial level in all countries of the Black Sea Basin. This allowed the countries to move to the phase of stress reduction.

SAP IMPLEMENTATION - STRESS REDUCTION MEASURES 2001 - 2010



Long Term Objective: Permit Black Sea ecosystems to recover to similar conditions as those observed in 1960

Intermediate Objective: Maintain discharges of nitrogen and phosphorus at or below the levels observed in 1997

III. PROGRESS IN MEETING OBJECTIVES OF THE STRATEGIC PARTNERSHIP

8. Overall, the three components of the Strategic Partnership – Danube Regional Project (DRP), Black Sea Ecosystem Recovery Project (BSERP) and the World Bank Investment Fund for Nutrient Reduction (IFNR) - have made substantial progress towards achieving the immediate and long-term objectives of the Strategic Partnership. With strong linkages to the EU Water Framework Directive, the two UNDP-GEF projects have played a lead role in facilitating nutrient-reduction related legal, policy and institutional reform in the basin and to mainstreaming these strategies for transboundary pollution reduction into national strategies and plans. The World Bank IFNR is in the process of financing 14 demonstration nutrient reduction investments in 10 GEF-eligible countries totalling US \$83.27 m. in GEF financing and US \$496 m. in co-financing (ratio 6:1). These projects have been projected to deliver estimated nitrogen emissions reduction of over 5.936 kt/yr (one thousand metric tons per year) and phosphorus reduction of over 0.443 kt/yr. Overall completed and ongoing nutrient reduction investments in the basin total US \$3.294 billion and represent total nitrogen and phosphorus emissions reductions of an estimated 25.85 kt/yr and 4.131 kt/yr, or 6 % and 33%, respectively, of recent (2000-2002 average) estimates of N and P loads to the western Black Sea.

9. These data also underscore significant progress towards achieving and even exceeding (for P) the intermediate objective of stabilizing Black Sea nutrient loads at 1997 levels, the latter estimated at 415 and 20 kt/yr for N and P respectively. With regard to the long-term objective, both the Danube and Black Sea ecosystems are showing initial evidence of recovery; the benthic hypoxia (oxygen depletion) observed over broad sections of the western Black Sea in the 1970's and 80's has been virtually non-existent in recent years (Figure 1) and bottom-dwelling species diversity has roughly doubled from 1980's levels. While the observed recovery is prompted by the economic collapse in central/eastern Europe in the early nineties (dramatically reduced use of fertilizers and closure of numerous livestock facilities), the large nutrient reductions achieved through the investments and governance reforms promoted through EU Accession, the GEF regional projects, and the Strategic Partnership are certainly helping to sustain the water quality improvements.

10. The following paragraphs summarize mid-term progress toward the six partnership objectives. An estimate of level of accomplishment of the objective is provided as a percentage.

Partnership Objective 1: Legal, Policy and Institutional Reform for Nutrient Reduction *Progress Estimate: 100%*

11. Four countries in the DRB (CZ, SK, SI and HU) have recently become members of the European Union and three more (RO, BG, HR) are in the accession process. With assistance from DRP, they have (or are in the process) of implementing a wide range of reforms aimed at environmental protection that will have a positive impact on the Partnership's nutrient reduction objectives.

12. With DRP support, all countries in the Danube River Basin and around the Black Sea have implemented or are in the process of implementing one or more new policies and legislation which support nutrient reduction; eight or 57% of the GEF-eligible countries have

introduced multiple measures. Three countries (CZ, SK, SI) have declared all surface water resources sensitive, thus requiring N and P removal for wastewater plants in communities of over 10,000 inhabitants. Within the Danube River Basin, three countries have already imposed voluntary bans on phosphorus-containing detergents (DE, AT and CZ). With the assistance of the GEF DRP, the ICPDR is actively encouraging a wider introduction of such a ban.

13. Within the DRB the non-accession countries (CS, BA, MD, UA) have expressed willingness to comply with specific directives, most notably the Water Framework Directive (WFD) and to cooperate with other countries within the frame of the ICPDR. The key relevant directives under the WFD include the Nitrates Directive, Urban Wastewater Treatment Directive, Integrated Pollution Prevention and Control Directive, and Common Agricultural Policy (CAP) reform. A summary of key environment legislation and implementation in the Danube – Black Sea Basin is provided in Annex 1, Section 2.1.

Partnership Objective 2: Investments in Nutrient Reduction

Progress Estimate: 100%

14. Significant investment opportunities for nutrient reduction have been identified and carried out throughout the Danube and Black Sea basins; 100% (16 of 16) of the participating countries have made one or more investments in nutrient reduction during the first 3 years and 10 countries have accessed the World Bank's IFNR. The GEF/World Bank IFNR has supported identification and preparation of 14 demonstration investments in 10 eligible countries totalling \$83.27 m. in GEF financing and \$496 m. in co-financing (ratio 6:1). These projects have been projected to deliver estimated nitrogen reduction of over 5,936 t/yr and phosphorus reduction of over 443 t/yr. The latter figures represent approximately 20% and 10% of projected total nutrient and phosphorus reduction, respectively, of all investments in the region (see Table on the next page and Annex 1, Table 5).

15. This demonstrates the significant catalytic contribution of investments through the World Bank IFNR to overall nutrient pollution reduction in the Danube/Black Sea basin. As shown in the summary table below, investments leveraged by GEF through the Partnership Investment Fund concentrate on non-EU member countries, and are focused on less well addressed nutrient control measures including agricultural nutrient reduction, tertiary elements of wastewater treatment (WWT), and wetland restoration. Non-GEF investments cover almost exclusively baseline WWT, and are largely concentrated in (new and pre-existing) EU member countries. This demonstrates the incremental and complementary nature of GEF/World Bank investments. The GEF interventions have called attention to important agricultural sources of nutrient pollution and the importance of removing embankments so that floodplains may function properly in sequestering nutrient pollution. This now needs to be mainstreamed in policies at all levels during the final 3 years of the Strategic Partnership so that water quality improvement gains will not be lost as agricultural policies move intensive farming to Eastern Europe.

Project Distribution by Investment Type and GEF vs. Non-GEF Funding
(includes non-GEF investments through 2005 and WB IFNR only)

FUNDING SOURCE PROJECT TYPE	NON-GEF FUNDING (\$M US)			GEF WORLD BANK IFNR (\$M US)	
	AUSTRIA- GERMANY	NEW EU COUNTRIES	NON-EU COUNTRIES	NON-EU COUNTRIES	NEW EU COUNTRIES
WWT (MUNI, INDUSTRY)	608.3	690.74	0.73	264.35	92.5
AGRICULTURE/LAND USE	-	-	-	205.5	-
WETLANDS	19.5	1.65	-	13.3	-
TOTALS	627.8	692.39	0.73	483.15	92.5

16. To date, a total of 211 investment projects (all financing sources), representing a combined total investment of US\$3,294 million and estimated N and P reductions of 25.85 and 4.131 kt/a respectively have been implemented or are scheduled for completion in the Danube/Black Sea basin within the next few years: The following table summarizes the timeframe and estimates provided by participating countries for their commitments to action.

Timeframe	No. of Projects	Total Investment MUSD	Nutrient Removal, t/a	
			N	P
World Bank - GEF IFNR (imple., prep, pipeline)	14	576	5,936	443
Non-GEF Investments				
Completed by Dec 2003	56	803	5,351	1,013
Completed in 2004 and 2005	35	475	4,552	836
Completed after 2005	106	1,440	10,013	1,839
Sub-totals, Non-GEF	197	2,718	19,916	3,688
Totals:	211	3,294	25,852	4,131

17. Roughly half of these investments are situated within the DRB EU member countries: Austria, Germany, Czech Republic, Hungary, Slovakia and Slovenia. Municipal sector projects account for the majority of the fully financed projects, and national co-financing provided over 50% of total municipal investments; external sources of investment financing include EU, World Bank, EIB, EBRD and others. 12 projects involved wetland restoration with associated nutrient

reduction and habitat protection, and another 13 projects totaling US \$78 m. have been undertaken in the industrial sector. The GEF-UNDP-UNIDO Danube TEST programme has also been very effective at promoting nutrient and other pollution reduction through transfer of cleaner production technologies/strategies, while simultaneously enhancing profitability and reducing resource consumption. However, land use reform and agro-industrial improvements are as of yet not significantly represented in the EU-funded investment project pipeline. Investments in Russia and Ukraine have also considerably increased in recent years, with 9 municipal projects due for completion in 2006 in Russia and 46 smaller projects in Ukraine.

Partnership Objective 3: Sustainable Multi-Country Institutions and Development of Indicators *Progress Estimate: 50%*

18. The Danube River Protection Convention came into force on October 22, 1998. The International Commission for the Protection of the Danube River (ICPDR), its Permanent Secretariat (PS) and its various permanent and ad hoc Expert Groups have now been fully operationalized entities for a number of years and are considered institutionally and financially fully sustainable. All countries are current in their pledged contributions to the ICPDR except Bosnia and Herzegovina which only recently joined (and ratified December 2004) and Ukraine for which 2003, 2004 and 2005 payments remain due.

19. The Bucharest Convention was signed in 1992 and came into force in 1994. The Convention provided the framework for establishment of the Black Sea Commission, its Permanent Secretariat and support structures including (7) Activity Centers and various Advisory and Working Groups. Following a lengthy negotiation process, the Permanent Secretariat of the Black Sea Commission was established on October 2000. Regular payments of contributions to the Black Sea Commission by all countries and its associated financial and institutional sustainability have faced some challenges historically but Ukraine has recently cleared past arrears. As of this report, only one of the six countries party to the Bucharest Convention, Georgia, is still behind in their dues (5 pending payments). A strategy for securing continued country and other contributions to the BSC is presently under development.

20. Both projects have initiated development of International Waters indicators following or closely adapted from the GEF M & E Indicators framework issued by the GEF M&E Unit in 2002. The Joint Technical Working Group (JTWG), formed to facilitate implementation of the Memorandum of Understanding between the BSC and ICPDR, has agreed upon ecological status indicators and reporting formats, taking into account implementation of the EU WFD in coastal waters.

21. The Danube basin has a fully operational monitoring station network (TNMN) and protocols in place as well as an emissions database (EMIS). The ICPDR closely monitors and tracks progress in investments in stress reduction through the Joint Action Programme and monitored by its Emissions Expert Group (EMIS EG).

22. The current BSERP includes further development of a comprehensive monitoring program based on relevant chemical and biological indicators, and establishment of an emissions/state database for point and non-point pollution sources within the coastal zone; these

represent significant progress towards establishment of both stress reduction and environmental status indicators in the Black Sea..

Partnership Objective 4: Incorporating Nutrients and Toxics Reduction into Conventions and their Action Programs *Progress Estimate: 50-75%*

23. In the Danube, specific country commitments to nutrient reduction are being prepared within the framework of the revision of the ICPDR Joint Action Programme (JAP, the follow-up to the GEF-supported SAP). Approval of the EU WFD Roof Report at the December 2004 Ministers Meeting confirms the commitment from the 13 Danube River Basin countries in adopting binding actions in reducing pollution to the Danube River in support of the ICPDR's JAP. In the context of legislative reform, the four recent EU member states (CZ, HU, SI, SK) are projected to be in full compliance with the EU Nitrates Directive by 2008 (and Romania soon thereafter); nevertheless, enforcement of policies and legislation remains a challenge in both the accession and non-accession countries.

24. With assistance from UNEP, the BSERP has supported development and negotiation of a Land-Based Activities Protocol to the Bucharest Convention which is presently under consideration by the Black Sea Commission and proposed for adoption as early as 2007; a Work Program to Enhance Implementation of the Black Sea LBA Protocol has been developed and is ready for implementation. Lastly, the BSERP has advanced the development and negotiation of a regional fisheries convention for the Black Sea.

Partnership Objective 5: Implementing Agency and Partner Mainstreaming of Nutrient Reduction *Progress Estimate: 75%*

25. Each agency participating in the Partnership has taken a number of steps to mainstream the objectives of the Partnership into its core programmes and activities. UNDP is mainstreaming and promoting replication of Black Sea and Danube programmes through its Bratislava Regional Service Centre; several UNDP Country Offices are supporting integrated water resources management, river basin management, and EU WFD approximation processes in a number of Danube/Black Sea basin programme countries as well as in countries outside the Danube/Black Sea basin addressing similar water resources management challenges. UNDP's Regional Bureau for Europe and the CIS (RBEC) is presently developing a new strategic approach for its water governance practice in Europe/CIS, building on UNDP's extensive experience through the GEF with promoting transboundary waters management in this region. The strategy will include knowledge management, community and capacity development, regional and national-level programme development, partnership development and resource mobilization. As part of this mainstreaming, RBEC has committed to fund the UNDP-GEF Regional Technical Advisor (RTA) for International Waters & Land Degradation, and has also mobilized external resources (LEAD) for a Water Governance Advisor who will support development and oversight of GEF IW portfolio in the region.

26. World Bank lending, including GEF grant-funded operations, in a country are based on country assistance strategies (CAS) that are prepared every three years in partnership with the government and the Bank and in consultation with national stakeholders. CASs lay out the country's priorities for investment and policy operations that it would like to accomplish with

World Bank assistance over the next three years. Black Sea / Danube pollution issues have been well integrated in CASs for Black Sea/Danube countries since the start of the Partnership. In summary, since 2000, ten out of twelve new CAS that were prepared in the Black Sea/Danube countries included a discussion of projects to be implemented under the WB GEF Investment Fund. A summary of the CASs prepared since 2001 and their integration of nutrient reduction and water quality improvement objectives is provided in Annex 1, Section 2.4 and Table 10.

27. The EU ISPA programme is a key mechanism in providing technical and financial assistance for environmental infrastructure improvements, such as municipal wastewater treatment; N and P removal is earmarked for each of the ISPA assisted municipal projects in Bulgaria. The EIB and EBRD have also been instrumental in helping to promote investment in nutrient reduction throughout the region; for example, EIB have extended several loans for tertiary treatment of municipal wastewater in CZ, and EBRD is working with EU ISPA on improvements to the municipal sector. Other relevant EU mainstreaming initiatives include TACIS (MO, UK, Black Sea), PHARE (cross-border environmental issues between HU, SK, BG, RO), CADSE (land use, river basin management, infrastructure in Danube tributaries) and SAPARD (agricultural reform in new/accession countries).

28. In 2001, the DABLAS Task Force was established by the Environment Ministers of the Danube-Black Sea region together with the EU, to facilitate coordination and prioritization of pollution reduction investments needs within the region. The TF identified 354 known/planned investment projects as part of its 2004 assessment, including 191 municipal, 77 industrial, 32 agro-industrial, 40 wetland restoration and 14 land use projects. Such projects with nutrient reduction now need to be mainstreamed in the DABLAS Task Force process.

Partnership Objective 6: Integrated Management of Land and Water Resources in Sub-basins *Progress Estimate: 50%*

29. Sub-basin river basin management programmes have been developed or are under development in the Sava and Tisza River basins for more detailed implementation of basinwide approaches. The linked GEF-UNDP Dnipro River Basin programme has prepared a Transboundary Diagnostic Analysis, Strategic Action Programme and draft legal agreement. The SAP is in the process of being adopted by each riparian country and is expected to be designated as the ‘action programme’ under the river basin ‘Agreement’. Nutrient and industrial toxics pollution are included as priority issues and actions in the Dnipro TDA and SAP.

30. The Danube Regional Project is providing input to assist countries in developing policies aimed at Best Agricultural Practices and is supporting wetland managers in the basin with evaluation of nutrient removal capacities in wetlands. Both the DRP and BSERP have implemented small grants programmes targeting nutrient reduction in agriculture, land use, industry and households; to date the DRP has supported 63 projects totalling \$600k and the BSERP has approved 17 projects totalling \$320k. These programmes are essential for harnessing community participation as part of the water quality improvement process. Integrated Coastal Zone Management policies for the Black Sea were developed in 1999 with GEF support as well. Based on this, the BSERP has made significant progress in assisting the countries in developing a regional Integrated Coastal Zone Management Strategy which was approved by the BSC in November, 2004. UNDP is also supporting implementation or development of five

wetlands conservation projects in RO, HU, BG, SK (2) within the Danube/Black Sea basin under the GEF Biodiversity focal area.

IV. PROGRESS WITH WORLD BANK INVESTMENT FUND FOR NUTRIENT REDUCTION

31. The World Bank Investment Fund for Nutrient Reduction (IFNR) is an integral part of the Partnership, focusing on key investments in the region and is actively engaging other stakeholders, including national and local governments, EU assistance programmes¹, and IFIs in co-financing nutrient reduction centred interventions.

32. 14 countries² of the Black Sea and Danube Basin are eligible for GEF funding under the Investment Fund. These are, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Georgia, Moldova, Romania, Russia, Serbia and Montenegro, Slovakia, Slovenia, Turkey and Ukraine. The IF portfolio includes 14 projects in 10 of these countries. Six of these projects are under implementation and the rest at various stages of preparation. Table 4 provides a list of these projects together with information on the status of project processing, GEF grant funding and co-financing, and estimated N and P pollution reduction.

33. The portfolio is well diversified among eligible areas of investment that were specified in the Partnership Framework Brief. Specifically, there are seven Agricultural Pollution Control (APC) Projects (in Croatia, Moldova, Romania, Russia Krasnodar, Serbia, Turkey and Ukraine); one wetland restoration project (in Bulgaria), one ICZM project (in Ukraine) and five municipal wastewater treatment projects (in Hungary, Bosnia, Moldova, Russia Rostov and Ukraine). It should also be noted that some of the projects include more than one eligible element. For example, the Moldova APC Project and the Serbia Enterprise Pollution Reduction Project also support investments for reducing nutrient discharges from agro-industrial enterprises, such as slaughterhouses and meat-processing facilities, in addition to proper farm nutrient management. Furthermore, the Hungary Nutrient Reduction Project will support the restoration of wetlands in the Danube-Drava National Park Gernenc of the Beda-Karapanca Region. This reflects the flexible nature of the IFNR that allows for tailoring project interventions to each country's specific conditions with respect to nutrient pollution reduction.

Table 1: Summary of GEF/World Bank Investment Fund For Nutrient Reduction

Project Status (#)	Funding (US\$ million)		Co-financing ratio (GEF:Other)	Estimated N+P Reduction (tons/yr)	
	GEF Grant	Co-Financing (*)		N	P
Under Implementation (6)	37.87	79.74	1:2	1,359-1,954	218-232
Under Preparation(3)	21.5	140	1:7	4,577+	225+
Pre-Pipeline (5)	23.9	273	1:11	tbd	tbd
TOTALS	83.3	492.7	1:6	5,936+	443+

¹ E.g. PHARE, ISPA, CARDS, TACIS, CADSES

² Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Georgia, Hungary, Moldova, Romania, Russia, Serbia and Montenegro, Slovakia, Slovenia, Turkey and Ukraine

V. THE STRATEGIC PARTNERSHIP AND ADAPTIVE MANAGEMENT: NOVEMBER 2004 MID-TERM STOCKTAKING MEETING AND MID-TERM REGIONAL PROJECT EVALUATIONS

34. The Strategic Partnership was designed with an adaptive management approach including two key tools for mid-course corrections: a mid-term Partnership Stocktaking meeting with funding programmed into the Danube Regional Project, and independent mid-term evaluations of each of the UNDP projects.

35. The overall goal of the Stocktaking Meeting was for all countries and partners to: (a) review progress of key Objectives and associated Indicators of Success established for the Strategic Partnership, (b) present and analyse the results so far obtained against the SP indicators and (c) identify and analyse problems and bottlenecks that may hinder efficient project implementation. The meeting adopted a set of mid-course corrective measures for all parties in order to improve the implementation of the Partnership towards its Objectives and adopted recommendations for further reinforcement of cooperation in the Danube – Black Sea Region. Many of the analytical materials and outcomes of this meeting were used in the development of this Progress Report to the GEF Council on the Strategic Partnership.

36. The Stocktaking meeting identified eight Partnership implementation issues; gaps have been analyzed and solutions have been proposed to assure efficient implementation of the Strategic Partnership in its last 3 years of funding from 2005 to 2007.

Table 2: Stocktaking Issues and Responses

	Gap / Issue	Response
1	Inter-ministerial coordinating mechanisms	<ul style="list-style-type: none"> – Using existing mechanisms for coordination when appropriate, – Organizing high level consultation meetings with governments to obtain commitment to establishing such mechanisms, – Filling gaps where required in improving existing or in creating new mechanisms.
2	Reporting on progress of Strategic Partnership objectives	<ul style="list-style-type: none"> – All Strategic Partnership partners will revise current progress reports according to issues discussed and will report tangible results on: <ul style="list-style-type: none"> ○ Adopting and implementing nutrient and toxics reduction policies and regulatory measures (national level), including Convention Protocols/Annexes, ○ Implementing nutrients and toxics pollution reduction investment projects (completed, in progress) and reporting on actual/projected nutrient/toxics reductions, ○ Development of International Waters process, stress reduction and environmental status indicators, ○ Donor partner (WB, UNDP, EU, etc.) ‘mainstreaming’ of nutrient and toxics reduction

	Gap / Issue	Response
		commitments into their regular programmes, ○ Reinforcing stakeholder involvement.
3	Sustainability of commissions / functioning of secretariats	<ul style="list-style-type: none"> – Accepting flexibility in payment of contribution (engagement of counties to meet their commitments before the end of the project), – Broadening indicators for commitment taking into account proactive cooperation of countries in expert group meetings, participation in regional workshops, timely responding to reporting requirements under the convention and cooperation in GEF activities.
4	Partnership coordination	<ul style="list-style-type: none"> – Organizing coordination meetings: Project and task managers from IAs, EC, WB, UNDP UNEP, Commission Secretariats, – Reinforcing inter-focal area cooperation / project coordination: full scale annual meeting of all relevant GEF projects (IW, LD, BD, POPs) working in the Danube and Black Sea basin area, – Establishing permanent dialogue between DRP, BSERP and WB IF projects.
5	Replication	<ul style="list-style-type: none"> – Engaging the EU in continued financing of the pollution control measures after the Strategic Partnership programme will phase out as one of the important replication mechanisms (one of the first issues to be discussed at the partnership coordination meeting).
6	Public involvement & communication	<ul style="list-style-type: none"> – Developing communication and public participation strategies by the BSERP based on Danube experience to strengthen public participation and broader stakeholder involvement in Black Sea countries.
7	Indicators for monitoring of progress in implementation of Strategic Partnership projects / Investment Fund	<ul style="list-style-type: none"> – Reviewing and revising when necessary the process indicators of the project log frames.
8	Process, stress reduction and environmental status indicators for the BSC	<ul style="list-style-type: none"> – Further reviewing and applying process, stress reduction and environmental status indicators in the frame of the BSERP together with the BSC, including the need for national process indicators (e.g. policy / legal / institutional reforms which the countries would enact), before the end of the project.

VI. MID-TERM EVALUATIONS: BLACK SEA AND DANUBE UNDP REGIONAL PROJECTS

37. The UNDP Black Sea and Danube Regional Projects underwent independent mid-term evaluations as per standard GEF and UNDP M&E procedures. The results and recommendations of these MTEs are summarized below and further detail can be found in Annex 2. The recommendations have been discussed with the respective project steering committees and have been incorporated into the respective 2005-2007 work plans for each project.

38. Key recommendations from the mid-term evaluation of the Danube project included:

- a) DRP to identify and promote agro-environmental support mechanisms under the Common Agricultural Policy (CAP) and the SAPARD program
- b) In the work on wetlands rehabilitation and appropriate land use, attention should also be paid to mixed-use opportunities and compensation issues, recognizing that wetlands rehabilitation can restrict economic opportunities for landowner
- c) The current and proposed activities under industrial pollution control are not aimed specifically at the DRP's central focus - nutrient reduction, and they fail to account for efforts already underway in the EU accession states to transpose EU industrial pollution legislation. MTE suggested a narrowing of the scope, to specifically focus on nutrient loading, and the major industrial point sources within the Danube basin that contribute significant nutrient and phosphorous loading (e.g. large scale agriculture, food processing, pulp and paper, detergents).
- d) High priority should be placed on the planned workshop to discuss with industry the phase out of phosphate detergents
- e) The inter-ministerial committee development effort is an important output, requiring attention and financing still during the 2nd phase, and special emphasis needs to be placed on engaging agricultural interests.
- f) Within the river basin planning efforts there should be room to engage with spatial and regional planners in the countries to consider how economic development aims and environmental protection aims can be reconciled.
- g) Consideration should be given to how the DRP can increase assistance to the ICPDR and DABLAS task force in the prioritization, pre-feasibility preparation, and dissemination of information on investment projects for nutrient reduction.
- h) Opportunities exist with current technologies to make the DRP and ICPDR web sites more interactive and user friendly.
- i) Public awareness raising is an important objective during Phase 2. It is recommended that a media package gets developed to help local efforts in each participating country.

- j) For the new member states and accession countries, they are wrestling with public access and reporting requirements across dozens of new statutes. Establishing the proper mechanisms – both legal and practical, to meet these obligations presents a real challenge for participating countries that the project can help to meet.
39. Key recommendations from the mid-term evaluation of the Black Sea project included:
- a) Revise elements of planned activities on ICZM, agriculture, industry and municipal sectors to focus on legislative and regulatory reforms to improve water resource protection, (harmonized with the WFD), and establish ICZM, (harmonized with the European Marine Strategy).
 - b) The development of ICZM strategies should drive the BSERP effort to promote inter-ministerial coordination in each participating country
 - c) Recognizing the extensive support offered to Romania and Bulgaria, and increasingly Turkey, for approximation of the EU Environmental Acquis, the BSERP should focus special attention on regulatory reform / capacity building in the non-accession states (Georgia, Russia, Ukraine).
 - d) The BSERP should assist the BSC to become a more effective and sustainable organization, including providing funding for a management review of the BSC and its subsidiary bodies.
 - e) The BSERP should strengthen public awareness efforts and revamp the BSERP communications plan.
 - f) Project outputs related to fisheries should be reviewed, and a decision made by the BSERP SC on whether to continue providing technical assistance. The decision should depend on expectations for BSC approval of a new Black Sea Fisheries Convention in 2005.
 - g) Investment program development should be done in close coordination with the WB IFNR, and should focus on small and medium investments in coastal areas.
 - h) Project activities related to shipping and electronic ship tracking systems are outside of the main focus of the BSERP, and should be discontinued.
 - i) The research program planned for the 2nd phase should proceed as planned; and the call for proposals for the second tranche of small grants (5.3) should proceed as conceived, with continuing focus on agriculture, and wetlands.
40. At the interagency level, it has also been agreed that, based on experience in the current Partnership, the GEF International Waters Task Force (IWTF) will be fully involved with all

future Strategic Partnerships during formulation and annual PIR reviews, and that mid-term progress reports on all Strategic Partnerships will be provided to Council. GEF's new Office of Monitoring and Evaluation will fund and participate in the Mid-term Review that will be the subject of the Stocktaking.

VII. RESULTS AND OUTCOMES—DANUBE AND BLACK SEA NUTRIENT-RELATED ENVIRONMENTAL STATUS IMPROVEMENTS

41. The excessive nutrient pollution loading has resulted in large scale eutrophication of tens of thousands of square kilometres of waters observed in the western Black Sea. The depletion of oxygen in the lower levels of the sea observed in the seventies and eighties has been virtually eliminated, with oxygen levels at or near saturation in most areas during recent years (Figures 1 & 2). Very long lasting calm and warm weather periods can lead to the development of strong pycnoclines and stagnation in shallow shelf water areas that are strongly influenced by the Danube discharge. This resulted in short-term low oxygen conditions near the bottom in September, 2001 creating a temporary setback in the decade long improvement in the Black Sea.

42. Despite this one setback, the frequency of algae blooms as observed with ocean colour satellites has decreased markedly compared to levels in the 1980's, and surface chlorophyll concentrations have also shown measurable decreases. The number of benthic species observed in the early 2000s was 1.5x - 2x higher than levels found in the late 1980s, but still more than 1.5x lower than conditions in the 1960s. The gradual recurrence in the western Black Sea of *Phyllophora*, a flagship species which once supported a highly productive ecosystem of over 200 species, was confirmed during a survey cruise of the area in September 2004. Fish stocks in the western Black Sea have not yet shown signs of recovery even as oxygen levels have rebounded. The unintentional introduction of the comb jelly *Mnemiopsis Ledyi* in the 1980's, which seriously disrupted the Black Sea fisheries, has been curtailed significantly with the subsequent (also unintentional) introduction of *Beroe ovata*, a *Mnemiopsis* predator. Still, *Mnemiopsis* may remain an important impediment to full ecosystem recovery, and the adaptive management principles accompanying projects in the GEF International Water Focal Area will need to be utilized after GEF assistance in this Strategic Partnership ends.

43. Most of the upper reaches of the Danube are no longer considered 'at risk' (of not achieving good ecological status under the EU Water Framework Directive) for hazardous substances, nutrients and organic loads. The middle and lower reaches of the Danube are still classified to be 'at risk' for hazardous substances and nutrient pollution and from organics to a lesser degree. For example, cadmium and lead concentrations exceed target values in locations downstream from Danube River kilo-meter 1071, and the basin is still considered to be at risk for impacts from hydro-morphological alterations (dams).

44. Many of the observed positive environmental trends in both the Black Sea and the Danube stem to a significant degree from the impacts of the economic downturn following the collapse of the former Soviet Union and associated reductions in fertilizer use and livestock and industrial emissions. See Figure 3 in Annex 1 for the data related to reduction in fertilizer application in Eastern Danube Countries while similar levels continue to be used in upstream nations. At the same time, through the series of regional GEF projects since 1991 and country

commitments to improved water quality, and now this Strategic Partnership, the collective efforts of the governments and agency partners are having a demonstrable effect on reducing total pollution emissions. In fact, investments under the GEF/World Bank's IFNR represent 20% and 10% of estimated total annual N and P reductions, respectively, from cumulative existing and planned investments. Coincident with the recovery of economies in the region there is risk that pollution discharges will again increase, particularly from agricultural nutrient sources. This underscores the need for continued investment, implementation of agreed nutrient reduction policy and regulatory reforms, effective implementation of the EU Water Framework Directive, and close attention to the impact of the EU's Common Agricultural Policy, if the intermediate target of maintaining Black Sea nutrient loads at mid-1990's levels is to be maintained.

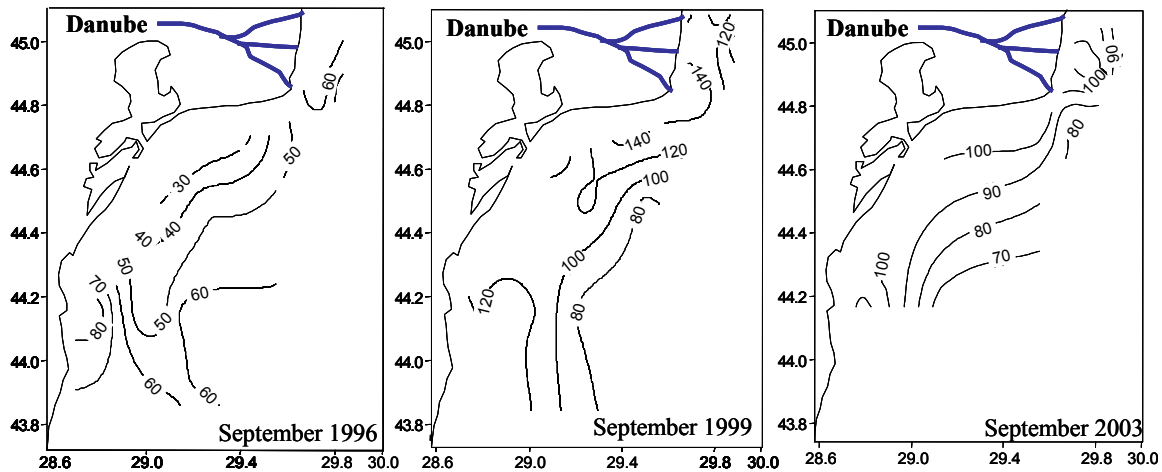


Figure 1: Concentration of dissolved oxygen (expressed as % of saturation value) near the bottom on the Romanian shelf of the W. Black Sea Sept 1996, Sept 1999 and Sept 2003 (*compiled in the daNUbs project from data collected by RMRI (Roof Report)*)

Sudden collapse and uncertain recovery of the Black Sea NW Shelf benthic system

