



# Project Information Document (PID)

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Concept Stage | Date Prepared/Updated: 27-Apr-2020 | Report No: PIDC29118

**BASIC INFORMATION****A. Basic Project Data**

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|--|--|--|---|
| Country<br>Europe and Central Asia                   | Project ID<br>P173890  | Parent Project ID (if any)   | Project Name<br>Blueing the Black Sea<br>GEF Regional project<br>(P173890)      |
| Region<br>EUROPE AND CENTRAL ASIA                    | Estimated Appraisal Date<br>Nov 26, 2020                             | Estimated Board Date<br>Mar 31, 2021   | Practice Area (Lead)<br>Environment, Natural<br>Resources & the Blue<br>Economy |
| Financing Instrument<br>Investment Project Financing | Borrower(s)<br>Organization of the Black Sea<br>Economic Cooperation | Implementing Agency<br>Permanent International<br>Secretariat of Black Sea<br>Economic Cooperation<br>(BSEC) | GEF Focal Area<br>International waters  |

**Proposed Development Objective(s)**

The proposed Project Development Objective (PDO) is to strengthen economic, technical and communication tools to promote regional collaboration and private sector engagement for pollution prevention in the Black Sea.

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

|                           |      |
|---------------------------|------|
| <b>Total Project Cost</b> | 6.39 |
| <b>Total Financing</b>    | 6.39 |
| <b>of which IBRD/IDA</b>  | 0.00 |
| <b>Financing Gap</b>      | 0.00 |

**DETAILS****Non-World Bank Group Financing**

|                                   |      |
|-----------------------------------|------|
| Trust Funds                       | 6.39 |
| Global Environment Facility (GEF) | 6.39 |



Environmental and Social Risk Classification

Moderate

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

## B. Introduction and Context

### Country Context

- The Black Sea region may be described as an expression of multifaceted networks.** The wider Black Sea area includes a population of 332 million people. Many of the region's littoral states (i. e., Bulgaria, Georgia Romania, Russia, Turkey, Ukraine) and adjacent states (i. e., Armenia, Azerbaijan, Greece, Moldova) belong to other regions as well (i. e., Southeast Europe, the Caucasus, Central Asia, Mediterranean). The wider Black Sea region is also structurally heterogeneous, as is illustrated by the diverse links each country has with the EU and other international organizations exercising significant impact on domestic and foreign economic policies (e. g., World Trade Organization).
- Historically, entrepreneurial activities and private initiative have been the main unifying factors, while political divisions often undermined this unity.** Presently, there are significant differences in the structural, political and socio-economic conditions of the Black Sea states. As a region, the Black Sea has an estimated gross domestic product (GDP) of around USD 3.6 trillion<sup>1</sup>, producing 4.3% of global GDP with important socio-economic contrast..
- The Black Sea countries rely on healthy coastal environment for their fisheries and tourism industries.** According to the General Fisheries Commission for Mediterranean (GFCM), marine capture fisheries in the Black Sea region produce an estimated total revenue of US\$350 million annually and provide for more than 20 thousand jobs excluding pre- and post-harvest labor. Tourist arrivals in the Black Sea region grew faster than the world average over the last two decades. This can also be observed from 143 million international tourist arrivals in 2018<sup>2</sup> and 75 billion US Dollars of international tourism receipts established in the region in the member countries of the Organization of the Black Sea Economic Cooperation (BSEC).

### Sectoral and Institutional Context

#### Sectoral context

- Over the past two decades, the Black Sea has become one of Europe's most polluted Sea with eutrophication being one of the main issues.** The most significant process causing degradation of the Black Sea has been the massive over-fertilization by nitrogen and phosphorus compounds, coming largely from agricultural, domestic and industrial sources. This phenomenon has changed the entire Black Sea ecosystem and is expected to worsen as agriculture sector faces new challenges related to climate change and invasive pests. The compounds enter the sea from sources in the 17 countries located in its drainage area. The coastal countries contribute roughly 70 percent of the total amount and almost all the remaining amount enters the sea via the Danube River.
- Sewage management is critical in responding to the spread of diseases.** Although there is no evidence regarding

<sup>1</sup> Source: World Bank Open Data, Year 2012.

<sup>2</sup> World Tourism Organization Data



COVID-19, the Severe Acute Respiratory Syndrome (SARS), a similar coronavirus, has been detected in untreated sewage for up to 14 days. In the 2003, SARS outbreak, there was documented transmission associated with sewage aerosols. In the Black Sea, sewage discharge is estimated at about 571 million cubic meters annually.

6. **Oil pollution levels are not high in the open sea but are unacceptable in many coastal areas.** Annually some 95,000 tons of unrecoverable oil waste is discharged into the Black Sea as a result of operational discharges of vessels and accidents, as well as through land-based sources. Commercial shipping volumes in the Black Sea are relatively small, representing under 1% of global traffic, but are growing rapidly<sup>3</sup> and present a growing risk.

7. **Other pollutions include toxic substances such as pesticides and heavy metals that do not pollute the whole sea but appear in 'hot spots' near certain well-identified sources.** These polluters are usually associated with heavy industry and with the economic decline in the region, their use has decreased considerably. Uncontrolled de-ballasting from ships has introduced to the Black Sea exotic species brought from other parts of the planet and flourishing in the new environment. The risk continues today, with an estimated 44 million tons of potentially hazardous ballast water discharged in four Black Sea commercial ports in 2016<sup>4</sup>. In addition, solid waste, entering the sea from waterways is dumped into the sea from ships and coastal towns.

8. **The potential of the Blue Economy<sup>5</sup> in the post COVID-19 crisis.** While the COVID-19 crisis is being managed as a public health crisis, countries are also losing jobs, business closures, increasing social unrest, and experiencing a catastrophic economic impact. In this context, restoring and diversifying countries' economies beyond land-based activities and along their coasts and watershed could be critical to go back to the path of the shared prosperity and delivering -again- smart, sustainable and inclusive growth globally. The marine space of the Black Sea is of high economic importance for the region. The increased gas exploration, undersea pipelines and other modern practices provide a growing competition with traditional practices.

9. **The economic loss from pollution and environmental degradation has not been properly estimated to date.** Each country of the region is affected in a different way, depending on the type and size of their economic activities related to the sea, mainly tourism and fishing, and the situation is expected to worsen if the current situation is not addressed. Microbial and chemical contamination of seafood, and harmful algal blooms impact both health and tourism. The accidental introduction of a small jellyfish has caused the loss of approximately US\$ 200 million in the Black Sea in fishing revenues<sup>6</sup>.

10. **Climate change could further worsen economic prospects.** If the Black Sea becomes more polluted, it will be possibly more prone to increase of its water temperatures, which leads to intensified evapotranspiration and regional meteorological disruptions, as well as to creating discomfort for balneation. Higher temperatures coupled with pollution, could also lead to a potential increase of the risk for water borne diseases and anti-biotics resistant growing bacteria. Climate change is expected to further exacerbate these issues since coastal flooding and sea level rise will bring polluted sea water closer to land, from where it can more easily enter and contaminate surface and underground fresh water bodies.

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<sup>3</sup> Container traffic in the Black Sea showed annual increases of about 8.5 to 9 percent in 2017, 2018 and 2019, according to data from Ukraine's Informal Business Group.

<sup>4</sup> Rata, Gasparotti and Rusu. (2018: 5). "Ballast Water Management in the Black Sea's Ports". J. Mar. Sci. Eng. 2018, 6, 69; doi:10.3390/jmse6020069. The four ports in question are Constanta (Romania), Novorossiysk (Russia), Odessa (Ukraine) and Samsun (Turkey).

<sup>5</sup> The Blue Economy refers to the sustainable, inclusive and integrated development of economic sectors in healthy oceans.

<sup>6</sup> Black Sea State Of Environment Report 2009-2014



### Institutional context

11. **Countries have joined forces to make progress towards the Black Sea sustainability.** On 21 May 2019, Ministers and Vice-Ministers from **Bulgaria, Georgia, the Republic of Moldova, Romania, Russian Federation, Turkey, and Ukraine** met in Bucharest to endorse [the Common Maritime Agenda \(CMA\) for the Black Sea](#). The CMA represents a follow-up to the commitment of the 2018 [Burgas Ministerial Declaration “Towards a Common Maritime Agenda for the Black Sea”](#) and is a result of the process initiated by the European Commission for the implementation of the [Black Sea Synergy](#). Supporting the CMA, the Strategic Research and Innovation Agenda for the Black Sea (SRIA), launched on May 8, 2019 will support research in key sectors including biodiversity, cultural heritage sites and the new local, national and transboundary policy measures. Both processes, the CMA and the SRIA, were developed in parallel and supported by the European Union (EU).

12. **The implementation of the CMA is supported by the BSEC and by the Black Sea Commission<sup>7</sup> (BSC).** The BSEC is a multilateral political and economic initiative aimed at fostering interaction and harmony among the Member States. It serves as a forum for cooperation in a wide range of areas for its 12 Member States<sup>8</sup>. The BSEC was launched as a regionally owned initiative, when the Heads of State and Government signed the Summit Declaration and the Bosphorus Statement on 25 June 1992, in Istanbul. **The BSC** was established with Bulgaria, Georgia, Romania, Russian Federation, Turkey and Ukraine signing in 1992 and shortly thereafter ratified the [Convention on the Protection of the Black Sea Against Pollution](#) also referred to as "Bucharest Convention". It is the basic framework of agreement and three specific Protocols, which are (i) the control of land-based sources of pollution, (ii) dumping of waste and (iii) joint action in the case of accidents (such as oil spills). Annex 3 provides additional information on both regional organizations.

13. **Inadequate political and legal frameworks and lack of investment remain a challenge towards stepping up the fight against pollution in the Black Sea.** To seriously tackle the issue of water quality in the Black Sea, clear step-by-step actions to reduce pollution loads, on land and off shore, are needed, in line with stronger cooperation mechanisms. Black Sea regional dynamics and cooperation landscape in the Black Sea region shows that despite the variety of collaborative actions and cooperation initiatives in the area, these, to a large extent, lack efficiency, coordination and concrete outcomes. In particular, we can observe, heterogenous levels of policy development and governance and socio-economic discrepancies in the Black Sea countries, regional institutional and cooperation challenges due to political issues, impeding the implementation of international and regional agreements. Due to competing interest in different economic sector, there is a lack of innovation and investments towards prevention and treatment of pollution.

14. **In support of the CMA, the Blueing the Black Sea (BBSEA) Program supported by the World Bank and its partners would be aiming at catalyzing blue economy investments for the Black Sea.** The BBSEA Program would have an Investment Component and an Analytical Component (Figure 1). The initial step of building a coherent BBSEA Program is focused on the Pillar 1 “Save the Sea” that is aiming at reducing pollution in the Black Sea. Two instruments are considered for the realization of these first step: (i) PROBLUE Regional Analytical Work, executed by the World Bank (US\$ 400,000) has been approved and will support national diagnostic on pollution and synthesize the results in a regional report and; (ii) the proposed GEF grant in an amount of US\$ 6.4 million, financed under the IW Water window. Although the proposed Project would benefit all Black Sea countries through knowledge exchange and standards building, national level activity would take place only in the four GEF eligible countries (Georgia, Moldova, Turkey and Ukraine) in accordance with GEF

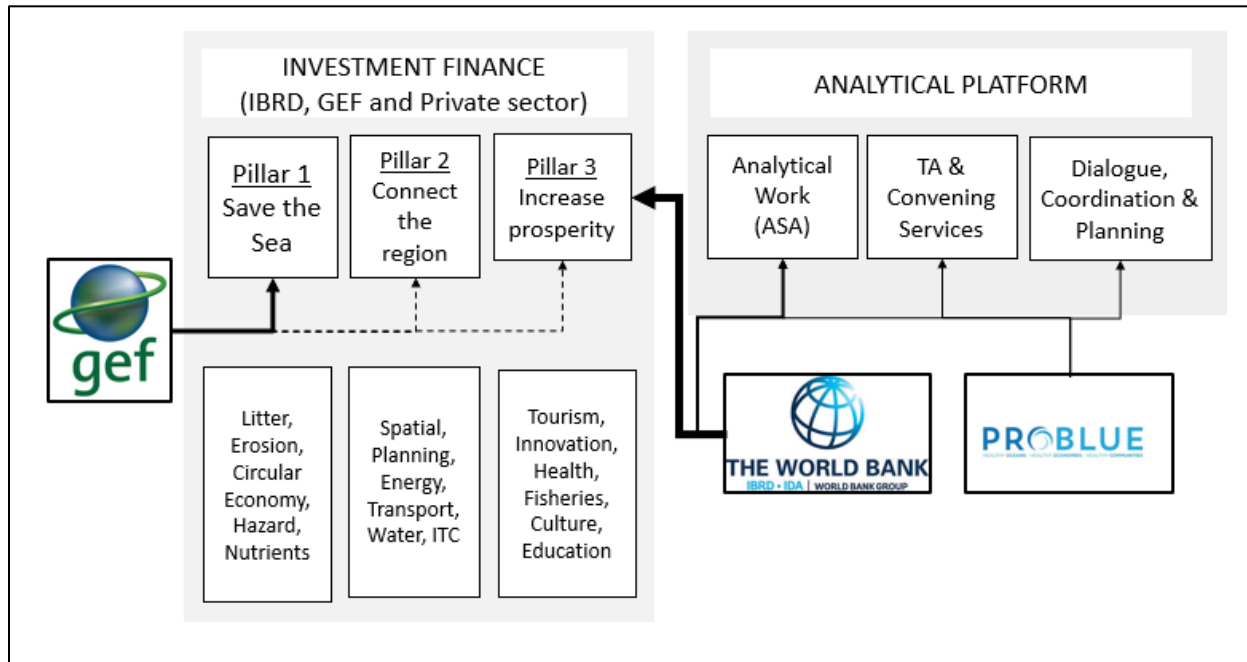
<sup>7</sup> The BSC full name is Commission on the Protection of the Black Sea Against Pollution

<sup>8</sup> Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russian Federation, Serbia, Turkey and Ukraine.



policies in the current context of the Black Sea. The ambition of the Project would be, however, to progressively include all Black Sea countries through additional financing.

Figure 1: BBSEA Program Overview



Relationship to CPF

15. **The project would be strongly aligned with the Black Sea existing regional framework, namely the Black Sea Strategic Action Plan (SAP).** The Black Sea SAP, updated in 2009, describes policy actions and management targets required to meet the major environmental challenges faced in the Black Sea. The vision for the Black Sea is to preserve its ecosystem as a valuable natural endowment of the region, whilst ensuring the protection of its marine and coastal living resources as a condition for sustainable development of the Black Sea coastal states. The Ecosystem Quality Objectives identified in the SAP through the Transboundary Diagnostic Analysis align with the proposed project activities. In particular, it identifies the following priorities: *reduce eutrophication, ensure good water quality for human health, recreational use and aquatic biota.*

16. **The project would also support the implementation of key principles from the CMA and the Black Sea SRIA adopted in May 2019 aiming at:** (i) improving environmental protection and sustainability in the exploitation of coastal and marine resources, (ii) supporting research and innovation to unlock the region's growth potential and stimulate the transfer of knowledge “from the labs to the market”; (iii) increasing political will and financial commitment for improving the ecological state of the Black Sea; (iv) developing products, solutions and clusters underpinning the Black Sea blue growth and; (v) building critical support systems and innovative research infrastructure. First of its kind, the CMA is an important tool for the participating countries as well as other international financial institutions to align available and future funding for the CMA priority areas. The project also aligns with the SRIA by promoting and financing innovations, by contributing to education and capacity building.



17. **The project would be aligned with the GEF 7 International Waters (IW) Focal Area** for its focus on water quality addressing the issue of eutrophication, biological and chemical pollution (including oil). It would also align with GEF-7 by financing the needed update of policy, by catalyzing innovation approaches, by engaging the private sector and stakeholders at regional, global and national levels and by facilitating strategic investments through Private Public Partnerships (PPPs). At the time of the submission, solid waste was not eligible for GEF financing. The project would particularly look at urban, shipping and agriculture pollution sources.

18. **The proposed project would contribute to meeting objectives set forth in respective CPFs of Georgia, Moldova, Turkey and Ukraine.** The CPF of **Georgia** refers to building resilience (Focus Area 3) which the project would support by enhancing government capacity to manage natural resources and mitigate climate risks in support of promoting a more sustainable growth trajectory. Additionally, the CPF of Georgia also refers to enhancing inclusive growth and competitiveness (Focus Area 1) which the project would support by strengthening innovation capacity in terms of investments in technology, innovation and finance based on competition in supporting pollution reduction. Referring to the CPF of **Moldova**, the project would assist pollution reduction in Danube, therefore contributing to greater adaptation, resilience and response to climate change (Objective 4A). Under the CPF of **Turkey**, the project would directly contribute to *Strengthened Results Under Climate Action Agenda* (Objective 9) and also to strengthened performance of the Health Sectors (Objective 6). In **Ukraine**, the proposed project would assist the second objective under Focus Area 1 (Making markets work) by opening new areas of private sector inclusion while implementing blue economy national and regional governance.

### C. Proposed Development Objective(s)

The proposed Project Development Objective (PDO) is to strengthen economic, technical and communication tools to promote regional collaboration and private sector engagement for pollution prevention in the Black Sea.

19. This PDO contributes to the long-term program objective to improve environmental health of the Black Sea and increase social and economic benefits for the population.

20. The participating countries are Georgia, Moldova, Turkey and Ukraine as per GEF policies. The Project would however benefit all Black Sea countries through the regional dialogue (Component 1) the sustainable business standards and the green & innovative financing (Component 2). In addition, this Project plans to embed several scale-up mechanisms such as the market place in Component 1 and the preparation of investment in component 2. Because the sources of water pollution go beyond coastal states, Moldova's participation in this Project illustrates the contribution from a country in the Danube watershed.

#### Key Results (From PCN)

21. PDO indicators would be prepared in consultation with the Countries and BSEC. Core Indicators of the GEF would also be monitored including Large Marine Ecosystem with reduced pollution and hypoxia (#) and Direct beneficiaries disaggregated by gender as co-benefit of GEF investment (#).

22. GHG, citizen engagement, and any relevant CRIs would be included in the project's Results Framework.

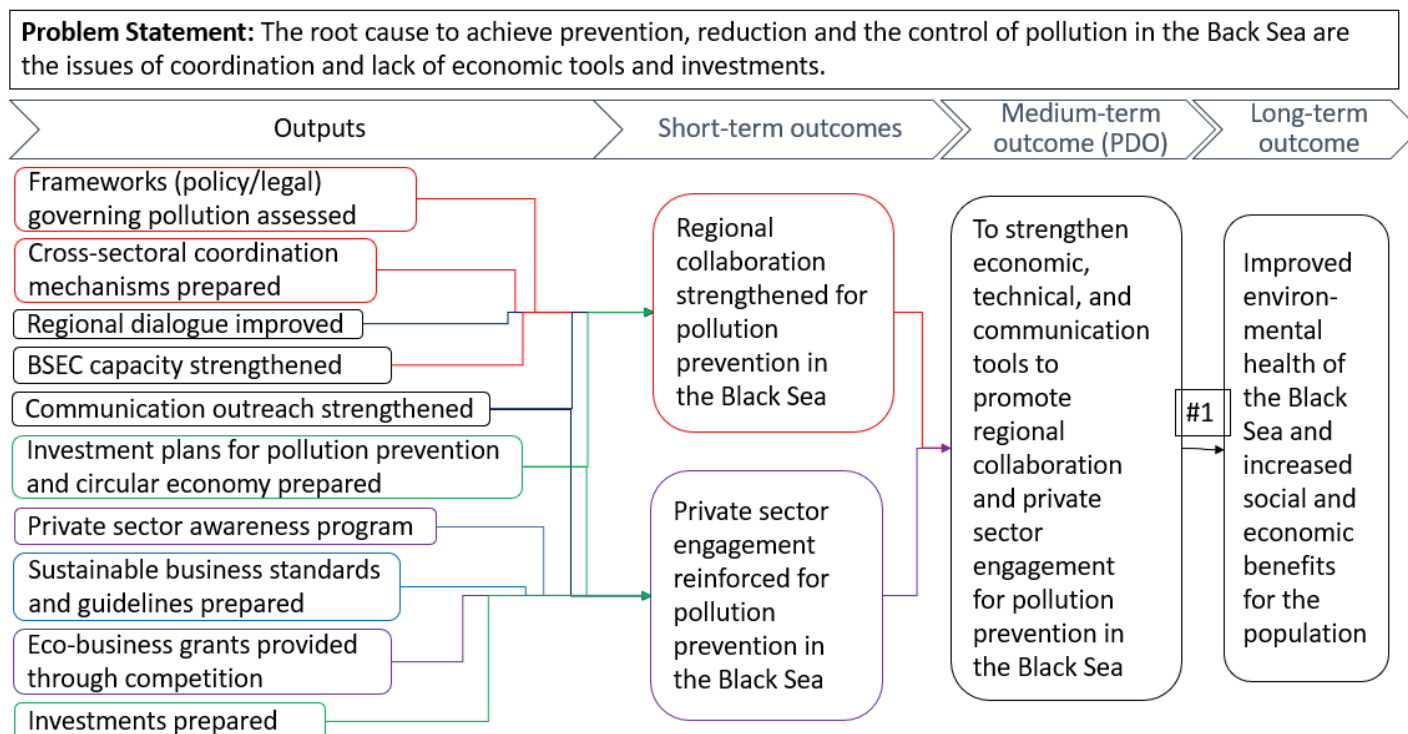


D. Concept Description

23. Addressing pollution issues is a major challenge for the sustainable development of the Black Sea in a post-COVID era. Prevention and reduction of water pollution is important for health and for healthier natural habitats. Many factors that condition our health are common to us all and come from the natural environment but are often overlooked within health systems. The proposed project would build on solid analytical works on pollution to identify innovative finance and business models that reduce the degradation of coastal and marine resources, providing strong evidence for effective “blue economy” approaches to maritime management sustaining an economy in support of marine ecosystem restoration and protection.

24. Design and theory of change. The project would tackle the root cause to achieve prevention, reduction and the control of pollution in the Back Sea which issues are linked to coordination and lack of economic tools and investments. In total, six categories of outputs have been identified for the project, including: (i) frameworks governing pollution assessed; (ii) investment plans for pollution prevention and circular economy prepared; (iii) cross-sectoral coordination mechanisms prepared; (iv) private sector awareness raised; (v) regional dialogue improved; (vi) communication outreach strengthened; (vii) sustainable business standards and guidelines prepared; (viii) eco-business grants provided through competition; (ix) investment prepared, (x) BSEC capacity strengthened. The project would also include a transversal activity encompassing the regional level, engaging with all the Black Sea countries in a constructive dialogue. In the medium-term, the project would help to create more incentives for public and private investments for pollution reduction all leading to the longer-term outcome of an improved environmental status of the Black Sea with increased economic and social benefits for the population (Figure 1).

25. Figure 1: Theory of change



**Critical assumption:** #1 Cooperation among countries and the robustness of regional institutions do not deteriorate.





### The project includes three components

26. **Component 1. Improved national and regional frameworks for pollution prevention and reduction (GEF US\$ 2,1 million):** The project would build on the on-going and planned national investments for rural development, wastewater treatment and rivers basin and coastal zone management as well as current institutional reforms that may present further opportunities for improved coordination. Good policy and governance at the national and regional levels are an indispensable basis for further developing the blue economy in the region. The component would provide an assessment of the current national policy and legal framework, examining the compliance with regional regulations / conventions on pollution related to water management, agriculture, aquaculture, tourism and shipping. It would provide recommendations for legislative and administrative reforms at national and municipal levels, aligning with regional engagements for improved coordination between sectoral agencies and for pollution control. The component would include national plans for pollution reduction and circular economy (including financing, targets and monitoring) through an established dialogue with the countries and key regional stakeholders, in compliance with relevant regional frameworks and international instruments. The project would also support strengthened framework for Blue Economy with supporting cost-effective coordination and harmonization of agreed actions (that would be identified during the project preparation) that would further support the implementation of the CMA and SRIA. Finally, the project would facilitate the regional dialogue with strengthened regional cooperation between the BSC, BSEC, GFCM and enhance BSEC performance (financing of activities and participation) including through the IW:LEARN<sup>9</sup> Platform.

27. **Component 2. Strengthen public private partnership and innovative financing (GEF US\$ 4.0 million).** The proposed project would look at establishing a momentum and incentives to reduce pollution and invest in pollution reduction technology, innovation and finance. The project would support the Development of sustainable business standards and guidelines in agriculture, aquaculture, tourism, shipping and water management would be developed based on international best practices. Models from investments into nature-based solutions would be also used. Capacity building in banking and innovative financing would be provided through trainings on green technology investments, focusing on pollution reduction and prevention targeting regional financial/investment organizations such as the BSTDB and or the BSEC Business Council. At the national level, relevant banks / investors would be convened for participation. Eco-Business Competition and Grants would be organized, engaging public agencies, local authorities, private sector and youth programs from the Black Sea region to promote eco-sustainable business practices, innovation and finance supporting pollution reduction. Best practices and innovations for pollution reduction would be selected for further implementation and financing through grants. Various rounds would be organized throughout the project duration, including a competition open for women led SME as well as for young entrepreneurs. Rounds would be organized in each country as well as a regional final round. The project would support the preparation of a investment (e.g. identification and pre-feasibility study) in at least one of the beneficiary country. The support would target investments for waste water treatment, water depollution, water recycling, etc. Circular economy models focusing on pollution prevention and reduction could be also explored for the selection of the investment.

28. **Component 3. Project Management (GEF US\$ 0.3 million).** This component would aim to ensure the project efficiency and efficacy through the establishment of a satisfactory monitoring and management system as well as the maintenance of the project's participation and consultation mechanisms. This component would support the project executing entity in charge of the technical implementation, financial management and procurement, overall monitoring

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<sup>9</sup> IW:LEARN is a community of practice and knowledge platform that promotes experience sharing and learning globally among GEF-financed international waters projects, country officials, implementing agencies, and other partners. Project finance allocated to IW:LEARN is US\$ 200,000.



of project results, production of progress reports, and safeguards compliance, including the establishment of a culturally appropriate grievance redress mechanism.

| Legal Operational Policies                  | Triggered? |
|---|------------|
| Projects on International Waterways OP 7.50 | No         |
| Projects in Disputed Areas OP 7.60          | No         |

Summary of Screening of Environmental and Social Risks and Impacts

**29. Environmental and Social Risk.** The Environmental and Social risks are assessed as Moderate. The project would generally result in positive environmental and social impacts in the Black Sea region by providing assessment of national policies and legal frameworks, development of national plans for pollution reduction and circular economy, strengthened framework for blue economy and enhancing regional dialogue in the Black Sea Basin. The investment component of the project would include innovation grants in pollution reduction and PPP preparation through feasibility studies. The potential risks and impacts associated with such activities (waste generation and management, energy use, noise, dust emissions and occupational health and safety) could be temporary and reversible, low in magnitude and site specific which can be easily mitigated through good management practices. The project would also not finance activities which require land acquisition or involuntary resettlement, impact on cultural heritage, nor those involving child and forced labor. These risks and impacts would be part of the exclusion list. Labor and community health and safety risks may include impacts temporary traffic disruptions, and occupational health and safety risks associated with small - scale civil/installation works. Those would be considered within the scope of the ESMF, ToRs and site specific environmental and social assessment documents. The Project would develop extensive stakeholder engagement program with diverse stakeholders in participating countries, and would rely on participatory approach and active consultation in selection of grant supported activities.

### CONTACT POINT

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### APPROVAL

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|----------------------|------------------------|

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| Practice Manager/Manager:                   | Kseniya Lvovsky        | 01-Apr-2020 |
| Country Director:                           | Auguste Tano Kouame    | 28-Apr-2020 |