PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: AB2530

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<thead>
<tr>
<th>Project Name</th>
<th>TARA AND LIM RIVER BASIN WATERSHED MANAGEMENT</th>
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<tr>
<td>Region</td>
<td>EUROPE AND CENTRAL ASIA</td>
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<tr>
<td>Sector</td>
<td>General agriculture, fishing and forestry sector (100%)</td>
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<td>Project ID</td>
<td>P099749</td>
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<td>GEF Focal Area</td>
<td>Land degradation</td>
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<td>Borrower(s)</td>
<td>GOVERNMENT OF REPUBLIC OF MONTENEGRO</td>
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<td>Implementing Agency</td>
<td>Ministry of Agriculture, Forestry and Water Management</td>
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<td>Environment Category</td>
<td>[ ] A  [X] B  [ ] C  [ ] FI  [ ] TBD (to be determined)</td>
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<td>Date PID Prepared</td>
<td>August 29, 2006</td>
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<td>Estimated Date of Board Approval</td>
<td>February 4, 2008</td>
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1. Key development issues and rationale for Bank involvement

The proposed project area comprises the Tara River basin (2052 km², population 31,400) and the Lim River basin (3,131 km², population 105,000) in the mountainous interior of Montenegro. Both rivers are tributaries of the Drina River and part of the greater Danube River watershed. The entire Tara River basin is a UNESCO Biosphere Reserve¹, and its northern portion contains the pristine Tara River Canyon, a World Heritage site which is one of the deepest canyons in the world. While Montenegro as a whole has recently experienced moderately strong economic growth, the inland mountain areas remain economically depressed, with high poverty rates and poor infrastructure and services. Agriculture in this region has been declining over the past several decades, and wood production has also declined following the collapse of state-owned forest management and wood processing companies as well as over-harvesting in some areas. Tourism is regarded as an important alternative economic driver in the project area. Historically and currently, over 95% of tourism activity in Montenegro is located in the six Coastal districts, but there is growing interest in development of nature-based and cultural tourism in the mountainous interior, centered around major natural attractions such as the Tara River Canyon and the Durmitor and Biogradska Gora National Parks, all within the proposed project area. The Government of the Republic of Montenegro (GRM), assisted by European Agency for Reconstruction and other donors, is undertaking road repair and construction to help alleviate access problems which are one of the main constraints to tourism development in the area. However, unplanned and uncontrolled tourism development also pose a threat to these biodiversity-rich areas. Realizing the full potential of tourism for local economic development and nature conservation will require environmentally and socially sensitive land use planning and substantial investment in infrastructure, environmental management and local capacity

¹ Under the UNESCO Man and the Biosphere program
building. These investments would also have substantial direct benefits for the local population.

Seasonal flooding is a localized but significant problem in both the Tara and Lim River basins, aggravated by erosion due to deforestation of steep slopes. Flooding is increasingly affecting agricultural lands, road infrastructure and buildings. To some extent this is a result of poor planning (cultivation or buildings constructed too near the river) but it is also due to changes in the river course resulting from deposition of eroded soil and various types of solid wastes and from riverbed excavation for gravel and sand. Inadequate flood forecasting and response systems increase the economic and social impact of these flooding events. The Government’s flood control strategy has mainly been to construct straightening channels and retaining walls to divert floodwaters away from towns, fields and roads, but these structures are costly to build and maintain and can exacerbate problems downstream and in the long term.

None of the towns in the two river basins have wastewater treatment facilities. Despite this, water quality is generally high in the Tara River (Category I or II). It is lower in the Lim River, although better than in previous decades due to declining industrial activity in the catchment area. There are localized areas of higher pollution, near towns and remaining industrial sites, which may present health and environmental hazards. Among these is an abandoned lead-zinc mine tailings site in the town of Mojkovac, where there is a risk of failure of a retention dam which would result in heavy metals and other toxic pollutants entering the Tara River.

Montenegro has made a Constitutional commitment to be an ecological state, and adopted a plan for long term sustainable development (“Directions of Development of the Montenegro Ecological State, 2001”). The proposed project also supports the GRM’s objective of working towards harmonization with the EU acquis communautaire, particularly the Water Framework Directive (WFD) which calls for managing water resources through an ecosystem-based approach. The GRM intends eventually to establish two River Basin Authorities: one for the Adriatic watershed and one for the Danube/Black Sea watershed. This medium- to long-term goal will require a phased approach, with a considerable investment in institutional development and capacity building. As the Tara and Lim River Basins together comprise about 50% of the Danube/Black sea watershed in Montenegro, building institutional structures and capacity to support ecologically based watershed management within these two river basins will make a substantial contribution towards this objective.

The proposed project supports FY05-07 CAS Goals by: helping to improve the sustainability and efficiency of public sector institutions for nature protection and environmental management; creating enabling conditions for growth of a larger and more dynamic private sector tourism industry in the project areas; and helping to reduce poverty levels and access to public services in some of the poorest parts of the country. It represents an opportunity to develop tools and capacity for addressing key landscape and environmental management issues such as solid waste and wastewater management, land use planning and regulation of building within a limited area, with the potential for scaling up in future. The project also supports the Bank’s overall strategy to mobilize GEF funds to help maintain the unique biodiversity of the Balkans; to promote landscape conservation as a key element of sustainable development (including nature- and culture-based tourism); and to enhance the protection and management of international rivers and
river basins. This strategic framework links the project with other GEF initiatives in Montenegro and neighboring countries, including the Montenegro Tourism Development Project.

2. Proposed objective(s)

The Project Development Objective is to reduce flood-related economic losses, and to introduce an integrated watershed management approach for maintaining the landscape and natural resources for sustainable economic development in the Tara and Lim River basins. The Global Objective is to develop and begin implementation of an integrated approach to restore and maintain ecological and hydrological processes within the Tara and Lim River basins.

3. Preliminary description

The project will support the introduction of integrated watershed management (IWM) as an umbrella for land use planning, sustainable natural resource use and conservation of natural habitats, biodiversity and ecological functions. This will include both development of the knowledge base and institutional capacity for well-coordinated, participatory planning and on-the-ground investment to begin implementing some key building blocks of the IWM approach. The project is expected to consist of three components:

**Component 1: Institutional capacity building for integrated watershed management:**
supporting: development of legislation and regulations to establish an appropriate institutional and incentive framework, aligned with the EU-WFD; awareness raising, education, stakeholder mobilization and consensus building; institutional development and capacity building; development of databases and monitoring systems needed for watershed level planning; preparation of a management plan and establishment of data collection and monitoring systems for the Tara River Biosphere Reserve (covering the entire Tara River basin).

**Component 2: Forest restoration:** supporting: biodiversity surveys and monitoring in the target areas; preparation of detailed ecological restoration/reforestation plans targeting steep slopes and other ecologically significant areas; production of indigenous seedlings; enrichment planting or reforestation; and capacity building to strengthen forest management and protection in the target areas. Areas to be restored will all be designated as protected or protection forests, and therefore not open to commercial logging in the future, although some areas may be open to sustainable harvesting of fuel wood and non-timber forest products by local inhabitants. The project may also assist the GRM to develop a carbon finance project if preparation studies indicate there is potential for this.

**Component 3: River management and protection:** supporting a shift away from the traditional, strictly infrastructure-centered approach to flood management (retaining walls, channeling, etc.), towards an integrated approach which maintains as much as possible of the natural hydrological system while reducing the negative economic, social and environmental impacts of flooding. Activities will include: participatory preparation of pilot integrated watershed and riverbed management plans for priority sections of the rivers; measures to reduce the risk of failure of a mine-tailings dam at Mojkovac; possibly other environmental investments such as interventions at other abandoned industrial sites, wastewater treatment and/or solid waste management for
some towns along the rivers, etc. (non-GEF co-financing would be sought to cover most of such investments).

4. Safeguard policies that might apply

OP 4.01 (Environmental Assessment) will apply to any substantial infrastructure investment, including the strengthening of the mine tailings dam and flood control works. OP 4.04 (Natural Habitats) and OP 4.36 (Forests) are relevant as much of the project area is a Biosphere Reserve and contains natural forest. OP 4.37 (Safety of Dams) is relevant as the project will support rehabilitation of a large retention dam for a site containing toxic materials. OP 7.50 (International Waterways) is triggered because some flood control works will likely be carried out on rivers which are upstream from other countries. It remains to be determined whether OP 4.12 (Involuntary Resettlement) or OP 11.03 (Cultural Property) will be triggered due to restricted access to key watershed forests, or the possibility of civil works affecting physical cultural resources.

5. Tentative financing

Source: ($m.)
BORROWER/RECIPIENT 1
GLOBAL ENVIRONMENT FACILITY 5
Others 4
Total 10

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