

## GEF Pipeline Entry Project Concept

<b>Country:</b>	Bosnia and Herzegovina (BiH), and Croatia
<b>Project Title:</b>	Integrated Ecosystem Management of the Neretva and Trebisjnica River Basin
<b>GEF Implementing Agency:</b>	World Bank
<b>GEF Focal Area:</b>	International Waters
<b>GEF Operational Program:</b>	OP9-Integrated Land and Water Multiple FA
<b>GEF Grant Amount:</b>	US\$ 8 million
<b>Co-Financing:</b>	US\$ 17 million
<b>Executing Agency:</b>	Croatia: Ministry of Environmental Protection and Physical Planning Federation of Bosnia Herzegovina: Federal Ministry of Physical Planning and Environment. Republic of Serbska: The Ministry of Town Planning, Housing-Communal Services, Civil Engineering and Ecology
<b>Estimated Implementation Start:</b>	September 2004
<b>Duration:</b>	5 years

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### 1. Project Summary

Project rationale, objectives (including global objective), outputs and activities.

Background: The Neretva and Trebisjnica River Basin (for convenience and brevity, the basin will be referred to as the “Neretva River Basin” in this document) is a tranboundary river basin in Southeast Europe shared by two countries, Bosnia and Herzegovina (BiH) and Croatia. Within BiH, the river basin is shared by two entities<sup>1</sup> the Federation of Bosnia Herzegovina (FBiH) and the Republika Srpska (RS). The Neretva and Trebisjnica rivers are used for transport, recreation, extraction for drinking water and irrigation, and hydropower. The Neretva River, with a length of 220 km, is the largest river of the eastern part of the Adriatic Basin. Its source and upper to middle course are located in FbiH. Its lower course is largely in RS (the Trebisjnica River flows through RS into the Neretva). Due to its location, climate and complex water regime<sup>2</sup>, the Neretva River Basin has a high diversity of habitats, especially aquatic and wetland. The lower course of the Neretva river contains the largest and most valuable remnants of the Mediterranean wetlands on the eastern Adriatic coast and is one of the few areas of this kind remaining in Europe. The wetlands are a Ramsar site and are included in the

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<sup>1</sup> The state of Bosnia and Herzegovina is regulated by the Dayton Agreement and comprises the three separate administrative unites of the Federation of BiH (divided into 10 cantons), the Republika Srpska and the District of Brcko.

<sup>2</sup> The hydrological characteristics of the waters in the lower Neretva and Trebisjnica are very complex due to the karst nature of the geology which results in a mixing of rivers and streams (many wholly or partly underground), springs and tidal seawater

Program of Important Bird Areas (IBA) conducted by Birdlife International. The upper part of the 20,000 ha delta, located in FBiH, is a protected area called Hutovo Blato Nature Park.<sup>3</sup> The lower part of the delta in Croatia has five scattered sites of minimal protected area status for a total of only 1620 ha. While it is in the Lower Neretva that the challenges of meeting conflicting requirements of water and land by users are most prevalent (because this is where the agriculture activity and other economic activities are prominent – the upper and middle courses of the River are in relatively unpopulated, mountainous areas), the use and management of the upper basin water resources have a very significant impact on downstream ecosystems, e.g. operation of the five hydropower plants in the upper and middle courses of the Neretva and Trebisnjica Rivers.

The Neretva River Basin is highly significant to the economic development of the region and Southeast Europe more broadly because it includes the heart of the agricultural activity (in BiH); fuels several industrial enterprises; is a key feature of the energy sector; has several important municipalities located within it; supports important fisheries; has tourist appeal; and contains valuable natural resources. The economic, social and environmental well-being of BiH and Croatia depends upon the vitality and productivity of the Neretva River Basin.

The Neretva River basin ecosystem is threatened by a number of causes many inter-related. Pressures on the river basin resources and management challenges include:

- Changes in land use – due to uncontrolled urbanization, reclamation of wetlands and illegal land possession. In the past ten years, of the 12 channels in the delta, only 3 remain due to land reclamation
- Unsustainable agriculture practices including overuse of pesticides
- Incomplete irrigation systems and an insufficient fresh water supply to the agricultural areas
- Poor management of the water infrastructure (canals, drainage network, pumping stations)
- Salt water intrusion
- Impacts of hydropower facilities in the river basin including altering of the hydrological regime downstream
- Excessive hunting and fishing in the wetlands
- Inadequate flood protection – floods due to climactic conditions compounded by inadequate land management regularly affect many parts of the river basin causing considerable damage
- Water pollution from point (municipal and industrial wastewaters) and non point (agricultural) sources
- Lack of public awareness and involvement. A 2001 survey on the level of environmental awareness among the key stakeholders of the Neretva Delta found that the level of environmental awareness is low among hunters, farmers,

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<sup>3</sup> In March, 2003, a fire in Hutovo Blato damaged over 2,000 ha of the 8,000 ha park. BiH lacked the necessary fire fighting equipment which was available in Croatia. Due to the lack of any kind of coordination mechanism between the two countries, the equipment did not make it to BiH.

fishermen and other important groups regarding the importance of biodiversity and its conservation, and this is a key contributor to continuing degradation of the environment

Mitigation of these pressures and resolution of competing interests and demands requires sound and harmonized legal, institutional and policy frameworks and coordination across borders. As it is, each of these frameworks differs between countries and also between entities. The legal framework for water resource management is established in Croatia but in flux in BiH where the draft water laws are under review. Once the BiH laws are approved, and are harmonized between the entities, in terms of the legal framework, the two countries will be more on par. The new Water Law in BiH will also establish river basin management authorities which bridge the entity boundaries and will be more consistent with those of Croatia.

There are almost no institutional, legal or policy frameworks for transboundary governance arrangements. Promotion of transboundary partnership is not sanctioned in agency planning documents in either country and no resources are dedicated to this cause. There are no high level mechanisms for transboundary water resource management and only a few, dated, and largely ineffective transboundary agreements. Yet, for a number of reasons, understanding and support for a transboundary approach has gained momentum recently and there is a broader sense of community amongst the ecosystem resident's residing on opposite sides of the country border. Both countries have expressed their willingness to proceed with the conservation of this area and the wise use of the river basin's resources, and to collaborate with each other in the process. While the value of bilateral cooperation has widespread acceptance the ways and means of getting there in an effective and comprehensive manner have yet to be attained.

Project objectives: The project development objective is to ensure the effective and environmentally sound management of the water and land resources of the Neretva River Basin. The *global environmental objective* is to reduce water pollution and improve biodiversity conservation in the Neretva River Basin by implementing a comprehensive ecosystem-based approach in managing international waterways. Specifically, the project will implement priority actions to address major problems identified in the Mediterranean Strategic Action Program to Address Pollution from Land-Based Activities (MED POL) and will reduce the pollution load to the Adriatic part of the Mediterranean Sea.<sup>4</sup> The project focuses on two of the seven major types of problems

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<sup>4</sup> The riparian state of the Mediterranean Sea including BiH and Croatia agreed in 1975 to launch an Action plan for the Protection and Development of the Mediterranean Basin (MAP) and in 1976 to sign a Convention for the Protection of the Mediterranean Sea against Pollution (Barcelona Convention). In 1996, in Syracuse, a new revised Protocol for the Protection of the Mediterranean Sea Against Pollution from Land Based Source and Activities was signed (LBS) which takes into account the Global Program of Action for the protection of the marine environment against pollution from land-based activities, adopted in Washington in 1995. In accordance with the 1996 LBS Protocol, BiH and Croatia agreed to take all appropriate measures to prevent, abate, combat and eliminate pollution of the Mediterranean Sea Area caused by discharges from rivers. It was agreed to prepare regional SAPs and the SAP for pollution from land-based activities (MED POL) was completed in 1999.

and their related transboundary elements as identified in the MED POL: (i) loss of habitats supporting living resources; and (ii) decline in biodiversity. Transboundary elements identified in the MED POL which will be addressed by the project include: damage to transboundary ecosystems; degradation due to pollution and eutrophication; impacts on habitats and biodiversity; impacts of physical changes on coast; conflict between user groups; reduction of development potential; inadequate monitoring of pollution; and poor public awareness. MED POL identifies Mediterranean hot spots and sensitive areas and these include municipalities in the Neretva River basin; the Neretva River Canyon; and the Neretva Delta – all included in the project region. In term of interventions, the project includes interventions in all five of the main root causes identified in the MED POL: legal, management, human, stakeholders, and financial.

A SAP for Biodiversity (MED BIO) is in preparation. The project is expected to support the implementation of MED BIO as well in so far as the Neretva Delta will be a key area of habitat referenced in the transboundary diagnostic analysis of the Mediterranean Basin, on which the MED BIO is based. The Croatia Biodiversity Strategic Action Plan as well as its NEAP establish the Neretva Delta ecosystem as a priority for conservation.

Both BiH and Croatia aspire to be members of the European Union (EU). Croatia is much closer to this goal as it has a Stabilization and Association Agreement with the EU. European environmental law, which each country is working to approximate, now prescribes truly integrated water resource management at the basin scale. The EU Water Framework Directive (Directive 2000/60/EC) (WFD) establishes a framework for the protection of inland surface waters (rivers and lakes), transitional waters (mostly estuaries), coastal waters and groundwater to prevent further deterioration and protect and enhance the status of aquatic ecosystems. The WFD managerial approach is integrated water management at the river basin level which aims at ensuring overall coordination of water policy in the EU. The WFD aims to harmonize water policy and management of the river basin as a whole in close consultation with stakeholders. The wide range of stakeholders may include industries, municipalities, basin authorities, NGOs, government institutions and the public at large.

The project's objectives and activities are fully consistent with the objectives, approach, principles and measures of the WFD. The project would complement regional and country-specific programs and activities to support the ultimate implementation of the WFD, and vice versa. While the WFD provides essential guidance of development of policies, laws and institutions, the project is designed with the recognition that the WFD requirements in technical areas like water quality are quite ambitious at this stage of development, particularly in BiH.

Besides existing frameworks, the project would be developed as part of a broader framework for the implementation of priority pollution reduction and river basin investments in the Adriatic Sea which is yet to be developed but for which there is wide spread support. The project would catalyze the development of a Partnership for the Mediterranean Sea with emphasis on the Adriatic, with GEF and UNEP, which would establish an Investment Fund for pollution reduction, river basin management and

possibly marine and coastal biodiversity conservation projects. The proposed project could be used as a model for funding under the Investment Fund for river basin management.

Project Components: The project has four components: (i) Build capacity to support water resource management on a river basin level; (ii) Improve water resource management and biodiversity conservation; (iii) Demonstrate community based approaches to sustainable economic development and conservation of the river basin's natural resources (iv) project management. The main content of each of these components will be determined during project preparation but could include the following activities:

*Component 1: Build transboundary capacity to support water resource management on the Neretva River* (US\$ 2 million in GEF grant). Under this component the project would:

- Assist the countries in examining, selecting, establishing and operating effective transboundary mechanisms and organizations for management of the Neretva River basin. There are a number of models, approaches, and vehicles which can guide selection of the most appropriate mechanism for BiH and Croatia.
- Identify and quantify pressures on the environmental integrity of the water, land and biodiversity resources in the river basin - from multiple uses including irrigation, hydropower, and incorporate into river basin management plan
- Support strategic planning and technical investigations at the basin level in the following resource management areas; water quality, water allocation, conjunctive surface and groundwater use, flood mitigation. This would include identification of the hydrological, biological and ecological characteristics of the river basin, including the hydrological requirements of the wetlands and the environmental flow requirements of the river of the Neretva river basin and its wetlands.
- Support the formulation and implementation of an integrated water resource management plan for the Neretva River
- As needed, support the establishment and operation of a river basin management authority, per the new Water Law in BiH
- Prepare generic guidelines and introduce capacity building activities, including training, for integrated water basin management planning. These can be applied to other trans-boundary river basins in BiH and Croatia – e.g. Sava, Una, Drina
- Improve basin-wide measurement, monitoring, modeling and database management for water resource management including a basin-wide network of water quality and flow monitoring stations coupled with a simulation model for real-time reservoir management and water allocation; regional groundwater models; GIS mapping; satellite imagery for improve resources management.
- Develop and measure indicators of river basin ecosystem health and management effectiveness
- Support a program for local NGOs to promote transboundary cooperation and networking for the protection and sustainable use of shared resources.

- Support a transboundary public forum of stakeholders as a platform for discussion on water and environmental issues of the Neretva River basin

*Component 2: Improve water resource management and biodiversity conservation* (US\$ 3.6 million estimated GEF grant). Under this component the project would conduct activities to reduce water pollution and conserve biodiversity in the Neretva river basin. Activities could include:

- Determine emissions of nutrients by domestic wastewater and non-point source polluters
- Evaluate saltwater intrusion in ground and surface water, develop & implement cost effective programs to address the problem
- Develop a river basin level program for soil erosion and sediment control to protect and improve the river basin water quality from non-point source pollution
- Develop and implement a protected area management strategy for the delta. This could include consideration of extending Hutavo Blato borders; developing a buffer zone between the two countries; increasing protected areas and/or their enforcement in Croatia.
- Restoration for degraded protected areas, e.g. Modric Lake, and equipment for operation and maintenance
- Civil works and equipment for improved protected area management
- Rehabilitate the natural history museum in Metkovic
- Rehabilitate the education center in Hutavo Blato
- Identify water quality requirements for conservation and protection of the ecosystems of the river
- Develop and implement methods for the control and elimination of non-native, invasive fish species and establish transboundary management on migratory fish species
- Implement nutrient and environmentally friendly agricultural practices
- Develop public awareness and education programs to help mitigate pollution at the source and to show the impact on water quality, ecosystems, and environment. Coordinate this effort with the development of stakeholder forum and NGO program indicated above.
- Conduct a cross border research partnership grants program. Agencies and universities on each side of the border have traditionally pursued independent research interests but these have been uncoordinated and country specific. Research on an ecosystem basis is fundamental to sound ecosystem management. Findings of the research projects would assist in establishing a series of scientifically based indicators for measuring progress in ecosystem management.

*Component 3: Demonstrate Community based approaches to sustainable economic development and conservation of the river basin's natural resources* (US\$ 1.5 million estimated GEF grant). The goal of this component is to support and demonstrate the linkages between environmentally friendly businesses which contribute to economic growth of the region (such as ecological tourism and ecological food production) and protection of the Neretva river basin's ecological values. The component would be

implemented through a competitive, matching grants program linked to the World Bank Small Scale Agriculture Project in BiH.

Component 4. *Project Management* (US\$ 0.9 million estimated GEF grant).

Outputs: The project would assist the Governments of the Federation of Bosnia Herzegovina, Republika of Srbska, and Croatia to promote integrated water resource management on a river basin level; strengthen institutional capacity for joint river basin management; reduce water pollution and prevent land degradation; improve protected area management and biodiversity conservation; and raise public awareness and involvement in river basin management. *Outputs* would include: a comprehensive transboundary river basin management plan; a trained river basin management authority with resources to implement the RBMP; a joint commission for the implementation of the river basin management plan; improved protected area management strengthened by trained staff, effective implementation of protected area management plan, and improved facilities and services; improved biodiversity conservation through the expansion of protected areas and restoration of degraded sites; an effective river basin measurement and monitoring system including reservoir management and water allocation capabilities; cost effective non point source pollution prevention investments; an effective community based small grants program which will demonstrate environmental sound natural resource use and conservation; and increased public awareness.

## **2. Country Ownership**

### **(a) Country Eligibility**

Both BiH and Croatia support the Barcelona Convention for the prevention of pollution of the Mediterranean and have signed and ratified all its protocols. BiH and Croatia are party to the Convention on Biodiversity Conservation, and the Ramsar Convention on Wetlands of International importance.

### **(b) Country Drivenness**

Both countries involved have expressed their willingness to proceed with the conservation of the Neretva river basin and the wise use of its resources, and to collaborate with each other in the process. BiH and Croatia have shown joint and individual commitment to addressing the issue of transboundary water resource and ecosystem management. The following agreements are dated but demonstrate an intent to collaborate.

- “Social agreement on joint municipality actions on pollution prevention and water quality enhancement in the Neretva river basin and portion of the Adriatic Sea in the region of the mouth of Neretva”, Official Gazette SRBiH, No. 39/81.
- “The agreement between the government of Republic of Croatia and Government of Bosnia and Herzegovina on arrangement of water management relationship” signed on 11.07.1996 in Dubrovnik, Croatia.

As a transboundary project concept, BiH and Croatia have jointly identified protection of the Neretva Delta and improved transboundary and river basin level management of the Neretva River as priority actions through the Regional Environmental Reconstruction Programme (REReP) of the South East Europe (SEE) Stability Pact.

On a country-specific level, improved water resource management and biodiversity conservation have been identified by both countries as key environmental issues in their NEAPs, BiH and Croatia in 2002 and 2001 respectively. The BiH draft PRSP identifies improved water resource and land management, and biodiversity conservation as key environmental priorities requiring action. The Croatia Biodiversity Strategic Action Plan (BSPA, 2000) identifies protection of the lower Neretva River Basin as a key priority.

The three BiH state and national level focal points have endorsed the project (January 24, 2003 (FbiH), February 6, 2003 (RS), June 2, 2003 (BiH State Ministry of Foreign Trade and Relations – GEF focal point) as has the Croatian GEF focal point (February 1, 2003).

### **3. Program & Policy Conformity**

#### **(a) Project Design**

The project fully supports the objectives of GEF Operational Program Number 9, the “Integrated Land and Water Multiple Focal Area Operation Program.” Consistent with the priorities of Operation Program 9, GEF can “be a catalyst for action to bring about the successful integration of improved land and water resource management practices on an area-wide basis.” It specifically addresses the goal of the Operational Program to assist a “group of countries to utilize the full range of technical, economic, financial, regulatory and institutional measures needed to operationally sustainable development strategies for international waters and their drainage basins.” Special attention is given to “integrated land and water resources management” and the special protection of sensitive areas as “land degradation resulting in damage to the water resources” is often a transboundary problem that requires” political commitments on the part of neighboring countries to work together, establish factual priorities, and decide on joint commitments for action.” “Community involvement and stakeholder participation” are especially important and the GEF basin-wide project is aiming to “derive lessons learned in testing workable mechanisms to improve community, NGO, stakeholder, and inter-ministerial participation in planning, implementation and evaluation projects.” As an outcome of the basin-wide project, and in line with OP #9, “political commitments on the part of neighboring countries to work together, establish factual priorities, and decide on joint commitments for actions” will be supported. A “strengthened multi-country institutional arrangement is ... appropriate measure for support.”

Without GEF support, both countries may continue to approach water resource management from separate perspectives. Both countries might undertake a series of small activities, in different sectors, on different administrative levels, but there would be no synergistic effect, at best. Relevant legal, policy and institutional frameworks in each country could easily go off in different directions At worst, competing interests, e.g. between hydropower production in BiH and biodiversity conservation in Croatia, will clash and potentially could exacerbate political and social tensions in Southeast Europe.



Without GEF support for the development of a transboundary mechanism for cooperation, and transboundary water resource and protected area management planning, degradation of the ecosystem in both countries will continue unabated.

The value of this project for GEF is that it specifically complements and builds on activities and projects which are already under implementation at the national and local level. The project adds a transboundary elements to these actions, thereby expanding and capturing additional benefits to the people and their shared environment.

**(b) Sustainability (including financial sustainability)**

The state, country, entity, cantonal, and regional agencies responsible for water resource management and environmental protection are all in full support of the project. In BiH, the project builds on the existing momentum and organizational structure (PIU) in the Ministries of Environment which has resulted from the successful preparation of the NEAP. In Croatia, the project builds on the existing capacity in the Ministry of Environmental Protection and Physical Planning and the Croatia Waters, to implement World Bank projects. By establishing and developing a transboundary organizational coordination mechanism, and its related capacity building, sustained cooperation should be ensured.

Social sustainability of the project would be ensured by the bottom-up approach being utilized in project preparation; by the active and early involvement of key stakeholders (since its inception, the project has involved key stakeholders, including NGOs, from both countries and entities, in joint local level meetings); and by building on the community level work that has been done previously by both governments (e.g. "Identification of Priority for the Neretva Delta Conservation" workshop 2001). Local benefits would be substantial and would accrue to all ethnic groups in the region – Croat, Serb and Bosniac.

As elsewhere, financial resources are an issue in the Neretva/ river basin and the lack of sufficient resources could be an impediment to the delivery of a comprehensive program for sustainability. Funding for transboundary mechanisms will need to be provided. It is expected that as institutional arrangements evolve and agencies begin to better appreciate the efficiencies gained through integrated planning and program delivery, transboundary efforts should become less an appendix to existing funding priorities and more an inherent component of budgetary considerations. On a local level, financial sustainability of protected areas will be ensured through improved fee and entry schedules and enforcement.

**(c) Replicability**

Ninety percent of the land in Southeast Europe is in transboundary river basins. Yet, with few exceptions (e.g. the Danube River Basin) there is little experience amongst the countries in transboundary management of water resources. The project would finance multiple initiatives that would be replicable on the entity, national, regional and transboundary level including establishment of river basin management organizations; integrated water resource management practices; improved ecosystem and protected area

management practices; and community based approaches to sustainable integrated land and water management.

**(d) Stakeholder Involvement**

The project would address specific national and regional environmental priorities and help the Governments and non-governmental stakeholders to build effective partnerships. The project would strengthen cooperation and maximize synergies between various ongoing smaller initiatives (some national others regional) for sustainable use and management of land and water resources, and biodiversity conservation. The project has been discussed with several NGOs promoting transboundary initiatives for the Neretva, including the Regional Environment Center (REC) and MedWet, an international NGO working on transboundary wetlands. The NGOs are supportive of the project which builds on their past, current and potentially future transboundary water. Through other projects, local level workshops with a broad range of stakeholders have identified priority actions and the proposed project has used these as a guide to the project. Even this early in project preparation, the proposed project has been discussed with NGOs, community groups, the private sector, etc., at the community level, and this strong level of involvement will continue. The project will finance activities to promote NGO activities in the region; to develop a stakeholder forum; and to raise public awareness. A stakeholder involvement plan will be developed during project preparation and included in the project documentation for GEF CEO endorsement.

**(e) Monitoring and Evaluation**

The project recognizes the importance of a basin-wide monitoring and evaluation system and the coordination of research and data analysis. The project would finance necessary investments for improved, and harmonized (between entities and countries) basin-wide measurement, monitoring, modeling and database management for water resource management including a basin-wide network of water quality and flow monitoring stations coupled with a simulation model for real-time reservoir management and water allocation; regional groundwater models; GIS mapping; and satellite imagery for improve resources management.

Measuring progress in ecosystem management and conservation will be key to the project. The project will develop and measure indicators of river basin ecosystem health and management effectiveness.

A M & E plan will be developed during project preparation and included in the project documentation for GEF CEO endorsement.

**4. Financing Modality and Cost-Effectiveness**

In order to reach its development objective the project would require financial support from GEF, government and other donors estimated at approximately US\$ 25 million. Support from GEF has been estimated at US\$ 8 million. Arrangements for the division of the GEF grant between the Bosnia and Croatia, and FbiH and RS, will be made based on

the results of project preparation and design and consideration of other resources available to the countries. There will be Government contributions from each country, also based on project design, and estimated to total about \$3 million from Croatia and \$2 million from BiH.

The project will receive approximately US\$ 5.8 million co-financing from two World Bank operations, the Bosnia Small Scale Agriculture Project (US\$ 1.3 million for a small grant program demonstrating environmentally-friendly, sustainable agriculture in the project region) and the Croatia Coastal Cities Pollution Control Project (US\$ 3 million in wastewater treatment investments for municipalities in the project region and US\$ 1.5 million for water quality monitoring equipment and labs). About \$4.3 million from other donors (EU CARDS for Bosnia and Croatia, Swiss Agency for Development, Regional Environmental Reconstruction Program, Netherlands, and Monaco) is already committed to programs starting in 2003 which are in support of the GEF project. The project team expects to secure additional co-financing of about \$1.5 million based on discussions underway with USAID, the Swiss, the Netherlands, and Italy.

## **5. Institutional Coordination & Support**

### **(a) Core commitments & Linkages**

**Bosnia Herzegovina:** The CAS Progress Report (PR) of October 2002 (CAS June 2000) identifies Bank assistance up to December 31, 2003. An update is pending completion of the PRSP. The CAS PR mentions the NEAP in progress as important to guiding strategic planning for environment. The draft PRSP states “the NEAP will be the cornerstone of BiH Strategy and policy in this important field.” The draft PRSP priority action plan in environment includes “Conduct a pilot project and draw up a plan for the centralized administration of the Neretva River Basin” and “Protect the biodiversity and ecosystem of the Neretva delta”. It also calls for cross border protection and sustainable use of natural resources, and suppression of cross border pollution

The BiH inter-entity NEAP was completed in 2002 and endorsed by both Parliaments. It identifies water resources as the top environmental priority and integrated river basin management as the priority action to address the problems.

**Croatia:** The Croatia CAS dates from June 1998 and is outdated. The CAS PR of September 2001, is also outdated but refers to Bank support of the NEAP. A new CAS is being prepared in 2003 and should include support for the priorities identified in the NEAP (2002) which include water management, pollution control and conservation of wetlands of international importance.

The proposed project would be closely linked to the World Bank Bosnia Small Scale Agriculture (SSA) Project which has just become effective. The SSA Project is rehabilitating irrigation structures and introducing environmentally sound agricultural practices to a key agricultural region in the Neretva Trebisnjica River Basin, the Popova Polje. The SSA project includes a community competitive grants program and a research grants program and the proposed project was designed with similar activities so

these could be linked with the SSA project. In Croatia, as previously described, the project has direct linkages to two existing World Bank projects; the Karst Ecosystem Conservation (KEC) Project (in implementation) and the Coastal Cities Water Pollution Control Project (in preparation – appraisal September 2003). KEC Project activities which can be directly applied to this project include (i) improved protected area management practices; (ii) guidelines for karst ecosystem conservation (the lower Neretva and Trebisnjica river basin are karstic); and (iii) transboundary cooperation with Bosnia on conservation issues.

The GEF project will work closely with two Bank operations currently in implementation in Bosnia and Croatia: the Bosnia Mostar Water Supply project and the Croatia Cadastre Project. The project will also coordinate with a new Bank-GEF project that is in its early stage of preparation, the Bosnia Water Quality Project (under OP8). Both projects are developed under the framework the Partnership for the Mediterranean Sea with emphasis on the Adriatic, currently being discussed with GEFSec. The two proposed GEF projects have strong complementarities and synergies and share the common goal of reducing pollution in the Neretva River but have a different focus and work with different sectors and counterparts.

**(b) Consultation, Coordination and Collaboration between IAs, and IAs and EAs, if appropriate**

In recent years, a number of donors have financed relatively small (<100,000 EURO) activities related to environment and water in the Neretva River Basin. These various activities are mostly focused on issues of the Neretva Delta, and do not deal with concerns of the larger river basin. The project team has consulted with all the current financing agencies and donors regarding their completed, existing and proposed activities relevant to the project including the UNDP, EU, Swiss, REC, Netherlands, MetWet, and Spain. The project team has met with UNDP officials in Zagreb and Sarajevo (and provided them with the draft project concept) to discuss mutual interests and programming. The UNDP in both countries regularly attends World Bank project workshops, and vice versa. The project team has participated in other donor workshops to present the draft project concept (e.g. REC June 2003); included interested donors in pre-identification missions (e.g. Italy); and participated in other donor identification activities, e.g. the Netherlands. Results have been used to identify the project in a manner which avoids overlaps, fills in gaps, builds on existing knowledge, and provides a coordination mechanism. Similarly, other donors are developing their future programs (e.g. EU) relevant to the project, with consideration of the World Bank's proposed project.

The proposed project is being coordinated with the UNDP GEF project “Dalmatian Coast Project” (PDF B proposal just submitted) to avoid overlaps in site selection. The UNDP project should contribute to overall project benefits in terms of water quality of the Adriatic Sea. The UNDP project is in early stages of preparation and the project cost is not yet known.