

## PROJECT FICHE

Title	Support to the trans-boundary management of the Kura river basin		
Total cost	€ 5 Million		
Aid Method	Project approach – centralised management		
DAC-code	14040	Sector	River Development

### 1. RATIONALE

#### 1.1. Strategic framework

The Tacis Regional Cooperation Strategy Paper and Indicative Program 2004-2006 is the relevant programming document. One of its three thematic areas is 'Sustainable Management of Natural Resources', of which water management is a component, with a 70% grant of the theme's funding.

The proposed action is in line with one of the specific programmes foreseen under the water component, to "Assist the NIS Countries in developing plans for integrated water resources and water efficiency, including, as appropriate, harmonization with EU standards in this area".

Furthermore in the programming document there is specific mention of support for water projects in the Southern Caucasus region: the programme notes that, "for the Caucasus... land degradation and water management is the main concern" and that "focusing on sustainable management of natural resources and increased resource efficiency allows better targeting of Tacis assistance and increases ownership and visibility. It promotes a more preventive approach and contributes to stability and security, as the competition for natural resources, in particular water, is a potential source for conflict in Central Asia and South Caucasus." (pg 18).

The project lays on two main pillars: the EU Water Initiative EECCA component and the EU Water Framework Directive.

The project follows the Partnership and Co-operation Agreements (PCA) between the EU and Armenia, Azerbaijan and Georgia that states that cooperation in the field of environment should focus on:

- effective monitoring of pollution levels and assessment of the environment; system of information on the state of the environment;
- combating local, regional and transboundary air and water pollution;
- water quality;
- implementation of the Espoo Convention on Environmental Impact Assessment in a transboundary context.

The PCAs continue to state that the cooperation in the field of environment should take place through:

- improvement of laws towards Community standards;
- environmental training and institutional strengthening;
- cooperation at regional level, including cooperation within the framework of the European Environment Agency, and at international level;
- ecological monitoring.

#### 1.2. Lessons learnt

The TACIS-funded Joint Rivers Management Programme (JRMP) 2002 – 2004 was concluded in early 2004. The project objectives aimed mainly at demonstrating the application of UN/ECE guidelines and to recommend improvements on the basis of the UN/ECE guidelines for monitoring the quality of transboundary waters under the Helsinki Convention.

A project subcomponent was devoted to the study of the Kura river transboundary basin, therefore the outcomes of the JRMP inform the proposed action. The JRMP, sub-project Kura highlighted, inter alia, the following remarks:

- There is significant interest in Armenia, Azerbaijan, and Georgia in implementing river basin management (RBM) programs, in particular continuing the current JRMP programme, which was felt by the beneficiary countries to be too short;
- River Basin Management proved to be one of the platforms on which all three South Caucasus countries can cooperate;
- There is a growing interest by the three concerned countries (Armenia, Azerbaijan and Georgia) in harmonising their legislation with international law and EU directives.
- There is still significant work to be done before these countries will have functioning RBM systems, and one of the key difficulties are legislative;
- Capacity should be developed within the countries to receive large scale investment support to enable later involvement of IFI.

The JRMP concluded with the proposal to start a follow-up project, whose main objective should be geared towards improving the quality of transboundary waters through a stepwise introduction of the EU Water Framework Directive, a support to an improved and harmonized water management legislation, the setting up of a water cadastre and a water monitoring system.

### 1.3. Complementary actions

In the last years, donors have been working together in the Kura River Basin with a common effort to improve the management of this water resource both at the regional and national level.

Apart of the above-mentioned JRMP, other significant projects or studies have been undertaken by the German Federal Ministry for the Environment with projects focusing on pollution prevention and early warning, UNDP/GEF with a similar intervention for the reduction of the hot spots of pollution, USAID, with local implementation of River Basin Management and water quantity and quality monitoring, and World Bank (irrigations schemes and establishment of Water Users' Associations).

### 1.4. Donor coordination

The proposed intervention is based on project documents elaborated by the German Federal Ministry of Environment in the framework of its on-going transnational project on the prevention of hazardous incidents in the Kura-Aras River Basin (2002-2006).

These project proposals are in turn in line with the recommendations and the outcomes of recent and relevant TACIS-funded activities such as the Joint Rivers Basin Management and the activities carried out by the secretariat of the EU Water Initiative Working Group – EECCA component.

Notably the latter pointed to the need of focusing on the assistance to improve the information base by means of improving the monitoring, the data management and the forecasting systems. This aspect of the river basin management will be addressed in the present project approach.

## 2. REGIONAL CONTEXT

### 2.1. Cooperation related policy of beneficiary country

Currently the European Commission and the EU Member States seek political dialogue in the water sector in the framework of the on-going EU Water Initiative EECCA component.

In Armenia the River Basin Management is in its early phase. In the newly adopted Water Code the basic principles are decided and at this moment the first steps are taken for their implementation.

Armenia has not yet signed transboundary water related conventions. The Aarhus convention is ratified as well as the Kiev convention on transboundary liability. However the new Water Code is taking the transboundary aspects of water into account.

In the Republic of Azerbaijan water resources are owned by the State. The water sites can be leased to private or municipal entities. A large range of organisations is charged with the management of water resources use and water quality control:

There are a number of legislative acts on water resources, for instance "Water Code of the Republic of Azerbaijan" May 1998, envisaging coordination of the use of water resources, "Rules of Water Use at Hydro Power Entities" 06.12.2000, "Rules of State Account of Waters" 17.01.2000, "Rules of Payable Water Use" 06. 2002.

The Committee on Melioration and Water Economy, which has elaborated new rules, levies payment according to the area of irrigated land, thus raising objections from farmers. In certain regions of the republic farmers buy water from water users' associations in line with international practice.

There are conflicts and inconsistencies in the use of transboundary river water resources.

The Republic of Azerbaijan joined the "Convention on Protection and Use of Transboundary Water Courses and International Lakes" (17. 03. 1992), though neither the Republic of Georgia nor the Republic of Armenia joined the Convention.

This substantially complicates the issues of water use and protection of waters of the transboundary rivers Kura and Araks.

There are no transboundary activities in the Kura basin except for a reservoir on the border of Armenia and Turkey and on Gandar Lake on the border of Georgia and Azerbaijan.

There is however some regional communication between the Hydromet of Georgia and Azerbaijan, and Georgia and Armenia on water quantity.

In Georgia lack of effective river basin management, monitoring and environmental inspection makes it difficult to steer and improve the condition of the water environment.

Georgia has decided to harmonise its legislation with international development.

This is enforced through a presidential decree. Georgia is tending towards signing more international conventions. For instance ratification of the UN-ECE Helsinki Convention on the Protection and Use of Transboundary Watercourses and International Lakes is in discussion.

## 2.2. Sector context

The policies of Armenia, Azerbaijan as well as Georgia are increasingly taking account of the value of water. As regards current legislation in each of the three countries of South Caucasus the main body of rules relating to water resources management is contained in the Water Code and in the large number of government decisions, ministerial or departmental orders and instructions adopted thereunder.

In general, the water laws of the project countries, except the Water Code of Armenia, are modified versions of the former Soviet codes and therefore are similar as to style and content. The requirements set by the EU WFD are currently being studied in the project countries, but only Armenia has incorporated them into its water legislation so far. In a nutshell, the situation is as follows:

- Armenia adopted a new Water Code in 2002, in which major steps have already been made towards harmonisation with international law and EU-directives and is now considering to which extent they are able to comply with decisions made at international conferences, such as the Helsinki conference.
- Georgia intends to amend its 1997 Water Law to reflect the WFD principles, but acknowledges that the Government has to commit funds to implementation;
- Azerbaijan has ratified most of the conventions adopted under the aegis of the ECE; it recognises that gradual steps are to be made towards an approximation of its legal and institutional framework to EU legislation, and that amendments to the 1997 Water Code and related legislation will be needed.

At the regional level Armenia, Azerbaijan and Georgia have a commitment to establish mechanisms for river basin management, in part on the principle of an alignment of their legislation to that of the European Union.

However, it is not possible for Armenia, Azerbaijan and Georgia, to achieve, at least on the short term, a fully-fledged international basin agreement and to establish a commission for the protection of the Kura similar to the commissions set up for the rivers Danube, Rhine and Elbe. First because the concept of "equitable utilisation" has not been yet acknowledged by the countries, secondly because two more countries – Iran and Turkey – have a stake in the water of the Kura but do not actively participate yet in the regional dialogue.

It is believed that all three countries need to devote attention to establishing appropriate frameworks for co-operation and addressing river basin management issues. Once the appropriate institutional and legislative changes are made, and funding levels have been improved, effective solutions for many of the water management issues can be identified, and agreed. Only then can significant progress be made towards the clean-up of the Kura basin and its tributaries, and appropriate systems for water use be developed.

Being not possible to address all aspects of River Basin Management within the remit of this project, it is foreseen to focus on two main sectors of intervention, data monitoring and hazard management system, in which the project can complement previous activities carried out by other Donors. By further investing resources in these two sectors, it is expected to consolidate a solid entry point

for the transboundary management of the Kura, which might lead to scale up activities in the near future to reach a fully fledged transboundary water management policy.

### 3. DESCRIPTION

#### 3.1. Objectives

The overall project objective is to improve the water quality of the Kura river.

Specific objectives of the project shall be:

1. Established transnational organisational monitoring structures and systems of information management needed for integrated water resources management in the longer term.
2. Established a transboundary hazard management system in the Kura river basin to prevent and control accidental pollution and to minimize contamination of the river from such accidents.

#### 3.2. Expected results and main activities

Two main results for the first specific objective, shall be the

1.1 set up of a transnational data information system modeled on the EU WFD

and

1.2 Development of a transnational computerized river basin model

Regarding the first result, main activities foreseen at this stage will focus on the data management: all relevant data of the individual countries concerning runoff and quality are to be entered into a homogeneous GIS-based data information system pursuant the requirements of the EU WFD. Subsequently the national GIS systems are to be merged in a transnational information system.

The second result shall lay on the creation of a computerised river basin model of the Kura's catchment area in order to establish an inventory of existing water abstractions, to model the runoff, the water balance and the flood plains.

All components will include capacity building and training activities addressing experts in the relevant national institutions.

If relevant and appropriate, at national level, these activities will be developed within the framework of national processes for the development of integrated water resource management

As regards the second objective, relevant results to attain shall be:

2.1 Set up an hazard prevention system and

2.2 Preparation of a contingency planning

Result 2.1 will depend on the implementation of activities geared towards the Identification of hazardous operations and contaminated sites in the Kura river basin, the organisation of training seminars for hazard prevention for regional and local inspectors as well as operators, the pilot analysis of hazardous installations and recommendations to improve the safety of installations. This

last activity shall be followed by the preparation of investment plan for these potentially hazardous installations and, on a pilot basis and subject to funds availability, the implementation of some of these plans.

Result 2.2 will be elaborated on the basis of existing contingency plans such as for instance the one of Elbe River; steps required might be inter alia the set up monitoring stations to be integrated in the transboundary warning and alarm system and the elaboration of appropriate software applications for alarm criteria.

### 3.3. Stakeholders

Recipients and active partners in the Kura River for objective 1 are the River Basin Management Authorities. Recipients and active partners for objective 2 are the Environment Ministries and River Basin Management Authorities of Armenia, Georgia and Azerbaijan.

Competent Authorities for the environment in Turkey and Iran are also to be invited to participate in the project.

The Regional Environment Centre (REC) for the Caucasus may take part on tasks of public relation and communication. The degree of its involvement is to be better explored during the formulation stage.

Given the significant number of relevant projects executed on the Kura Basin, coordination with other Donors and Civil Society is to be regarded as a key factor for an effective project implementation. Additionally the EU Water Initiative Working Group – EECCA component, currently chaired by the European Commission (DG Environment) shall be informed and possibly play an active role in the project.

The main stakeholders are farmers using irrigation, water users' associations, water utilities, power stations, tourism/recreation industry, fishermen, nature and environmental organizations, water policy makers, Min of Environment, Min of Health, Min of Agriculture, Committees for Amelioration and Water Economy, Min of Economy, Min of Foreign Affairs.

### 3.4. Risks and assumptions

The overarching assumptions are a stable political and economic situation along with the willingness in transboundary cooperation on water issues by relevant Authorities. Initial information on water quantity and ecological conditions are to be also made available by the beneficiary countries.

Additionally it is assumed that, in order to secure project sustainability, national budgets should make provision for monitoring and and water management-related activities.

### 3.5. Conditionalities

Given the number of on-going initiatives in the Kura Basin, the project should set off on the basis of a broad and agreed consensus on the Terms of Reference not only by the relevant Governments but also by other Donors that are currently running similar activities in the river basin.

The EU Water Initiative – EECCA component working group can act as facilitator for the achievement of such common understanding.

### 3.6. Crosscutting issues

The project approach is appropriate for the improvement of good governance aspects, along with regional co-operation of the neighbouring countries. Additionally in this respect, the value added that the project can bring is an approximation of the water sector policies of the beneficiary governments to the relevant EU policies, i.e. the EU Water Framework Directive.

#### 4. IMPLEMENTATION ISSUES

##### 4.1. Implementation method

All activities of the proposed intervention are to be implemented through centralised management.

##### 4.2. Budget and calendar

The project budget is € 5 Million. A minimum of € 3.5 Million will be used for services and a maximum of € 1.5 Million will be used for supplies.

During the further development of the project it may be found that sub-components concerning awareness creation and communication could be better placed within the remit Regional Environmental Centre for the Caucasus (REC Caucasus) being an international organisation, whose mandate is in fact to provide assistance "in solving environmental problems and supports in building the civil society through promotion of public participation in the decision-making process, development of free exchange of information and encouragement of cooperation at national and regional level among NGOs, governments, businesses, local communities and all other stakeholders".). If this option proves valid a part of the funds may be set aside for a direct agreement with REC Caucasus.

~~If during the further development of the project documents the option to place the awareness creation and communication sub-components with REC Caucasus proves valid, part of the project will be implemented through joint management with an international organization through a direct grant agreement with the international organization REC Caucasus.~~

The contribution of the beneficiary countries should be in kind: providing office space and/or accommodation and the necessary time of government staff or from staff of other publicly funded institutions involved in the project.

The expected duration for the action is 36 months.

##### 4.3. Procurement and award of grants procedures

All contracts implementing the financing agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

##### 4.4. Performance monitoring

Quarterly and annual reports will be produced by the consultants. Objectively verifiable indicators will be agreed upon and included in the logframe matrix during the project inception.

##### 4.5. Evaluation and audit

Evaluations and audits will be carried out using standard EuropeAid procedures.