

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA21269

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| 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 | 03-Jun-2015 |
| Date PID Approved/Disclosed | 06-Jun-2015 |
| Estimated Date of Appraisal Completion | 30-Jun-2015 |
| Estimated Date of Board Approval | 24-Nov-2015 |
| Appraisal Review Decision (from Decision Note) | |

I. Project Context

Country Context

1. The 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 10.5% rise in GDP during 2013. However, this recovery remains vulnerable. The Kyrgyz Republic is partially dependent on wheat imports from Kazakhstan and global food price shocks are quickly transmitted to the country. 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.

2. Rural households, which make up 65% of the population, have been some of those most affected by recent crises. Poverty incidence in rural and mountainous areas is extremely high (51%), 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.

3. The Kyrgyz Republic ranks as the third most vulnerable country to climate change in Europe and Central Asia (ECA) using the simplified index of vulnerability. The trend in temperature increase is expected to continue and further accelerate in the near future, with similar temperature increases foreseen under different climate scenarios. The overall warming trend suggests an increase of 2°C in average mean temperature by 2060 and of 4-5°C by 2100. The projected temperature increase is expected to be higher during summer months, while a minimal increase is forecasted for winter. An increase in winter precipitation and a decrease in summer are projected. A significant reduction in the country's glaciers and snowfields is likely, with severe implications for the country's water resources. As glaciers shrink, floods will occur with greater intensity in some areas, while water scarcity will become more acute in others. An increase in surface water flow between 2020 and 2025 is expected (at the expense of glacier melting), followed by the significant reduction in surface flow that is likely to have severe impacts on the country's ecosystems, and the economy in general.

Sectoral and institutional Context

4. 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. Approximately 2.4 million people (or 41% of the total population) live in or near forests and rely on the forests not only for timber and fuel wood but also for pasture and fodder, as well as non-timber forest products such as nuts, fruit, mushrooms, and medicinal plants. As a result of over harvesting, by 1966 the forest cover (619,800 ha) of the Kyrgyz Republic was reduced to roughly half the area it covered in the 1930s (1,194,000 ha). As a result, the state's policy and the underpinning legislation of the Soviet Union shifted from intensive harvesting towards forest protection. This policy has resulted in the forest area rebounding to its 1930s levels and it now extends to an area of just over 1.1 million hectares. The challenge has now shifted to managing these forests productively in a sustainable fashion in order that the population of the Kyrgyz Republic are able to benefit from this resource.

5. 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 resulting in higher rates of pasture land degradation, which in turn has heightened demand for additional 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 removal of firewood and timber. Commercial felling is prohibited under current legislation, with only very low volumes of wood derived from maintenance/sanitary cutting. During the Soviet era, the Kyrgyz Republic imported around twenty times the current official level of timber production. Timber continues to be imported from Russia, but at much lower levels. Estimates of the volume of legal imports and production, combined with estimates of illegally smuggled timber are four or five times less than the estimated annual minimum demand.

6. More than one third of houses in the Kyrgyz Republic rely only on coal and fuelwood for heating and cooking, with many more households relying on woodfuel in combination with other sources of energy. With the rising cost of electricity and gas, as well as supply shortages, many public institutions such as schools and hospitals have been switching to coal/wood-based stoves. The cost of timber at the local market is high at 10,000-15,000 KGS/m³ (US\$ 160-250/m³), and not affordable for most households. Forests are almost entirely state owned, with leskhoz (State Forest Enterprises-SFE), the local level state forest management entities, responsible for managing the State Forest Fund (SFF). Leskhoz 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; the SFF is the land officially designated as forest and includes land allocated for afforestation. Only 26 percent of the SFF is actually covered by forest, 34 percent is grassland, with the balance comprising hayfields, arable lands, gardens and orchards, settlements, and other type of lands. Meanwhile, forests outside of the SFF play an important role for communities, but are effectively under an open access regime. There are 277,000 ha of forests on municipal lands, mostly riparian forests and poplar plantations, which play an important environmental role, but similarly are under pressure from communities sourcing timber and fuelwood.

7. The current institutional framework for forest management in the Kyrgyz Republic is a vertical hierarchy within the Division of Forest Ecosystems, (subordinated to the State Agency for Environmental Protection and Forests - SAEPF), tasked with overseeing territorial divisions and ground level SFEs. 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. Limitations of the current institutional structure, combined with a lack of resources and capacity at the SAEPF has led to inefficiencies in the management of forest resources for the benefit of the nation and local communities and the nation. The project aims to address the institutional issues as well as the capacity and financial constraints within the SAEPF and within its subordinate entities.

8. 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), while the Forest Code was updated in 2007. Policy implementation, however, 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. More recently, additional strides have been made towards supporting alternative forest management arrangements inclusive of communities and their development priorities as through the Guidelines for Joint Forest Management approved by the SAEPF in November, 2013.

9. Conditions are now converging, with institutional buy-in and ownership, for broader-based, more effective forest policy reform that would promote joint forest management and greater economic and more sustainable use of resources within and outside the SFF. The SAEPF has

initiated the process of forestry sector reform by piloting different management approaches in a number of leskhoz. While these pilots are ongoing, 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 mid-2015. A Steering Committee comprised of government, development partners, and civil society representatives is guiding the pilot reform efforts that will: (1) increase transparency of operations (e.g. of the leasing of pasture/land for orchards, and leskhoz timber and firewood sales); (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, and incorporate 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 NGOs, among others.

10. The global environmental benefits accrued by this project derive from the mitigation and adaptation actions inherent in the Project's planned activities. These contribute in a myriad of ways to sustainable forestry (SFM/REDD+), reducing/reversing land degradation (LD), improved water use and management, maintenance of ecosystem protection functions on mountain slopes for ecosystems and human infrastructure, habitat conservation and restoration, building resilience to and mitigating climate change impacts (CCM). Most directly through our Project's activities, the integrated approach to forest ecosystem management will lead to improved forest and pasture management generating carbon sequestration benefits through increasing and maintaining the forest stock and managing pasture use intensity. It is estimated that through the restoration, re- and or afforestation of lands equaling approximately 200,740ha and the sustainable management of forest and pasture landscapes equivalent to approximately 766,185ha. The community-led and private-partnership models of integrated forest ecosystem management being supported as part of this project also have the potential to serve as examples of innovative management approaches for the broader Central Asian Region as a whole. Specifically, the project contributes to the following GEF outcomes:

- SFM/REDD+ Outcome 1.2: Good management practices applied in existing forests
- SFM/REDD+ Outcome 1.3: Good management practices adopted by relevant economic actors
- SFM/REDD+ Outcome 2.1: Enhanced institutional capacity to account for GHG emissions reduction and increase in carbon stocks
- LD Outcome 3.1: Enhanced cross- sector enabling environment for integrated landscape management
- LD Outcome 3.2: Integrated landscape management practices adopted by local government units and/or communities
- LD Outcome 3.3: Increased investments in integrated landscape management
- CCM Outcome 5.1: Good management practices in LULUCF adopted both within the forest land and in the wider landscape
- CCM Outcome 5.2 Reforestation and enhancement of carbon stocks in forests and non-forest lands, including peatland

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

A. Project Development Objective(s)

The Project Development Objective is to strengthen the capacity of government institutions and communities to improve sustainable forest ecosystem management through investments in management planning, ecosystem restoration, and infrastructure.

B. Global Environmental Objective(s)

The Global Environmental Objective is to strengthen the capacity of government institutions and communities to improve sustainable forest ecosystem management through investments in management planning, ecosystem restoration, and infrastructure.

III. Project Description

Component Name

COMPONENT I: Forest Sector Institutional Reform

Comments (optional)

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 within the government structure (horizontal and vertical) as well as within all stakeholder groups. At the local level, support will be provided for the development of a framework to provide the enabling environment for more decentralized management and planning of natural resources at the national, leskhoz, Rayon, and Ayil Okmotu administration levels. The goal of this new approach is to provide more transparent and sustainable management of the country's natural resources in these areas.

Component Name

COMPONENT II: Strategic Investments and Piloting of Sustainable Management Approaches

Comments (optional)

This component will support the development of Integrated Natural Resources Management Plans (INRMPs). It will also provide funding for the implementation of these plans and the priority activities at the leskhoz level. The activities under this component will help increase communities' and leskhoz income and long-term financial sustainability. The management planning will be based on integrated ecosystem approaches that manage for multiple objectives of ecological services including biodiversity, forest and pasture rehabilitation, and sustainable economic use. The Project will finance the implementation of the INRMPs in 12 leskhoz (Achi, Kyzyl, Nookat, Jety Oguz, Balykshi, Frunze and an additional 6 to be determined).

Component Name

COMPONENT III: Information and Monitoring and Evaluation

Comments (optional)

Better and more accessible information at the national and local level on baseline resources, tenure, land degradation, 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 2011 by FAO. This component will also provide the technical assistance and capacity building required for the establishment, operation and maintenance of a Forest Management Information System (FMIS) which will feed into the National Forest Inventory, Participatory Management Planning process within the Forestry Departments.

Component Name

COMPONENT IV: Project Management, Monitoring and Evaluation

Comments (optional)

This component will finance Project management activities which will be undertaken by the Project Implementation Unit (PIU) established in the SAEPF. This will include budgeting, preparing annual work plans, contract management, financial management, procurement, and monitoring and evaluation. Under this component all reporting on implementation progress will be prepared, including monitoring of the PDO and the Project Results Framework indicators.

IV. Financing (in USD Million)

| | | | |
|---|-------|-----------------------|---------------|
| Total Project Cost: | 16.11 | Total Bank Financing: | 12.00 |
| Financing Gap: | 0.00 | | |
| For Loans/Credits/Others | | | Amount |
| BORROWER/RECIPIENT | | | 0.00 |
| International Development Association (IDA) | | | 12.00 |
| Global Environment Facility (GEF) | | | 4.11 |
| Total | | | 16.11 |

V. Implementation**A. Institutional and Implementation Arrangements**

11. The main implementing Agency of the IFEMP will be the SAEPF. SAEPF will be supported by a PIU which will be established for the Project's implementation under the SAEPF. It was agreed that one PIU under the SAEPF will be established to support the implementation of two WB-funded projects, the IFEMP and the National Component of the Climate Adaptation and Mitigation Program for the Aral Sea Basin, scheduled to go to the WB Board in June 2015. In discussions with the Ministry of Finance, it was agreed that the function of procurement and financial management for the new PIU will be provided through the existing Ministry of Finance PIU. The Ministry of Economy and the State Agency on Local Self-Governance and Inter-Ethical Issues will also play a role in the Project. It was also agreed that the already formed National Steering Committee in the SAEPF would serve as the Project Steering Committee. The National Steering Committee (NSC) was established by the SAEPF to promote the forestry reform process through the piloting of the joint forest management models in several leskhozoes. The NSC includes high officials of the SAEPF, representatives of international organizations (GIZ and FAO) and several NGOs. The implementation structure of the ongoing piloting forest sector reform foresees Joint Forest Management Councils (JFMC) at the leskhoz level. If this approach proved to be successful, this will form part of the implementation arrangements. Details of the roles and responsibilities of the lead implementing agency and other institutions will be provided in the Project Operations Manual (POM).

VI. Safeguard Policies (including public consultation)

| Safeguard Policies Triggered by the Project | Yes | No |
|--|------------|-----------|
| 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 |

Comments (optional)

VII. Contact point

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