

IEG

ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted :	08/30/2006	
PROJ ID:	P048790		Appraisal	Actual
Project Name:	GEF -Azov Black Sea Corridor Biodiversity Conservation	Project Costs (US\$M)	32.5	1.61
Country:	Ukraine	Loan/Credit (US\$M)	6.9	1.1
Sector(s):	Board: ENV - General agriculture fishing and forestry sector (65%), Other social services (21%), Agricultural extension and research (14%)	Cofinancing (US\$M)	7.22	0.4
L/C Number:				
		Board Approval (FY)		2
Partners involved :	European Community, Denmark, IBRD Netherlands, UK Know-How Fund, USAID, World Wildlife Fund	Closing Date	12/31/2006	12/31/2006
Evaluator:	Panel Reviewer :	Division Manager :	Division:	
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2. Project Objectives and Components

a. Objectives

The *Development Objectives* were conservation of biodiversity within the Azov -Black Sea coastal corridor by:

1. strengthening the protected area network;
2. mainstreaming biodiversity conservation into the surrounding agricultural areas; and
3. by building support at the national and international levels for sustainable development of the region 's unique biological landscape.

The *Global Environmental Objective* was to support in-situ conservation of biodiversity and threatened wetland ecosystems through improved protected area planning and reduction of agricultural impacts on sites protected under the Ramsar Convention (The official title is *The Convention on Wetlands of International Importance, especially as Waterfowl Habitat*. The convention was developed and adopted by participating nations at a meeting in Ramsar, Iran and came into force in 1975. Wetlands listed under the Convention are commonly known as "Ramsar Sites.")

b. Components (or Key Conditions in the case of Adjustment Loans):

There were five:

1. **Support protected areas management** . Planned US\$7.91 million, actual US\$1.17 million. This included creation or expansion of protected areas at the proposed Sivash and Preazovsky national parks; preparation and implementation of management plans for these protected areas and three existing protected areas (Chornomorsky biosphere reserve and Granite-Steppe Pobuzhia and Meotida regional landscape parks); and professional development for park staff in protected area administration and management planning, wetland and waterbird ecology and management, warden skills, and visitor management.
2. **Support protected area and corridor planning** . Planned US\$5.57 million, actual US\$0.09 million. This included inventories of natural habitats to identify and prioritize key natural areas, their ecological functions and management requirements; establishment of a biodiversity monitoring system; finalization of the costal protected area plan including roles of protected areas in local economies and financing needs for their long-term operation; and preparation of land-use plans to mainstream biodiversity conservation into regional development plans.
3. **Build capacity and awareness for biodiversity conservation in Ukraine** . Planned US\$7.14 million, actual US\$0.04 million. This included local communities and NGOs and support for regional and international cooperation in wetlands conservation and waterfowl flyway management .
4. **Demonstrate biodiversity friendly agriculture practices** . Planned US\$9.78 million, actual zero. This included assessment of environmental management needs for lands within the former collective farms;

evaluation of the feasibility of developing conservation easements with favorable tax incentives for environmentally sensitive, marginal agricultural lands and their incorporation into the land titling (developed under a parallel project). The project would also implement sustainable agricultural practices at the farm and landscape levels, working through a competitive small grants program for improved on-farm management practices.

5. **Project management and information dissemination** . Planned US\$2.12 million, actual US\$0.31 million. This was to finance the operating costs of a Project Implementation Unit (PIU) that would undertake procurement of goods, works and consultant services; support development and maintenance of a communications support system to serve project participants and stakeholders, and provide monitoring and evaluation of project implementation.

c. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Total project financing included GEF's Grant of US\$6.9 million that was to be complemented by US\$7.2 million parallel funding by four bilateral donors (Netherlands, Danish, UK and USA), one multilateral (EC) and one international NGO (WWF). IBRD was to parallel finance US\$16 million from its Rural Land Titling and Cadastre Project; and a Programmatic Adjustment Loan was to support complementary policy reforms (economic and regulatory mechanisms for reducing pollution.) Only US\$1.1 million or 16% of the GEF Grant was disbursed. Of the parallel financing only US\$0.4 million or 5% was disbursed by the UK. And counterpart funding, expected to be US\$18.4 million was only US\$0.11 million. Project effectiveness took 11 months and counterpart funding was delayed a further 24 months hindering project implementation. Lack of disbursement and noncompliance with measures agreed to improve performance led to notice of suspension in October 2004 and eventual suspension of the project in June 2005. The project was cancelled in August 2005. Even so the ICR indicates it was closed on schedule in December 2006 when \$7.29 million was cancelled. There is no explanation of why it took 16 months from cancellations to official closure. Indeed, earlier independent QAG review of project supervision in September 2004 criticized the delay in suspending the project and rated supervision as unsatisfactory.

3. Relevance of Objectives & Design :

Relevance was high :

It would safeguard habitat and biodiversity resources that are globally important . The Ukrainian coasts of the Black and Azov seas contain large and biologically diverse wetland complexes, some of which are the best or only remaining examples of such habitat types in Europe. About 650,000 hectares of the most important of these habitats are designated as Ramsar sites. These wetlands and the adjoining endangered upland steppe serve as key components of an ecological corridor that links natural communities in the northern Black Sea region and provides critical wintering and feeding habitats for over one million of waterbirds migrating through the northwest shelf along various Eurasian - African flyways. In addition to this global environmental function, the marine, wetland and steppe communities together support more than 100 internationally endangered species.

The project would reverse unsound agricultural practices that were polluting the Black Sea . The project supported the government's undertakings under the Bucharest Convention and as an executing agency of the Black Sea Environmental program.

The project would provide critically needed support for environmental protection and raise local, national and international awareness of the need for better management.

The project was relevant to Country Assistance Strategies . The project was included in the CAS 2000 and addressed the following CAS objectives: (i) help the Government develop the legal and institutional framework for environmental regulation; (ii) improve the capacity of the Ministry of the Environment and related agencies; and (iii) efficiently prepare and implement larger environmental investment projects in the protection of biodiversity and improvement of land, water and solid waste management. The current CAS 2003 specifies protection of natural environment as an area for priority Bank intervention.

Project objectives are also highly relevant under the Bank's sectoral operational strategies - the Natural Resource Management Strategy for the ECA Region (2000), the Environment Strategy for the World Bank (2001), and the Biodiversity Strategy for the ECA Region (2003).

Design was problematic and quality at entry is rated unsatisfactory :

The project incorporated most of the lessons learned from two earlier GEF projects in Ukraine and the overall approach followed a similar format focussing on improving management, integrating biodiversity management into the regional plan and agricultural management, and building local capacity and awareness through a competitive small grants program and dissemination. However, the design was ineffective because of low ownership by the government and mistaking the high levels of technical knowledge and scientific excellence in the sector for cross-sectoral managerial ability. Arrangements for counterpart cofinancing were inadequately appraised. Arrangements to secure a common agreement regarding the scope of corridor conservation strategy, biodiversity monitoring and evaluation and integration into agricultural operations among a wide range of official stakeholders (who were dispersed over a large area) were not finalized during appraisal and led to implementation problems. The sub-contracting of project implementation (including procurement and financial management) to a small Ukrainian NGO failed because of unwillingness of the Ministry of Environmental Protection (MEP) to delegate authority, woefully inadequate counterpart funding, ineffectiveness of the NGO

because of its capacity limitations and its inexperience at procurement and financial management . In many respects these capacity issues and inability to manage /coordinate cross-sectorally were well-known generic problems in former FSU states and the risks these posed should have been mitigated .

4. Achievement of Objectives (Efficacy) :

- **Objective 1, strengthening the protected area network, was only partially achieved with major shortcomings and efficacy is rated modest** . Conversion of Regional Landscape Parks into National Nature Parks was partially achieved, one NNP being expanded by 10,000 ha, a new NNP was created covering 79,000 ha and a biosphere reserve was expanded by 10,000 ha. While these changes had been agreed at the local level they still await Presidential approval. The project provided critically needed equipment and incremental operating costs (vehicles, boats, engines, laboratories, GPS etc .), completed minor infrastructure improvements, provided training to managers, environmentalists and hunters, and assisted publication of information and outreach material.
- **Objective 2, mainstreaming biodiversity conservation into the surrounding agricultural areas, was not achieved and efficacy is rated negligible** . While design was initiated, an actionable plan was never operationalized.
- **Objective 3, building support at the national and international levels for sustainable development of the region's unique biological landscape, was only partially achieved with major shortcomings and efficacy is rated modest** . A national level environmental education program was developed and agreed between MEP and the Ministry of Education. Building on the first corridor-wide wetland bird inventory conducted in 2004, the project published the field guide "Birds of Ukraine."

5. Efficiency :

There were no formal measures of efficiency . But as is normal for GEF projects an incremental cost/benefit matrix was developed. If the government of Ukraine continued with a business as usual approach to its management of the Azov-Black Sea corridor, costs over the five years of the project were estimated to be about US\$ 23 million. Realigning and upgrading its management of the corridor to increase global environmental benefits was expected to increase costs to US\$55 million and the incremental GEF cost was therefore US\$32 million. The efficiency of the program was that it was expected that GEF's Grant of US\$ 6.9 million would leverage US\$23.2 million of additional donor funding and US\$2.4 million from central government, oblasts and donations from local businesses . Thus GEF's leverage was expected to be 3.7. In practice, major objectives were not achieved even though GEF disbursed US\$1.1 million and leveraged US\$0.4 million. Given this poor performance, and the leverage ratio of 0.35, efficiency is rated negligible.

6. M&E Design, Implementation, & Utilization:

While the PAD produced a list of output-based monitorable indicators, arrangements for development of procedures for M&E and their operationalization were delegated to the grant recipient . Details are not available. Successful implementation of the M&E plan was a casualty of poor project management and there is no means to objectively judge its performance.

7. Other (Safeguards, Fiduciary, Unintended Impacts--Positive & Negative):

None.

8. Ratings :	ICR	ICR Review	Reason for Disagreement /Comments
Outcome :	Unsatisfactory	Unsatisfactory	
Institutional Dev .:	Negligible	Negligible	
Sustainability :	Unlikely	Unlikely	
Bank Performance :	Unsatisfactory	Unsatisfactory	
Borrower Perf .:	Highly Unsatisfactory	Highly Unsatisfactory	
Quality of ICR :		Satisfactory	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

9. Lessons:

- Thoroughly appraise intuitional capacity in former NSU states and provide support to build local capability . Particular problems that need attention are poor cross -sectoral coordination and lack of intersectoral management skills, and non-familiarity with free-market procurement and commercial financial management .
- GEF projects have to cognizant of and sensitive to the macro -political environment. This is not only a matter of

awareness but also of timing. When there are pressing national political and economic management problems it is unlikely that biodiversity issues will receive much attention and grant recipient ownership may be very low .

10. Assessment Recommended? Yes No

11. Comments on Quality of ICR:

An excellent and candid account of this problematic project .