

**GEF Drina River Basin Management Project**  
**Comments Received and Team Response**

<b>Comments Received from GEF</b> <i>(Astrid Hillers, Senior Environment Specialist, Cluster Coordinator for IW)</i>	
<b>Comment</b>	<b>Response</b>
<p>Overall comments: Overall, we welcome the cooperative effort by the three countries. The Drina basin has not been given enough attention in the larger Danube cooperation and on the other hand is affected by floods, holds great natural assets and requires regional dialogue to balance competing demands for flood protection, hydropower production, and ecosystems needs.</p> <p>We agree with the focus on IW objective 3 for foundational activities to strengthen cooperation and support coordinated infrastructure investments and operation; flood protection; and small scale investments.</p> <p>The indicated Co- finance case for the GEF funds remains a weak point and especially the lack of clearly aligning WB funds beyond the two national projects. Please explore if regional IDA funds could be committed to this project as discussed with the team. Please also recall that by CEO endorsement, co-finance needs to be confirmed and letters of co-finance be provided for all efforts listed as co-finance for the Drina program (at CEO endorsement) and contributing to the project PDO.</p>	<p>During project preparation, the team will explore additional sources of co-financing for the project. While the team attempted to design a jointly co-financed project, the business cycles and logistics are different in the three project countries which precluded such co-financing at this stage.</p> <p>We wish to point out that there are several ongoing and planned projects/operations financed by the Bank and other donors (such as EU, EIB, etc.) in the Drina basin whose overall objectives are integrally related and connected to those of the proposed project. It is important to note that the proposed GEF project will, on one hand, draw from these ongoing operations that serve to contribute to the overall Drina program of sustainable cooperative basin management (such as the EU Digital Terrain Mapping, the Flood Risk mapping, the “twinned” flood protection investments in BiH and Serbia, the Bank’s Regional Energy Strategy for SE Europe, etc.) and on the other, become the central platform and toolkit for coordinated policy preparation and investments. The project will not only help leverage additional support for investments in the Drina basin, but also enhance the impact of these future operations given that the project will be the first to anchor the regional and jointly-prepared strategic action plan central, which will shape the future basin management and investment plans. Given the multitude of operations in the basin, during</p>

	preparation, and by CEO endorsement, the team will attempt to secure additional co-financing for the project and obtain letters confirming such co-financing support.
Given limited co-finance of this effort, GEF-5 limits approaching and being a foundational project, GEF IW contributions for this effort should not exceed USD 5 million (including PPG and fees).	The team will prepare the project as a US\$5 million operation, inclusive of PPG and Agency fees. The proposed project activities have been revised to fit within this budgetary envelope. See PCN, pages 11-13.
Please be aware that the PPG amount is exceeding the norm of \$150 K for projects between USD 3 and 5 million. If higher amounts are requested please provide a reason for this and we welcome to review and consider such request.	A PPG of US\$200,000 is being sought given the complexity of preparing a project that is multi-country and multi-sectoral in nature. The regional nature of the project involves bringing together a broad spectrum of stakeholders, including, inter alia, policy makers, ministerial/institute/agency staff, municipal governments, local populations, and civil society from three countries and across the key sectors, including water resources, energy, agriculture, spatial planning, tourism, and environment to work jointly on shared trans-boundary waters in which each country and each sector has a critical political, economic and social stake. This will require extensive consultations at both the national and regional levels to reach agreements on the details of the proposed project – scope, activities and their associated costs, implementation arrangements, monitoring and evaluation framework, etc. and ensure that the project adequately represents and balances country and sectoral interests. These consultative meetings would be key to the future success of the project: they would provide the platform for honest open discussions to reach agreements on contentious issues which would otherwise adversely affect smooth project implementation. In addition to the resources required for meetings, workshops, preparation of reports, field visits, the countries would also need other preparatory resources e.g. for preparation of the Grant Manual for the Small Grants Program, etc.
Please provide OFP endorsement letters for the three participating countries.	The team will submit the OFP endorsement letters for the three participating countries as attachments to the PCN package.
Please note that you correctly capture that GEF projects are implemented in a logical succession of foundational projects to draft/adopt TDA/SAP and in a second stage support SAP implementation together with a range of partners. Please note that these are separate efforts/projects, i.e. SAP implementation finance is conditional of successful implementation and pending the evaluation report of the first project and of course pending GEF resources availability and conformity with the prevailing GEF strategy at that future point. Hence, please delete reference to any follow up GEF co-financed project in the current PCN (e.g.	References to a follow up project to be financed by the GEF have been deleted in the PCN.

such as in key results indicators and in GEF data-sheet).	
PDO - Please revise PDO - the focus on adaptation (second part of PDO) may be remnant of a previous draft that included SCCF funds. Please revise language to reflect GEF TF eligibility.	The PDO has been revised to remove reference to climate change adaptation as well as more accurately reflect the foundational capacity building objective of the project. It has been re-formulated as follows: "to achieve improved planning and implementation for integrated cooperative management of the transboundary Drina River basin." See PCN page 11, para. 30.
Key results and Indicators: please sharpen the overall key results and indicators (by CEO endorsement) and assure clearer reflection of the project components. For example, indicator 3 on "adaptation to climate induced economic losses" is not clearly reflected in project design nor is this compatible with the GEF IW strategy. Again, I assume this may be left over from previous PCN version that included SCCF funds.	The Key Results and Indicators will be developed/refined during project preparation (by CEO endorsement) to capture the new revised PDO.
Please clarify during project design what the regional executing entity would be (e.g. are there any avenues through Sava River Commission or ICPDR that could be explored ?).	Detailed implementation arrangements will be developed during project preparation, in full consultation with the three countries as well as the Sava River Commission to agree on the most effective mechanisms for executing the regional activities. The team believes that it would be critical that the regional implementing entity have the full endorsement and support of all three countries as project activities are mostly regional in nature and their successful implementation would hinge on the cooperation of the governments in facilitating the work of the regional implementing entity. The team will also explore whether the ICPDR could play a role in facilitating/implementing elements of the regional activities under the project.
<p>Component 1 A: Strategic Action Plan (SAP): The GEF funded SAP usually builds on a technical document - the Transboundary Diagnostic Analysis (TDA) - that is informed by national processes. Please explain why there is no planned TDA - e.g. what other equivalent reports exists besides the rapid "pre-TDA" conducted previously. Else please add the formulation of the TDA into project design/outputs. Also, please provide the pre-TDA report and/or other directly relevant existing studies.</p> <p>The SAP is required to be adopted on ministerial level. Please add that in the RF (by CEO endorsement).</p>	<p>Under the Bank-financed AAA on West Balkans Regional Flood and Drought Initiative on the Drina Basin, a rapid Transboundary Diagnostic Scan and Analysis (TDA) was undertaken in 2012 which included a baseline assessment of the basin, analyzed its key strengths and weaknesses and identified areas and opportunities for investments for the three countries. While the TDA provides a good snapshot of the challenges and priority areas for intervention in the basin, the work was preliminary in scope and depth. The proposed project will finance a more in-depth TDA which would inform the formulation of the SAP. Formulation of the TDA would be included in the scope of the project activities and added as a project output. As requested, the team will provide the pre-TDA report to the GEF IW team.</p> <p>By CEO endorsement, the team will add an indicator in the PAD RF requiring adoption of the SAP at the ministerial level.</p>
Please be more clear in the PAD on how this is building on and not duplicating the WB	The Strategic and Sector Analysis section of the PAD will articulate more clearly the work done under the Bank-financed

<p>previous AAA efforts in the Drina basin (strategic and sector analysis - see pg. 7 of the PCN) and the WBIF Drina Investment Prioritization Framework.</p> <p>We have learned that the Danube countries in mid June 2013 adopted 'Guiding principles on Sustainable Hydropower' (please see <a href="http://www.icpdr.org/">http://www.icpdr.org/</a>). Implementation/piloting of it in Drina countries within this project (e.g. in context of output 1 a iv) may be of interest for the greater Sava/Danube region of which Drina is a sub-basin.</p>	<p>AAA work in the Drina basin during 2011-2013 and how the proposed project will build on the groundwork laid by the AAA. Similarly the Terms of Reference of the WBIF will also be described briefly to demonstrate that the work to be undertaken through WBIF support is complementary to the proposed project and that the WBIF-supported work and the proposed project are discrete, yet integrally woven efforts of a greater Drina Program.</p> <p>The team appreciates the information on the document on hydropower. It will share the document with the three countries and review/discuss it with the counterparts for its applicability in the Drina basin under the project.</p>
<p>Component 1 B: The formulation of a comprehensive Drina River Basin Management Plan in cooperation with the Sava Commission is appreciated. We also comment the team to include a clear aim to facilitate Montenegro to join the Sava Commission.</p>	<p>During project preparation, the team will maintain an ongoing dialogue with the government of Montenegro for membership in the Sava Commission. While this would not be a specific output under the project, the PAD will reflect the project's efforts in facilitating Montenegro's membership in the Sava Commission.</p>
<p>Component 2: Enhanced Flood Forecasting and Early Warning System: Please clarify feasibility and sustainability given the limitations of functioning hydromet networks on national level (as noted in the PCN and previously discussed). Will this hinge on SCCF funds? In terms of GEF IW funds national hydromet networks are seen as baseline/nationally funded activities i.e. should not be finance by the regional GEF IW funds. This also is key for sustainability of these efforts. Please explain if there is a data-sharing agreement on real time flow and hydromet data and information in place to underlie the regional flood forecasting/early warning efforts. Else, this should be added to project outputs.</p>	<p>All three countries have functioning hydromet networks at the national level. However it must be pointed out that although these networks were robust during Yugoslav times, currently, national budgetary constraints have affected their operational budgets so that they are facing staffing shortages and lack of state-of-the-art equipment that has affected their overall performance. While the project will not finance the national hydromet networks, it will assist the countries with the development of a flood and drought preparedness strategy that would also develop plans for strengthening the hydromet institutions/networks at the national and regional levels.</p> <p>The team agrees that agreements for data sharing on real time flow as well as hydromet data in place to help with flood forecasting/early warning efforts is critical and this will be added as a project output in the PAD.</p>
<p>Works: GEF IW funds under objective 3 are designed to foster regional cooperation - through regional, institutional and policy measures as well as limited demonstration on water quality, quantity, and fisheries (as per the GEF 5 IW strategy). It is not clear how rehabilitation of existing works fosters cooperation and not just fills national</p>	<p>This activity has not been dropped from the project as the GEF grant allocation was reduced from US\$6 million to US\$5 million and the primary aim of the project is foundational capacity building.</p>

<p>funding gaps. Again, rehab works should be covered by baseline finance (government funds) and not GEF IW funds. This may be a good component to reduce GEF IW grant.</p>	
<p>The Small Grants and Awareness Program is welcomed and building on a successful model. Please assure cooperation with Ministries of Education during project design if school based activities are indeed being planned as part of the menu of fundable activities.</p>	<p>The team will ensure the participation of the Ministries of Education during preparation of the Small Grants Program to facilitate ownership for the grant-financed activities to be implemented by schools. The aim is to raise awareness and commitment among the young population for stewardship of the natural resource base in the DRB. Experience has demonstrated that educating the youth on the benefits of ecosystem protection has a substantial spill-over effect as they spread these messages within their families and local communities.</p>
<p>A board public awareness program is essential to underpin cooperation efforts. Please assure inclusion of specific indicators in project design (to be included in the project RF). Please allocate 1 % of project grant for IW Learn activities (by CEO endorsement).</p>	<p>The team will develop specific indicators to measure the success of the public awareness activity under the project. This will be included in the PAD RF by CEO endorsement.</p> <p>1% of the project grant, i.e. US\$50,000 will be allocated for IW Learn activities by CEO endorsement.</p>
<p>Component 3: Please explain on how it is envisioned to anchor the PITs institutionally in country and at regional level and how sustainability of this is assured.</p>	<p>As mentioned earlier, detailed implementation arrangements will be developed in close consultation with the three participating countries. These arrangements will be reflected in the PAD by CEO endorsement. The team will also ensure that the agreed arrangements are sustainable so that the work of the implementing units can be continued after project closing.</p>
<p><b>Comments Received from the World Bank</b></p> <p>Peer Reviewers: Winston Yu (WY), Rita Cestti (RC)  Legal: Julie Rieger (JR)  FM: Aleksandar Crnomarkovic (AC)  Joaquin Toro (JT)</p>	
<p><b>Comment</b></p>	<p><b>Response</b></p>
<p><b>PDO and Indicators</b></p>	
<p><b>JR:</b> We should avoid referring to governments (as those change) and refer to the countries themselves. I also understand from other projects that including 'through support for etc' may cause issues with IEG later on. How about: The objective of the Project is to strengthen the capacity of the governments of BiH, Serbia and Montenegro to plan and implement integrated, cooperative international management of the Drina river basin and address climate change adaptation in the Drina such river basin.</p>	<p>The team welcomes the suggestions made to improve the formulation of the PDO.</p> <p>The indicators will be refined and phrased operationally during preparation, but we share your caution. However, “enhanced multi-state cooperation to balance conflicting water uses” can be reflected through the presence of an operational hydraulic simulation model, technical trilateral working groups, and</p>

through support for capacity building, studies and investments

**WY:** The PDO seems fine to me. However, you may wish to re-visit the PDO-level results indicator and in particular think how you will measure and track these. For instance, you will want to have something very specific and measurable for "enhanced multi-state cooperation" and "enhanced capacity for joint ecosystem-based management". Also, "adaptation to climate-induced economic losses" as an indicator may be over ambitious as observing a reduction in losses (as what appears to be implied) will not entirely be dependent on this operation.

**RC:** With regard to the Project Development Objective (PDO), its current formulation seems to be a bit broad, leave other key actors (academia and public and private sector institutions) out by making reference only to the riparian governments, and ignore ongoing efforts by other development partners. The phrase "international management of the river basin" needs to be replaced with "transboundary river basin management" or "management of the transboundary river basin". A possible reformulation of the PDO is suggested: "scale-up support to strengthen the capacity of public [and private] sector institutions in Bosnia and Herzegovina, Montenegro and Serbia to develop and begin implementation of an adequate [and functioning] integrated water resources management approach within the larger Drina basin context". Proposed indicators seem to be aligned with the reformulated PDO. Clear metrics will need to be developed to measure progress under each indicator. With regard to the third proposed indicator on "enhanced capacity for joint ecosystem-based management of the Drina River Basin and for adaptation to climate-induced economic losses", it is suggested phrasing it. As currently formulated, it reads like the project will try to convince stakeholders to accept that climate-

effective steering committee (as demonstrated by actual meetings). "Enhanced capacity for ecosystem-based management" can be demonstrated from the basin management plan as output, plus the degree to which environmental agencies/departments and other relevant stakeholders effectively participated in consultations and in technical working groups. (In 2011-2012 a "real" collaboration was visible). "Adaptation to climate-induced losses may indeed sound too ambitious, we will downscale the language.

<p>induced economic losses will happen and they have to learn to live with them.</p>	
<p><b>Co-financing/ Blending</b></p>	
<p><b>JR:</b> We need further clarity/ consistency in the project documents to understand what the exact scope project is, in order to ultimately draft the right legal provisions. The project documents, as currently written reflect the project as a 105.7 million USD project, consisting of or being 'blended' with IBRD, IDA and 'Other' sources. .... the PCN makes it clear that they all do fit together as a whole, ... If we do have co-financing, such co-financing can either be joint or parallel. The main questions from our perspective (legal), are (a) whether or not the co-financing is in relation to one and the same project (i.e. whether it is real co-financing), and if (b) if yes, then how dependent we are on such co-financing (determines legal covenants). If the activities of the co-financiers are part of our project as described in the project description (or very closely related), this would also mean that World Bank safeguards would apply to such activities. ... We understand that the GEF has some requirements that relates to 'co-financing' and that that may be why the CN is written the way it is, but believe that GEF may be using that term in a different sense- in which case perhaps the GEF annex may be the best place to reflect this; elsewhere we recommend to reflect the project clearly as one 8 million project only, making clear the links, coordination and complementarity with other projects.</p>	<p>The total project cost includes the GEF contribution, government contribution as well as the parallel financing of US\$97.7 million. These are resources being provided by the Bank and other donors (such as EU, EIB, etc.) for projects/operations in the Drina basin whose objectives are integrally related and connected to those of the proposed project, however, implementation of the proposed project is not dependent on these other operations. The proposed GEF project will on one hand draw from the operations that are on-going and that serve to co-finance the Drina program (such as the EU Digital Terrain Mapping, the Flood Risk mapping, the “twinned” flood protection investments in BiH and Serbia, the Bank’s Regional Energy Strategy for SE Europe, etc.) and on the other the GEF project will become the central platform and toolkit for the coordinated policy preparation and investments. GEF wishes to see its operations co-financed by other financiers. We have attempted to design a jointly co-financed project, however, the business cycles and logistics are different in the countries which precluded, at this moment, such co-financing. The project will not only help leverage additional support for investments in the Drina basin, but also enhance the impact of these future operations given that the project will be the first to put the regional and jointly prepared strategic action plan central, which will shape the future management and investment plans. The team will articulate this point more clearly in the PCN to avoid any confusion.</p>
<p><b>WY:</b> As is amply described in the CN, this GEF funded program will be quite complimentary to a much larger program of activities in the Drina. This is good news. However, how the needed high-degree of coordination will actually work in practice is not entirely clear - either on the client or Bank side. The CN states, in these regards that "These projects will be blended at the programmatic and policy levels with the proposed GEF project, using the same Drina program strategy, being implemented by the same Agencies, and using unified</p>	<p>(i) On the coordination of existing projects, much of the coordination is of programmatic nature. The Task Team has been playing a central role in the coordination, and there is reason to believe that existing mechanisms are adequate and do not require new administrative initiatives.</p> <p>(ii) On the institutional coordination on the governments’ side, the detailed coordination structure will be agreed upon during the preparation. However, the three countries already have basic inter-state mechanisms that now need to become more formalized. The countries dispose of administrative systems that are very similar and use very similar language, as they share a history under Yugoslav times; Serbia and Montenegro formed a country up to less than 10 years ago. Furthermore, similar</p>

<p>management at the Bank". It appears that you will still need to coordinate multiple TLs and potentially different client staff ? It may be useful to have a more formalized mechanism for information sharing.</p>	<p>administrative arrangements already exist, such as e.g. between BiH and Croatia on the Neretva and the Sava rivers. Importantly, while at the administrative level there are sufficient operational examples of coordination and cooperation that can be replicated, the political incentives are geared positively towards such cooperation (existing Sava River Charter; EU accession). Secondly, we expect issues with coordination, within each country, among sectors, and between national and local interests. However, during the preparation phase (Rapid Assessment Study) which rested heavily on multi-stakeholder consultations, a positive interest in cooperation was observed between the main sectors. We expect that the emergence of a Drina Basin Management Plan with associated dialogue mechanisms will formalize the channels and processes for more integrated decision-making.</p> <p>On the Bank's side, the Task management is very aware of the need to routinely inform other teams working on the basin on progress and issues, seek early feedback, and identify issues that need more intensive cross-sectoral discussion. We have good preliminary experience on coordination and we have been working with energy colleagues and transport colleagues (on the Sava navigation project). Still, we want to highlight the need for management to ensure that the Drina Water Team will be able to retain a key role in inter-sectoral AAA and investment work</p>
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**Project Approach and Context**

<p><b>JT:</b> The PCN has a very strong argument about investment in adaptation to climate risk. However this could be strengthened by moving from the current (disaster focused) approach of flood management and flood protection to a more comprehensive (development oriented) disaster risk management in order to really have resilient communities. Only when communities, local and national governments are inform of the risk their face, there is a systematic investment in risk reduction, and there is a coordination between the actors, that is when we create resilient societies. The ECA DRM Team can help the TTL and the team to move to this comprehensive approach.</p> <p>- Country Context The PCN presents a compiling case about the vulnerability to floods for the three countries. Moving forward the report can add some more general information about the history of disasters in the last 15 years in order to strengthen the case. For example:</p> <p>BiH has had a serious flood almost every 2</p>	<p>The team appreciates the useful comments provided by the DRM team. However, as the overall objective of the project has been revised to focus on foundational capacity building for integrated cooperative management of the Drina basin, at this stage project activities are being designed to achieve this objective. The team is planning to seek SCCF support during preparation at which time climate change/variability and climate resilience aspects, including issues related to floods and droughts will be addressed in greater depth under the project.</p>
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years since 2000. Also has had a very costly droughts in 2000 and 2003. The economic impact of these disasters including forest fires and extreme temperatures is around US\$400 million.

In Croatia, the case is very similar with adverse hydro-meteorological events occurring 21 times since 2000. The economic cost of these disasters in Croatia sums almost US\$700 millions.

Finally, in Montenegro the case is very similar. Its important to state that the information on historical disasters and economic losses for these countries is very weak. Its even weaker in the case of Montenegro. This fact is very relevant when talking about a vulnerable basin that suffers recurrent small/medium floods in various places of the rivers and because it doesn't get to international or even national press they become forgotten and neglected. There is an international consensus that the sum of these small medium recurrent floods are, most of the times, more expensive and destructive for local economies than major events.

- Institutional and sectoral context

The PCN clearly states the lack of preparedness of the countries for responding to extreme hydro-meteorological events and argues for adaptation to climate change actions in the countries. We want to suggest a couple of points to strengthen the institutional and sectoral context: The IPCC Report 2012 "Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation" agrees that countries will advance in its strategies for adaptation to climate change if they adopt disaster risk management measures now. In another report prepared by the Bank and the International Strategy for Disaster Reduction UNISDR, shows the level of preparedness and disaster risk management capabilities of each of the three countries. The conclusion of the report is that the countries are prepared for ordinary emergencies, however they need to improve their capacities for more extreme disasters. Nor the countries have the relevant

<p>capacities for risk assessment (hazard, vulnerability, exposure analysis), have invested in disaster risk reduction systematically, neither have implemented risk reduction policies.</p>	
<p><b>Technical</b></p>	
<p><b>RC:</b> I have a few questions and comments regarding the proposed project activities. There were two key recommendations made during my review of the draft Rapid Regional Diagnostic and Investment Scam Study. First, it was the need to develop a comprehensive spatial knowledge base for the Drina river basin to support future planning efforts. And second, it was the need to develop an analytical and comprehensive framework for the assessment and prioritization of the individual investments that integrates physical, economic, financial, social and environmental considerations and is supported by robust hydrological model. It is not clear whether Sub-component 1.A will support these basic building blocks for the adoption of an integrated water resources management approach.</p>	<p>We agree that these activities are important for promoting IWRM in a river basin and the preparation of the proposed SAP under the project will include these activities.</p>
<p><b>WY:</b> I may have missed it, but it is not clear from the CN how the TDA is different than the SAP and what new information the SAP will bring that does not already exist? From the text in the CN and the description of the WBIF-funded Priority Investment Study, it appears that a program of investments has already been identified?</p>	<p>The Regional Transboundary Diagnostic Scan (“TDA”) referred to in the PCN was the main output of TA work in 2011-2012. This study was short, made a first attempt to look at the different sectoral aspects of the Drina basin management and connect (not yet, integrate) these, and relied on existing documentation and on structured consultations—the first ones in the basin. While very informative at both technical and political levels, and essential to “get the ball rolling”, the Scan is superficial and limited in its technical scope. The WBIF-funded TA will focus on investment prioritization and will update a number of older conceptual designs and investment proposals prepared in the 50s and 60s, collect baseline material, and identify sets of investments (in the different sectors) that would (i) be considered no-regret, or (ii) require moderate additional study before being considered mature, or (iii) require extensive, basin-wide analysis, and if so, what kind. The last category will be the more important one for the project. The WBIF-funded study would be completed by the time the GEF project would start. The GEF SAP component and related studies would build on this and notably push the integrated analysis and studies further. Importantly, the GEF project would help put in place the policy and planning mechanisms that will support the decision-making processes in the future. In other words, this is a phased approach.</p>
<p><b>WY:</b> Coming to an agreement with the riparians on a jointly endorsed "model" is an</p>	<p>Thank you for the suggestion for a regional modeling center, and the option to work with a suite. We agree that finding a consensus</p>

<p>excellent goal. However, ... this is always a challenge. First, it is unlikely that the clients will find a single model that will be able to satisfactorily address the full range of issues that you have described (e.g. flood modeling, hydropower, environmental flows, etc). This is especially true since this project intends to get to an operational level. Second, since the three countries may have slightly different management/operational objectives, each may lean in its own directions in terms of a modeling approach or platform. The CAEWDP, NBI, and SAWI experiences in these regards I think is instructive. As a suggestion, you may want to consider aiming for a "suite" of models that could be used by your partners. What about a regional modeling center ? This could be useful in the context of climate change modeling which would have to be regional in nature.</p> <p>To help improve the operations and coordination of the cascade from the basin context, may there be opportunities to look at some sort of integrated web-based cascade communication system ? I have seen such things done along the Columbia, precisely for these coordination purposes. At a minimum, the development of a public (through the web) real-time reservoir level data may be an easy entry point.</p>	<p>model will not be obvious as each country, and each sector already may have some preferences and funds sunk into what they currently use. However, we expect that the discussion will concentrate on a choice between MIKE 11 and models designed by the (well-regarded) Jaroslav Czerny Institute. During preparation, we will set up consultations, probably under the auspices of the International Sava Commission, to assist in clarifying better the needs, and the options.</p> <p>We believe it is too early for a full-fledged regional modeling center, but alert you that a number of institutions already are functioning, more or less, in this way—the International Sava Commission has a declared interest, and has several good initiatives in this direction, while in Serbia the Jaroslav Czerny Institute (that used to play the regional Yugoslav role in this field) retains significant expertise. During preparation, we will agree with the three countries on a feasible and realistic activity under the project.</p>
<p><b>WY:</b> On monitoring equipment, it may be useful to have as one of the activities a detailed assessment of the monitoring capacity (both human and hardware) in the basin. This could also explore the sustainability and O&amp;M issues as well (a common problem in the hydromet world). This, if done in close conjunction with the modeling work, can help to identify where stations would be most critical and key specifications (e.g. temporal resolution). I assume that more snow-pillows and high-elevation stations could be useful here as well.</p>	<p>Agreed. During preparation we will look into the priority needs, but we expect that during the project implementation a phased network optimization strategy could be carried out as integral part of the basin management plan to set the stage for future targeted investments.</p>
<p><b>WY:</b> In several places in the PCN, there is mention of the unstable river morphology and high observed erosion rates. However, nothing is being actively pursued in these components in these regards (besides pilot bathymetric work). A system wide look at</p>	<p>Your observations are correct. We believe that in the short run (i.e. during project implementation) the priorities are with the more conventional water resources and water quality aspects. The project is likely to register and classify the erosion and sediment issues across the basin and propose plans for future initiatives. It is unlikely that the project's size and the counterparts' staffing</p>

<p>the river morphology would be the most efficient in terms of identifying critical training works/investments (in contrast to piece-meal survey work). Some simple work could also be done using remote sensing techniques to map this out, could be built into a longer-term monitoring program, and would benefit all three countries.</p>	<p>would allow more extensive engagement. Still, we expect that the river basin plan and related studies will identify hot spots and will notably explore if reservoir capacity, and the basin's lakes and rivers are being affected and what measures may be helpful. Finally, there are several agencies with specific interest in this subject, e.g. the hydropower firms and the Czerny Institute, and we will explore during preparation to what extent the project will be able to engage.</p>
<p><b>WY:</b> It is not clear how Component 1A (iii) is different than the SAP. I presume that this would be needed to get to the SAP. Maybe it is listed separately here because you had something different in mind ?</p>	<p>This sub-component would be closely related to the SAP. However, as hydropower figures prominently in the basin, and as EU Energy Policy calls for 20% of energy to be drawn from renewables by 2020, we believe that the integration of the water resource policy with energy policy would deserve closer scrutiny and separate work to better guide sustainable energy strategies.</p>
<p><b>WY:</b> Component 1A (v) will be critical for long-term data sharing and (hopefully) will be part of an effort to encourage greater data transparency. Any thoughts on potential twinning arrangements (e.g. with WMO) or other similar partnerships to provide support on this ?</p>	<p>WMO protocols as well as EU protocols will be essential guidance during project preparation. The three countries are already in routine communication with WMO and participate in their workshops.</p>
<p><b>RC:</b> In paragraph 15, it is mentioned that the International Sava River Basin Commission (ISRBC) has prepared a Sava River Basin Management Plan in line with the EU Water Framework Directive, which a strong focus on water quality management. The same paragraph also indicates that this plan is too broad and a Drina River Basin Management Plan needs to be prepared. In addition to the Sava River Basin Management Plan, the ISRBC is also formulating a Flood Risk Management Plan for the Sava River Basin in line with the EU Flood Directive; and a Water and Climate Change Adaptation Plan for the Sava River Basin. Given the various plans recently formulated or under formulation, I suggest streamlining the planning efforts under this project, since this may lead to some "planning fatigue" among stakeholders.</p>	<p>The project will ensure that there is strategic, coordinated effort among the various players in the basin so as to build synergies, avoid duplicative work and promote buy-in at the national and local levels among all stakeholders.</p>
<p><b>WY:</b> For Component 2, I assume this would also include the development of flood forecasting and inundation models which would be at the core of any management strategy. The hardware investments (described) should be paired with concomitant software investments (e.g. GIS systems, DEM data, access to remote sensing data, flood models, asset systems). This will</p>	<p>We agree with your specific suggestions and will take this up during preparation. In addition, we are aware that the EU IPA funds are probably going to support some of these elements, and we intend to use the project to specify the context and parameters for such facilities to be procured and used.</p>

<p>make for a more holistic and effective approach to building resilience to climate risks. The planning and investment exercise could look both at hard and soft approaches simultaneously to identify the best sequencing of these.</p>	
<p><b>RC:</b> With regard to Sub-component 2 (ii), the team may want to consider supporting the following innovations to flood management: (i) conversion of floodplains into parkways and ball fields, which have proven to be very successful in many Latin American countries as a means to reduce flood risks; (ii) introducing incentives for conservation of flood areas, such as the use of tax incentives for investing in floodplain regulations to protect green space; (iii) education programs in schools aiming to raise children’ awareness as a technique to educate their parents on the importance of conserving floodplains and protecting the quality of the rivers; (iv) moving existing levees/dykes farther from the rivers and/or consolidating land into public ownership; among others.</p> <p><b>RC:</b> With regard to Sub-component 2 (iii), the team may want to expand the Small Grant Program for the setting up of a competitive paid internship program at the regional coordination institution directed at graduate students, young faculty and government staff from the riparian countries (including Albania) for a period of 3-4 month. In addition to allowing the project to tap into creative youth talent and cutting-edge skills, as it was done under a recently closed project in the Eastern Nile (ICRR report for this project will be shared at the meeting), the internship program provides an opportunity to the interns to work together in teams across cultures and contribute to the project products.</p>	<p>This activity has been dropped from the project.</p> <p>The team welcomes these suggestions and will explore them during project preparation.</p>
<p><b>JT:</b> The current component 2 describes a series of activities that are to enhance flood forecasting and early warning systems at regional level. However there are not details about it. The description of the sub-components are related to preparedness and some local measures for flood and drought. We would like to recommend that clear</p>	<p>The team welcomes these useful suggestions and will explore these in greater detail during project preparation.</p>

<p>activities are identified. Meaning, what is the real objective in the case of the project, is it to have a better forecast and early warning system in the Basin? Then the activities should reflect that objective. Taking into consideration that when preparing a EWS it needs to consider all its parts, from the high tech monitoring and forecasting systems, the communication systems, the civil protection response capacities, and the most important how the community responds and its prepared for the alerts. If the objective is a strategic plan, we highly recommend that this plan is a more comprehensive disaster risk management plan rather than a preparedness plan. An less the objective is to improve the response capacity only.</p> <p>With the sub components 2 and 3 we see an opportunity to integrate the government actions with community activities. We believe that the proposed grant approach is excellent, however it can be even better if its integrated under a local/regional risk reduction strategy. We have seen good examples where small actions in the river protect some of the community upstream and makes the life of the communities downstream worst. Therefore, the grant activities need to be carefully studied. Also, the integration of national early warning systems and community early warning systems should be one of the activities as well as the inter boundaries preparedness and response mechanisms should be strengthened.</p>	
<p><b>Project Implementation/Structure/Documentation</b></p>	
<p><b>JR:</b> From the CN, it sounds like for this project we would have 3 separate grants, to Bosnia, Montenegro and Serbia. The agreements would be very similar, and the project description most likely the same. In the case of Bosnia, we would have a Project Agreement with each of the RS and the Federation. Regarding the regional dimension, for example the Regional PMT (RPMT), it is not entirely clear who implements Component 3 - is the idea that each grant will fund 33% of project management for the RPMT (to avoid multiple funding for the same) ? And for the</p>	<p>Your assumption is likely correct.</p> <p>We will draw upon the experience with the on-going GEF Neretva-Trebinjica Management Project implemented by BiH and Croatia. Although the RPMT is an “outlier” in terms of institutional and funding arrangement, there are several options possible to incorporate it in the national LAs and avoid legal complexity. Alternatively, the countries may agree to have the International Sava Commission play a facilitating role here. We</p>

<p>case of Bosnia, given the coordination mechanisms there, how will the RS and Federation contribute to the RPMT in terms of its representatives? This should be discussed with the country lawyer for Bosnia, Adam, currently on leave.</p> <p><b>WY:</b> Component 1B was the least clear to me in the PCN. Should DRB related institutions simply be under and part of the Sava River Commission ? I am concerned that we are establishing more institutions than is actually needed here (i.e. coordinating the coordinators). Greater motivation and clarity for this approach here would be useful to the reader</p> <p><b>RC:</b> With regard to Sub-component 1.B, the team may want to consider anchoring the Project within an existing regional institution right from the start rather than trying to create a new one for the joint management of the Drina River Basin. A logical choice seems to be the ISRBC, where a Permanent Expert Group for the planning and management of the Drina Sub-Basin could be established with seconded staff/consultants and interns (Masters and PhD level students) from the riparian countries, and where the capacity building efforts could be directed. In case this option has already been considered and disregarded, the team may want to brief the meeting about the reasons for doing so. In any case, the proposal to create project-based task force or project-based committee should be revisited since it is counter to the concepts of integrated river basin and long-term sustainability.</p>	<p>do not expect a difficulty here.</p> <p>We have much experience with public administration practices in the region. While this sub-component will not absorb a large share of the funds, we intend to support, for the first years, the basic work and incremental expenditures of the committees and working groups, as well as for consultations. We have found that incremental funding can be very effective in this area. All committees and groups are normal, mainstreamed tasks of the administrative units—the Ministries responsible for water (i.e., Agriculture in each country), the Water Agencies, Enterprises and Directorates, the Ministries of Environment where applicable, the hydromets, etc. While the Sava Commission is doing excellent and necessary work, it cannot take over sovereign tasks of the ministries. Still, it is likely that over time, as confidence will increase, the Sava Commission can increasingly take over facilitating roles. However, this must be done at the pace of the governments.</p> <p>As mentioned above, detailed implementation arrangements will be developed during project preparation in close consultation with the three countries. We appreciate your suggestions and will explore these further during project preparation.</p>
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<p><b>JR:</b> we understand the following general points: OP4.04 will be triggered, as well as OP 4.36 given the potential impact on wetlands and national parks. We further understand that OP 4.37 may not be applicable in the context of this project. The team confirmed that activities triggering OP4.12 would be screened out and the ORAF will be corrected in this regard. There will be an EMF for the works under Component 2(ii) and an EMF that forms part of the small grants manual. We understand that with regard to Component 1, a strategic and environmental and social assessment (SESA) will be integrated into the strategic plan/ river management plan to be developed under the Project; prior to appraisal, the team will need to ensure preparation and disclosure of detailed TORs for such SESA. The team will look further into applicability of OP 4.11 as recommended by Agi and the team will also meet up with Victor Mosoti (LEGEN) to discuss OP 7.50 and its applicability.</p> <p><b>RC:</b> The assigned environmental category B seems appropriate for the proposed Project. In case support will also be extended to feasibility studies for infrastructure involving dams and/or to restoration and improved management of forest, the OP 4.37 on safety of dams and/or OP 4.36 on forest will need to be triggered. Given the rich cultural property resources in the three participating countries, it is recommended to trigger OP 4.11 on physical cultural resources and incorporate chance-finds procedures in civil work contract documents.</p>	<p>The safeguards conclusions are specified in the minutes of the ISDS Meeting and the revised ISDS.</p> <p>The team will set up an appointment with Victor Mosoti.</p>
<p><b>Project Risks</b></p>	
<p><b>RC:</b> In terms of the risks, the team may want to consider the risk that project may be unable to influence the design of ongoing and planned large water infrastructure investments in the Drina River Basin (estimated in two million euros as per paragraph 36), and identify mitigation measures and an exit strategy. Given the large number of Bank-supported operations under consideration in the Drina basin, the team should also consider as a mitigation measure the setting of a coordination</p>	<p>The team appreciates these suggestions and will discuss/consider them for the PAD ORAF stage.</p>

<p>mechanism within the Bank to ensure that the planned operations are informed and guided by the outcomes and outputs of this project.</p>	
<p><b>Financial Management</b></p>	
<p><b>AC:</b> Certain activities do not fall under any of the three countries, but rather have prefix <i>Regional</i> activities. My question is who would do procurement and FM aspects (processing payments, accounting and reporting) for those?</p> <p>Is the project (therefore auditing, financial reporting for the project etc.) covering only 8 million (GEF+CF), or also that other much more substantial financing from various sources, totaling to over 100 million?</p>	<p>The prefix "Regional" pertains to activities that have a regional impact or significance, and/or require coordination and cooperation of 2 or 3 of the countries. However, this qualification only refers to the programming level, not to procurement, FM or other fiduciary tasks. All procurement, FM, etc, is done by national Implementing Agencies and they will also do the reporting, etc.</p> <p>The project strictly concerns the \$8 million only. At the programmatic level, this project is blended /coordinated with about \$100 million of parallel projects and activities, however, this blending does not extend to the LAs, or to fiduciary responsibilities.</p>
<p><b>General</b></p>	
<p>There are a few lessons from similar undertakings in the ECA and AFR regions that the team may want to consider in mind in the preparation of this operation.</p> <ul style="list-style-type: none"> <li>* Projects in complex and challenging political and institutional environments need to be designed with simplicity and flexibility in mind. The simplicity helps implementing agencies to keep focus on delivering results, and the flexibility allows adapting to the emerging needs and accommodating changes resulting from new developments and/or new political environment.</li> <li>* When one of the key objectives of the project is building technical capacity, the pros and cons of procuring a large consultancy services vis-à-vis several smaller consultancies, advisory services and local individual consultants need to be carefully assessed. The latter maximizes the use of the organization's resources in need of technical capacity, but to be effective and be able to develop expertise and experience within it and to do most of the technical work in-house, the organization requires excellent leadership as well as managerial capacity.</li> <li>* In complex river basin with largely entrenched government positions, it is critical to broaden the stakeholder pool for</li> </ul>	<p>The team appreciates this information on lessons learned from similar operations in other regions. The team will be mindful of these during project preparation.</p>

engagement. For projects that aim at improving data, information and modeling tools for water resources management, it is extremely useful to involve academia.

\* Not just one model is adequate for addressing the complexity of water issues, but a system of models and sector modules is preferable.