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MEDITERRANEAN ACTION PLAN



Stocktaking meeting for the Development of the
GEF Strategic Partnership for the Mediterranean Sea
Large Marine Ecosystem

Trieste, Italy, 11-12 October 2004

Global Environmental Facility International Waters

World Bank-GEF Investment Fund for Pollution Reduction in the Mediterranean Sea

CONCEPT

WORLDBANK-GEF INVESTMENT FUND FOR POLLUTION REDUCTION IN THE MEDITERRANEAN SEA

CONCEPT

A. CONTEXT - THE STRATEGIC PARTNERSHIP FOR THE MEDITERRANEAN LARGE MARINE ECOSYSTEM

The countries of the Mediterranean Sea basin¹ face a variety of shared environmental problems that are transboundary in nature. Key to the success in addressing transboundary problems is the joint political commitment of all countries in the basin. To this effect, the GEF Operational Strategy recognizes that a series of international water projects may be needed over time to: a) build the capacity of countries to work together; b) jointly understand and set priorities based on the environmental status of their water body; c) identify actions and develop political commitment to address the top priority transboundary problems, and then d) implement the agreed policy, legal and institutional reforms and investments needed to address them.

With the support of the GEF, UNEP, UNEP/MAP, and FFEM, and consistent with the GEF Operational Strategy, the Mediterranean countries have collaborated within the context of the Barcelona Convention to revise the Transboundary Diagnostic Analysis² prepared in 1997, and have agreed on the following major transboundary environmental concerns for the basin:

- Decline of biodiversity due to over-fishing, conversion and degradation of critical habitats, introduction of alien species, pollution in the form of excess nutrients, toxic waste, including oil, solid waste and litter, and use of non-selective fishery gears;
- Decline in fisheries due to over-fishing, use of harmful fishing practice, loss of shallow-water habitats for some life stages of critical fisheries, adverse water quality from rivers, coastal aquifers, sewage discharges, dredging, and non-point discharges;
- Decline in seawater quality due to inadequate sewage treatment, lack of best practices in agriculture use of fertilizers and pesticides, inadequate controls on atmospheric emissions of heavy metals and persistent organic pollutants from European industrial sources, inadequate source controls and discharge control for industries along the sea, and increases in shipping traffic across the Mediterranean

¹ Albania, Algeria, Bosnia and Herzegovina, Croatia, Cyprus, Egypt, France, Greece, Israel, Italy, Lebanon, Libya, Malta, Monaco, Morocco, Serbia and Monte Negro, Slovenia, Spain, Syria, Tunisia, and Turkey, are riparian countries. SAPs have been endorsed by all riparian countries and the EU. All countries except Cyprus, France, Greece, Israel, Italy, Malta, Monaco, Slovenia and Spain are eligible for GEF support.

² The Transboundary Diagnostic Analysis (TDA) is a scientifically based assessment of the environmental conditions of an internationally shared water-body, which identifies major problems, their causes, possible solutions, and discriminates between those issues requiring international action (transboundary), and those of an exclusively national nature.

- with consequent increase in accidental and purposeful discharge of harmful pollutants;
- Human health risks due to ingestion of seafood, ingestion of water while swimming, contact with contaminated seafood products, and contact with seawater contaminated with pathogens or viral agents;
 - Loss of groundwater dependent coastal ecosystems due to the contamination, salinization and over-exploitation of coastal aquifers.

The Mediterranean countries have worked together to set priorities related to these transboundary problems and have jointly agreed on what interventions are needed to address such priorities through two Strategic Action Programs (SAPs):

- The Strategic Action Program to Address Pollution from Land-Based Activities (SAP MED); and
- The Strategic Action Program for the Conservation of Mediterranean Marine and Coastal Biological Diversity (SAP BIO).

The two Strategic Action Programs are aimed at: (i) reducing land-based sources of marine pollution (SAP-MED) and (ii) protecting the biodiversity and living resources of the Mediterranean, as well as their habitats (SAP-BIO)³. The two SAPs are now ready for implementation, consistent with the GEF Operational Program 8 in the International Waters focal area, and a third instrument, the ICM Protocol to the Barcelona Convention, is under negotiation. Together the three instruments will help countries toward achieving the MDGs and WSSD targets.

In order to accelerate on the ground implementation of the SAPs, and assist with the early implementation of the ICM Protocol, a collective effort for the protection of the environmental resources of the Mediterranean - the **Strategic Partnership for the Mediterranean Sea Large Marine Ecosystem** - is being proposed by UNEP and the World Bank to all the countries of the Mediterranean and to all international cooperation Agencies, IFIs and bilateral and multi-lateral donors. The proposed Partnership – which builds upon the model and lessons learnt from the GEF Black Sea/Danube Partnership – is a basin-wide multi-stakeholder collaboration with the main objective to assist basin countries in implementing reforms and investments in key sectors that address transboundary pollution reduction, biodiversity decline, habitat degradation and living resources protection priorities identified in the two SAPs. The Partnership will serve as a catalyst in leveraging policy/legal/institutional reforms as well as additional investments for reversing degradation of this damaged large marine ecosystem its contributing freshwater basins, habitats and coastal aquifers. Interventions supported under the Strategic Partnership will be mainstreamed into the programs of the GEF Implementing and Executing Agencies.

The proposed Strategic Partnership will consist of the two components reflecting each agency's comparative advantage:

³ The environmental targets identified by the two SAPs are presented in Annex 2.

- Regional Component: Implementation of Regional Activities for the Protection of the Environmental Resources of the Mediterranean and its Coastal Areas (UNEP)
- Investment Fund for Pollution Reduction in the Mediterranean Sea (World Bank).

The present Concept describes the Investment Fund for Pollution Reduction as proposed by the World Bank. A separate concept paper, prepared by UNEP, describes the Regional project.

B. BACKGROUND

1. ENVIRONMENTAL CHALLENGES OF THE MEDITERRANEAN SEA

The coastal areas around the Mediterranean are heavily populated and are undergoing a dramatic process of development. The populations of coastal states have doubled in the last 40 years to 450 million (in 1999) and will reach over 600 million in 2050. In addition, tourism arrival is expected to rise from 135 million in 1990 to 350 million in 2025, doubling the population along the coast during summer. Population load is shifting towards the southern and eastern Mediterranean and about 60% of it lives within 100 km of the coast. Population density in coastal areas ranges from double to ten times the national average due to the more favorable climatic, agricultural and often socioeconomic conditions. As a result of the increased demand for space, water and natural resources, the stress on coastal eco-systems, and the infringement on natural and agricultural land is continuously increasing.

Eighty percent of the pollution load of the Mediterranean Sea originates from land sources, mainly in the form of untreated discharges of urban waste (which includes microbiological, nutrient and chemical contaminants) reaching the sea from coastal sources and through rivers. Lack of sewage collection, treatment and disposal infrastructure is still the greatest problem in many Mediterranean countries. 69 % of coastal cities with more than 10,000 inhabitants have sewage treatment plants, resulting in a large annual discharge of more than 1 billion m³ of untreated sewage to the sea. Some countries have no treatment plants at all. Overall, 66 million m³ of untreated industrial wastewater is discharged to the Mediterranean each year. To add to this, agricultural practices cause significant soil erosion and pesticide pollution of surface and groundwater resources, consequently, through rivers and direct runoff, affecting the coastal and marine ecosystems. Uncontrolled coastal development, population expansion and increasing coastal tourism, unregulated and unsustainable fishing, damming and pollution are the greatest threats to the marine and coastal ecosystems.

The revised TDA for the Mediterranean Sea and recently adopted SAP BIO identify the major environmental concerns in the Mediterranean Sea (Box 1).

Box 1. Major transboundary environmental concerns in the Mediterranean.

Transboundary **degradation of coastal habitats and decline of biodiversity** arise from the combination of the following factors: Marine living resources are often migratory; coastal habitats provide nursery and feeding grounds to migratory species, thus the degradation of coastal habitats contributes to an overall decline in biodiversity; The sustainability of marine and coastal habitats depends on the integrity and viability of their interlinked, transboundary ecosystems, that support trophic levels in the food chain.

Transboundary aspects in **fisheries** sustainability and management are of particular importance regarding migratory and shared stocks, which makes it inevitable and essential to address fisheries on an international level. This task is complex in the Mediterranean as there are a high number of riparian states in varying stages of development in the management of fisheries. Future progress in terms of fisheries management however will be based on the ability to build a multilateral dimension into national practices. The number of shared fisheries has increased in several areas of the Mediterranean like the Alboran Sea, the Gulf of Lyons, the Northern Tyrrhenian Sea, the Adriatic Sea, the Ionian Sea, the Aegean Sea, the Sicily Strait and the Gulf of Gabes. The number of shared fisheries identified already at this stage justifies common action to be taken for those stocks at international level.

Transboundary concerns related to **marine water quality** arise from the fact that pollutants often travel great distances through air, sea currents and rivers, before their effects can be traced. The Mediterranean seawater exchange patterns, persistent toxic substances dispersed by atmospheric circulation, transboundary transport of pollutants such as Polycyclic Aromatic Hydrocarbons (PAHs), eutrophication and the evidence of long-range biological pollution impacts on sea birds and other marine life, are the main focus areas of sea water quality. Pollution hot spots can also affect biodiversity resources of Mediterranean-wide importance in addition to site-specific impacts.

1.

Transboundary elements affecting **human health** include the trade of contaminated seafood that diffuses health concerns beyond Mediterranean basin and through the transboundary exposures of tourists to potentially contaminated seafood; Risks of adverse health impacts from contaminated seawater such as gastroenteritis, ear, skin and eye infections, viral diseases such as hepatitis A, cholera and superficial or deep mucoses from contact with contaminated beach sand, whilst visiting Mediterranean beaches. Without adequate water resource management, human health issues will continue to degrade. Lack of water and sanitation, inadequate waste and wastewater disposal, potential waterborne diseases, unhealthy seafood and occurrences of eutrophication will increase.

Transboundary threats to **coastal aquifers**. The groundwater problems in the context of the Adriatic (eastern coast) basin and in selected section of the Levantine and the Southern Mediterranean coasts are linked to the coastal aquifers freshwater- saltwater interface. The problems are linked to and arise from functions for basin water balance and freshwater discharges, water supplies, control of saltwater intrusion and coastal salinization, nutrient and contaminant transport and SGDs and preservation of fresh-, brackish- and coastal water ecosystems. They are ultimately referred to the lack of policy and sustainable legal and institutional frameworks for coastal aquifer management. The problems vary depending on the vulnerability of the aquifer systems, the hydrogeology and importance of land-based water pollution and are related to (a) sustainable protection and use of shared coastal aquifers, and ultimately to (b) the sustainability of the regional basin including marine water balance and water quality and the impacts on the marine ecosystems.

Transboundary problem of **marine litter**. Marine litter has been an issue of concern in the Mediterranean since the 1970s. Marine litter is an environmental, economic, health and aesthetic problem. It causes damage and death to wildlife. It threatens marine and coastal biological diversity in productive coastal areas. Plastic litter is a source of persistent toxic substances. Pieces of litter can transport invasive species between seas. Medical and sanitary waste constitutes a health hazard and can seriously injure people. Every year, the presence of marine litter causes damage that entails great economic costs and losses to people, property and livelihood, as well as poses risks to health and even lives. And marine litter spoils, fouls and destroys the beauty of the sea and the coastal zone.

2. HISTORY OF COLLABORATION AMONG MEDITERRANEAN COUNTRIES, AGREEMENTS REACHED AND ONGOING ACTIVITIES

The riparian States of the Mediterranean Sea have long since recognized the threat that pollution poses to the marine environment and have committed to preserving the

Mediterranean basin through actions at local, regional and global level. To this effect, they agreed to launch an Action Plan for the Protection and Development of the Mediterranean Basin (MAP) in 1975 and to sign a Convention for the Protection of the Mediterranean Sea against Pollution (Barcelona Convention) in 1976 (Box 2).

The main objective of MAP was to improve the quality of the environmental information available to governments as the basis for their policy formulation and strengthen their ability to make environmentally sustainable choices for allocation of resources. The focus of MAP shifted over time from a sector approach to marine pollution to integrated coastal zone planning and management as a way to ensure linkages between environmental protection and social and economic development.

Recognizing that land based activities have the highest impact on the marine environment, the countries signed a Protocol for the Protection of the Mediterranean Sea against Pollution from Land-Based Sources (LBS Protocol) in 1980 which entered into force in 1983 and was revised in 1996. A year later, in 1997, the countries adopted a Strategic Action Program to address pollution from land-based activities (SAP MED) that identifies priority measures and targets to address pollution from land-based activities in all countries and laid the ground for the preparation and implementation of National Action Plans. In November 2003, the Mediterranean countries adopted the Strategic Action Program for the Conservation of Mediterranean Marine and Coastal Biological Diversity (SAP BIO) that identifies priority actions and targets to protect fragile ecosystems and reduce damage to natural habitats.

UNEP/MAP and its marine pollution assessment and control program MEDPOL carried out extensive preparation work in support of the SAP MED, including a Transboundary Diagnostic Analysis for the Mediterranean Sea (TDA MED) prepared in 1997 and revised in 2004. This TDA identifies the major sources of transboundary pollution and hotspots and provide the foundation for interventions at national and regional level that would benefits the individual countries as well the basin as a whole. In addition, UNEP/MAP, through its Regional Activity Center for Special Protected Areas (SPA/RAC), carried out activities on the preparation of SAP BIO, which was adopted by the Contracting Parties to the Barcelona Convention in November 2003.

The SAP-MED and SAP BIO outline the specific targets and activities agreed by the member countries to address the Mediterranean Sea environmental degradation (see Annex 2). Some of the key targets that address transboundary environmental issues, in line with WSSD, include:

- Dispose municipal wastewater in conformity with the LBS Protocol in cities exceeding 100,000 inhabitants by 2005 and in other cities by 2025;
- Dispose 50% of industrial wastewaters which are source of BOD, nutrients and suspended solids by 2010 and 100% by year 2025;
- 50% increase in marine protected areas by 2012;
- Protection of 20% of the coast as marine fishery reserves by 2012;

- Maintain or restore fishery stocks to levels that can produce the maximum sustainable yield with the aim of achieving these goals for depleted stocks on an urgent basis and where possible not later than 2015; and
- Effective protection of endangered species by 2012.

SAP-MED and SAP BIO also identify the Adriatic Sea as one of the top priority areas for protection in the Mediterranean Sea and proposed interventions in liquid and solid waste treatment, water supply and monitoring programs for coastal zone and sensitive areas. Other hotspots include: Haifa Bay in Israel, Abu Qir bay and El'Mex bay in Egypt, Saida (Sidon) Gazieh in Lebanon, Tetouan in Morocco, and Durres and Vlora in Albania, and others (see TDA, 2004)

The cost for pollution remedial actions in the Mediterranean Sea has been estimated in 1997 at almost US\$ 10 billion [with approximately US\$ 1.3 billion for intervention in the Adriatic Sea]. The SAP BIO identified 226 actions at national levels and 30 actions at the regional level for biodiversity protection, with estimated costs of US\$ 100 million and US \$40 million respectively.

Box 2. Barcelona Convention

The Barcelona Convention on the “Protection of the Mediterranean Sea against Pollution” which entered into force on 12 February 1978 is a notable instance of regional cooperation. Since 1994, several components of the Barcelona system have undergone significant modifications. In June 1995 the Convention was revised in order to bring it into line with the principles of the Rio Declaration, the philosophy of the new Convention on the Law of the Sea and the progress achieved in international environmental law in order to make it an instrument of sustainable development. The convention was amended to “The Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean”, hereinafter “the Convention” (the amendments are not yet in force).

The Barcelona Convention includes the following Protocols:

- a) The Protocol for the Prevention and Elimination of Pollution of the Mediterranean Sea by Dumping from Ships and Aircraft or Incineration at Sea, (amended 1995, not yet in force);
- b) The Protocol Concerning Co-operation in Preventing Pollution from Ships and in Cases of Emergency, Combating Pollution of the Mediterranean Sea, (2002, entered into force on 17 March 2004);
- c) The Protocol for the Protection of the Mediterranean Sea against Pollution from Land-Based Sources and Activities (LBS Protocol), (amended 1996, not yet in force);
- d) The Protocol Concerning Specially Protected Areas and Biological Diversity in the Mediterranean, (of 1995, entered into force 12 December 1999);
- e) The Protocol Concerning Pollution Resulting from Exploration and Exploitation of the Continental Shelf, the Seabed and its Subsoil, (1994, not yet in force); and
- f) The Protocol on the Prevention of Pollution of the Mediterranean Sea by Transboundary Movements of Hazardous Wastes and their Disposal, (1996, not yet in force).

In addition to the above, the Contracting Parties have adopted, at their last ministerial meeting in Catania, November 2003, the recommendation to draft the text of the Protocol on Integrated Coastal Area Management in the Mediterranean. The text should be prepared and submitted for discussion at the next Contracting Parties Meeting in late 2005.

3. SOME OTHER ACTIVITIES RELEVANT TO THE PROTECTION OF THE MEDITERRANEAN SEA

Several other activities and initiatives have been undertaken by governments, intergovernmental and non-governmental organizations, some of which have relevance

for the Mediterranean Sea Basin. Among recent initiatives, reference should be made to the Adricosm Project on land and coastal management, initiated by the Italian government, as well as the Adriatic-Ionian Initiative supported by the governments of the Adriatic region.

Box 3. The Athens Declaration Process

Jointly coordinated by the Government of Greece and the World Bank

The Athens Declaration Process was launched during the major International Conference on Sustainable Development for Lasting Peace: Share Waters, Shared Future, Shared Knowledge, 6-7 May 2003, Athens, Greece. The process aims to assist countries of the region, in cooperation with relevant stakeholders, to draft IWRM and water use efficiency plans for major river basins and would include a range of complementary interventions in individual river and lake basins, with a coordination mechanism to allow for exchange of information and experience between activities. The entire program is a building block of the Mediterranean Component of the European Union Water Initiative.

The Athens Declaration of May 2003 has four Recommendations for Action: Recommendation (1) Diplomacy for Environment and Sustainable Development, (2) South-eastern Europe Transboundary River Basin and Lake Basin Management Program, (3) Mediterranean Shared Aquifers Management Program, and (4) Assessment of Regional and National Frameworks to Implement Integrated Water Resources Management.

Recommendations 2, 3 and 4 build on the implementation process of the European Union Water Framework Directive and complement and draw lessons from the ongoing GEF Danube River Basin Program and the Lake Ohrid Conservation Project among others.

Reference should also be made to the Mediterranean Component of the EU Water Initiative, as well as to efforts being made to improve the management of the many transboundary basins and aquifers of SE Europe by introducing IWRM practices (the Athens Declaration Process). A number of these waters flow into the Mediterranean and have a significant impact on coastal ecosystems and water quality. Box 3 and 4 below summarize these processes.

Box 4. The Mediterranean Component of the EU Water Initiative (MED EUWI)

led by the Government of Greece

MED EUWI is an integral part of the overall EU Water Initiative, coordinated by the European Commission. It aims to:

- assist design of better, demand driven and output oriented water related programmes,
- facilitate better coordination of water programmes and projects, targeting more effective use of existing funds and mobilization of new financial resources and,
- enhanced cooperation for project's proper implementation.

MED EUWI, announced during WSSD in Johannesburg, gives particular emphasis to Mediterranean and SEE priorities. Integrated water resources management with an emphasis on management of transboundary water bodies is a defined priority theme of MED EUWI. The current Project will contribute as a pilot for enhancing the MED EUWI objectives in the SEE region.

Political commitment for the development of MED EUWI has been expressed in various fora, *inter alia*, the EU Informal Council of Environment Ministers (May 2003, Athens and December 2003, Brussels), 5th Pan-European Ministerial Conference of the "Environment for Europe" process (May 2003, Kiev), Euro-Mediterranean Meeting of the Ministers of Foreign Affairs (May 2003, Crete and June 2004, Dublin), three meetings of the North African Ministers Council on Water (February and October 2003, April 2004, Cairo), etc.

The process is facilitated by a MED EUWI Secretariat, within Global Water Partnership – Mediterranean.

4. INITIAL GEF IW PROJECT: OBJECTIVES AND ACHIEVEMENT

In order to support the efforts of the Mediterranean countries in implementing the SAP MED, in 1998 the GEF Council approved a US\$ 6.3 million grant in support of the project “Determination of priority actions for the further elaboration and implementation of the Strategic Action Programme for the Mediterranean Sea” to be implemented by UNEP together with other agencies (Box 5).

The project supported preparatory actions leading to: the adoption and implementation of regional guidelines and plans; investment in the elimination of regionally prioritized pollution hot spots; development of a strategic action program for biodiversity which identifies targets and estimates costs (SAP BIO); enhancement of public participation and institutional capacity in the region; development and implementation of economic instruments for the sustainable implementation of the SAP MED; and development, adoption and implementation of National Action Plans (NAPs) for the implementation of the SAP MED.

Box 5. Initial GEF IW Project in the Mediterranean

The main aim of the UNEP-GEF “**Determination of priority actions for the further elaboration and implementation of the Strategic Action Programme for the Mediterranean Sea**” Project was to create a solid ground for the implementation of the SAP-MED, and to prepare the SAP-BIO, a basic instrument for the protection of marine biodiversity in the Mediterranean. The activities of the Project are numerous and comprised of the following components:

- Revision of TDA;
- Capacity building;
- Development of regional guidelines and plans;
- Adaptation of existing and development of new economic instruments for sustainable implementation of the SAP MED;
- Public participation;
- Preparation of National Action Plans (NAPs) to address pollution of the Mediterranean from land based sources and activities; and
- Preparation of pre-investment studies for selected pollution hot spots.

The revised TDA is at the final stage of preparation and soon to be released.

Within the capacity building component, a series of regional and national training courses were organized. More than 400 national experts were trained on various issues, so far. The majority of them were taught in their mother tongue using training material translated into their national languages. A set of regional guidelines and plans were prepared, which will guide national experts that are preparing NAPs. These guidelines were endorsed by the meeting of MED POL National Coordinators; and then approved by the meeting of the MAP Focal Points. In addition, two regional plans were adopted by the meeting of the Contracting Parties to the Barcelona Convention.

One of the major goals of this Project is the preparation of NAPs. The first phase of this very complex and delicate process has been accomplished by preparing national Baseline Budgets (BBs) of releases and emissions, and a National Diagnostic Analysis. The second phase, the preparation of Sectoral Plans and Integrated NAPs is under implementation. The adaptation of existing and development of new economic instruments for sustainable implementation of NAPs is now under way and will soon be concluded (2005). Testing through pilot projects is being conducted at a national level in numerous countries and the results will be implemented in the NAPs.

A common methodology for public participation in the process of preparing, adopting and implementing has been prepared and distributed to the countries of the region. The countries are also receiving financial support for the public participation. The preparation of pre-investment studies for selected pollution hot spots is now under way in 11 Mediterranean countries. The activities in four countries are directly supported by FFEM.

Finally, the SAP BIO is one of the main outputs of the Project. The SAP BIO document was based on national reports and plans on the state of biodiversity, as well as numerous reports concerning various regional issues. The document, was adopted by the meeting of the Contracting Parties to the Barcelona Convention (2003) and presents the main issues, analyses their causes and proposes priority activities. It also contains, an Investment Portfolio at the regional and national levels.

The two SAPs and the proposed ICM Protocol will help countries to achieve the Millennium Development Goals and the WSSD targets.

C. THE WORLD BANK-GEF INVESTMENT FUND FOR POLLUTION REDUCTION IN THE MEDITERRANEAN SEA

OBJECTIVES, RATIONALE AND BENEFITS

The main objective of the proposed Investment Fund is to facilitate the recipient countries of the Mediterranean Sea basin in implementing their top transboundary priority pollution reduction and habitat protection measures and contribute to reversing the degradation of this large marine ecosystem and its freshwater basins. The Investment Fund – supported by the GEF with US\$ 60-70 million grant financing over multiple tranches and open to other donors' contributions – is proposed as a vehicle for catalyzing investments and accelerate urgent actions that are necessary for reducing pollution of the Mediterranean Sea, and the Adriatic Sea in particular. Through the Investment Fund, basin countries can pursue investments aimed at common transboundary pollution reduction and ecosystem conservation goals, and help jump start and further accelerate investments in sectors that are key for environmental improvement as well as social and economic development..

The Investment Fund, through a combination of capital investments, economic instruments, policy and regulatory frameworks and public participation will provide a critical mass of financial resources and technical knowledge readily available to countries that embrace the goal of improving the environmental conditions of the Mediterranean Sea. It will also develop a strategic regional approach to investments for greater benefit to the basin countries.

The key strategic elements of the Investment Fund are: 1) up-front commitment by the GEF and partners to a significant amount of funds that signals the availability of a *predictable envelope* of grant financing for beneficiary countries and co-financiers to access; 2) a critical mass of investments to promote *higher political visibility* and interest; 3) a design framework that takes advantage of on-the-ground learning to *replicate* and transfer investment experiences throughout the region; 4) *streamlined* financing through simplified GEF approval procedures; and 5) a *regional* approach to investments that would benefit the countries individually and collectively.

The regional approach to investments has a number of important advantages. A regional investment framework provides a vehicle for focusing individual country investments on regional objectives, helps to transfer knowledge and share best practices, and promotes

adoption of policies to achieve common objectives. Stakeholders in individual countries can gain satisfaction from knowing they are doing their part to contribute to a wider regional cause and feel more committed to a regional investment program. A regional framework provides also a better mechanism for cooperation with diverse partners, for example the EU which has a significant role to play as a political driver for action and co-financier of investments. A strategic approach is a more cost-effective vehicle to demonstrate benefits than a series of individual projects. A strategic approach will also help provide a targeted timeframe to promote action over a shorter period so that more tangible results can be achieved.

PRELIMINARY DESIGN

TYPE OF INVESTMENTS AND ELIGIBILITY CRITERIA

The Investment Fund would provide grant financing in support of investments that address transboundary pollution and marine and coastal degradation in identified hot spots of the Mediterranean basin. Therefore the Investment Fund would primarily finance investments that support:

- (i) achieving the pollution reduction targets agreed by the basin countries under SAP MED, including domestic and industrial wastewater treatment;
- (ii) wetland restoration and/or construction;
- (iii) improved management of watershed and aquifers for habitat conservation and pollution reduction;
- (iv) protection of endangered natural habitats and sensitive areas.

Projects will be identified by the proposing country, with assistance from the World Bank and/or other eligible financiers and in coordination with MAP. Projects proposed for financing under the Investment Fund would have to meet specific eligibility criteria as approved by the GEF Council. The proposed eligibility criteria include:

- the project focuses on priority hot spots and sensitive areas identified by the two SAPs;
- the project responds to the priorities identified by the two regional SAPs as well as the priorities identified in the National Action Plan and endorsed by the requesting country;
- adequate co-financing for non-incremental project costs is secured;
- the project adheres to the principles of the GEF International Waters Operational Programs and is formally endorsed by the country's GEF Focal Point;

- the requesting country commits to the policy, legal and institutional reforms related to transboundary pollution reduction and marine ecosystem conservation supported by the project;
- the project has potential for replication within the country and the region;
- the requesting country is up-to-date on contributions to its regional convention.

It is proposed that special focus be given to the Adriatic Sea which has been identified during the TDA/SAP process as a major hot spot of transboundary pollution. In doing so, it is expected that the Adriatic will become an exemplary site of transboundary cooperation for the benefit of all the countries of the Mediterranean basin.

FINANCING MODALITIES AND TARGETS

No portion of the GEF grant will be earmarked for any individual country or specific project. All eligible countries will have an equal opportunity to benefit from the GEF allocation to the Investment Fund and will be encouraged to submit project proposals. Project proposals submitted by recipient countries will each be considered based on merit. In principle, in the interest of speedy advancement of investments and to trigger demonstration and replication effects on the ground, funds will be made available to countries on a “first come first served” basis.

However, in the medium to long-term, the pipeline of projects put forward for financing under the Fund will need to be managed to some degree, to ensure that the strategic objectives of the Investment Fund are met fully. It is proposed that the rationale for managing the Investment Fund project pipeline include:

- geographical balance, to ensure that the Fund captures the diversity of environmental problems and country conditions typical of the Mediterranean basin and to encourage cross-fertilization;
- diversity of investment typology, to learn from different technologies, approaches and instruments, and increase the demonstration impact across sectors;
- leveraging ratio. The target co-financing ratio for the Fund overall is US\$ 1 (GEF) to US\$ 3 (others), with a minimum of 1:0.5 allowed only on exceptional basis for example for countries with significant resource constraints or for projects addressing priority natural habitats or wetland restoration. If a high proportion of these projects are put forward, then the Investment Fund would need to give priority to other types of investments such as wastewater treatment plants where the proportion of GEF incremental cost financing is normally significantly lower.

FINANCING AND MANAGEMENT OF THE INVESTMENT FUND

The proposed Investment Fund, if endorsed by the recipient countries, will be submitted to the GEF Council for approval and financing. The GEF Council will be asked to commit to finance the entire envelope. However, funding will be made available to the Investment Fund only in tranches, on the basis of the resources available within the GEF at the time of replenishment and subject to the satisfactory progress in achieving the Fund objectives and targets⁴.

The Investment Fund will be open to contributions from donors. These contributions could be applicable to all countries/issues or targeted to specific regions/issues according to the donor's priorities.

Project co-financing may be obtained from a combination of national sources, loans from the World Bank or other IFIs, or additional grant funds from the EU and bilateral sources. Eligibility for the Investment Fund does not necessarily require the use of World Bank's loans but it does require counterpart finance which can include in-kind contributions from countries and/or other donor support.

The Investment Fund will be managed by the World Bank. Individual eligible projects would be prepared, approved and implemented following standard World Bank procedures and would be subject to World Bank Board approval. However, project approval by the GEF would be streamlined through delegation of approval authority to the GEF CEO.

The World Bank will also help the Investment Fund achieve its objectives by:

- Promoting the Investment Fund and the Strategic Partnership objectives in the country dialogues and including them in the World Bank Country Assistance Strategies (CASs) as they are updated;
- Promoting policies that address (transboundary) pollution reduction as part of country dialogues;
- Championing and helping to mobilize funds from countries and donors for pollution reduction;
- Working closely with UNEP and the other international agencies active in the region to maximize coordination between the regional technical assistance project and individual investment projects; and
- Coordinating with MAP project selection and preparation process, keeping them informed on the project's progress and impact.

⁴ Detailed objectives and outcomes indicators and targets will be developed during preparation.

SAMPLE PROJECTS FOR FINANCING UNDER THE INVESTMENT FUND

Albania Integrated Water and Ecosystem Management

The project objective is to improve municipal wastewater services in four coastal cities by introducing an integrated ecosystem approach that reduces nutrient discharges in the Mediterranean Sea and improve the management of a protected area

The main activities supported by the project include:

Sewage pollution reduction, including nutrients, by using constructed treatment wetlands in three cities

Improve management of a natural wetland

Improve environmental monitoring of coastal areas and a natural wetland

Public communication and replication

Project management, monitoring and evaluation

The total cost of the project is US\$ 20 million, including a GEF grant of US\$ 5 million and co-financing from EIB of US\$ 11 million and the remaining from government

The project is under implementation since July 2004.

Bosnia&Herzegovina Water Quality Protection Project

The objective of the project is to reduce pollution from municipal sources into the Neretva and Bosna rivers and develop a regional approach to pollution reduction

The main activities supported by the project include:

Preparation of an action plan for the reduction of river pollution

High priority sewage investments in four critical towns

Pilot wetland conservation

Monitoring and project management

The total project cost is US\$ 19 million which includes a US\$8.8 million GEF grant, US\$ 2 million IDA credit, US\$ 3.4 million from other donors and US\$ 5 million from government

The project is under preparation. The concept entered GEF pipeline in 2004

Egypt – Alexandria Integrated Coastal Zone Management

The objective of the project is to contain and reduce the pollution input entering the Mediterranean Sea from land based sources and protect/restore globally significant coastal heritage and ecosystem processes

The main activities of the project include:

Industrial pollution control

Enhanced primary treatment of municipal sewage

Restoration of self-cleaning capacity of coastal lake by reducing vegetation coverage and enhancing water circulation

New approach to coastal management by establishing a local multi-stakeholder authority and upstream experiences to policy development

Total project cost is US\$ 77 million, including a GEF grant of US\$ 7 million, a US\$ 20 million loan from EIB, US\$ 40 million from Japan and US\$ 10 million from Carbon Fund.

The project is under preparation and a concept is being presented to the GEF for pipeline entry.

PROJECT CYCLE AND GEF STREAMLINED APPROVAL PROCEDURES

Eligible projects will be prepared and appraised under standard World Bank procedures before being submitted to the GEF Secretariat for GEF Chief Executive Officer (GEF CEO) endorsement. Project concept notes will be submitted to the World Bank Investment Fund Coordinators for screening against eligibility requirements and for assistance in elaboration of project designs. They will subsequently be submitted to the GEF Secretariat for approval on a rolling basis following standard procedures for formal "pipeline entry". A project concept note should indicate whether or not a PDF-B (preparation grant) will be requested. Preparation grant resources will be allocated separately from Investment Fund resources. Projects under the Partnership will not be submitted to the GEF Council for approval through standard work programs at Council Meetings or Intersessionals. Rather, upon completion of project preparation, the World Bank will submit projects to the GEF CEO for endorsement following streamlined procedures similar to procedures for GEF medium sized projects. If found satisfactory, the GEF CEO will approve individual projects up to the funding limit of each Investment Fund tranche. Projects will be processed to the World Bank Board of Directors for final approval and implemented following standard World Bank procedures. The financial management, procurement and disbursement procedures of the World Bank will be used.

If the Investment Fund co-finance with another IFI which has executing agency status with the GEF (i.e. under the expanded opportunities policy such as EBRD), standard project appraisal procedures and fiduciary requirements of the applicant executing agency will be in effect. PDF-B submissions to GEFSEC in this case will also be handled by the Executing Agency instead of the World Bank. The World Bank's role with respect to such Executing Agencies will be for the Investment Fund Coordinators to provide guidance to the applicant Agency on project eligibility, and reporting vis a vis the Partnership; to ensure coordination with the overall Investment Funds activities, to include the status of these projects in routine reporting of the Partnership; to ensure that monitoring and evaluation aspects of these projects are consistent with other Partnership proposals; to act as the GEF Implementing Agency for the project; and for the World Bank GEF Regional Coordinator to process projects for CEO Endorsement. When the Investment Fund co-finance with other donors and agencies where there is no prior agreement for cooperation on the GEF, the GEF components of these projects will be processed as a standard World Bank operation.

The administrative cost for coordinating the Partnership and managing the Investment Fund will be covered by standard GEF agency fees over and above the US\$60-70 million intended for direct investments