

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC16514

Project Name	Integrated Forest Ecosystem Management (P151102)
Region	EUROPE AND CENTRAL ASIA
Country	Kyrgyz Republic
GEF Focal Area	Multi-focal area
Sector(s)	Public administration- Agriculture, fishing and forestry (30%), Forestry (50%), General agriculture, fishing and forestry sector (20 %)
Theme(s)	Environmental policies and institutions (30%), Other environment and natural resources management (20%), Biodiversity (10%), Climate change (40%)
Lending Instrument	Investment Project Financing
Project ID	P151102
Borrower(s)	Ministry of Finance
Implementing Agency	State Agency for Environmental Protection and Forestry of the Kyrgyz Republic
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	30-Dec-2014
Date PID Approved/ Disclosed	30-Dec-2014
Estimated Date of Appraisal Completion	08-Jun-2015
Estimated Date of Board Approval	15-Sep-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Kyrgyz Republic is one of the poorest countries in the ECA region. In 2013, per capita GNI was US\$1200, 2.8% of households lived in extreme poverty, and 37% of the population lived below the poverty line. The country is now recovering from a period of economic shocks, ethnic conflict and political instability, as evidenced by a 10.9% rise in GDP during 2013. However, this recovery remains vulnerable. Kyrgyz Republic is partially dependent on wheat imports from Kazakhstan and global food price shocks are quickly transmitted to Kyrgyz Republic. Many households are dependent on remittances from energy based economies (Russia and Kazakhstan) as well as social payments. The narrow export base is dominated by gold. Kyrgyz Republic's mountainous terrain is

prone to landslides and avalanches.

Rural households, which make up 65% of the population, have been some of those most affected by recent crises. Mountain areas coincide with high rates of poverty, and communities who inhabit these regions are at greatest risk from climate change, due to both extended periods of drought and increased intensity of rainfall resulting in increased soil erosion and land degradation.

A parliamentary democracy is evolving in The Kyrgyz Republic. In April 2010, the government was overthrown, followed by an outbreak of internal conflict in June 2010 in the south of the country. Parliamentary elections followed in October 2010 and presidential elections in spring 2012. A lack of confidence in government and weak social accountability contributed to tensions that caused the crises.

Sectoral and Institutional Context

Although forests cover less than 6% of the area of the Kyrgyz Republic they play a vital economic, social and environmental role and are especially important for the livelihoods of rural communities. More than 2 million people live in or near forest and rely on the forests, not only for timber and fuel wood but also for pasture as well as non-timber forest products such as nuts, fruit, mushrooms, and medicinal plants. The forest cover of Kyrgyz Republic, as a result of over harvesting, by 1966 had reduced to roughly half the area it covered in the 1930s. The state policy and the underpinning legislation then shifted from intensive harvesting towards one of forest protection. The forest area now extends to an area of just over 1.1 million hectares.

Economic opportunities in remote mountainous areas are concentrated on livestock herding, and subsistence farming, but also include harvesting of non-timber forest products, fruit production and some tourism based activities. Livestock numbers are increasing, which in turn has heightened demand for land for grazing and fodder production. This increasing demand is putting further pressure on the already limited forest cover and is leading to subsequent degradation as a result of grazing inside forests in combination with the unregulated removals of firewood and timber.

Forests are almost entirely state owned. Forests are used for a wide range of purposes by neighboring communities, and represent a significant part of local livelihoods. There are confusing types of formal tenure in both legislation and in practice. These tenure arrangements are not secure; they are often contradicting and overlapping, and push people into informal use. Survey data indicate that only 44 percent of actual use arrangements are captured in formal agreements.

The current institutional framework for forest management in the Kyrgyz Republic is a vertical hierarchy within the Division of Forest Ecosystems, (subordinated to State Agency for Environmental Protection and Forests - SAEPF), tasked with overseeing territorial divisions and ground level State Forestry Enterprises (SFEs), or leskhozoes (leskhozoes were set up in the Soviet era to manage both forested land as well as land set aside for afforestation which is often used for pasture and fodder production). This vertical structure means that management functions of the State's forest resources and their regulation are the responsibility of a single Division within a single institution. The SAEPF however lacks sufficient resources to carry out hands-on oversight of its subordinate entities.

Government forest policy and management traditionally focused on preserving and increasing the amount of forest cover, rather than on the relationship between the forests and the surrounding

ecosystem and community, including the pressures of the community to utilize forests as a productive asset. However, sector reforms were initiated with strong donor support in the late 1990s. Beginning in 1999, a number of policies and specific legislation were drafted to develop and regulate the forestry sector in the Kyrgyz Republic. A Presidential Decree, “Concept of Development of the Forestry Sector” was issued in May 1999 with the stated objectives of promoting the sustainable development of the forest sector through improved management of the leskhoz, engagement of the population in the forest, and partnership with the private sector. In 2005 the National Forest Program to Support the Implementation of the Concept of the Development of the Forest Sector (2005-2015) was developed, along with the National Action Plan for the Development of the Forest Sector (2006-2010), and the Forest Code was updated in 2007. Policy implementation though was weak due to a low level of commitment from the central government as well as to a lack of incentives from all level of the forest administration structure

Conditions are now converging, with institutional buy-in and ownership, for broader-based, more effective forest policy reform that would promote community based forest management and greater economic and more sustainable use of resources. The SAEPF has initiated the process of the forestry sector reform by piloting different management approaches in a number of leskhoz. While these pilots are on-going, the legislative framework to legitimize these efforts has not yet been established. To address the legitimacy gap, the SAEPF developed a government decree that grants organizational and financial flexibilities in leskhoz and provides a framework for co-management of forest resources with local communities. The government decree is scheduled to be approved by early 2015. A Steering Committee comprised of government, donor, and civil society representatives is in charge of guiding the pilot reform efforts that will (1) increase transparency of operations (e.g. of the leasing of pasture/land for orchards, timber and firewood sales) of the leskhoz, (2) optimize natural resource use and biodiversity, (3) expand income opportunities of both user groups and individuals by allowing communities to participate in the management and use of the leskhoz pasture and forest area, (4) improve local social and economic wellbeing, and (5) identify legal and regulatory bottlenecks to the ongoing reform process and identify opportunities to overcome them. The Steering Committee aims to gradually reform the overall forest legislation, incorporating lessons learned from the pilots. The reform agenda has been supported by a number of development partners, starting with the Kyrgyz-Swiss Forestry Program (1995-2009), and more recently through GIZ, FAO, IFAD, and local NGO’s among others.

Relationship to CAS

The Country Partnership Strategy (CPS) 2014-2017 for the Kyrgyz Republic identifies public management of scarce natural resources as a priority for improved poverty outcomes, particularly for the almost two-thirds of the population that live in isolated rural and mountainous areas of the country. These rural populations are bottom of the pyramid subsistence pastoralists largely outside the cash economy. The Project will contribute to poverty reduction by protecting and improving the natural resource base of forests and pastures on which the communities are dependent. Currently, leskhoz administration favors those with the funds and labor to protect their forests while poorer, and especially female-led, households are excluded from these arrangements and the benefits they provide. The project also supports the CPS pillar on governance through its proposed policy and institutional reform which will address issues of transparency and accountability in the forest sector at the national, local, and community level.

Forests are also an important priority for the region and form a crucial part of the ECA Regional Strategy. The Project will promote reform of the national and leskhoz level governance structure to

ensure inclusion of local communities in decision making about resource use and management planning. Improved forest management can mitigate the effects of climate change through increased forest productivity, reduced emissions from forest fires, and afforestation or natural regeneration of formerly bare lands and/ or degraded forests.

This Project is in line with the World Bank's 2002 Forest Sector Strategy that aims to: harness the potential of forests to reduce poverty; integrate forests in sustainable economic development; and protect vital local and global environmental services and values.

II. Proposed Development Objective(s) / Global Environmental Objective(s)

A. Project Development Objective(s)

The Project Development Objective is to strengthen the institutional capacity for sustainable forest ecosystem management. The Global Environmental Objective is the same as the PDO.

B. Global Environmental Objective(s)

The Project Development Objective is to strengthen the institutional capacity for sustainable forest ecosystem management.

Key Results (From PCN)

1. Land area where sustainable land management practices have been adopted as a result of the Project (ha - core indicator);
2. Forest area brought under management plans (ha- core indicator);
3. Area restored or re/afforested (ha – core indicator);
4. Forest users trained: i.e forest users trained – female (number – core indicator)
5. Government institutions provided with capacity building support to improve management of forest resources (number – core indicator);
6. Reforms in forest policy, legislation and other regulations supported (yes/no-core indicator).

III. Preliminary Description

Concept Description

The forestry sector in the Kyrgyz Republic has the potential to provide additional but more importantly more sustainable benefits to the national economy and local communities and to help address local and global challenges brought on by poverty, land degradation and climate change. The inability of government to support existing forest policies such as the National Forest Program to Support the Implementation of the Concept of the Development of the Forest Sector (2005-2015) and the current management structure of the forestry sector perpetuate a cycle of inadequate oversight and inefficiency. This is due primarily to the centralized top down nature of the management, the lack of adequate information and investment in the sector, weak capacity, and perverse incentive structures which may lead to rent seeking behavior.

The WB/GEF project will build upon the work and policy reform agenda that the government has initiated and which is currently being supported by a number of donors. The donor support however is in the most part limited to provision of technical assistance and has limited capacity for providing the necessary institutional capacity building and support and roll out of community based resource management in the wider landscape. Most importantly these reforms are being spearheaded through by the SAEPP themselves.

The project aims to support an ecosystem-based approach to the improved management of the area controlled by the leskhozoes including forested lands, pasture, and unproductive or marginal lands. This will be done through support for institutional reform and capacity building, the introduction of participatory management planning at the leskhoz level and support for the implementation of those plans in pilot areas. The current implementation of leskhoz management plans makes it difficult for communities to access these pastures and acts as an impediment to a coordinated land management strategy.

The project will complement the on-going World Bank project “Pasture and Livestock Management Improvement Project” by strengthening the management and coordination of pasture under leskhoz control as well as through adoption of lessons learned from the implementation of the sub-component ‘Forestry Enterprise Pasture Management and Investment’ which will support the piloting of co-management arrangements between pasture user unions and the leskhozoes. The technical underpinnings of the project design are informed by the PROFOR 2012 study entitled “The Development Potential of Forests in the Kyrgyz Republic” as well as preliminary case studies from pilot leskhozoes which are testing the reform model. The results of the ongoing analytical study “Understanding Communities Roles in the Governance of Forests and Pastures in Kyrgyzstan” (March 2015) which is examining the institutional, legal and operational capacity development needs for integrated territorial governance, the opportunities for improved forest management, and the potential to limit land-based conflict, environmental degradation and improve local livelihoods, will also be used to elaborate and refine project design.

World Bank involvement in the forestry sector reform is seen as critical because of the expertise the Bank brings from similar experiences in other countries in the region and around the world and in reforming state-owned enterprises and because the scale of resources needed to achieve the objectives of meaningful reform can only be provided through the proposed WB/GEF project.

The project will sponsor interventions in rural areas and support communities through the improved access and management of the natural resource base the communities depend upon. Development of participatory management plans and support for the implementation of these plans will improve the sustainable management of natural resources to protect natural resource dependent livelihoods. Through more inclusive and participatory management planning, the project will also empower the sometimes disenfranchised rural poor to engage in decisions on the development and use of resources that they are dependent upon. The process of participatory management planning will also create opportunities and incentives for the leskhozoes to work in partnership with communities to reach the objectives of improving sustainable forest ecosystem management and rural livelihoods.

The project will utilize experiences and lessons learned from the recent piloted forest sector reforms to broaden and solidify the institutional frameworks that support community co-management of forest resources in Kyrgyz Republic. With regard to implementation, the project will support the development of a framework approach for adaptive management during project implementation to provide flexibility in defining needs for training, capacity building, investment and TA based on lessons learned.

The project has three components:

COMPONENT I: Forest Sector Institutional Reform:

Institutional reform and capacity building will be required at the national, local and community level. To implement and develop the new approaches required for the different models of leskhoz and community participation, substantial support will be required to develop the framework and to build capacity at all levels of government as well as within all stakeholder groups. The project will provide technical assistance and capacity building at the national level to support the development of the policy, legal, regulatory and institutional framework, based on the lessons learned through the implementation of the pilot activities. This support will be undertaken in a consultative and participatory manner, to ensure that all relevant stakeholders' views and opinions are considered and to develop ownership and support for the way forward.

As part of the development of community based resource management in the participating leskhoz, the project will support the preparation of new Participatory Management Plans. These management plans will be based on participatory rural appraisal and technical input with respect to available natural resources and sustainable levels of production. These plans will include all resources (i.e. forest timber and non-timber products such as walnuts, pistachios, mushrooms, hunting, and pasture carrying capacity, provision of water, tourism opportunities, carbon sequestration, etc.) and will identify the needs and inputs required to implement the plan (i.e. to utilize areas of summer grazing where there is a need for investment in water points, overnight shelter, etc.). These participatory management plans will be developed with the involvement of relevant stakeholders (e.g. local users, user associations, leskhoz staff, local government, as well as the relevant technical departments within the SAEPF). These plans will identify sustainable economic diversification options based on the ecological and economic potential. Management planning will be based on integrated ecosystem approaches to manage multiple objectives of ecological services including biodiversity, tree cover and sustainable economic use.

This component will also provide the technical assistance and capacity building required to support the technical development of the National Forest Inventory, Participatory Management Planning process within the Forestry Departments, and for the establishment, operation and maintenance of the Forest Management Information System (FMIS). Technical assistance will be provided to users of the FMIS including the Forestry Departments, the leskhoz, local and regional governments, and local users and user association. The SAEPF will be given specific support in developing a sound monitoring framework for the ongoing development of the sector.

At the local level, support will be provided for community mobilization to commence the formation of user associations (if required – in some leskhoz areas, there may already be a Pasture Users Union which has the capacity and the desire to participate in the development and implementation of participatory management plans) and in generating the enthusiasm for participation in the new processes. This will also involve working with the relevant local authorities and the leskhoz management. Support will also be provided to work with local participants and the Department of Forest and Hunting Inventory and Planning to develop the participatory management plans.

Technical assistance will also be provided directly to the users associations and also individual applicants for the grants. This assistance will help the applicants prepare business plans and to make assessment of the financial, and economic viability and the overall environmental sustainability.

COMPONENT II: Strategic Investments and Piloting of Sustainable Management Approaches:

This component will support the implementation of the leskhoz Participatory Management Plans, and other strategic investments critical for the reform. Depending on the investment needs, different grant models will be developed and criteria prepared for application, review and award of grants. For example if investment is needed for common or shared resources (such as water points or overnight shelters to encourage the use of currently underutilized summer pastures, silvo-pastoral systems in specific areas, forest improvement activities, plantation forests with short rotation for biomass production, construction of check dams etc.) user associations could apply for a grant to make these investments for the community as a whole. It is envisaged that the Participatory Management Plans will define opportunities for public/private partnerships and where possible and appropriate the out sourcing of some of the current leskhoz responsibilities (such as seedling production) to the private sector will be proposed. Some grants may be better suited for individual or household applications in areas such as: sustainable timber management including investment in the value chain, nursery/seedlings production, agroforestry, production and processing of nuts/fruits, eco-tourism, etc. Eligibility criteria will be developed to encourage the active participation of the poorer sectors of the community with special attention given to the inclusion of women.

Ecological and environmental diversification activities including climate smart agriculture and low carbon pasture management will include emphasis on the potential leverage/attraction of private financing or other financing sources and long-term enterprise sustainability.

COMPONENT III: Information and Monitoring and Evaluation:

Better and more accessible information at the national and local level on baseline resources, tenure, supply and demand, poverty, etc. will be required to support the development and implementation of new leskhoz management plans. Baseline information, maps, surveys, will all be funded under this component. This component will include an update of the National Forest Inventory (NFI) which was partially completed in 2009 by FAO. This partial update did not include the use of new remote sensing or interpretation but relied on old forest boundary definitions with some new field sampling. This sub-component will provide new satellite imagery to define the extent of forest and pasture resources under the management of the SFEs. The relatively new FAO sample data will be used in conjunction with limited new ground-truthing. The methodology for modern statistically sound sample based NFI will be established, and the capacity built within the Department of Forest and Hunting Inventory and Planning to continue the update of the NFI on an ongoing basis and post project. As part of project monitoring and for the continued improvement of the NFI, a second set of images will be procured and interpreted in the project's final year.

A forest management information system (FMIS), will be established in the Department of Forest and Hunting Inventory and Planning to store, analyze, retrieve and report on the data that will be generated during the implementation of the national forest inventory, the preparation of management plans and the monitoring of the management plan implementation (and other relevant sector indicators). This system will be developed to facilitate the monitoring of management plan implementation based on various physical, ecological, economic and social indicators. The proposed system will include a web-based portal which will allow for various levels of access (with password protection for confidential information) to facilitate greater transparency and online submission of data, and reporting by users and leskhoz. The system will be modular and would include: remote sensing of land cover and land use data, on-line reporting of economic activities, financial and administrative data, forest inventory data, biodiversity data, and online reporting of forest law enforcement activities. The FMIS will support the generation of summary statistics and

reports on critical indicators at local, national, and international levels.

Given the fluid and progressive nature of the proposed support for reform in the forestry sector, the monitoring and evaluation elements of this project are particularly critical. The M&E framework for the project will be designed to closely monitor and track lessons learned, both failures and successes so these can be incorporated into the project implementation plans. The monitoring and evaluation of the on-going piloting process will be crucial to defining and agreeing on how best to deploy the resources available under the Credit and GEF Grant.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04	x		
Forests OP/BP 4.36	x		
Pest Management OP 4.09	x		
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	16.11	Total Bank Financing:	12.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			12.00
Global Environment Facility (GEF)			4.11
Total			16.11

VI. Contact point

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