

**PROJECT DEVELOPMENT FACILITY
REQUEST FOR PIPELINE ENTRY APPROVAL**



AGENCY'S PROJECT ID:
GEFSEC PROJECT ID:
COUNTRY: Romania
PROJECT TITLE: Environment Management
GEF AGENCY: World Bank
OTHER EXECUTING AGENCY(IES): N/A
DURATION: 5 Years
GEF FOCAL AREAS: BD, IW, POPs
GEF OPERATIONAL PROGRAM: 14, 8,
GEF STRATEGIC PRIORITY: BD1, BD2, IW1, IW3,
 POP2
ESTIMATED STARTING DATE: Jan 2007
ESTIMATED WP ENTRY DATE: MAY 2006
PIPELINE ENTRY DATE: November 2005

FINANCING PLAN (US\$)	
GEF ALLOCATION	
Project	25,000,000
Project Co-financing	100,000,000
PDF A*	
PDF B**	
PDF C	
<i>Sub-Total GEF PDF</i>	0
PDF CO-FINANCING (details provided in Part II, Section E – Budget)	
IBRD/IDA/IFC	
Government Contribution	
Others	
<i>Sub-Total PDF Co-financing:</i>	
<i>Total PDF Project Financing:</i>	0

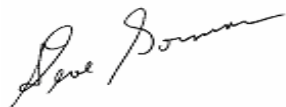
* Indicate approval date of PDF A:
 ** If supplemental, indicate amount and date of originally approved PDF:

RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT:

Mr. Silviu Stoica, General Director for Management of Structural Instruments Date

GEF Operational FocalPoint for Romania

This proposal has been prepared in accordance with GEF policies and procedures and meets the standards of the GEF Project Review Criteria for approval.

Steve Gorman 
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 Date: *October 17, 2005*

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**GEF PROJECT CONCEPT NOTE
ROMANIA
MULTIPLE FOCAL AREA PROGRAMMATIC REQUEST LINKED WITH WORLD
BANK ENVIRONMENT MANAGEMENT LOAN**

A. PROJECT SUMMARY.

Romania has been preparing for adjustments to a harmonized European Union legislative framework for over a decade. However much remains in terms of preparation and capacity for implementation, thus the country is currently under immense pressure as it moves towards the expected accession in 2007. Requirements for accession are particularly strong in the environment sector, with estimates of the cost of compliance reaching €29 billion between 2005-2019, and up to €48b until end 2050. EU Grant resources are expected to cover up to 25 percent of these costs, while the remaining financing gap must be covered by state budget, other donor support, and loans from International Financial Institutions (IFIs). While much of this expenditure relates to infrastructure construction to be phased in over 10-15 years, the peak annual expenditure period is during the coming six years. This is placing a great strain on government environmental institutions, particularly with respect to project preparation and management capacity at the national, regional and local levels. The EU Acquis Communautaire (EU legislation which includes an extensive environment chapter) places a great emphasis on implementation and enforcement, which in turn exerts great pressure on the environment protection agencies at the national, regional and local levels.

In light of the challenges of the environment *acquis*, four priorities need to be addressed:

- Strengthening institutional, administrative, and operational capacity for implementation of the environment *acquis*;
- Finding the fiscal space and lowering costs of meeting proposed environmental investments;
- Development of mechanisms to improve affordability and address social costs of improved environmental services for the population ;
- Accelerating capacity of the private sector (and other non-government parties) to meet EU Environment standards in line with market competitiveness.

The Romanian government has responded to these institutional pressures by forming national and regional agencies (in accord with their EU Implementation Plan), and initiating a major recruitment program which has increased environmental staff numbers by over 1200 staff during 2004-5. However, these new staff members are generally young and inexperienced, and need intensive capacity building to become effective. This capacity building is the basis of the proposed World Bank loan, based on the above rationale. The loan is being designed to help meet priority implementation activities and in close conjunction with the work of other donors and national institutions, in support of an accession agreement with the European Union. *Membership in the EU also brings obligations for compliance with international environmental treaties, including the UN Convention on Biodiversity, the UN Climate Change Convention, the Kyoto Protocol, and the Stockholm Convention- and a need to fully integrate global and local management and policy systems.*

The **overall objective** of the proposed Loan is to help build institutional and regulatory capacity to implement the EU Environment Acquis by supporting improved cost-effectiveness of investments and building project development capacity for absorbing EU grant funds. Systemic support to environmental institutions would be complemented by work across three important technical pillars *which all provide opportunities for leveraging and accelerating action with incremental GEF funds:*

- Water management, including implementation of the EU Nitrates Directive;
- Waste, including hospital waste, Persistent Organic Pollutants including PCBs, “hot spots” caused by historical pollution, and hazardous waste management;
- Nature Protection, including support for the EU Natura 2000 program.

Administrative capacity support to meet Romania’s environment sector commitments targets:

- Maintaining a sustainable human resources strategy
- Strengthening inter-agency and inter-sectoral collaboration, through the use of effective information systems
- Increasing and maintaining effective project management capacity
- Enhancing environmental policy and program monitoring programs

Romanian public procurement and financial management systems are currently being harmonized to EU standards, and the World Bank is closely involved in supporting an action and improvement plan to achieve this by accession. The loan would also help strengthen the capacity of the environment institutions to operate under the newly harmonized systems. The proposed Specific Investment Loan would be designed as a Sector Wide Approach (SWAp)¹ to selectively help fill in funding gaps with the budget and other donors, promote reliance on national systems, and accelerate and simplify disbursement.

The global environment objective of a program wide GEF grant would be to integrate regional and global priorities into the longer term national systems being established for biodiversity conservation, nitrates management; and chemicals and legacy pollution mitigation, management and control.

Complementing the loan’s three technical pillars - a programmatic request to the Global Environment Facility is being made for grant funds targeting Biodiversity; International Waters, and Persistent Organic Pollutants Focal Areas. GEF resources in these three areas would help anchor the global environment objectives into national environmental systems at a critical point as implementation of long-term environmental programs are at initial stages.

Three separate GEF requests for support were considered, however rejected on the basis of transaction costs of processing multiple requests over a similar and relatively short time frame. Also since all technical thematic areas require integration with administrative capacity building and implementation programs by the same core environment institutions- the GEF support will

¹ Common principles of a SWAp are 1) Supporting a country-driven program for a defined sector; 2) Establishing a strong partnership and coordinated approach linked to policy issues and program and sector performance monitoring; and 3) a greater reliance on national systems such as procurement, financial management, environmental safeguard review, and the national budgeting process.

be most effective if it can be provided within a wider context, in a larger package, and in a common timeframe.

The potential availability of GEF resources in the priority technical pillars for the loan was one factor considered in defining areas for loan support, and thus has influenced leveraging of financial support to these priorities. The World Bank is uniquely placed to help Romania integrate global grant resources into national investment programs through its past work with GEF Biodiversity and International Waters investments in Romania; its development-oriented focus on the needs of key institutions and governance structures; and through its country program is focused on helping support Romania's integration with the European Union.

B. COUNTRY OWNERSHIP

1. Country Eligibility:

Romania is an IBRD member country, and is eligible for GEF Biodiversity grant resources through its ratification of the CBD on the 17th of August 1994. Romania is also eligible for POPs grant resources through its ratification of the Stockholm Convention with Law no.261 on June 29, 2004. In accordance with the Stockholm convention, the intentional production, import and use of POPs have been prohibited by Romanian law. Nearly the entire territory of Romania lies within the Black Sea/Danube Basin. While no International Convention determines eligibility for International Waters GEF grant funds, Romania is a party to all relevant regional conventions such as the Bucharest Convention on Protection of the Black Sea; the Odessa Declaration on Protection of the Black Sea; and the Danube River Convention. Romania is also an active participant and a dues paying member of the Black Sea Commission and the International Commission for the Protection of the Danube River.

2. Country Drivenness:

In 1995, Romania signed the Pre-Accession Agreement with the European Union and Romania adopted several sectoral strategic documents and norms to following the sustainable development principles. These national strategies also include the conclusions and recommendations of the European Sustainable Development Strategies (Lisbon and Gothenburg) and the 6th Environmental Action Plan, aiming to ensure the conservation, protection and improvement of the environment, protection of human health and sustainable use of natural resources. The scope and prioritization of environmental management and environmental improvements for Romania is embodied in many documents from the National Development Plan (NDP) to Local Environment Management Plans (LEAPs), but is primarily manifest in the Implementation Plans for the Environmental Acquis negotiated and agreed with the EU in 2004.

BIODIVERSITY

The Romania National Biodiversity Strategy and Action Plan (BSAP), approved in June, 1996, identifies among its priorities the development and extension of the national network of protected areas, the protection, conservation and restoration of terrestrial and aquatic biodiversity outside of protected areas, and the involvement of civil society organizations in programs and actions for biodiversity protection, conservation and restoration.

The Government of Romania has long demonstrated a commitment to protecting biodiversity. The country ratified the Ramsar Convention in 1991, the Bern Convention on Conservation of European Wildlife and Natural Habitats in 1993, CITES and CBD in 1994, and the Bonn Convention for the Conservation of Migratory Species in 1998. Under the National Development Plan 2004-2006, the Romanian Government declared "environment protection" as priority # 2 and defined "environment protection" to include nature conservation and sustainable development, including eco-tourism and sustainable forest resource use.

The "Environment for Europe" Ministerial Conference in October 1996 endorsed the Pan-European Biological and Landscape Diversity Strategy (PEBLDS), which is the Pan-European response to the Convention on Biological Diversity. Endorsed by 54 countries and the EU, it presents an innovative and proactive approach to stop and reverse the degradation of biological and landscape diversity values in Europe. It is regarded as innovative by addressing all biological and landscape initiatives under one European approach; and proactive because it promotes the integration of biological and landscape diversity into social and economic sectors.

Romania is also a partner in the NGO-driven Carpathian Ecoregion Initiative, an international partnership of over 50 organizations from seven countries in the region, aimed at protection and sustainable development of the Carpathians, one of WWF's Global 200 Ecoregions. Nine Heads of State and representatives of five other countries adopted a declaration committing their respective countries to collaborate on shaping a sustainable future for the Carpathians in April 2001 at the Bucharest Summit on Environment and Sustainable Development in the Carpathian and Danube Region. Carpathian countries' ministers of environment strengthened this commitment by signing the Carpathian Convention at the 5th Environment for Europe Conference in May 2003 in Kiev, Ukraine.

The project's focus on strengthening protected areas by helping integrate conservation planning and actions with the surrounding landscape (includes promotion of agro-environmental practices and sustainable forestry), will demonstrate actions to achieving the main PEBLDS goal – to stop and reverse the degradation of biological and landscape diversity in Europe. The cost estimate for compliance with the Nature Protection Directives, based on accession agreements, is 1.5 Billion Euro up to 2050.

Despite these substantial commitments, and the quickly approaching date of accession, neither are likely to result in immediately improved resource flows for biodiversity conservation. Particularly, there is relatively limited scope within the framework of various pre-accession agreements for financing the types of innovations in protected area management which are already underway in Romania.

INTERNATIONAL WATERS

Romania is signatory to the Danube and Black Sea Conventions, and has actively participated in regional projects and forums to help define priorities for action. The GEF (joint with the EU) has been an active partner to this process since 1992, and helped to finance development a Transboundary Diagnostic Analysis (TDA) and Strategic Action Plan (SAP) for each Basin through UNDP lead regional projects. Nutrient over-enrichment or eutrophication was identified as the primary threat to the Black Sea. In 2001 a major investment-oriented effort was launched,

with GEF support to stimulate action on 1.) non-point source agricultural pollution in the Basin; 2.) point-source pollution from industry and wastewater discharges; and 3.) enhancement of wetland habitats to promote better filtration and nutrient removal. Romania was the first country to initiate an agricultural focused investment program under the \$70 million World Bank/GEF Strategic Partnership Investment Fund for Nutrient Reduction.

An international mid-term evaluation/stocktaking meeting held in Bucharest in November, 2004 concluded that the Romania Agricultural Pollution Control Project (APCP) in Calarasi Judet was leading in the region in terms of concrete demonstration of actions to reduce agricultural nutrient loads. Romania has over the years hosted several regional delegations including Turkey, Ukraine, and Moldova to visit their pilot program and this has helped to stimulate similar programs now under implementation in those states. Annual workshops to exchange experiences across projects have helped to further promote Romania's regional leadership role. The Calarasi pilot more recently was used as the basis for Romania's "implementation plan" for the EU Nitrates Directive during accession negotiations, and its Code of Good Agricultural Practices was formally adopted in Romania to provide the initial framework for mainstreaming environment into EU agricultural policy. The project also helped establish an Inter-Ministerial Committee for water protection against pollution with Nitrates from agricultural sources (Decision 964/2000), critical to promote integrated action across four responsible line ministries (health, agriculture, environment, administration). The cost of compliance with the Nitrate Directive has been estimated at €2b until end 2011. Romania agreed with the European Union in their accession negotiations to declare the entire territory as a "sensitive" zone relating to its close link to the Black Sea and Danube River. This has important implications for agreed wastewater treatment level targets (to include nutrient removal at higher costs), as well as the importance of integration and cross-compliance with EU agricultural policy. No other country in Europe has their entire territory declared as sensitive (**except possibly Bulgaria- need to verify their agreement with EU**).

Romania is currently focusing efforts on initiating nation wide actions to up-scale and replicate actions tested in Calarasi county (41 other counties) focusing in on the "Nitrates Vulnerable Zones" with highest nitrate groundwater concentrations. The World Bank loan will help support investments to increase the groundwater monitoring network, build administrative capacity, and help finance hard investments. Further up-front work is immediately required to identify for each sub-basin the relative nutrient loads from animal, human, industrial, and agricultural nutrient loads. GEF's support to Romania is requested to help accelerate action, and to support Romania's continued role as a leader by helping demonstrate steps required for a full-scale nation-wide integration of nutrient reductions objectives with European policy. The efforts of Romania are expected to continue to be a critical catalyst for action by other countries in the region.

PERSISTENT ORGANIC POLLUTANTS

In 2002 Romania received a GEF Enabling Activity grant through United Nation Industrial Development Organization (UNIDO) to facilitate early action toward Stockholm Convention objectives. The work was conducted by Romania's National Research and Development Institute for Environment Protection (ICIM). The objective of the project was to assist Romania to fulfill obligations under the Stockholm Convention and prepare and endorse its National

Implementation Plan (NIP) on Persistent Organic Pollutants (POPs). The final NIP was adopted by the government and published in February 2005.

The NIP has been established to prioritize objectives, measures and actions to reach the obligations under the Stockholm Convention, and it was developed with wide stakeholder participation. POPs issues are relevant to several EU Environment Directives including those related to supply and use of chemicals, industrial pollution control and risk management, hazardous wastes, and incineration processes. Romania adopted a National Hazardous Waste Strategy in 2005 based on bilateral support from Japan which integrates POPs in the chemicals program addressing institutional and legislative actions; information collection, technical guidelines, and awareness needs; and recommending priority actions for remediation and clean-up of contaminated sites. The Ministry of Environment and Waters Waste and Hazardous Chemicals Directorate and Soil and Sub-Soil Units are initiating early actions related to data collection and inventory needs identified by the Strategy.

EU Sector Operational Programmes (SOPs) and Regional Operational Plans (ROPs)- an EU Structural grant programming document has a priority measure for rehabilitation and recovery of industrial sites. The proposed project is consistent with both driving priorities, and would support up-front environmental data collection, prioritization, screening, and site containment which is required at most sites before EU grant funds could be properly programmed.

GEF POPs actions would build on the result of a previous GEF-UNIDO project which supported development of a National Implementation Plan (NIP) for POPs in Romania. The Loan proposes components (e.g. PCBs, historical pollution hot spots) where investment in the capacity of the environmental institutions can integrate key recommendations of the NIP to promote greater sustainability. The NIP acknowledges that effective implementation requires not only the necessary funds, but also the required institutional capacity. A complement of the grant and loan will help ensure these links are well established.

The NIP timetable covers a 25 years period divided in three sub-periods: 1.) short term: 1 – 3 yrs (2004 – 2007); 2.) medium term: 4 – 10 yrs (2008 – 2014); and 3.) long term: 11 – 25 yrs (2015 – 2029). The project would help complete some short term actions and establish the enabling framework for the medium and longer-term POPs agenda. The total cost of NIP implementation is estimated at 52.6 million Euro including 28.4 million Euro in investments: 28.4 million; 17 million Euro in local labor; and 7.15 million Euro in foreign labor.

C. PROGRAM AND POLICY CONFORMITY*

1. Program Designation and Conformity:

BIODIVERSITY

The proposed project is consistent with Operational Programs 3 and 4 on forest ecosystems and mountain ecosystems. Management of the national system of protected areas is quite good, as far as it goes. At the national level, MoEWM's Directorate of Nature and Biodiversity Conservation (DNBC) is responsible for working with other stakeholders in Romania, especially the National Forest Administration's Service for Protected Areas (SPA) to find effective

management regimes for each of Romania's protected areas. With the exception of the Danube Delta Biosphere Reserve, the largest protected areas – a network of 16 national and natural parks -- are under the management of the National Forest Administration, and these have benefited significantly from earlier GEF support. The regional Offices of Ministry of Environment and Water Management have overall responsibility for around 844 much smaller reserves and are in the process of transferring responsibilities for their administration to a range of civil society organizations. The NFA is administering 158 of these small reserves, comprising 26,400 hectares in total and intends to take on the duties to manage other areas as well. But the majority of these small reserves will eventually be managed by local organizations (NGOs, academic institutions, local communities) under contract with MEWM. This is an important policy and institutional innovation. In practice, though, it will require new management models for small protected areas and significant investments in capacity building. A large number of much smaller areas, however lack effective management, and the overall network consequently suffers from a number of related limitations that hamper its sustainability.

Of the 844 natural monuments and nature reserves, 95% are under 10,000 hectares in size and these lack “on-the-ground” management. This project will contribute to the sustainability of Romania's national protected area system by supporting best management practices through innovative partnerships with civil society groups, and disseminating them to other protected areas in Romania. The strengthening of these kinds of partnerships, and the sharing of the resulting lessons, will mark an important milestone in the long-term maturation and sustainability of the PA system.

This project is designed to support the primary objectives of the Convention on Biological Diversity (CBD). By integrating conservation and sustainable use of biodiversity into relevant plans and policies, the project will fulfill the requirements of *Article 6: General Measures for Conservation and Sustainable Use*, *Article 7: Identification and Monitoring* and *Article 8: In-situ Conservation* will be supported through the strengthening of protected area management and through targeted species and habitat management, research and monitoring program which will be supported in conjunction with the development of Natura 2000 sites. Improved oversight of contractual management arrangements for protected areas, provided for in the legal framework, also supports these Articles. *Article 10: Sustainable Use of Components of Biological Diversity* will be furthered through the development and demonstration of alternative, sustainable livelihood options that avoid or minimize adverse impacts on biological diversity, providing incentives for sustainable use (*Article 11: Incentive Measures*). The project will also support *Article 12: Research and Training* by promoting targeted research on priority biodiversity, providing training in technical and managerial areas, and developing linkages for exchange of information (*Article 17: Exchange of Information*). Education and awareness-raising will also be a project priority (*Article 13*).

This project is consistent with *Strategic Priority 1: Catalyzing Sustainability of Protected Area*, the key objective of which is to conserve biodiversity through the expansion, consolidation, and rationalization of national protected area systems. The project is also consistent with *Strategic Priority 2: Mainstreaming Biodiversity in Production Landscapes and Sectors* because of its focus on supporting alternative institutional means for financing and implementing biodiversity conservation outside of the national system of protected areas. Important lessons have already

been gained about how to go about doing this through the Biodiversity Conservation and Management Project by working in partnership with local communities, as well as through the World Bank financed Forest Development Project, which is supporting vastly improved capacity of private forest owners to manage their forests in a sustainable manner.

GEF financing is an important complement to the financing envisaged in the Environmental Management Project. Activities financed through the Environmental Management Project focus largely on public sector actions related to protected area management in particular some of the infrastructure needs of the National Forest Administration, as it expands its network of national and natural parks from the 3 protected areas covered by the BCMP to 16 areas. In addition, it will provide finance for a range of agri-environment activities related to Natura 2000. In contrast, GEF-financed activities will focus on building civil society partnerships for managing the large number of small formally reserved areas (which may fall outside of the Natura 2000 network), and on strengthening the capacity of MoEWM for providing oversight for these areas.

INTERNATIONAL WATERS

The project is consistent with Operational Program 8, the Waterbody-based Operational Program given its link with the Black Sea and Danube Rivers. The project targets Strategic Priority IW-3 to “Undertake Innovative Demonstration for Reducing Contaminants (in this case Nitrates) and Addressing water scarcity. It can also be seen to be contributing to SP IW-1 “Catalyzing Financial Resources for Implementation of Agreed Actions as the proposed intervention will help stimulate follow-on investments at the community and farm level, and support institutions promoting action.

PERSISTENT ORGANIC POLLUTANTS

The project is consistent with GEF Operation Program (OP) 14, the Program for Reducing and Eliminating Releases of Persistent Organic Pollutants. Under this OP, the project targets the GEF Strategic Priorities POP-1, *Targeted Capacity Building* with intent to lead into *Implementation of Policy/Regulatory Reforms and Investments* (POP-2) with complimentary loan funds.

2. Project Design:

BIODIVERSITY

Systems for protected area management in Romania are rapidly evolving. In total, Romania has designated 1,234,710 ha or 5.18 percent of the country’s territory as protected, and the Government’s target is to double this by 2010. The national network of protected areas consists of seventeen national and natural parks and 844 small reserves and protected areas. Few areas are protected and managed effectively, due to the lack of a coherent institutional framework involving local stakeholders, the lack of staff and insufficient budget allocation, as well as insufficient collaboration between the agencies coordinating the uses of natural resources. Currently, only the Danube Delta Biosphere Reserve, Retezat National Park, Piatra Craiului National Park and Vanatori Neamt Natural Park (all of which have benefited from significant and timely GEF support) have proper administrative structures with designated staff. Officially, the remaining areas are under protection regimes, but in practice, these are not effectively implemented.

The Romanian Parliament removed an important barrier in 2001 when it passed the Protected Area Law No. 462/2001, creating the “natural park” category which allows for Government-civil society partnerships for protected area management. A Natural Park through the institutional and legal framework is particularly innovative, as it allows any institution (state, private or civil society) with the interest and the capacity to undertake protected area management to do so under contractual arrangements with the Ministry of Environment and Water Protection (MEWM). However, when enabling the new system, Parliament provided few tools for delivering on this mandate and for monitoring performance. While most institutions and conservation practitioners agree that the overall approach is a good, the means for implementing more innovative arrangements have fallen short of expectations. Most efforts to date relied heavily on experience gained through the BCMP and through other similar initiatives. For example, the recently approved Maramures Mountains Nature Park MSP (UNDP/GEF), partners local institutions with the National Forest Administration (also the lead institution for the BCMP national parks). This approach is limiting, because Government remains the dominant partner through the NFA. The search for effective arrangements for which local institutions are primarily responsible continues.

The Biodiversity Conservation and Management Project (BCMP), in its fifth year of implementation, helped develop the new legal framework, introduced participatory systems for sustainable conservation at three demonstration sites, and developed mechanisms to support replication of these activities at other priority conservation sites. The project has introduced the use of the Protected Area Management Effectiveness Tracking Tool (which has been translated into Romanian and is regularly used for monitoring), which has wide applicability in Romania. The process of evaluating the BCMP has already been launched, and an effort to prepare an overall assessment of the network of national and natural parks using WWF’s Rapid Assessment and Prioritisation Methodology (RAPPAM) will be undertaken in conjunction with this evaluation.

As an outcome of BCMP, contractual arrangements for the management of 16 natural and national parks in forested areas (first piloted in 3 areas under the project), have been entered in to with the National Forest Administration (NFA), which has largely assumed responsibility for financing this network on its own. A number of additional contracts for the management of smaller reserves and other protected areas have been developed between MEWM and other institutions. However, the financing arrangements for these partnerships are less well defined. Two features remain a real weakness of the current institutional system in that the financing for the protected area network outside of the system of national and natural parks is poorly defined, and the oversight of contractual arrangements is weak. Within MEWM, the Environmental Protection Agency’s newly established Service for Conservation is responsible for coordination of the inventory of natural protected areas, protected bird habitats, and implementation of the EU Natura 2000 program in Romania.

The proposed project seeks to improve the capacity of MEWM to monitor performance of contractual arrangements for protected area management. It will also develop and implement several alternative financing arrangements for managing protected areas through model partnership agreements both inside and outside of formally protected areas, consistent with the

objectives and approach underlying the EU's Natura 2000 network. Lastly, the project will provide resources to improve the capacity of contracted institutions to prepare and to implement participatory protected area management plans, improve information flows, and increase the ability of contracted institutions to mobilize financial resources for management. Particularly because of Romania's role in the Carpathian Ecoregion Initiative, the wider regional impact of this initiative could be profound because so far there is limited regional experience with innovative partnership and financing arrangements for managing threatened sites.

Activities which are to be supported by GEF are complementary to World Bank resources and will help replicate the experience with national and natural park establishment and management gained through the Biodiversity Conservation Management Project. The expansion of those activities from 3 pilot national and natural parks, supported by GEF through the BCMP, into a total network of 16 protected areas under the management of the National Forest Administration is to be financed through budget mechanisms and support of the World Bank loan.

If the status quo continues, without further support at the national level to push forward with implementing innovative arrangements for protected area management, several serious problems are likely to emerge: 1) local institutions have been reticent to enter into contractual agreements with the MEWM because of their limited technical and financial capacity to take on management of nature parks, leaving large areas of threatened habitats without protection or management; 2) weak monitoring capacity for compliance with agreements exposes large areas to be at risk of exploitation by forestry, hunting, and fishing interests. Weak capacity of environment institutions in the past has also precluded dissemination of good performance outcomes so others benefit from the experience. Finally, although there is a growing body of good experience with protected area management in Romania, the means for building the capacity of local institutions and civil society organizations, both in terms of their technical ability and their implementing capacity, is highly constrained.

GEF support would be catalytic in three respects: 1) It would pilot specific institutional, technical, and financial mechanisms for civil society partnerships for protected area management of the large number of small reserves; 2) It would help strengthen the capacity of MEWM to monitor performance of partners in delivering on contracts and would, as a result, limit overexploitation of threatened sites while providing scope for identifying and replicating best practices; and 3) It would develop a framework for building the capacity of local civil society institutions to take on the management challenges of protected areas. The involvement of GEF is extremely important, to help complement public expenditure made in Romania. The good outcomes achieved by BCMP are expected to be reinforced by budget measures, and World Bank resources are supporting the National Forestry Administration and will help support further infrastructure investments in parks. These measures however will be most effective if combined with GEF-support, especially in terms of helping ensure rigorous over site and performance evaluation and support to sustainably test and implement more innovative financing arrangements.

INTERNATIONAL WATERS

The Romania Agricultural Pollution Control Project (APCP) was the first of its kind under the umbrella of the Black Sea/ Danube Strategic Partnership – Nutrient Reduction Investment Fund

and represents the Bank's early efforts in mainstreaming environmental into agriculture in the region. The global environmental objective of APCP is to reduce, over long-term, the discharge of nutrients (nitrogen and phosphorus) and other agricultural pollutants into the Danube River and Black Sea. APCP serves as a model for similar operations replicated in other littoral countries under the umbrella of the Strategic Partnership Program. The project promotes regional cooperation among the Black Sea Coastal countries, and supports public awareness campaign activities at regional level. In this context, Romania organized a regional conference on "Agricultural Pollution Control in Danube, Baltic and Black Sea Riparian Countries" in 2003 and participated in other regional workshops held in Lithuania and Georgia. The main objective of these events was to share and learn from the experiences with similar programs implemented in the Black Sea Basin Countries.

As part of integration with the European Union, Romania is harmonizing its own legislation with the Directive 91/676/EEC *concerning the protection of waters against pollution caused by nitrates from agricultural sources*. This Directive aims at 1) Reduction of pollution caused or induced by nitrates from agricultural sources; and 2) Prevention of water pollution by nitrates.

To implement this directive, Member states must identify the waters affected by this type of pollution and designate vulnerable zones. For these zones, action programs must be set up, containing mandatory measures regarding the control of fertilizer application on farmland. Farmers in these areas must demonstrate their compliance with Action Programs to receive EU Agricultural subsidies. As of today only some of these requirements have been completed. However, due to financial and capacity limits, several are lagging behind and in the long run they may have an overall negative impact over the entire activity, and on farmers possibilities in these zones.

The Nitrate Vulnerable Zones (NVZs) in Romania have already been identified and declared as such. However, this has been done using mathematical modeling rather than through soil and water samples analysis, the latter being more costly. Nevertheless, a comprehensive diagnosis program (identification of the sources of pollution, correlated with the specific geo-hydrological and local climate conditions) based on a reasonable sampling analysis mechanism needs to be established to produce NVZ Action Plans better targeting the real local causes, and to help ensure limited financial resources are placed in highest priority areas first.

The monitoring program related to the pollution with nutrients is only partially in place. The main difficulty so far stems from the two branches that provide information (water and soil) belonging to two different ministries. The soil monitoring aspects are under the supervision of the Agriculture while the water monitoring related aspects are covered by the National Water Authority (ANAR) which in turn is under the supervision of the Environment.

There is no transition period for the Nitrates Directive. By the expected accession date, in 2007, the first action programs should be established and adopted. The tasks Romania is expected to undertake before accession include 1) the establishment of an operational monitoring system for soil, ground and surface waters; 2) preparation and adoption of an unified set of monitoring guidelines and standards for soil and water, 3) designation of waters affected by pollution including the criteria for identification and designation; 4) the creation and updating of a Code of

Good Agricultural Practices; 4) designation of Nitrates Vulnerable Zones (NVZ) and preparation of Action Plans for each of the respective zones. After the accession, the commitments regarding the Nitrates Directive will be mainly related to the supervision of the implementation of the NVZs Action Plans, and preparation of the reports to be submitted to EU.

One concern in Romania relating to nutrient loads in groundwater is the possibility that human wastes from poor sanitation is a greater contributing source than originally expected. Rural sanitation levels in Romania are poor with approximately 60% rural households without access to flush toilets; over 80% without bathrooms, and only 12% in the late 90's connected to public water and sanitation systems. Most latrines are pit type without separation from groundwater. A 1997 World Bank rural poverty map shows the highest poverty concentrations in the south, along the Danube River, and in north east. The APCP Project scope did not cover assessment of the contribution of human wastes, however a second phase proposed a more detailed assessment of this factor as part of the NVZ refinement.

The new proposed project is aimed at integrating the APCP results into EU Nitrates Directive implementation, by building on the activities already undertaken: (i) a pilot integrated system for soil nutrient management in Calarasi County; and (ii) a preliminary survey on nitrate vulnerable areas in Romania based on mathematical models used to determine that 8% of the territory is vulnerable. The proposed project interventions would include: 1) Technical assistance to undertake a national survey of sources of nutrient pollution, based on an on-the-ground evaluation and assess the relative contribution to nutrient loads by human, animal, point source, agricultural runoff and ; 2) Technical assistance to develop action plans for identified sources, enable them to reduce pollution and recommend appropriate investments; 3) Support to develop an integrated nutrient management pilot project in eight water basin regions with varying geographic characteristics to be used as training pilots for similar areas and provide benchmarks for good practice; and 4) Technical assistance to elaborate a policy for agricultural sludge, taking into account its nutrient value and the potential for chemical contamination from industry.

In the absence of GEF support, Romania would be much slower in responding to requirements of the EU Nitrates Directive, and the region would lose out on the opportunity to systematically follow an early pilot as it moves into a nation-wide program. Without incremental resources to help refine areas designated as most vulnerable zones, Romania may spend funds to reduce nitrates which are less correlated to actual reduction possibilities. GEF resources will help to more systemically integrate the nutrient reduction objectives in the region with local development programs and into programs of core environment and agriculture agencies. Support to knowledge dissemination will directly benefit farmers by helping provide information to better balance livelihoods with global environment and local health objectives. GEF resources will also help with establishing policies for land application of sludge to promote re-use of a by-product from increasing sanitation levels in a more sustainable way.

PERSISTENT ORGANIC POLLUTANTS

The Romanian government is aware of the health concerns resulting from local exposure to persistent organic pollutants (POPs), in particular impacts upon women and through them, upon future generation. These substances possess toxic properties, resist degradation, bio-accumulate and are transported, through air, water and migratory species, across international boundaries and

are deposited far from their place of release, where they accumulate in terrestrial and aquatic ecosystems. The purpose of the NIPs is to establish and prioritize objectives, measures and actions to fulfill obligations of the Stockholm Convention. All elements of NIP have taken into consideration the opinion of the stakeholders involved in POPs management. It is also recognized that the NIP needs to be integrated into the national environmental management system for the country.

The Romania Regional Development Operational Plan (ROP), a programming document for future EU Structural Funds, addresses the need for recovery of industrial sites. German Bilateral Technical assistance is being provided at the end of 2005 for a methodological study to address site ownership issues and a pilot project on site ranking and prioritization needs, building on earlier JICA support.

The national priorities associated with POPs issue are to: 1) elimination of pesticides stockpiles and wastes; 2) elimination of existing stocks of PCBs; 3) eliminate un-identified POPs (presumed to be POPs); 4) prohibit production of POPs and other substances that might be included in POPs list in the future; 5) strive for sustainable development of ecological agriculture; 6) enhance the production and use of “cleaner” and more economical substances to be used for fighting against disease vectors and/or arthropods causing discomfort; 7) improve the environmental performance in the energy sector; 8) improve the environmental performance in the transport sector; 9) improve transport management in the urban sector; 10) improve the environmental performance in the industry sector; and 10) reduce POPs emission nuisance from waste incinerators.

As there was a clear and high priority need to eliminate pesticide stockpiles and wastes, the Ministry of Agriculture with a 4 Million Euro Grant support from EU is in the process of disposing (export / incineration) obsolete pesticides, and establishing advisory systems and procedures to prevent recurrence of accumulation and ‘miss-use’ of such products. This effort is expected to be completed by end of 2005.

JICA recently supported development of a National Hazardous Waste Strategy for Romania which assessed contaminated sites including, site surveys and an Arges Pilot Project. The project initiated a database with initial site information for ranking, and developed an action plan. The study concluded there was a need for:

- institutional and legislative actions to prepare a policy of management of historical hazardous waste contaminated sites,
- actions for constitution of a database, diffusion of data, preparation of technical guidelines, and awareness raising
- actions for the development of remediation measures and planning of clean-up projects

The Ministry of Environment has currently sent questionnaires from their Waste and Hazardous Chemicals Directorate to EPAs to initiate the basis for inventory of contaminated sites. The “Environment Protection Strategy (1996)” lists 14 ‘heavily polluted zones’ which are all the consequence of landfill ‘storage’ of industrial waste, and in many cases the closure of the ‘mono-industry’ has also resulted in local pockets of very high (e.g. >90%) unemployment. The number of smaller contaminated sites in the country runs into the ‘*thousands of hectares*’. The responsibility for ‘contaminated sites’ according to the National Waste Plan falls jointly between

the Ministry of Environment, Ministry of Economy; and Ministry of European Integration under the ROP. Currently, remediation of contaminated sites is not an activity directly driven by EU Implementation Plans unless the site contamination results in impacts under other EU Directives (e.g. Water Framework or Air Quality Directives). This will remain the situation until a future proposed EU Soil Directives becomes enacted (i.e. over next decade).

One of the major historical pollution hot spots in Romania is the vicinity of the town of Turda where the issue arises from the accumulation of wastes from the production of large quantities of pesticides (Lindane), prior to 1990. The proposed GEF Grant would be used to achieve results to include: 1) integration of the POPs NIP and industrial contaminated sites into the operational framework of the environmental institutions 2) fund collection and evaluation of data against a standard methodology, 3) develop feasibility studies for remediation of the Turda site (and possibly others), and 4) link outputs with the loan and future EU Structural Funds to provide a source of financing for such remediation.

In the absence of GEF funds there is a general risk that the POPs NIP will falter and/or receive only fragmented attention or limited attention. In particular, there is no plan with sourced funding for remediation of historic pollution sites. Remediation is a difficult and costly activity anyway, but needs to be preceded by a national strategy which this proposal will support. Until such action is taken, these sites will continue to be a source of local impact on their communities and source of dispersion into the global environment and food chain. **The addition of GEF funds** will help enhance and accelerate actions in Romania by focusing on 2 priority issues for POPs, by demonstrating action for a large POPs contaminated site in Romania, and by assuring the integration of the NIP implementation into the work of the environmental institutions.

3. Sustainability (including financial sustainability):

BIODIVERSITY

Government has shown a strong commitment to ensuring that past GEF activities are sustainable, by providing budget and institutional resources. This is particularly the case for the National Forest Administration, which has expanded the number of national and natural parks under its management from 3 to 16 as a result of the Biodiversity Conservation Management Project and has identified the financing mechanisms for supporting these.

Outside of Government's budgetary processes, in the long term, sustainability of the activities supported by this project will be ensured partly by the various agri-environment programs to be implemented with EU funding following Accession planned for 2007. These resources are not likely, however, to become available for some time, however. Government's draft National Development Plan, for example, describes measures for providing resources for local stakeholders with responsibility for Natura 2000 sites. The project will provide important guidance for building the capacity of these stakeholders to access Natura 2000 financing for protected area management.

INTERNATIONAL WATERS

Romania has expressed its full commitment to comply with the provisions of the Directive 91/676/EEC on water protection against pollution caused by nitrates from agricultural sources.

The Directive was fully transposed, through the adoption of several national acts, and some of the requirements have been met to date. For example, the Code of Good Agricultural Practices has been adopted, published and widely disseminated. Also, the Nitrates Vulnerable Zones have been identified and declared as such. However, this has been done using more mathematical modeling rather than through soil and water samples analysis. The monitoring program for the aspects related to the pollution with nutrients is partially in place.

To promote institutional sustainability, the project will ensure early involvement of the key stakeholders in its preparation and implementation, including policy makers, local public institutions and NGOs. By developing integrated nutrient management pilot project in each of the eight development regions, the project will promote environment-friendly agricultural practices that will lower the production costs and will have a positive impact on the yields.

The Government's commitment to ensure the GEF projects financial sustainability is also proven by efforts made to ensure sustainability of the commune-level manure platforms built under APCP. The operational costs for the platforms operation, including manure handling and administration, have been provided and included by the local authorities in all 7 communes' budgets.

PERSISTENT ORGANIC POLLUTANTS

This proposal provides a good opportunity for not only evaluating a priority hot spot, but also for integrating the NIP and management of historical pollution sites into the capacity of environmental management organizations. The integration of POPs issues in the longer term chemicals and hazardous waste agenda for Romania is critical for long term sustainability of actions. EU legislation related to supply and use of chemicals, industrial pollution control and risk management, hazardous wastes, and incineration will all help ensure the management and reduction of POPs in the environment from new and current activities. The POPs National Implementation Plan (NIP) also identifies some historic pollution sites and other issues as a POPs priority. This Proposal provides a good opportunity to not only evaluate a priority hot spot in preparation for remediation (e.g. using co-financing from the loan), but also *for achieving sustainability of actions* by integrating the NIP and management of historical pollution sites into the operational framework of environment management systems. Integration of POPs issues into the longer-term chemicals and hazardous waste agenda for Romania, and into the donor grant / budget allocation process is critical for long-term sustainability of actions in accord with the MEWM environmental implementation plan agreed with the EU for Romania.

4. Replicability:

BIODIVERSITY

The replicability potential of the best practices generated by this project is significant for at least two reasons: 1) practices which are to be developed and demonstrated are relevant to a wide range of protected areas and protected area contexts within Romania; and 2) the focus on capacity building of local institutions will improve their ability to access resources to support replication of civil society partnerships, protected area management, and knowledge of a conservation economy, including eco-tourism management. Replication will also be encouraged

regionally through the emerging Carpathian Protected Areas Network and the Carpathian Ecoregion Initiative.

The project will facilitate direct replication by introducing stakeholders to new knowledge, sources of information, sources of financing, and practices or approaches. The project will support the development of a 'learning network' of civil society organizations which have taken on protected area management responsibilities. The project will also provide strategic support for introducing new knowledge, practices and technologies, and helping stakeholders overcome barriers to adopt them replicate them.

INTERNATIONAL WATERS

The project will build on the lessons learned from the APCP implementation in terms of public responsiveness to the project interventions and behavioral changes among the people in the project area. In meeting the objectives of the Nitrates Directive, Romania has to identify the waters affected by the pollution caused by nitrates from agricultural sources and designate vulnerable zones. For these zones, action programs must be developed, containing mandatory measures regarding the control of fertilizer application on farmland. The activities proposed under the new project will serve as pilots for the whole country and will provide benchmarks for good practices. Romania is already playing a leadership role in the region in undertaking actions aimed at reducing over long term the discharge of the nutrient load into the Romanian ground water and surface waters as well as into the Danube River and Black Sea and will continue supporting regional replication efforts.

PERSISTENT ORGANIC POLLUTANTS

This project will provide valuable lessons to other developing countries especially in showing how to integrate competing environmental plans within a relatively weak and developing environmental institutional structure. Such information can be disseminated through the Regional Workshops for management of POPs. As one of the large industrial countries of Central and Eastern Europe to engage early and systematically on the POPs agenda, Romania will provide a good model for other neighboring large countries such as Ukraine and Turkey. Specific regional dissemination activities would be funded through grant resources, and links will be established with Moldova which is just initiating a large GEF POPs investment program.

i. Stakeholder Involvement/ Intended Beneficiaries:

Stakeholders for each of three technical areas vary and are described further below. Project preparation will continue to involve all key stakeholders in the design and development of the detailed project designs for each area. The project will help support and further strengthen stakeholder engagement forums and mechanisms, and the loan will support investments in better information management systems for core environment institutions to help facilitate improved communication and data sharing links with other parties. GEF support in all areas would be sought to help with awareness raising and stakeholder engagement.

BIODIVERSITY

Major stakeholders of the biodiversity conservation component include communities and civil society organizations with interests in protected area management, and provisions in the legal

framework which provides for their involvement, was an outcome of their activism in encouraging Government to provide for an alternative approach to the management of natural areas. Local and national NGOs active with the Carpathian Ecoregion Initiative will be key partners during project preparation and implementation.

Within Government, the key stakeholder for GEF activities will be the Directorate for Nature Conservation and Biodiversity of MEWM, as the institution with responsibility for preparing management agreements with contracted institutions, and providing oversight. Other public sector institutions with interests in this initiative include the Ministry of Agriculture, Forestry and Rural Development, which will be responsible for implementing agri-environment initiatives under EU Common Agriculture Policy (CAP), and establishing the system for payments related to Natura 2000 sites on private land. Stakeholder engagement will be critical for determining the mechanisms to support and establish partnership arrangements with civil society organizations.

Roles and responsibilities of relevant stakeholders

<i>Stakeholder</i>	<i>Responsibility</i>
Ministry of Environment and Water Management, Directorate for Biodiversity Conservation and Biosafety	Responsible for policy and regulatory framework for protected area management
Ministry of Agriculture, Forests, and Rural Development	Has oversight of the National Forest Administration, and responsibility for developing schemes for private landowners under Natura 2000
National Forest Administration	National institution responsible for all state forests in Romania, as well as Natural and National Parks in Romania, under contract from the Ministry of Environment and Water Management.
County Environmental Protection Agencies	Responsible for local oversight with respect to compliance issues
Ministry of Public Finance	Key partner with the World Bank in mediating the use of Bank-financed resources through the public expenditure framework.
County Prefectures	The Prefecture is the decentralized representative of Government at the local level; oversees law enforcement at the county level. The County Council develops and approves county development plans, large infrastructure works, etc.
Local Councils	Develops and approve local development plans, small infrastructure works, etc.
NGOs and other civil society organizations	Potential stakeholder for development of public-civil society partnership arrangements for management of protected areas
Private sector (private forest owners, others)	Potential stakeholder for development of public-private partnership arrangements for management of protected areas. Stakeholder in EU Natura 2000 schemes for conservation of Special Areas of Conservation and

INTERNATIONAL WATERS

The main national implementation mechanism for the Directive 91/676/EEC (Nitrates) is the Inter-Ministerial Committee for the Application of the Action Plan for Water Protection against Pollution with Nitrates from Agricultural Sources (IC – Nitrates) created through the Governmental Decision 964/2000. This committee includes decision makers and specialists of the Ministry of Environment and Waters Protection (MEWM), Ministry of Agriculture, Forests and Rural Development (MAFRD), Ministry of Administration and Interior (MoAI) and Ministry of Health (MoH).

According to Romanian law, the National Research and Development Institute for Pedology, Agro-Chemistry and Environmental Protection (ICPA) is responsible for monitoring, control and reporting on the quality of soils. ICPA is also authorized to provide training courses to the specialists involved in the implementation and monitoring of the Nitrates Directive in Romania. The National Water Authority “Apele Romane” (ANAR) is responsible for the overall monitoring of the ground and surface water quality. ANAR coordinates the activity of the National Institute for Hydrology and Water Management (INHGA) responsible for technical interpretation of groundwater pollution data.

Local Public Health inspectorates test and monitor drinking water quality including nitrate levels. The National Environment Protection Agency (NEPA); 8 Regional Environment Protection Agencies (REPAs); and county level EPAs are responsible for overall monitoring legislative implementation and issue permits and licenses for wastewater and industrial and agro-processing discharges to waterways. The National Agency for Agricultural Consultancy (ANCA) offers training, advice, and guidance to farmers in best agricultural practices. At the regional, county and local level, the county and local governments, the business sector, professional associations and the civil society are also involved in the practical implementation of actions and management practices to control nutrient loads.

PERSISTENT ORGANIC POLLUTANTS

Major stakeholders for POPs issues are the Line Ministries, Agencies, private sector / industry, NGOs, communities and research institutes. The National Implementation Plan for POPs conducted a detailed stakeholder analysis and consultation process. Roles and responsibilities of government agencies relating to POPs and Industrial Pollution is described below:

<i>Institutions</i>	Main responsibilities
<i>Ministry of Environment and Water Management (MEWM)</i>	<ul style="list-style-type: none"> • Elaborates strategy and the Government programme to promote policies in the fields of the environment and water management; • Ensures implementation of the governmental policies, according to the existing legislation; • Draws up and submits to the Government for approval strategies and policies in the field of the environment and water management; • Co-ordinates the integration activity of the environmental policy into the other sectoral policies in accordance with the international and European requirements to ensure the sustainable development; • Draws up the draft normative acts, endorses the draft normative acts

<i>Institutions</i>	Main responsibilities
	<p>drawn up by other ministries and central and local public administrative authorities;</p> <ul style="list-style-type: none"> • Co-ordinates the issuing of the integrated environmental permit; • Co-ordinates the specific activities regarding the public information and the public participation activities; • Transmits reports to the European Union, according to the requirements; • Cooperates with other authorities at central level.
<i>National Environmental Protection Agency (NEPA)</i>	<ul style="list-style-type: none"> • Draws up/ updates the installations/ activities inventories at national level and co-ordinates this process at regional and local level; • Draws up the pollutants emissions inventory at national level; • Organizes the annual training of the specialized personnel from the territorial structures, on the basis of the programme approved by the MEWM; • Draws up reports for the European Commission regarding adopted measures for the implementation of Directive and transmits them to the MEWM.
<i>Regional Environmental Protection Agencies (REPAs)</i>	<ul style="list-style-type: none"> • Draw up the inventory of installations falling under the Directive's provisions at regional level; • Issue the integrated environmental permits and environmental permits; • Co-operate with other authorities at local level.
<i>Local Environmental Protection Agencies (42 x LEPA's)</i>	<ul style="list-style-type: none"> • Draw up/update the inventories of installations/activities at local level; • Draw up the inventory of pollutants emissions into the atmosphere at local level; • Issues environmental permits; • Monitor and analyze implementation of the environmental quality management plans and programmes at local level and draw up annual reports; • Carry out the control of compliance activity of the installations/activities for which environmental integrated permits have been issued, together with county units of the NEG; • Cooperate with other authorities at local level.
<i>National Environmental Guard (NEG)</i>	<ul style="list-style-type: none"> • Carries out the control of the compliance with the environmental legislation
<i>Ministry of Economy and Trade</i>	<ul style="list-style-type: none"> • Draws up sectoral strategies for the industrial activities, taking into account the impact on environment quality; • Promotes and coordinates the implementation of the specific regulations relating to the pollutants emissions into the atmosphere for industrial activities with major impact on air quality.
<i>Ministry of Transport, Construction and Tourism</i>	<ul style="list-style-type: none"> • Is responsible for drawing up policies and legislation relating to the pollutant emissions into the atmosphere resulting from transport activities; • Ensures the territorial and human settlements planning

<i>Institutions</i>	Main responsibilities
<i>Ministry of Health</i>	<ul style="list-style-type: none"> • Is responsible for drawing up the public health policies and legislation; • Co-operates with the central environmental authority for setting the regulating norms regarding the toxic chemicals management, air protection, water protection, nuclear safety and protection against radiation.
<i>National Agency of SMEs and Cooperatives</i>	<ul style="list-style-type: none"> • Cooperates for strengthening the social and economic cohesion

In 2002/03 the EU funded a NGO awareness-raising campaign to establish an information system concerning POPs using tools such as brochures, workshops and seminars, and web site, which was lead by the Romanian Environmental Experts Association.

<i>Ministry of Public Finance</i>	<ul style="list-style-type: none"> • Ensures the introduction of protection
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D. FINANCIAL MODALITY AND COST EFFECTIVENESS*.

1. Financing Plan:

A preliminary estimated financing plan is presented below and will require more detailed refinement during subsequent loan and grant preparation activities. As the Ministry of Finance is a critical partner in deciding the level of borrowing from the World Bank, the IBRD loan size may vary. A general agreement on target loan size however is expected to be stated in an agreed Country Partnership Strategy currently scheduled to be approved in November, 2005. Leveraging ratios of GEF Grant resources with Bank funds however is expected across the program to be significant.

Program Focus	GEF Grant (\$Million)	IBRD Loan (\$ Million)
Biodiversity	7	12
International Waters	8	20
Persistent Organic Pollutants	10	20
Cross-Cutting Issues		48
TOTAL	\$25 Million	\$100

The World Bank loan is proposed as an IBRD Specific Investment Loan under the framework of a Sector Wide Approach (SWAp). This approach which is seen as most relevant to Romania as it joins the European Union will help further strengthen national systems just recently aligned with EU policies. Fiduciary assessments will be conducted during preparation on the procurement and financial management systems of the line agencies involved in project

implementation to recommend improvements and actions for enhancement. The loan is proposed to be disbursed periodically to the Ministry of Finance (in advance of budget cycles) for transmission down to line agencies involved in project implementation within the national budget framework and systems. The mechanism will likely include both ex-ante agreement on specific expenditures and ex-post monitoring of expenditures and achievement of actions. The system will be designed to promote the substitution of other EU grant, donor or budget funds for Bank loan resources and will promote flexibility for alternative uses in these cases. The SWAp mechanism is also being proposed to help accelerate disbursement by avoiding double reporting and systems.

The World Bank with Dutch Grant funds will help provide a budget adviser in the Ministry of Environment to strengthen their linkages between the sector priorities and expenditure needs and the national budgeting process. The proposed GEF Grant would have the option of being administered (related to procurement and disbursement) in the same way as the loan under the endorsement of World Bank fiduciary clearances and supervision monitoring, or it can be managed under a more traditional framework with separated systems.

2. Co-Financing:

Primary co-financing for the GEF grant will be through the proposed IBRD Romania Environment Management Loan, however since the needs and agenda for each of the three technical areas are much wider, it will involve financial sources from the national budget, the European Union, and bilateral donors. In all cases the work is based on earlier concerted efforts of many different partners, with an interest in seeing long term programs be established. The program is being developed to help absorb future EU funds which require good capacity for planning and program design to access. The project's contribution to building this capacity will be monitored and success will be measured in terms of future EU grants successfully programmed to support key technical pillars.

A PDF-B is not being requested due to the accelerated timetable Romania is under, and due to the extensive and detailed planning they have been engaged with in recent years related to EU accession. There already exist a tremendous amount of agreed programming documents to work with that define national priorities and next steps and actions required. Project preparation will extend as a natural continuation of these efforts to refine and initiate actions in specific areas, working with staff in the core implementing institutions. A World Bank Project Preparation Facility is under consideration to help accelerate up-front preparation related to investments.

E. INSTITUTIONAL COORDINATION AND SUPPORT*

1. Core Commitments and Linkages: Identify linkages to IA's:

The World Bank's primary assistance programming document, called the "Country Partnership Strategy" (CPS), is under development in Romania for the period of 2006-2010 and is expected to be presented to the World Bank Board of Directors for Approval at the end of November, 2005. The overall objective of this program is to support Romania in its EU integration agenda; help with capacity strengthening needed to administer EU aligned systems and absorb future EU grant funds. The poverty focus of the World Bank's assistance program also maintains a concern with the prioritization of investments related to affordability, social cost, and the engagement of

minority stakeholders. As rural areas in Romania remain the pockets of the most pervasive poverty- the program places an emphasis on special needs of the rural poor.

The proposed Romania Environmental Management Loan is seen as a critical project in the CPS to help Romania align with EU systems and promote absorption of future grant funds for the environment - an agenda cutting across most EU programs. This multiple focal area Programmatic request to the GEF to complement this loan is also envisioned in the CPS. The selected areas of proposed GEF support have strong links with rural areas, and efforts to help improve rural livelihoods, promote low cost solutions, and reduce risks of rural populations from nitrate contaminated well water, and human contact with heavily polluted sites will be integrated across the program.

The Bank/GEF supported Biodiversity Conservation Management Project (BCMP) has provided important experience for a range of activities at the national level, particularly in developing and implementing participatory protected area management plans in national and natural parks under the management of the National Forest Administration. It supported pilot forest certification efforts, which are in the process of being replicated in all state owned forests, and helped establish a new legal and regulatory framework for protected area management with scope for wider civil society participation. The Bank is working closely with a number of local partners through both BCMP and the Forest Development Project, a \$25 million IBRD loan, to mitigate the impacts of restitution on the forestry sector.

The Afforestation of Degraded Agricultural Land Project, financed through the World Bank Prototype Carbon Fund (PCF) is helping to reduce greenhouse gas concentrations through carbon sequestration in planted trees and soils. The project also enables Romania to enter and benefit from the carbon market and contributes to the transformation of the rural economy, from exploiting natural resources to acting as steward of natural resources.

Other major related projects financed by the Bank and GEF in Romania are: Agricultural Pollution Control (APCP) - US\$5.15 million (GEF), Modernizing the Agricultural Knowledge and Information System Project (MAKIS) - €1.4 million (IBRD), and Agricultural Support Services Project (ASSP) – US\$11 million (IBRD), Rural Development Project (RDP) – US\$40 million (IBRD). All the above mentioned projects are aimed at assisting the Government in meeting the objectives of the Romanian agricultural sector, namely to increase the agricultural producers' income and to promote sustainable development of rural areas, in compliance with environmental protection requirements, in order to create a competitive sector which can meet the common market requirements.

2. Consultation, Coordination and Collaboration between IAs, and IAs and ExAs.

BIODIVERSITY

UNDP has been a key partner with the World Bank in supporting the development and implementation of an integrated program of efforts to support biodiversity conservation in Romania. This collaboration is very much a reflection of the respective IAs' comparative strengths. The Bank's BCMP provided important experience for a range of activities at the national level, particularly in developing and implementing participatory protected area

management plans in national and natural parks under the management of the National Forest Administration. The BCMP piloted a Small Grants Program, which is being scaled-up with UNDP-GEF resources.

UNDP has been supporting the preparation and development of the Small Grants Program in Romania, as well as two MSPs – the Maramures Mountains Nature Park, which proposes a partnership between local NGOs and the National Forest Administration, and the Macin Mountains National Park, which seeks to pilot the management of a small protected area, both of which have recently been approved with the Bank’s strong endorsement. In addition, the Bank is a partner with UNDP which has been preparing a PDF-A proposal for the strengthening the management of protected areas within the Carpathian Ecoregion.

INTERNATIONAL WATERS

UNDP and UNEP are both key partners with the World Bank in the Black Sea/Danube Strategic Partnership related to relative roles in facilitating access to GEF funds. The proposed International Waters grant under this program would continue to be coordinated through the Partnership mechanisms and if resources remain available would directly seek investment funds from the investment fund.

PERSISTENT ORGANIC POLLUTANTS

The POPs grant will build on output of previous GEF-UNIDO project for elaboration of National Implementation Plan for POPS in Romania. ICIM the contracted institute for this project, is also preparing a GEF medium size proposal (UNIDO/UNDP support) for €1M to be co-financed from ‘producers’ and/or the environment fund to help verify the PCB inventory and implement a pilot project. As this is still at initial stages, the Bank supported project will ensure complementarity and collaboration during preparation. As indicated earlier, the costs for Romania are very high related to its industrialized past and legacy pollution, and GEF support would be an important catalyst to help ensure POPs issues integrate at both the systemic institutional level and to help initiate very specific targeted chemical specific pilot programs.

3. Implementation / Execution Arrangement

The SWAp approach described above in the financing section forms the basis for the implementation arrangements for the project. As an overall principal, the project will work with and through core line agency staff who are responsible for longer term programs in each area. The project will finance consultant support for actions where outside or supplemental expertise is needed, and where the work is shorter term in nature and it can help accelerate actions. Overall the program will focus on staff capacity development because of the high numbers of new and less experienced staff and a need for all staff to shift roles in support of a newly EU aligned system. The GEF grant would be administered following the same principles, however have the option in terms of administration to retain separate financial management and procurement controls or to fully align to the flexibility allowed for the loan administration systems.

ANNEX 1 – ROMANIA’S BIODIVERSITY

Among the 1000-recorded vascular plants, more than 90 species are endemic and 101 are included in the Red List of Romania (93 are rare, 7 vulnerable and one is endangered). Some of the rare species are legally protected in Romania as ‘natural monuments’, including *Cypripedium calceolus*, *Narcissus radiiflorus*, *Angelica archangelica*, *Gentiana lutea*, *Gentiana punctata*, *Rhododendron myrtifolium*, *Taxus baccata* and *Trollius europaeus*.

The fish fauna is diverse, with 26 recorded species, 15 of which are listed under the Bern Convention and several are listed as endangered in the IUCN Red data Book. Very rare are *Eudontomyzon danfordi*, the ‘Danube Salmon’ (*Hucho hucho*, a glacial relict), chub (*Leuciscus souffia agassizi*, endemic to the Maramures mountains), and gudgeon (*Gobio uranoscopus*). *Leuciscus leuciscus leuciscus*, absent in most of the Romanian rivers, has also been recently recorded in the Viseu River.

All reported amphibian (8) and reptile (8) species are protected under the Bern Convention, some of them being listed as vulnerable in IUCN Red Data Book, such as *Triturus cristatus*, *Bombina variegata*, *Hyla arborea*, *Rana dalmatina* and *Rana temporaria*, among Amphibia, and *Emys orbicularis*, sand lizard (*Lacerta agilis*), and Aesculapian snake (*Elaphe longissima*) among Reptilia. The amphibian Carpathian newt (*Triturus montandoni*) is endemic to Eastern Carpathians.

The avifauna is very rich with 141 recorded species, 140 of which are listed under the Bern Convention (85 are strictly protected and listed on Annex II and 55 protected - Annex III), 49 species under Bonn Convention with the rare white tailed eagle (*Haliaeetus albicilla*), 54 under the EC Bird Directive and 44 listed under the Agreement on the Conservation of Africa-Eurasian migratory Waterbirds (AEWA). A list of a few focal or indicator bird species recorded nesting in the project site includes golden eagle (*Aquila chrysaetos*), lesser spotted eagle (*Aquila pomarina*), corn crane (*Crex crex*), wryneck (*Jynx toquilla*), capercaillie (*Tetrao urogallus*), black grouse (*Tetrao tetrix*), pygmy owl (*Glaucidium passerinum*), Ural owl (*Strix uralensis*), Tengmalm’s owl (*Aegolius funereus*), whitebacked woodpecker (*Dendrocopos leucotos*), and three-toed woodpecker (*Picoides tridactylus*). Records list also some rare transmigrant bird species, such as: *Pandion haliaetus*, *Gavia stellata*, *Anas clypeata*, *Netta rufina* and *Melanitta nigra*.

With 44 species, the mammal fauna is extremely rich with large populations of brown bear (estimated at around 5500 specimens), wolf (in the Romanian Carpathians estimated at 3000) and lynx (estimated 1500 in Romania). Rare and declining mammal species include, for example, the European mink (*Mustela lutreola*), otter (*Lutra lutra*), *Myotis brandti*, and *Pipistrellus pipistrellus*. For many decades, research activities have lacked a systemic approach, and it can be expected that many more rare, vulnerable and endangered species of flora and fauna will be found in future studies.

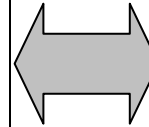
Annex 2

Proposed Areas of Environmental Management Loan Support

SECTORAL

CROSS SECTORAL

<p>WATER – Nitrates Directive (Scale Up) [NO TRANSITION PERIOD]</p>	<ul style="list-style-type: none"> • Regional Pilots & Programs • Co-financing for EU grant proposals • Policy for land application of sludge • Survey of nitrate pollution sources • Laboratory equipment and training (inc National Reference Labs)
<p>WASTE – Support for Program on Chemicals Management & Heavily Polluted Sites [LINKED WITH IMPLEMENTATION PLANS]</p>	<ul style="list-style-type: none"> • Develop national waste information system • Training in hazardous waste identification, audits, reporting • Site Risk & Ranking System • Temporary measures for high risk sites • POPs NIP • Co-financing for EU grants
<p>NATURE PROTECTION – Support to Natura 2000 [NO TRANSITION PERIOD]</p>	<ul style="list-style-type: none"> • Support for monitoring and oversight of contracts • Demonstrate alternative mechanism for parks infrastructure with loan and EU grant co-financing • Information / awareness of local communities to access funds for sustainable development



<p>Tools & Training to Support an HR Strategy</p>	<ul style="list-style-type: none"> • Support long-term staffing program to address retention and continuous learning challenges • Consolidate resources for environment sector training, and support delivery • Construct consolidated NEPA facility; equipment and training gaps to reach accreditation of environment laboratories • Seek funds with EU HD grant funds
<p>Strengthen Inter-Agency / Inter-Sectoral Collaboration and Information Systems</p>	<ul style="list-style-type: none"> • Establish monitoring and output targets for joint actions • Support forums of collaboration • Establish integrated management information system to enable data sharing and streamlining of work programs
<p>Increase Project Development Capacity</p>	<ul style="list-style-type: none"> • Targeted staff training programs • Learning by doing pilots • Inter-Agency action targets • Enhance community involvement • Use of social and cost assessments
<p>Enhance Environmental Policy & Program Monitoring Programs</p>	<ul style="list-style-type: none"> • Strengthen legislative review and program evaluation • Strengthen capacity for testing and innovation of policy tools • Develop sustainable environment sector financing strategies

