

**Ministerial Meeting on Danube-Black Sea:
Towards a Sustainable Partnership for Integrated Water Management**

**Parliament Palace, Bucharest, Romania
23 February 2007**

Remarks by Ron Hoffer of the World Bank

Distinguished Ministers, your Excellency Ms. Barbu and other representatives of our very gracious host the Government of Romania, delegates from Danube Basin and neighboring countries, and dear colleagues. On behalf of the World Bank we offer our sincere congratulations on reaching this important milestone in international cooperation on the Danube and Black Sea. I might add that it is also a personal honor for me to be here, having worked with the program and many of you during the first half of the 15-year overall effort. It is inspiring to see how your efforts have clarified issues and fostered actions to better manage these irreplaceable resources.

We at the World Bank will do our part to inform and share the valuable lessons-learned in the Danube, with partners in other basins of Europe and Central Asia, as well as globally in the other 5 World Bank regions. Your job is far from complete but you have valuable experiences to share. In these next few minutes let me highlight our past role and focus more directly on the future.

[As mentioned by the UNDP representative], the World Bank has been a member of the strategic partnership in the GEF that has provided \$50 million in grants for capacity-building and directly-linked investments as one of the implementing agencies of the GEF. These projects address wetland restoration, agricultural pollution control and nutrient reduction from wastewater treatment plants. From a policy perspective, these investments have fostered mainstreaming of nutrient control and trans-boundary concerns into World Bank lending for country investment programs.

We recognize that the future of the GEF portfolio is uncertain at this time. Nevertheless, let me emphasize that the bulk of World Bank engagement has been on targeted, national priority investments in water, wastewater, agriculture and rural development amounting to an average of \$300 million per year over the last 4 years in countries of the Danube River Basin.

There are two main messages regarding the future in terms of World Bank engagement in the Danube and Black Sea Region. First, our targeted investments will not only be sustained, but will be even more closely aligned with the needs of our partner countries to meet the environmental *acquis* and neighborhood policies of the European Union. Secondly, the range of investment instruments is broadening in scope and becoming more flexible and responsive in application.

We recognize that the needs for financing have changed. The World Bank is now one of a number of sources for financing as well as technical and advisory services available to you. In response, our country programs are increasingly being coordinated with pre- and post-accession grants of the European Commission, and loans from other International and regional financial institutions. We recognize that there are issues at the country level regarding absorptive capacity for grant and loan funding, your need to maintain fiscal discipline, and reluctance inside many of your governments to borrow for capacity-building and other “soft investments”. The marketplace is more generous, diverse, complex, and competitive. We are recognizing this and, while maintaining our attention to quality services and environmental and social standards, are responding to this change. Let me note three examples.

First; cross-sector integration. The Bank has integrated our former separate programs on infrastructure, and sustainable development (which includes environment and water). One of the outcomes of this integration is an even stronger drive to mainstream environmental considerations into traditional water,

energy and transport projects. This is not just public relations; we will be judged by the success of integration and we hope it will also support your efforts to foster coordination of water and environment investment and program planning across Ministries.

Secondly; a wider range of investment themes. Our mix of products, services and sub-sectors available for investment financing includes significant amounts of carbon financing including so-called Green Investment Schemes. It is growing in such areas as strengthening of hydrometeorological services, the assessment and management of earthquake and flooding risk, sustainable hydroelectric development, and improved irrigation and rural water and sanitation services.

And finally; some new investment concepts. In the energy and transport sectors of Southeastern Europe we are supporting country priority investments through so-called “Adaptable Program Lending” or APLs, where a regional framework is set which helps expedite country-specific investments in a flexible manner. These APLs take advantage of parallel-financing with EIB and EBRD. We will explore such instruments to more effectively meet your needs in terms of EU accession requirements and international conventions in the fields of water, environment and disaster mitigation. We are also testing approaches to sub-sovereign lending without sovereign guarantee.

So in short....we at the World Bank have found our involvement in the Danube program to be very positive, look forward to helping you on the challenges ahead, and intend to be very strong advocates and partners for your good work.

Thanks again to our gracious hosts the Government of Romania, and to all of you, good luck ahead.