

PROJECT BRIEF

1. IDENTIFIERS:

PROJECT NUMBER	
PROJECT NAME	Slovenia: National Pollution Reduction Project
DURATION	4 years
IMPLEMENTING AGENCY	The World Bank
EXECUTING AGENCY	European Bank for Reconstruction and Development
REQUESTING AGENCY	-NA-
ELIGIBILITY	Eligible according to paragraph 9(b) of GEF Instrument
GEF FOCAL AREA	International Waters
GEF PROGRAMMING FRAMEWORK	Operational Program 8: Waterbody-based

2. SUMMARY:

Within the framework of the International Commission for the Protection of the Danube River (ICPDR) and the GEF Strategic Partnership on the Danube/Black Sea Basin, the European Bank for Reconstruction and Development (EBRD), in co-operation with the Global Environment Facility (GEF), is proposing the creation of a new Credit Facility in Slovenia. The primary objective of the Facility will be the reduction of nutrient load in the Danube river basin but it will also finance reductions in other water pollutants, primarily toxic substances. The main focus will be on industries, small and mid-sized municipalities, and large livestock farms to reduce their impact on surface and groundwater. The Facility will build on the work of the Slovenian government to meet the highest European environmental standards, and on the basin-wide efforts of ICPDR and other GEF projects. It will contribute to the implementation of these policies by bringing in new investment financing, channelled by local commercial banks to the private and municipal sectors, and softened with GEF grant funding. The implementation of the Credit Facility will be facilitated by a Technical Assistance component. Within the GEF International Waters Focal Area, the innovative element of the project is a design that is based on a partnership between financial intermediaries and private enterprises to disburse financial resources aiming at reducing water pollution. The project will focus on Slovenia but aims at creating a replicable model that could subsequently be implemented in other Danube basin countries. A US\$ 9 million GEF grant will be blended with a US\$ 45 million EBRD loan to support the Credit Facility which will be on-lent to commercial banks who will in turn channel loans in response to client demand. An additional US\$ 0.907 million of GEF funding, supported by US\$ 0.842 million of co-financing, will be used to support technical assistance activities.

3. COST AND FINANCING (US\$):

GEF:	Credit Facility	9,000,000
	Technical Assistance	0.907,650
	PDF Block B	0.087,284
	Subtotal	9,994,934
Co-financing:	EBRD loan	45,000,000
	Private companies	0.420,000
	Multi-donor BAS Programme	0.422,000
	Subtotal	45,842,000
Total Project Cost:		55,836,934

4. OPERATIONAL FOCAL POINT ENDORSEMENT:

Name: Emil Ferjančič
Organization: Ministry of the Environment and Spatial Planning
Date of endorsement: 18 September 2000

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Date: 2nd August 2002

To: Mr Kenneth King - The GEF Secretariat

From: Mark Hughes and Alke Schmidt, European Bank for Reconstruction and Development

Subject: Slovenia – National Pollution Reduction Project – Submission for Work Program Inclusion

Please find enclosed the electronic attachment of the above mentioned Project Brief for work program inclusion.

The proposal is consistent with the *Criteria for Review of GEF Projects* as presented in the following sections of the Project Brief:

1. Country Ownership

- *Country eligibility*: See Cover page, section 1;
- *Country Drivenness*: See Project Brief, sub-sections on “Indications of Borrower and Recipient Commitment and Ownership” and “Institutional Framework”;
- *Endorsement*: Under streamlined procedures approved by GEF Council in November 2000 (GEF/C.16/5). Endorsement letter for PDF-B attached as Annex 10.

2. Program & Policy Conformity

- *Program Designation & Conformity*: See Project Brief, sub-section on “GEF Operational Strategy/Program Objective Addressed by the Project”;
- *Project Design*: For sector issues, see Project Brief, sub-section on “National Sector Issues to be Addressed by the Project and Strategic Choices”. For project goals, objectives and outputs, see Project Brief, section 1 on “Project Development Objectives and Key Indicators” and logframe in Annex 1. For risks and assumptions, see Project Brief, sub-section on “Critical Risks”. For project activities, see Project Brief, section 3 on “Project Description Summary and Budget” and Annex 2. For global and national benefits and incremental cost analysis, see Project Brief, sub-section on “Benefits and target population” and Annex 3;
- *Sustainability*: Addressed in Project Brief, sub-section on “Sustainability”;
- *Replicability*: Addressed in Project Brief, sub-section on “Replicability” and in the description of information dissemination sub-component in Annex 2;
- *Stakeholder Involvement*: Addressed in Project Brief, sub-sections on “Target Population and Stakeholders” and “Institutional and Implementation Arrangements” and in Annex 4;
- *Monitoring & Evaluation*: Addressed in Project Brief, section 6 on “Monitoring and Evaluation”. Performance indicators described in Annex 1.

3. Financing

- *Financing Plan*: Total project costs on Cover page. Overall budget presented in Project Brief, section 3 on “Project Description Summary and Budget”. For detailed budgets of project components, see Annex 2;
- *Cost-effectiveness*: Addressed in Project Brief, sub-section on “Project Alternatives Considered and Reasons for Rejection”, and in the description of project components in Annex 2.

4. Institutional Coordination & Support

- *Core Commitments and Linkages*: Described in Project Brief, sub-sections on “Sector-related Country Strategy (EBRD) Goal Supported by the Project”, “Sector-related Country Assistance

Strategy (WB) Goal Supported by the Project” and “Value Added of EBRD and GEF Support to the Project”;

- *Consultation, Coordination and Collaboration between IAs/EAs*: Described in Project Brief, sub-section on “Major Related Projects Financed by Other Development Agencies”, in Attachment 2 to Project Brief, and in the description of information dissemination sub-component in Annex 2.

5. Response to Reviews

- *Council*: (Response to Council Comments at pipeline entry (if exist);
- *Convention Secretariats*: (Response to possible comments on draft project brief to be added later);
- *GEF Secretariat*: GEF Secretariat has been consulted informally during the preparation of the full-scale project, and the comments have been addressed in the Project Brief. (Response to comments from GEF Secretariat on draft project brief to be added later). In the context of the Secretariat’s review of the PDF-B submission, the following comments were received and addressed:
 - *Focal points endorsement to be sent to Program Manager* - A copy of the Focal Point endorsement was sent immediately following receipt of the GEFSEC Review comments.
 - *PDF-B work will better define the selection criteria for projects* – Annex 5 contains a listing of eligibility criteria against which all potential projects will be assessed. These criteria are specifically designed to ensure that the objectives of the GEF are met through this project. Draft copies of the eligibility criteria have been reviewed by and discussed with GEFSEC.
 - *PDF-B work will expand upon the adopted public involvement policy* – As part of the project preparation a meeting with a variety of stakeholders was held in Ljubljana. The outcome of that meeting is summarised in Annex 4. The project includes an extensive information dissemination component through which the facility will be marketed and the results of projects implemented disseminated.
- *Other IAs and EAs*: (Response to possible comments from other IAs and EAs on draft project brief to be added later);
- *STAP*: See Annex 8 for response to STAP roster expert review. (Response to possible comments by STAP at work programme inclusion to be added later).

We thank the Secretariat for its support in the preparation of this innovative and challenging project.

cc:

Messrs. Frank Pinto - UNDP, Ahmed Djoghlaif – UNEP, Lars Vidaeus and Rohit Khanna – World Bank

Mmes. Kristin Elliot – UNEP, Julia Carabias - STAP

SLOVENIA

NATIONAL POLLUTION REDUCTION PROJECT

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Attachment 2. ICPDR Complementary Activity Matrix

Attachment 3. Project Processing Diagram

Map 1. The Region and Project Area With Location of Water Pollution “Hot Spots”

Annexes

Annex 1 Log Frame

Annex 2 Detailed Project Description

Annex 3 Incremental Cost Analysis

Annex 4 Public Involvement

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Annex 6 Demand Assessment

Annex 7 STAP Technical Review

Annex 8 Response to STAP Comments

Annex 9 Terms of Reference for Component 2 Activities (to be prepared before CEO endorsement)

Annex 10 Endorsement letter (*to be added*)

List of Acronyms

ALARA	As Low As Reasonably Achievable
BAS	Business Advisory Service
BAP	Best Agricultural Practice
BAT	Best Available Techniques
BEP	Baltic Technical Assistance Special Fund
BTASF	Best Environmental Practice
BOD	Biological Oxygen Demand
CAS	Country Assistance Strategy
CBC	Cross-Border Cooperation
CC	Climate Change
CEE	Central and Eastern Europe
CEI	Central European Initiative
CEO	Chief Executive Officer
CF	Credit Facility
COC	Chamber of Commerce and Industry of Slovenia
COD	Chemical Oxygen Demand
GOS	Government of Slovenia
CS	Country Strategy
DFID	Department for International Development
DEF	Danube Environmental Forum
DPRP	Danube Pollution Reduction Programme
DRP	Danube Regional Project
DRB	Danube River Basin
EaRS	Environmental Agency of the Republic of Slovenia
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EPA	Environmental Protection Act
EU	European union
FA	Focal Area
FAO	Food and Agricultural Organisation of the United Nations
FI	Financial Intermediary

SLOVENIA: National Pollution Reduction Project
Main Report

FR	Federal Republic
FYR	Former Yugoslav Republic
GEF	Global Environment Facility
GOS	Government of Slovenia
ha	Hectare
HSE	Health, Safety and Environment
ICA	Incremental Cost Analysis
ICPBS	International Commission for the Protection of the Black Sea
ICPDR	International Commission for the Protection of the Danube River
IF	Investment Fund
IFC	International Finance Corporation
IFI	International Financing Institution
IJS	Jozef Stefan Institute
IPPC	Integrated Pollution Prevention and Control
ISPA	Instrument for Structural Policies for Pre-Accession
IW	International Waters
JAP	Joint Action Plan
LOL	Life of Loan
LSIF	Large-scale Infrastructure Facility
MAFF	Ministry of Agriculture, Food, and Forestry
M&E	Monitoring and Evaluation
Mm ³	Million cubic meters
MOEPP	Ministry of Environment and Physical Planning
MSP	Medium-Sized Project
NEPP	National Environmental Protection Programme
NGO	Non-Governmental Organisation
OP	Operational Program
PDO	Project Development Objective
PDF-B	Project Preparation and Development Facility Block B
PHARE	Pre-accession Assistance for Central and Eastern European Countries
PIR	Project Implementation Review
PN	PHARE National
REC	Regional Environmental Centre
SAP	Strategic Action Plan
SAPARD	Structural Pre-accession Assistance for Central and Eastern European Countries
SI	Slovenia
SIA	Senior Industrial Advisor
SME	Small and Medium-Sized Enterprise
STAP	Scientific and Technical Advisory Panel
TA	Technical Assistance
TAM	TurnAround Management
TEST	Transfer of Environmentally Sound Technology
TMG	TurnAround Management Group
TOR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Program
UNECE	United Nations Economic Commission for Europe
UNIDO	United Nations Industrial Development Organisation
WB	World Bank
WFD	Water Framework Directive
WWTP	Waste Water Treatment Plant

1. PROJECT DEVELOPMENT OBJECTIVES AND KEY INDICATORS

Project Development Objective (see also Annex 1)

1. The Project Development Objective (PDO) is to support the reduction of nutrients and toxic substances, discharged by industrial, municipal and agricultural polluters in the Slovenian portion of the Danube River Basin (DRB). A key secondary objective is the development and demonstration of an innovative and sustainable concept of financial intermediary/private sector partnership in water pollution reduction, with a view to facilitating its subsequent replication elsewhere in the Basin.

Global Objective and Key Performance Indicators (see also Annex 1)

2. The Global Objective is the reduction of trans-boundary water pollution in the Danube River Basin.

3. The performance indicators used to monitor the achievement of the PDO are: (i) the estimate of the total aggregate reduction of emissions of nutrients from participating companies and other loan recipients; and (ii) the number of companies and municipalities which come into compliance with relevant national/EU legislation on water pollution in the Slovenian portion of the DRB as a result of the assistance.

2. STRATEGIC CONTEXT

Regional Sector Issues and Institutional Framework

Status of the Water Quality in the Danube River Basin

4. The Danube River is Europe's second longest river (2,780 km) and drains an area of 817,000 km². Its drainage basin extends over some or all of the areas of 13 countries (Map 1). These are: Germany and Austria (upper basin countries); Czech Republic, Slovakia, Hungary, Slovenia, Croatia, FR Yugoslavia, and Bosnia and Herzegovina (middle basin); and Romania, Bulgaria, Moldova and the Ukraine (lower basin). In addition to supporting a number of important wetlands and floodplains throughout the basin, the Danube flows into the Black Sea through a delta which is the second largest natural wetland in Europe.

5. The total estimated population living within the Danube basin boundaries is 83 million. The intense and often poorly planned growth in economic development activities in proximity to the river, together with its large and dense drainage system has contributed to a general decline in water quality. This, in turn, has affected both the system's ecology and the general quality of life including posing an increased health risk to riparian populations in the DRB countries. The most important problems affecting ecosystem health and the water users in the basin are: high loads of nutrients and other oxygen depleting substances, changes in river flow patterns and sediment transport regimes, contamination with hazardous substances, and competition for available water.

6. In a recently completed analysis of the situation (DPRP Transboundary Analysis), the immediate causes for these problems presented by source are the following: (i) in the municipal

sector, absence of or insufficient Waste Water Treatment Plants (WWTPs), improper landfills, and poor or lack of adequate monitoring and enforcement; (ii) in the industrial sector, old technologies and infrastructure, improper design, operation and management of plants, absence of individual WWTPs and inadequate waste management, lack of emergency and planning measures, weak pollution control and weak enforcement of the polluter pays principle, as well as badly managed tourism and inadequate oil collection infrastructure in transport; and (iii) in the agricultural sector, lack of good agricultural practices and deforestation.

Institutional Framework

7. International efforts to co-operate in addressing the major trans-boundary environmental issues in the Danube basin are based on the “Convention on Co-operation for the Protection and Sustainable Use of the Danube River” (Danube River Protection Convention). Slovenia signed the Convention in 1994, and it entered into force in October 1998. The Convention is implemented under the guidance of the International Commission for the Protection of the Danube River (ICPDR), headquartered in Vienna. The key policy documents agreed under the auspices of the ICPDR, in particular the Strategic Action Plan (SAP; 1995 and the 1999 revision) and the Joint Action Programme (JAP; for the period 2001- 2005), serve as an overall framework for member country policies in this field. ICPDR has also supported a significant amount of work to identify pollution “hot spots” in each member country as priorities to be addressed to reduce water pollution in the basin.

8. The SAP was developed to provide a policy and strategic tool for the DRB countries to protect the river basin and guide their actions in the implementation of the Convention. On the basis of a participatory problem analysis, the SAP established a scheme of development objectives. The SAP’s overall goals of sustainable development in the DRB, the protection and sustainable use of waters of the DRB, and the reduction of nutrient and other pollution loads to the Black Sea are to be achieved through three main sector objectives: (i) in the municipal sector, priority is given to the improvement of wastewater and solid waste management; (ii) in the industry and mining sector, the focus is on introduction of Best Available Techniques (BAT), Best Environmental Practices (BEP), and abatement of water pollution; and (iii) in the land use – agriculture sector, implementation of good agricultural practices and mechanisms for sustainable land management are prioritised. *The proposed project will support these objectives by enhancing industrial awareness of the problems, by introducing the opportunity of process optimisation and wastewater minimisation and by the improved availability of funding for the introduction of clean technologies as well as for the improvement of wastewater sewerage, treatment and pre-treatment facilities in municipalities, industries and livestock farms.*

9. The JAP was developed to support: (i) the improvement of the DRB water quality and chemical status; (ii) the prevention of accidental pollution events; and (iii) the minimisation of flood impacts. JAP outlines measures for enhancing municipal wastewater collection and treatment, and identifies priority municipal WWTPs. Concerning industrial discharges, besides listing the most urgent WWTP investments, JAP establishes the dissemination of recommendations on BATs as a priority. This objective is supported by ICPDR recommendations on BATs which have up until now, been agreed for four industrial branches (chemical, chemical pulp, paper making, and food industries) as well as for the treatment of municipal wastewater. *The proposed project will support JAP objectives by funding both BAT adoption and WWTP construction with special incentives for “hot spot” polluters and innovative technologies.*

National Sector Issues to be Addressed by the Project and Strategic Choices

10. Slovenian water quality was comprehensively assessed in a National Review under the Danube Pollution Reduction Programme (DPRP). The results of the Review supported by other studies indicate that most of the river basin water in Slovenia is moderately polluted (2nd to 3rd quality class).¹ However, in the recent years, surface water quality has been slowly improving, mostly due to the restructuring of industry and to a lesser extent, construction of municipal WWTPs. In the main streams, oxygen depletion (BOD, COD) is no longer a serious concern. However, nutrient overloading and its role in contributing to eutrophication remains an acute problem in Slovenia's lakes and slowly flowing rivers, and of a slightly lesser concern in rapidly flowing streams. Pollution with toxic and dangerous substances is currently mainly associated with the accumulation of old deposits in sediments, which can be re-suspended during flood and other high flow events. Finally, groundwater, which is the major source of drinking water for most of the Slovene population, is heavily polluted in some areas due to leakage of agricultural chemicals and leakage from landfills.

11. The major sources of nutrient pollution in Slovenia can be broadly classified into municipal, industrial, agriculture and diffuse sources. In the year 2000, municipal wastewater discharges were an estimated 126 Mm³ (117 Mm³ in the Slovenian portion of the DRB watershed) of which 71% was treated in WWTPs. Secondary and tertiary treatment, in particular, are lacking (59% of the above mentioned treated wastewater was treated with only primary treatment). Furthermore, 47% of the population, mainly in rural areas, is not connected to the municipal sewerage network, and individual septic tanks often represent a risk to the environment. To Slovenia's credit, efforts have been launched recently to support the construction of WWTPs for some of the bigger municipalities but the expected reductions in overall nutrient levels have been slow to materialise. Industrial activities,² in particular paper, metal and chemical industries were estimated to discharge 701 Mm³ of wastewater into environment (1999), of which 96% was discharged into surface waters. In 1997, only 6% of industrial wastewater was treated (of which 37% with primary treatment only). In the agriculture sector, intensive farming with high levels of fertiliser and pesticide use has led to the pollution of groundwater with nitrates and pesticides through run-off. Large pig farms, with rudimentary or no wastewater treatment at all, represent a significant point source of water pollution; a particular risk in karstic and groundwater areas and in the vicinity of small streams. For toxic substances (metals, pesticides, organic compounds), industry is estimated to contribute 60% of pollutants, whereas municipal and agricultural sources account for 10% and 30%, respectively. Landfills are a major source of untreated leachates with potentially severe impacts on ground and surface waters. A list of Slovenian "hot spot" polluters has been provided in Attachment 1.

12. Revision of Slovenian water pollution legislation to reflect high EU standards, establishment of tight legislative deadlines for emission reductions, stricter enforcement and

¹ Slovenian water quality classification consists of four categories: (i) water which, with disinfection if required, can be used as drinking water and in the food industry, and surface water which can be used for breeding food fish (1st class); (ii) water which, in its natural state, is suitable for bathing, water sports, breeding other sorts of fish and also, with the normal methods of treatment for drinking and use in the food industry (2nd class); (iii) water which is suitable for irrigation and can also, with the normal methods of treatment, be used by industries other than the food industry (3rd class); and (iv) water that can be used for other purposes only after suitable treatment (4th class).

² Also including mining, electricity, gas and water supply.

monitoring of emissions, as well as an ever increasing wastewater tax burden imply that many Slovenian industrial companies, commercial farms, and municipalities have an urgent need to invest in process optimisation, wastewater containment and treatment, and water pollution reduction. Demand for affordable investment funding is significantly greater than existing supply (see Annex 6 for details). Many potential borrowers have difficulties in accessing affordable funding for environmental investments. They also lack the desirable technical assistance to optimise their processes and, where necessary, to prepare technically feasible and bankable investment and borrowing plans. Financial products available on the markets do not always correspond to the needs of the borrowers, some of whom also face specific constraints such as State Aid restrictions and the cap on municipal borrowing (see Annex 6). *The project will address these issues through providing (i) assistance to companies for process optimisation, wastewater minimisation and environmental management, and (ii) investment funding targeted to process technology upgrading in the industries, industrial wastewater treatment, municipal WWTP and sewer system construction/improvement as well as wastewater containment and treatment on large livestock farms. In the case of pollution hot spots and other industries discharging permanent toxic pollutants, the Facility will not be limited to reducing nutrient pollution but will cover a broader range of water pollutants.*

GEF Operational Strategy/Program Objective Addressed by the Project

13. The project addresses the objectives defined under GEF Operational Program (OP) 8 (Waterbody-based). Specifically, this OP provides for, among other objectives, "... a logical progression of GEF-funded activities – from project development to analyses of transboundary priority environmental concerns to formulation of an international water Strategic Action Program to eventual regional capacity building or *country-specific* investment projects." As has been demonstrated above, the proposal has been prepared within the context of the ICPDR, JAP, and the SAP. Moreover, the project will establish a technical and financing modality that addresses key causes of transboundary nutrient pollution in the industrial, municipal and agricultural sectors in Slovenia with a view to developing and demonstrating practical and cost-effective solutions for achieving economically sustainable environmental improvements in the industrial and municipal sectors. One of the major outcomes of the project will be replication of this modality to other countries in the DRB.

Sector-related Country Strategy (EBRD) Goal Supported by the Project

14. The goal of the recently revised EBRD Country Strategy (CS) in Slovenia is to advance the country's transition towards a market economy and facilitate its accession to the EU. The CS supports three key objectives: (i) direct funding for the private corporate sector to promote restructuring and good corporate governance; (ii) mobilisation of private capital to finance public, in particular municipal infrastructure; and (iii) provision of investments in the local banking system and insurance industry to promote privatisation and consolidation processes, as well as support to small and medium-sized enterprises (SMEs). The CS identifies a number of key issues including:

- the need to address key Slovenian environmental concerns and assist in the implementation of the EU acquis;

- the obstacles facing Slovenian SMEs in obtaining finance. For many SMEs addressing environmental issues is of lower priority. If access to finance is difficult or the terms are unattractive, it is even less likely that SMEs will borrow to address environmental issues;
- the need for Slovenian banks to diversify their range of products;
- the difficulties faced by smaller municipalities in financing the necessary environmental infrastructure such as WWTP.

15. In response to the above, EBRD has, within its CS, made several commitments to financial intermediaries, SMEs, smaller municipalities and the environment. These are:

- to actively support environmentally sound and sustainable development in Slovenia;
- to expand both the volume and the spectrum of funding instruments available to SMEs;
- to work closely with local banks in developing a range of financial products not currently available in the market;
- to provide finance to smaller municipalities through a variety of methods including through financial intermediaries.

16. EBRD's Environmental Policy contains a number of key commitments which the planned project supports. These include the following:

- EBRD's commitment to work with other financial institutions, EU, bilateral donors and UN organisations in promoting a co-ordinated approach to effective and environmental interventions;
- EBRD's intention to develop a pipeline of viable, stand-alone operations with primarily environmental objectives;
- EBRD's continued contribution to international initiatives, such as those for the Baltic Sea and Danube River Basin, based on the recognition that many of the environmental problems of its region of operations are global and trans-boundary in nature.

17. *The planned project, by providing both technical assistance, and developing a Credit Facility, channelled through private FIs, available to both SMEs and smaller municipalities, and aiming at reducing pollution entering the Danube River specifically responds to the range of EBRD strategic and policy commitments outlined above.*

Sector-related Country Assistance Strategy (WB) Goal Supported by the Project

18. Slovenia was the first of the Eastern European transitional economies classified by the World Bank to have achieved "graduated" status. This decision, taken in the year 2000, was based on the consolidation of the country as a nation-state, achieving macro-economic stability and successfully implementing structural reforms which will help ensure its timely accession to EU, projected for 2004.

19. The Bank's Country Assistance Strategy (CAS) for Slovenia dates from 1997 and is no longer current. Nevertheless, many of its objectives are still valid. This applies, in particular, to the objective of achieving environmentally sustainable economic development, for which urban water treatment was identified as a potential area for WB-Slovenia co-operation. The project will support this objective by:

- contributing to the reduction of point-source water pollution from industry, livestock farms and municipalities; and
- helping borrowers, most of which are privately owned enterprises, to meet legal requirements with lower costs.

20. The project also conforms to another major CAS objective in supporting the transformation of the economy, including the banking sector and enhancing competitiveness of the private sector.

Description of the Project Area

21. The Slovenian portion of the DRB covers approximately 80% of the total land area of the country (20 000 km²) and consists of the Mura, Drava and Sava watersheds (Map 1). The DRB runs from the north-west of the country across the highest ridges of Julian Alps, the northern portion of the alpine foothills and across the ridges of the Dinaric-Karstic plains to the border with Croatia in the south-west. The major part of the watershed runs over carboniferous rock formations, which supports a large aquifer. The headwaters of the Mura, Drava, and Sava river basins originate in mountainous areas all characterised by high rainfall before traversing the foothills of the Alps and lowlands.

22. The physical landscape is characterised by high diversity dominated by alpine, sub-alpine, dinaro-karstic and sub-panonian environments. The climate varies from the very humid in the Alpine and Dinaric zones to the semi-humid and partly semi-arid more characteristic of Eastern Slovenia. Forests currently cover approximately half of the DRB portion of Slovenia and are particularly prevalent in the Dinaric-karstic, Alpine and sub-alpine parts of the Sava river basin and the highland areas of the Drava river basin. Humid biotopes are represented in various forms, including high and low moors, swamps, flood and swamp forests and meadows. Their total area is estimated to be 26,000 ha which corresponds to a little over 1 percent of the Slovenian territory. Meadows and pastures cover approximately 25% of the territory, cropland little less than 15% and urbanised or barren ground 7%.

23. The population of the Slovenian portion of the DRB is an estimated 1,74 million (out of a total population of 1,9 million (July 2001)). Only two cities, Ljubljana (capital) and Maribor, have more than 100,000 inhabitants, followed by Kranj and Celje with over 50,000 inhabitants. Approximately half of the Slovenian population lives in small settlements of less than 2,000 inhabitants.

24. The Sava river basin covers 58% of the Slovenian territory, has 53% of population and provides two-thirds of the country's drinking water sources. Eighty percent of Slovenian wastewater is discharged in Sava and its tributaries. Pollution of the river begins at the source and strongly increases after Ljubljana resulting in a change in category from 2nd to 3rd water quality class to the Croatian border. By the time it reaches Slovenia, the Drava River is also classified as a 2nd – 3rd water quality class river. In contrast, recent data indicate an upgrading in water quality class for the Mura River from a 3rd to a 2nd class river; an improvement partly attributed to actions implemented by upstream riparian countries. However, Mura has two acutely polluted tributaries, the Scavnica (4th class) and the Ledava (3rd to 4th class). On the Drava, Mura and Celje fields, intensive agriculture and farming with high pesticide and fertiliser use has lead to pollution of groundwater.

3. PROJECT DESCRIPTION SUMMARY AND BUDGET

Project Components

25. The main components of the project will be:

- first, and most importantly, the establishment of a **credit facility** (CF) for the provision of subsidised loans to industry, smaller municipalities, and livestock farms for the implementation of water pollution reduction projects.
- second, a **technical assistance** component providing for (i) environmental expert advice in checking lending projects against a series of eligibility criteria (see Annex 5) and in monitoring their performance; (ii) technical assistance and training to develop the environmental awareness and technical competence of the industrial sector; (iii) marketing activities at national level; and (iv) information dissemination to promote and promulgate the objectives and achievements of the CF.

26. Other activities expected in a national GEF project addressing water pollution are being supported through ICPDR and GEF regional initiatives (see Attachment 2). The establishment of a “traditional” project management unit is not warranted as the success of this project will depend on demand generated from the private sector, the technical input of process optimisation, wastewater minimisation and investment project preparation and the close collaboration of all partners with participating FIs. The EBRD will have overall responsibility for project implementation, supervision and monitoring.

Component 1. EBRD/GEF Environmental Credit Facility (see Annex 2 for a detailed description)

27. Under this component, the EBRD would establish a credit facility (“the Facility” or “CF”) where local financial institutions will work as intermediaries to channel money to private sector companies and smaller municipalities planning to undertake investments to reduce water pollutants entering the Slovenian portion of the DRB. The involvement of local financial intermediaries is crucial to the success of the project given that EBRD is unlikely to directly finance projects less than US\$ 5 million and cannot therefore reach the target clients, the existing client base of the FIs, their presence throughout the country and their marketing capabilities.

28. In direct response to the projected high demand in the Slovenian industrial and municipal sectors, the overall size of the facility is proposed to be US \$ 54 million. This amount is based on the Demand Study completed by the Business Advisory Service (BAS) Programme in Slovenia in July 2002 (see Annex 6). EBRD’s total commitment for the CF will be approximately US \$ 45 million which will be blended with a US \$ 9 million GEF grant. Under the Facility, EBRD will offer credit lines to commercial banks in Slovenia (“the local banks” or “FIs”) which will then on-lend funds to private entities in the industrial sector, smaller municipalities and large livestock enterprises (the sub-borrowers). The Facility will be demand driven and EBRD funds will be allocated to local banks on a “first come first served” basis. Following the internal approval process at the EBRD, it will sign loan agreements with each participating local bank.

29. The Facility will be available to the local banks for two years from the date of signing of the loan agreement, in order to achieve one of the purposes, i.e. accelerating the implementation of environmental investments (see Annex 5) and justify the GEF subsidy component. It is expected that EBRD loans to participating local banks will have a maturity of between 5 and 7 years with a 2 years grace period and equal repayments following the grace period.

30. To ensure that the global environmental objectives of the Facility are met, the local FIs will co-operate closely with two groups of environmental consultants selected by EBRD (see component 2 below):

(i) The Environmental Expert, responsible for (i) checking the environmental eligibility of loan applications and assessing if compliance with the associated requirements of cost-effectiveness and provision of an environmental monitoring plan have been addressed, and (ii) undertaking the environmental “sub-project completion test” and other environmental monitoring (see Annex 2 and Annex 5).

(ii) The TurnAround Management/Business Advisory Service (TAM/BAS) Programme, responsible for the provision of industrial and technical advisory services for loan applicants. The TAM/BAS programme will also undertake some marketing activities and implement an information dissemination programme (see Annex 2).

31. It is expected that the sub-borrowers will apply to the FI of their choice to obtain funding from the Facility. Upon the application by the sub-borrower, the FI will forward the documentation to the Environmental Expert who will determine whether the sub-project is eligible under the GEF/EBRD Environmental Credit Facility, while the FI will go through its internal credit process to appraise non-environmental aspects of the application. Should the sub-borrower and the sub-project satisfy the FIs lending criteria and obtain approval from the Environmental Expert, funding will be made available from the CF (for detailed eligibility criteria see Annex 5).

32. In order to foster portfolio diversification, the availability of, and access to, the Facility will be advertised on a national level across different sectors and via FIs. Financial Intermediaries will offer loans targeting different enterprises defined by size, sector, level of wastewater pollution, etc. Pricing of the CF will be determined by EBRD for individual participating banks based on credit risk.

Component 2. Technical Assistance (see also Annex 2)

33. This component will consist of environmental expert advice to participating FIs, technical assistance (TA) and training to potential sub-borrowers, marketing activities at the national level, and information dissemination on the project.

34. **Environmental expert advice** to participating FIs will be provided by a selected independent local environmental consultant (the Environmental Expert), which may be an individual or firm. The Environmental Expert will undertake independent technical-environmental review of sub-project proposals and technical monitoring of investments financed from the CF. Past experience has shown that, in the case of environmental credit lines, it is important to “outsource” the environmental due diligence to technical experts, given that the FIs do not normally have the resources to do this themselves. Furthermore, as the Facility offers a subsidy

element for both FIs and sub-borrowers, it is essential to delegate the checking of eligibility of sub-loans for financing under the Facility to an independent third party. The Environmental Expert will be selected through a competitive tendering process in accordance with EBRD's public procurement rules. In order to safeguard the Environmental Expert's independence, the Expert will be contracted by EBRD under separate Terms of Reference. The contract will include an agreed budget for fees and reimbursable expenses. EBRD will disburse payments for services undertaken against invoices from the Expert. The costs of the Environmental Expert are estimated at US \$ 285,250 (see detailed budget in Annex 2).

35. The **TA and training** to potential sub-borrowers will address the following needs identified during project preparation:

- (i) assistance in process optimisation and wastewater minimisation within companies, prior to scoping the borrowing requirements;
- (ii) lack of understanding of real environmental investment needs and lack of ability to ensure cost-effectiveness in selection of the most appropriate technology; and
- (iii) assistance in the process of loan application and formulation of technical proposals to ensure conformity with GEF, EU, and national environmental criteria.

36. The costs of the TA activities are estimated at US \$ 540,000. These activities will be implemented by the TurnAround Management (TAM) and Business Advisory Service (BAS) Programme (see Annex 2 for description). The donor-financed TAM/BAS Programme is already active in Slovenia with a number of companies having benefited from its advice. This programme aims to help beneficiary enterprises to enhance their profitability in order to survive and compete in market economies. In this context, it also assists its clients in achieving compliance with environmental requirements. TAM/BAS participation to the proposed project will exploit and maximise the synergies between regular TAM/BAS activities and the EBRD/GEF Credit Facility.

37. The **marketing** activities of component 2 aim to promote wide awareness on the possibilities offered by the project among potential clients in order to ensure a diversified portfolio and maximum environmental benefits. Marketing of the Facility will be undertaken partly by participating FIs as part of their regular customer relations and outreach efforts. To reach clients beyond the established client base of these banks, the project will organise national-level marketing workshops and distribute related information material. The costs of these marketing activities are estimated at 31,000 USD. They will be implemented by TAM/BAS Programme.

38. The **information dissemination** activities of the project will aim at:

- (i) informing a wide range of stakeholders and the general public about the project and its results;
- (ii) promoting replication of project concept and innovative technologies demonstrated through project investments; and
- (iii) establishing a communication channel between the project and its stakeholders to share views and lessons learned in project implementation.

39. Information dissemination activities will be implemented primarily by TAM/BAS Programme. They will make use of a range of different channels and means, primarily a website

and an e-mail box. Other channels may include brochures, articles, presentations and discussions, and organisation of company visits. Links will be strengthened with ICPDR and UNDP DRP in order to ensure information dissemination to regional stakeholders and other GEF DRB projects. EBRD will promote information dissemination and replication at the international level. The costs for the information dissemination activities can be estimated at 29,000 USD.

Table 1: Estimated Project Costs (millions of US \$)

Component	Indicative Costs		Financing Plan		
	Amount (millions US\$)	Share of Total	EBRD	GEF	Total
Credit Facility	54,000,000	98.35 %	45,000,000	9,000,000	54,000,000
Technical Assistance	907,650	1.65 %	0.00	907,650	907,650
Total	54,907,650	100.00 %	45,000,000	9,907,650	54,907,650

Benefits and Target Population

Global Benefits

40. The project will generate global environmental benefits through achieving industrial performance improvements, reduced wastewater emissions and reduction in trans-boundary water pollution in the DRB. These benefits will result from technical support and investments that achieve one or more of the following (see also Annex 5): (i) meeting national emission reduction standards earlier than required by legislation, (ii) reductions in emissions beyond national standards, and/or (iii) introducing innovative pollution reduction technologies and contributing to their widespread adoption. Through reducing trans-boundary water pollution, the project will contribute to improving the water quality and overall environmental status of the Danube River and some trans-boundary aquifers, and, over time, the Black Sea. Due to Slovenia's relatively modest contribution to the overall pollution loads in the river, direct trans-boundary benefits from the project investments may be limited. However, demonstration effects of process optimisation, wastewater minimisation, and the introduction of new techniques as well as demonstration of the viability of the project concept, are expected to lead to replication in other DRB countries with more significant benefits.

41. The investments funded by the project may also achieve additional benefits for the conservation of globally important biodiversity in Danubian ecosystems, in particular wetlands, as well as possibly addressing greenhouse gas emissions through use of waste to produce renewable energy (e.g. biogas production in livestock farms).

National and Local Benefits

42. The project will generate both national and local environmental and socio-economic benefits. Reducing effluent discharges is expected to improve water quality in Slovenian surface

water bodies and aquifers, and in turn contribute to the health of aquatic and adjacent ecosystems. The improvements are expected to be more substantial in environmentally sensitive areas where the project will contribute to attainment of stricter effluent requirements based on water quality objectives. Other environmental benefits to which the project will contribute include: (i) preservation of river aesthetics and other natural resources, in particular biodiversity in wetlands and other ecosystems; (ii) enhanced environmental awareness and capacities of local financial institutions; (iii) greater willingness of Slovenian companies and municipalities to undertake environmental investments; and (iv) possibly, renewable energy generation. Finally, in the longer term, enhanced compliance with environmental legislation will create opportunities for its updating and enforcement to respond to highest international environmental standards.

43. National socio-economic benefits will accrue via process optimisation. Reductions in polluting emissions will enable commercial operation at lower costs, which in turn will increase compliance levels with national/EU environmental standards. This will have a significant payback, strengthening the financial position of participating companies and municipalities. This is expected to contribute to economic growth and employment opportunities in Slovenia. Improved water quality will reduce water treatment costs, enhance public health (through cleaner drinking and bathing waters) and reduce related costs, and improve the quality of life in neighbouring communities. Moreover, economic benefits will flow from the project's contribution to strengthening the role of private local FIs in the Slovenian economy as well as from the value added generated by the equipment and services needed for the adoption and use of new technologies.

Target Population and Stakeholders

44. The project's main stakeholders are:

- Local Financial Institutions. Slovenia has 10 large and 15 small commercial banks of which several may participate in the Facility. Other Slovenian private and public financing institutions (such as Ekofund) may be associated with the project as co-funders of target investments;
- Industrial and Agricultural Sector Borrowers. These include: (i) the "big" polluters covered by the EU IPPC Directive (106 companies), (ii) water polluting SMEs, and (iii) 10-20 large pig farms. The total number of potential borrowers is estimated to be 363 (see Annex 6);
- Municipal Sector Borrowers. These include smaller Slovenian municipalities (the total number of municipalities in Slovenia is 190 of which a large majority can be considered as small);
- Selected Public Agencies. National environmental and other authorities, in particular MOEPP and its Environmental Agency responsible for water pollution related policies and legislation, monitoring and financing related public investments, Ministry of Finance and Ministry of Economy;
- Selected National Interest Groups. These include organisations such as Chambers of Commerce, Chamber of Agriculture and Forestry, Association of Slovenian Municipalities and Towns, Industry Associations, and the Farmer's Union;

- Environmental Technology Firms. These include manufacturers of water pollution reduction equipment and technologies and companies which provide related services;
- Selected Regional and International Environmental Agencies. This group includes ICPDR, UNDP, DRP and WB IF, with which the proposed project seeks complementarities and synergies. It also includes EU which provides significant funding for environmental infrastructure improvements in Slovenia, and could possibly co-finance investments with the proposed project;
- Selected Regional and National NGOs. At the regional level, these NGOs are grouped under the Danube Environmental Forum (DEF) which has 1 member in Slovenia (Society for Bird Research and Nature Protection). At the national level, there are approximately 30 relevant NGOs.
- Slovenia. The final beneficiaries of the project in Slovenia will be the 1,7 million inhabitants of the Slovenian portion of the Danube river basin. The project will contribute to international efforts to protect the Danube river basin for the benefit of its 83 million inhabitants.

Institutional and Implementation Arrangements

Implementation Arrangements

45. The Credit Facility component of the project will be implemented by Slovenian FIs under EBRD supervision and in co-operation with environmental consultants recruited under the TA component. Loan applications to the CF are expected through three mechanisms: (i) local bank own marketing; (ii) TAM/BAS programme clients; (iii) direct contacts from companies/municipalities reached by the project's marketing activities. Upon receipt of a loan application, the local bank will undertake an initial screening. Applications that pass this assessment will be examined, for their financial aspects, by the local bank and, for environmental aspects, by an independent Environmental Expert, contracted by EBRD for this purpose (see TA component). If an application meets both criteria, the local bank approves a loan from the Facility and disburses it to the sub-borrower. The GEF grant portion of the loan will be disbursed by EBRD directly to the company only when the Environmental Expert confirms that the equipment financed with the loan is fully operational. The local FI and the Environmental Expert will continue to monitor the performance of the sub-borrower throughout the loan payback period.

46. The respective sub-components of the Technical Assistance component of the project (component 2) will be implemented by: (i) an independent Slovenian Environmental Expert, contracted separately by EBRD for the purposes of supporting participating FI in the eligibility check of loan applications and in environmental monitoring; and (ii) the TAM/BAS Programme which is already actively engaged in industrial advisory services in Slovenia and which will provide technical assistance and training to loan applicants as well as undertake marketing and information dissemination activities for the project

47. Co-ordination with other international and regional institutions and projects in the DRB, including GEF projects, will be ensured through information dissemination activities as well as through EBRD contacts with these entities.

Project Preparation Activities and Progress to Date

48. The need for the proposed project emerged from the UNDP/GEF Danube Pollution Reduction Programme (1997-99) which identified a number of priority investments in water pollution reduction in all DRB countries. The project concept entered the GEF pipeline on 10th September 1999 and the PDF-B funds were granted on 30 April 2001. PDF-B activities were launched in autumn 2001 as a joint effort of the EBRD and the Investment Centre of the UN Food and Agriculture Organisation (FAO), and have been synthesised in the Project Brief. These activities included, *inter alia*, several missions to Slovenia to formulate the project together with stakeholders; studies assessing credit demand and supporting the preparation of environmental eligibility criteria, respectively; and firm-specific company case studies undertaken by the TAM/BAS Programme. The project formulation team also visited the ICPDR Secretariat and the UNDP/GEF DRP in Vienna and maintained contacts with these entities throughout project design. EBRD will continue to coordinate with and keep the ICPDR informed during project implementation.

49. Stakeholders were consulted by one or more members of the project formulation team throughout project preparation through meetings and other communications. Institutional stakeholders which were involved included local banks, selected companies listed on the DPRP “hot spot” list, MOEPP, Ministry of Agriculture, Food and Forestry (MAFF), Ministry of Finance, Chamber of Commerce, Chamber for Agriculture and Forestry, Ekofund, Jozef Stefan Institute, Regional Environment Centre Slovenia Country Office (REC Slovenia), selected Slovenian consultancy companies and NGOs, ICPDR Secretariat, UNDP DRP, the WB Danube/Black Sea Investment Fund (response awaited) and the Delegation of the European Commission in Ljubljana. In addition, a stakeholder workshop was organised together with REC Slovenia in Ljubljana on 17 June 2002 to present and discuss the project concept (see Annex 4).

50. Issues that will be addressed prior to starting project implementation include:

- approval of key terms and conditions for establishing the Credit Facility by EBRD management;
- selection of participating FIs, agreement of detailed terms and conditions for individual credit lines and signing of loan agreements between EBRD and the respective FIs;
- developing implementation documentation for the Facility such as an environmental section for the loan application form, technical assistance application form, eligibility check sheet, and investment monitoring plan template;
- finalisation of TORs for the Environmental Expert, the services of the TAM/BAS Programme, midterm review, and final evaluation; and
- specifying formats for reporting from local FIs and the Environmental Expert to EBRD;
- developing plans and material for marketing and information dissemination.

4. PROJECT RATIONALE

Project Alternatives Considered and Reasons for Rejection

51. The main alternatives considered and rejected during project formulation include:

(i) channelling the facility through State-owned Slovenian Ekofund. *This alternative was rejected because the project aims at involving private sector in GEF activities, and in the financing of environmental investments in the DRB in general. This is expected to widen the client base, diversify the supply of environmental financing, and enhance the environmental awareness of participating FI. The choice is further justified by the advanced state of the commercial banking sector in Slovenia;*

(ii) focusing the facility only on the industrial sector. *This alternative was rejected because of the significance of municipal waste water in contributing to the total water pollution load in Slovenia, the links between industrial and municipal wastewater treatment facilities (many SMEs discharge to municipal sewer systems and examples already exist of municipality and local industry co-financing WWTP investments;*

(iii) providing loans on market terms instead of subsidising them with GEF grants. *This alternative was rejected because studies undertaken in the DRB indicate that private companies are still hesitant to borrow funds for environmental investments. Moreover, subsidised loans will help the project to catalyse investments that go beyond minimum emission reduction requirements set by the legislator, or that apply innovative – more risky - pollution reduction technologies;*

(iv) designing a comprehensive national project addressing both point and diffuse sources of water pollution and using different tools. *This alternative was rejected because the aforementioned issues are already addressed by ongoing ICPDR and UNDP/GEF efforts at the regional level; and*

(v) designing the project from the start as a regional project covering all DRB countries. *This alternative was rejected because of the need to test the innovative modalities of the project in one country before extending it to other countries.*

Major Related Projects Financed by Other Development Agencies

52. The project was prepared and will be implemented in the context of the GEF Strategic Partnership on the Danube/Black Sea Basin. This initiative consists currently of: (i) two regional GEF/UNDP projects focusing on capacity-building; (ii) a regional Investment Fund (IF) managed by WB, and (iii) two smaller projects, a UNDP-implemented MSP on building environmental citizenship to support trans-boundary pollution reduction in the Danube, with Hungary and Slovenia as pilot countries, and a UNIDO-implemented MSP to apply the programme on Transfer of Environmentally Sound Technology (TEST) in 20 pilot enterprises through capacity-building of existing cleaner production institutions in Bulgaria, Croatia, Hungary, Romania and Slovak Republic. Of the aforementioned projects, the most relevant to the Slovenia project are the UNDP regional capacity-building project (DRP) and the WB IF which are described in more detail below.

53. The UNDP/GEF Danube Regional Project (DRP) launched in 2001 supports the implementation of a wide range of capacity-building activities for the purpose of achieving reductions in nutrient loads to the Black Sea. The DRP will focus, first, on developing policies, legislation and guidelines for river basin management, reduction of agricultural nutrient pollution from both point and diffuse sources, wetlands rehabilitation, application of BAT in industry, cost-

covering water tariffs, and water pollution charges. Secondly, it will support capacity-building and trans-boundary co-operation at different levels, such as inter-ministerial co-ordination, co-operation between DRB and Black Sea bodies, accidental emergency response, and stakeholder training. Thirdly, it will strengthen public involvement and support public awareness campaigns and community-based initiatives for water pollution reduction. Finally, it will reinforce monitoring, evaluation and information systems to control trans-boundary pollution. Slovenia (led by MOEPP) participates to the DRP together with the 12 other countries of the DRB.

54. The World Bank/GEF Danube/Black Sea Investment Fund (IF) will invest in industrial, agricultural, municipal, and wetlands projects in the Basin for the purpose of achieving reductions in nutrient pollution. Ten projects are already under development, and the second tranche of the Facility was approved by GEF Council in May 2002. In line with the World Bank strategy in the area, the IF focuses on poorer Southeast European and Central Asian countries, and it is highly unlikely that IF projects will be implemented in Slovenia. As to eligible investments, the IF focuses on wastewater treatment facilities and does not cover production-related investments. However, Slovenia would profit from the IF Distance Learning Program which is designed to disseminate knowledge about the causes and possible solutions to water pollution in the DRB.

55. *The Credit Facility is designed to be fully complementary with the aforementioned GEF projects. Therefore, it will not finance activities in the fields of diffuse water pollution, wetlands, capacity-building, policy development, institutional strengthening, and environmental awareness-raising. Instead, linkages have been and will continue to be established with the aforementioned projects to identify areas for co-operation and synergies. Potential areas include: financing of investments identified by other GEF Partnership projects through the CF; dissemination of information on the CF by other GEF Partnership projects; and use of results from technology assessments or lessons learned in IF projects by CF borrowers or vice versa.*

56. With reference to other funding sources, wastewater is the most important environmental sector for the EU in Slovenia, where it participates in the financing of water pollution reduction through 3 grant instruments: (i) the Pre-accession Assistance for Central and Eastern European Countries (PHARE) Programme which finances investments inter alia in wastewater treatment (mainly municipal); (ii) the Instrument for Structural Policies for Pre-Accession (ISPA) which focuses on large environment and transport infrastructure investments and has financed four municipal WWTPs; and (iii) the Structural Pre-accession Assistance for Central and Eastern European Countries (SAPARD) Programme which finances rural infrastructure projects, some of which may also contribute to reducing water pollution. In addition, EU finances regional co-operation and research projects related to the protection of the DRB. EU funding in Slovenia reflects the priorities of the accession process, and will hence focus on upgrading municipal wastewater treatment in large settlements. *The planned project, with its focus on industry and a broader range of municipal investments, will complement EU activities in the country. Possibilities for co-financing will also be explored.*

57. Ekofund was established by the GOS by the Environmental Protection Act (EPA) and started its operation in 1994. Ekofund is a State-owned, non-profit oriented financial institution which provides loans for environmental protection investments in Slovenia at favourable interest rates. Ekofund lending is oriented by EPA priorities, which implies that water pollution is one of its main fields of operation. The industrial and municipal sectors receive an estimated 40% of Ekofund loans respectively, while the remaining 20% is lent to households. Ekofund does not

operate in the agricultural sector. Recently, the European Investment Bank (EIB) provided a loan of €10 million for 2001-2004 for the upgrading and extension of water supply and wastewater disposal networks, to be managed by Ekofund.

Lessons Learned Reflected in Project Design

58. Earlier and ongoing GEF and other projects to reduce water pollution in the DRB provide some important lessons learned which are reflected in the design of the proposed project. These include:

- Setting up new institutional structures, information networks, and planning approaches in transition countries is time consuming, and further efforts in the area should make use of and reinforce existing structures. *The project addresses this issue by working directly with existing institutions and programmes for environmental expert advice and technical assistance and through established private FIs in the management of the Credit Facility, as well as through collaborating with established structures such as ICPDR and UNDP DRP project.*
- In many DRB countries, compliance with environmental laws and regulations is not controlled, and is consequently very low. *While this is less the case in Slovenia, it is considered in the project design by incorporating monitoring procedures for the environmental performance of the investments financed from the facility, which require the borrowers to demonstrate the achievement of planned emission reductions. This feature will be consistent with the design requirements if the concept is replicated in other countries of the Danube Basin.*
- International expert teams should be avoided, and both technical and financial assistance should be carried out as far as possible under contracts awarded to highly qualified national experts/consultants. *The Credit Facility will be managed by Slovenian banks, with the help of local environmental advisors.*

59. While the GEF has no precedents for non-grant financing modalities in its International Waters (IW) Focal Area (FA), the Climate Change FA provides some examples of risk guarantee and contingent grant facilities operated by the WB and International Finance Corporation (IFC). Lessons learned from the GEF/IFC Hungary Energy Efficiency Co-financing Program and other similar projects include:

- Existing market players should be used whenever possible. Strong capabilities in financial flows management and administration, and in technical-economic appraisals, should be the key characteristic of all executing agencies. The financial products of the project have to be well developed to meet the specific needs and characteristics of the market. *This is addressed in the project through implementation by existing commercial banks the selection of which will take into account their capacities. The strong experience of these banks in Slovenia will be profited from in the design of the financial product.*
- The entities in charge of financing sub-projects need to have access to project development funds or to advisors which can help in identifying and developing good projects. *This is addressed in the project through a TA component;*

- The projects should lend only to credit-worthy clients; and establish high credit-worthiness criteria, which are rigorously enforced. Full collection of interest and principal repayment is an overriding concern. *These issues will be addressed by implementing the project through experienced commercial bank which will apply their own risk management policies;*
- Participating FIs need to be proactive in the development of a project pipeline. Marketing is a critical step in the success of a credit facility. *These issues are addressed in the project through including marketing and information dissemination activities that also make use of third parties;*
- Financing facilities disbursed through intermediaries should engender competition amongst participating FIs, as well as allow for reallocation, and hence best use, of resources. *The Credit Facility will engage several local FI. The other issues will be addressed at the stage of negotiating agreements between EBRD and local FIs;*
- The project should be monitored thoroughly to ensure that the funds are spent as agreed, the investments implemented properly and operated as designed. *The project will require an environmental monitoring plan to be checked by the Environmental Expert prior to loan approval. Agreement to environmental monitoring will be incorporated in loan agreements between the sub-borrowers and local FIs; and*
- The double role of SMEs, as borrowing investors and as businesses providing equipment/services for borrowers should be recognised, and consequently, technical assistance activities should also target the latter group and link them with participating FIs. *This will be addressed in the project by incorporating the issue in the terms of reference of the technical assistance providers.*

60. EBRD has extensive experience in extending credit lines through local commercial banks in Central and Eastern Europe. Of particular relevance are the Bank's EU co-funded environmental credit line in Hungary and its joint EBRD/EU regional credit facility to support small and medium-sized enterprises (SMEs) in the ten EU accession countries. Under the latter facility, EU grants are used to provide a package of incentives to encourage local FIs to embark upon new financing instruments and activities which, for commercial reasons, they cannot and would not undertake purely on their own. Key lessons learnt from this and other EBRD projects include:

- The involvement of local commercial financial intermediaries is crucial to the success of any project targeting local companies, particular in the SME sector, given the existing client base of these banks, their presence throughout the country and their marketing capabilities. *The proposed CF will be channelled through Slovenian FIs. It is expected that most if not all of the FIs will be existing EBRD client banks.*
- Local banks need to be provided with incentives in order to undertake financing which they would not otherwise consider due to the complex appraisal process, smaller transaction size and risk profile of environment-related projects. *The project will address this issue by using a portion of the GEF grant as an incentive fee for FIs.*
- In the case of specific environmental credit lines, it is important to "outsource" the environmental eligibility check of sub-projects to an independent environmental expert. *A*

portion of the GEF grant will be used to finance the services of an independent Environmental Expert who will check conformity of sub-projects with the environmental eligibility criteria and monitor completion and implementation of the environmental investments.

61. In addition, EBRD will follow closely the implementation of recently launched GEF/World Bank/IFC non-grant projects, such as Commercialising Energy Efficiency Finance in Central and Eastern Europe, Croatia Energy Efficiency Project, Romania Energy Efficiency project and Krakow Energy Efficiency project, to incorporate relevant lessons learned.

Indications of Borrower and Recipient Commitment and Ownership

62. Slovenia is one of the most advanced EU accession countries with respect to the harmonisation of legislation with EU environmental regulations and directives. It has concluded the EU accession negotiations on the Environmental Chapter of the acquis with very few requests for extension periods. A new Water Act is currently being finalised, the Government has recently approved a National Programme for the Construction of Municipal WWTPs, and wastewater treatment is prioritised in EU support schemes. Slovenia has also made significant progress in strengthening the institutional capacities of the environmental administration *inter alia* by creating a new structure, the Environmental Agency (EAoRS) within MOEPP which is responsible for enforcing legislation on water pollution and related monitoring.

63. In the banking sector, the Government is engaged in efforts to privatise State-owned banks and to promote private investments.

Value Added of EBRD and GEF Support to the Project

64. GEF and EBRD will create added value in particular in terms of: (i) additional investment funding to address trans-boundary water pollution in DRB, including favourable loan terms and leverage effect of strong international agency participation; (ii) maximum use of the substantial analytic work, undertaken by other GEF-supported programmes, identifying core environmental problems, their causes, and priority investments in the DRB, which will help the project avoid duplication with other on-going efforts; (iii) establishment of strong linkages with other ongoing GEF projects in the area, contributing to complementarity and synergies between the initiatives and thus optimal use of scarce resources; and (iv) facilitation of information dissemination and dissemination of lessons learned to ensure that the project results will be replicated in other DRB countries thereby enhancing its cost-effectiveness.

65. The project will benefit from earlier EBRD experiences in the geographical and thematic area. EBRD is active in the financial institutions sector in Central and Eastern Europe, and has a longstanding experience in involving local financial institutions as intermediaries to channel money to the private sector. The EBRD project which is most relevant to the proposed project is a joint EBRD-EU facility, established in April 1999, to support SMEs in EU accession countries. Under this facility, EBRD funding is extended to local banks for initiating or developing their equity and debt financing to SMEs, and this is supported by a grant from EU PHARE programme. To date, EBRD, has extended Euro 333 million to 23 banks in 10 countries in conjunction with Euro 58 million grant financing from EU. Lessons learned from this project are discussed above. Other relevant EBRD projects include EU co-funded environmental credit

line in Hungary, energy efficiency credit lines in Slovak Republic and Romania, regional funds for energy efficiency and emission reduction, and environmental investment, and financing for small municipalities through local banks in Croatia.

66. In Slovenia, other relevant EBRD experience, from which the project will benefit, include: (i) earlier cooperation with local FIs in environmental assessment of loan applications; (ii) organisation of training for local FIs on environmental risk management and environmental financing opportunities; (iii) organisation of environmental consultant training courses; and (iv) co-financing of WWTP of the city of Maribor.

5. SUSTAINABILITY AND RISKS

Sustainability

67. The institutional sustainability of the project is ensured by its execution through established and independent Slovenian private and public sector actors - local commercial banks, local Environmental Expert, TAM/BAS Programme, and private companies and municipalities - acting in partnership to achieve project objectives. These actors will undertake project activities on the basis of their comparative advantage and previous expertise, pursuing commercially viable development strategies and taking specific responsibilities within their core business competency. Their selection will be preceded by, in the case of local banks, a thorough appraisal by EBRD, in the case of the Environmental Expert, a competitive tendering process, and in the case of final beneficiaries, a comprehensive financial and environmental due diligence review. Participation in the project will build capacities among these actors, which will further enhance project sustainability.

68. The project is designed to be fully supportive of GOS policies and programmes in the field of water pollution. Its social sustainability depends on the effectiveness and enforcement of this policy framework. The Slovenian government and the public already attach great importance to these policies (see section on indications of borrower and recipient commitment and ownership) and this support is likely to be further strengthened by Slovenian accession to the EU as well as by policy development, institutional strengthening and capacity-building activities of other ongoing GEF DRB projects. National-level benefits from water pollution reduction, such as enhanced public health, improved life quality and improved municipal infrastructure, are likely to generate further support for proactive policy development and implementation in this field. Information dissemination activities included in the project will contribute to this process.

69. The project will encourage Slovenian water-polluting companies and municipalities to implement environmental improvements, which go beyond minimum national requirements or reach them sooner than under the baseline scenario. The sustainability of this approach is based on its firm linkage with national policies, commercial pragmatism, and economic benefits to participants and borrowers (reduced costs of compliance with national legislation and decreased wastewater tax burden), the inclusion of a technical assistance component strengthening the borrowers' environmental management capacities, and related GEF efforts to strengthen public environmental awareness in Slovenia.

70. Project sustainability will also be strengthened by its contribution to market development in water pollution reduction technologies and in environmental financing products.

The project will strengthen the technology market by: (i) contributing to demand through increasing the number of companies investing in water pollution reduction; (ii) providing technical assistance to these companies; and (iii) financing the demonstration of, and related information dissemination on, innovative technologies which should lead to enhanced client confidence in and reduced costs of these technologies. As to environmental financing products, the project will contribute to market development by: (i) increased demand for these financing products resulting from co-financing needs and strengthened environmental capacities of borrowing companies, and (ii) stronger environmental capacities of local FIs.

71. Future financial sustainability of individual investments financed from the project will crucially depend on the performance of the borrowers in operating the investments. The strict financial criteria applied by the project in selecting investments will contribute to its financial sustainability. Careful selection of participating FIs (see Annex 2) will also enhance sustainability, minimising the risk associated with FI lending.

Replicability

72. Developing and demonstrating an innovative concept of public/private partnership in water pollution reduction, with a view to its subsequent replication, is one of the main objectives of the project. Successful replication could take several forms, including: (i) establishment of other water pollution credit lines/facilities disbursed through private channels and subsidised by GEF or other public funding sources; (ii) providing support for other non-grant financing modalities (guarantee facilities, contingent financing facilities etc.) involving both public and private institutions and funding sources; and (iii) increased participation of private FIs in financing water pollution investments under normal market terms and conditions. Replicability of the project also covers increased user confidence in, and cost-reductions of, innovative water pollution reduction technologies demonstrated through project investments.

73. Though the operational modality has been implemented in other countries in support of economic and other objectives, this project is designed as a pilot project in the water sector testing the viability of the concept in Slovenia and later replicating it both within the country and in other DRB countries. The replication potential is enhanced by the similarities between DRB countries and Slovenia, in both environmental and some industrial/socio-economic terms. Neighbouring DRB countries have an even more pressing need than Slovenia for environmental financing to meet EU accession and related requirements. Slovenia was chosen as a pilot country because, as one of the most advanced DRB economies, it provides a good environment for testing and refining the concept. Harmonisation of Slovenian environmental legislation with the EU acquis is almost completed, and related enforcement and monitoring systems are in place and operational. The Slovene private banking sector is well developed, and local FIs are interested in participating in the project. Strong environmental expertise needed for project preparation and implementation is also available locally.

74. Replicability is reflected in project design in several ways:

- First, the project will be managed through existing institutions and commercial banks. Its replication in other countries would not require establishing new institutions. Both EBRD and the TAM/BAS Programme have extensive experience in other DRB countries. EBRD has a network of FIs in all DRB countries through which similar credit facilities could be extended; though there may be issues with the development of the industrial base or the

openness of local banks to environmental financing. The BAS Programme has operational offices in many of the countries.

- Second, the project provides a non-grant financing modality which should facilitate replication of the concept in countries with severe constraints on grant funding for environmental purposes.
- Third, the project is based on a flexible, demand-driven approach which also provides for technical inputs supporting 'own resource' solutions. The modality of operation, with minimum pre-determined requirements, can be easily modified and applied in different settings.
- Fourth, the project reflects a regional/basin-wide approach, based on inputs from regional institutions and programmes, such as ICPDR and UNDP/GEF DRP during project preparation.
- Finally, a comprehensive information dissemination strategy is built in the project to ensure replication.

75. The implementation of the project in Slovenia is expected to provide EBRD, GEF and other stakeholders with experiences, which help with further developing the project concept and management. These experiences can be used to streamline the approach thus moving it closer to commercial terms and reducing the level of concessional funds required in future replication.

76. In the long-term, replication results are also expected to reach beyond the DRB since many river basins experience similar financing constraints which hinder implementation of environmental investments. The flexibility of the project concept allows for replication in a wider range of environments. However, certain preconditions have to be met, in particular the need for supportive market conditions, the inputs of pragmatic industrial experience and knowledge, the existence of strong local FIs, a relatively advanced level of environmental legislation and its enforcement, as well as the availability of limited grant funding to cover credit subsidies, technical assistance and management costs.

77. Concerning short-term replication in Slovenia, assuming full disbursement of the Credit Facility, continuing existence of unmet demand for technical input and investment funding, and continued GEF support, EBRD may be willing to increase the funds allocated to the project in the following years.

Critical Risks

78. As in any innovative approach, the project entails certain risks. These include:

- The costs associated with the establishment, operation and maintenance of primary and secondary treatment in municipal WWTPs are very high, which, together with frequent cases of inefficient management and low tariff collection rates puts into question the financial sustainability of municipal WWTP investments. *The risk of payback failures is controlled in the proposed Credit Facility by ensuring that eligible loan applications are financially reviewed by the local FIs using strict financial criteria.*

- Poor project quality at entry may result in unrealistic expectations, disbursement delays, and failures to meet targets of wastewater projects, and adequate preparation is therefore a high priority. *The planned project will address this issue by a separate technical assistance component.*
- There is a risk that due to the existence of the Ekofund, demand for the proposed CF could be limited. Ekofund, which is a State-sponsored fund, has the ability to borrow from IFIs, and is able to increase its capital in response to demand. It also is closely affiliated with the MOEPP and has low operating costs. However, State Aid Regulation limits Ekofund's ability to lend to the private sector (State Aid can only be used to cover up to 30-40% of the investment costs, see Annex 6); this restriction will not apply to the proposed CF as its associated GEF grant, when channelled through private FI, will not be considered as State Aid. Furthermore, Ekofund has no TA or training capabilities; it doesn't lend to the agricultural sector or to higher risk potential clients; and, it has a cap on lenders. The Ekofund alone is therefore not able to satisfy the existing demand for financing the type of environmental investments targeted with this project. The proposed CF will fill this gap by providing an additional, complementary source of finance. *On this basis, EBRD will raise the issue of relations between Ekofund and the proposed CF with the relevant Slovenian Ministry with the aim of clearly defining the nature and scope of the CF in relation to other environmental financing initiatives.*
- An economic downturn could negatively impact the demand for the loans and portfolio quality, which would slow the disbursement of the Facility, and affect the global financial performance of partner banks. *This risk is minimised by the stability of the Slovene banking sector and of the country's economic growth which enables it to meet all the deadlines for successful European Union integration. The project will further contribute to improving the competitiveness and economic strength of participating enterprises.*
- Defaults by sub-borrowers to FIs could undermine the success of the Facility in terms of achieving its environmental objectives. *The project will ensure that the local banks adopt sound lending practices and methodologies to reduce the risk on sub-loans.*
- State enforcement for non-compliance might be weak, causing the companies not investing in clean technology. *This risk will be mitigated by strong revenue demand from the regulating institutions, and by strong pressure from the EU to enforce EU-harmonised legislation. The compliance will be closely monitored as Slovenia is expected to join the EU in 2004.*

6. MONITORING AND EVALUATION

79. Monitoring and evaluation (M&E) of the project is critical to establishing a sound precedent for non-grant mechanisms in the GEF IW portfolio. The project will be monitored at three levels. First, the environmental impacts of the investments financed with project funds will be technically monitored by the Environmental Expert, and reported to the participating local bank and EBRD (see Annex 2). Second, the financial monitoring of the loans will be undertaken by participating local banks, in accordance with their standard procedures. Third, EBRD, as a GEF Executing Agency, will monitor the overall performance of the project including local FIs, Environmental Expert, and TAM/BAS performance in managing project activities. The

monitoring of results and impacts will be based on the performance indicators (see Annex 1) which measure both direct and indirect impacts of the project.

80. The Environmental Expert will visit sub-borrowers once the sub-project being financed is successfully implemented and operational. The Environmental Expert will undertake a “sub-project completion test”, i.e. confirm that the sub-project is operating according to the parameters stated in the original loan application to the FI, and provide a “sign-off” to the sub-borrower, the FI and the EBRD. Without the sign-off of the Environmental Expert, the sub-borrower will not receive the GEF grant. After sub-project completion test, the Environmental Expert will be retained to monitor the performance of sub-projects throughout the lifetime of the loans. The purpose is to confirm that the performance of the sub-borrower corresponds to the agreed monitoring plan (see Annex 5).

81. The FIs will, as part of their standard business practices, require clients receiving finance through the Facility to report on a regular basis. Reports to the FIs will include the sub-borrowers' financial statements and updates on the environmental monitoring plan.

82. The TAM/BAS Programme in Slovenia normally provides the TAM Group in EBRD with a final report for each of the individual projects it has undertaken. The same requirements will apply to TAM/BAS activities financed by the proposed project. TAM/BAS reports will provide an additional source of information for assessing the impacts of the sub-projects financed from the Facility. TAM/BAS Programme will also report separately to EBRD on the marketing and information dissemination activities that it undertakes for the project.

83. Requirements on regular reporting from FIs, the Environmental Expert, and TAM/BAS to EBRD will be incorporated in the agreements and TORs of these institutions.

84. EBRD will monitor the facility in a number of ways. First, the Bank will maintain a database of sub-projects financed through the Facility to help keep track of the amounts of money disbursed under the facility and an estimate of potential emissions reductions from sub-projects financed to date. On a six-monthly basis, participating FIs will be required to provide EBRD with reports on disbursements, and existing sub-borrowers' financial performance as well as with aggregated reports of the loan-specific environmental monitoring activities undertaken by the Environmental Expert. The general financial position and performance of the FIs will be closely monitored through semi-annual portfolio overviews and reports on problem loans, and annual audited accounts.

85. EBRD will prepare the following reports on the GEF grant: semi-annual progress reports, a final report, and a final audited financial statement within 6 months of project completion. The semi-annual and final reports will cover: implementation progress, ratings of global environmental objectives, sustainability and replicability, cross-cutting themes such as capacity-building and stakeholder participation, lessons learned, and other issues required by GEF PIR. World Bank/GEF will have the right to request information at any time between the regular six-monthly reports to ensure that objectives of the project are being achieved.

86. A mid-term evaluation, contracted to an independent expert, will be undertaken following the first **(to be confirmed)** year of project implementation to inform EBRD of mid-course progress and to advise on any modifications required to maximise project results and

impacts during the remaining implementation period. The mid-term review and the final evaluation (see below) will make use of a participatory round table.

87. A final evaluation, contracted to an independent expert, will be conducted prior to project closure. To await the end of the repayment period of all loans would undermine the usefulness of the evaluation in replicating the project concept and influencing future project design. Therefore, this evaluation will be based on available data considered indicative of portfolio performance, the success of the project in originating loans, the achievement of objectives, and the impacts of the project.

88. The results from monitoring and evaluation will be disseminated widely at both national and international level within and beyond the GEF community through reports, presentations and other means, to ensure cross-learning and exchange of experiences. The M&E activities will follow GEF requirements on ensuring transparency in the availability of, and ease of access to M&E information, follow-up of M&E findings in project implementation, as well as dissemination of lessons learned.

Attachment 1. Slovenian Water Pollution Hot Spots and Other Priority Investment Targets

Municipal (33)¹

1. WWTP Ljubljana (under construction²)
2. WWTP Maribor (under construction)
3. WWTP Celje (ISPA funding confirmed)
4. WWTP Murska Sobota
5. WWTP Lendava (constructed)
6. WWTP Rogaška Slatina
7. WWTP Sevnica
8. WWTP Krško (ISPA funding confirmed)
9. WWTP Brežice
10. WWTP Vrhnika
11. WWTP Trbovlje
12. WWTP Velenje (Šoštanj) (ISPA funding confirmed)
13. WWTP Ptuj
14. WWTP Jesenice
15. WWTP Domžale
16. WWTP Metlika
17. WWTP Novo Mesto
18. WWTP Črnomelj
19. WWTP Ljutomer
20. WWTP Kranj
21. WWTP Škofja Loka
22. WWTP Bohinjska Bistrica
23. WWTP Radovljica
24. WWTP Kranjska Gora
25. WWTP Trzin
26. WWTP Litija
27. WWTP Zagorje
28. WWTP Hrastnik
29. WWTP Dravograd
30. WWTP Mislinja
31. WWTP Slovenj Gradec
32. WWTP Kasače
33. WWTP Slovenske Konjice

Industrial (9)³

1. Brewery Union Ljubljana
2. Brewery Laško
3. Pulp and paper plant Paloma

¹ Sources: hot spots 1-21 included in the DPRP Slovenia National Review 1998; hot spots 1-13 and 22-31 included in ICPDR JAP 2001; hot spots 1-17 and 22-33 included in the National Programme for WWTP Construction, 2001.

² Brackets contain information on current status, collected at a meeting with MOEPP in October 2001.

³ Sources: hot spots 1-9 included in the DPRP Slovenia National Review 1998.

4. Paper Factory ICEC Krško
5. Leather Industry Vrhnika
6. Dairy Factory Ljubljana
7. Paper Industry Radeče
8. Food Industry Pomurka M. Sobota
9. Dairy Factory Maribor

Agricultural (4)¹

1. Farm Podgrad
2. Farm Ihan
3. Farm Jezera – Rakičan
4. Farm Nemščak – I akovci

¹ Sources: hot spots 1-4 included in the DPRP Slovenia National Review 1998; hot spot 1 included in the ICPDR JAP 2001.

Attachment 2. ICPDR Complementary Activity Matrix

Needs for complementary activities identified during project design	Other GEF activities in the DRB		
	Activity	Duration	Costs (USD) /1
Updating of hot spot analyses to identify priority investments	1. DRP: Updating of industrial hot spot inventory	2001-03	included in 23.
	2. DRP: Identification of key industries in sensitive areas	2001-06	included in 23.
	3. DRP: Updating of agricultural hot spot inventory	2001-03	included in 22.
	4. DRP: Inventory of high accidental risks spots	2001-06	included in 17.
	5. DRP: Analysis of sediments and their impact on Black Sea ecosystems	2003-06	16,727
Awareness-raising	6. DRP: Applied awareness-raising through a "small grants programme"	2001-06	204,182
	7. DRP: Public awareness raising campaigns	2001-06	105,091
	8. UNDP MSP awareness-raising activities	2000-02	52,567
Capacity-building	9. DRP: Training programmes on BAT	2001-06	included in 23.
	10. DRP: Training and consultations on resource management and pollution control	2001-06	46,545
	11. DRP: Support for NGO and community involvement	2001-06	56,818
	12. DRP: Training on the use of the ICPDR Information and Monitoring System	2001-06	included in 33.
	13. WB IF: Distance Learning programme	2002-07	no costs in SI
	14. UNDP MSP capacity-building activities	2000-02	276,475
Institutional strengthening	15. DRP: Implementation of systems of water pollution charges and incentives	2001-06	19,895
	16. DRP: Interministerial committees and other coordination mechanisms	2001-03	3,455
	17. DRP: Improvement of procedures and tools for accidental emergency response	2001-06	36,124
	18. DRP: Development of economic instruments for nutrient reduction	2001-06	15,818
	19. DRP: Memorandum of Understanding ICPDR-ICPBS	2001-06	4,546
	20. DRP: Reinforcement of the ICPDR Information and Monitoring System	2001-06	included in 33.
Policy development	21. DRP: Development and implementation of river basin management guidelines	2001-06	98,007

	22. DRP: Review and development of BAP policies	2001-06	73,549
	23. DRP: Review and development of BAT policies	2001-06	62,644
	24. DRP: Development of cost-covering concepts for water tariffs	2001-06	22,622
	25. DRP: Wetlands policy development	2001-06	40,069
	26. DRP: Reduction of phosphorous in detergents	2001-06	17,675
Projects on reducing diffuse agricultural pollution	27. DRP: Pilot projects on promoting BAP to reduce agricultural pollution	2001-06	73,549
	28. WB IF: Agricultural investment projects	2001-07	no costs in SI
Monitoring	29. DRP: Development of monitoring tools	2001-06	51,055
	30. DRP: Definition of status indicators for Danube and the Black Sea	2001-06	Included in 19.
	31. DRP: Monitoring of wetlands' nutrient removal capacities	2001-06	21,567
	32. DRP: Development of indicators for project monitoring and impact evaluation	2001-06	12,982
Information dissemination	33. DRP: Reinforcement of the ICPDR Information and Monitoring System	2001-06	63,263
	34. DRP: Information dissemination of lessons learned in WB IF projects	2001-06	no costs in SI
	35. WB IF: Website	2001-07	no costs in SI
	36. UNDP MSP information dissemination activities	2000-02	30,959
Total costs for Slovenia		2001-07	1,406,184

1/ Costs for Slovenia derived by dividing overall project output costs with the number of participating countries.

Map 1. The Region and Project Area With Location of Water Pollution "Hot Spots"

